

Aldona Podgórnjak-Krzykacz
Uniwersytet Łódzki

CO-PRODUCTION FOR LOCAL PUBLIC SERVICES – A CASE STUDY OF THE COOPERATIVE HALLENBAD NÖRTEN-HARDENBERG eG

Abstract

The article discusses collective co-production undertaken for the delivery of local public services. The article analyses a case where co-production took the form of a cooperative. The determinants, techniques and results of this co-production project are related to Polish circumstances to formulate recommendations.

Key words: co-production, local government, citizen engagement, cooperative

Introduction

The quality of local public services can be improved by making them more adequate for the needs and expectations of their users. Because the creation and delivery of public services need to be based on the knowledge about their requisite characteristics and ways of distribution, methods allowing local residents to directly participate in the two processes are gaining importance. One of the methods is co-production, which is adopted in a growing number of countries as a solution for managing local public services. Co-production is deemed an advanced form of social participation, as well as an expression of local governance. Co-production has attracted considerable attention in Poland too, but Polish providers of local public services still have relatively little experience in this area. For this reason, knowledge about successful foreign projects carried out through co-production seems a valuable resource.

The present contribution explores the role and institutional context of co-production in management and providing of local public services by drawing from the theory. Co-production can better meet the needs of the collective through the mobilization of local resources, generating social innovation, cooperation of providers and consumers of public services. That redefines the traditional way of providing public services. The course of co-collective

cooperation and its effects are illustrated by a case study of the cooperative founded by residents of the municipality Nörten-Hardenberg (Germany), which took over running public swimming pool from the local government. The case study is a proof that the co-production is an effective way to improve the availability and quality of public services. Citizen participation in public decision-making, cooperation of various stakeholders and consensus developed allowed implementing an innovative solution and preventing the liquidation of the swimming pool.

Background – The nature and dimensions of co-production

Co-production has been analysed from many angles to determine why it is undertaken, how it is implemented, and what benefits it brings. Co-production is understood as local residents' participation in the delivery of various public services [Każmierczak, 2012: 1]. It takes place when the residents commit their time and work to create public services of their choice (this characteristic distinguishes co-production from volunteerism, which aims to improve the welfare of other people) [Verschuere *et al.*, 2012]. The benefits of public service users being engaged in their delivery were highlighted by Ostrom as early as 1970s [Ostrom, 1975]. Other studies from that period pointed out that residents voluntarily participating in this process can improve the availability and quality of public services, as well as making them more professional [Parks *et al.*, 1981].

In recent years, co-production has attracted, again, the interest of scientists and practitioners involved in the public sector. This renewed interest has been stimulated by the concept of public governance and the resulting call for public authorities to include various stakeholders (private and civic organisations, citizens) in decision-making processes. The discussion on this topic fits into the broader context of territorial cohesion policy of the EU, whose main objective is to multi-level co-government. Model of multi-level governance in the EU means the distribution of public authority both vertically between different levels of governments (the supranational level, national, regional and sub-regional) and horizontal, between territorial and functional actors [Stein, Turkewitsch, 2010: 3–5]. Therefore implies the involvement of independent politically but interdependent economically or socially in public decision-making at different levels of government [Schmitter, 2004]. This commitment is based on deliberation, participation in the negotiations, and the design of policy decisions. The implementation outcome of multi-level governance is the scattering centres of power and the networking of European public policies.

At the same, the idea of civic society is promoted. The idea is taking roots indeed, as proven by the fact that citizens internalise values and attitudes such as solidarity, social pluralism, cooperation, civic activity, volunteerism, selflessness in action, care of public good. Both approaches resulted in an increase of governance processes inclusiveness, especially at the level of local government.

In the new social and economic circumstances, co-production is interpreted somewhat more widely, as “the provision of services through regular, long-term relationships between professionalized service providers (in any sector) and service users or other members of the community, where all parties make substantial resource contributions” [Bovaird, 2007: 847]. It is therefore based on the partnership between the users (individual or collective) of public services and their providers (public, private or third-sector organisation) that learn and improve public services together. To ensure that local resources are pooled together and that the community members really have a chance to play a role in the delivery of public services, the existing approaches to public services management must be revised [Bovaird, 2007].

The above definitions point out that two forms of co-production are possible. These are:

1. Residents directly participate in the delivery of public services; in this case, a local resident or a group of residents take over the responsibility for delivering a public service from the council. This type of co-production is particularly frequent with respect to public security, education, child care, simple caregiving and social services. These services do not need sophisticated equipment to be provided, requiring rather special knowledge of users’ needs or special skills in some cases. Further, the public providers of non-commercial social services may be replaced by non-governmental organisations, and organisations providing services on a commercial basis by cooperatives formed and run by the residents. These approaches may offer an alternative to the privatisation of municipal assets, or even to the liquidation of schools, sports facilities, or other public institutions. Administrative services are special in that they must be delivered according to detailed rules and laws, so they cannot be provided by organised residents. Technical services need special infrastructure which makes the above mechanism less applicable, but its use is not impossible.
2. Residents co-manage the delivery of public services; this type of co-production involves their participation in public decision-making. Residents comment on the organisation, the manner of delivery and the quality of public services, and put forward and plan the necessary modifications. This approach can be applied to all areas of public services, e.g. education (to manage schools, kindergartens, to determine the territorial network of educational establishments, to develop some elements of curricula, to make service quality assessments), healthcare (to manage hospitals, to determine the territorial network of medical establishments, to make service quality assessments), transport, culture, security, municipal services, care-giving services (to organise them and make quality assessments).

Löffler and Bovaird have put forward a classification of activities appropriate for co-production. According to the authors, co-production may be used to [Löffler, Bovaird, 2012: 9–10]:

1. co-commission services, including co-planning of policy, co-prioritisation of services, co-financing of services;

2. co-design of services;
3. co-delivery of services, including co-management of services and co-performance;
4. co-assessment (including co-monitoring and co-evaluation) of services.

The above classification arises from a broad interpretation of co-production and takes account of processes which are used to transfer the responsibility for public service delivery from its provider to the residents, as well as cooperation between the service users and service providers in designing a service and then in assessing its utility. The most advanced form of co-production is when its tools are used throughout the process.

Based on the number of residents engaged in co-production, Löffler and Bovaird have distinguished two types of the process – individual and collective. Individual co-production consists of simple activities and is easier to implement than collective [Löffler *et al.*, 2008; Löffler, Bovaird, 2012]. For the latter to take place, a group of active and willing residents, advanced coordination methods and pertinent techniques must be available. Whether collective co-production will come into existence and how effective it will be is also determined by the density and centrality of social networks comprised of local actors (residents).¹

The success of co-production is determined by two factors: the availability of public service providers that are willing and open to this process, and citizens ready to join in. It is very obvious that the motivation is stronger when the future partners believe in co-production as an advantageous solution, and when they are prepared to assume some responsibility for the delivery of services. However, it is not enough that the public service providers have adequately strong motivation, as appropriate organisational and legal instruments must be available too (workshops, consultations, citizen budgets, ICT tools), as well as personnel skilful in putting them to work. The odds of co-operation being successful are higher when the organizational culture is conducive to decentralization and welcomes contributions from the non-expert users of services to decision-making processes, and when the residents are treated as equal partners. In many cases, co-production has contributed to changes in the service providers' philosophy of action, leading to the replacement of wholesale delivery of public services by personalised services delivered in partnership with their users.

The amount of local residents' interest in using co-production for delivering public services depends on the popularity of a service and its ability to fulfil their needs, i.e. to improve the quality of their lives. Interest in co-production is the stronger, the more important a service is for individual residents or the community as a whole [Pestoff, 2012: 24–25]. According to Porter, residents' skills are also a factor [Porter, 2012]. For this reason, a co-production is carried out successfully in social services, that determine the quality of life and life chances, such as: child care (economic, political, pedagogical, or social participation from

¹ The density of a social network is presented as a ratio between the actual number of connections among its members and the potential number of connections; the centrality of a social network indicates its members with the greatest number of connections with others.

parents, family nurse partnership –first time teenage parents complete support to improve child and maternal health, improve school readiness and educational achievement and help parents become economically self-sufficient), basic education (involving parents in education, family learning), elder care (co-designing of new services for and with elderly people), health care (co-creating of self-care programmes for long-term health conditions for and with patient), safety (family intervention project, Citizen Speed Watchers).

The existing studies on co-production and an analysis of its assumptions allow the key benefits of the approach to be defined. In most cases, its ability to ensure higher quality of public services is stressed. Vamstad who has studied co-production in Swedish kindergartens has also found that in facilities run by the non-governmental organisations services delivered through co-production were of better quality and more professional than in private kindergartens [Vamstad, 2012]. It is notable that co-production not only influences the type of public services to be delivered and their quality, but also stimulates the demand for them.

Co-production gives new role to residents, transforming them from the passive users of a public service into active creators that also assume some responsibility for its delivery. By committing their assets (knowledge, time, skills, and experience) they make a service more valuable and give it the characteristics that the public service provider alone could not create. The resident becomes a catalyst of change and contributes to the emergence of innovations that improve the fit between a service and what its users expect of it (personalization of a service).

Co-production can also be perceived as a participatory tool in municipality management, which allows the residents to actively participate in the making of decisions on public matters. The taking over of the delivery of public services by the residents can also be interpreted as a progressing decentralization of public tasks in the municipality. Social participation presents an opportunity for the local administration to incorporate individual and collective preferences into its decisions and actions, and thereby to increase its responsiveness to local needs.

Co-production as much depends on social networks as it stimulates their creation. According to Putman, social networks help all three sectors (civic, public and private) to be more productive, probably because of learning processes occurring in the network and its members benefitting from the spillover of innovative solutions [Putnam, 2000].

Co-production also has a financial dimension, as it allows municipalities to cut their budget expenditures. The resources contributed by the residents (time, work, knowledge) enable the provider of a public service to spend less than when it would have to pay all expenses by itself. Residents' satisfaction with their contribution to the community is another aspect not to be ignored.

With all the advantages that co-production offers, it is also a source of concerns. The main of them is the risk of a widening gap between less and more active residents and of the most active groups in the community forcing their opinions. Another concern is related to the need to define who is accountable for the quality of public services. When services are created through a joint effort of the residents, doubts may appear as to who is ultimately responsible for them.

With responsibility stretched over several entities it is difficult, and sometimes even impossible, to establish the one in charge. There is also some uncertainty about whether a service will be delivered in a professional manner.

The above discussion can be recapitulated by presenting the main theoretical perspectives on co-production. Co-production is certainly interesting for the public sector economics, as a solution influencing the demand, supply and effectiveness of public services. The new institutional economics analyses co-production in terms of the effect that the mechanism for managing collective action has on the transactional costs of public service delivery. Given that social participation and citizens' grassroots initiatives are inherent elements of co-production, it also falls under the concept of civil society. The last perspective on co-production has been developed within public management, where it is viewed as a mechanism for managing collective action. All these dimensions of co-production make it an interesting area for study in the framework of theory and practice of local governance.

Method

In this article, the process of development of collective co-production is analysed using a case study on the German municipality of Nörten-Hardenberg, where local residents formed the cooperative Hallenbad Nörten-Hardenberg eG to reopen a municipal swimming pool. The reason why a German case was selected was the findings of a survey of citizens' involvement in the delivery of public services in five European countries (the UK, Germany, the Czech Republic, France, and Denmark), in which Germany ranked second after the United Kingdom [Löffler *et al.*, 2008]. Furthermore, the project undertaken in the municipality of Nörten-Hardenberg was the first of this kind in Germany. A case of co-production involving a sports facility in a German municipality is analysed to establish its causes, the organizational vehicle and the outcomes. The findings are then examined to determine what factors may respectively facilitate or hinder the implementation of a similar solution in Polish municipalities. The questions will be answered by reviewing press materials, the descriptions of good practices and interviews with the then mayor of the Nörten-Hardenberg and the board member of the cooperative.

Results

The municipality of Nörten-Hardenberg had run a local swimming pool which had the status of a public law entity since 1970s. After 30 years, the facility was an unappealing structure, in need of refurbishment and modernisation, and the loss it generated totalled € 250,000 [Mensch, 2012]. Consequently, in 2004 the

council decided to shut the swimming pool down. Dissatisfied with the decision, the residents launched many initiatives on the slogan „Save the swimming pool”, such as [Priebe, 2013]:

- meetings at which they demanded that the swimming pool be reopened;
- the formation of a local association which was to solve the problem in cooperation with the council. The association represented the interests of local residents, but its legal status prevented it from running the facility. The proposal to find a private investor was rejected on the grounds that the solution was too risky;
- seminars attended by experts invited to help find an organisational vehicle that could take over the management of the swimming pool. At one of the seminars a decision was made that local residents should form a cooperative.

The decision was followed through and in 2005 the swimming pool was reopened, now managed by a cooperative. The initial group of several tens of local residents that formed the co-operative decreased in time to 300 people. All individuals wishing to become the cooperative members had to make contributions of at least € 100, which altogether amounted to € 50,000. The council undertook to allocate an additional amount of € 450,000 to refurbish the facility and to make an annual payment in support of the facility of € 75,000 [Pricibilla, 2005]. In other similar projects in Germany, the financial commitment of municipalities remained at a similar or higher level (eg. in Hochheim annual contribution of the municipality is € 165,000, besides the city granted to the cooperative interest-free loan of € 200,000, while Hallenbad Mücke eG in addition to annual municipality payments of € 185,000 per year, received the financial support of the Land of € 650,000 investment, the city Uslar annually pays € 170,000 to the cooperative and municipal contributions to Naturerlebnisbad Luthe or Sonnenbrinkbad eG iG is € 50,000 per year). Local residents, entrepreneurs and the representatives of non-governmental organisations formed an alliance to bring the swimming pool back to life. In addition to local organisations and private persons (various community groups, including unemployed people, the residents of the municipality of Nörten-Hardenberg and people living in adjacent units, the council, local administration, entrepreneurs, financial institutions, and suppliers) the group of stakeholders included also experts and the members of the Lower Saxony administration.

Co-production undertaken in the municipality was not an all easy process – one of the main obstacles was residents’ and officials’ low acceptance of the project and strong scepticism, which were particularly marked in its early stage [Priebe, 2013].

The special cooperation tools used in each phase of co-production were proposed by the partners (table 1). The service was planned through a joint effort between the residents and the council, but then its delivery was taken over by the cooperative formed by the residents.

Table 1

The tools of collective co-production adopted in the municipality of Nörten-Hardenberg

Types of co-production	Direction of co-operation		
	C2G	G2C	C2C
Co-commissioning	Meetings of the residents	Consultations	–
Co-design	Contribution from the association	Seminars, workshops with experts The municipality having its representatives in the cooperative's authorities	–
Co-delivery	–	Participation in the cooperative's expenses	Activities of the cooperative, cooperation with local firms, including suppliers and financial institutions
Co-assessment	Reports on cooperative's activities presented at the Council's sessions	Consultations with the Länder's Finanzamt	The cooperative and local entities cooperating in the area of accounting and auditing

Source: developed by the author.

Co-production turned out beneficial for all three categories of stakeholders, i.e. the council, the community and the new cooperative.

The council gained both economic and social benefits, such as:

- lower operational costs, because the amounts spent on an unprofitable swimming pool could be eliminated;
- an attractive facility attracting new residents has been retained;
- more jobs in the local labour market [Priebe, 2013];
- active and engaged residents, social integration, stronger civil society;
- social inclusion;
- a facility open to all residents wishing to improve their health and fitness;
- a wider range of sports activities available to school children and students.

The community's benefits were both collective and individual in nature:

- the facility could still be used by the residents;
- a wider range of services (a sauna and a spa);
- a facility serving the purposes of various community groups, including people with health problems (personalization);
- residents' satisfaction with the success of the project;
- social integration.

The cooperative benefitted from:

- an increase in revenue from € 65,000 in 2005 to € 190,000 in 2011 (at the same time, the deficit declined from € 250,000 in 2004 to € 35,000 in 2011 [Mensch, 2012];
- lower operational costs, because accounting and financial controlling services, as well as technical inspections of the facility were provided free-of-charge by cooperative members; the ticket vending machines installed also reduced costs;
- local residents performing their functions in the cooperative without pay.

The success of this specific case of co-production was determined by many factors and it very certain that it depended on all of them occurring at the same time. The factors can be divided into several categories:

1. The attitudes and feelings of the residents: their engagement, trust, the need for fulfilment, strong motivation and dissatisfaction with the present situation;
2. The attitudes of the Council: openness to new solutions, readiness to initiate activities, active pursuit of options, the mayor being the project leader and advocate as well as sitting on the cooperative's board, residents treated as equal partners, willingness to coordinate the network;
3. Cooperation: all stakeholders bringing in their resources, particularly the members of the cooperative and local organisations contributing their skills and expertise, dues paid by the cooperative members and public money pooled together, different techniques to further cooperation (meetings, consultations, seminars, workshops);
4. Organization and management: decentralization of tasks, responsibility for service delivery transferred from the municipal authorities to the community, the cooperative applying functional management rather than the municipality managing just one of its services, laws permitting the cooperative to run the facility, the legal form of the organisation managing the facility (a cooperative) enabling both business and civic activity, the residents' association and the cooperative active in the same period, a dense network of (authentic) connections in the local community and the key positions of several actors (local activists, founders of the association and the cooperative, including the mayor).

The Nörten-Hardenberg project represents a case of effective co-production carried out by local residents, municipal authorities and the representatives of other sectors to deliver a public service. Their approach has been recognised as an innovative public-private and public-civic partnership.

Discussion and conclusions

The case study presented above offers several general conclusions about the role of local authorities in co-production projects. Firstly, when co-production is undertaken to deliver public services to the residents, local authorities must redefine

their philosophy of action. They have to learn how to mobilize and encourage the members of the community to participate in co-production, to act as a coordinator but also a promoter and advocate of co-production, and even to pay some of its costs when necessary. Discussed project indicates that the co-production brings positive results for both social and economic areas. Unmet collective citizens need was a mobilizing factor, causing active social participation and willingness to act for the common good. The economic effects were relating to the public (municipalities) and private (residents involved in the activities of cooperatives) sphere and consisted of: providing access to public services, positive impact to the local labour market and the growth of residents entrepreneurship. The form of cooperative for the co-production is undoubtedly beneficial because it provides citizens long-term commitment and financial support from the municipality. However, the limitation is the availability of its application to business.

To determine how the above model fits the Polish circumstances, the legal and organizational framework in which local governments in Poland deliver services to the public must be analyzed first. The Polish local government system is a democratic institution in charge of delivering public goods and services that meet real, collective needs of local and regional communities. Polish municipalities are relatively free in deciding how the process should be organized. Depending on its type, a public service can be delivered by a municipal provider, a private provider or an NGO. The non-public providers usually deliver public services following a tendering procedure or an administrative procedure (that grants them the pertinent licences and permissions), while NGOs must compete for projects. Under Polish law social cooperatives are also permitted to seek the delivery of public services, which means that they are formally eligible for participating in co-production.

In my opinion some problems that are likely to affect the expansion co-production in Poland arise from low social capital and citizens' inactivity. Interest in public matters that could promote co-production processes is not common in the Polish society, nor social values as the determinants of people's daily choices. These observations have been confirmed in many studies. For instance, surveys of people's trust in their fellow citizens estimate that in Poland it is 2–3 times below the EU average and 5 times lower than the Scandinavian average [Edelman Trust Barometer, European Social Survey]. Only one third of Polish adults meet the elementary standards of democratic citizenship, with the "high quality" citizens estimated at less than 20% [Raciborski, 2009]. This situation calls for promoting solutions based on co-production, which can offer numerous benefits (tangible and non-tangible) to both residents and the providers of public services. The local dimension of co-production, its embedment in the immediate environment of the residents and demand for services make it very probable that this type of civil activity will grow in use.

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