

Søren C. Winter
Mette H. Skou
Frederikke Beer

14:2008 WORKING PAPER

EFFECTIVE MANAGEMENT FOR NATIONAL OR LOCAL POLICY OBJECTIVES?

IMPLEMENTING WELFARE SANCTION POLICY IN DENMARK

RESEARCH DEPARTMENT OF EMPLOYMENT AND INTEGRATION

Effective Management for
National or Local Policy
Objectives?
Implementing Welfare Sanction Policy
in Denmark

Søren C. Winter
Mette H. Skou
Frederikke Beer

Working Paper 14:2008

The Working Paper Series of The Danish National Centre for Social Research contain interim results of research and preparatory studies. The Working Paper Series provide a basis for professional discussion as part of the research process. Readers should note that results and interpretations in the final report or article may differ from the present Working Paper. All rights reserved. Short sections of text, not to exceed two paragraphs, may be quoted without explicit permission provided that full credit, including ©-notice, is given to the source.

Effective Management for National or Local Policy Objectives? Implementing Welfare Sanction Policy in Denmark

Søren C. Winter

Mette H. Skou

Frederikke Beer

SFI - The Danish National Centre for Social Research

September 2008

Corresponding Author: Søren C. Winter, SFI – The Danish National Centre for Social Research, Herluf Trollesgade 11, DK-1052 Copenhagen K. Ph. +45 33 48 09 28. E-mail: scw@sfi.dk.

Earlier versions of this paper were presented at the 11th International Research Symposium on Public Management (IRSPM XI), 2 – 4 April 2007 at University of Potsdam, Germany, and at a symposium on the Implementation of Employment Policy at Department of Political Science at University of Aarhus 27 August 2007.

Acknowledgements

Mads V. Stigaard provided substantial research assistance in preparing this paper. Peter May provided substantial assistance in designing the further study for which also Mette Fjord Sørensen, Ina R. Bøge, Nina Friisberg, Helle N. Jensen, SFI-Survey and UNI-C provided research and other assistance with the data collection. The authors are grateful to the municipal caseworkers, CEOs, and middle managers who participated in the study as well as the AKF – Danish Institute of Local Government Studies - and ECO-analyse for provision of some of the data. The research was supported by grants from the Research Program of the Danish Ministry of Employment and the Danish National Centre for Social Research for a project directed by Søren C. Winter. Comments on earlier version of the paper from Eugene Brewer, Larry O’Toole, Kenneth Meier, Marcia Meyers, Peter May, Vibeke Lehmann Nielsen, Jørgen Grønnegaard Christensen, Jens Blom-Hansen, Søren Serritzlew, Lotte Bøgh Andersen are especially appreciated. The findings are not necessarily endorsed by the sponsoring organizations or the survey respondents.

Effective Management for National or Local Policy Objectives? Implementing Welfare Sanction Policy in Denmark

ABSTRACT

This research considers the role of local policies and management in affecting street-level bureaucrats' actions in implementing national policy mandates. The focus on sanctioning behavior by social workers provides a strong test of these effects, given that the behaviors are both visible and have consequential policy outcomes. We extend principal-agent theorizing to frame decisions by street-level bureaucrats as the result of a set of interlocking principal-agent chains that establish different information asymmetry problems. The setting is the implementation of a Danish welfare and employment policy for which a shift in policy placed greater emphasis in 2003 on the use of sanctions for the failure of clients to participate in employment-enhancing measures. The policy was to be implemented by 268 semi-autonomous municipalities. We use data from nation-wide surveys of CEOs of municipal employment services, middle managers, and front-line workers.

Key findings are that local politics matters in affecting how municipal policies fit with the national mandate. Management also matters. Greater application of the goal-directed management tools of clearly signaling managerial expectations and recruiting workers with a better fit with the goals of the organization increases workers' compliance with local policy goals, but only when these diverge from national ones! Increasing staff capacity and information provision have simpler effects in fostering more compliance with the national policy mandate among workers. Managers' addressing adverse selection problems seems more effective than coping with moral hazard. The combination of local politicians' influence on the formation of local policy goals and managers' influence in getting workers to comply with those indicates a very important role for policy implementation at the local level.

Effective Management for National or Local Policy Objectives? Implementing Welfare Sanction Policy in Denmark

A number of studies on the behaviors of street-level bureaucrats suggest managers have limited influence on front-line behaviors in implementing policies. As first observed by Lipsky (1980), these studies tend to highlight the autonomy of street-level bureaucrats and their discretion when interacting with clients (see overviews in Meyers and Vorsanger 2003, and May and Winter 2007). We suggest the impact of local policies and managerial behaviors on street-level actions differ for various types of front-line actions. In particular, we hypothesize that the influence of local policies and managerial actions are stronger in affecting actions by front-line workers for those activities that are relatively visible and can more easily be monitored. This draws attention to more visible actions – such as duration of case-processing, inspection frequencies, and the use of sanctions – in suggesting that the problems of information asymmetry are reduced in such circumstances, cf. Winter (2003).

In getting at this, two basic issues are the extent to which national policies are supported or opposed when local authorities form local policies in the implementation process and the role of managerial actions in translating that policy to the front-lines. Most studies of local implementation of national policies and on the role of management in affecting front-line behaviors or agency performance examine the role played by either local policies or management. However, we suggest that our understanding of implementation at the local level can be improved if we study the combined effects of local policy objectives and management. Management is likely to influence the extent to which front-line staffs comply with either national or local policy objectives – and the effects of management on front-line behaviors and performance are likely to depend on whether managers seek to implement national or local policy goals if these are not identical. One reason why most studies have found that management has had relatively little impact on the behaviors of street-level bureaucrats in implementing national policies may be that managers are not always loyal to national policies but are seeking to implement divergent local policies (May and Winter 2007). Finally, we suggest that various management tools might vary in their ability to make street-level bureaucrats' actions comply with either local or national policy objectives.

A particular contribution of the research is our examination of the role of recruitment in getting workers to comply with the goals of the local organization. The selection of workers is a key part of Principal-Agent theorizing and recently more focus has been put on the role of motivation and identity in the selection of workers (Akerloff and Kranton 2005, Prendergast

2007, 2008). However, most selection research has been based on formal modeling, while we examine the effect of selection empirically and with remarkable findings.

We have chosen to focus on the relatively visible type of front-line behavior of the application of sanctions towards welfare clients for not meeting the requirements of the Danish Welfare and Employment Legislation. The Danish welfare legislation, “Active Social Policy”, and its sanction mandate are administered by semi-autonomous municipalities and their departments for social affairs and employment services. Our data are based on nation-wide internet-based surveys of CEOs of municipal employment services, middle managers, and a sample of front-line staffs. In the following section, we develop a set of hypotheses for guiding our research. Based on a principal-agent perspective and the notion of principal-agent chains, we suggest and test two sets of hypotheses for explaining the extent to which local policies and front-line workers’ actions comply with national policy mandates. One set of hypotheses focuses on the role of local politics in shaping local policy objectives, while the second set focuses on the roles of local policies and management in shaping the actual actions and compliance at the front-lines. We next describe the case of welfare sanctioning and the Danish setting for this issue. After presenting our data and measures, we present and discuss our findings and conclusions.

CONCEPTUAL ISSUES

A Principal-Agent Perspective

We are inspired by principal-agent theory in conceptualizing the influence of local politicians and management in implementing a national policy mandate at the front-line level. Originally, this theory was developed in research on insurance behavior and later applied in micro-economics. However, it has also been exported and adapted to political science (see Moe 1984). Principal-agent models are used for studying control problems in private and public organizations. The key element in all such models is that some kind of interest conflict exists between a principal who wants to incite a certain behavior and agents who are supposed to work but may have incentives not to perform all the work that the principal would like them to do. Principals are trying to control the behavior of their agents, but are seriously constrained in doing so because of information asymmetry. Principals often lack the information which is necessary for controlling the behavior of bureaucratic agents, and it is often possible for the latter to hide such information.

In this research, we conceptualize the implementation of a national legislative mandate as two sets or ‘chains’ of interlocking principal-agent relationships. In the first, we analytically conceive of the national government and Parliament as one principal that is using managers of local authorities as agents for implementing the national mandate. In this relationship implementation and control are effective if the employment policies of local managers reflect that national

mandate. However, local policies must also be implemented at the front-lines in order to be effective. Accordingly, in our second principal-agent relationship we conceive of local managers as principals that must rely on front-line workers as agents for implementing the policy. Multiple principal problems may exist in both sets of relationships because local managers must respond to the national legislation as well as to the preferences of local politicians, and street-level bureaucrat must respond to both the legislation and the policy priorities of their managers. Multiple principal situations may create conflicting loyalties.

Based on the traditions from insurance and microeconomics, most principal-agent models in political science assume that bureaucratic agents seek to maximize their own utility giving incentives for free-riding (Moe 1984). Information asymmetry between principals and their agents offers ample opportunities for shirking. However, other political science – and increasingly also economic - scholars have modified the original assumptions by recognizing that agents can be motivated by not only private utility but also policy preferences (Downs 1967, Brehm and Gates 1997, Winter 2003; Akerloff and Kranton 2005, Prendergast 2007, 2008). Brehm and Gates (1997) replace the classic working-shirking dichotomy by making a distinction between “working, shirking, and sabotage.” Agents’ own policy preferences make them either work (if they agree or comply with the public policy), dissent shirk (work less if they disagree with the policy) or sabotage the public policy by doing something different than requested.

Shirking and sabotage are due to the problems of moral hazard and adverse selection. *Moral hazard* means that due to information asymmetry agents can get away with shirking – or sabotage - which implies ineffective and inefficient performance (Mitnick 1980). *Adverse selection* represents the problem that information asymmetry when recruiting employees makes it difficult for principals to recruit the most effective and efficient agents.

However, principal-agent theorists have identified a number of instruments that principals can use for reducing information asymmetry, manipulating the incentives of agents, and/or monitoring their behaviors. This can be done by clearly signaling certain policy directions, general information provision including informing about new legislation and administrative rules, systematically monitoring of workers’ behaviors, constraining agency discretion, defining procedural requirements to limit agent authority, manipulating bureaucratic behavior by changing rewards and sanctions, or institutionalizing external checks on bureaucratic discretion through involving interest-groups (Moe 1989; Eisner et al. 2000). While most principal-agent research have focused on means to reduce moral hazard problems, some recent studies have paid attention to addressing adverse selection as more promising, focusing on selection of workers with a better fit with the organization, including workers with intrinsic motivation and missions (Akerloff and Kranton 2005, Worsham and Gatrell 2005, Miller and Whitford 2007, Prendergast 2007, 2008).

Some principal-agent researchers claim that elected officials are able to control their bureaucracies. Studies by Moe (1982, 1985) and Wood and Waterman (1991) show that bureaucratic agencies can be responsive to political principals whether construed as the US president or Congress. However other scholars are more skeptical about the ability of political leaders and administrative managers to influence bureaucrats. Brehm and Gates (1997) claim that although front-line bureaucrats actually do “work,” this is not due to any effective control from managers. Bureaucrats work because they agree with the public policy and because of peer pressure.

Propositions for Investigation

Based on the previous conceptualization of principal-agent relationships we suggest the following set of hypotheses for explaining first variation in local agencies’ sanction policies and second variation in front-line workers’ use of sanctions.

Effects of Local Politics on Agency Policies

In our first principal-agent chain we examine the extent to which policies of local agencies comply with national policy mandates as a function of the degree of support for the national policy by local politicians. When local managers are formulating local policy objectives, they are confronted with expectations from two sets of principals. We perceive the national government and parliament as one principal that expresses its demands in laws and administrative rules. However, although managers in local governments are legally obliged to comply with the national legislation, they also are confronted with another principal, the elected local officials to whom they report, and managers may perceive expectations from those that are either supporting, neutral, or undermining the national policy. In the latter case, managers must choose to whom they are loyal when formulating the policy objectives of their organization.

Elected local officials are clearly important in influencing implementation at the local level. Several studies indicate that politicians do influence policy outputs and outcomes at the local organizational level. This is shown in multi-state studies of federal, state, and local politician’s partisan influences on regulatory enforcement actions of county-level occupational health and safety offices (Scholz and Wei 1986, Scholz, Twombly, and Headrick 1991). Similar findings are reported for social policy implementation for the use of bureaucratic discretion in child support enforcement actions (Keiser and Soss 1998). And apparently, Latino school board members affect the educational achievement among Latino students in Texas (Meier, O’Toole, and Nicholson-Crotty 2004). Because such studies address aggregate agency outputs and outcomes rather than street-level behaviors, Meyers and Vorsanger (2003) suggest they at best provide indirect evidence for political influences on street-level behaviors.

Other research specifically addresses the influence of political superiors on street-level actions. In a study on TANF welfare sanctioning practices in the US, Fording et al. (2006: 29) conclude that local differences in “are not random, but instead are strongly tied to local political values. As mentioned above, Winter (2003) finds that the policy preferences of municipal elected officials influence caseworkers’ decisions for implementing Danish integration policy and enforcing actions for Danish agro-environmental policies to the extent that these caseworker decisions are relatively visible. In a study on the implementation of a Danish employment policy, May and Winter (2007) examine the influence on local politicians and managers in implementing a national mandate requiring that caseworkers have a firm job emphasis in getting clients quickly into any kind of job. As could be expected from the relatively low visibility of the degree of job emphasis in conversations between street-level bureaucrats and clients (cf. Winter 2003), May and Winter found that the influence of local politicians and managers was relatively limited, whereas the influence of individual street-level bureaucratic factors was considerable.

According to Langbein (2000) the degree of agreement among policy principals is important in shaping the influence of these signals. Inconsistent political signals at different levels decrease frontline discretion, implying that actions are more in line with the desires of the more immediate elected officials. This is supported by May and Winter’s (2007) above study on job emphasis in Danish employment services, Caseworkers seem to be more willing to diverge from national goals when it is clear that their immediate political principals endorse that divergence. Furthermore, the political attention of municipal politicians to employment issues has larger impacts than managerial actions on caseworkers’ policy emphases.

While the literature cited above focuses on the influence of local politicians on front-line behaviors at the agency or individual worker level and for agency performance, we expect that a similar influence can be found for the formulation of local agency policy objectives. In fact, politicians’ influences on front-line actions and performance are likely to often work through the formulation of local policy objectives at the agency level.

However, some elected officials may have policy preferences that are at odds with national policies just out of ignorance of the current national policy. Their informed agreement or disagreement with the current national policies is likely to reinforce the effect of their support or non-support for national policy reform objectives on local policy goals. Local managers are likely to take their politicians’ preferences more seriously when formulating agency policy objectives if they realize that the politicians are familiar with the current legislation and consciously express their own policy preferences based on that knowledge. This consideration calls for the application of interaction terms. This reasoning leads to the first set of hypotheses:

H1. Local Politicians' Policy Preferences and Knowledge

- 1. Stronger support from local politicians of national policy reform objectives increases the compliance of local agency policy objectives with national policy mandates.*
- 2. Local politicians' greater knowledge of current national legislation reinforces the effect of their degree of support for national policy reform objectives on the compliance of local agency policy objectives with national policy mandates.*

Effects of Local Policies and Management on Front-Line Actions

The next set of propositions focus our second principal-agent chain in examining the effects of local agency policies and managerial actions on front-line workers' compliance with national – and local - policy mandates. Also agents at the front-lines are confronted with two sets of principals, one being the national government and Parliament, expressing its expectations through national policies and specific legislative mandates – the other principal being the local manager of the organization. As these expectations from different principals may be identical or divergent, street-level bureaucratic agents may have to choose to whom to be loyal.

Recent research on public managements indicates that “management matters” for the performance of public organizations (e.g., Boyne 2003, Brewer 2005, Brewer and Seldon 2000, Hill and Lynn 2004, Meier and O’Toole 2002, Moynihan and Pandey 2005, Nicholson-Crotty and O’Toole 2004). However, the influences are relatively limited. Similarly, the studies above that directly assess the influence of political and managerial factors on the actions of frontline workers mainly find weak impacts (see Brehm and Gates 1997; Langbein and Jorstad 2004; Riccucci et al. 2004; Riccucci 2005, May and Winter 2007). As an exception, Brewer’s (2005) study finds substantial managerial influences of frontline managers on federal employees’ perceptions of organizational performance.

As indicated, we expect that management will have stronger influence on the behaviors of street-level bureaucrats when we focus on highly visible kinds of street-level behaviors such as the application of sanctions. According to two qualitative studies of TANF sanctioning, local managers may shape the philosophy and approach to US TANF related sanction policies implying variation in sanction procedures and outcomes within the same policy and state context (Kirby et al. 2001, Pavetti et al. 2004).

Prior research suggests several key managerial factors that should enhance front-line workers' implementation of managers' policy objectives. One factor is the extent to which managers clearly communicate goals and expectations about how to handle different situations (see Riccucci et al. 2004). A second related factor is how often managers provide information on

the objectives of the agency to front-line workers Worsham and Gatrell 2005). A third factor is monitoring of workers. This is the only consistent factor identified by Riccucci (2005) and by Brehm and Gates (1997) that influences the behaviors of caseworkers, although these studies found that this influence was limited (more generally see Brewer 2005, Meier and O'Toole 2002). May and Winter (2007) find that that monitoring interacts with workers' knowledge in affecting their implementation of national employment mandates that emphasize getting unemployed clients into jobs quickly.

A fourth managerial factor is funding of staff capacity. In studies of the implementation of integration policy for refugees and immigrants and the implementation of agro-environmental policy, Winter (2002, 2003) finds that staff capacity affects front-line actions, styles and coping. Greater capacity increases the effort of workers including their use of sanctions. Because sanctioning is time-consuming, staff-capacity may be of particular influence in the implementation of a sanction mandate as evidenced in TANF sanction studies by Pavetti et al. 2004, Kirby et al. 2001, Meyers et al. 2006, Fording et al. 2006. The influence of funding staff capacity for implementing time-consuming procedures has also been documented for social policy in the study by Keiser on the use of bureaucratic discretion in child support enforcement actions (Keiser and Soss 1998).

While the previous managerial factors may be used to reduce *moral hazard* problems, which implies that workers are not doing the work they are supposed to do, a fifth factor is how managers recruit front-line workers. In addressing the critical *adverse selection* problem, managers can seek to recruit front-line workers that have a better fit with the goals of the organization. A study of the implementation of US welfare reforms by Riccucci et al. (2004, see also Riccucci 2005) found much higher levels of implementation of these reforms in new agencies that had been created based on new employees than in agencies based on the previous staff who basically continued business as usual. Recent economic research in private and public organizations have focused on the potential gains in effectiveness of selecting workers with a mission that fits with the objectives of the organization (Akerloff and Kranton 2005, Prendergast 2007, 2008).

One limitation of prior research on the role of agency policies and management tools in policy implementation is that the combined effect of agency policy and management tools on street-level bureaucratic behaviors has rarely been studied. Some management tools may be effective in obtaining local rather than national policy goals, while other tools may be more effective in obtaining national policy goals. Thus, the influence of local policy goals on front-line practices in implementing national policy reforms is likely to be affected by the application of certain management tools. Such analyses call for the modeling of interactions.

Thus, some of the above management tools may be more effective than other ones for managers to use when they seek to achieve the policy objectives of their own local organization. We could call such tools for *Local Goal-Directed Management Tools*. The first two of these are frequent and clear communication of local policy objectives to street-level bureaucrats. The third is monitoring what street-level bureaucrats are doing and with what effects. Monitoring has the potential of increasing workers' compliance with local policy objectives. The fourth such tool is recruiting staffs with a better fit with the organization in order to reduce adverse selection problems.

Other management tools are likely to be blunter in achieving local policy objectives. One such group we could call *Capacity-Building Management Tools*. The most central of these tools is funding staff capacity. It is evident that a certain capacity is necessary for workers to do their job. However, the capacity of staff is not necessarily related to the achievement of local policy goals, but could as well be used by workers for meeting national legislative mandates, unless the tool is combined with some of the more local goal-directed management tools.

These considerations lead to the following second and third sets of hypotheses:

H2. Local Agency Policies and Goal-Directed Management Tools

Managers' a) clear signaling of agency policy objectives, b) more frequent provision of information on agency policy objectives, c) more systematic monitoring of their staff, and d) application of recruitment criteria that ensure a stronger fit with agency objectives when recruiting front-line workers increase workers' compliance with local policy objectives. The application of these managerial tools only increases workers' compliance with national policy mandates to the extent that local policies are compliant with national policy mandates. Otherwise, the application of these tools decreases workers' compliance with national mandates.

H3. Capacity-Building Management Tool

Managers' funding of greater staff capacity increases front-line workers' compliance with national policy mandates.

THE CONTEXT: WELFARE SANCTIONING

AND DANISH WELFARE AND EMPLOYMENT SERVICES

The setting for our examination of the role of local politics and management in implementing national policies is a sanction mandate which is part of the national Danish Welfare and Employment Policy. This setting has three major qualities in relation to our research questions.

First, the legislative mandate is relatively clear making it easier to study local compliance with a national mandate. Second and related, welfare sanctioning is a relatively visible administrative task with good opportunity for control. Third, it is a controversial policy issue for which substantial disagreement about benefits and disadvantages is likely to be found among implementers.

Welfare Sanctioning

Whereas sanctioning by nature is a key focus in research on the implementation of regulatory policies, research on social policy implementation is dominated by studies of the delivery of services to target groups. However, quite a few social policies have also important regulatory elements. For example, several policies seek to change the problematic behavior of target groups by regulating their behaviors, clients are often monitored for examining their compliance with prescribed procedures, and sanctions are applied for punishing non-compliance. Typical sanctions are reduction or withdrawal of services or income support. In some countries – e.g. the US and Denmark – stronger regulatory elements including sanctions have been introduced in the last decade in welfare legislations.

Yet, the role of sanctions is controversial among politicians and administrators many of whom perceive sanctions as an alien element in welfare policy. The classic argument in favor of sanctions is the economic rationale of utility maximization and deterrence that it pays off for clients to comply, and that the application of sanctions and the threat of sanctions have both specific, deterrent effects for the particular client and general, preventive effects for other clients who see that the threat is serious. In a review of research on TANF-sanctions as part of US welfare reforms, Meyers et al. (2006) find some evidence that sanctions can promote compliance with TANF-work requirements and that sanctions are related to less use of welfare in the first two years of receipt of benefits. Similarly, Svarer (2007) finds that sanctioning recipients of unemployment benefits make these clients find employment more quickly, and that unemployment funds' greater application of sanctions seems to increase employment.

Some do, however, question that sanctions have their intended effects. In a study of the implementation of Danish integration policy towards refugees and immigrants, Heinesen et al. (2004) find that municipal agencies that use sanctions do not obtain significantly better labor market integration than municipalities that use no or fewer sanctions. Sanctions may have strongest impact on clients that have substantial individual resources and qualifications for finding a job (Winter & Nielsen, 2008), and the target group for integration policy is substantially weaker than people who are entitled to unemployment benefits with the group of welfare clients falling in-between these two groups.

Some opponents of sanctions even claim that clients may get worse off if they are sanctioned because sanctions and the following loss of income may trigger clients coming down in the world. It is also claimed that economic sanctions have negative side-effects not least for the welfare of children in poor families experiencing sanctions. Another claim is that social work in order to be effective must build on trust and cooperation with the client and that the use of positive incentives and motivation is effective rather than the application of negative sanctions that may destroy trust. Finally, some claim that it is more effective trying to remove the barriers that hamper clients' participation in employment promoting measures rather than sanctioning absenteeism (Meyers et al. 2006, Beer and Skou 2007)

The divergent perspectives on the usefulness of sanctions in welfare services imply that sanctions are controversial among implementers and that the implementation of national sanction mandates cannot be taken for granted. Accordingly, the implementation at the local level and at the front-lines of sanction mandates is an interesting research question. The emerging American research on the implementation of TANF-sanctions shows that there is considerable variation in the sanction policies adopted by various states. Some studies also indicate variation in how local agencies (Meyers et al. 2006 – see also Pavetti et al. 2004, Keiser et al. 2004, Fording et al. 2006) as well as their front-line workers respond to state sanction policies (Meyers et al. 2006 – see also Hagen and Owens-Manley 2002, Kirby et al. 2001, Pavetti et al. 2004).

Danish Employment Policy and its Sanction Mandate

This study concerns the implementation of welfare and employment policy in the 268 Danish municipalities in 2006. We focus particularly on the implementation of a national sanctioning mandate in relation to unemployed clients who have been found to be available for work. Danish municipalities are delivering employment services to unemployed people who are not entitled to any unemployment insurance. The main municipal tasks are checking eligibility for and paying social assistance, giving advice on job search and career and vocational guidance, checking availability for work, and placing unemployed clients into normal jobs or employment promoting activation. Part of the municipal costs for employment services are paid by the national government.

From the beginning of the 1990ies, a new way of thinking about social policy and employment policy was introduced in Denmark as in many other countries. The primary reason for this is a need to secure the welfare state due to structural changes in the workforce. More people will leave the labor force and fewer people will replace them. In 2002 the national employment reform, "Putting More People into Work" was launched by a wide political majority. Its general objective is getting more people into employment. To achieve this "... the two main

objectives of changing the employment policy are a better and worthier effort towards unemployed people taking departure from the situation of the individual person and an effort that is targeted towards the fastest and most direct way to jobs in firms". A related major focus of the reform is to clarify and tighten the rules of availability to work and sanctioning.

With "the Putting More People into Work" reform, Danish welfare and employment policy takes one more step in regulating the behaviors of unemployed clients. Clients must seek jobs, go to scheduled meetings with staff, participate in employment promoting measures, etc. This involves more focus on caseworkers' supervision of clients. Caseworkers must check that unemployed clients are available for work and if not, sanctions must be applied by reducing or stopping clients' benefits in order to regulate the behavior of the unemployed persons.

The rules of sanctioning have been tightened over the last decade. According to "The Act on Active Social Policy" from 1998, municipalities and their caseworkers "*could*" sanction absenteeism from work-promoting measures by cutting clients' income support (Article 39). The support was reduced according to the number of hours of absenteeism but at a maximum of 20 percent. However, according to law 1310 of 20th December 2000, caseworkers now "*must*" cut the income support for clients that are available for work. Furthermore, it is now possible to reduce benefits by up to 30 percent, and benefits must be stopped completely at repeated absenteeism. The "Putting More People into Work" reform of 2002 further tightens the rules on sanctioning and thus reduces local discretion. It is now clearer when the municipality must reevaluate unemployed clients' availability for work and which conditions of non-availability must lead to sanctions and what are good causes. The Government gradually decreased municipalities' discretion out of dissatisfaction with the fact that many municipalities and their front-line staffs did not previously make use of the sanctioning options.

Our research questions address what caseworkers normally do the first time they are notified that one of their unemployed clients has been absent from employment promoting measures (that are also called "activation") without any good cause, and what caseworkers do the second time. According to articles 39 and 41.2 in "The Act on Active Social Policy" of 2005,¹ caseworkers must reduce benefits the first time they are notified that one of their unemployed clients have been absent from activation without any good cause. At repeated absenteeism and when absenteeism has reached such a considerable extent that it is equivalent to refusing to participate in activation, caseworkers must stop benefits.

The application of sanctions for absenteeism from employment promoting measures with no good cause is a relatively visible kind of casework. In most cases caseworkers receive a report on

¹ LBK No. 1009 of 10/24/2005

the absenteeism from the employment-training institution, firm, public institution, or workshop to which the client has been referred. The case worker must react to such reports. The application of sanctions with reduced or stopped benefits can be monitored from the benefit statistics. Failing to use sanctions when clients are absent without any good cause may lead to municipal loss of government partial reimbursement of costs of employment services and income support for that client.

Municipal employment services are headed by elected municipal councilors while the daily work is typically performed within a department of social affairs and employment. The municipal councilors exert their political influence over employment services through their membership on a municipal committee of Social Affairs and Employment that often has direct supervision of employment services. A CEO of Social Affairs and Employment Services typically attend the meetings of the committee, supports its chairman and manages the administration. The relevant employment functions for our study are typically overseen by a middle-manager who is responsible for employment services for clients that municipalities have found ready for work. The organization of these services is fairly consistent across municipalities for which municipal caseworkers are at the frontlines of implementing the national policy reforms.

Municipal caseworkers must conduct repeated contact-course conversations with clients who are searching for jobs. Given that these functions are delegated by most municipal employment service agencies to caseworkers, the actions that they take should in principle be based on decisions within municipal employment services agency about agency goals. The national policy reform places a strong focus on caseworkers urging clients to quickly find a job, invoking employment-training measures that promote employment prospects, and monitoring clients for their availability to work and sanctioning non-availability. Most caseworkers have a professional training in social work. After our data-collection, due to a Structural Reform, in 2007 the number of municipalities has been reduced from 268 to 98, and the municipal employment services for public assistance clients have been partly merged with the Public Employment Service for unemployed clients that are entitled to unemployment benefits into local job centers.

DATA AND MEASURES

Data

Three primary data sources are used in the analyses that follow. One is a survey of municipal caseworkers who are responsible for implementing the laws and intentions from the reform “Putting More People into Work.” Our analyses are based on 389 internet-based survey responses from municipal caseworkers. These respondents were selected by the municipal middle managers

according to specified selection criteria that require respondents to have at least three months experience with individual contact-course conversations with clients that are available for work. The internet-based survey was collected from early May until the end of June 2006.

The response rate is 88 percent in relation to the sample of caseworkers who were selected as respondents. We sent two e-mail reminders and a third telephone follow-up reminder. The responding workers are from 189 of the 268 Danish municipalities, thereby providing representation of 70 percent of the municipalities. Municipalities with less than 10,000 inhabitants and few employment services clients are slightly underrepresented among the survey respondents making up 42.3 percent of our sample compared to 47.4 percent of all municipalities. This under-representation of municipalities is counteracted by the fact that our selection criteria of caseworkers provided an over-representation of those from small municipalities (i.e., relatively more per municipality).

The second and third data sources are surveys of chief executive officers and municipal middle managers of employment functions. Our analyses are based on 198 CEO survey responses and 204 municipal middle manager responses collected from mid December 2005 until the end of May 2006. Relevant CEO and middle manager respondents were identified by telephone calls to each municipality. Two follow-up reminders were sent by email and one through telephone contact.

The response rates are 73 and 75 percent for the CEO and middle-manager surveys, respectively. The distribution of respondents reflects that of Danish municipalities in terms of population size (a measure for which we have census-like data) and difficulty of the employment task (calculated based on register information). Responses for middle managers from municipalities with less than 10,000 inhabitants are marginally underrepresented by 3.8 percentage points in comparison to census distribution, while those from municipalities with between 20,000 and 45,000 inhabitants are slightly overrepresented by 3 percentage points. The street-level bureaucratic and municipal CEO and middle manager data are supplemented with secondary data based on register information. These include census data about population size and data concerning the difficulty of the employment task conditions.

Measures

In the following, we briefly present our key measures. We present a more detailed presentation of operationalizations, means and standard deviations in the Technical Appendices.

Explaining Variation in the Compliance of Local Policies with the National Mandate

Dependent variable

At the municipal level we consider the dependent variable of agency policy compliance with national mandates, which in our setting is compliance with the sanction mandate in the Danish national welfare legislation, the Act on Active Social Policy. We measure *Municipal Sanction Policy* as a dummy variable for which the value 1 indicates that the municipal sanction policy is in compliance with the national sanction legislation, while the value 0 indicates non-compliance. The variable is based on middle managers' responses to a survey question on the extent to which they as managers emphasize that caseworkers shall focus on immediate use of sanctions if their clients have been absent from activation without any good cause. Compliance with the national mandate requires complete emphasis on caseworkers' immediate use of sanctions.

Explanatory variables

We consider two measures of local politicians' policy preferences: The first, *Local Politicians' Support for National Reform*, measures the extent to which local politicians support the objectives of the national employment reform "*Putting More People to Work*" of which sanctioning is but one element. The variable is based on how CEOs of the municipal department of Social Affairs and Employment assess local politicians' support of the goals of the reform. The second measure is *Local Politicians' Knowledge*. This variable indicates the extent to which local politicians have knowledge of the changes in the national employment legislation and is also based on CEO ratings, in this case of the extent to which they agree that "Local politicians are generally well aware of changes in national employment services policies". Because CEOs participate in meetings with the local politicians in the Committee on Social Welfare and Employment and frequently interacts with the chairman of the committee, the CEO has first hand information on the political attention, positions, and knowledge of local councilors. We also create an interaction term of *Local Politicians' Support for National Reform* and *Local Politicians' Knowledge* for examining the combined effect of those variables.

Controls

Because structural conditions to which the municipalities are exposed might affect the sanctioning policy of municipalities and bias the estimates of the effect of politicians' knowledge and policy preferences, we seek to control for the most relevant structural factors. In their review of TANF-sanction practices, Meyers et al. (2006) have found very little research on the relationships between regional and economic factors, local administration, and sanctions.

However, a study of Fording and collaborators (2006) indicates that sanctioning may be related to

the task environment of the agency because large urban counties and counties with higher poverty rates are using more sanctions. Our measure on *Task Environment of Municipality* taps the difficulty of each municipality's employment task environment based on the composition of the citizens and local labor market conditions that are used to predict the mean duration of temporary municipal income support in 2004 for all adults in the municipality.

Sanctioning may also be affected by the resources of the agency. Kirby and associates (2001) and Pavetti (2004) find that sanctioning is time-consuming and harder to do for poor local authorities. However, because local authorities as in Denmark contribute to the funding of income transfers, we expect that poor municipalities put more emphasis on sanctioning in order to save money and get clients off the dole. Our measure, *Fiscal Resources*, indicates the municipality's tax base per inhabitant in 2005. Finally, local policy emphases on sanctions might vary with the size of the municipality. The measure, *Population*, reports the population size of the municipality as of 1 January 2006.

Explaining Front-Line Workers' Compliance with National Sanction Mandate

Dependent variable

When seeking to explain variation in caseworkers' compliance with national sanction mandates, our dependent variable indicates the extent to which caseworkers use sanctions towards clients that are unemployed and found ready for work. The dependent variable *sanctioning* is created as an index based on caseworker respondents' rating of their reactions to clients' first and repeated absence from required participation in employment enhancing measures. The rating indicates higher values for stronger reactions with 'wait and see' as the weakest and 'stopping benefits' as the strongest reaction. Caseworkers' reactions at first and repeated absence count equally.

Explanatory variables

In the following, we present measures of Municipal Sanction Policy and five Management Tools for our explanatory variables. We also consider a set of control variables.

Municipal Sanction Policy and Management Tools

We use the same measure of agency sanction policy emphasis, *Municipal sanction policy*, which above was treated as a dependent variable at the municipal level, but now is an independent variable in explaining front-line sanctioning. Next, we consider five different measures for middle managers' use of various management tools – three Goal-Directed Management Tools and two Capacity-Building Tools. Among the former, one is *Goal-Clarity*, which is an index indicating the extent to which caseworkers perceive their middle manager to be clearly signaling his expectations to his employees. We consider caseworkers' perception on Goal-Clarity be a more

valid measure than managers' own perception of Goal-Clarity. The second is *Monitoring*. This variable is an index indicating the extent to which middle managers respondents report that they systematically monitor caseworkers for six different items.

The third measure is *Recruiting Workers Fitting with Local Goals*. The variable is an index measuring the extent to which middle manager respondents indicate that they recruit caseworkers based on how well applicants fit in with the municipality's goals for the employment policy as well as considering applicants' attitudinal approach to employment services. Because our theorizing focuses on the combined effects of Municipal Sanction Policy and each of the three previous Goal-Directed Management Tools, Goal-Clarity, Monitoring, and Recruiting Workers Fitting with Goals, we have also created interaction terms for each.

The fourth measure is *Information Provision*, which is an index indicating how often middle managers inform caseworkers of the goals and priorities of the municipality through various communication channels. We expect that the above variable on Goal-Clarity in managers signaling their expectations to workers is more important as a goal-directed management tool than how often managers provide information on agency objectives and priorities. In addition, such information is probably often provided together with other kinds of information, including legislative changes and information about the social problems at hand, and the performance of the agency. Therefore, especially when controlling for Goal-Clarity the information provision variable may as well tap more general information provision than just communication of goals, and it may have some similarity with a capacity-building management tool.

The key Capacity-Building managerial tool is *Staff Capacity*, which is gauged as the number of weekly working hours available per caseworker for coping with 100 current client cases. This is based on caseworker respondents' ratings of their formal working hours and current number of clients.

Controls

In order to avoid that omitted third variables bias our estimations, we include several controls in our models. Since earlier research on street-level bureaucratic behaviors has shown that a number of street-level considerations influence their behaviors, we control for a number of those. In addition to the objective staff capacity above, caseworkers' behaviors may be affected by their perceived capacity (Lipsky 1980, Winter 2002, 2003). *Perceived Capacity* is an index based on caseworkers' responses to questions on their evaluation of staff capacity and their workload. Caseworkers' compliance with the national legislation is also likely to be affected by their personal capabilities in terms of their knowledge (May and Winter 2007, Beer et al. 2008 - see also the qualitative studies of TANF-sanctions on how ability affects sanction practices by Meckstroth et al. – here quoted after Meyers et al. 2006 – and Pavetti et al. 2004). *Knowledge* is

an index indicating the extent to which caseworkers report that they know the rules and feel professionally well equipped. We expect that more knowledgeable workers comply more often with the national sanction mandate by using more sanctions.

We also expect that street-level bureaucratic agents seek to maximize their own policy preferences (Downs 1967, Wilson 1980, Brehm and Gates 1997, Winter 2003, May and Winter 2007, Beer et al. 2008). Three major types of policy-preferences are expected to be relevant for street-level bureaucratic behavior. One is how much attention front-line workers give to rules when they are making decisions. In line with earlier studies, we expect that caseworkers who are paying substantial attention to rules comply more often with legislative mandates, and that they use more sanctions (Weber 1947, Olsen 2006, Winter et al. 2008, May and Winter 2000, Winter and May 2001, Winter 2003, Shover et al. 1984, Bardach and Kagan 1982). We measure *Attention to Rules* as the extent to which caseworkers report that they rely on the national legislation and rules when making decisions. Also *Caseworkers' Perceived Effectiveness of Sanctions* as a tool is likely to increase their use of such instruments (Winter 2003, Beer et al. 2008). This is measured by caseworkers' response to a survey question.

A third type of policy-preference is professional norms on the role of sanctions in implementing welfare reform. According to the sociology of professions, occupational groups of frontline workers with specific characteristics are united by occupational norms that are claimed to guide members' behaviors. Such professional norms are fostered in educational institutions (Durkheim 1957, Parsons 1964). Recent studies indicate that members of professionalized groups are not as loyal in their implementation as occupational groups that are not professionalized if legislative mandates clash with the occupational norms of professionalized groups (see e.g. Andersen 2005, Beer and Skou 2007, Beer et al. 2008). Because the profession and the union of social workers in Denmark have been criticizing the stronger sanction element in the legislation, we expect that social workers comply less often with the national sanction mandate than do other occupations with shorter and different training. *Social Worker* is a dummy variable, for which the value 1 indicates the occupation of caseworkers with social worker education and 0 indicates caseworkers with other kinds of training.

These professional norms are later sustained through e.g. internal occupational sanctioning of members who do not comply with the norms and through supplementary training taught by teachers from the same professionalized occupational group (Freidson 1970: 137, Beer and Skou 2007, Beer et al. 2008). Because social workers are involved in much of the supplementary training also for other occupational groups, we expect participation in supplementary training courses to decrease compliance with the national sanction mandate. We measure such *Supplementary Training* by an index tapping workers' responses to survey questions on the extent of their participation in such training.

Caseworkers' use of sanctions may be affected by the task environment (Fording et al. 2006). This applies both to the collective task environment of the agency and to that of the individual caseworker. The above measure on *Task Environment of Municipality* taps the difficulty of each municipality's employment task environment based on the composition of the citizens and local labor market conditions that are used to predict the mean duration of temporary municipal income support in 2004 for all adults in the municipality. Finally, the variable *Task Environment of Caseworkers* tap how poor fit each caseworker's clients have with the demands of the labor market.

As mentioned above, sanctioning may also be affected by the resources of the agency because sanctioning is time-consuming, and because particularly poor municipalities may have incentives to save money by sanctioning and getting clients off the dole (Kirby et al. 2001, Pavetti 2004). Our measure, *Fiscal Resources*, indicates the tax base of each municipality per inhabitant in 2005. Finally, local sanctioning might vary with the size of the municipality. Finally, the measure, *Population*, reports the population size of the municipality as of 1 January 2006.

FINDINGS

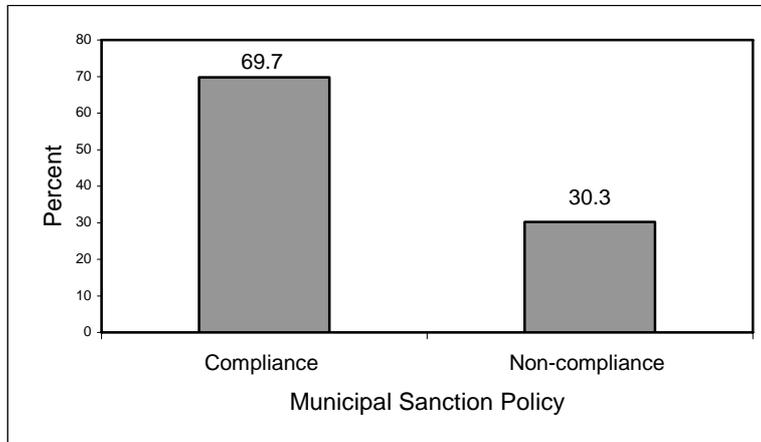
We present our findings by first describing the extent to which municipal sanction policies and the actions of front-line workers comply with the national policy mandate on sanctions. We next seek to explain variation in municipal sanction policies. Finally, we seek to explain variation in front-line workers' use of sanctions.

As argued, municipalities are both agents of the national government and principals for front-line workers. In their position as agents they choose to what extent they will implement the national goals and mandates of "The Act on Active Social Policy" in the formulation of municipal policies. Likewise, front-line workers individually choose to what extent they will actually use sanctions. Figure 1 and 2 provide an overview of the extent to which municipalities emphasize the national policy objective on the use of sanctions and of the extent to which front-line workers claim to use sanctions towards client that have been absent from activation without any good cause. As Figure 1 shows, 70 percent of municipalities comply with the national mandate of "The Act on Active Social Policy" with respect to the use of sanctions in their municipal sanction policy. However, a substantial part (30 percent) of the municipalities does not follow the national legislation.

Figure 2 shows caseworkers' use of sanctions in cases when a client has been absent from required activation measures without any good reason for the first and second times. The maximum sanction score of the index is 32 indicating the greatest use of sanctions. The maximum score of 32 implies that caseworkers are actually 'over-complying' in using sanctions more often

than specified by the national mandate, because caseworkers are not allowed to stop benefits completely already at the first time a client is absent without any good cause

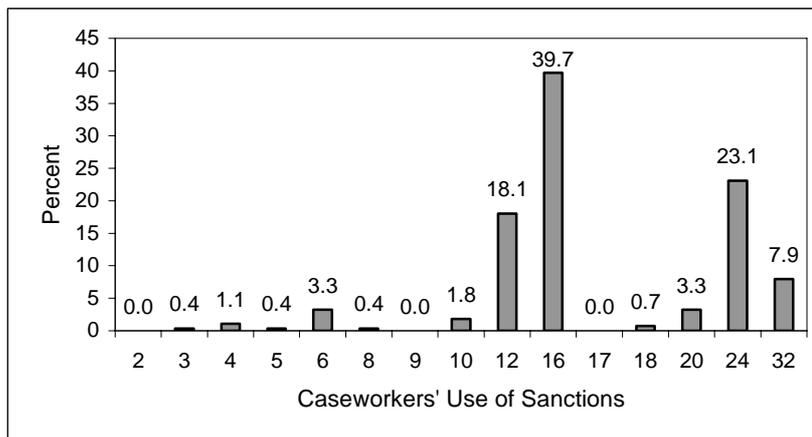
Figure 1: Municipalities' Compliance¹ with National Sanction Legislation



N = 195

Note: Municipal compliance is measured by middle managers' responses to a pair of opposing statements: "Front-line workers shall focus on immediate use of sanctions, if their clients have been absent from activation without any good cause" vs. "Front-line workers shall focus on avoiding use of sanctions". This is rated on a scale from 1 (full agreement with the first item) to 5 (full agreement with the second item). A score of 1 indicates compliance with the sanction mandate of "The Act on Active Social Policy".

Figure 2: Caseworkers' Use of Sanctions¹



N = 277

Note: ¹ Front-line workers' use of sanctions is measured by an index based on front-line workers' responses to two questions both related to their use of sanctions when their clients have been absent from activation without any good cause: 1) "What do you do the first time?" and 2) "What do you do the second time?" In responding to both questions front-line workers have chosen between the following 5 actions with the values listed in parentheses: 1) "I wait and see whether the problem solves itself" (1), 2) "The client is contacted and told that he/she must attend activation, but no further action is taken at

this moment”(2), 3) “The client receives a warning that next absenteeism will be met with reducing benefits” (4), 4) “Social assistance benefits are reduced” (8), 5) “Social assistance benefits are stopped” (16). The index is the sum of the two items, with actions taken at the first and second absenteeism counting equally.

A score of 24 indicates that caseworkers use sanctions sufficiently with a very strict law interpretation of the mandate. As mentioned above, the mandate specifies that caseworkers must *reduce* benefits the first time they are notified that one of their unemployed clients have been absent from activation without any good cause. At repeated absenteeism and when absenteeism has reached such a considerable extent that it is equivalent to refusing to participate in activation, caseworkers must *stop* benefits. With a very strict interpretation, some caseworkers may stop benefits already when a client has been absent twice. However, the mandate can be interpreted in a more flexible way implying that repeated absenteeism and demonstration of bad intent can mean more than two times of absenteeism. Accordingly, because we have only measured caseworkers’ reactions at the first two times of absenteeism, we cannot conclude that all caseworkers, who reduce benefits at the first absenteeism but do only reduce – but not stop - benefits at the second, are non-complying. Such caseworkers would have a score of 16, which means that caseworkers may be using sanctions sufficiently with a flexible interpretation of the national sanction mandate. Finally, a score of less than 16 implies that caseworkers are clearly using sanctions to a smaller extent than requested by the national sanction mandate.

As indicated in Figure 2, with the very strict law interpretation only 23 percent of caseworkers are using sanctions sufficiently. However, with the more flexible interpretation additional 40 percent may use sanctions sufficiently, making a total of up to a maximum of 63 percent of caseworkers in compliance with the national mandate, which after all is a considerable part of the caseworkers. Still, 29 percent of caseworkers do not use sanctions sufficiently, and 8 percent actually use sanctions even more than allowed by law. Thus, caseworkers vary considerably in their use of sanctions.

Explaining Variation in Municipal Sanction Policies

Table 1 presents our models explaining variation in municipal sanction policies. The dependent variable measures whether municipalities’ sanction policies are in compliance with the national sanction mandate that demands immediate use of sanctions if clients stay away from scheduled meetings with staff, jobs or activation without any good cause). Because we are interested in whether municipalities are complying or not, we have coded the dependent variable as a dummy. To address this coding we model municipal sanction policy by a logistic regression model. In Table 1, Model 1 is a basic model without any interaction term, whereas Model 2 is the full

model including an interaction term. The values in the table are logits with standard errors in parentheses. The level in which the variables are significant is marked with asterisks.

In Table 1 we find strong support for our first expectation that stronger support from local politicians of national policy reform objectives increases the compliance of local agency policy objectives with national policy mandates. Model 1 shows that local politicians' support has a positive and significant effect on municipal sanction policies. Turning to Model 2, we find strong support for our second expectation that local politicians' greater knowledge of the current national legislation reinforces the effect of their support for national policy reform objectives on the compliance of local agency policy objectives with national policy mandates. Model 2 renders support for this expectation as the interaction term between local politicians' support and their knowledge is positive and significant.

Table 1: Explaining Compliance of Municipal Policies with National Sanction Mandate

Explanatory Factors	Logistic Model ^a	
	Model 1	Model 2
Municipal Politics and Knowledge		
Local Politicians' Support	.32* (.17)	-.85 (.58)
Local Politicians' Knowledge	.24 (.18)	-1.08* (.66)
Local Politicians' Support * Local Politicians' Knowledge	-	.38** (.18)
Controls		
Contextual Factors		
Financial Resources ^c	-3.58 (2.64)	-4.16 (2.70)
Task Environment ^c	.42 (.74)	.48 (.76)
Population Size ^c	.41 (.25)	.45* (.26)
Intercept	37.17 (30.57)	47.71 (31.48)
Model Statistics		
Number of Cases	168	168
Loglikelihood (AIC) ^b	-95.55 (203.10)	-93.25 (200.50)

NOTES:

*** $p < .01$ ** $p < .05$ * $p < .1$ (based on two-tailed t-values)

^a The dependent variable is a dummy. The value 1 indicates that middle managers' specification of municipal sanction policy is compliant with national sanction legislation. The value 0 indicates that middle managers' specification of municipal sanction policy is non-compliant with national sanction legislation. Cell entries are logits from logistic modeling with standard errors in parentheses.

^b Akaike Information Criterion (AIC) shown in parentheses for model fit taking number of parameters into account.

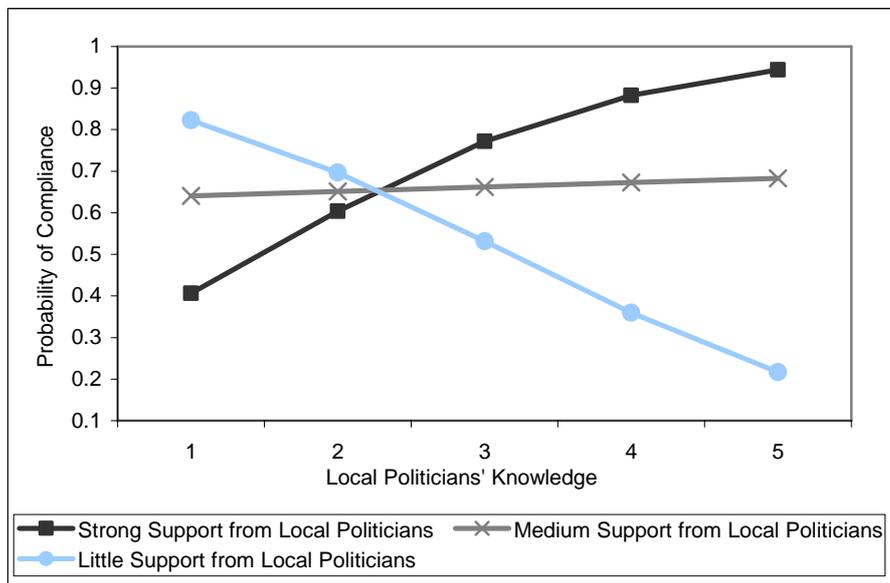
^c Variables are transformed by the natural log to meet assumptions of linearity

The interaction effect is illustrated in Figure 3. If local politicians are supporting the national employment reform, local politicians' greater knowledge of changes in the employment

legislation makes municipalities more likely to form a sanction policy that complies with the national policy mandate. On the contrary, if local politicians offer no or weak support for the national policy reform, more knowledgeable local politicians make municipalities less likely to form a local sanctioning policy that complies with the national sanction mandate.

One might wonder about the graph for low values of Local Politicians' Knowledge. Why is a municipality with local politicians that strongly support the objectives of the national employment reform and have little knowledge of policy changes less likely to have a compliant sanction policy than a municipality with local politicians who offer no or little support for the reform objectives and have little knowledge of policy changes? However, additional analysis shows that the difference between the lines at that point is insignificant.

Figure 3: Probability that Municipal Sanction Policy is in Compliance with National Sanction Mandate



Note: Probabilities are calculated on basis of logits from Table 1.

Consequently, local politicians have a significant influence on the extent to which municipal sanction policies comply with the national policy mandate, particularly if they also are well informed about changes in employment legislation. This implies that both municipal compliance and non-compliance with national policy tend to be informed local policy decisions.

As for our control variables, larger municipalities tend to adopt tougher sanction policies. The effects of more financial resources and more difficult task environments with more difficult clienteles and local labor market conditions are insignificant.

Explaining Variation in Front-Line Workers' Use of Sanctions

Table 2 presents our modeling of caseworkers' sanctioning. The dependent variable is a continuous individual level variable. High scores indicate that caseworkers use more sanctions. The explanatory variables are both individual and municipal level variables, and our main interest, management tools, are common for all caseworkers within each municipality².

When caseworkers are nested within municipalities, we have a potential problem of intra-class correlation. Consequently, we may violate the assumption for OLS regression of independency between observations. Therefore, we choose to use a multilevel model (a Generalized Linear Mixed Model in Stata. An empty multilevel model (not reported in this paper) shows an interclass correlation of .08, meaning that within-municipality correlation accounts for 8 percent of the total variance. Entering the explanatory variables, however, reduces the residual intra-class correlation to a level of between 4 and 1 percent. Thus, the potential problem of intra-class correlation is not very serious, and according to Likelihood Ratio-tests there are no statistically significant differences between any of our multilevel models and a corresponding OLS model. However, because of our theoretical interest in the effect of municipality-level management on individual caseworkers' behaviors, applying a multilevel model is more adequate for addressing the two levels problem.

Furthermore, in testing the robustness of our models, we found that various operationalizations of our dependent variable all lead to the same substantive findings and that our models are robust to changes in the number of explanatory variables. For instance, if we exclude the variable, Attention to Rules, from our model, the coefficients and significance of other variables remain stable.

Model 1 in Table 2 is a model without any interaction terms, while Model 2, 3 and 4 each shows the full model with interaction terms between Municipal Sanction Policy on one hand and each of the three goal-directed management tools, Goal-Clarity, Monitoring and Recruiting Workers Fitting with Goals respectively on the other hand. Because the variable, Municipal Sanction Policy, is part of all three interactions, it is appropriate to model each interaction in a

² Except for goal-clarity, which we measure as the individual caseworkers' perception of clarity of managerial policy signals.

Table 2: Explaining Caseworkers' Compliance with National Sanction Mandate

Explanatory Factors	Generalized Linear Mixed Model ^a			
	Model 1	Model 2	Model 3	Model 4
Managerial Actions and Municipal Policy				
Goal-Clarity ^b	-.06 (.06)	-.21* (.11)	-.06 (.06)	-.07 (.06)
Monitoring ^b	-.04 (.13)	-.04 (.13)	-.23 (.30)	-.05 (.13)
Recruiting Workers Fitting with Goals	-.71 (.56)	-.71 (.55)	-.71 (.56)	-3.31*** (1.24)
Municipal Sanction Policy ^{d,e}	1.23* (.89)	-1.31 (1.88)	-.89 (2.69)	-12.91*** (6.05)
Municipal Sanction Policy ^d * Goal-Clarity ^{b,e}	-	.20* (.13)	-	-
Municipal Sanction Policy ^d * Monitoring ^{b,e}	-	-	.27 (.32)	-
Municipal Sanction Policy ^d * Recruiting Fitting with Goals ^e	-	-	-	3.23*** (1.36)
Information provision ^{b,e}	.13** (.08)	.12* (.08)	.13** (.08)	.12* (.08)
Capacity ^{c,e}	1.85** (1.01)	1.79** (1.01)	1.85** (1.01)	2.04** (1.00)
SLB Attitudes and Knowledge				
Perceived Effectiveness of Sanctions ^{b,e}	.05 (.06)	.06 (.06)	.05 (.06)	.06 (.06)
Attention to Rules ^e	1.29*** (.51)	1.26*** (.51)	1.30*** (.51)	1.30*** (.51)
Knowledge ^{b,e}	.14** (.07)	.14** (.07)	.14** (.07)	.14** (.07)
Caseworker Background				
Social Worker ^f	-.04 (.77)	-.01 (.77)	-.01 (.77)	.08 (.76)
Supplementary Training	-.42** (.20)	-.42** (.20)	-.43** (.20)	-.38* (.20)
Contextual Factors				
Perceived Capacity of Caseworkers ^e	.59* (.40)	.62* (.40)	.56* (.40)	.53* (.40)
Task Environment of Caseworkers ^b	-.18 (.24)	-.20 (.24)	-.19 (.24)	-.19 (.24)
Task Environment of Municipalities ^c	.07 (1.57)	.06 (1.55)	.18 (1.57)	.20 (1.53)
Financial Resources ^{c,e}	3.02 (5.78)	3.77 (5.72)	3.34 (5.78)	1.27 (5.66)
Population Size ^c	.83 (.51)	.87* (.50)	.80 (.51)	.97* (.50)
Intercept	-41.20 (67.62)	-48.35 (66.85)	-43.23 (67.50)	-10.80 (66.84)
Model Statistics				
Intercept variance	1.55	1.02	1.49	.42
Residual variance	35.67	35.87	35.64	36.05
Deviance	1787.69	1785.36	1786.98	1782.30
Number of individuals / number of groups	277/147	277/147	277/147	277/147

*** $p < .01$ ** $p < .05$ * $p < .1$ (based on two-tailed t-values, unless else is stated)

NOTES:

^{a)} The dependent variable is an index measuring the extent to which caseworkers report that they sanction clients who have been absent from required activation for the first and second time. Cell entries are unstandardized estimates of coefficients from a generalized linear mixed model; standard errors in parentheses.

-
- ^{b)} Squared values are used to address skewed data.
 - ^{c)} LN values are used to address skewed data.
 - ^{d)} Dummy variable. The value 1 indicates that middle managers' conception of municipal sanction policy complies with national sanction mandate, while the value, 0, indicates non-compliance.
 - ^{e)} One tailed t-test is applied.
 - ^{f)} Dummy variable. The value 1 indicates training as social worker, while the value 0 indicates all other types of caseworkers.

separate model to avoid biased estimates from including all three interactions in the same model. The values are unstandardized coefficients with standard errors in parentheses. The level in which the variables are significant is marked with asterisks.

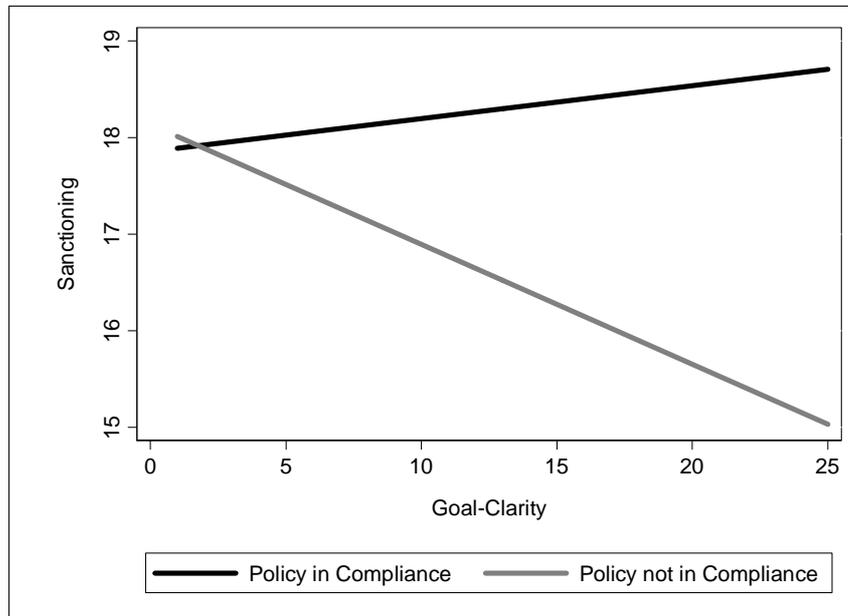
According to the second set of hypotheses *H2* about municipal sanction policies and management tools, we expect that municipal policy conditions the effect of management tools on street-level bureaucrats' use of sanctions. This is supported in Table 2, which shows that in most respects "management matters." First, we expected that managers' clear signaling of agency policy objectives increases caseworkers' compliance with local policy objectives, and that the application of this managerial tools only increases workers' compliance with national policy mandates to the extent that local policies are compliant with national policy mandates. Otherwise, the application of this tool decreases workers' compliance with the national mandates. According to Model 2 in Table 2 the main effect of Goal-Clarity is negative and significant and that the interaction term between Municipal Sanction Policy and Goal-Clarity is positive and significant.

In Figure 4 we illustrate the effect of goal-clarity on caseworkers' use of sanctions for Municipal Sanction Policies that do and do not comply with the national mandate respectively. When Municipal Sanction Policy is in compliance with the national sanction legislation, Goal-Clarity has only a very weak and insignificant effect on caseworkers' use of sanctions. But when Municipal Sanction Policy is not in compliance with the national sanction mandate, greater Goal-Clarity has a clear, negative effect on sanctioning. This means that the clearer the local goals are communicated, the less are caseworkers using sanctions. Thus, Goal-Clarity affects workers' use of sanctions only when the Municipal Sanction Policy does not support the national sanction mandate.

One interpretation is that when local sanction policies and the national sanction mandate are identical, the loyalty of caseworkers is not split between their two principals, and consequently they do not need any heavy use of the management tool, goal-clarity, to figure out how to act. On the other hand, when local sanction policy and national sanction legislation diverge, front-line workers are split in their loyalty towards their two principals and therefore do not know how to act. Consequently, they will be more responsive to local managers' use of goal-clarity for making

it more evident how to act, and therefore they use fewer sanctions the more clearly managers are communicating the local goal of non-sanctioning.

Figure 4: The Effect of Goal-Clarity on Caseworkers' Use of Sanctions under Municipal Sanction Policies that Are Compliant and Non-Compliant with the National Sanction Mandate



Note: Lines are fitted values of sanctioning for different values of Goal-Clarity and Municipal Sanction Policies' compliance and non-compliance with the national sanction mandate without controlling for other variables.

As also shown in Figure 4, when Goal-Clarity is perceived as low, the compliance or non-compliance of local sanction policies with the national mandate do not have any significant effect on caseworkers' use of sanctions. However, when Goal-Clarity is perceived as high, caseworkers in municipalities with a non-compliant sanction policy use fewer sanctions than do workers in compliant municipalities. The strong effect of goal-clarity on caseworkers' sanctioning in non-compliant municipalities supports our expectation in hypothesis 2a that the compliance and non-compliance of local sanction policies with the national sanction mandate conditions the effect of managers clearly communication their expectations to workers. However, it is unexpected that this management tool seems to be effective only when municipal policies are combating the national policy mandate, but not when they seek to support it!

Second, we expected that managers' more systematic Monitoring of their staff increases caseworkers' compliance with *local* policy objectives, and that the application of this managerial tool only increases workers' compliance with *national* policy mandates to the extent that local policies are compliant with the national policy mandate. Otherwise, we expected that the use of

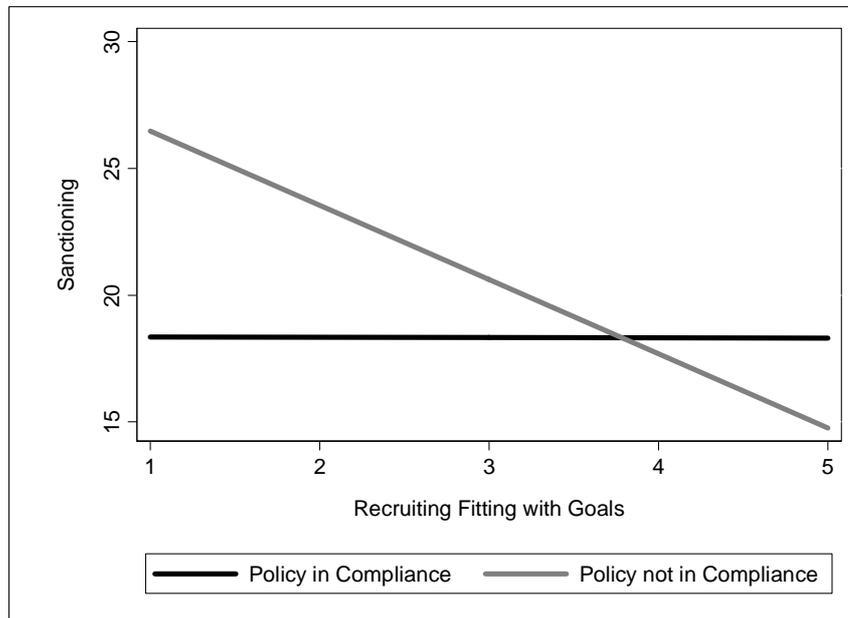
this tool will decrease workers' compliance with national mandates. In Table 2 Model 3 shows that the effect of the interaction term between Municipal Sanction Policy and Monitoring has the expected direction, but it is not significant. This implies that middle managers' Monitoring of staff does not affect caseworkers' alignment with either the municipal policy or the national mandate, and we can reject our hypothesis 2b.

Third, we expected that managers' application of recruitment criteria that ensure a stronger fit with agency objectives when hiring caseworkers increases workers' compliance with local policy objectives, and that the application of this managerial tool only increases workers' compliance with the national policy mandate to the extent that local policies comply with national mandate. Otherwise, the application of this tool will decrease workers' compliance with the national mandate. Table 2 shows that the main effect of Recruiting Workers Fitting with Goals is negative and significant and that the interaction term between Municipal Sanction Policy and goal-based recruitment is positive and significant. Figure 5 illustrates this effect.

As shown in Figure 5 shows that stronger application of recruiting workers fitting with local goals has no significant effect on caseworkers' use of sanctions when municipal sanction policies are in compliance with national sanction legislation,. However, in municipalities with non-compliant policies greater use of this recruiting practice has a strong negative influence on caseworkers' use of sanctions, implying that caseworkers in these localities comply more with the municipal sanction policy and less with the national policy, the more local managers recruit caseworkers that are fitting with goals of the agency. Consequently, the interaction effect between municipal sanction policy and recruiting practices is similar to the interaction effect between municipal sanction policy and goal-clarity, and the same interpretation may apply.

However, one may wonder why the level for sanctioning is higher in non-compliant municipalities than in compliant municipalities for levels of Recruiting Workers Fitting With Goals that are smaller than approximately 4. However, in a separate analysis not shown here, the two regression lines do not differ significantly from each other up to a level of Recruiting Workers Fitting with Goals of 5. Accordingly, when the value of managers' recruiting practices is 5, caseworkers in compliant municipalities use sanctions significantly more often than front-line workers in non-compliant municipalities. Consequently, recruiting does only work when municipal middle managers are very much aware of municipal goals when recruiting new caseworkers.

Figure 5: The Effect of Recruiting Workers Fitting with Goals on Front-Line Workers' Use of Sanctions under Municipal Sanction Policies that Are Compliant and Non-Compliant with the National Sanction Mandate



Note: Lines are fitted values of caseworkers' use of sanctions for different values of Recruiting Workers Fitting with Local Goals and Municipal Sanction Policies' compliance and non-compliance with the national sanction mandate without controlling for other variables.

The fact that recruiting workers with a closer fit with local goals has the expected significant negative effect on front-line workers' use of sanctions in municipalities with non-compliant sanction policies supports our hypothesis 2c. However, unexpectedly managers' use of goal-directed recruiting practices do not seem to increase caseworkers' use of sanctions in municipalities with sanctions policies that are supporting the national sanction mandate. As we saw above for Goal-Clarity, also goal-directed recruiting seems to be effective only in circumventing the national sanction policy, but not in supporting it.

Fourth, we expected that managers' more frequent provision of information to staff on municipal goals and priorities increases front-line workers' compliance with national policy mandates if municipal sanction policies are supporting the national sanction mandate, but decreasing workers' compliance if local policies are not supporting the national mandate. However, in separate modeling not shown here, the effect on sanctioning of information provision was not related to whether the municipal policy was supporting or not supporting the national mandate. More managerial provision of information increases the use of sanctions as can be seen from Table 2. Thus, hypothesis 3 is not supported. The effect of information provision is rather what we expected for capacity-building management tools. When we are controlling for the

Goal-Clarity with which managers signal their expectations to caseworkers, the isolated effect of the frequency with which managers provide information to staff on goals and priorities may reflect effects of more general information provision. Managers' provision of information to staff on goals and priorities is likely to be bundled with other kinds of information, e.g. on legislative changes, social problems, the situation of the agency in terms of funding and performance, etc. Accordingly, our information provision variable may tap more general information provision which may be thought of as a capacity-building variable.

Finally, focusing on the effects of the Capacity-Building Management Tool of Staff Capacity we expected that managers' funding of greater staff capacity would increase front-line workers' compliance with national policy mandates, which implies more sanctioning. Table 2 shows that the effect of staff capacity is strong and positive in all models. Accordingly, greater staff-capacity does increase caseworkers' use of sanctions. According to separate analyses not reported here, the effects of staff capacity are not contingent on whether the municipal sanction policy complies with the national mandate or not. Consequently, our hypothesis 3b is supported.

In short, our test of hypotheses on the role of management tools shows that "management matters" for the behaviors of caseworkers. Managers' greater use of the "Capacity-Building Management Tool of funding staff capacity - and of the tool, information provision - increases caseworkers' use of sanctions. Consequently, these management tools tend to increase front-line workers' compliance with the national policy mandate irrespective of whether local policies are supporting or circumventing the national policy. Managers' use of the Goal-Directed Management Tools of clearly signaling managerial goals and expectations to workers and recruiting workers with a better fit with the goals of the organization increase workers' compliance with municipal sanction policy - but apparently only in municipalities with local sanction policies that are at odds with the national legislation! The use of these two management tools has no significant effect on front-line sanctioning when municipal and national sanction policies converge.

Table 2 also shows significant effects of different control variables. As expected, caseworkers' Perceived Capacity positively affects their use of sanctions even when controlling for the objective staff capacity. As also expected, caseworkers' Knowledge has a positive effect on sanctioning; implying that caseworkers use more sanctions when they are familiar with the legislation and rules and feel professionally well equipped. The extent to which caseworkers attend to rules when making decisions also has the expected positive – and in fact very strong - effect on their use of sanctions. Supplementary Training has the expected negative effect on caseworkers' use of sanctions. The more supplementary training caseworkers have, the more rarely they apply sanctions.

However, contrary to our expectations, Table 2 shows that apparently front-line workers' perceptions of the effectiveness of using sanctions do not affect their actual use of sanctions. Neither does caseworkers' basic professional training. Interestingly, professional norms from supplementary training seem more important for behaviors than the basic vocational or college training, e.g. as a social worker. In addition, Table 2 shows a very limited influence of contextual factors such as the task environment of the municipality and the individual caseworker, financial resources and population size.

IMPACTS OF DIFFERENT MANAGEMENT TOOLS

The preceding analysis has shown that the application of the capacity-building management tool of staff capacity as well as the information provision tool positively affects street-level bureaucrats' use of sanctions and their compliance with national policy, and that the application of the goal-directed management tools of goal-clarity in signalling managerial expectations and recruiting staffs that fit with the goals of the organization reduces workers' use of sanctioning – and their compliance with the national policy mandate when local policies are at odds with national ones. However, it is difficult to assess the absolute and relative influence of each of these factors for the use of sanctions in implementing the national policy mandate from the generalized linear mixed model coefficients. In order to provide more meaningful and policy-relevant calculations, in Table 3 we have measured the predicted percentage of change in caseworkers' use of sanctions with movement for any given explanatory factor from the value at the lowest quartile to that of the highest quartile of all observations. These calculations are based on predicted outcomes of our full explanatory model in Table 2 when changing relevant explanatory values from the 25th to the 75th percentile of each variable and keeping other variables at their respective means. Model 1 in Table 2 is used for modeling impacts of Staff Capacity and Information Provision, model 2 for Goal-Clarity, and model 4 for Recruiting Workers Fitting with Goals. For Staff Capacity and Information Provision we have modeled the percentage change based on municipalities with local policies that comply with the national sanction mandate.

The strongest predicted impact is clearly found for managers recruiting workers fitting with the goals of the organization. Controlling for other factors, when managers are using this tool very much in municipalities with policies that are deviating from the national policy mandate, caseworkers apply sanctions 18 percent less often compared to managers in the same type of municipalities who do not pay much attention to recruiting caseworkers with a close fit with the organizational goals.

Table 3: Impacts of Different Management Tools

	Predicted Percentage Change in Compliance/Sanctioning
Capacity	6.1
Information Provision	5.7
Goal-Clarity	
When Local Policy is in compliance	-.4
When Local Policy is not in compliance	-8.2
Recruiting Workers Fitting with Goals	
When Local Policy is in compliance	-.4
When Local Policy is not in compliance	-18.1

Note: Cell entries show the predicted percentage change in compliance/sanctioning resulting from a change in the values of a given explanatory variable from the lowest quartile (25th percentile) to the highest quartile (75th percentile). Predictions are based on the generalized linear mixed modeling results of Table 2, employing unstandardized coefficients and mean values for all other explanatory variables but the variable modeled. Model 1 is used for modeling Information Provision and Capacity, model 2 for Goal-Clarity, model 4 for Recruiting Workers Fitting with Goals. For Information Provision and Capacity we have modeled the percentage change on the basis of a municipality with a local policy in compliance with national legislation. Statistical significance levels for the coefficients used to predict these impacts are reported in Table 2.

Also the impact of goal-clarity in managers signaling their expectation to caseworkers is substantial for managers that use this tool relatively often in municipalities with non-compliant sanction policies. Managers obtain 8 percent less use of sanctions by caseworkers when they use this tool frequently. However, as indicated in Table 2 above, managers' use of these two goal-directed management tools of recruiting and goal-clarity seem ineffective in increasing caseworkers' use of sanctions in municipalities with policies that are supporting the national mandate.

The impact of using information provision and the capacity-building management tool of increasing staff capacity is noteworthy, too. Extensive use of each of these management tools provides about 6 percent more use of sanctions by caseworkers, and as indicated above these effects are not contingent on whether the municipal sanction policy supporting or deviates from the national sanction mandate.

The impact analyses show that each of the four management tools have strong or noteworthy effects on caseworkers' use of sanctions in implementing a national policy mandate. We have assessed these effects as individual ones while in reality several of these tools can be used in combination. The analyses underscore that "management does matter" for frontline behaviors but

also convey the paradoxically message that local governments with policies that are sabotaging the national sanction policy mandate seem to have more management tools – and more effective ones – at hand in implementing local policies than local governments that are supporting the national policy mandate.

CONCLUSION

While it is well documented that street-level bureaucrats vary in the extent to which they carry out dictates from higher levels, few studies have examined the role of management in explaining such variation; and most of these find weak influences. However, based on a principal-agent perspective we suggest that management might have stronger effects on street-level behaviors when information asymmetries between managers and street-level bureaucrats are less relevant. This occurs when street-level behaviors are visible and easy to monitor (Winter 2003, May and Winter 2007). We also suggest that management might be more effective in affecting frontline behaviors if we study the combined effects of management and local policies rather than the separate effects. This is because managers may be promoting either national or divergent local policy goals. This undertaking requires modeling interactions.

As a representative setting for relatively visible kinds of front-line behaviors, we examine the local politics of implementing welfare sanction policy in Danish municipalities. We map the implementation as two interlocking principal-agent chains, one between the national government and municipalities with responsibility for implementing the policy and another chain between municipal managers and their front-line workers. A set of key findings emerges: local politics as well as management matter, but the effects of management vary for different managerial tools, and the effects of some tools are contingent on whether local policies are supporting or circumventing the national policy.

While 70 percent of Danish municipalities have adopted policies that comply with the national sanction policies, 30 percent have not. Local, elected officials' support of the national policy reform - and in particular their informed support for the reform - clearly affects the extent to which municipal policies are complying with the national sanction policy mandate. When formulating the policy objectives of their organization, some local managers are responsive to the preferences of the local politicians even in situations when that means breaking the law.

Managers are managing upwards when responding to policy signals from the national legislation and their local politicians. They are also managing downwards and influencing front-line workers' sanctioning practices in important ways. Some management tools can be classified as relatively *goal-directed*. We theorized that the application of such tools is likely to make street-level bureaucrats comply more with local policy objectives. As expected, the goal-directed

management tools of managers clearly signaling their expectations to caseworkers and recruiting caseworkers that are fitting in with the goals of the organization increase front-line workers' compliance with local policy objectives.

However, unexpectedly the application of these management tools does only seem to affect front-line workers' compliance with the municipal policy if the latter policy is in conflict with the national policy mandate. Stated differently, the application of these management tools is only effective in making workers diverge from national policy and comply with the local one! Also unexpectedly, we find that monitoring has similar - but non-significant - effects as the previous goal-directed management tools. And finally, we had not expected that the frequency with which managers provide information to staff about goals and priorities would increase workers' compliance with the national policy mandate irrespective of whether the municipal policy is supporting or circumventing the national sanction mandate. Thus, the effects of information provision differ from those of the other goal-directed management tools.

In fact, the information provision effects are similar to what we expected and found for the *capacity-building management tool*, funding staff capacity. A capacity-building management tool is not as closely related to obtaining local goals as the goal-directed tools but is generally enhancing the capability of workers to do their job. Thus, a greater capacity might be used for obtaining national rather than local policy objectives. As we expected, capacity-building in terms of funding greater staff capacity increases street-level bureaucrats' compliance with national policy objectives.

Information provision may have similar effects as capacity-building through funding staff, because it does not only tap how often managers communicate the goals and priorities of the organization to workers but tap information provision more generally (including information about legislative changes). Accordingly, information provision might be thought of as a capacity-building tool. Accordingly, greater staff-capacity and greater information provision increase workers' compliance with the national policy mandate.

Our interpretation of the findings is that Danish social caseworkers tend to comply to a relatively great extent with specific and highly visible national policy mandates. They do so mainly because of a strong bureaucratic ethos of feeling obliged to follow rules (Weber 1947, Olsen 2006, Winter et al. 2008). Our municipal employment caseworker respondents were asked about their role-conceptions regarding what kinds of concerns are important when they are making daily decisions. Attending to rules was reported as the most important concern³ with a

³ The concerns of other competing role-conceptions are being the client's advocate, relying on standard-operating-procedures, relying on research results, and attending to the interests of labor market interest organizations (Beer et al. 2008)

mean score of 4.24 on a 5-point scale, cf. the Technical Appendix 2. Furthermore, caseworkers' degree of general attention to rules has a very strong effect on their particular use of sanctions and hence on their compliance with the law, as can be seen from Table 2.

The effect of attention to rules is remarkable because most caseworkers do not perceive that sanctions are an effective tool for getting clients into employment. The mean score is only 3.5 on a scale from 1 (very ineffective) to 5 (very effective) - and caseworkers disagree to a high extent about the merits of sanctions. Caseworkers are, however, far more loyal to the law than to their own personal attitudes. Compliance with the national policy mandate seems to be the typical caseworker reaction as a kind of default option. If local managers' policy objectives are in line with the national ones, managers can improve caseworkers' compliance by enhancing their capacity and/or providing more information to them. However, managers' application of the more goal-directed management tools of clearly signaling their expectations to workers and trying to recruit workers with a better fit with the goals of the organization does not seem to work in supporting national policies.

When on the other hand, local policies diverge from the national one, managers can decrease workers' compliance with national policy mandates – and increase their adherence to local goals - by clearly signaling their expectations to workers and recruiting workers with a better fit with local policy objectives. In this case, even decreasing staff capacity as well as information provision seems to help! The very strong impact, which recruiting workers with a close fit with the goals of the organization, has on workers' non-compliance with the national mandate in municipalities with non-compliant policies, is particularly remarkable because recruiting is a long term strategy. This is so although two third of the municipal caseworkers have only been employed for 5 years or less (Beer et al. 2008). Such strategy can be used most effectively in municipalities that have a history of non-compliance with national policies.

It is also remarkable that a strong goal-directed recruiting strategy does not only include a match between the capabilities of the applicant and the organization but also a match in term of the attitudes of the applicant (Akerloff and Kranton 2005, Prendergast 2007, 2008). Such mind control would hardly have been socially acceptable in the aftermath of the 1968 youth-generation's focus on *berufsverbot*. However, nowadays such strategy seems common when it comes to checking the applicant's attitudinal approach towards clients and the work, but hardly for party affiliation – at least not in Denmark and most European countries.

The combination of managers' responsiveness to the policy preferences of local politicians and their mastering of various managerial tools is permitting a remarkable degree of local political influence on the implementation of national policies. We find that both managers and

front-line workers as agents are responsive to their principals but also that a multiple principals problem exists at both levels in several local authorities. Managers' loyalty may be split between responding to the lawmakers and their own local political masters. By the same token, front-line workers' loyalty may be split between adherence to the law or to their local administrative and political masters. The very strong impact on caseworkers' sanctioning behaviors when managers emphasize recruiting

The study indicates that managers as principals have access to tools that can reduce moral hazard from a local policy perspective. If the local policy is supporting the national one, managers can reduce caseworkers' moral hazard by increasing staff capability by funding more staff and perhaps also providing more information. This would increase caseworkers' sanctioning and compliance with local and national objectives. If on the contrary, the local policy diverges from the national one, from a local perspective managers can reduce caseworkers' moral hazard by clearly signaling managerial goals and expectations to them and by reducing staff capacity and information provision. Paradoxically, reducing moral hazard problems from a local perspective here means increasing these problems from a national perspective!

However, addressing adverse selection problems seem even more effective than addressing moral hazard. Municipalities with sanction policies that diverge from the national policy reform, can obtain 18 percent more compliance with their local policy goals if managers are more careful in selecting caseworkers with a close fit with the goals of the organization. Other findings from our research indicate that addressing adverse selection problems may also be a valuable strategy for those local authorities that have a general policy of supporting national policies. Caseworkers' general attention to rules when making decisions has a strong impact on their specific compliance with the national sanction mandate – and the same has been found for caseworkers' compliance with a national mandate on a firm job-emphasis in conversations with clients (Winter et al. 2008). Therefore, recruiting workers with a strong attention to rules is likely to be an effective long term strategy for securing workers' adherence to national policies. While recent theorizing on principal-agent models has put more emphasis on addressing adverse selection compared to moral hazard issues (Akerloff and Kranton 2005, Worsham and Gatrell 2005, Miller and Whitford 2007, Prendergast 2007, 2008), such research has been dominated by formal modeling, whereas very little empirical research on selection has been done so far. We hope that our findings can stimulate further interest in examining selection issues.

An obvious question is the extent to which our findings are valid in other settings. We think they may be valid for managerial control in relation to relative visible kinds of street-level bureaucratic behaviors for which the problems of information asymmetry between managers and workers are likely to be smaller than for less transparent behaviors. However, we expect that local

policy and management will have muter and more indirect influence for less visible behaviors (Winter 2003). This is evidenced in a study by May and Winter (2007) of street-level bureaucrats' compliance with a Danish national reform policy requesting a strong job emphasis for getting clients quickly into any kind of job. The degree of job emphasis in front-line workers' face-to-face conversations with clients is substantially less transparent than caseworkers' application of sanctions.

Due to a Danish culture of relatively great law-abidance (Andersen 1998), Danish case-workers may pay more attention to rules than is the case in some other countries, e.g. the US (May 2005). For countries where street-level bureaucrats pay less attention to rules, one might think that the goal-directed management tools of clearly signally expectations and recruiting workers with a better fit with the organizational goals could be relatively more effective than in our setting in getting workers to comply with local policies that are supporting national mandates. This is so because there might be greater potential for improving implementation behaviors in systems with less attention to rules. On the other hand, our caseworker respondents do vary in their attention to rules, and we have controlled for the degree of rule attention when examining the effects of various management tools. This indicates that our results may be valid also in settings with less rule-bound street-level bureaucrats.

REFERENCES

- Akerloff, George A. and Rachel E. Kranton. 2005. "Identity and the Economics of Organizations," *Journal of Economic Perspectives* 19 (1): 9-32.
- Andersen, Jørgen Goul. 1998. *Borgerne og lovene*. Aarhus: Aarhus University Press.
- Andersen, Lotte Bøgh. 2005. *Offentligt ansattes strategier. Aflønning, arbejdsbelastning og professionel status for dagplejere, folkeskolelærere og tandlæger*. Aarhus: Politica.
- Bardach, Eugene and Robert Kagan. 1982. *Going by the Book: The Problem of Regulatory Unreasonableness*. Philadelphia: Temple University Press.
- Beer, Frederikke and Mette H. Skou. 2007. *Loyalt frontlinjepersonel? – et studium af faggrupper med forskellig professionaliseringsgrads implementering af offentlige politikker*. Aarhus: Department of Political Science, University of Aarhus.
- Beer, F., S.C. Winter, M.H. Skou, M.V. Stigaard, A.C. Henriksen, and N. Friisberg. 2008. *Statslig og kommunal beskæftigelsesindsats. Implementering af "Flere i arbejde" før Strukturreformen*. Copenhagen: SFI – The Danish National Research Centre for Social Research: 08: 19.
- Boyne, George A. 2003. "Sources of Public Service Improvement: A Critical Review and Research Agenda." *Journal of Public Administration Research and Theory* 13 (3): 367-394
- Brehm, John and Scott Gates. 1997. *Working, Shirking, and Sabotage: Bureaucratic Response to a Democratic Public*. Ann Arbor: University of Michigan Press.
- Brewer, Gene A. 2005. "In the Eye of the Storm: Frontline Supervisors and Federal Agency Performance," *Journal of Public Administration Research and Theory* 15 (4): 505-527.
- Clausen, Jens, Eskil Heinesen and M. Azhar Hussain. 2006. *De nye kommuners rammevilkår for beskæftigelsesindsatsen*. Copenhagen: Danish National Institute of Social Research.
- Downs, Anthony. 1967. *Inside Bureaucracy*. Boston: Little, Brown and Company.
- Durkheim, Emile. 1957. *Professional Ethics and Civic Morals*. London: Routledge.
- Eisner, Marc A., Jeff Worsham, and Evan J. Ringquist. 2000. *Contemporary Regulatory Policy*. Boulder, CO/London: Lynne Rienner.
- Fording, Richard, Sandford F. Schram, and Joe Soss. 2006. *Devolution, Discretion, and Local Variation in TANF Sanctioning*. University of Kentucky Center for Poverty Research. Discussion Paper series, #2006-04.
- Freidson, Eliot. 1970. *Profession of Medicine: A Study of the Sociology of Applied Knowledge*. New York: Harper & Row.
- Hagen, Jan L. and Judith Owens-Manley. 2002. "Issues in Implementing TANF in New York: The Perspective of Frontline Workers," *Social Work* 47: 171-182.
- Hall, Richard H. 1983. "Theoretical Trends in the Sociology of Occupations." *Sociological Quarterly*, 24 (1): 5-23.
- Heinesen, Eskil, Søren C. Winter, Ina Risom Bøge and Leif Husted. 2004. *Kommunernes integrationsindsats og integrationssucces*. Copenhagen: AKF Forlaget.
- Hill, Carolyn J. and Laurence L. Lynn, Jr. 2004. "Governance and Public Management: An Introduction," *Journal of Policy Analysis and Management* 23 (1): 1-11.
- Keiser, Lael R. and Joe Soss. 1998. "With Good Cause: Bureaucratic Discretion and the Politics of Child Support Enforcement." *American Journal of Political Science* 42 (4):

1133-1156.

- Keiser, Lael R., Peter R. Mueser, and Seung W. Choi. 2004. "Race, Bureaucratic Discretion, and the Implementation of Welfare Reform," *American Journal of Political Science* 48 (2): 314-327.
- Kirby, Gretchen, Christine Ross, and Loren Puffer. 2001. *Welfare-to-Work Transitions for Parents of Infants: In-Depth Study of Eight Communities*. Washington, DC: Mathematica Policy Research, Inc.
- Langbein, Laura I. 2000. "Ownership, Empowerment, and Productivity: Some Empirical Evidence on the Causes and Consequences of Employee Discretion." *Journal of Policy Analysis and Management* 19 (3): 427-449.
- Langbein, Laura and Connie Jorstad. 2004. "Productivity in the Workplace: Cops, Culture, Communication, Cooperation, and Collusion." *Political Research Quarterly* 57 (1): 654-79.
- Larson, Magali Sarfatti. 1977. *The Rise of Professionalism – A Sociological Analysis*. California: University of California Press
- Liebst, Asger. 2007. "Socialrådgivere vil redde familier truet af halv kontanthjælp," *Information*, 25 January 2007.
- Lipsky, Michael. 1980. *Street-Level Bureaucracy. Dilemmas of the Individual in Public Services*. New York: Russell Sage Foundation.
- May, Peter J. 2005. "Compliance Motivations: Perspectives of Farmers, Homebuilders, and Marine Facilities," *Law and Policy* 27 (2): 317-347.
- May, Peter J. and Søren Winter. 1999. "Regulatory Enforcement and Compliance: Examining Danish Agro-Environmental Policy." *Journal of Policy Analysis and Management* 18 (4): 625-651.
- May, Peter J. and Søren Winter. 2000. "Reconsidering Styles of Regulatory Enforcement: Patterns in Danish Agro-Environmental Inspection," *Law and Policy* 22 (2): 143-173.
- May, Peter J., and Søren C. Winter. 2007. "Politicians, Managers, and Street-Level Bureaucrats: Influences on Policy Implementation." *Journal of Public Administration Research and Theory*. Advance Access Publication. 25 October 2007 doi: 10.1093/jopart/mum030.
- Meyers, Marcia, Shannon Harper, Marieka Klawitter and Taryn Lindhorst. 2006. *Review of Research on TANF Sanctions*. West Coast Poverty Center, University of Washington.
- Mitnick, Barry M. 1980. *The Political Economy of Regulation*. New York: Columbia University Press.
- Moe, Terry M. 1982. "Regulatory Performance and Presidential Administration," *American Journal of Political Science* 26 (2): 197-224.
- Moe, Terry M. 1984. "The New Economics of Organization," *American Journal of Political Science* 28 (4): 739-777.
- Moe, Terry M. 1985. "Control and Feedback in Economic Regulation: The Case of NLRB." *American Political Science Review* 79 (4): 1094-1116.
- Moe, Terry M. 1989. "The Politics of Bureaucratic Structure," pp. 267-329 in John E. Chubb and Paul E. Peterson (eds.) *Can the Government Govern?* Washington DC: Brookings.
- Moynihan, Donald P. and Sanjay K. Pandey. 2005. "Testing How Management Matters in an Era of Government by Performance Management," *Journal of Public Administration Research and Theory* 15 (3): 421-439.

- Nicholson-Crotty, Sean and Laurence J. O'Toole, Jr. 2004. "Public Management and Organizational Performance: The Case of Law Enforcement Agencies," *Journal of Public Administrative Research and Theory* 14 (1): 1-18.
- Olsen, Johan P. 2006. "Maybe It Is Time to Rediscover Bureaucracy," *Journal of Public Administration Research and Theory* 16 (1): 1-24.
- Parsons, Talcott. 1964. *Essays in Sociological Theory*. Revised Edition, New York: The Free Press
- Pavetti, LaDonna, Michelle K. Derr, Gretchen Kirby, Robert G. Wood, and Melissa A. Clark. 2004. *The Use of TANF Work-Oriented Sanctions in Illinois, New Jersey, and South Carolina: Final Report*. Washington, DC: Mathematica Policy Research, Inc.
- Prendergast, Canice. 2007. "The Motivation and Bias of Bureaucrats." *American Economic Review*, 97 (1): 180–196.
- Prendergast, Canice. 2008. "Intrinsic Motivation and Incentives," *American Economic Review*, 98 (2): 201–205
- Riccucci, Norma M. 2005. *How Management Matters, Street-Level Bureaucrats and Welfare Reform*. Washington DC: Georgetown University Press.
- Riccucci, Norma M., Marcia Meyers, Irene Lurie, and Jun Soep Han. 2004. "The Implementation of Welfare Reform Policy: The Role of Public Managers in Front-Line Practices," *Public Administrative Review* 64 (4): 438-448.
- Scholz, John T. and Feng H. Wei. 1986. "Regulatory Enforcement in a Federal System", *American Political Science Review* 80: 1249-1270.
- Scholz, John T., Jim Twombly, and Barbara Headrick. 1991. "Street-Level Political Controls over Federal Bureaucracy." *American Political Science Review* 85 (3): 829-850.
- Shover, Neal, John Lynxwiler, Stephen Groce, and Donald Clelland. 1984. "Regional Variation in Regulatory Law Enforcement: The Surface Mining Control and Reclamation Act of 1977," in K. Hawkins and J. Thomas (eds.) *Enforcing Regulation*. Boston: Kluwer-Nijhoff Publishing
- Svarer, Michael. 2007. *The Effect of Sanctions on the Job Finding Rate: Evidence from Denmark*. IZA Discussion Papers 3015. Bonn: Institute for the Study of Labor (IZA)
- Weber, Max. 1947. *The Theory of Social and Economic Organization*. Glencoe, Ill.: Free Press.
- Winter, Søren C. 2002. *Explaining Street-Level Bureaucratic Behavior in Social and Regulatory Policies*. Paper prepared for the 2002 Annual Meeting of the American Science Association in Boston. 29 August – 1 September 2002. Danish National Institute of Social Research, Copenhagen
- Winter, Søren C. 2003. *Political Control, Street-Level Bureaucrats and Information Asymmetry in Regulatory and Social Policies*. Paper prepared for the Annual Meeting of the Association for Policy Analysis and Management held in Washington D.C. 6-8 November 2003. Danish National Institute of Social Research, Copenhagen.
- Winter, Søren C. and Peter J. May. 2001. "Motivations for Compliance with Environmental Regulation," *Journal of Political Analysis and Management* 20 (4): 675-698.
- Winter, Søren C., Peter T. Dinesen, and Peter J. May. 2008. *Implementation Regimes and Street-Level Bureaucrats: Employment Service Delivery in Denmark*. Copenhagen: SFI Working Paper 12: 2008.
- Winter, Søren C. and Vibeke Lehmann Nielsen. 2008. *Implementering af politik*. Copenhagen:

Academica.

Wood, B.D. and R.W. Waterman. 1991. "The Dynamics of Political Control of the Bureaucracy," *American Political Science Review* 85: 801-28.

Worsham, Jeff and Jay Gatrell. 2005. "Multiple Principals, Multiple Signals: A Signaling Approach to Principal-Agent Relations," *The Policy Studies Journal* 33 (3): 363-376.

Technical Appendix 1 - Variables for Explaining Municipal Sanction Policy

Variables	Mean (S.D.) ¹	Operationalization
<i>Dependent variable</i>		
Municipal Sanction Policy	.70 (.46)	Middle managers' assessment of the extent to which "the caseworkers shall focus on immediate use of sanctions if their clients have been absent from activation without any valid reason", or "the caseworkers shall focus on avoiding use of sanctions". This is rated on a scale from 1 (full agreement with the first item) to 5 (full agreement with the second item). The variable is recoded to a dummy variable for which the values 1 to 4 are recoded to 0 and the value of 5 to 1. The value 1 indicates that the municipal sanction policy is in compliance with the national sanction legislative mandate, and the value 0 indicates that the municipal sanction policy is not in compliance (Source: Middle Manager Survey 2006).
<i>Explanatory variables</i>		
Local Politicians' Support for National Reform	3.55 (1.03)	Indicates local politicians' support for the objectives of the national employment reform, " <i>Putting More People to Work</i> ," of which sanctioning is one element. The variable is based on a question of how the CEO' of the municipal Department of Social Affairs and Employment evaluate the goals of the reform. This is rated on a scale from 1 (the reform is not supported by the local politicians) to 5 (the reform is supported by the local politicians) (Source: CEO Survey 2006).
Local Politicians' Knowledge	3.42 (1.00)	Measures local politicians' knowledge of current employment policy legislation. The variable is based on CEO agreement on a scale from 1 (disagree completely) to 5 (agree completely) with this statement: "Local politicians are generally well aware of changes in national employment services policies. (Source: CEO Survey 2006).
<i>Control variables</i>		
Task Environment of Municipality	11.84 (3.27)	Indicates the difficulty of the municipal employment task environment. The variable is an index of the expected mean days on municipal cash benefits for all adult citizens in each municipality in 2004, based on characteristics of the population and local labor market conditions. Higher scores indicate more difficult task environments. Natural log values are employed to address skewed data. (Source: The measure was obtained from the Danish Institute of Local Government Studies in cooperation with the Danish National Centre for Social Research based on rich Danish register data from Statistics Denmark (as discussed in Clausen et al. 2006)).
Fiscal Resources	167,835 (13,589.49)	Indicate the fiscal resources of the municipality. The variable measures budgeted resources per inhabitant in each municipality in 2005 in DKK with correction for central government grants and inter-municipal transfers. Natural log values are employed to address skewed data. (Source: ECO-analyse 2006)
Population	21,331.09 (42,737.67)	Reports population size of the municipality as of 1 January 2006. Natural log values are employed to address skewed data. (Source: ECO-analyse 2006)

Note:

1. Means and standard deviations are reported for the untransformed variables.

Technical Appendix 2 - Variables for Explaining Caseworkers' Compliance with National Sanction Mandate

Variables	Mean (S.D.) ¹	Operationalization
<i>Dependent variable</i>		
Sanctioning	17.86 (6.48)	Index based on caseworkers' responses to two questions, both related to their use of sanctions when their clients have been absent from activation without any good cause: 1) "What do you do the first time?" and 2) "What do you do the second time?" In responding to both questions caseworkers have chosen between the following 5 actions with the progressively increasing values listed in parentheses: 1) "I wait and see whether the problem will solve itself" (1), 2) "The client is contacted and told that he/she must attend activation, but no further action is taken at this moment" (2), 3) "The client receives a warning that next absenteeism will be met with reducing benefits" (4), 4) "Social assistance benefits are reduced" (8), 5) "Social assistance benefits are stopped" (16). The index is the sum of scores on the two items, with actions taken at the first and second time of absenteeism counting equally (Source: Caseworker Survey 2006).
<i>Explanatory variables</i>		
Goal-Clarity	3.49 (1.01)	Index indicating the extent to which caseworkers perceive their middle manager to be clearly signaling his/her expectations. The index is based on caseworkers' rating of two pairs of opposite statements: 1) "My manager rarely makes any demands on his staff" vs. "My manager makes very clear what he/she expects from his staff", and 2) "My manager rarely gives me any feedback" vs. "My manager often gives me feedback". The index is the mean response to the two statements measured on a scale from 1 (1= full agreement with the first item) to 5 (full agreement with the second item). Higher scores indicate greater perceived clarity of managers' expectations/goals. The Cronbach Alpha reliability measure is .71. The index is squared to address skewed data. (Source: Caseworker Survey 2006).
Monitoring	2.83 (.58)	Index indicating the extent to which middle managers systematically monitor caseworkers for six items: Frequency of client contacts, frequency of guidance on job search and consideration of concrete jobs in conversations with clients, meeting deadlines for activating clients, caseworkers' placements of clients into various types of activation schemes, use of sanctions, and outcomes in terms of employment/clients becoming self-supporting, and clients' perceptions of employment services. The index is the mean rating on a scale from 1 (no monitoring) over 2 (informal monitoring), 3 (sampling of cases) to 4 (formal reporting). The Cronbach Alpha reliability measure is .82. The index is squared to address skewed data. (Source: Middle Manager Survey 2006).
Recruiting Workers Fitting with Goals	4.38 (.71)	Index indicating the extent to which middle managers recruit caseworkers based on: 1) How well the caseworker fits in with the goals for the employment policy of the municipality, and 2) The caseworkers' attitudinal approach to employment services. The index is the mean rating on a scale from 1 (to no extent) to 5 (to a large extent). The Cronbach Alpha reliability measure is .77.

(Source: Middle Manager Survey 2006).

Municipal Sanction Policy	.75 (.44)	See Appendix 1
Information Provision	3.83 (.68)	Index indicating how frequent middle managers inform caseworkers of the goals and priorities of the municipality based on three items: Written instructions, briefing in formal meetings, and informal conversations. The index is the mean rating on a scale from 1 (never) to 5 (often). The index is the mean rating on the 1 to 5 scale of the three items. The Cronbach Alpha reliability measure is .49, which is lower than ideal. The index is squared to address skewed data. (Source: Middle Manager Survey 2006).
Staff Capacity	70.72 (39.26)	Staff Capacity is gauged as the number of caseworkers' weekly working hours per 100 cases. We have employed natural log values to address skewed data. (Source: Caseworker Survey 2006).
<hr/> <i>Control variables</i> <hr/>		
<i>SLB Perception, Style and Knowledge</i>		
Perceived Effectiveness of Sanctions	3.39 (.97)	The degree to which caseworkers consider use of sanctions to be an effective instrument in order to ensure that unemployed clients will get an ordinary job. This is rated on a scale from 1 (use of sanctions is very ineffective) to 5 (use of sanctions is very effective). The index is squared to address skewed data. (Source: Caseworker Survey 2006).
Attention to Rules	4.24 (.76)	The extent to which caseworkers indicate that "My starting point is the legislation and rules" when I am making decisions. This is rated on a scale from 1 (no emphasis at all) to 5 (very much emphasis). (Source: Caseworker Survey 2006).
Knowledge	4.24 (.80)	Index indicating the extent to which caseworkers report: 1) "I feel I have good knowledge of the rules in the area of employment service" and 2) "I feel professionally well prepared to carry out my work with clients". The index is the mean rating on a scale from 1 (disagree completely) to 5 (agree completely). The Cronbach Alpha reliability measure is .85. The index is squared to address skewed data. (Source: Caseworker Survey 2006).
Caseworkers' Perceived Capacity	3.49 (1.08)	Measures the extent to which caseworkers find the caseworker capacity sufficient. The index is based on caseworkers' ratings in responses to two questions: 1) "Caseworker staffing" is: on a scale from 1 (completely insufficient) to 5 (completely sufficient) and 2) "My workload is way too big" on a scale from 1 (disagree completely) to 5 (agree completely). The second scale has been reversed in the construction of the index. (Source: Caseworker Survey 2006).
<i>Caseworker Background</i>		
Social Worker		Dummy variable for caseworkers with a social work training. N = 125. (Source: Caseworker Survey 2006).
Other		Dummy variable for caseworkers who have other kinds of educations or trainings, e.g. caseworkers who are trained as office trained caseworkers with a diploma in social work, trained as clerical staff, have university degrees, technical educations or

		socioeducational training. N = 152. This variable is reference category for the dummy for social worker training above (Source: Caseworker Survey 2006).
Supplementary Training	3.96 (1.92)	Index indicating the extent to which caseworkers have participated in supplementary training. The index is based on responses to two questions: 1) "Have you received any in-service training or education related to employment services within the last two years?", and 2) "If yes, what kind of training/education?" The values are: 1 = no in-service training, 2 = part day lectures, 3 = one day courses/conferences/seminars, 4 = on the job training supervised by a more experienced colleague in this or in another municipality, 5 = courses/conferences/seminars of the duration of 2-5 days and 6 = training/courses of duration of more than a week. (Source: Caseworker Survey 2006).
<i>Contextual Factors</i>		
Task Environment of Caseworker	2.42 (.36)	The difficulty of the caseworker's task. Clients who are available for work are categorized in three groups according to a national scheme for assessing clients' fit with the labor market. Clients with the best fit are categorized 1 and clients with least fit are categorized 3. The variable measures the category of a caseworkers' average client on a scale from 1 to 3. The variable is squared to address skewed data. (Source: Caseworker Survey 2006).
Task Environment of Municipality	12.69 (3.61)	See Appendix 1.
Fiscal Resources	169394.6 (13979.2)	See Appendix 1.
Population	33729.03 (66873.44)	See Appendix 1.

Note:

1. Means and standard deviations are reported for the untransformed variables.