Partisanship, functionalism, or rational choice?

Explaining variations of employment policy outcomes in Danish local government

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Introduction:

What determines local policy outcomes? Are local policy choices 'nationalized' and driven mostly by partisanship and ideology, and, if not, what other factors help explain variations in local policy content?

In local politics research, the traditional view is that local politics is distinctive. Mayors and councilors face ties and challenges that are substantially different from national policymakers', hence cities and municipalities should not be studied as 'miniature republics' (Peterson 1981; Tiebout 1956). The modern view is that local politics is partisan and ideological. This view is supported by several recent studies from America and Europe that find national political divides mirrored by local government. Studies have been conducted in various areas, for example public safety (Gerber & Hopkins 2011), housing (Benedictis-Kessner et al 2022), fiscal (Benedictis-Kessner & Warshaw 2016; Gouvea & Girardi 2021), and climate policy (Gerber 2013).

However, following a review of the literature, Anzia (2019) calls for more theory development and empirical research that take into account the distinctiveness of local government when applying the 'national politics research paradigm' to local politics inherent in the modern view. Anzia points out that the literature promoting the modern view mainly looks at expenditure levels, while neglecting that many local policy choices are beyond spending and relate to the actual design of service provision

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and the governance of interactions between public sector employees and citizens (Anzia & Mow, 2014). These kinds of policies are more difficult to measure yet they may embody a realm of local government linked less to ideology and national party politics. An example of this is reported by Thompson (2020) who studied local law enforcement in the US and found no partisan effect in sheriffs' cooperation with immigration authorities when detaining unauthorized immigrants.

In this article, we contribute to this new strand of the literature using a study of the Danish municipalities' implementation of active employment policy (AEP). We follow Anzia's line of reasoning and study inter- and intra-municipal variations in the context of the municipalities' use of educational activation for unemployment benefit claimants in the period 2012-21. While activation of benefit claimants in Denmark is statutory, the actual prioritization between different activation instruments is a matter of local discretion. The municipalities can choose between different work-oriented measures (such as wage-subsidy jobs, internships, utility jobs, job-seeking courses, etc.) but also education and training, which in the 2010s was a highly polarizing issue. On the national level, the socialdemocrats backed by trade unions were in favor while most bourgeois parties opposed it due to the so-called locking-in effect of education (ref).

As such, our first hypothesis is that the municipalities' use of education is correlated with partisanship. But next to this we formulate two alternative hypotheses, a functionalism-hypothesis and a rational choice-hypothesis, that both contradict the national politics matter argument. The functionalism hypothesis draws partly on the traditional local politics research perspective, partly on the literature about Danish AEP and flexicurity. Essentially, the functionalist perspective argues that municipalities engineer AEP to tackle local labor market imbalances, regardless of the political

coalition in power. As such, we should expect the use of educational activation to be correlated negatively with the skills level of the unemployed.

The third hypothesis, the rational-choice hypothesis, is derived from rational choice institutionalism (RCI). RCI posits that institutions are coordinating mechanisms providing incentives to agents to act in certain ways by shaping their opportunities and constraints (reference). When AEP in Denmark was decentralized in 2009, the central government also introduced a reimbursement system that provided the municipalities with economic incentives to give priority to work-oriented activation over education. In relation to this study, this means that we can expect only affluent municipalities to be able to use the education instrument. Municipalities with economic challenges simply can't afford it.

To investigate whether partisanship, skills levels, or affluence impact local AEP outcomes, we construct and utilize a register-based panel dataset for 94 (out of 98) Danish municipalities with yearly data from 2011 to 2022. The municipalities' use of education as share of their total activation constitutes the dependent variable. Three independent variables representing each of the hypothesis have been selected. Partisanship is measured according to whether the mayor is leftwing (from the social democratic, social liberal or other leftwing parties) or rightwing (liberal, conservative or other rightwing parties). In order to test the functionalism hypothesis, we use a proxy variable for skills level: the share of unskilled among the unemployed. Finally, we use a statistical measure for Danish municipalities' financial situation to test the rational choice hypothesis. By applying a random effect within-between (REWB) model (see e.g., Bell and Jones, 2015; Bell et al., 2019) we combine the advantages of fixed and random effects models and examine the inter- and intra-municipal effects in the same statistical model.

In the next section, we develop the partisanship hypothesis and the alternative functionalism and rational choice hypotheses. Section three explains methodological details, while section four presents our results. The fifth and final section is discussion and conclusion.

Functionalism: Local AEP is geared towards tackling labor market imbalances

Denmark has a long-standing and successful tradition for active employment policy (AEP) and educational activation (e.g., retraining) of unemployed (ref). AEP is a component in the Danish flexicurity model that helps workers adapt to structural change (ref.). In 2009 a reform decentralized policy implementation from state-run public employment services to municipality-run job centers (ref.). The reform included economic incentives for municipalities to focus more on work-oriented activation and less on educational activation (ref).

In the following years, use of educational activities generally declined until it reached a stable level of around 15 percent of gross activation in the mid-2010s. On the municipal level, however, the use of educational activation still varies across municipalities from 0 to 42 percent, and we aim to explain this variation of local AEP.

When activating benefit claimants, municipality-run job centers can choose between ordinary education or miscellaneous work-oriented measures. While work-oriented activation is widespread, use of education is more unevenly prioritized. We try to explain this using the three hypotheses which we describe in more detail below.

Denmark's tradition for active employment policy dates back to the early 1990s. However, since 2009, responsibilities for policy implementation have been delegated to the municipalities.

[More will be added here]

Theory and hypotheses

Inter-municipal variation:

H1a Politics (ideology and party interest) matter hypothesis: Socialist- and Social Democratic-led municipalities use more education than Bourgeoise-led municipalities → Variable: Leftwing mayor

H2a Functionalism hypothesis: Municipalities with mismatch problems use more education than municipalities with no skills shortages → Variable: Share of unskilled among the unemployed

H3a Rational choice hypothesis: Poor municipalities use less education than affluent municipalities → Variable: Liquidity

Intra-municipal variation:

H1b Politics (ideology and party interest) matter hypothesis: Municipalities shifting from Bourgeoise to Socialist or Social Democratic leadership will increase the use of education → Variable: Leftwing mayor

H2b Functionalism hypothesis: Municipalities with increasing mismatch problems will increase the use of education → Variable: Share of unskilled among the unemployed

H3b Rational choice hypothesis: Municipalities with deteriorating finances will reduce the use of education → Variable: Liquidity

Case selection and case description

In order to study whether local level partisanship and ideology has an effect on local government policy output, Denmark, and in particular Danish ALMPs is an ideal case for this purpose.

Our first argument for choosing Danish labor market policy as a case to study partisan effects, relates to the fact that the Danish welfare state is a highly devolved welfare state. The municipalities are formally responsible for financing and delivering practically all welfare services to the Danish citizens with the exception of the health care system, which the five Danish Regions are responsible for. To provide or procure, the multitude of welfare services, the municipalities receive fixed amounts of money covering only a part of their expenses. The rest is financed through the municipal income and property tax and additional municipal taxes. Based on the set amount of funds, the municipal council, chaired by the mayor, are in charge of prioritizing how much money to allocate to each welfare policy area in the municipality (e.g. public schools, elderly care, social services, and not least employment services and ALMPs). Thus, the municipalities have a very large degree of discretion in this regard, and they exert a huge influence on the type and quality of welfare services that the inhabitants receive. In fact, Denmark might more accurately be thought of as consisting of welfare municipalities as opposed to being thought of as a welfare state.

Our second argument for choosing our case relates to politics of Danish labor market policy. Historically and presently, Denmark is a very high spender on ALMPs –

in fact, typically the country that spends the highest share of its GDP on active labor market polices[1]. Furthermore, Denmark is internationally renowned for being for 'early mover' in relation to ALMPs, making activation mandatory for the unemployed in the early 1990s. Throughout the 1990s, Danish activation policies were characterized by consisting of mainly (vocationally focused) educational courses and with the aim of providing the unemployed with skills and qualifications in demand among employers. A strategy known as the human capital approach or learn-fare (Torfing, 2004 + more references).

Denmark has a longstanding tradition of social partnership and corporatism where employer associations and unions are involved in the policy making process (Rasmussen & Høgedahl, 2021), and the use of education as part of activation policies aligned well with the interest of the unions. With historically strong ties to the Danish Social Democratic Party, the unions have continuously advocated for the use of education as an activation strategy. However, since the turn of the century, national regulations of labor market policies have increasing been characterized by work-first polices (Peck and Theodore, 2001; Andersen & Breidahl, 2021) with a strong focus on promoting job search and job availability, reducing the unemployment benefit period and generally promoting the 'threat effect'/motivation effect. On the national political agenda, the content of ALMPs is still highly contested. Social democrats and the left leaning parties favor the human capital approach (education) whereas the right-wing parties are strongly in favor of work-first policies. A strong line of demarcation thus exists at the national level in this policy area with both political 'blocks' having distinct diverging policy preferences.

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[1] https://www.oecd.org/employment/activation.htm

Combining the two arguments, we see Danish ALMPs as a suitable case to explore if partisanship and ideology affect local government policy output:

Denmark has a decentralized municipally anchored employment service system. It operates under framework regulations setting some demands and requirements, but at the same time allows for a large degree autonomy for the municipalities in choosing their own ALMP strategies. This in turn results in a high degree of variation in the use of policy instruments between municipalities, confer also Table XX. (Ref – prior own articles). In short, we are dealing with a highly contested policy area, with clear ideological differences between the social democrats and the rightwing parties at the national level. Insofar as these ideological differences also exist at the local government level, the rather loose framework legislation should provide local politicians (municipal council members) with an opportunity to put a distinct (ideological) mark on the policy content and output of activation policies.

Methods

Data sources

We utilize register-based panel data collected from several freely available sources. First, we utilize data from a national databank for unemployment and labor market statistics operated by the Danish Agency for Labour Market and Recruitment. This source provides detailed data for local unemployment, benefit recipiency and ALMPs. Second, we use data from the national statistical bureau Statistics Denmark (DST). This source provides us with data for elections and unemployment levels at the municipal level. Third, we use a national database for municipal key indicators made available by

central government authorities (ISM, 2023). These data include a national index for the socio-economic burden, financial situation (liquidity) and population data. Fourth, we combine data from earlier research providing historical records of the party affiliation of municipal mayors (Kjær & Opstrup, 2018) with data from the association of local governments in Denmark (KL, 2022) for the most recent record.

The panel data are fully balanced and covers all 98 Danish municipalities and spans across 12 years from 2011 to 2022. The year 2011 is used as the first year in the panel as no data are available from earlier years for our dependent variable. Data from four island municipalities are excluded as these do not have independent municipal job centers. Thus, our panel data consists of 1,128 observations with 12 observations (repeated measures) for each of our 94 subjects (municipalities). All data utilized for our analysis are freely available as supplementary materials. The data and variables are described in detail below.

Variables

Dependent variable

Our dependent variable assesses the percentage of education activation within the total activation of unemployment benefit recipients. For instance, if a municipality initiates 100 activation measures/programs (ALMPs) for unemployment benefit recipients, and 10 of these are education-related, then education constitutes 10 percent of the overall activation. [NOTE: MAYBE ADD DESCRIPTION OF THE CONTENT AND TYPE OF EDUCALTIONAL ACTIVITIES / OTHER ACTIVITIES IF THIS IS NOT EXPLIANED EARLIER IN THE PAPER].

Independent variables

To test our ideological hypothesis, we apply a measure for the ideological orientation of the mayor as either leftwing or rightwing for testing the importance of ideological orientation. The variable for mayors is coded with the value of one for a specific year if the mayor belonged to a leftwing or left leaning political party (The Alternative, The Red-Green Alliance (Unity List), Socialist People's Party (Green Left), and the Social Democratic Party. Otherwise, mayors from other (rightwing or rightwing leaning) political parties are coded with the value of zero. We also applied a reverse coding of the variable for mayor (i.e., the value of one represents a rightwing mayor) to enable complementary statistical tests.

To test our rational choice hypothesis, we apply a measure for municipal affluence based on the level of municipal liquidity defined by the available free cash per habitant in DKK (Danish currency) in a specific year. The variable is transformed to natural logarithmic due to severe skewness in the original data. Higher values represent a relatively better financial situation.

To test our functional hypothesis, we apply a measure based on the share of unemployed who are unskilled. Our data source for the share of unskilled unemployed only covers the period 2012-2021 at the time of analysis. We extrapolate the missing values for 2022 by multiplying the values from 2021 with a factor expressing the general change in unemployment between the two years (the general unemployment dropped with 28.59% from 105,807 to 75,559). From a functional perspective, this is a highly relevant variable. Those most in need of upskilling are the unskilled unemployed. They do not have formal skills or qualifications to obtain a job, in a situation where demand for unskilled workers is strongly in decline, whereas demand for skilled workers is increasing. Thus, from a functional perspective, the use of

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education activation should be high, if a large share of the unemployed are unskilled. Conversely, if the majority of unemployed have a vocational education or a university degree, the use of education as part of activation ought to be low.

Finally, we include year as a fixed variable (a set of dummy variables) to mitigate the influence of possible macro-level year-to-year events such as crisis and financial shocks. We use the first year (2011) as reference category in our analysis.

Statistically modeling and estimation

We apply a random effect within-between (REWB) modeling approach to test our arguments (Bell and Jones, 2015; Bell et al., 2019; Curran and Bauer, 2011; Howard, 2015). This approach applied within a mixed linear modeling environment combines the virtues of fixed and random effects models and allows us to test between and within effects simultaneously, reduce error in the model by modeling both between and within variance, and testing the covariance structure between repeated measures nested within a level-two structure. We adhere to the mixed model building strategy outlined by Heck et al. (2022), where components are added incrementally to identify and mitigate potential estimation and convergence issues.

An initial estimation of the intra-class correlation coefficient (ICC) for our dependent variable in a random intercept model suggests that about 53% of the variation in the variable can be attributed to variations between the municipalities. The substantial variance found between the municipalities strongly suggests that the statistical model should consider the nested structure of the data and allow the analysis simultaneously to capitalize on the within and between variations (see e.g., Certo et al., 2016; Curran and Bauer, 2011). A similar estimation for our independent variable related to the

ideological orientation of the city mayors suggests that about 60% of the variation can be attributed to variations between the municipalities.

We carry out the statistical analysis in the software package IBM SPSS (version 28.0) with the MIXED command (see e.g., Heck et al., 2022). For all estimations we apply the restricted maximum likelihood (REML) method over maximum likelihood (ML) with the Kenward-Roger approximation of the degrees of freedom to minimize possible downward bias in the estimation of standard errors (see e.g., Bauer and Curran, 2018). The model is specified with municipalities as (random) subjects and year as repeated measures. Treating municipalities as a random variable (in contrast to fixed) allows better for formal generalization beyond the study's context, simultaneous test of within and between effects, and a more efficient estimation of model parameters. We also include random components to gauge inter-municipal variations across the fixed estimates and minimize further the risk for type-I errors (see e.g., Matuschek et al., 2017).

To enable simultaneous test of within and between effects, we transform the original raw data into variables measuring between and within variations (see e.g., Certo et al., 2016; Howard, 2015; Wang and Maxwell, 2015). Time-invariants between variables are transformed from the raw data by calculating the average across all years for each municipality. The variables for municipal liquidity and share of unemployed unskilled labor are grand mean centered before the transformation. The time-varying within variables are transformed by group mean centering by subtracting the values for the between variables from the values for the grand mean centered or raw data. All interaction terms used in the analysis are created as the product of the interacting variables before the within and between transformations are applied to allow for correct estimation in the REWB model (Schunck, 2013; Howard, 2015). Table 1 reports

descriptive statistics for our variables including the raw data and the variables testing for between and within effects. An initial inspection of the data shows substantial variation both between and across municipalities for most variables. The levels of skewness and kurtosis indicate that deviations from the assumption of univariate normality are modest.

Table 1. Descriptive Statistics

	M	SD	Min	Max	Skewness	Kurtosis
Education share (%)						
Raw	17.435	10.025	0.000	59.270	1.114	1.253
Mayor						
Raw	0.460	0.499	0.000	1.000	0.160	-1.978
Between	0.460	0.396	0.000	1.000	0.207	-1.573
Within	0.000	0.304	-0.920	0.920	0.284	1.536
Municipal liquidity in DKK per inhabitant (natural logarithmic)						
Raw	8.609	0.586	4.800	10.230	-0.667	2.201
Between (grand mean centered)	0.000	0.407	-0.980	1.210	0.443	0.218
Within	0.000	0.421	-2.830	1.350	-0.889	3.053
Share unskilled unemployed labor (%)						
Raw	27.129	7.317	6.430	44.730	-0.294	-0.405
Between (grand mean centered)	0.000	5.273	-14.110	9.100	-0.641	0.254
Within	0.000	5.074	-16.580	17.730	-0.624	0.322

N=1128.

An inspection of the descriptive statistics shows that share of educational activities of all activities in municipal activation programs across the 94 municipalities and the 12 years in our panel data is 17.5 percent (unweighted, raw score). Also, we find

substantial variations across the municipalities ranging from no educational activities up to a maximum of 59.3 percent in a single year. This is consistent with the fact that the national employment framework grants substantial local autonomy over the choice of ALMPs. The results being a large degree of variation in the Danish municipal ALMP profiles.

Next, we fit our models with a residual covariance structure for the repeated measures to reduce model error due to possible autocorrelations (non-independence) and improve overall estimation efficiency (see e.g., Wolfinger, 1993, 1996; Littell, 2000; Gurka, 2006). The evaluation of the relative fit of models with alternative covariance structures is based on loglikelihood ratio X^2-tests (LRTs) of differences in values for the loglikelihood (-2LL). Initially, we apply an autoregressive covariance structure to model the level-one autocorrelation in a model with all fixed effects included but excluding random components. An autoregressive structure usually allows for a more realistic modelling of repeated measures where relationships (correlations) can be expected to gradually diminish by distance in time. Initially, we specified a model with a simple autoregressive structure with a homogeneous variance parameter for each year (AR1) returning a value for -2LL of 7,149.785 with 20 model parameters. However, a model specified with an additional heterogeneous variance structure across years (ARH1) adding 11 model parameters offered a statistically significant model improvement with a χ^2-difference to the simpler autoregressive structure of -45.588 and 11 degrees of freedom, p <0.001. Specification of models assuming less realistic or simpler structures returned far worse model fits. For example, an independent (unrelated) covariance structure including 19 model parameters returned a -2LL-value of 8,213.442 and an exchangeable (symmetric) structure with 20 model parameters returned a -2LL-value of 7,641.247.

Following the choice of the heterogeneous autoregressive covariance structure we added random components for the model intercept and the slopes of all within-variables. Inclusion of the random components for municipal liquidity and the share of unskilled unemployed labor returned near-zero (and statistically insignificant) estimates or non-converging estimations in many models. A common cause for non-convergence in this case is a too small (and statistically insignificant) variance for a random component (Heck et al., 2022) and we omitted the estimation of these components. Inclusion of the remaining random components returned a statistically significant model improvement, $p < 0.001$ with a χ^2-difference of -16.665 at 3 degrees of freedom (see appendix A1 for alternative models without random components).

Finally, we tested the statistical significance for interaction effects between our main variables including variables at level one (i.e., time-varying "within" variables) and level two (i.e., time-constant "between" variables) and all cross-level interactions involving our ideological variable. Four out of the eleven possible interaction terms are statistically significant at p-level 0.10 or 0.05. Including the statistically significant interaction terms results in a statistically significant improvement in model fit, $p < 0.001$ with a χ^2- difference of -23.074 at four degrees of freedom. To enable tests of all local effects due to the inclusion of the four interaction terms we complement our main results with the results from an estimation of a model with reverse coding of the between and within variables for mayors' ideology (see appendix, table A2).

Results

In Table 2 we report the main results from our mixed linear modeling of two REWB models with the share of education of all activations as the dependent variable. Model one is a baseline model with all main variables and random components included but

excluding any interaction terms. In model two, we report results with all statistically

significant interaction terms included. Below, we use model two for evaluation of the

empirical support for our theoretical arguments. The addition of the interaction terms in

model two changes the interpretation of the coefficients to local effects.

Table 2. Mixed linear modeling with share of provided education as dependent variable

	Model one			Model two		
	B	SE	P	B	SE	P
Intercept	**18.092**	**1.441**	**<0.001**	**18.094**	**1.431**	**<0.001**
Fixed effects						
Mayor, between	-0.562	1.831	0.760	-0.135	1.825	0.941
Mayor, within	0.573	0.762	0.455	-1.749	1.479	0.241
Municipal liquidity, between	**-3.086**	**1.785**	**0.088**	1.355	3.026	0.655
Municipal liquidity, within	0.534	0.523	0.308	-0.753	0.785	0.331
Share unskilled labor, between	**0.454**	**0.137**	**0.001**	**0.485**	**0.136**	**<0.001**
Share unskilled labor, within	-0.072	0.068	0.292	**-0.166**	**0.080**	**0.039**
Year (fixed)			**<0.001**			**<0.001**
Interaction terms						
Mayor, between × municipal liquidity, between				**-7.288**	**4.122**	**0.081**
Mayor, between × mayor, within				**5.025**	**2.725**	**0.070**
Mayor, between × municipal liquidity, within				**2.873**	**1.321**	**0.030**
Mayor, between × share unskilled labor, within				**0.225**	**0.105**	**0.033**
Variance components (random effects)						
Intercept [municipality]	**27.215**	**8.164**	**<0.001**	**26.975**	**8.098**	**<0.001**
Slope, mayor, within	**9.546**	**5.369**	**0.075**	**10.374**	**5.484**	**0.059**
Intercept × Slope, mayor, within	-6.190	5.601	0.269	**-7.910**	**5.654**	**0.162**
Model fit						
-2 Restricted Log Likelihood		7,087.453			7,064.469	
Akaike's Information Criterion (AIC)		7,119.453			7,096.469	
Model parameters		34			38	

Notes: N= 1128. Results reported with unstandardized beta-coefficients (B), normal standard errors (SE) and two-tailed p-values based on t-values for fixed effects and Wald Z-test for random components. Models specified with municipality (94) as random subjects and years (12) as repeated measures and estimated with a heterogeneous autoregressive level-one covariance structure (ARH1).

We find that our variable for the time-invariant inter-municipal (between) effect

for the mayors' ideology interacts with four other variables, including the time-invariant

inter-municipal effect for municipal liquidity (b = -7.288, p = 0.081), and the time-variant intra-municipal effects of respectively, changes in mayors' ideology (b =5.025, p = 0.070), liquidity (b = 2.873, p = 0.030), and the share of unskilled unemployed labor (b =0.225, p = 0.033). These results suggest that municipalities with leftwing mayors in power in relatively more years differ substantially from those with rightwing mayors regarding time-invariant inter-municipal differences in liquidity, and the time-varying intra-municipal changes in the mayors' ideology, liquidity, and the share of unskilled unemployed labor.

Across municipalities with a rightwing mayor in power in relatively more years we find that inter-municipal differences in liquidity are statistically insignificant (b = 1.355, p = 0.655). However, for municipalities with a leftwing mayor in power in relatively more years the corresponding estimate for liquidity is -7.288 lower and this difference is statistically significant (p = 0.081). To test whether the coefficient for inter-municipal differences in liquidity across municipalities with leftwing mayor in power in relatively more years is statistically significant we estimated an alternative model with a reversed coding of our variable for mayor (see appendix for details). We find that the coefficient of -5,932 is statistically significant (p = 0.016). In sum, we find that more affluent municipalities with leftwing mayors have a lower share of educational activation than less affluent municipalities with leftwing mayors.

Across municipalities with a rightwing mayor in power in relatively more years we find that intra-municipal changes in the mayors' ideology (from rightwing to leftwing) are statistically insignificant (b = -1.749, p = 0.241). We also find that the difference to municipalities with a leftwing mayor in power in relatively more years is statistically significant (b = 5.025, p = 0.070). In our model with reversed coding of the variables for the mayors' ideology, we find that intra-municipal changes in the mayor

ideology from leftwing to more rightwing in municipalities with a leftwing mayor in power in relatively more years is negatively related to employment activation and statistically significant (b = -3,275, p = 0.051). Thus, we find that within municipalities with a leftwing mayor in power in relatively more years, intra-municipal changes from a leftwing to a rightwing mayor result in a lower share of educational activation.

Across municipalities with a rightwing mayor in power in relatively more years we find that intra-municipal changes in liquidity (becoming more affluent) are statistically insignificant (b = -0.753, p = 0.331). Again, we find that the difference to municipalities with a leftwing mayor in power in relatively more years is statistically significant (b = 2.873, p = 0.030). In our model with reversed coding of the variables for the mayors' ideology, we find that intra-municipal changes in liquidity in municipalities with a leftwing mayor in power in relatively more years are positively related to education activation and statistically significant (b = 2,110, p = 0.019). Thus, we find that within municipalities with a leftwing mayor in power in relatively more years, intra-municipal changes in liquidity (becoming more affluent) result in an higher share of of educational activation.

Across municipalities with a rightwing mayor in power in relatively more years we find that intra-municipal changes in the share of unskilled unemployed are negatively related to education activation and statistically significant (b = -0.166, p = 0.039). The difference to municipalities with a leftwing mayor in power in relatively more years is furthermore statistically significant (b = 0.225, p = 0.033). In our model with reversed coding of the variables for the mayors' ideology, we find that intra-municipal changes in the share of unskilled unemployed in municipalities with a leftwing mayor in power in relatively more years is statistically insignificant (b = 0.059, p = 0.516). Thus, we find that within municipalities with a rightwing mayor in power in

relatively more years, intra-municipal increases in the share of unskilled unemployed result in a lower share of educational activation.

We find a statistically significant and unconditional inter-municipal difference in the use of educational activities (b = 0.485, p < 0.001) between municipalities with different levels of unskilled unemployed. Thus, we find that municipalities with higher shares of unskilled unemployed compared to those with lower shares tend to have a higher share of educational activation – regardless of any differences in mayors' ideology.

Finally, we observe that the statistically significant random component for the model intercept (26.975, p < 0.001, one-tailed) indicates that the share of educational activities varies substantially around the model intercept (b = 18.094, p < 0.001) when estimated at the nominal value of zero for all other included variables. We also observe that the slope for the fixed effect of time-varying intra-municipal change in the mayors' ideology varies substantially across the municipalities (b = 10.374, p = 0.030, one-tailed), but the variation tends to decrease with a higher share of educational activities (b = -7.910, p = 0.081, one-tailed).

Discussions

Overall, we find that ideology and partisanship are highly important in explaining local policy choices. The importance of ideology and partisanship is furthermore highly contingent on other factors and must be viewed in the context of local rational and functional conditions. Table 4 reports the main findings from our study.

Table 4. Summary of empirical support

Hypothesis	Empirical support
H_{1a} – Ideology, between	Mixed (inter-municipal differences in ideology matters but depends on rational and functional conditions).
H_{1b} – Ideology, within	Yes (ideology matters, intra-municipal changes in ideology toward rightwing mayors decrease the share of educational activation and the importance of mayor's ideology depends on rational and functional conditions).
H_{2a} – Rational choice, between	No, contrasting (leftwing mayors in more affluent municipalities have a lower share of educational activation. No differences between rightwing mayors).
H_{2b} – Rational choice, within	Yes (leftwing mayors increase the share of educational activation when their municipality becomes more affluent. No change found for rightwing mayors).
H_{3a} – Functionalism, between	No, contrasting evidence (rightwing mayors in municipalities with higher share of unskilled unemployed have a higher share of educational activation. No differences between leftwing mayors).
H_{3b} – Functionalism, within	No, contrasting evidence (municipalities with rightwing mayors decrease the share of educational activation when the share of unskilled unemployed increases in their municipality. No change found for leftwing mayors).

Interpretation and theoretical implications…

Practical implications

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Limitations and future research

One limitation of using a register-based panel data is that we may not include all theoretically relevant variables with the consequence that the estimates may suffer from a degree of downward or upward bias if these variables simultaneously relate to our dependent and independent variables (omitted variable bias). In the applied hybrid approach, this form for endogeneity problem is limited to potential bias from

unobserved time-invariant variables in the estimation of the between effects and unobserved time-varying variables in the estimation of the within effects (see Certo et al., 2017; Bell et al. 2019).

Literature

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Appendices

Table A1. Alternative modeling without random components: Share of provided education as dependent variable

	Model one			Model two		
	B	SE	P	B	SE	P
Intercept	**18.088**	**1.214**	**<0.001**	**18.137**	**1.415**	**<0.001**
Fixed effects						
Mayor, between	-0.357	1.615	0.825	0.247	1.604	0.878
Mayor, within	0.607	0.636	0.341	-1.370	1.254	0.275
Municipal liquidity, between	-2.598	1.578	0.102	1.890	2.680	0.482
Municipal liquidity, within	0.438	0.528	0.407	-0.880	0.794	0.268
Share unskilled labor, between	**0.379**	**0.121**	**0.002**	**0.411**	**0.120**	**<0.001**
Share unskilled labor, within	-0.057	0.069	0.406	-0.123	0.084	0.142
Year (fixed)			**<0.001**			**<0.001**
Interaction terms						
Mayor, between × municipal liquidity, between				**-7.435**	**3.645**	**0.043**
Mayor, between × mayor, within				**4.306**	**2.323**	**0.065**
Mayor, between × municipal liquidity, within				**2.950**	**1.341**	**0.028**
Mayor, between × share unskilled labor, within				0.151	0.115	0.191
Model fit						
-2 Restricted Log Likelihood		7104.198			7,082.593	
Akaike's Information Criterion (AIC)		7130.198			7,108.593	
Model parameters		31			35	

Notes: N= 1128. Results reported with unstandardized beta-coefficients (B), normal standard errors (SE) and two-tailed p-values based on t-values for fixed effects and Wald Z-test for random components. Models specified with municipality (94) as random subjects and years (12) as repeated measures and estimated with a heterogeneous autoregressive level-one covariance structure (ARH1).

Table A2. Mixed linear modeling with share of provided education as dependent variable (with reversed coding of mayors' ideology)

	Model one			Model two		
	B	SE	P	B	SE	P
Intercept	**17.530**	**1.542**	**<0.001**	**17.960**	**1.530**	**<0.001**
Fixed effects						
Mayor, between (REV)	0.562	1.831	0.760	0.135	1.825	0.941
Mayor, within (REV)	-0.573	0.762	0.455	**-3.275**	**1.647**	**0.051**
Municipal liquidity, between	**-3.086**	**1.785**	**0.088**	**-5.932**	**2.419**	**0.016**
Municipal liquidity, within	0.534	0.523	0.308	**2.110**	**0.901**	**0.019**
Share unskilled labor, between	**0.454**	**0.137**	**0.001**	**0.485**	**0.136**	**<0.001**
Share unskilled labor, within	-0.072	0.068	0.292	0.059	0.091	0.519
Year (fixed)			**<0.001**			**<0.001**
Interaction terms						
Mayor, between (REV) × municipal liquidity, between				**7.288**	**4.122**	**0.081**
Mayor, between (REV) × mayor, within (REV)				**5.025**	**2.725**	**0.070**
Mayor, between (REV) × municipal liquidity, within				**-2.873**	**1.321**	**0.030**
Mayor, between (REV) × share unskilled labor, within				**-0.225**	**0.105**	**0.033**
Variance components (random effects)						
Intercept [municipality]	**27.215**	**8.164**	**<0.001**	**26.975**	**8.098**	**<0.001**
Slope, mayor, within (REV)	**9.546**	**5.369**	**0.075**	**10.374**	**5.484**	**0.059**
Intercept × Slope, mayor, within (REV)	6.190	5.601	0.269	**7.910**	**5.654**	**0.162**
Model fit						
-2 Restricted Log Likelihood		7,087.453			7,064.469	
Akaike's Information Criterion (AIC)		7,119.453			7,096.469	
Model parameters		34			38	

Notes: N= 1128. Results reported with unstandardized beta-coefficients (B), normal standard errors (SE) and two-tailed p-values based on t-values for fixed effects and Wald Z-test for random components. Models specified with municipality (94) as random subjects and years (12) as repeated measures and estimated with a heterogeneous autoregressive level-one covariance structure (ARH1).

Fraklip

Denmark has a long-standing and successful tradition for AEP, including retraining of the unemployed (ref). It is a component in the Danish flexicurity model that helps workers adapt to structural change (ref.) highlighted by the ILO, the European Commission and OECD (multiple refs here). However, in the 2000s a centre-right government set out to gradually reform the system emphazising

Decision-making regarding activation of the unemployed was ceded from the state-run public employment service to municipality-run job centers (ref.). The reform also imposed economic incentives on local governments urging them to focus more on work-oriented activation and less so on education (ref).

In the years after the decentralization, use of education generally declined until it reached a stable level of around 15 percent of gross activation in the middle of 2010s. On the municipal level, however, use of the education instrument varies a lot – between 42 and 0 percent, and we aim to explain this variation of local AEP.

We formulate a set of hypotheses aiming to explain inter- and intra-municipal differences from three different theoretical positions. .