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# The Changing Relationship Between the Government and the Nonprofit Sector in Iceland

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### Abstract

*The paper illustrates a historical examination of nonprofit relations in welfare services in Iceland. Variables affecting the conditions under which different types of relations are developed are defined. The findings from the Icelandic case study coincide with other international studies describing some general changes in government-nonprofit relations in the 20<sup>th</sup> century, from supplementary to more complex complementary and adversarial relations using Young's conceptualization. There are, however, some distinguishing features. The supplementary phase was prolonged when compared to other countries and nonprofits' leading role in public policy making and provision of welfare services more prominent. A small and reactive public administration can be considered an important explanatory factor. Governmental effort to define a formal contractual relationship in the spirit of new public management at the end of the century have seemingly not lead to fundamental changes in the partners' interaction.*

### Introduction

Government – nonprofit relations<sup>1</sup> have in recent decades become a prominent theme in research on public administration. A variety of concepts and theories in public administration focusing on complex voluntary coalitions between different levels of government and sectors have been used to describe the relations such as “collaborative public management” (Bingham, O’Leary 2009), “public/government networks” (Agranoff 2007) and “third party government” (Salamon 1987). In 2006 a special issue in one of the leading academic journals in public administration (*Public Administration Review*) was devoted to collaborative public administration because of an “explosion of new developments in the area” (O’Leary 2006, 6). This new development can be considered part of what has been called the “global public management revolution” (Kettl 2000).

In 1987, Salamon pointed out the need for a solid theoretical basis for government-nonprofit relations. Since then, a number of theoretical models have been introduced describing different taxonomies of relations and analyzing the conditions different types of relations are developed. International case studies have been used for this purpose (see e.g. Young 2000; Najam 2000, Bundesen et al. 2001; Burger and Veldheer 2001). This paper includes a brief historical examination of nonprofit relations in welfare services in Iceland. The study is expected to add to the collection of case studies to aid in further developing theoretical models for explicating government-nonprofit relations in a historical

1 There are several definitions of the collaboration between the relevant entities. In its basic form, the relation includes voluntary long-term cooperation, informal or formal, between any governmental unit(s) and autonomous nonprofit organization(s), based on some kind of mutual benefits. The expected advantages of the cooperation include benefits of some kind, increased efficiency, effectiveness, cost savings, flexibility, or increased operational capacity or quality.

and international context. Young's (2000) study defining three types of relations is used as a conceptual framework.

### Conceptualization of government-nonprofit relations

Dennis R. Young (2000) conceptualized the government-nonprofit relation in a historical review of the relationship in the United States, United Kingdom, Israel and Japan. A comparable models has been put forward by Najam (1996) and Coston (1998). According to Young's taxonomy, the relation can be defined as supplementary, complementary or adversarial.

In line with the *supplementary approach*, nonprofits simply respond to unmet demands for public goods not fulfilled by the government. Young elaborates on Weisbrod's work (1977) on the economic theory of the nonprofit sector. Weisbrod argues that when preferences are heterogeneous, the government responding to the "median voter" is not able to fulfill the needs of all citizens. Provision of public goods is therefore left unsatisfied and the field is therefore open for the nonprofit sector to fill the gap. Young asserts that citizen preferences can vary widely across governmental areas or domains. For example, citizen preferences can be expected to be homogeneous in the areas of policing and military defense and therefore less important for nonprofit involvement. In the case of the arts, on the other hand, the preferences can differ extensively, and consequently, the role of nonprofits can be seen as highly important. Young also uses the theory to explain cross-country differences based on the assumption that there is a correlation between societies' hetero-/homogeneity and the importance and size of the nonprofit sector.

The supplementary model and its theoretical premises can be used to explain the role of philanthropies in the 19<sup>th</sup> and early 20<sup>th</sup> centuries in meeting a variety of welfare needs following industrialization and urbanization, both in the UK and US, where governmental activities in providing health and social services were limited.

The *complementary approach* implies that collaboration between government and the third sector carries with it mutual benefits; one party provides necessary resources, the other services or support. The argument for contracting with nonprofit organizations rather than with profit-oriented companies, according to Young, is that contracting with the former can lower transaction costs since nonprofits have more insight into the preferences of communities. Due to the incentives and non-distributional constraints applicable to nonprofits, the negative effects of information asymmetry between government and nonprofits should be minimal as compared to profit-making companies, thus promoting nonprofits as "trustworthy" agents.

Salamon's third-party government theory (1987) coincides with Young's complementary approach, where nonprofits can have an important role in addressing social problems, as well as finding new approaches for solving these problems at even lower cost than the government. On the other hand, nonprofits cannot usually provide the financial resources or stability of funding available to governments. The weakness of nonprofits is the strength of governments, and vice

versa. This reciprocity has also been defined in the resource dependence framework (Saidel 1991), and the stewardship theory introduced by Slyke (2007) looks at a contractual relationship as a convergence process due to shared collective interests. In line with Slyke's argument, Brown (2004) argues that transaction costs of long-term relationships based on mutual trust may entail minimal cost. In addition, cultural norms and organizational reputation can affect the outcome of the relations, factors not included in formal contracts (Gazley 2008).

The complementary lens looks at the nonprofits and government as collaborators in achieving common goals. The *adversarial approach*, on the other hand, focuses on the two entities as adversaries in policy making and provision of public services. A divergence of nonprofits and government is reflected in the former's attempt to influence the policy making of the latter. Instead, government tries to regulate its operations and advocacy initiatives. According to Young, who refers to Weisbrod, the argument is that preferences of heterogeneous groups are not reflected in public policies. Accordingly, minorities will unite as a nonprofit organization to meet their own needs and, in addition, force government to respond to them by establishing new public programs. Nonprofits' initiatives can demonstrate unmet needs, which eventually will be financed or satisfied by the government. This entrepreneurial role coincides with the supplementary approach.

At one end of Coston's (1998) government-nongovernmental relationship continuum are the concepts of "repression" and "rivalry" expressing extreme action of government in outlawing or restricting nonprofits in certain areas or certain advocacy groups, with examples found in countries with military regimes. The concept "repression" also refers to the case of previously operational nonprofits being "forced out" of a public domain or "colonized" because of the more active involvement of government.

In Young's comparative study one type of nonprofit-government relations dominates during a particular period of time although it may carry features of all three approaches. It is logical to relate the supplementary view to the advent of the welfare state in the Western Hemisphere in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, and use the complementary and adversarial views to describe the growing complex relations between the third sector and the government in the second half of the 20<sup>th</sup> century.

Despite this international development the findings from Young's study and other international case studies (Young 2000; Bundesen, Skov Henriksen et al. 2001; Burger and Veldheer 2001) conclude that each country differs in its combination of supplementary, complementary and adversarial relations depending on its unique attributes. At least four sets of attributes can be defined:

Situational factors reflecting various features of individual nonprofit organizations, or the sector as a whole, including the organizational function and size, level of community acceptance or trust towards the organization, the public domain the non-profit operates in, and revenue structure.

Government/political system attributes, e.g. at what level of government the

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interactions take place, public administration capacity (measured in operational size and qualification of staff), political culture and attitudes towards government and the market.

Societies'/communities' characteristics, i.e. social norms, cohesion and community integration, which can be seen as the "breeding-ground" or prerequisite for nonprofits to establish themselves and grow.

Variables affecting the relationship between nonprofits and government entities:

Autonomy of nonprofits. This refers to the extent to which the government controls or dominates, and to what extent decision making is shared. This is comparable to Coston's (1998) concept of symmetric or asymmetrical power relationships or Kuhnle's and Selle's (1992) nonprofit government independence/dependence dichotomy and Gazley's (2008) dichotomy of "shared decision-making" or "government in control."

The degree of consensus or conflict between government and nonprofits. This refers to Coston's dichotomy of "acceptance/resistance" to institutional pluralism and Najam's (2000) typology: cooperation-complementary vs. conformation-cooptation.

The subject of the interaction. According to Anheier (2005, 283) the government-nonprofit relations can take place in four different fields: A. Funding, i.e. the variety of grants, payments for services, concessionary loans, etc. B. Non-monetary support, i.e. facilities, goods and services in kind. C. Mandates, i.e. the legal requirement of government to involve nonprofit organizations in making or implementing public policy. D. Regulations and accountability, i.e. the government regulatory framework in which the nonprofit organizations operate.

Formality of relations. Gazley considers this concept may simply describe whether a formal contract exists. Formality, according to Coston, refers to the degree to which the participants choose to activate their relationships. Formality can also be defined by the type of formal contracts signed (Greve 2000). So-called "hard" contracts exist when there are competitive and impersonal relations between parties. The purpose of a written contract is to limit the level of risks and problems of information asymmetry. This is achieved by writing an all-inclusive document to cover all possible events. "Soft" contracts, on the other hand, focus on cooperation and "good faith" where contracts are left open to some interpretation and unexpected events need not be covered in the contract.

The extent of interaction. The intensity of formal or informal interactions can be measured by the frequency and regularity of informal or formal communications of key parties. Kuhnle and Selle (1992) use the concept of "closeness" to refer to the level of communication and contacts.

The key variables defined above are analyzed to describe the historical development of government-nonprofit relations in Iceland.

### Findings<sup>2</sup>

The historical summary of nonprofit relations in welfare services in Iceland is divided into four phases, each one having distinct characteristics. The first period covers 1850-1940, the second 1940-60, the third 1960-1990, and the last covers 1990 to the present.

*The first period, 1850-1940: The rise of philanthropy and nonprofit/government supplemental relations.*

Supplemental relations exemplified the period. In the period 1850 to 1900 several new associations were established which later were to greatly influence the Icelandic community. In 1874 Iceland, which was a Danish colony at the time, received a separate constitution. With the new constitution, freedom of association was manifested in Iceland. However, the previous lack of legal foundation had not prevented the establishment of a range of associations earlier in the 19<sup>th</sup> century, but the Constitution was an important stimulus to the formation and support of organizations. In addition, the Icelander Jon Sigurdsson, who led the struggle for independence from Denmark in the 19<sup>th</sup> century, had urged the nation to form and join associations that would modernize Icelandic society (Róbertsdóttir 1990). The nation rose to the challenge.

At the turn of the century, Icelanders numbered a mere 70,000, with only approximately 10% of the population living in urban areas (Hagstofa Íslands 1997). Urbanization was developing in the southwest area around the capital, Reykjavik. Around 95% of the nation lived off agriculture and marine fishing. Despite the economic upswing following industrialization in the fishing industry poverty was widespread, both in rural and urban areas. In the first decades of the 20<sup>th</sup> century, the number of urban inhabitants increased exponentially as did, concomitantly, unemployment, poverty and lack of housing. Public expenditure as a percent of gross national income was only 5% (Magnússon 1993, 203).

The urbanization and economic upswing following industrialization created new citizen preferences which were met by a variety of new entrepreneurial associations offering basic social and health services, like hospitals and poor-relief, apart from fighting for human rights and well-being. Three types of associations were established during this period. First were women's rights associations, which additionally performed charity and humanitarian work. Secondly came associations which, as part of the Nordic peoples' movement, focused on improving the nation's level of knowledge and education (Róbertsdóttir 1990). Lastly, a powerful abstinence movement became, in a short time, one of the largest mass movements in the country. Commonly, the associations had multiple purposes, e.g. women' associations, in addition to fighting for the legal rights of women, also established support foundations for poor relief and abstinence programs. Almost without exception, nonprofits established and operated social and health care institutions.

2 A summary on methods and data collection is found in the appendix.

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Hospitals were operated with a minimal contribution from the central and local government, but were mostly financed by the patients themselves or funds from different associations.

Public policy making became the responsibility of the restored parliament. With home rule in 1904, an Icelandic Ministry Office was established. During the first decades of the 20<sup>th</sup> century the office was small and attended primarily to the processing of routine business (Kristmundsson 2005). The capacity of the public sector was very limited and included mostly general administrative functions. The central government, similar to local communities, allocated few resources to welfare, and few public institutions in the social and health care sector existed (Hagstofa Íslands 1997). Direct financial support to private parties was negligible. In 1877 nonprofits started to benefit from tax exemptions relating to income and property taxes (Vilhjálmsson 2003).

Keeping in mind the limited regulatory framework and governmental resources, it can be argued that nonprofits had extensive autonomy regarding their operations. Many of the urban societies established in this period were founded by affluent citizens who frequently belonged to the same elite class of society as the public officials. The limited relations between government and nonprofits were informal and without apparent conflict.

In the early 1900s, the position toward increased public intervention and a public role in health and social services seems to have been generally negative. Government therefore did acknowledge the associations' efforts in welfare provision but did not accept responsibility for operating governmental programs in the area. Apart from poor relief that had been the responsibility of local government and the church beginning with the settlement of the country in the late ninth century, a general consensus was that if health and social services were to be provided at all, they should be in the hands of private entities. In the second and third decades of the twentieth century the attitude of authorities began to change, leading finally to the foundation of the Icelandic welfare system. There were several reasons for these changes. Parallel with the advent of home rule in Iceland in 1918 (the first step toward full independence from Denmark) authorities began focusing more and more on domestic problems. The national income increased considerably as a result of industrialization of the fishing industry, and consequently urbanization grew. Associations led the public debate on the need for improvement in health and social security.

All these factors paved the way for increasing public intervention and contributions to the welfare sector in the form of sickness, injury and support insurance. This development led to a substantial increase in welfare expenditure and created the basis for a stable emergence of private entities operating in the welfare sector.

*The second period, 1940-1960. Supplemental relations continue – financial basis established.*  
Two major events occurred in this next period that influenced the formation of the



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Icelandic welfare state. These were the passing of legislation on public insurance in 1936 and the social security act of 1947 (Ólafsson 1999, 115). Despite this monumental legislation, nonprofit institutions continued to take the initiative for new welfare institutions. The construction of hospitals was primarily in the hands of private parties, such as the Catholic Church, women's associations and affluent individuals. In this manner, the National Hospital was established through the help of these parties, despite the opinions of some that the government should, importantly, lead the way (Magnúss 1981, 20).

The number of associations operating in the welfare sector did not increase substantially during this period. However, patients' associations were established for the first time, advocating their clients' best interests, but also taking the initiative to establish and operate treatment facilities. An example is the Icelandic Association of Tuberculosis and Chest Patients, formed in 1938. Also, different associations emerged, including powerful unions and political parties, which as in the other Nordic countries, had strong alliances (Kristjánsson 1993). Cooperative societies became prominent and primary players in increasing the number of commercial and industrial jobs in the country (Kjartansson, Gudmundsson et al. 2003).

Apart from the social security system, the government directed its attention and resources to industrial and economic affairs. In the latter half of the period, foreign affairs became the center of focus. In 1940, to prevent Germany from occupying Iceland as part of waging the Second World War, British forces occupied Iceland without opposition, and later US forces arrived to further support the position of the Allies. When Iceland joined NATO in 1949, the US acquired military facilities in Iceland. Following the occupation, Iceland experienced intensive social and cultural changes. It was one of the few countries in the world that did not make substantial social or economic sacrifices during the Second World War. Instead, the country experienced an economic upswing. Iceland's isolation through the long centuries after its loss of independence in the thirteenth century changed and the country opened up to international influence. The fermentation that occurred during this period led to dramatic changes in Icelandic society.

During World War II migration from rural areas to Reykjavik increased faster than ever before. A serious housing problem resulted in the capital, and social problems arose, among other things, because of relations between Icelandic citizens and the US military; though the US military provided an influx of capital and goods, the major result was a social ferment. These social changes seem to have been a source of new concerns for charities. The Icelandic Red Cross, for example, established several summer camps for children from Reykjavik to decrease the negative influence of urbanization on children.

During this period it was common for associations to fund and operate various welfare institutions, and the social security system provided stability for them with a regular income in the form of day rates. Governmental subsidies were also known to cover construction expenses. Despite this, funds were low and examination of the

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history of different associations from this period reveals constant financial problems and requests for increasing governmental support. Communication with the government seems mostly to have been initiated by the different associations and centered on requests for financial support.

In this period, laws and regulations regarding the foundation and operation of nonprofits were unchanged. In 1949, new legislation was passed (Act no. 27 /1949) which permitted one particular nonprofit organization to establish a lottery for financing construction costs. In the following decades, lotteries and operation of gambling machines became an important independent and stable revenue basis for the largest nonprofit organizations in Iceland. However, these operations have been, and continue to be, limited to individual organizations and dependent upon government licensing.

This period in short continued to be characterized by supplementary relations, reflected in the leading role of nonprofits in initiating and operating new welfare programs. The period, however, did differ in one important respect. With the establishment of social security, nonprofits which had been formally accorded governmental permission to provide particular welfare services were provided stable resources and some new funding alternatives. Despite growing dependence on governmental financial support, the nonprofits continued to have extensive autonomy and initiative. In analyzing large service-provider nonprofits of this period, it appears that a general consensus existed, apart from disagreements on what should be a "fair day rate" for health institutions run by nonprofit institutions. Communication (mostly informal) seems to have been limited to financial matters. Because of the lack of initiative and limited participation in health and social service programs features of complementary relations in the first part of this period were almost non-existent. In contrast, in the second part of this period active government involvement in social and health programs gradually increased.

*The third period, 1960-1990: Government expansion and growing complementary and adversarial relations.*

As a whole, the period from 1960-1990 was characterized by a high degree of general prosperity. GNP multiplied and public activities expanded greatly during the period. Government consumption was 10% of gross domestic products in 1960 but rose to 19% in 1990, and the number of employees in government service increased from 10% to 18% (Hagstofa Íslands 1997).

Patients' and member-oriented associations gradually formed an umbrella of organizations that became a powerful voice demanding to be heard, and insisting on a role in the policy-making process to influence new legislation (Margeirsdóttir 2001). Health and social legislation formally recognized some advocacy groups, like associations for the handicapped, as deserving influence in public policy making,

3 Discussion of the development of this legislation can be seen in Sigurdsson, P. (1998) and Margeirsdóttir, M. (2001).

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and representatives from these associations were included in some policy-making bodies within the government.

Partly as the result of a growing political interest and pressure from advocacy groups, legislation mandating new programs in health care and social services was passed.<sup>3</sup> This carried with it the founding of new labor-intensive public institutions and strengthened agencies already in place. Many new health centers were established, all run by the government. With increasing professionalization and high-technology medical treatment, hospitals gradually became state-run organizations. Other areas previously dominated by nonprofits, such as services for the handicapped and elderly, were still left to nonprofit institutions, but with increasing government funding. Ambulance service was, until the second part of this period, also in the hands of nonprofit institutions. Although services provided by nonprofits were increasingly financed by public funds, formal contracts between the partners did not exist.

The growing collaboration between the government and the nonprofits was not limited to financial support from the former and the latter's formal involvement in policy making. During this period a tradition was established for standing committees of the Icelandic parliament to seek opinions from nonprofit organizations when discussing parliamentary bills. In a few instances, government representatives were even expected to occupy seats on the boards of directors of certain associations.<sup>4</sup>

More active role of government in areas previously occupied did not force out nonprofit but instead "colonized" some nonprofits, on the basis of reciprocity, some agencies became quasi-public where staff became de facto civil servants. Such was the case of group homes for the disabled, which were entirely funded by the government, gradually became quasi-governmental units. This was the result of the obscure status of the staff, hired by the association but on the governmental payroll and receiving payments from the state pension fund.

The period reflects a growing and more complex complementary relationship; it included financial interactions and active involvement of the nonprofits in certain policy areas. This was a period when a growing number of advocacy groups (for example patient support groups) revealed areas neglected by the government. The cooperation between parties was not formalized; formal service contracts were apparently not made in this period. In general, the autonomy of the nonprofits as measured by government influence was unchanged. However, in some cases autonomy declined as the institutions became quasi-governmental. An important factor for nonprofits to protect their autonomy was the growing lottery and gambling market in Iceland, which has become a stable, independent revenue

4 For example in the bylaws of the child welfare association (Icelandic: Sumargjöf) operating day care centers in Reykjavik required at that time that the city council nominate one member of the board.

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source, and from which some of the largest nonprofit organizations in Iceland, such as the Red Cross, increasingly receive funding.

In this period the supplementary relations became limited to particular service areas, consensus existed to transfer some programs to government agencies, and some new programs became the responsibility of new nonprofits which created complementary relations. In addition to the foundation of new member-oriented and campaigning organizations some trait of adversarial relations began to take place, affecting the role of nonprofits in the policy making area.

*The fourth period: 1990-present: Contracting out and complementary relations in focus.* The tenth decade of the 20<sup>th</sup> century was in many ways interesting for public administration in Iceland. In 1991, a new government, a coalition of the Independence Party and The Peoples' Party, was established, which soon defined ambitious objectives for governmental reform based on the New Public Management Movement (Kristmundsson 2003). This was the first time a government White Paper included objectives on privatization and outsourcing programs to private parties in order to assure efficient and effective public service. Role models were sought from the United States and the United Kingdom and encouragement from the OECD. Performance management was adopted, state-owned banks were privatized and corporatization of public enterprises took place. Management of financial and human resources was decentralized. Primary education was deferred to local authorities.

This development led to an increase in various types of formal service contracts at different administrative levels. Thus, in the spirit of Osborne's and Gaebler's catch phrase, "Steer but not row" (1992), attempts were made to create a buyer-seller relationship between the public administration on the one hand, and private parties on the other. The legislative framework for contracting and tendering was formed. This meant that tendering for outsourced services was mandatory, if costs exceeded certain limits. Previously, this requirement was limited to construction projects, but now became mandatory for operational projects as well. At this time, new legislation on public administration procedures and public information access was passed, which called for more formal processing of cases.

Before passage of the legislative framework, tendering of social and health services had been rare. A long tradition existed for tendering the provision of certain goods and services, such as facility maintenance, supplies and catering services. It was not until the year 2002, however, that the services of a nursing home were tendered for the first time and a formal agreement with a for-profit party was finalized, both unprecedented. Few years earlier there had been efforts to finalize formal contracts with existing health agencies run by nonprofit organizations, including nursing homes for the elderly. Until then, formal contracts between the entities had not existed.

Various new laws, like the Civil Service Act (no. 70/1996) called for a clear separation of public entities from non-governmental entities. Accordingly, an effort

was made to identify the legal status of previously quasi-governmental operations in the hands of nonprofit institutions.

Most of the contracts made in this period were so-called “soft” contracts. As illustrated earlier, soft contracting focuses on cooperation rather than competition, on trust rather than distrust, and this approach was reflected in less specific contracts. Communication was to a significant extent based on trust, although monitoring and surveillance were also part of the agreement. Mostly, the government contracted with parties which were considered trustworthy and had a respected reputation. In 2007, a serious case arose where a director of a drug treatment facility was found guilty of fraud and sexual abuse of his clients. This led to a hot debate on the lack of government control, and monitoring and reporting requirements.

In 2008, substantial proportions of the budget of the central government were contracted to non-governmental entities to provide services. For example, 25% of the budget of the Ministry of Social Affairs and Social Security was assigned to private partners based on formal contracts, to a large extent, nonprofits (Fjármálaráðuneytið 2007). Despite this, documents and other sources of information do not indicate that interaction between the government and associations has, *de facto*, undergone changes. Associations and other private parties still seem to have an important role as initiators or entrepreneurs of new welfare programs. One has to keep in mind that despite a significant growth and professionalism of public administration in the latter half of the 20<sup>th</sup> century, public administration is still relatively small as measured in manpower compared to countries with a larger population. New and demanding tasks like the adoption of new international treaties have affected its capacity (Kristmundsson 2003). Its approaches, therefore, seem to be more proactive than reactive, which creates space for private parties to shape and influence public services.

### Conclusion

The objective of the case study was to collect historical data for developing further theoretical models on government-nonprofit relations by using Young’s trichotomic model which describes the relations as supplementary, complementary or adversarial. The findings coincide with other international case studies, showing common trends in government-nonprofit relations in the 20<sup>th</sup> century which include a dominant supplementary role of nonprofits following industrialization and urbanization in the latter part of the 19<sup>th</sup> century and the first part of the 20<sup>th</sup> century. In this period, newly founded associations became social entrepreneurs, launching a variety of initiatives as a response to new unmet needs.

In the latter half of the 20<sup>th</sup> century the supplementary elements began to give way to complementary relations. Direct involvement of government in welfare programs increased and government funding of public services provided by private entities became more common. Also, in the latter part of the 20<sup>th</sup> century,

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nonprofit-government relations became more adversarial with the establishment of new citizens' rights movements and specialized interest groups demanding active involvement in policy making. In the last quarter of the century new international developments recommending new approaches to public service surfaced, namely the notion that government should be a qualified buyer of public goods provided by private entities through contracting out.

These general findings are comparable to developments described in other case studies in America and Europe. However, there are some distinct differences. In the case of Iceland supplementary relations appear to have prevailed much longer than in the countries analyzed in the case studies previously cited. The establishment of social security in the 1940s, ensuring government payments for nursing homes, rehabilitation centers, etc., did not change the established supplementary relations. In the latter part of the 20<sup>th</sup> century nonprofits in Iceland continued to hold their entrepreneurial and independent role.

The attributes of the Icelandic government are important factors when examining the relations. The small and reactive public administration seems to have had limited capability to play a leading role in the partnership. Despite growing government involvement in providing welfare services in the 1960s to 1980s advocacy associations became key players in public policy making. It was not until the 1990s that the government began to consider defining the nonprofit role in providing welfare services and the need to establish a structure for monitoring such nonprofits instead of the laissez-faire approach which had dominated for most of the 20<sup>th</sup> century. Despite the efforts to define a formal contractual relationship in the spirit of new public management it can be questioned if any real changes did take place. Nonprofits continued to be autonomous in their operation and have informal and infrequent interactions with the government.

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### Appendix Methods and data collection

The study is based on qualitative data, both historical documents and interviews. First, historical documents included published documents or chronicles of ten nonprofit organizations. The following selection criteria were used: A) The organization had operated for at least three of the time periods studied; B) The group of nonprofits operated in welfare sectors; C) The chronicles describe interactions between the government and nonprofit organizations. Individual organizations are listed below. Secondly, ten senior officials in the central government in Iceland were interviewed. In addition, general managers of ten nonprofit organizations of different types were interviewed, all of whom interact with the government to some degree. Thirdly, other historical documents were included: government reports, laws and regulations, and notes to parliamentary bills.

### Nonprofit chronicles

Ás. Nonprofit organization providing service to people with disabilities.

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