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# CO-PRODUCTION AS SOCIAL AND GOVERNANCE INNOVATION IN PUBLIC SERVICES

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## INTRODUCTION

This paper explores co-production as a social and governance innovation in public services. Co-production of social services offers new opportunities as well as challenges for collective solutions to growing problems facing the public provision of social services in Europe. It gives citizens more choice, voice and representation, but it requires a more active role in the provision of public services. Osborne, et al. (2013) argue that co-production is an essential part of a broader framework to provide a new theory for public service management – a service dominant approach, in contrast to the manufacturing dominant approach of New Public Management (NPM). NPM is based on a ‘fatal flaw’ that views public services as manufacturing rather than as service processes. Services, in contrast to manufacturing, demonstrate three major differences, a) they are intangible, b) there are different product logics for manufacturing goods and delivering services, and, most important for the discussion here, c) the role of users or clients is qualitatively different for manufacturing and services, since the latter are co-produced by the service providers and consumers of the services (Osborne, et al. 2013).

Co-production makes an important contribution to the debate on public management since it goes to the heart of both effective public services delivery and the role of public services in achieving societal ends – such as social inclusion and citizen engagement (Osborne, et al. 2013: 145). Thus, Osborne, et al. propose that *by taking a service-dominant approach, co-production becomes an inalienable component of public service delivery that places the experiences and knowledge of the service user at the heart of effective public service design and delivery* (Osborne, et al. 2013: 146). Thus, public service needs to be understood from a broader framework called New Public Governance (Osborne 2010), where co-production plays a central role.

## INNOVATION: TRADITIONAL, SOCIAL AND/OR GOVERNANCE?

Scholars define innovation in many different ways; however most of them emphasize a newness aspect, primarily in terms of being new to the organization that adopts it. However, these divergent definitions of innovation offer little consensus about what it is, what aspects to include and how it is best achieved? Is it merely a new product, a new service, a new procedure or something else, something more than that? For example, some authors equate innovation in public services with entrepreneurship or being proactive and taking risks in providing health care (Wood, et al. 2000; Salge, Vera 2009; Hinz, Ingerfurth 2013).

Others argue that there is a fundamental difference between pure ‘business’ innovations and pure ‘social’ innovations, since the latter are not motivated by the pursuit of profit nor provided by the market.

Product and process innovations are commonly distinguished (Rogers 1995).

Product innovations can be understood as what is produced or, more appropriately in public sector settings, what kind of service is delivered. Process innovations pertain to how a service is provided (Walker 2014: 23). Moreover, process innovations can affect both the management and the organization, since they change relationships among organizational members and affect rules, roles, procedures and structures, etc. (Walker 2014: 23).

The Bureau of European Policy and Advisers defines social innovation as [...] *innovations that are social both in their ends and means [...] that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations* (Bureau of European Policy and Advisers 2010: 7).

Brandesen suggests that social innovations in the public sector can also promote closer collaboration between professional providers and their clients (Brandesen 2012). Beckers, (Beckers, et al. 2013) argues that social innovations in public services have four distinct elements. First, they aim to achieve long-term outcomes that are relevant for society. Second, they go beyond technical changes by promoting fundamental changes in social relationships. Third, most of the important stakeholders, especially the end users, should be involved in the design, development and implementation of new goods and services. Finally, social innovation not only refers to the achievement of new outcomes, but also to the very processes of innovation. Thus, they are usually open to, but also embedded in a specific local and institutional context; something that may make it harder to replicate or scale them up (Beckers, et al. 2013: 3–4; Brandesen, 2014).

Co-production focuses on the collaboration between professional providers and their clients. The OECD argues that co-production is social innovation in public services, since it promotes a partnership that governments form with citizens and civil society organizations in order to innovate and deliver improved public service outcomes. Moreover, such partnerships offer creative policy responses that enable governments to provide better public services in times of fiscal constraints, thus, governments consider citizen input as a source of innovation and change (OECD 2011). Furthermore, compared with existing solutions of private sector involvement, the emerging focus on greater citizen participation transforms the relationship between service users and providers, ensuring more user control and ownership (OECD 2011).

However, co-production involves more than merely consulting with clients. In addition, citizen participation is more important in the service delivery phase of social services than in general services, where citizens are more active in service design. This has some major economic implications, since social services are more labor intensive than general services.

However, the OECD noted that government motives for embracing co-production put greater weight on considerations of strengthening user and citizen involvement per se, improving service quality, and improving effectiveness and service outcome than on increasing productivity or cutting cost as motives for adopting co-production (OECD 2011).

In particular, governance innovation is a specific category or type of social innovation, since it involves changes in the relationship between service providers and their clients in ways that imply new forms of citizen engagement and new democratic institutions (Hartley 2005). Rather than being limited to changes within a single organization, most public sector innovation takes place above the level of a given organization and transforms the social structures and processes that deal with a problem (Moore, Hartley 2012: 55). They propose five inter-related criteria to distinguish public sector innovations from private sector product and process innovations.

Governance innovation should: a) breach the boundaries of single organizations by creating network-based production systems; b) enlarge the range of resources or mobilize new pools of resources that can extend or improve the performance of such services; c) involve changes in the instruments that governments use to mobilize and direct the production system for achieving social goals; d) alter the configuration of decision-making; and finally e) raise important questions about the distribution of burdens and privileges in society and how best to evaluate them. (Moore, Hartley 2012: 68–69).

Thus, public sector innovations often have clear social and political implications. This paper focuses on co-production as social innovation in public services, particularly in terms of renewing social relations between the providers and clients of social services.

## **CO-PRODUCTION: SOME CONCEPTUAL ISSUES**

Both the shifting roles that citizens play in their daily life and the changing context within which they play them place complex demands on the concepts and methods needed to study and understand such far reaching changes. It is necessary to explore both individual and collective aspects of such changing roles for citizens.

First, how do individual clients, consumers and co-producers of public financed services interact with the public sector, market and third sector in order to express and satisfy their needs and promote their interests? Second, as members of third sector organizations, particularly of service organizations how can they best promote their needs and interests to obtain the services that they and others like them not only need, but may depend entirely upon in their daily lives?

### **Definitions of co-production**

Nobel Laureate Elinor Ostrom and her colleagues analyzed the role of citizens in the provision of public services in terms of co-production (Parks, et al.). Definitions of co-production range from *the mix of public service agents and citizens who contribute to the provision of public services to a partnership between citizens and public service providers*. Differences between them express cultural differences, differences of

focus or both, as well as different levels of analysis. The concept of co-production was originally developed by Elinor Ostrom and the Workshop in Political Theory and Policy Analysis at Indiana University during the 1970s to describe and delimit the involvement of ordinary citizens in the production of public services (Ostrom 1999). They struggled with the dominant theories of urban governance, whose underlying policies recommended massive centralization of public services, but they found no support for claims of the benefits of large bureaucracies. They also realized that the production of services, in contrast to goods, was difficult without the active participation of those persons receiving the service (Ostrom 1999).

Thus, they developed the term co-production to describe the potential relationship that could exist between the 'regular producer', like street-level police officers, schoolteachers, or health workers, and their clients who wanted to be transformed by the service into safer, better-educated or healthier persons (Parks, et al. 1981, 1999). Initially co-production had a clear focus on the role of individuals or groups of citizens in the production of public services. Co-production is, therefore, notable for by the mix of activities that both public service agents and citizens contribute to the provision of public services. The former are involved as professionals or 'regular producers', while 'citizen production' is based on voluntary efforts of individuals or groups to enhance the quality and/or quantity of services they receive (Parks, et al. 1981).

Bovaird (2007) proposed another definition of co-production: *User and community co-production is the provision of services through regular, long-term relationships between professionalized service providers (in any sector) and service users and or other members of the community, where all parties make substantial resource contributions* (Bovaird 2007: 847).

This definition focuses not only on users, but also includes volunteers and community groups as co-producers, recognizing that each of these groups can have a quite different relationship to public sector organizations. However, Alford (2009) distinguishes between volunteering and co-production. Citizens contribute resources when they volunteer, but do not normally consume the services provided, while co-producers both contribute resources and consume the services provided (Alford 2009).

But, self-help and community groups can readily combine those roles. Co-production has been employed more recently by European scholars who refer to the growing direct and organized involvement of citizens in the production of public financed social services (Pestoff 1998, 2006, 2009; Vamstad 2007). For example, parents participate in the co-production of childcare, both individually and collectively through parent associations or co-operative preschool services in France, Germany and Sweden.

### **Relations between the professional staff and their clients**

Co-production clearly implies different kinds of relationships between professional service providers and their clients. In some cases both parties are physically present and the production and delivery of the service are inseparable. But, there is also a time dimension involved. Many services are based on a one time or ad hoc meeting between service professionals and their clients, while others can involve more frequent and

regular meetings, thus a more long-term relationship between them. In particular, many social services are long-term and involve repeated interactions between the professional staff and their clients. In addition to such temporal aspects, different types of relations can exist between the professional staff and their clients according to the literature on co-production, i.e., interdependence, supplementary and complementary.

When an organization cannot produce the service without some customer input they are considered *interdependent*. Some public services are based on this interdependency. Examples of this are found in various types of educational or vocational training programs for the long-term unemployed (Alford 2002, 2009). So, without client input no learning can take place (Porter 2012). In addition, customers or clients can supplement or *substitute* the professional service provider, at least in some activities. Examples of this include properly filling in postal codes on letters and accurately filing tax forms in a timely fashion. However, this depends both on the clients' willingness and ability to do so. It can be facilitated by the design of the tasks clients are expected to perform and the motives used to facilitate client co-production (Porter 2012).

Alternatively, client inputs can *complement* the tasks performed by the professional staff, where the staff continues to perform all or most of the key or core activities of the organization, while the clients perform some secondary or peripheral tasks. Parent participation in cooperative or associative preschool services provides a good example. The staff has full responsibility for the pedagogical content and development of the preschool services, while parents are normally in charge of other tasks like maintenance, management, bookkeeping and sometimes even cooking at a preschool facility (Pestoff 2006, 2008, 2009). A clear division of labor in complementary co-production can help to avoid or at least to mitigate some potential conflicts of interest between the staff and their clients and to alleviate the fear of job loss due to greater citizen participation.

### Co-production: individual acts, collective action – or both?

It is often argued that the analysis of co-production needs to distinguish between individual acts and collective action and focus on one or the other. While this distinction may sometimes seem relevant or even a necessary part of a research design, in the field there is often a mix of both of them. Let's look, therefore, at the options available in terms of co-production. They are:

- **Individual acts of co-production** that involve ad hoc, spontaneous or informal acts done in public or at home. However, sometimes they are perceived as a necessary part of the service or even a mandatory activity expected of all citizens. The use of postal codes on letters and filing individual tax returns illustrates this type of co-production (Alford 2002). Alford explores how to engage clients as co-producers of such public services (Alford 2009).

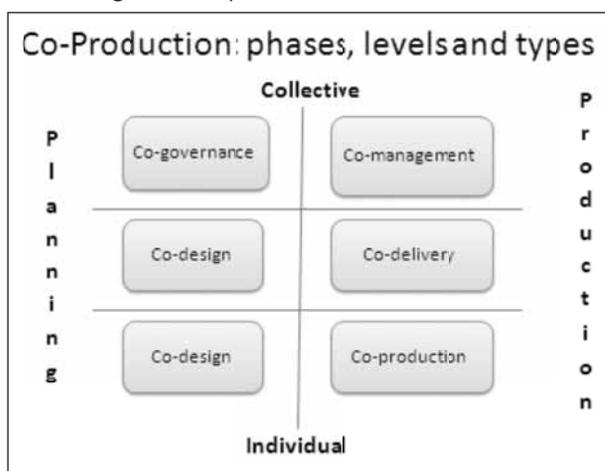
- **Collective acts of co-production** that involve formally organized and institutionalized activities done together with others. They often concern the provision of enduring social services. Such services produced

by a small group at the micro level often imply more collective interaction than collective action, which can promote the development of social capital, mutualism and reciprocity (Pestoff 2006, 2009).

- **A mix of both individual and collective action.** Many acts of co-production combine both individual and collective action(s), often in a repeated fashion for a long time. This mix of individual and collective action is highly relevant when it comes to social services, particularly enduring social services. So the relevant question is not only how to elicit greater individual client co-production, but also how to facilitate more collective action in public services.

Thus, we end up with an expanded scope of co-production in the social services that includes individual, mixed and collective participation, both in the design and delivery of such services. Figure 1 sketches different levels, phases and kinds of co-production. It ranges from individual to collective co-production and from the planning or input phase of public service provision to the production phase. This allows us to distinguish between various kinds of co-production (Pocharoen, Tang 2012).

Figure 1. Coprod as Innovation, Poland



Most OECD countries have developed different approaches to involve citizens and users in public services, ranging from simple interactions to more active consultation in decision-making. However, as already noted by the OECD, co-production is more than mere consultations since it involves citizens/users in more systematic exchanges to create and deliver public services (OECD 2011: 18).

Co-production transforms the relationship between service users and providers, ensuring greater user influence and ownership. Thus, it should be more than simply giving citizens/users a say in and/or more responsibility for the design, provision or evaluation of public services. The old adage, 'no rights without responsibilities', can be turned around to read 'no new responsibilities without additional rights'. Providing citizens and users with more influence over public services, particularly service quality of enduring social services, may prove important for eliciting their participation as co-producers.

Otherwise, there is clearly a risk of turning the provision of social services into an IKEA like do-it-yourself regime (Alcock 2010; Taylor 2011) that provides users and citizens with too little influence to motivate their sustained participation in co-producing welfare services. Rather, it might be interpreted as a new form of

social dumping or a race to the bottom, where “everyone does their own thing”.

Furthermore, there may be a risk in promoting greater citizen participation in and co-production of public services. Initially, it can result in broad public support and enthusiasm, but there are important differences between empty rituals and real influence. If the promise of greater citizen influence remains hollow, appears simply to be window dressing, or even worse just manipulation, then it may turn into frustration, cynicism and withdrawal from public pursuits. Moreover, not everyone may be willing and able to engage fully in co-production, at least not at the outset. Some citizens may need more time to develop their political resources and skills, before they are willing to assume greater responsibility. After all, citizens are not like a jack-in-the-box, just waiting for someone to push a button or latch to release their potential engagement in co-production. Most citizens will not readily engage in co-producing many different types of public service.

Rather, they will pick and choose when and where to participate according to their own preferences. The importance or salience of a particular service to them and/or their loved ones will help to trigger their willingness to participate. In addition, the facility of participation or hurdles that they face when they attempt to participate will either serve to encourage or discourage their participation and co-production. It is, therefore, important for the managers of social services and the planners of the same to recognize the potential of and barriers to co-production and greater citizen participation.

## **MAKING CO-PRODUCTION MORE SUSTAINABLE**

Elsewhere I explored factors that contribute to making citizen participation in public service delivery more sustainable, particularly in enduring welfare services (Pestoff 2013). The early scholars on co-production felt that organizations were crucial since they could enhance the levels of co-production, facilitate the coordination between citizens and public authorities (Rich 1981) and help make it more sustainable (Pestoff 2013). Since co-production is often a mix of individual and collective action, it is, therefore, necessary to consider Olson’s emphasis on the importance of group size for collective action (Olson 1965).

However, size is only one of several structural variables that Ostrom maintained were important for overcoming collective action problems and she warned against giving size too much weight (Ostrom 2009). The likelihood of cooperation depends on other variables and how they interact with size. She discusses some structural variables for resolving dilemmas related to common pool resources (CPR) that also bear relevance for co-production. Some of them seem to cluster into “small group interactions” that facilitate greater citizen participation in the provision of public services.

Moreover, research suggests certain other structural variables can make co-production more sustainable. They include the nature of the service itself and the clients’ or users’ dependency on a service, organizational diversity, small group dynamics in self-help groups and promoting a dialog between the staff and clients (Pestoff 2013).

Services that only involve short-term or sporadic interactions between the professional providers and their clients can’t be expected to result in the same pattern of interaction between them nor the same degree of client participation as those found in more long-term or enduring welfare services, where the clients are in a more stable, long-term demand situation. They can’t easily switch providers if they are dissatisfied with the service, want different service or somehow want to improve it, since the transaction costs of changing providers are prohibitive (Pestoff 1998).

Voice provides a more suitable medium of communication between them, and their collective interaction can help to amplify their voice. Thus, some form of client organization can facilitate their regular participation and can also impose collective controls on “free-riding”.

However, it should be obvious that not all third sector providers are equally able to facilitate greater client and/or staff participation. Whether or not they do depends in part on their governance structures and the degree of democracy in their internal decision-making. Primarily, those third sector organizations that are membership organizations and practice democratic decision-making will most likely facilitate and encourage greater participation and more stable co-production. By contrast, those TSOs that are not membership based organizations may face serious difficulties in facilitating greater citizen participation and promoting co-production.

Multi-stakeholder techniques can promote closer cooperation between key stakeholders providing public services, in particular between the professional providers and users of public services (Vidal 2013). If they engage in a dialog and reach a compromise on important issues it may help them to survive and fulfill their expectations. This is particularly important in the provision of long-term or enduring social services, since users or clients are locked-in to them and can’t easily use the exit option. Multi-stakeholder governance implies a system of formal representation that provides both a voice and vote to all major stakeholders, while a multi-stakeholder dialog insures informal representation and a voice, but not necessarily a vote to all major stakeholders (Vidal 2013).

A recent comparative study of parent participation in preschool services in Sweden shows that parent cooperative preschool services promote a dialog between the parents and teachers that leads to higher quality services than those available in the public sector (Vamstad 2007, 2012). In addition, both the staff and parents claim more influence in social cooperatives than their counterparts do in either public or for-profit services (Vamstad 2007, 2012). Moreover, this comprises a major improvement in the work environment of social services compared with public services (Pestoff, Vamstad 2014).

Co-production is considered an important innovation in public services that promotes a closer partnership between governments, citizens and civil society organizations to deliver improved public service outcomes (OECD 2011). This has some implications for TSOs and social enterprises that provide public financed social services. Promoting co-production and new governance techniques can challenge the management of third sector organizations, since they

expose themselves to additional isomorphic force and face the risks of failing to balance their multiple goals and/or the interests of their diverse stakeholders (Pestoff 2014).

In particular, it is important to find ways to balance the interests of the professional staff and their clients in long-term co-production arrangements. However, a complementary division of labor, where the staff is responsible for core functions and clients assume secondary or tertiary tasks, combined with a multi-stakeholder dialog or governance, can promote a more stable, long-term balance.

Furthermore, several of these studies suggest that different public administration regimes may operate on different ideas of how to best to promote citizen participation. Thus, the mix of citizen participation and collective co-production in public service provision may seem more acceptable or “normal” in a New Public Governance regime than in NPM, which facilitates individual suggestions for improvements or changes in traditional public administration where there is very little room for client engagement.

However, this suggests that neither the top-down public nor consumerist market oriented provision of social services can readily adapt itself to the demands of governance innovation associated with greater client participation and collective co-production. This is logical since they are also associated with different public administration regimes that do not embrace collective co-production. Rather, they are both based on single stakeholder models of providing social services that exclude other stakeholders from meaningful participation and influence in the provision of such services (Pestoff 2009). Thus, they appear alien to social and governance innovation.

## **CONCLUSIONS AND RECOMMENDATIONS**

Co-production focuses on the collaboration between the professional providers and their clients. Ostrom and her colleagues developed the term co-production in the late 1970s to describe the potential relationship that could exist between the ‘regular producer’, like street-level police officers, schoolteachers, or health workers, and their clients who wanted to be transformed by the service into safer, better-educated or healthier persons (Parks, et al. 1981). Initially co-production had a clear focus on the role of individuals or groups of citizens in the production of public services. However, recently it has been extended to include certain third sector organizations (Pestoff 2012; Pestoff 2013). Thus, it is important for politicians and public managers to realize that co-production can be both individual and collective, as well as mixed.

Co-production promotes a mix of public service agents and citizens/users who contribute to the provision of a public service. It is an essential part of a broader framework to provide a new theory for public service management – a service dominant approach, in contrast to the manufacturing dominant approach of New Public Management (NPM). NPM totally ignores the role of citizens as co-producers of public services. Similarly, much of the literature on innovation is dominated by ideas borrowed from economics and business administration that focus on product development or production procedures in industry or manufacture.

Therefore, we also need to ask how relevant traditional definitions of innovation are for the public sector in general and for personal social services in particular. Innovations in public services are not just new ideas, techniques or methods, but also new practices. They not only involve physical artifacts, but also changes in the relationship between the service providers and their clients.

The OECD regards co-production as an important social innovation in public services, since it promotes a partnership that governments form with citizens and civil society organizations in order to innovate and deliver improved public service outcomes (OECD 2011). Similarly, Voorberg, et al., also consider co-production an important social innovation in public services and they elaborate on its five distinct elements (Voorberg, et al. 2013).

Moore and Hartley propose five interrelated criteria to distinguish public sector innovation from private sector product and process innovations and they emphasize the importance of governance innovation and co-production (Moore and Hartley 2012). Governance and social innovations are important for our understanding of co-production, since they imply new forms of citizen engagement and new democratic institutions.

However, it is also important to realize that co-production is not a panacea for the problems facing the provision of public services and that there is no “one-size-fits-all” solution for the great variety of services provided by governments in Europe.

Therefore, it appears urgent for governments to develop the necessary policies and strategies that take differences in size, ownership and other structural important variables, like the nature of the service, into account. However, mechanistic attempts to replicate or scale-up successful small scale experiments appear to be based on a flawed understanding of public service provision.

Governments, in their on-going efforts to modernize, improve and innovate public services, will need to weigh both the advantages and disadvantages of individual and collective co-production in different types of services and phases of service design and delivery. They also need to realize that co-production is often a mix of individual acts and collective action. Both of them can facilitate greater citizen participation in the delivery of public services, but they are often intertwined in a mix of individual and collective efforts.

Governments should, therefore, not solely emphasize the benefits of one form, while ignoring those of the other, nor their mix. Government policies can both crowd-in and crowd-out citizen participation (Ostrom 2000), just as they can also promote individual and/or collective co-production. Failing to recognize the benefits of both and their natural mix in enduring welfare services can result in major hurdles to the development of co-production and citizen participation in the delivery of public services.

Moreover, given the implications of the “logic of small group interaction” discussed earlier, governments should carefully weigh the benefits and costs of a policy that encourages and facilitates small groups to provide enduring welfare services for themselves with public funds. Thus, if they intend to facilitate more citizen co-production in the provision of enduring welfare services they need to devise ways of

promoting self-help groups, social service co-ops and other forms of third sector provision of enduring welfare services that tend to be small scale and facilitate formal, collective interaction among well-defined groups of service users.

In addition, given the wide range and diversity of third sector organizations (TSOs), some may be better suited for promoting co-production than others and some will facilitate more sustainable co-production than others. Social enterprises that conform to the EMES criteria appear to hold the most potential for sustainable co-production. Research also suggests the existence of a 'glass ceiling' for participation in public and private for-profit sector services, but shows that the third sector helps to breach this barrier.

Moreover, sustainable co-production is not merely a question of citizens/users assuming greater responsibilities for the provision of welfare services, but also granting them with greater rights in designing, commissioning and delivering and evaluating them. In particular, small group dynamics can prove very important for facilitating the participation of persons with serious physical, mental or social problems and for retaining their participation over time, i.e., turning them into sustainable co-producers of their own care.

Furthermore, facilitating small group interaction in large organizations, like those found in Japanese co-op health care, could serve as a model for promoting co-production in other large scale welfare services, like elder care, where the clients reside in domiciliary facilities. Here too, finding the right mix of individual and collective co-production is crucial.

Finally, co-production is a new research field and little systematic comparative research is yet available (Verschuere, et al. 2012). In particular, there is still very little research on the mix of individual and collective co-production and how they are related to each other. Moreover, much more research is necessary in order to understand and take advantage of the potential benefits of collective action in making co-production more sustainable. Further comparative research is clearly necessary to understand citizen/user participation in various types of service providers for different types of important welfare services and also in different countries. In particular, it would be interesting to compare small service co-ops with SMEs and other small social enterprises providing similar services.

Moreover, attempting to facilitate a multi-stakeholder dialog in welfare providers may prove essential for promoting greater sustainability in the co-production of public financed welfare services. Both research on and policies designed to promote this should be encouraged in order to promote greater sustainability of co-production.

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## SUMMARY

The OECD considers co-production an important social innovation. This paper discusses alternative definitions of innovation, since traditional definitions, employed by economists for industry and manufacture, do not fit well with public service provision. It then presents some definitions of co-production, discusses the relationship between staff and their clients, and asks whether co-production is based on individual acts, collective action or both. It briefly discusses several factors that can contribute to making co-production more sustainable. This paper concludes that governments should develop more flexible, service specific and organization specific approaches for promoting co-production, rather than looking for simple "one size fits all" solutions to the challenges facing public service delivery in the 21<sup>st</sup> Century, particularly for enduring welfare services. Finally, it recommends more research to promote sustainable co-production.

**Keywords:** co-production, social innovation, public services