

**The Micro-politics of European Immigration:
Local Government Capacity and Public Service Performance in
England**

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Immigration is a central concern in the politics of most European nations. This study examines the micro-politics of immigration by exploring how English local governments have coped with unexpectedly high levels of worker migration from Eastern Europe. The concept of bureaucratic incorporation suggests that strong central administration and vibrant community organizational life can increase the likelihood that local governments maintain their service standards despite this sudden population movement. This paper tests whether administrative and community capacity moderated the potentially harmful impact of worker migration on English local governments. We explore the interactive effects of immigration and capacity on local service performance, using panel data for a three-year period between 2006 and 2008. The results suggest that local government capacity has improved responsiveness to the sudden influx of newcomers from Eastern Europe. Theoretical and policy implications are discussed.

Introduction

Immigration is one of the most salient political issues in Europe (see Givens & Luedtke 2005). The expansion of the European Union (EU) in 2004 to include eight post-communist countries from Eastern Europe, in particular, raised the profile of economic migration and its likely costs and benefits. An extensive scholarship has examined public opinion toward immigrants and immigration (McLaren 2001; Pettigrew 1998), the role of immigration in the rise of rightwing political parties (Kestila & Soderlund 2007; Rydgren 2008; Knigge 1998), the impact of immigration on EU referenda voting (de Vreese 2005), the relationship of immigration to governing coalitions (Green-Pedersen & Krogstrup 2008), the policy implications of the European Union's free movement of labour (Givens & Luedtke 2004), and how immigration affects the development of a pan-European identity (Laffan 2008). Missing in this literature is an assessment of how governments and their policy activities in areas other than immigration can facilitate or hinder the integration of immigrants into society. The ability to integrate immigrants into the mainstream activities of modern governments, in fact, could affect the impact of immigration on public opinion, voting and other behaviours of concern to political scientists.

The United Kingdom serves as an interesting test case for immigration and governmental responses. In the UK, the Labour government's response to the first wave of EU Accession was to extend the basic freedom of movement for citizens of countries within the European Economic Area (EEA) to potential economic migrants from the Accession countries (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia) with few conditions and restrictions. This high level policy decision has had a major impact on politics at all levels. For example, in the recent European elections for the first-time the right-wing British

National Party secured two seats in the EU parliament, largely on the back of an anti-immigration ticket. The effects of this policy have also been played out through local public service delivery (see Andrews et al. 2009).

Because the UK relies on local governments for the delivery of many public services, the ability of local areas to absorb immigrants and continue to offer a high level of services is quite logically linked to the relative salience of immigration as a political issue. To the degree that local governments can handle the influx of newcomers with few disruptions in service, the salience of immigration is lowered and strong political reaction to immigration may be muted. By crafting policies and services that respond to the needs of immigrant groups, local bureaucrats can therefore advance the interests of these groups in ways that contribute to their successful integration within the host country (see Lewis & Ramakrishnan 2007). Thus the 'bureaucratic incorporation' (see Jones-Correa 2004) of EU A8 citizens by English local governments is an especially salient case for consideration of this phenomenon. The substantially larger than anticipated size (approximately seventeen times – see footnote 1) of the subsequent flow of migration from the Accession countries to the UK led to widespread concern that local governments would be unable to manage the sharply rising demands placed on them by this unexpected influx of newcomers.

One fruitful lens to examine the potential opportunities for bureaucratic incorporation is organizational theory. It suggests that unexpected environmental jolts, such as sudden population movements, are likely to have adverse consequences for the performance of organizations, but that these can be mitigated by appropriate collective action. Government capacity represents a potent source for such action. In particular, strong central administration and vibrant community organizational life

may furnish a store of slack resources that can be appropriated in response to unexpected environmental challenges. Using quantitative statistical techniques, we therefore seek to evaluate whether the capacity of English local governments has influenced their ability to respond to the population movement that occurred in the wake of EU Accession.

A recent report on *The economic impact of immigration* produced by the House of Lords Select Committee on Economic Affairs (2008) concluded that EU A8 worker migration may be generating substantial ‘uncosted externalities’ for local governments. Nevertheless, the report also acknowledged that ‘the current information and data available to assess the impacts are very limited’ (p.44). Indeed, evidence is only slowly emerging on the outcomes of EU enlargement (see, for example, Andrews et al. 2009; Drinkwater et al. 2009). The need for systematic research investigating policy responses to the unanticipated “jolt” of high levels of worker migration from the Accession (EU A8) countries therefore remains a pressing concern. In particular, little is yet known about the extent to which local governments benefiting from higher levels of administrative and community capacity have been better able to adapt to the impact of worker migration. Do unexpectedly high levels of worker immigration harm local government performance? Are local governments with stronger central administrative systems better equipped to withstand the pressures created by a sudden influx of migrant workers? Are areas rich in community organizational life more resilient to such rapid demographic changes?

This paper presents a quantitative analysis of the relationship between worker migration from the countries acceding to the EU in 2004 and the performance of English local governments. The theoretical relationship between environmental jolts and public service performance is outlined in the first part of the paper, before

arguments on the moderating influence of administrative and community capacity are developed. Following this, measures of performance, worker migration, local government capacity and relevant control variables are identified and described, and then statistical evidence on the performance of English local governments is presented. We conclude with the implications of our findings.

Immigration and public service performance

Circumstances in the external environment have long been regarded as an important influence on organizational performance (Burns & Stalker, 1961). The environment is both a source of resources on which organisations depend (Pfeffer & Salancik, 1978), and a source of demands on those resources, from clients and other stakeholders. Research on public service performance has followed this line of argument, and incorporated aspects of financial resources and service needs into models of the link between the external environment and organisational outputs and outcomes (Lynn et al., 2000; O'Toole & Meier 1999). Although empirical evidence has confirmed that (changing) external conditions make a difference to the performance of public organisations (Boyne & Meier 2009; Meier & O'Toole, 2009; Meier et al, 2009), these studies have not examined the impact of the environmental jolt of a massive and unexpected influx of migrant workers from one nation to another.

The worker migration associated with EU accession fits closely the established definition of an environmental jolt as 'perturbations whose occurrences are difficult to foresee and whose impacts are disruptive and potentially inimical' (Meyer 1982: 515). Not only was the level of worker migration associated with EU accession far greater than predicted by the UK government,¹ but its spatial distribution was not easy to

foresee and did not follow closely any established pattern of immigration from Eastern Europe (with the partial exception of post-war migration amongst Poles, and more recently Polish business start-ups in the wake of relaxed self-employment laws across the EU) (see Home Office 2003; Sword 1996). The incidence of migrants was not limited to the south-east of England, but was also high in areas of East Anglia and the Midlands, such as Crewe and Peterborough, that previously had low levels of immigration (Drinkwater et al. 2009).

A sudden influx of migrant workers can have adverse effects on public services for several reasons. First, as would be the case for any dramatic expansion in the client population, the quantity of service need in the local area rises sharply, putting pressure on financial, physical and human resources. This may result in services being spread more thinly, and a fall in the quality provided to each recipient. Secondly, the entrance of EU A8 citizens within local communities may generate new and distinctive social and cultural needs (e.g. additional language tuition in schools) that require the provision of specialist services in areas unused to such pressures. Within a fixed budget, other services may have to be cut (at least in the short-term) to meet the new demands. Moreover, existing staff may lack the expertise to provide the extra services to an appropriate standard. A third reason for a potential decline in government services is that many services require citizens to participate in the delivery of services (that is, co-production). This is especially true in social care and similar areas (see, for example, Pestoff 2006). Because immigrants may not be familiar with the governing system and policy processes in the United Kingdom, they might fail to participate effectively and thus the overall quality of local services could suffer. The lack of ties to the local community amongst migrant workers may render

this problem especially acute, particularly in those areas where there has been little previous immigration from the country of origin.

An environmental jolt may also affect service performance by destabilising the internal operations of an organisation. In a placid environment, following established routines may be sufficient to maintain performance. By contrast, when the environment shifts unexpectedly it may be necessary to alter internal structures and processes in an attempt to adapt to the new circumstances (Meyer et al. 1990). Such organisational change can, however, be disruptive, not least by causing uncertainty amongst staff about priorities and procedures. Relationships with other organisations, such as partners in service provision, are also likely to be destabilised by an environmental jolt (Venkatraman & Van de Ven 1998). Service users, too, may be confused by the disruption of organisational change, thereby leading to lower levels of satisfaction. An alternative interpretation is that performance is damaged because organisations are afflicted by ‘threat rigidity’ (Staw et al. 1981) when confronted by an environmental jolt. In this case, performance suffers not because of the disruptive impact of adaptation, but because organisations *fail* to adapt to the new circumstances posed by immigration. For all of these reasons, we expect to find a negative relationship between the environmental jolt of EU accession and public service performance.

H1: EU A8 worker immigration will have a negative relationship with local government performance

The moderating influence of local government capacity

Although environmental jolts present a serious challenge to organizational viability, they are not (generally) events which render organizations entirely powerless and inert in the face of overwhelming odds. Indeed, Meyer (1982) highlights that appropriate organizational action can both mitigate the worst effects of dramatic disruptions and spur positive improvements. During the 1970s, public administration scholars became increasingly concerned with exploring the ways in which organizational capabilities could enhance responsiveness to new problems and how these abilities could be best institutionalized within governments. The concept of government capacity thus emerged as “a language for public management” (Burgess 1975: 706). High capacity governments would likely have a combination of strong policy, program and resource management, which in turn enabled them to be “adaptable, effective and efficient” (Burgess 1975: 711). By contrast, low capacity governments would struggle to develop and implement innovations and typically lack the capability for self-improvement.

The administrative component of local capacity constitutes ‘government’s intrinsic ability to marshal, develop, direct, and control its human, physical and information capital to support the discharge of its policy directions’ (Ingraham & Donahue 2000: 294). This organization-wide potential for action resides principally within the central office of governments. Since staff within central administrative departments deal with cross-cutting issues, such as finance, performance management and personnel, rather than narrow functional responsibilities, they are especially well-placed to make a broader contribution to the collective goals of local governments. In this sense, the concept of administrative capacity signifies the resources that can be mobilized in support of proactive or reactive efforts to shape, or respond to, the

demands of the external environment. Thus, while it is conceivable that administrative capacity may have a positive independent effect on local government performance, its true contribution is likely to be to enable governments to deal with unforeseen and unexpected changes in the circumstances in which they operate. Indeed, as Gargan (1981) notes ‘only infrequently is a local government’s capacity ever fully tested’ (653).

By storing resources within the central administrative office, local governments can amass a flexible ‘slack’ that can be reconfigured, redirected or redeployed in order to exploit new opportunities or respond to new challenges as they arise. For example, central administrative managers, unlike their more specialized functional counterparts, can be moved from task to task in response to changing priorities. This may be especially beneficial for the ongoing viability of local governments during times of stress. Indeed, prior studies suggest that high levels of such administrative capacity can enable public authorities to redirect resources to the front line more effectively in response to environmental jolts (see Meier et al. forthcoming). Our second hypothesis is therefore:

H2: Administrative capacity will mitigate the negative relationship between immigration and local government performance.

Added to the emphasis on managerial and administrative capability amongst public administration scholars during the 1970s was a growing awareness of the context-dependency of government organizations, especially those at a local level. Gargan (1981), in particular, highlights that there are problems with defining capacity solely in management terms, because it ‘draws attention from areas of community life

that are equally important components of capacity' (650). According to Gargan, (1981) 'local capacity at any point in time results from the interaction of community expectations, community resources, and community problems' (652). Thus, the community organizational life within the area served by a local government sits alongside and interacts with its administrative competence. These twin components of capacity are therefore likely to have both separate and combined effects on the ability of a local government 'to do what it wants to do' (652), and as such will influence the probable success of its response to unforeseen environmental jolts.

The community component of local government capacity is likely to reflect the organizational resources available within communities that can be brought to bear on issues of public service delivery. Community-based organizations, such as sports clubs, arts societies and social support groups, are likely to form the bedrock of the non-governmental capacity extant within local areas. Areas rich in community organizational life may be able to reap both direct and indirect benefits for local government performance. Direct benefits associated with community-based organizations might include their ability to supplement, substitute or support public service providers, thus generating positive externalities for local governments by lowering their costs while simultaneously increasing their capacity (Putnam 1993; 2000). For instance, community-based organizations may develop particular expertise in addressing complex economic, environmental and cultural problems at the neighbourhood level (Luckin & Sharp 2004; Wandersman & Florin 1990). They may also 'better provide for niche segments of the target population containing few clients with specialized needs' (Wallis & Dollery 2006: 493).

The indirect benefits of community organizational life for local governments centre on its role in enabling communities to withstand wider socio-economic

pressures towards social disharmony (Casey & Christ 2005). Several studies indicate that vibrant community organizational life positively influences residents' perceptions of social cohesion (e.g. Hipp & Perrin 2006; Sampson & Groves 1989). Research has also highlighted that in areas rich in community-based organizations, immigrants may find that integration is more straightforward whether through participation in those organizations (Aguilera & Massey 2003) or by accessing the support that they can provide (Schneider 2007). It is also conceivable that areas rich in community organizational life are better able to meet the specialized needs of migrants (see Hung 2007).

The propensity of community-based organizations to cultivate cohesiveness in these various ways is likely to create positive externalities for the performance of local governments. In particular, since community-based organizations may act as small-scale learning environments that spur the development of shared values, norms and discourse about public life amongst existing and new residents (Van Deth 1997; Wuthnow 1991), they can enable people to articulate their political demands (Leroux 2007; Van der Meer & Van Ingen 2009) – an outcome that may be especially profound amongst immigrant groups (see Cordero-Guzman et al. 2008). This, 'social spiral' effect (Lichterman 2005), can in turn make it more straightforward for public organizations to anticipate and respond to the needs of existing and new service users (Elkins & Simeon 1979). Although it is possible that community based organizations can become the repository for the darker exclusionary side of social capital (see Portes 1998), given the potential for positive action stored in these organizational sources of community capacity, we hypothesize that on balance:

H3: Community capacity will mitigate the negative relationship between immigration and local government performance

While the administrative and community components of local government capacity may be expected to have important separate moderating effects on the relationship between immigration and performance, it is likely that in tandem they also enhance the resilience of governments to environmental jolts. Lowndes, Pratchett and Stoker (2006) highlight that the most responsive local governments are those which are able to establish a political opportunity structure in which bureaucrats, politicians and citizens all contribute towards common goals. Strong community capacity can help relieve public authorities of the 'burden of enforcing compliance' with legislation, increasing their ability to direct their administrative capacity towards the provision of better services (Boix & Posner 1998). At the same time, strong administrative capacity can enable managers to devote slack resources to the development of community capacity by providing support for a multitude of valuable activities and organizations (Andrews et al. 2008). The resulting benefits of this virtuous cycle of capacity-building leads us to expect that:

H4: The aggregate capacity of local governments will mitigate the negative relationship between immigration and local government performance

Data and measures

Our units of analysis are English local governments. Local governments are elected bodies, operate in specific geographical areas, employ professional career staff, and receive approximately two-thirds of their income from the central government. They

are multi-purpose organizations and deliver services in the areas of education, social care, land-use planning, waste management, public housing, leisure and culture, and welfare benefits. These are the services upon which immigrants often rely and were recently highlighted as being under stress from EU A8 immigration (Lords Select Committee on Economic Affairs 2008).

In England there are 386 local governments of five types. 32 London boroughs, 36 metropolitan boroughs, and 46 unitary authorities are primarily found in urban areas and deliver all of the services listed above; in predominately rural areas, a two-tier system prevails with 34 county councils administering education and social services, and 238 district councils providing welfare and regulatory services. County councils are by far the larger of these organizations (according to most recent UK national census serving, on average, 675,574 people, while districts serve on average 96,501) and account for around two-thirds of local service expenditure in the two-tier system. In this study, we do not include district councils because our dependent variable (organizational performance) is not available at this level.

Dependent variable

Single and upper tier local governments are subject to Comprehensive Performance Assessments (CPA) undertaken by the Audit Commission, which categorise them on the basis of their achievements. We take the core service performance element of CPA in 2006, 2007 and 2008 as the dependent variable for our analysis, providing us with a three year panel data set. Based on their achievements on performance indicators and inspection results, six key local government services (children and young people, adult social care, environment, housing, libraries and leisure and benefits) are graded 1 (lowest) to 4 (highest) (Audit Commission 2002). Each service

score is then weighted by the Audit Commission to reflect its relative importance and budget of the service (children and young people and adult social care = 4; environment and housing = 2; libraries and leisure, benefits and management of resources = 1). These weighted scores are then summed to provide an overall service performance judgement, ranging from 15 (12 for county councils which are not responsible for housing or benefits services) to 60 (48 for county councils). Because these scores are not directly comparable across county councils and other governments, we take each organization's overall score as a percentage of its maximum possible score.

Independent variables

To minimise the potential problems associated with reverse causality, the independent variables are all operationalised prior to the dependent variables. This time lag also enables us to provide substantive interpretations of the statistical effects associated with worker migration post-EU enlargement.

Worker migration The level of worker migration from EU accession countries in England since 2004 was measured by taking the cumulative annual allocation of National Insurance (NI) numbers to EU A8 citizens in English local government areas between 2005 and 2007 for the three years of our study period (2005, 2006 and 2007). NI numbers are allocated on a once-only basis, so this variable taps the year-on-year cumulative increase in the quantity of newly registered workers resident within the areas served by English local governments. NI registrations represent a good measure of the relative scale of EU A8 migration, as most of the migrants are single, seek employment and register for National Insurance (see Somerville & Sumption 2009).

NI registrations have also been used in central government reports on the impact of worker migration (see Border and Immigration Agency 2007). While it may not tap the ‘true’ number of migrants entering the country or residing within an area, it is the most comprehensive data collected on this at the local government level. We sum the cumulative number of allocations to citizens of the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia, dividing the resulting figure by the local government population to ensure that the measure is not distorted by greater movement into larger councils. The data in Table 2 (below) show that the cumulative allocations of NI numbers to EU A8 citizens during 2005-07 ranges from 0.4 per 1000 population to 61.44. The mean cumulative level of allocations for the study period is 10.4.

Administrative capacity We measure the administrative capacity of English local governments as the expenditure on central administration per capita. Data on central administration costs are collected annually in accordance with the Chartered Institute for Public Finance and Accounting (CIPFA)’s Financial Reporting Standard 17. The figures are then independently verified by the Audit Commission prior to full publication. They cover expenditure on: corporate and democratic core services, other central services, non-distributed costs and management and support services (see Table 1 below). The principal source of this expenditure is staffing costs, thus indicating that a higher level of central administrative spending will likely reflect a larger pool of human resources within the administrative centre of local governments.

[Position of TABLE 1]

Community capacity We measured the community capacity within the areas served by local governments as the number of community, social and personal services organizations (such as voluntary associations, film societies or sports clubs) per 1000 capita registering for value added (or goods and services) tax. Due to their legal status, these organizations are likely to be persistent features of community life, and so the measure furnishes a good proxy for the ongoing potential for collective action within local areas. It has also been used in several previous studies of the relationship between community capacity and government performance (e.g. Andrews 2007; Coffe & Geys 2005; Putnam 2000). To create a measure of overall local government capacity, we standardized the measures of administrative and community capacity by summing z-scores for each variable.

External constraints A host of circumstances beyond the control of local governments may influence their performance. Ten measures were selected to control for the impact of social, economic, environmental and political constraints on local service standards. The Formula Spending Share (FSS) per capita for 2005 was used as a measure of *quantity* of service needs. This is the index of needs currently used by central government to distribute grant funding to councils. It is heavily weighted towards the major local government functions (such as education and social services) and is based on indicators of service need, such as the number of schoolchildren and elderly people in the local population.

We measure three dimensions of *diversity* of service needs: age, ethnic and social class (see table 2 for further details). The proportions of the various sub-groups within each of the different categories identified by the 2001 national census within a local government area (e.g. ages 0-4, Black African, Small Employers and Own

Account Workers) was squared and the sum of these squares subtracted from 10,000. The resulting measures are the equivalent of the Hehrfindahl index used by economists to measure market concentration and diversity. The measures give a proxy for 'fractionalisation' within an area, with a high score on the index reflecting a high level of diversity (see Trawick & Howsen 2006).

A measure of the *discretionary resources* available to each local government was derived by dividing its total expenditure in 2005 by its FSS in the same year. This shows whether councils were spending above or below the level deemed necessary to meet their service needs. We used two proxy measures for the *prosperity* of local residents. First, the number of single parent households in the area served by each local government as a percentage of all households identified in the 2001 census; pressures of time and money on such households are likely to impede positive contributions to service provision (Chambaz 2001). Second, the percentage population growth in each local government area recorded in the 2001 census. New residents in areas with growing populations are likely to be economically skilled and socially enterprising, thereby generating positive externalities for local authorities (Armstrong & Taylor 2000).

Differences in the resource levels available to public organisations also arise from variations in the size of the population they serve. In particular, local authorities serving big populations can accrue economies of scale by distributing fixed costs over more units of output (Boyne 1995). The relative *size* of public organisations was measured using population figures for each local area from the 2001 national census. While some central government grants compensate for the geographical dispersion of clients and services, public organisations in urban areas can reap scope economies by offering multiple services from the same site (Grosskopf & Yaisawamg 1990).

Population figures were therefore divided by the area covered by each local government to measure *density*.

Service expenditure and, therefore, performance may vary because of local political preferences (Sharpe & Newton 1984). The percentage share of the vote gained by the Labour Party in the most recent local election was included as a measure of a '*collectivist*' *political disposition* amongst local residents. Labour voters, in general, are more committed to state provided services than their Conservative or Liberal Democrat counterparts (Clarke et al. 2004).

Past performance Public organisations alter only incrementally through time (O'Toole & Meier 1999). This indicates that performance in one period is strongly influenced by performance in the past. To ensure that the coefficients for worker migration are not biased, it is important to include prior achievements in statistical models of performance. We control for the effects of past performance by entering core service performance in the year before immigration is measured in our analysis. The inclusion of autoregressive terms in our models means that the coefficients for the independent variables show how they have affected changes in service performance that have occurred since the baseline year. The descriptive statistics and data sources for all our variables are listed in Table 2.²

[Position of TABLE 2]

Results

We present our statistical results in the following sequence. Two models are presented in table 3: model 1 regresses the external constraint variables and past performance on

to core service performance. To explore the potential impact of worker migration on performance, the variable measuring cumulative EU A8 NI allocations per capita is then included in model 2. Table 4 presents the results of our empirical exploration of the moderating influence of local government capacity. Measures of administrative and community capacity are included in model 3, before interaction terms measuring *NI allocations x administrative capacity* and *NI allocations x community capacity* are added in model 4 to explore the potentially moderating effect of the two main components of local government capacity. Finally, model 5 substitutes the measure of overall local government capacity (that is, both administrative capacity and community capacity) for the separate components, and in model 6 an interaction term measuring *NI allocations x overall capacity* is added.³

Since the panel that we use is unbalanced, non-compact and contains time invariant control variables, two-way fixed effects regression is deemed inappropriate. A Lagrange multiplier test rejected the null hypothesis that the intercepts for our sample governments are the same, so we chose not to carry out Pooled Ordinary Least Squares estimations (see Greene 2003). Thus, Generalized Least Squares (GLS) regression with random effects estimations is used, since it can accommodate varying intercepts and offers a number of additional advantages over Pooled OLS. GLS with random effects controls for the effects of time correlation, panel heteroscedasticity and within panel autocorrelation (Beck & Katz 1995).

The results of our initial analyses are shown in Table 3. Due to missing data for a small number of governments with CPA scores under review in each year and questionable financial returns, our statistical analysis of core service performance was conducted on an unbalanced panel of single and upper tier authorities. The inclusion of dummy variables for the first two years of our analysis further reduced the

possibility of within panel autocorrelation. Most of the control variables have the expected signs and are statistically significant. Performance is autoregressive, and population and a 'collectivist' political disposition (Labour vote) also have a significant positive association with service standards. Age, ethnic and social class diversity and lone parent households are found to have a significant negative association with performance.

[Position of TABLE 3]

F-tests revealed that inclusion of the EU A8 worker migration measure made a statistically significant improvement to the explanatory power of model 1 (F ratio = 6.79, $p < .001$). Moreover, the coefficient for cumulative EU A8 NI allocations per capita is negative, and is statistically significant. This supports our first hypothesis that high levels of worker migration following EU accession will have a negative impact on local service standards in England, and supports theoretical arguments that a sudden unexpected movement of population represents a serious environmental jolt that is likely to have adverse consequences for organisational performance.

The negative effect of EU A8 worker migration on performance is not only statistically significant but also substantively important. Re-running the analysis using a logged dependent variable indicated that the size of the coefficient for the logged EU A8 NI allocations variable suggests that, on average, a doubling of the numbers of migrants between 2005 and 2007 could produce a subsequent drop in a government's service standards of about 3%. In other words, if the cumulative number of EU A8 NI allocations per 1000 population rises from 2 to 4 within the area served by a local government, then, on average, performance will decline by three per cent. These

figures imply that for a government to maintain its service standards in the wake of the ‘jolt’ caused by a large and unexpected influx of migrant workers, it would have to take appropriate organizational action. Table 4 presents the results of the inclusion of the capacity measures, and the interactions between these measures and that for EU A8 immigration to explore the extent to which the relationship between worker migration and local government performance may be moderated by capacity.⁴

[Position of TABLE 4]

Table 4 shows that inclusion of the base measures of administrative and community capacity does not alter the relationship between worker migration and performance. Although the coefficients for both measures are positive, as one might expect, neither of them achieves statistical significance. Moreover, an *F*-test showed that these capacity base terms failed to add statistically significant explanatory power to model 2. This suggests that (on average) a high level of capacity does not have a substantive independent positive influence on the service achievements of local governments. Previous studies have suggested that administrative (Meier & O’Toole, 2009) and community capacity (Andrews, 2007) separately have a positive relationship with public service performance, but we fail to uncover such independent effects here. To fully explore the potential for action latent within administrative and community capacity, it is necessary to examine the extent to which they each moderate the effects of challenging environmental circumstances. Investigating the impact that these twin aspects of capacity may have on the link between immigration and performance therefore requires the entry of interaction terms in the statistical model.

The interactions between capacity and worker migration included in model 4 make a statistically significant addition (F ratio = 10.35, $p < .01$) to the model's explanatory power of about 1%. Both interacted terms are positive and statistically significant, suggesting that the relative levels of administrative and community capacity are likely to have important moderating effects on the relationship between immigration and local service achievements – at least for this sample of English local governments. Thus, we find substantial support for hypotheses two and three, which suggest that the benefits of local government capacity are highly likely to become apparent when governments are confronted by unexpected and sudden challenges. To examine the potential for administrative and community capacity to have mutually reinforcing beneficial effects on performance, we repeat the research design applied for models 3 and 4 using the aggregated measure of local government capacity.

The findings for models 5 and 6 follow the same pattern as in models 3 and 4. The coefficient for overall local government capacity is positive but not statistically significant in model 5, making no statistically significant addition to the explanatory power of the model. By the same token, the coefficient for the interaction term in model 6 is positive and statistically significant adding about a statistically significant 1% to the explanatory power of the model (F ratio = 9.89, $p < .01$). This finding supports hypothesis four and indicates that local governments benefiting from simultaneously high levels of administrative and community capacity are likely to display resilience to the pressures of immigration. Figure 1 provides a graphical illustration of the moderating influence of overall capacity on the relationship between immigration and performance.

[Position of FIGURE 1]

The mean marginal effect is .041, suggesting that those governments with average levels of overall capacity have been able to reduce the negative effect of this latest wave by approximately 75 per cent. Thus a doubling of the cumulative EU A8 NI allocations per capita would be associated with a 0.75% rather than a 3% decline in performance in areas with strong administrative and community capacity. Further analysis revealed that the negative impact of EU worker migration became statistically indistinguishable from zero when overall capacity was five standard deviations above the mean. Only a single local government had capacity of this level or higher so while capacity can mitigate the negative effect of immigration, it is unlikely to completely eliminate it. Detailed qualitative investigation in those governments successfully reaping the benefits of strong central administration and rich community organizational life is required to fully explore the ways in which their stronger overall capacity has enabled them to mitigate the jolt accompanying EU A8 migration. In particular, such research should examine the ways in which these organizations have sought and achieved bureaucratic incorporation.

Conclusion

This paper explored the relationship between worker migration following EU Accession in 2004, and local government capacity and performance in England. The results suggest that worker migration is significantly associated with worse service performance, but that governments with higher levels of administrative capacity have been able to mitigate the impact of this environmental jolt, as have those with high levels of community capacity within their jurisdictions. This moderating effect was also observed for local governments benefiting from a high level of both

administrative and community capacity. These findings have important theoretical and practical implications.

Our analysis expands on existing work on EU Accession in several ways. First, we have provided direct evidence of the salience of bureaucratic incorporation in the micro-politics of immigration. Lewis and Ramakrishnan's (2007) work on U.S. local government finds that bureaucracies, not electoral institutions, take the lead in the political incorporation of immigrants. Our study takes this one step further to show that bureaucracies are able to deal with incorporation needs and limit their detrimental impact on services. The role that bureaucracies play in stabilizing democratic governments that suffer from environmental jolts such as immigration is an extremely promising area for future research. Second, work on environmental jolts and public service performance more generally has so far evaluated the impact of natural disasters (e.g. Meier et al. forthcoming), worker strikes (e.g. Meyer 1982) or budgetary shocks (e.g. Meier & O'Toole forthcoming), rather than the unintended effects of policy shifts. We present evidence of the effects of discontinuous change wrought by policy developments at a level beyond the control of those governments responsible for coping with its effects. Finally, we illustrate the crucial role that capacity plays in enabling governments to pursue a policy of bureaucratic incorporation and respond effectively to unpredictable environmental change. Numerous scholars draw attention to the benefits of strong government capacity for performance (e.g. Gargan 1981; Ingraham et al. 2003; Pollitt & Bouckaert 2004), but, thus far, few studies have provided thoroughgoing empirical evidence on either the independent or joint effects of capacity.

The analysis we present is nonetheless limited in a number of ways. Our measure of immigration is based on data relating to national insurance number

allocations. This may mask the ‘true’ extent of immigration and its potential impact on public services. For instance, it is difficult to estimate the numbers of EU A8 migrants in the UK not allocated a National Insurance number or the number of dependents accompanying migrant workers, and the potentially varying effects that each of these groups may have on performance and strategies of incorporation. It is also important to note that the statistical results may be a product of the organisational context in which the research is conducted. The impact of immigration could produce different results in different national contexts or when individual local government services are examined. It would, therefore, be necessary to conduct further quantitative and qualitative research in other European countries to fully explore how administrative and community capacity may be best harnessed to deal with the effects of immigration on specific public services. In addition, investigation of the moderating effects of capacity over the medium to long-term would reveal the rate at which these effects diminished as slack resources are gradually run down.

Despite the explanatory power of our statistical models, a substantial part of the variation in local government performance remains unexplained. This gap in the explanation provided by our model may be attributable in part to organizational or societal variables not included in this analysis, such as service delivery networks and levels of social trust within the areas served by local governments. It is also conceivable that local political leadership may play a crucial role in enacting swift responses to the pressures on service providers caused by rapid immigration. Thus, further research needs to be conducted to uncover the dynamics of political and bureaucratic incorporation in order to establish the most effective policy responses to dramatic and unexpected inflows of population. Future studies should therefore

assemble data sets that would allow models combining a wider range of environmental, managerial and political variables to be tested.

Unexpectedly high levels of worker migration have a statistically significant association with worse local government performance, but this relationship is moderated in governments with high levels of capacity. Our findings therefore imply that local governments operating in areas likely to attract economic migrants would do well to build both their administrative capacity and the community organizational life within their jurisdiction. This task will be increasingly urgent in an era of public service austerity following the global economic downturn.

Notes

¹ The Home Office's original estimates were for an annual average rate of immigration of between 5,000-13,000 EU A8 nationals until 2010 (see Dustmann et al. 2003). The number of National Insurance numbers allocated to workers from Accession countries in England during 2005 alone (228,080) was at least seventeen times greater than the annual predicted rate of migration.

² Before running the models, skewness tests were carried out to establish whether each independent variable was distributed normally. High skew test results for population (2.01), population density (1.82), cumulative EU A8 NI allocations per capita (2.25) and community based organizations per capita (6.10) indicated non-normal distributions. To correct for positive skew, logged versions of these variables were created.

³ Three was added to the capacity and logged EU A8 worker migration measures to ensure that two positive scores were combined when they were interacted.

⁴ The average Variance Inflation Factor (VIF) score for the independent variables in model 1 is about 2.5, with no measure exceeding 6. The average VIF score for the independent variables in model 2 increases to 2.6, with the average score for model 3 rising to 2.9. These VIF scores suggest the core service performance results are not likely to be distorted by multicollinearity (Bowerman & O'Connell 1990). Inevitably, though, the level of collinearity increases considerably when interacted variables are included in the equation. Nevertheless, because this does not bias the coefficient estimates, it is still possible to derive substantive interpretations of the results.

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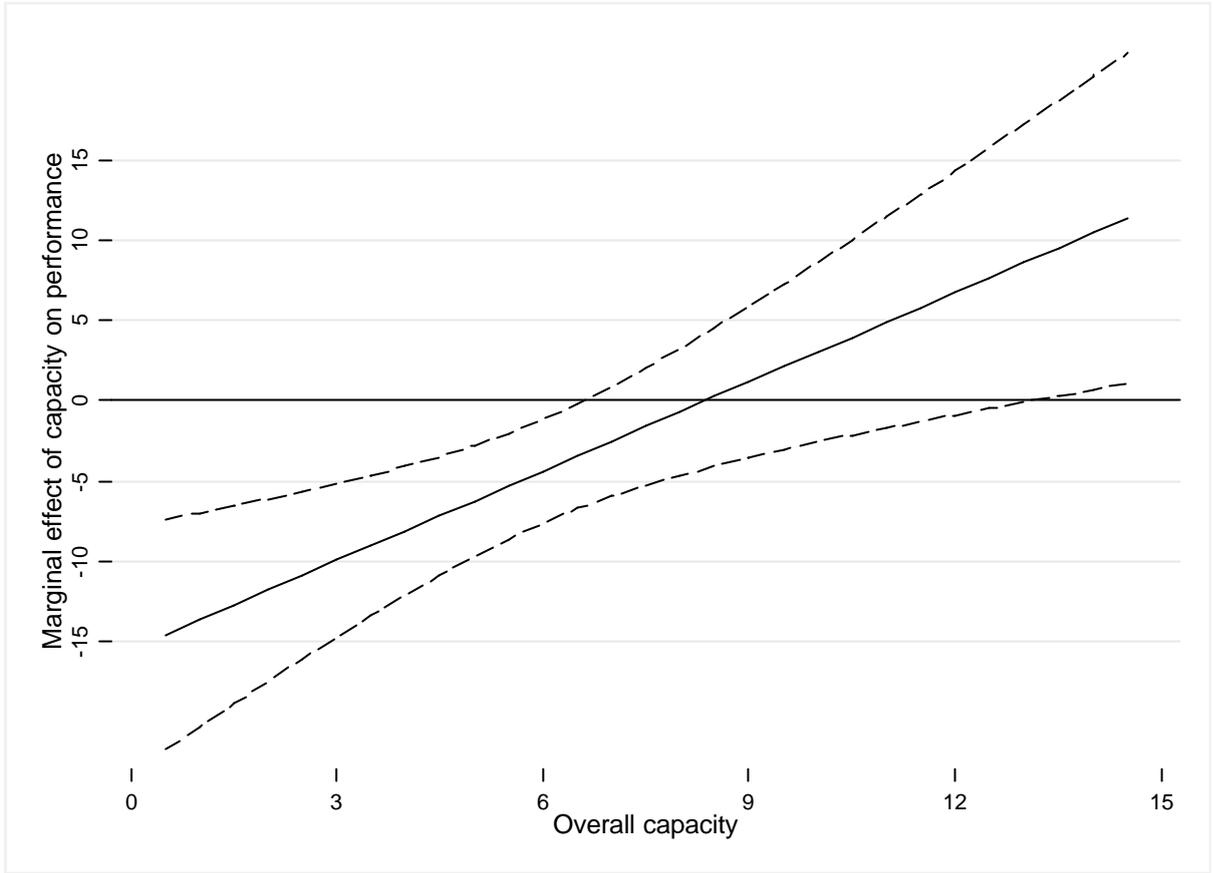


Figure 1

Marginal impact of immigration on performance contingent on capacity

Table 1. Central administrative expenditure

Corporate and democratic core (democratic representation and management; corporate management);
Business Improvement District ballots;
Registration of births, deaths and marriages;
Elections (registration of electors; conducting elections);
Local land charges;
General grants, bequests and donations;
Management and support services (recharges within central services; recharges excluding central services; recharges to central government; recharges to other accounts; other management and support service income (excluding recharges)).

Table 2. Descriptive statistics

	Mean	Min	Max	S.D.
Core service performance 2006-08	72.68	45.00	93.75	8.56
<i>Worker migration</i>				
EU A8 National Insurance allocations per 1000 capita 2005-07	10.42	.40	61.44	10.10
<i>Local government capacity</i>				
Administrative expenditure per capita	25.55	1.92	117.27	13.51
Community-based organizations per 1000 capita	2.82	.18	32.10	3.03
<i>External constraints</i>				
FSS per capita 2005	1187.41	750.11	2299.57	249.69
Age diversity 2001	8730.29	8527.38	8856.09	63.73
Social class diversity 2001	8780.33	8553.41	8933.46	64.45
Ethnic diversity 2001	2473.51	372.71	8452.82	2230.04
Discretionary resources 2005	1.20	.72	1.77	.10
Lone parent households 2001	22.89	11.32	39.75	5.67
Population growth 2001	.73	-.69	4.51	.82
Population 2001	343480	36768	1388766	258958
Population density 2001	2414.44	61.68	14916.67	2647.53
Labour vote share 2005	29.74	4.44	57.30	11.13
Core service performance 2004-06	69.54	40.00	90.00	8.50

Data sources

Core service performance	Audit Commission (2004) <i>Comprehensive Performance Assessment</i> . London: Audit Commission. Audit Commission (2005) <i>Comprehensive Performance Assessment</i> . London: Audit Commission. Audit Commission (2006) <i>Comprehensive Performance Assessment</i> . London: Audit Commission. Audit Commission (2007) <i>Comprehensive Performance Assessment</i> . London: Audit Commission.
Age diversity, ethnic diversity, lone parent households, population growth, population, population density, social class diversity	Office for National Statistics (2003) <i>Census 2001, National Report for England and Wales</i> . London: ONS. Age diversity comprised 12 groups: 0-4, 5-9, 10-14, 15-19, 20-24, 25-29, 30-44, 45-59, 60-64, 65-74, 75-84, 85+. Ethnic diversity comprised 16 groups: White British, Irish, Other White, White and Black Caribbean, White and Black African, White and Asian, Other Mixed, Indian, Pakistani, Bangladeshi, Other Asian, Caribbean, African, Other Black, Chinese, Other Ethnic Group. Social class diversity comprised 12 Socio-Economic Classifications: Large Employers and Higher Managerial Occupations, Higher Professional Occupations, Lower Managerial and Professional Occupations, Intermediate Occupations, Small Employers and Own Account Workers, Lower Supervisory and Technical Occupations, Semi-Routine Occupations, Routine Occupations, Never Worked, Long-Term Unemployed, Full-time Students, Non-Classifiable.
Discretionary resources	http://www.communities.gov.uk/localgovernment/localgovernmentfinance/
Labour vote share	Rallings, C. and Thrasher, M. (2005). <i>Local elections handbook 2005</i> . Plymouth: LGC Elections Centre.
National insurance allocations	http://www.dwp.gov.uk/asd/asd1/niall/nino_allocation.asp .
Administrative capacity	CIPFA (2007) <i>CIPFA Finance and General Statistics</i> . CIPFA: London.
Community capacity	Small Business Service. (2008) <i>Business Start-Ups and Closures: VAT Registrations and De-registrations</i> , London: DTI.

Table 3. EU accession and core service performance (2006-2008)

Variable	Model 1		Model 2	
	β	<i>T</i> -score	β	<i>T</i> -score
Constant	280.869	4.02**	236.084	3.30**
Formula Spending Share per capita	.006	1.57	.004	1.04
Age diversity	-.015	-1.82+	-.014	-1.73+
Ethnic diversity	-.001	-1.83+	-.0002	-0.55
Social class diversity	-.014	-1.66+	-.009	-1.01
Discretionary resources	1.190	.23	-.333	.07
Lone parent households	-.318	-2.41*	-.248	-1.85+
Population growth	.515	.92	.875	1.53
Population (log)	3.076	1.75+	2.819	1.62
Population density (log)	1.845	1.46	1.429	1.13
Labour vote share	.147	3.05**	.141	2.94**
Past performance	.348	8.24**	.322	7.47**
<i>Worker migration</i>				
EU A8 NI allocations per capita (log)			-4.326	-2.60**
Wald Chi ² statistic	258.73**		268.91**	
Overall <i>R</i> -squared	.44		.45	

Notes: number of observations = 429. + $p = 0.10$; * $p = 0.05$; ** $p = 0.01$ (two-tailed tests). Dummy variables for first two years of analysis not reported.

Table 4. EU accession, local government capacity and core service performance

Variable	Model 3		Model 4		Model 5		Model 6	
	β	T-score	β	T-score	β	T-score	β	T-score
Constant	161.627	1.84+	89.422	.95	207.953	2.70**	81.166	.94
Formula Spending Share per capita	.003	.73	.002	.45	.003	.78	.002	.50
Age diversity	-.006	-.58	.00001	.00	-.011	-1.29	-.005	-.62
Ethnic diversity	-.0003	-.80	-.0003	-.78	-.0003	-.64	-.0003	-.67
Social class diversity	-.008	-.95	-.007	-.83	-.009	-.99	-.007	-.81
Discretionary resources	-.625	-.12	-.778	-.15	-.384	-.07	-.704	-.14
Lone parent households	-.225	-1.67+	-.231	-1.72+	-.241	-1.80+	-.248	-1.86+
Population growth	.456	.72	.458	.71	.687	1.14	.623	1.03
Population (log)	2.189	1.05	1.659	.79	3.322	1.83+	2.867	1.58
Population density (log)	1.355	1.07	1.216	.96	1.433	1.13	1.357	1.08
Labour vote share	.180	3.26**	.189	3.31**	.153	3.09**	.153	3.10**
Past performance	.320	7.35**	.307	7.11**	.324	7.51**	.317	7.41**
EU A8 NI allocations per capita (log) (WM)	-4.739	-2.77**	-19.078	-3.33**	-4.292	-2.58**	-15.561	-3.95**
Administrative capacity (AC)	.007	.21	-.595	-2.67**				
Community capacity (CC)	1.959	1.43	-7.089	-1.28				
Local government capacity (LGC)					.402	.98	-12.148	-3.03**
<i>Interaction terms</i>								
AC x WM			.161	2.74*				
CC x WM			2.436	1.72+				
LGC x WM							1.859	3.14**
Wald χ^2 statistic	271.85**		283.75**		269.92**		283.82**	
Overall R-squared	.45		.46		.45		.46	

Notes: number of observations = 429. + $p = 0.10$; * $p = 0.05$; ** $p = 0.01$ (two-tailed tests). Dummy variables for first two years of analysis not reported.