Making the Cut:
Close Elections and Local Welfare Policy

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Research question

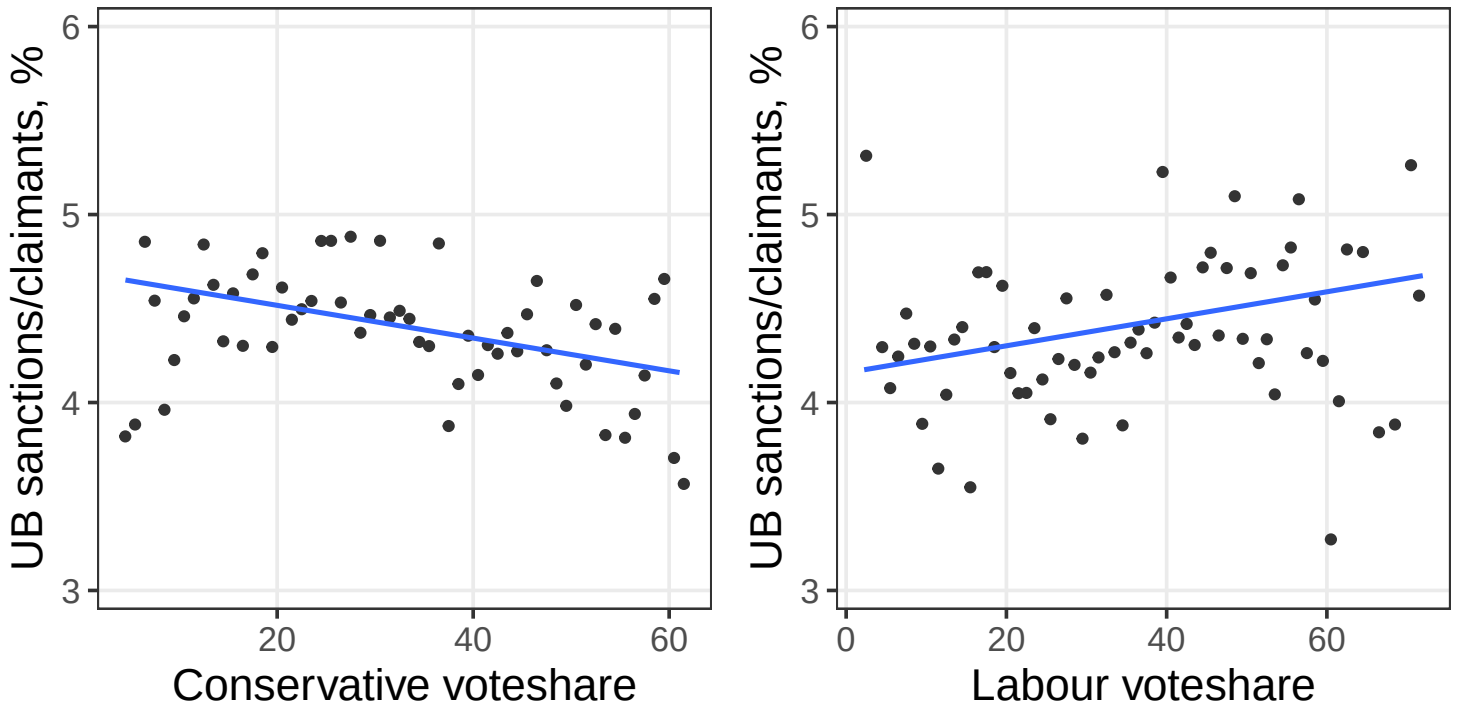
Does political alignment of MPs affect local implementation of national welfare policy?

Large spatial variation in exposure to welfare reforms in UK in 2010s

- affected social insurance policies such as **unemployment benefits**
- **Labour-held areas** have been hit harder with spending cuts

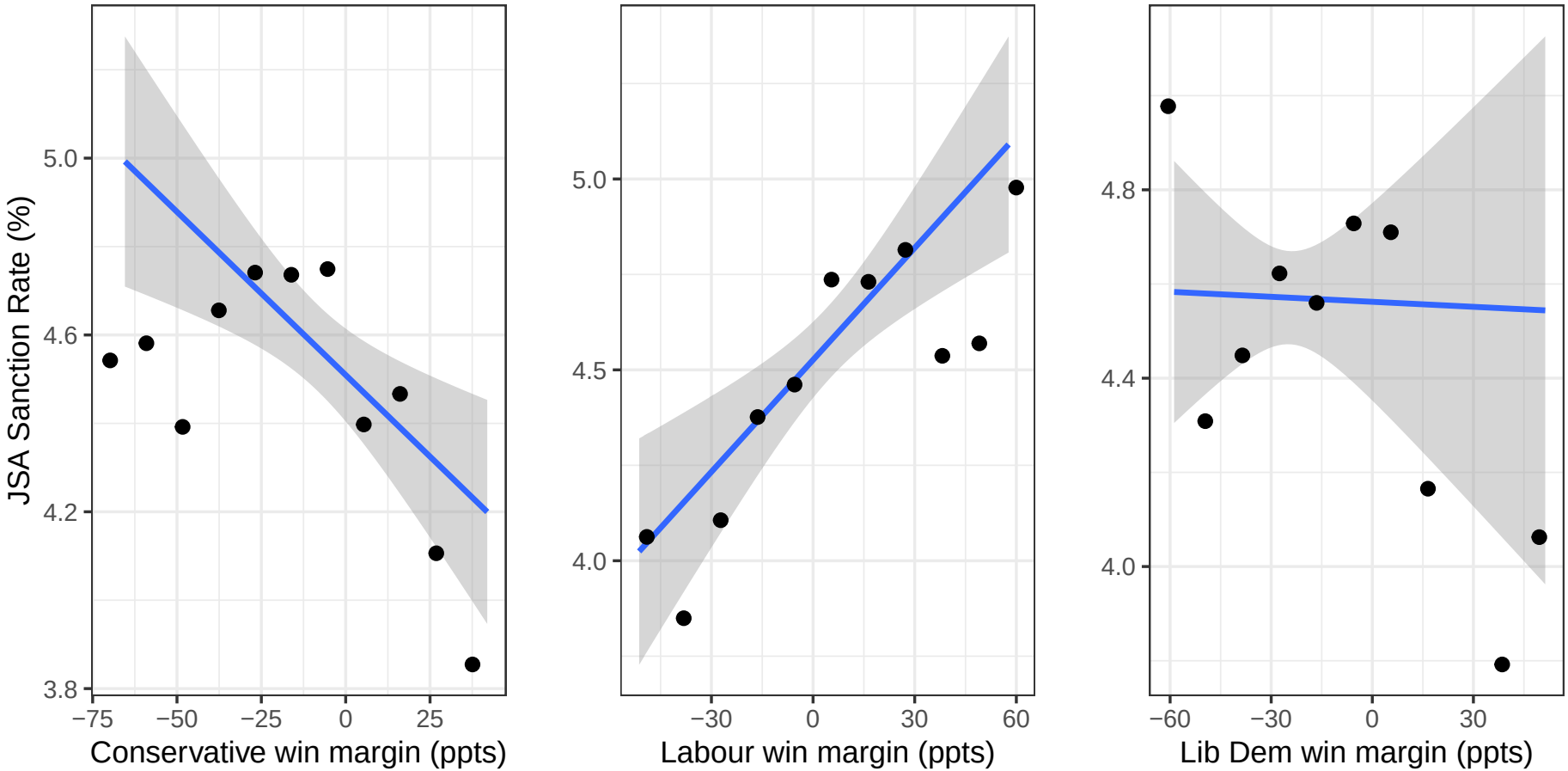
How do partisan considerations influence allocation of welfare spending cuts?

UB Sanction Rate(%) and Vote Shares (%)



Note: Vote shares in 2010 general elections and binned sanction rates, monthly average across parliamentary constitu
cies, 2012-15

UB Sanction Rate(%) and Electoral distance (ppts)



Note: dependent variable average sanctioning rate (sanc/claim) within a constituency, 2012-15

Figure 1: Correlation between 2010 GE win margin and sanction rate

raw voteshares

Research Question

Research Question:

- Does political alignment of MPs affect local implementation of welfare policy (in marginal constituencies)?

Empirical Setting: **UK 2010 Election**

- Labour government overturned by Conservative-Liberal Democrat coalition
- close elections identification: marginally government-aligned seats vs unaligned

UK 2012 Welfare Reform

- changes to toughness of benefits system
- large increase in sanctioning rate inequality across areas

Outcome: sanctions to unemployment benefits

- National government pushed austerity and “back-to-work" rhetoric
- Local incentives to be more lenient may dominate party stance

This Paper

Empirical strategy centers on **RDD** based on close elections

- **RD**: compare the average rate of sanctions across constituencies that are marginally aligned or unaligned with the newly elected central government (Conservative and Liberal Democrats).

- **Diff-in-Disc**: examine discontinuities before and after reforms in 2012 (try to discriminate between channels: election in 2010, reform in 2012)

Institutional Setting

Institutional Setting

Electoral System

- First-Past-the-Post (FPTP) system: most votes wins the seat
- Party with most seats has right to form government
- 650 constituencies

UB is search contingent (not contribution or duration dependent)

Features of UB/sanctions:

- UB: $\sim$70 GBP/week (80 EUR) , flat over time in real terms.
- sanction = UB payments stopped, typically for 4 weeks.

Impact of reforms in 2012

- increase in mean, variance, and skew of $s_{jt} = sanctions_{jt} / claimants_{jt}$
- heterogeneous increases in strictness
- can politicians/gov't exert pressure in seats where win was marginal?

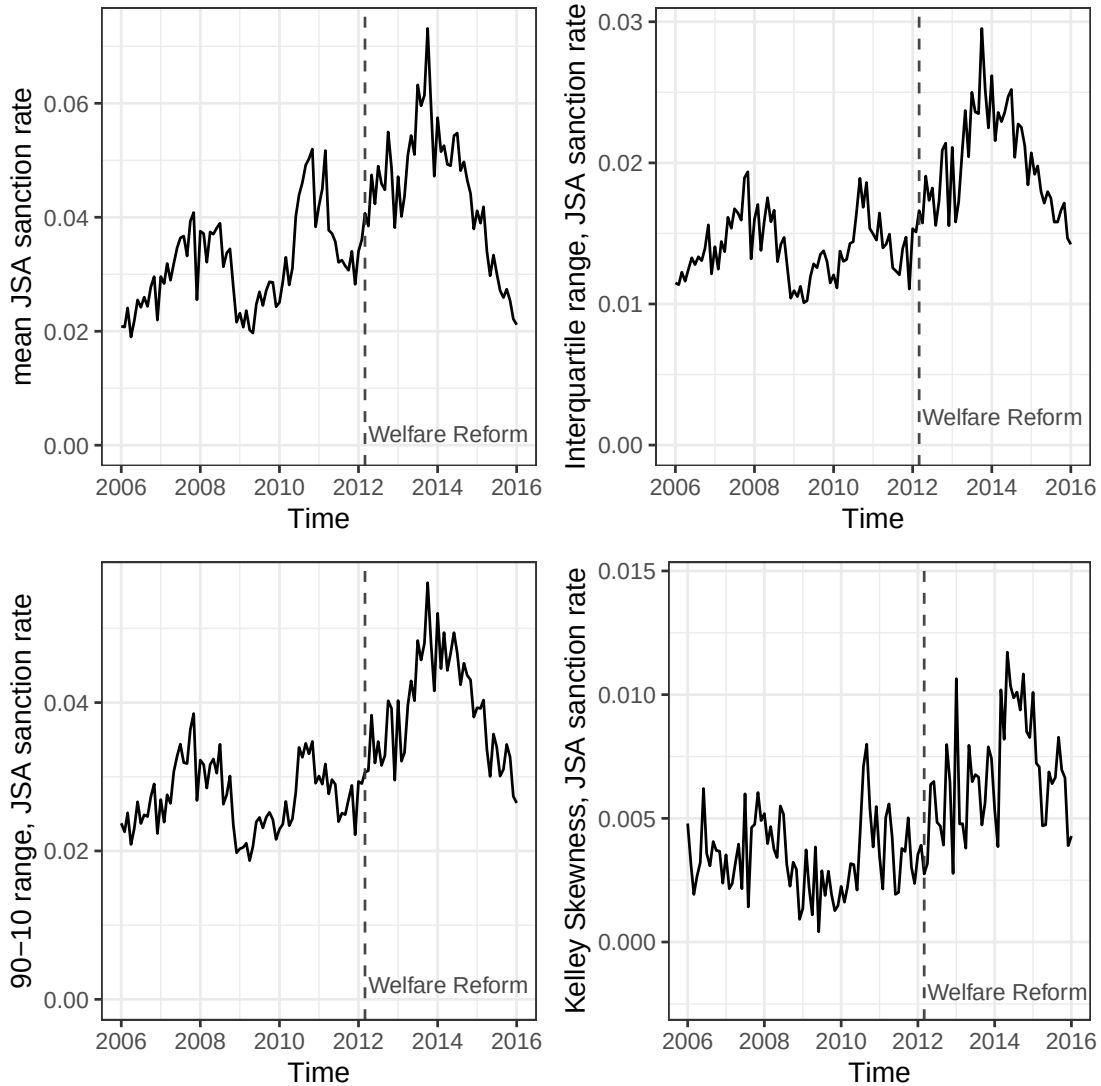


Figure 2: Effect of Reform on Sanction Rate Moments

▶ diff-in-disc

Empirical Strategy

Data

- 2010 Westminster general elections in England, Scotland and Wales
  - 632 single member constituencies

- **Outcome**: rate of sanctions to unemployment benefits
  - source: Department of Work and Pensions
  - monthly number of claimants and sanctions

- **Baseline Population characteristics**:
  - 2009 mid-year parliamentary constituency population estimates
  - 2009 Annual Population Survey
  - 2009 Annual Survey of Hours and Earnings

Regression Framework

For constituency, i, estimating equation:

$$y_i = \alpha + \beta^{RD} D_i + p(m_i) + \mathbf{x}_i' \boldsymbol{\delta} + e_i \tag{1}$$

$$m_i = \begin{cases} \text{Cons}_i - \text{Labour}_i & \text{if } 1^{st}/2^{nd} \text{ contested by Cons and Labour} \\ \text{Lib Dem}_i - \text{Labour}_i & \text{if } 1^{st}/2^{nd} \text{ contested by Lib Dems and Labour} \end{cases} \tag{2}$$

- y_i sanction rate (%) in constituency i, 2012-2015
- p polynomial below, above cutoff
- m_i running variable, coalition distance to victory*
- x_i vector of socioeconomic controls, constituency level
  - log population,% women, % working age, median earnings, % employment rate
- β^{RD} causal parameter of interest

Estimated with bias-corrected local linear regression; CCT'14 optimal bandwidth choice.

*Robust to alternative measures of distance (Con-Lab, Coalition-Opposition)

Results

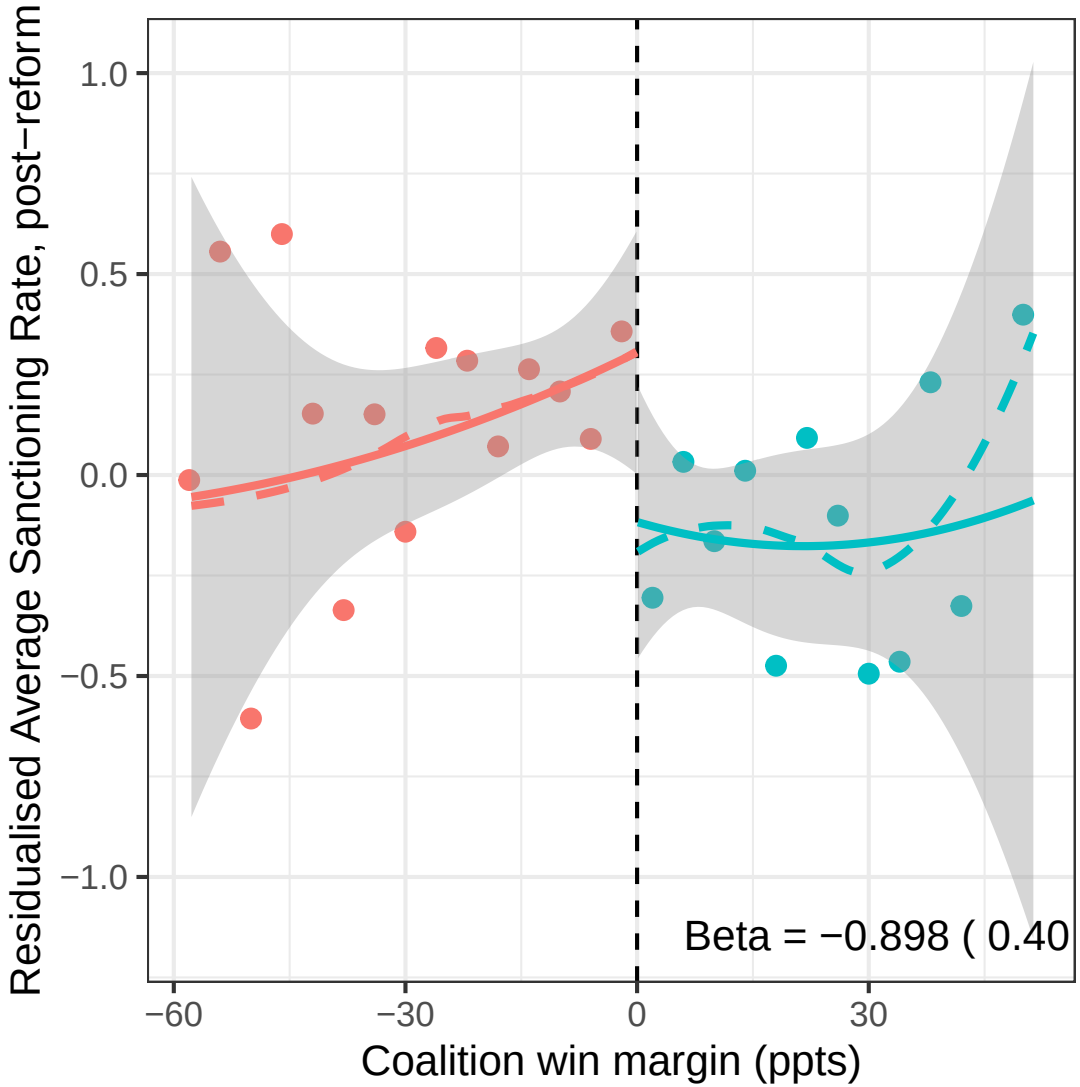
	Linear			Quadratic		
	(1)	(2)	(3)	(4)	(5)	(6)
RD estimate (in ppts)	-0.783*	**-0.898****	-0.963*	-0.863*	**-0.918****	-0.952*
	(0.475)	**(0.400)**	(0.496)	(0.523)	**(0.423)**	(0.538)
RD estimate (in %)	-0.165	-0.189	-0.202	-0.181	-0.193	-0.200
N	171	171	81	253	263	159
Bandwidth	12.2	12.8	6.4	20.4	24.12	12.06
	h^*	h^*	$h^*/2$	h^*	h^*	$h^*/2$
Controls	×	✓	✓	×	✓	✓

Note: *p<0.1; **p<0.05; ***p<0.01. In all regressions a triangular kernel is used. Robust standard errors in parentheses. Controls include log population, share of women, share of working age, median earnings, and employment rate.

Table 1: Outcome: mean JSA sanctioning rate (%) post-reform (2012-2015)

Results robusts to alternative bandwidths / placebo cutoffs / alternative running variable measures

▸ alternative bandwidths ▸ placebo cutoffs ▸ alternative running variables



Note. Dependent variable is the residuals from a regression of average sanctioining rate on socioeconomic controls: log population, share of women, share of working age, median earnings, and employment rate. Solid line is quadratic fit, dashed line is lpoly fit. Shaded area represents 95% CI.

Figure 3: Residualised Average Sanction Rate and Vote Margin

Investigating the Mechanism(s)

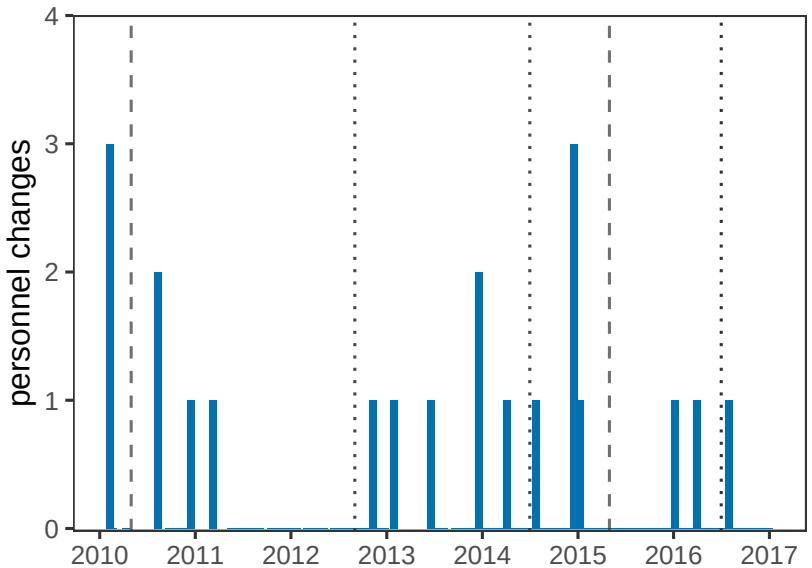
Channels

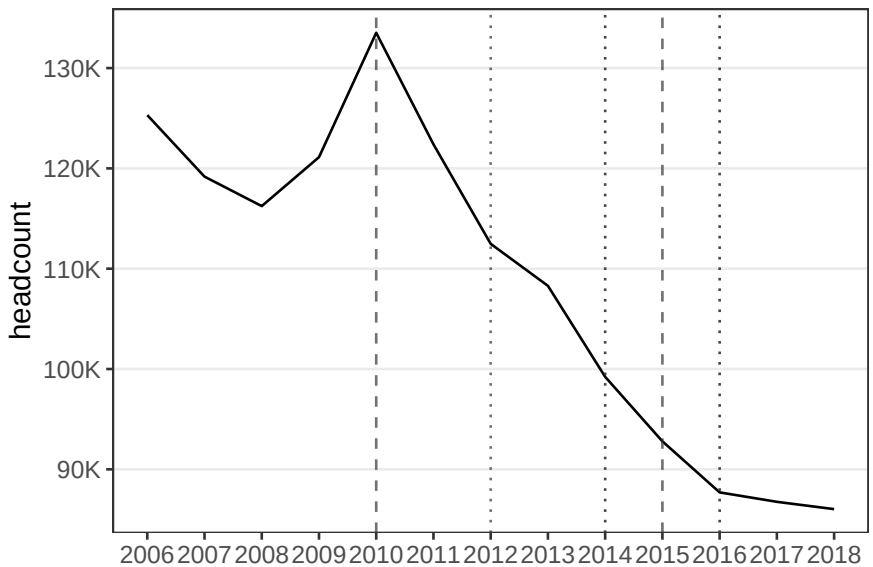
Possible Mechanisms:

- composition of staff**: hiring/firing of public employees, especially managers
- preferences of staff: motivated agents in bureaucracy are activated
- orders**: direct pressure through hierarchy from bosses
- budgets: manipulation of resource pool, sanctions adjust to meet constraints
- incentives: pay and promotions
- local economy **: better jobs market, fewer sanctions?

Personnel changes in DWP

Personnel changes are frequent & pressure to decrease public sector personnel to reduce staff costs and public expenditure

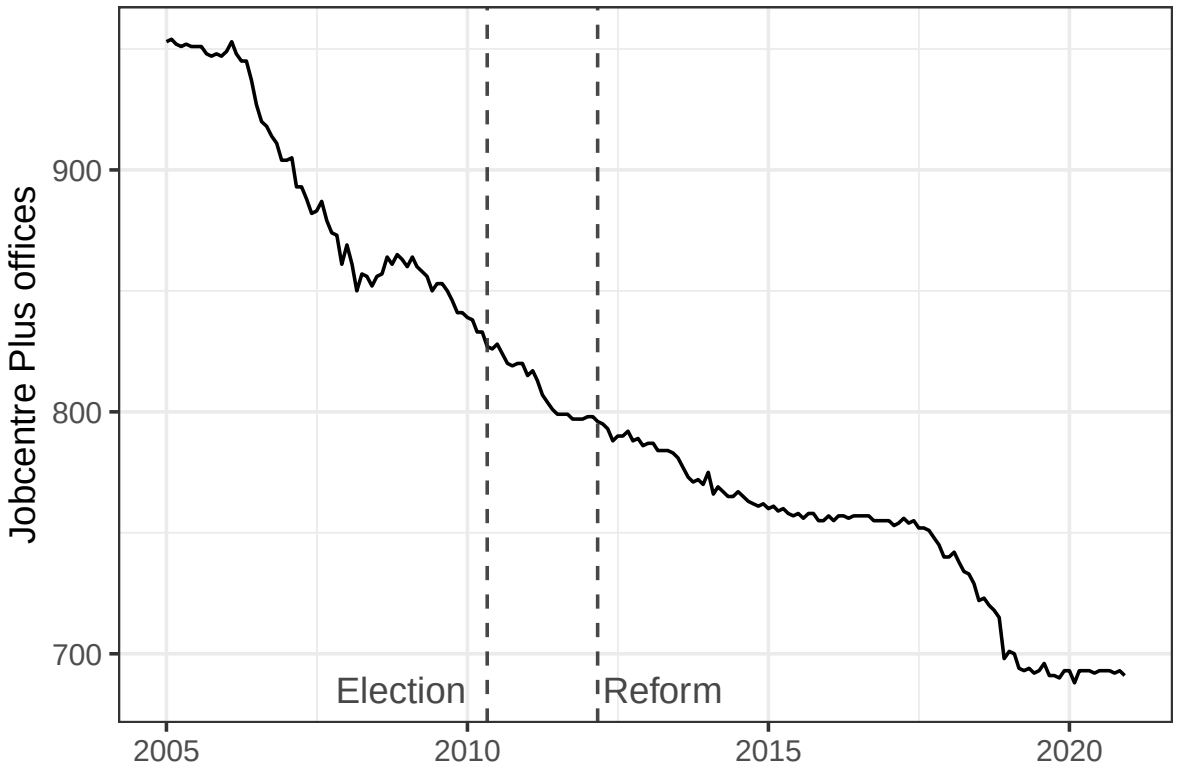




Left = personnel changes in the DWP executive team, Right = total headcount in DWP.
Dashed line = elections, Dotted line = cabinet reshuffle. Average size of executive team is 10.

Number of Jobcentre offices

Long trend of reducing the number of jobcentre offices



Flipped $Labour_{2005} \rightarrow Coalition_{2010}$ seats; Aligned MP-Council Seats

Potential Mechanisms:

- electoral considerations: preferential leniency to **solidfy new gains** in flipped L2C seats?
- influence: stronger effect when multiple levels (Gov - Council - MP) aligned?

	All Seats	Labour 2005 Seats	Council-MP aligned Seats
RD estimate in ppts	-0.898**	-1.374***	-1.402**
	(0.400)	(0.475)	(0.582)
RD estimate in %	[-0.189]	[-0.289]	[-0.287]
mean before cutoff	4.757	4.760	4.887
N	171	106	54
Bandwidth	12.8	9.45	9.8
Controls	✓	✓	✓

Note: *p<0.1; **p<0.05; ***p<0.01. The dependent variable is average JSA sanction rate, post-reform. In both regressions a triangular kernel is used. Robust standard errors in parentheses. Controls include log population, share of women, share of working age, median earnings, and employment rate.

Table 2: RD Estimates in Selected Subsamples

Coalition Frontbenchers (Senior MPs) v Labour

	(1)	(2)	(3)	(4)
Coalition win	-1.419***	-2.255***	-1.668**	-2.086**
	(0.538)	(0.804)	(0.665)	(0.977)
Robust p-value	0.011	0.012	0.016	0.046
Robust 95 % CI	[-2.79, -0.37]	[-4.03, -0.5]	[-3.3, -0.33]	[-4.14, -0.03]
Bandwidth	12.07	7.46	17.66	13.93
N	105	59	147	110
Order	1	1	2	2
Controls	-	✓	-	✓

Note: *p$<$0.1; **p$<$0.05; ***p$<$0.01. The dependent variable is average JSA sanction rate, post-reform. In both regressions a triangular kernel is used. Robust standard errors in parentheses. Controls include log population, share of women, share of working age, median earnings, and employment rate.

Table 3: RD Estimates, Frontbenchers

Behavioural Change at the threshold

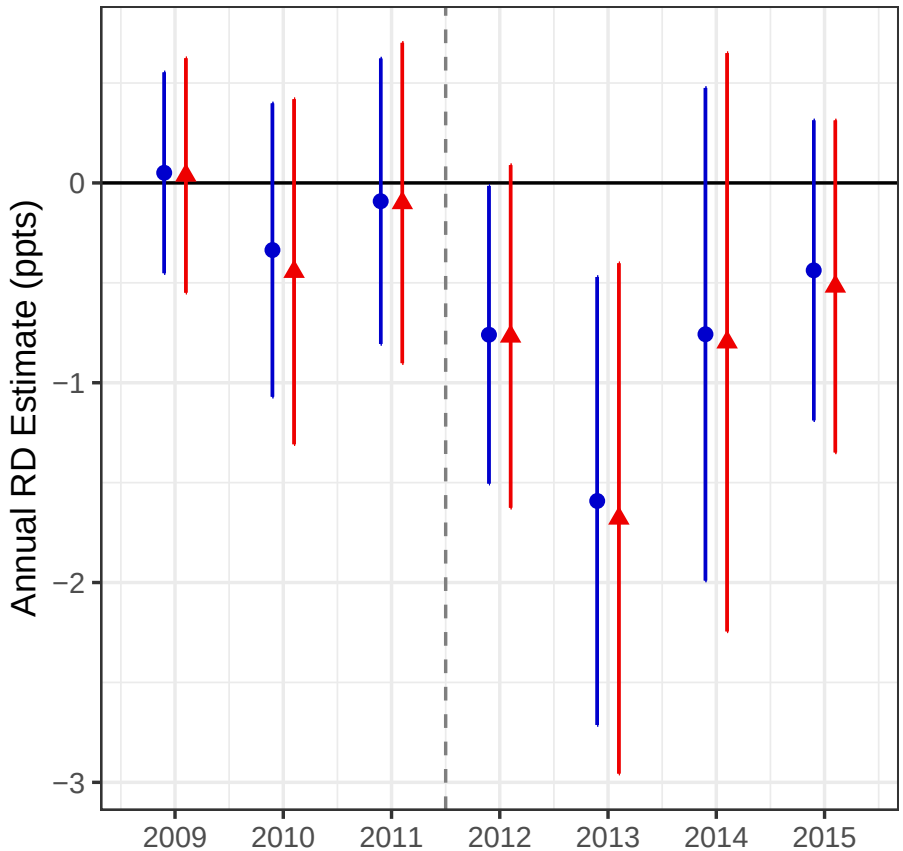
Jobseeker/Firm behaviour might internalise partisan effects at $c = 0$

- Could create a discontinuity in search effort, unemployment duration (etc)
- Answer 1: Doesn't seem consistent with continuity in economic variables
- no discontinuity in **unemployment, claimants, employment rates** (etc) at $c = 0$

Answer 2:Difference-in-Discontinuities, 2010-2015

- difference out potential confounders
- Time variation in discontinuities lines up with reform (diff-in-disc)

"Diff-in-Disc": RD estimates by year

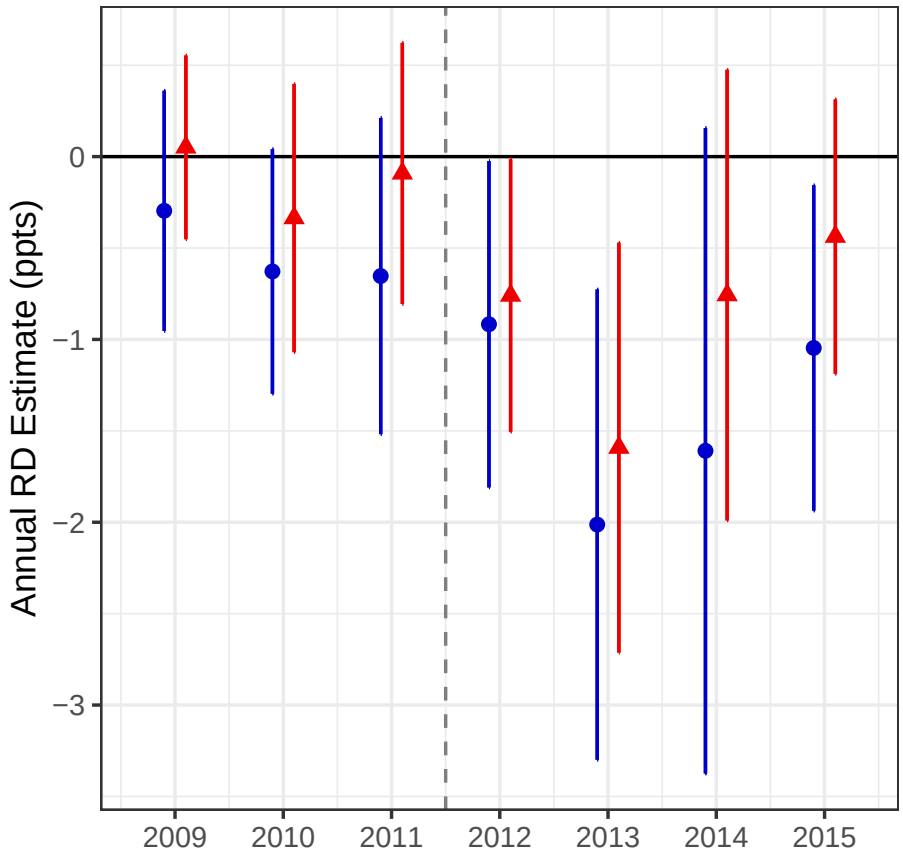


Note: Blue = linear, Red = Quadratic. Each point represents a separate RD regression. Socioeconomic controls: log population, share of women, share of working age, median earnings, and employment rate. Error bands represent 95% CIs.

Figure 4: Dynamic RD Estimates

second moments

"Diff-in-Disc": RD estimates by year, Labour2005 seats only

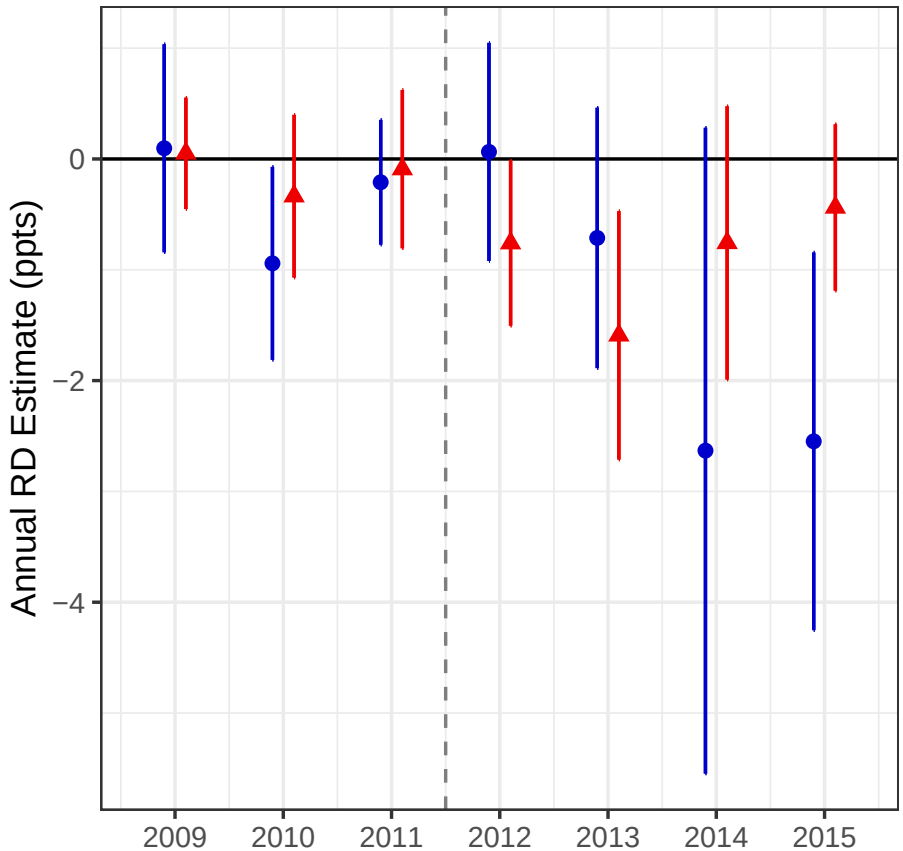


Note: Blue = linear, Red = Quadratic. Each point represents a separate RD regression. Socioeconomic controls: log population, share of women, share of working age, median earnings, and employment rate. Error bands represent 95% CIs.

Figure 5: RD estimates for flipped seats

second moments

"Diff-in-Disc": RD estimates by year, 2012-council-aligned seats only



Note: Blue = linear, Red = Quadratic. Each point represents a separate RD regression. Socioeconomic controls: log population, share of women, share of working age, median earnings, and employment rate. Error bands represent 95% CIs.

Figure 6: RD estimates for council-aligned seats

second moments

Robustness

Main results robust to usual battery of checks:

- alternate bandwidths
- placebo cutoffs are not significant
- no discontinuities in pre-treatment covariates
- no discontinuities in pre-treatment sanction rates (both sanctions and unemployed)

Conclusion

Partisan bias at play in **non-discretionary** spending cuts, close to the cutoff

- MPs may deviate from party stance to shore-up support in marginal seats
- **Alignment between MP and central Cons-LD government matters**
  $\sim$ 20 percent drop in sanctioning rate at cutoff
- Potential mechanisms: Stronger effects seen in:
  - **L2C flipped seats**
    (solidifying new gains)
  - **MP-Council aligned areas**
    (stronger multilevel influence?)
  - **Conservative-Labour races**
    (competitive races with higher returns)
  - **Frontbenchers/Cabinet MPs**
    (stronger personal influence?)

  leaning towards **partisan pressure on bureaucrats** and **motivated agent** channels

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Thanks!

Appendix

Density of Running Variable

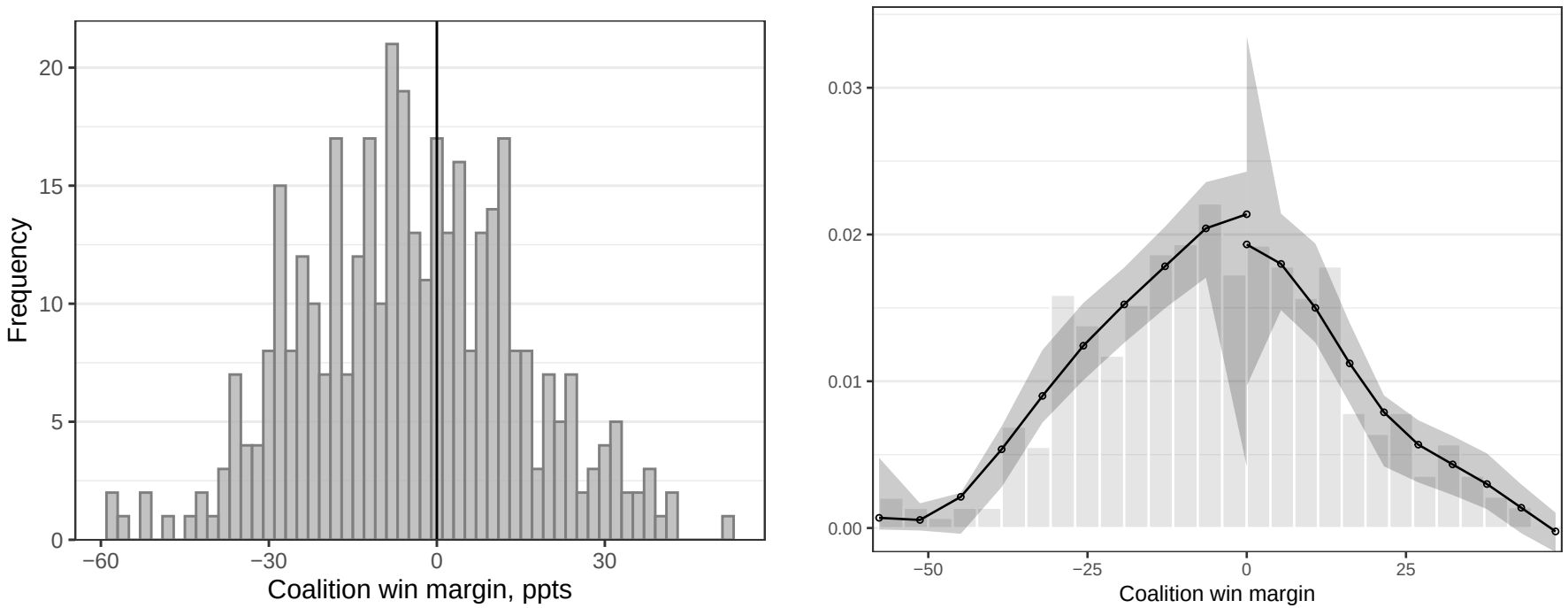
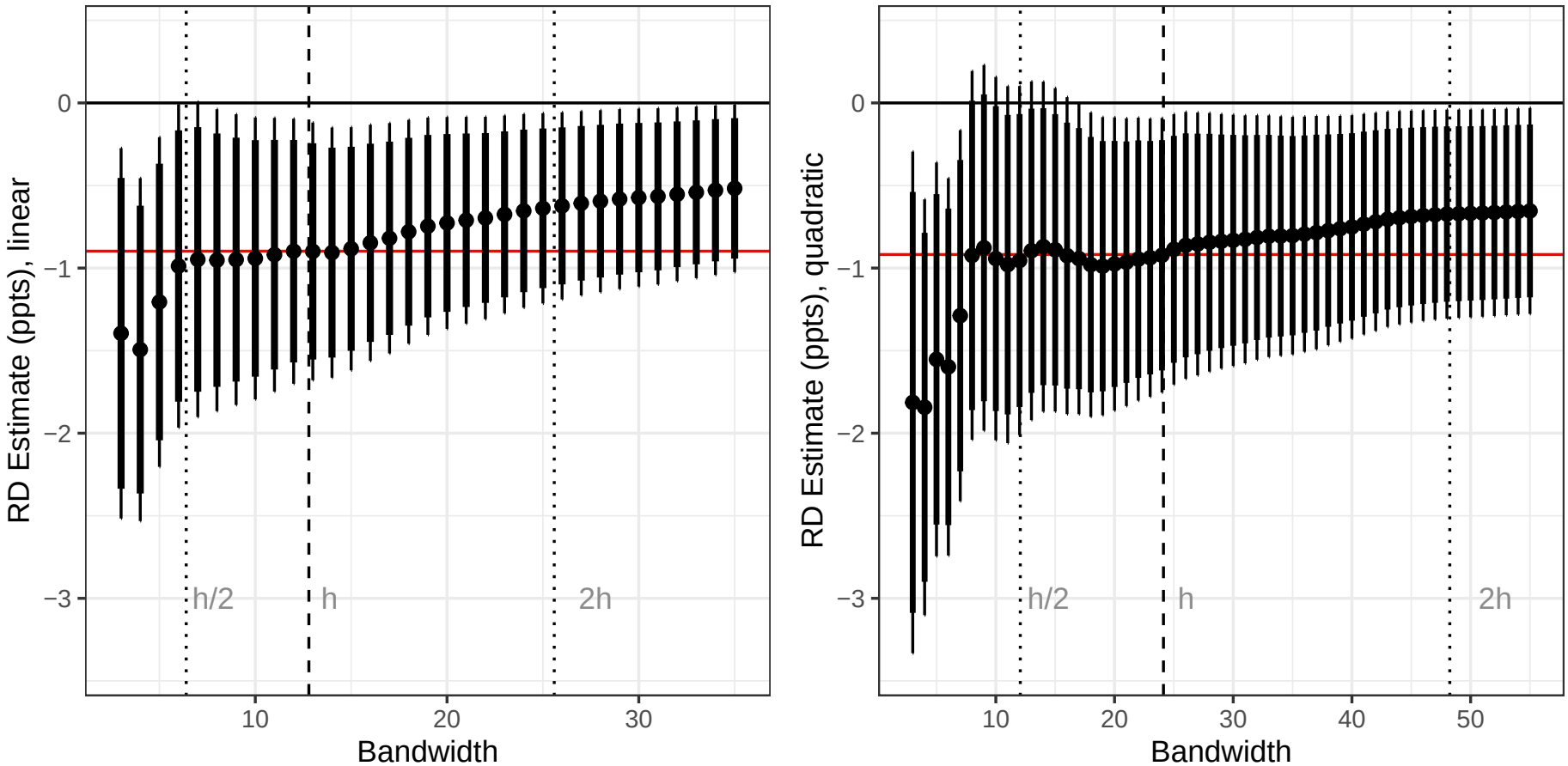


Figure 7: Density and Manipulation test of coalition win margin

	Coalition			Labour			
	N	Mean	SD	N	Mean	SD	Difference
Sanctions							
JSA saction rate, %, post-refrom	363	4.36	1.00	258	4.73	0.99	-0.36
JSA sanctions	363	59.65	31.33	258	122.88	47.20	-63.23
JSA claimants	363	1438.84	669.32	258	2760.60	984.05	-1321.77
Election							
Conservative vote share	363	45.15	9.89	258	22.86	9.03	22.29
Libdem vote share	363	26.69	11.10	258	18.67	7.11	8.02
Labour vote share	363	20.17	10.30	258	46.47	7.73	-26.30
Flipped seats	363	0.26	0.44	258	0.02	0.14	0.24
MPs standing down	363	0.20	0.40	258	0.21	0.41	-0.01
Number of parties	363	5.42	0.69	258	5.40	0.68	0.02
Socioeconomic							
Population	363	96053.43	10837.25	258	95860.94	13233.66	192.49
Female population, %	363	51.01	0.71	258	50.96	0.89	0.06
Working age population, %	363	63.89	3.23	258	66.04	3.43	-2.15
Economic activity rate, %	363	79.01	4.27	258	73.56	5.23	5.45
Employment rate, %	363	74.02	4.94	258	66.31	6.09	7.71
Unemployment rate, %	187	7.90	2.23	240	10.27	3.10	-2.37
Median earnings	324	22451.23	3889.92	244	20699.91	3321.38	1751.32

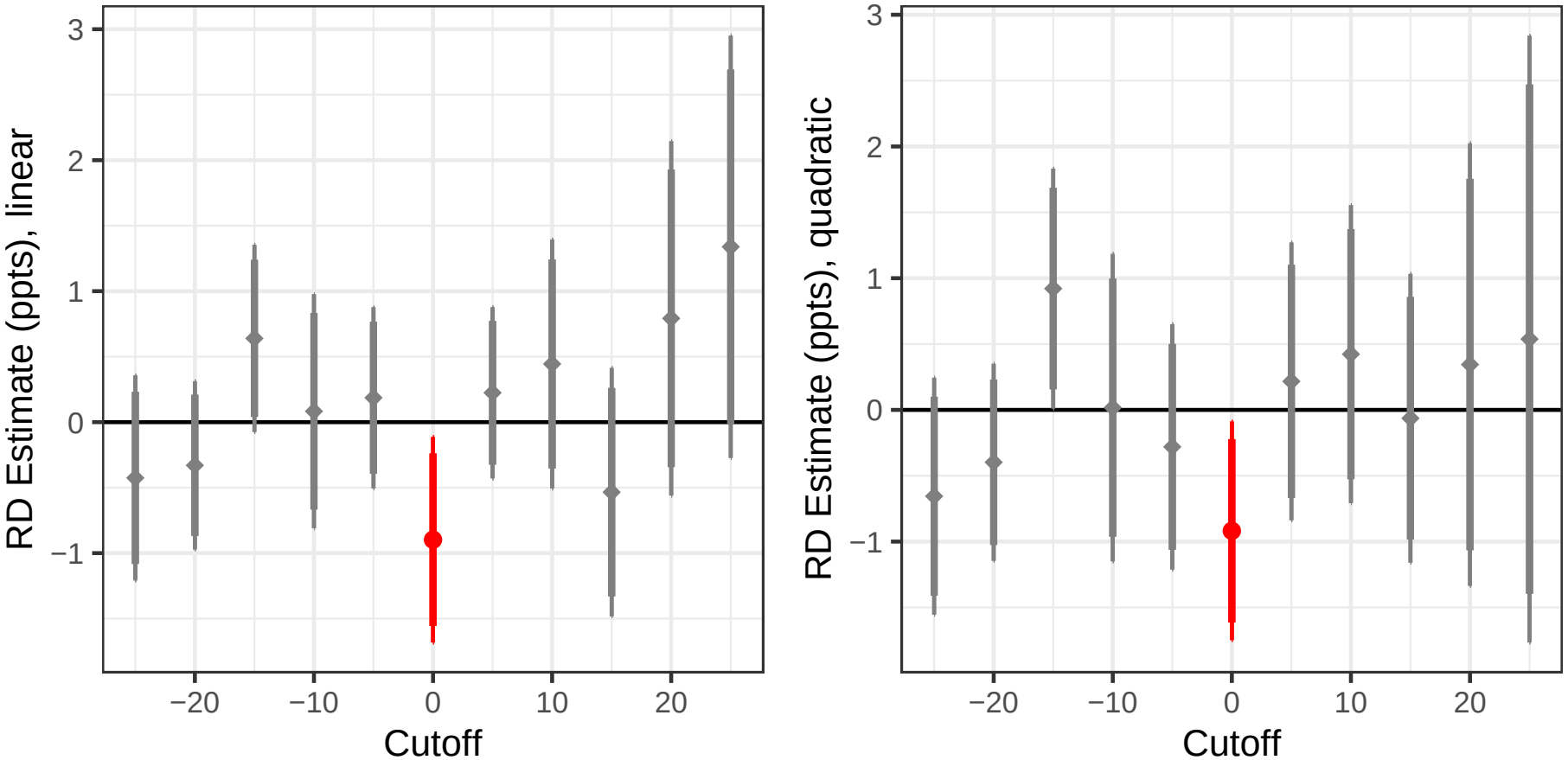
Bandwidth Choice



Note: each point represents a separate RD regression. Socioeconomic controls: log population, share of women, share of working age, median earnings, and employment rate. Heavy and thin lines represent 90% and 95% CIs respectively. Bias-correction preserves (h/b) ratio

Figure 8: The effect of altering bandwidth choice

Placebo Cutoffs



Note: each point represents a separate RD regression. Socioeconomic controls: log population, share of women, share of working age, median earnings, and employment rate. Heavy and thin lines represent 90% and 95% CIs respectively.

Figure 9: RD coefficients estimated at placebo cutoffs ($\neq 0$)

Predetermined Covariates

	Popn. (1)	Women (2)	Working age (3)	Elderly (4)	Earnings (5)	Emp. (6)	Activity (7)	Unem. (8)
Con.	0.032	0.161	-1.204	0.679	-833.252	3.493*	2.677	-0.967
	(0.040)	(0.285)	(1.248)	(1.000)	(1005.603)	(1.959)	(1.901)	(0.852)
RBC	0.024	0.168	-1.334	0.764	-911.550	3.887*	2.720	-1.111
	(0.047)	(0.344)	(1.492)	(1.199)	(1189.551)	(2.318)	(2.298)	(0.987)
N	170	162	170	146	188	178	169	117
Bw	11.88	11.52	11.91	10.26	14.62	12.51	11.83	9.74
Mean(Y)	11.46	50.99	64.77	16.5	21660.14	70.86	76.76	9.16

Table 4: RD estimates for Predetermined Covariates

Next steps

If close-election creates problematic discontinuities

- Could take search, unemployment spell information from UKHLS panel

Mechanism/Further evidence: constituencies nested in council districts

- (MP, District Council) $\rightarrow$ Employment Offices

Council alignment switches

- 300 councils, examine effect of council alignment switches on sanction rates?
- Staggered DiD, Fouirnaies and Mutlu-Eren (2015) identification: council and national elections in different years creates alignment switches

Model?

Appendix Slides

Voteshares and Sanction Rates

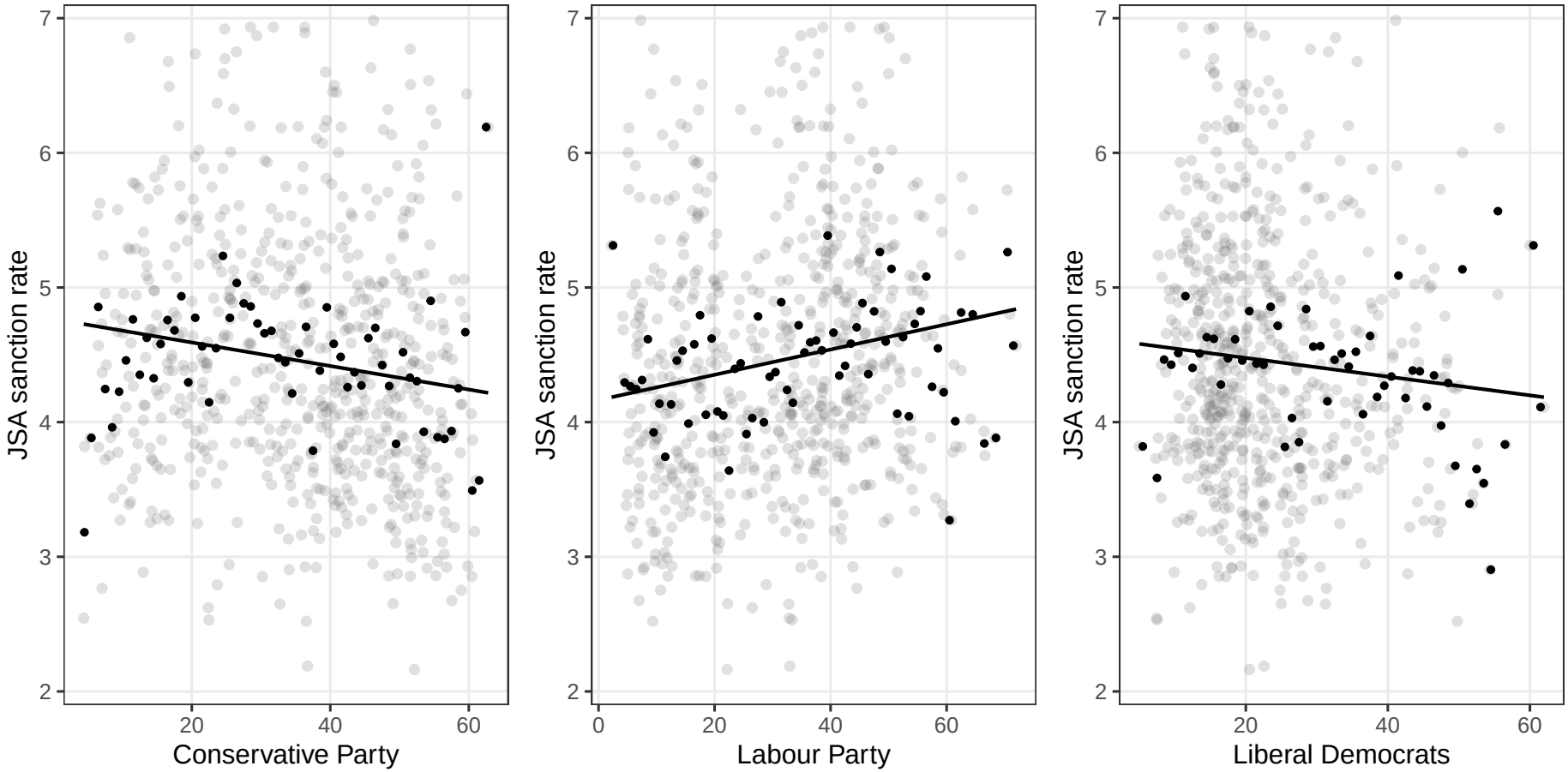


Figure 10: Voteshares and Sanction Rates

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Appendix: Year

	2010 (1)	2011 (2)	2012 (3)	2013 (4)	2014 (5)	2015 (6)
RD estimate	-0.336	-0.092	-0.760**	-1.592***	-0.757	-0.438
(se)	(0.374)	(0.364)	(0.380)	(0.572)	(0.629)	(0.383)
RD in %	[-0.087]	[-0.025]	[-0.175]	[-0.293]	[-0.153]	[-0.140]
N	130	152	186	151	178	162
Bandwidth	9.58	11.55	14.35	11.41	13.54	12.39
Controls	✓	✓	✓	✓	✓	✓
$\bar{y}(m \in [-h, 0])$	3.88	3.65	4.34	5.43	4.96	3.14

Note: *p<0.1; **p<0.05; ***p<0.01. The dependent variable is average JSA sanction rate in a given year. In all regressions a triangular kernel is used. Robust standard errors in parentheses. Controls include log population, share of women, share of working age, median earnings, and employment rate.

Table 5: Baseline RD Estimates by Year

Appendix: Alternative Distance

	Coalition-Labour (1)	Coalition-Opposition (2)	Conservative-Labour (3)	Lib Dem-Labour (4)
Conventional	-0.800**	-0.780**	-1.089**	-0.681
	(0.345)	(0.338)	(0.440)	(0.684)
Robust bias-corrected	-0.898**	-0.865**	-1.224**	-0.829
	(0.400)	(0.393)	(0.520)	(0.927)
N	171	181	114	16
Bandwidth	12.8	13.3	10.69	5.57
Controls	✓	✓	✓	✓

Note: *p$<$0.1; **p$<$0.05; ***p$<$0.01. The dependent variable is average JSA sanction rate in the post-reform period. In all regressions a triangular kernel is used. Robust standard errors in parentheses. Controls include log population, share of women, share of working age, median earnings, and employment rate.

Table 6: RD estimates of alternative races on JSA sanction rate

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Fouirnaies, A. and H. Mutlu-Eren (2015). English Bacon: Copartisan Bias in Intergovernmental Grant Allocation in England. *The Journal of Politics 77*(3), 805–817.