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Political Ideology and Social Services Contracting: Evidence from a Regression Discontinuity Design

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Abstract

Theoretical perspectives on the ideological influences on government contracting predict that local governments controlled by right-wing political parties will contract out a higher proportion of services than those controlled by left-wing parties. However, empirical evidence on the impact of political ideology on contracting out remains inconclusive. To cast new light on this important issue, we apply a quasi-experimental research design to contracting choices in children's social services in English local government. Because local governments in England are largely divided on partisan lines, we are able to estimate ideological effects using a Regression Discontinuity (RD) design that captures changes in political control at 50% of the seats gained in local elections. Our RD estimates reveal that left-wing controlled local governments exhibit a marked aversion to private sector involvement in service provision, and a clear preference for in-house service provision. These results are robust to a variety of alternative specifications.

Evidence for practice:

- In a context of budget cuts, contracting choices in a mixed economy for social services are influenced by political ideology.
- Left-wing local governments place fewer looked after children in the care of private service providers than governments of any other political ideology
- In-house provision is favoured by left-wing local governments even in a context of fiscal stress and a thriving outsourcing market

The decision about whether to provide public services “in-house” or to contract with a private firm has long been recognised to be a critical issue in the theory and practice of public administration (Ferris and Graddy 1986; Prager 1994). In addition to the technical considerations that shape “make or buy” decisions, government contracting necessarily entails a political dimension (Brown et al. 2006; Wallin 1997). Although the interdependency of the relationship between the elected officials and administrators involved in contracting decisions can compromise the classic politics-administration dichotomy (Svara 1998; Overeem 2005), in many political systems civil servants are still tasked with the impartial implementation of politicians’ policy proposals (Lynn 2006). As a result, the political ideology of ruling political parties may play a vital role in shaping contracting behaviour. In particular, according to the citizen-candidate model of political competition and partisan theory, local governments controlled by right-wing parties are thought to prefer to contract for services with private firms, and those controlled by left-wing parties are regarded as favouring “in-house” state-led service provision (Bel and Fageda 2007, 2009). Despite the venerable pedigree of all of these ideas, empirical evidence on the ideology of ruling political parties and the contracting out of public services is surprisingly sparse and remains somewhat inconclusive (Bel and Fageda 2017).

Scholarship dealing with local government contracting increasingly takes a longitudinal perspective, but has very rarely utilized quasi-experimental approaches to identify ideological effects (see Table 1 below). While this research has undoubtedly shed much valuable light on the dynamics of contracting, there is a pressing need for empirical studies that employ research approaches that can approximate effects that could be attributable to political ideology. One such approach is the Regression Discontinuity (RD) design. Defined as “a quasi-experimental design with the defining characteristic that the probability of receiving treatment changes discontinuously as a function of one or more underlying variables” (Hahn et al. 2001, p.201), RDs are widely used in policy evaluation studies (e.g. Cattaneo et al. 2017; Kogan et al. 2016),

and have great potential for research in public administration (Dague and Lahey 2018). However, to date, surprisingly little research has taken advantage of the facility of RDs for identifying political effects (see Pettersson-Lidbom 2008) to systematically investigate the impact of political ideology on public service delivery decisions.

Drawing on the citizen-candidate model of political competition and partisan theory, this article uses a RD design to analyse the impact of left-wing political control on local government contracting, focusing on the proportions of looked after children cared for by private sector providers and “in-house” in all of the major local governments in England.¹ The citizen-candidate model assumes that local policy decisions are made on the basis of the core ideological commitments of a ruling political party (Osborne and Slivinski 1996). From this point of view, left-wing parties favour government intervention in the economy as this demonstrates their commitment to social equity, whereas right-wing parties prefer the free market as a mechanism for allocating goods and services, because it demonstrates their commitment to economic efficiency (Bel and Fageda 2007). Partisan theory also asserts that left-wing parties prefer public production of public goods whereas right-wing parties favour market-based solutions, but argues that these commitments are made because parties’ are ‘representatives of [certain] social constituencies’ (Hausermann et al. 2013, 220). From this perspective, ruling parties implement policies that favour the economic interests of key stakeholder groups, such as trade unions in the case of left-wing parties, and businesses in the case of right-wing parties (Hibbs 1977; 1987; 1992).

Arguments about ideological effects on contracting out seem likely to be especially applicable to children’s social services, as policy debates about care for vulnerable children, are often conducted with greater partisanship than those pertaining to more technically-orientated local services, such as waste management (Alcock, Daly and Griggs 2014; Parton 2014). Indeed, research on local politicians’ attitudes towards the privatization of welfare

services finds that right-wing politicians tend to have a preference for contracting such services out (Fredriksson et al. 2010; Guo and Willner 2017; Lindh and Seva 2018). At the same time, political ideology (and partisanship) seem particularly likely to influence social services contracting decisions in England, because of the profound ideological differences between the main right-wing (Conservative) and left-wing (Labour) parties (Jackson 2017) that control most local governments in the country.

To understand whether political ideology influences social services contracting, we analyse the relationship between left-wing political control and the institutional arrangements for the placement of children looked after by all major English local governments between 2009 and 2016. These local governments have a statutory duty to provide care for children deemed by a family court to be suffering or at risk of suffering significant harm. To meet this duty of care, local governments can contract with private and non-profit social services providers, as well as utilise their own “in-house” services. In England, the use of private providers of services for children placed in care has grown dramatically in the wake of cuts to the grants local governments receive from UK central government (Jones 2018). At the same time, the demand for children’s services continues to rise year-on-year (Webb and Bywaters 2018). These twin pressures furnish an especially suitable context for examining whether political ideology is an important influence on government contracting, especially as local ideological differences may be accentuated during periods of fiscal challenge (Plata-Diaz et al. 2019).

To analyse the potential for political ideology to influence contracting decisions, we apply a RD approach that utilises the percentage of local government seats held by the Labour Party (the main left-wing political party in the UK) as the running variable. Local governments having 50% or more seats held by Labour are controlled by the party, and our analysis therefore focuses on those governments that are just above and below this treatment threshold. We first

evaluate the impact of Labour party control on contracting behaviour by analysing variations in the proportions of looked after children in the care of each local government that are placed with private care providers. We then repeat our RD approach for the proportions of looked after children who are placed in provision managed by the local governments themselves. For both contracting variables, we apply models with and without covariates adjusting for potential socio-economic, political and managerial influences on contracting decisions. To establish the robustness of our statistical results, we then undertake a series of further estimations using alternative kernel functions and quadratic polynomials.

Our analysis suggests that left-wing controlled local governments are less likely to contract with private providers for children's social services, and that they are more likely to provide such services in-house. Further analysis reveals that our results are robust to a range of alternative model specifications and estimation strategies. Our findings therefore confirm that insights from the citizen-candidate model and partisanship theory are applicable to local government contracting: the political ideology of a ruling party seems to play an important role in shaping social services contracting decisions. The robustness of the results also underline the value of quasi-experimental research designs for investigating critical issues in public administration.

Ideological Influences on Contracting Out

Government contracting remains a popular tool of government service delivery in countries across the globe and represents a significant strand of research within public administration and public policy (Bel and Fageda 2017). Much of the contracting scholarship focuses on economic arguments to explain the motivations behind the contracting out decision (Alonso et al. 2017; Petersen et al. forthcoming). Efficiency improvements may be achieved through contracting via competitive tendering processes, which select the most appropriate (often the

cheapest) supplier for the job at hand (Domberger and Jensen 1997). In addition, private suppliers have generally been considered more efficient than public providers, since they have an incentive to cut costs in order to improve their profit margin (Savas 1987; Shleifer and Vishny 1994). From a slightly different perspective, strategic management scholars advocate for closer relationships between the public and private sectors, because private firms have unique innovative capabilities, financial capacity and knowledge of new technologies, to which government needs access in order to maximize the creation of public value (McGahan et al. 2013; Quélin et al. 2017).

Besides the economic and strategic drivers behind government contracting, non-economic factors, such as policymakers' ideology and citizens' preferences about the role of government, have been considered important influences on contracting behaviour (see, for example, Bel and Fageda 2007, 2009; Fernandez et al. 2008; Hefetz et al. 2012). In particular, political scientists have long pointed towards the salience of political ideology for local government decision-making (Stoker, 1991). The dynamics of this ideological influence on local policy-making can be effectively captured using the citizen-candidate model of political competition advanced by public economists, and insights from the partisan theory developed by political scientists.

The citizen-candidate model emphasizes that the ideological commitments of a ruling political party are an important influence on a government's policy choices (Besley and Coate 1997; Osborne and Slivinski 1996). In theory, left-wing parties are considered less likely to adopt outsourcing decisions due to their pro-state orientation, while right-wing parties have been linked with higher levels of outsourcing because of their pro-business stance. Indeed, governments led by left-wing parties are thought to be antagonistic towards market-based alternatives to the state, and, therefore, assumed to prefer the extension rather than the reduction of state ownership of public services (Obinger et al. 2014). By contrast, governments led by

right-wing parties are linked with reforms to the public sector intended to weaken the grip of the state over public services by opening them up to competitive tendering by private firms (Osborne and Slivinski 1996).

The citizen-candidate model implies that politicians select their ideologies on the basis of careful deliberation about how to best market their distinctiveness to voters (Brusco and Roy 2011). By contrast, partisan theory highlights that parties' ideological commitment are not simply the product of the position and decision making of key politicians (Hibbs 1987). Instead, they are the result of the strategic interaction of a range of co-partisans beyond the executive decision-making cadre within a political party (Hausermann et al. 2013). For example, co-partisans with a major stake in local government social services contracting decisions include service user groups, public service trade unions, and social care professional associations for left-wing parties, and local businesses, investors and taxpayers for right-wing parties. While this sociological perspective on the formation of ideological commitments serves as a useful corrective to the individualising aspects of the citizen-candidate model, individual politicians' desire for re-election is still an important concern.

In contrast to the citizen-candidate model and partisanship theory, the political transaction costs literature emphasises how elections function as high-powered incentives (Frant 1996), which lead political actors to adopt policies that reflect the preferences and demands of the median voter (Downs 1957). Although this implies a sharply divergent vision of the motivations behind local policy choices, recent advances in partisan theory underline that, in practice, there is inevitably a mutual relationship between politicians' preferences and those of their constituents (Hausermann et al. 2013). Hence, ideological effects have a rational as well as a normative dimension, since the ideological commitments of ruling parties are selected with a view to maximizing vote share and reducing the transaction costs associated with doing so. For instance, the citizen-candidate model highlights that political parties seek to

consolidate and extend their voter base by communicating a very clear programme of government, while partisanship theory emphasizes that parties develop policies with a view to deliberately mobilizing particular coalitions of electoral support. Indeed, Hibbs (1992) argues that partisanship in electoral contests is an especially effective means for political actors seeking to reduce *ex ante* electoral uncertainty.

A review of the empirical studies of political ideology and local government contracting can provide us with an indication of whether the insights of the citizen-candidate model and partisan theory are likely to apply in the case of social services contracting in English local governments. The findings from those studies are summarised in Table 1.

TABLE 1 ABOUT HERE

Arguments about the salience of local political ideology are supported by empirical studies in Italy (e.g. Garrone and Marzano 2015), Spain (e.g. Plata-Diaz et al. 2014; Zafra-Gómez et al. 2016) and Sweden (e.g. Sundell and Lapuente 2012; Elinder and Jordahl 2013). However, much of the other empirical literature from Europe reports that political ideology has little influence on local governments' contracting out decisions (e.g. Bel and Miralles 2003; Pallesen 2004; Gonzalez-Gomez et al. 2011; Wassenaar et al. 2013; Alonso et al. 2016; Foged and Aaskoven, 2016).² Some studies suggest that ideological effects may be more nuanced and complex than the basic assumptions of citizen-candidate model and partisanship theory suggest. For example, Picazo-Tadeo et al. (2012) find that, in Andalusia, only municipalities controlled by an extreme left-wing party (*Izquierda Unida*) are averse to privatization of water services, while Plata-Diaz et al. (2019) show that only large left-wing local government tend to keep social services in-house. Importantly, partisan theorists increasingly acknowledge that

“the policy preferences of left-wing and right-wing parties cannot be easily assumed, but need to be contextualized” (Hausermann et al. 2013, 230).

In reflecting on the role of context in shaping the relationship between ideology and local contracting decisions, a number of public administration scholars make a useful distinction between the salience of the particular public service being provided (Bel and Fageda 2017). From this point of view, some public services may be more politically sensitive, and therefore susceptible to ideological and partisan effects, than others. In particular, Petersen et al. (2015) argue that decisions relating to social services may be more strongly influenced by the ideology of the ruling party than technical services, since social services users and professionals are more easily mobilized and well-organized (563) – a view supported by their own research in Denmark, which identifies ideological effects for the contracting out of social, but not any other services (see Foged 2016, for similar findings). Hence, our focus here on the contracting out of children’s social services may reveal the presence of an especially strong ideological effect. Even though children in care (and their families) may have few political resources with which to influence local decision-making, the social workers and public service professionals who are responsible for their care are important stakeholders whose interests, and partisan support, left-wing local governments often rely upon (Ferguson 2007).

To investigate the validity of a contextualised version of the citizen-candidate model and partisan theory, we therefore carry out our study in a service that may be especially susceptible to local ideological effects, in a context in which the role of the state in the provision of care for vulnerable children has been questioned by national governments: English local government (Jones 2018). In addition, we seek to add to the existing literature on the political ideology and contracting by employing a quasi-experimental research design.

One of the main weaknesses of the existing empirical studies evaluating the influence of political ideology on contracting out is the lack of a robust identification strategy based on

a quasi-experimental research design (a notable exception is Elinder and Jordahl 2013, who employ a differences-in-differences style analysis). While previous studies have provided scholars of government contracting with valuable information on the likely relationship between ideology and contracting behaviour, it is possible that they could be unduly influenced by endogeneity biases. In particular, party control could be correlated with unobserved factors influencing contracting out, meaning that the findings from much of the extant literature should be treated with caution.

Data and Methods

Local governments are the units of analysis for our study. To estimate the potential effect of political ideology on the contracting out of social services, we collected data from the full population of 150 English single and upper tier local governments for the period 2009 to 2016. These are elected bodies, with a Westminster-style cabinet system of political management, which is usually made up of about ten senior members of the ruling political party. English local governments manage approximately 25% of the total UK public sector budget (HM Treasury 2018). Taking into account national policy frameworks, locally elected politicians devise distinctive programmes of government on the advice of professional administrators led by a chief executive officer. Strategic commissioning decisions are made by politicians in consultation with the service directors with responsibility for those public services that are open to competitive tendering. In terms of service delivery, single and upper tier local governments in England are multi-purpose authorities providing services in the areas of education, social care, land-use planning, waste management, public housing, leisure and culture, and welfare benefits.

Single and upper-tier local governments cover the entire geographical area of England. In addition to having more service responsibilities than local governments in most other

countries, these organizations tend to be bigger and to vary considerably in size, mainly according to whether they serve urban or rural populations. County councils in rural England, in particular, are very large (mean population of 692,615), while unitary authorities serving small cities and large towns are small (mean population of 181,844) when compared with other English local governments (overall mean population of 340,320). Single and upper-tier governments correspond to the third level of the Nomenclature of Territorial Units for Statistics (NUTS) regions in the UK.

We investigate the contracting out of services for children placed in care by English local governments. Approximately £4 billion a year are spent on services for looked after children in England (roughly five per cent of local governments' annual service expenditure) (Ministry for Housing, Communities and Local Government 2017). For the at-risk children taken into care, local governments are responsible for making sure that: an appropriate standard of care is provided; suitable people are employed to look after children; proper training and support is provided to carers; and that a child's views, and those of their family, about care arrangements are taken into account (HM Government 2018). In the past, private provision of children's social care in England was largely restricted to services for children with complex needs requiring intensive support (Jones 2018). However, since the 2000s, a mixed economy of service delivery has emerged, with local governments increasingly purchasing core as well as specialist services from private firms (Sellick 2012). The proliferation of private care providers has also coincided with significant fiscal pressures on English local governments and concerns about the increasing numbers of children being taken into care (Jones 2018; Perraudin and McIntyre 2019). Our study of the politics of contracting for children's social services is therefore extremely timely and pertinent.

The analysis that we present draws on publicly available information on the providers of placements for looked after children that was collected and published by the UK's

Department of Education (<https://www.gov.uk/government/collections/statistics-looked-after-children>). In particular, we calculate measures of the proportion of children looked after by type of placement provider, specifically, private providers or “in-house” local government provision. We estimate separate models for the number of children looked after by private providers as a share of the total number of children looked after, and for the percentage of children looked after by the local government (own provision). Descriptive statistics for both dependent variables are shown in Table 2.

TABLE 2 ABOUT HERE

Empirical Strategy

For this study, our identification strategy draws on a distinctive characteristic of the UK’s local government electoral system, which is that party control changes discontinuously at 50% of the number of council seats, giving us the opportunity to implement a RD design. This empirical approach should allow us to address endogeneity biases that might have influenced the findings in previous studies if party control is correlated with unobserved factors influencing contracting out.

Briefly, RD designs exploit the availability of precise knowledge about “treatment” eligibility criteria relating to whether an observed variable (also called the running variable) falls above or below a certain threshold or cut-off point (Lee and Lemieux 2010). Assuming that the relationship between the running variable (in our case the percentage of local government seats held by the Labour Party, as we discuss below) and potential confounders varies smoothly at the threshold, the effect of a “treatment” can be approximated by comparing those units just below the threshold with those just above the cut-off point.³ RD approaches

have been increasingly used in recent years to approximate the effect of political control on different organizational and socio-economic outcomes (for pioneer work on this matter see, Pettersson-Lidbom 2008; Lee 2008; Leigh 2008). However, to date, few researchers have taken advantage of this research design to investigate ideological effects on public management practices and processes.

The English local government context is particularly suitable for implementing a RD approach because the political control of local governments in England is almost entirely held by national-level political parties that divide strongly along ideological grounds. In particular, there is a clear partisan division between the main left-wing party (Labour) and political parties with pronounced pro-market preferences, such as the right-wing Conservative Party and the Liberal Democrats. Even though there was some ideological convergence between the main parties in the 1990s and 2000s (Adams et al. 2012), important differences in the policy positions adopted by those parties persisted (Smith 2010), and have grown under Labour's current leader, Jeremy Corbyn (Jackson 2017). In general, the Labour Party favours much greater state involvement in the provision of public services than the Conservative Party or the Liberal Democrats. Therefore, the ideological differences between the Labour Party and the others may explain variations in local government contracting behaviour because local, like national, politics in England continues to be dominated by the major political parties, and local administrators are still expected to be politically neutral in carrying out the wishes of elected officials.

Hence, in this article we estimate the following local linear polynomial RD approach:⁴

$$\text{Log}(y_{it}) = \alpha + \beta T_{it} + \tau(X_{it} - \bar{x}) + \gamma T_{it}(X_{it} - \bar{x}) + \varepsilon_{it} \quad (1)$$

where y_{it} refers to our two dependent variables, i.e. the percentage of children looked after by a private provider (contracting out) or the local government itself (in-house provision). The estimate of β is our coefficient of interest, which approximates the effect of ideology on the

choice of children’s social care provider. Local governments are assigned to the treatment status, i.e. Labour Party control, if the running or forcing variable (X_{it}) is equal to or greater than the cut-off point or threshold. In this analysis, the percentage of the total seats in a government held by the Labour Party is the assignment variable, and the treatment threshold is at 50% of the number of seats ($\bar{x} = 50$), hence $T_{it} = 1(X_{it} \geq \bar{x})$. By capturing ideological effects around the threshold for changes in political control, we address Hibbs’ (1992) idea that partisanship may serve to reduce *ex ante* electoral uncertainty.

To estimate the RD proposed in Eq. (1), we use a non-parametric local polynomial approach with a triangular kernel, optimal bandwidth selection and robust confidence intervals as described in Calonico et al. (2014). For the non-parametric approach, the optimal bandwidth selection is based on data driven approximations, thus avoiding arbitrary bandwidth selections as is the case for RD parametric approaches. A comprehensive explanation about the advantages of non-parametric techniques over parametric approaches in RDs can be found in Cattaneo et al. (2017). We first restrict the sample to local areas within some optimal bandwidth⁵, and then estimate a weighted least-squares regression with a triangular kernel weighting function. To evaluate our results’ robustness, we also report RD estimates using alternative kernel functions in Appendix A and RD estimates based on a local quadratic polynomial approach in Appendix B.⁶

Identification in RD approaches rely on the assumption that individuals cannot manipulate the treatment assignment variable, or running variable (Lee and Lemieux 2010). In our context, assignment manipulation is unlikely to happen given the nature of the British local electoral system where politicians should not be able to directly manipulate voters’ choices. Nevertheless, to add confidence in our approach, we formally evaluate the assumption of absence of manipulation by means of the continuity test developed by Cattaneo et al. (2018). This tests the null hypothesis of continuity of the running variable around the threshold by

means of a local polynomial distribution regression approach. The result of this test indicates that there is no evidence of discontinuity around the threshold (p-value equal to 0.3606).

Results

In this section, we report the results of our empirical modelling. We first present a graphical visualization of our RD approach in Fig. 1, which shows a scatter plot with local linear fits around the threshold; Fig. 1A depicts the plot for private provision of placements for looked after children, while Fig. 1B depicts the plot for in-house provision of placements. These plots already suggest a potential effect of left-wing ideology on the choice of children's social care services provider; the plot for private provision shows a downward discontinuity just at the right side of the threshold (or cut-off) vertical line, while the plot for in-house provision exhibits a raised discontinuity at the right side of the threshold.

FIGURE 1 ABOUT HERE

Moving now to the RD estimates, Table 3 reports RD coefficients, and robust 95% confidence intervals for the local linear polynomial approach described in Eq. (1). In RD non-parametric analyses, the choice of bandwidths is an important matter, since those bandwidths define the weight assigned to each observation. Hence, we present a variety of RD estimates using mean square error (MSE) optimal bandwidths (h_{MSE}) and coverage error rate (CER) optimal bandwidths (h_{CER}), alternatively (see Calonico et al. 2017).

The results presented in Table 3 suggest that Labour Party control has an effect on whether English local governments contract with private providers to deliver children's social care services. The RD coefficient, based on MSE-optimal bandwidths ($\beta=-0.38$; 95% CI[-0.75, -0.12]), indicates that left-wing local governments appear to be about 38% less likely to use

private contractors to accommodate looked after children, when compared to local governments with any other form of political control. When using CER optimal bandwidths, the RD estimate points to a similar effect ($\beta = -0.40$; 95% CI[-0.78, -0.07]).

Likewise, when looking at the political control effect on the share of children looked after in-house, our results suggest that Labour-controlled local governments seem to rely more on their own provision of social care services than governments exhibiting other forms of political control. Based on MSE optimal bandwidths, the RD estimate is 0.17 (95% CI[0.08, 0.30]), while when using CER optimal bandwidths, the RD estimate for in-house provision is again very similar (0.19; 95% CI[0.07, 0.33]), giving us further confidence in the robustness of our findings.

TABLE 3 ABOUT HERE

To check our results' robustness to different model specifications, we include in our models a set of adjustment variables. It is important to note that the inclusion of control covariates, though not necessary for identification purposes, may help to increase the precision of our RD estimates (Imbens and Lemieux 2008). Therefore, in Table 4, we report RD estimates including in our models a number of additional socio-economic covariates that might influence the contracting decision and for which we have enough data. First, the market environment in the jurisdictions served by each local government may be an important influence on contracting decisions. To ensure that our results are robust to variations in the market environment, we include the number of private providers of children's social care services per 100,000 inhabitants within each local government. Second, we include the rate of socio-economic deprivation and the proportion of different ethnic sub/groups within the local population. These covariates should account for local citizens' preferences about the size and role of government, since more vulnerable citizens have been widely hypothesized to favour government provision

of public services, particularly low income citizens and ethnic minorities (Thompson and Elling 2000; Brudney et al. 2005). Third, we include the total population and population density for each local government to control for potential economies of scale and scope. These variables have been extensively used in the empirical literature on contracting out (Bel and Fageda 2009).

Fourth, we include in our models a set of political and managerial covariates to adjust for variations in the experience of key decision-makers, which might also affect the contracting out decision process. Contracting policies for looked after children's services are proposed by an executive cabinet of about 10 members of the ruling party under the direction of the leader of the local government and then voted upon by all of the local-elected politicians who comprise the "council". The policies that are put to the vote are based on options appraisals requested by the cabinet and presented to them by the director of children's social services and the chief financial officer (CFO), under the supervision of the chief executive officer (CEO). It is possible that the tenure of key cabinet members and administrative officers will matter for these decisions, especially the length of experience of the leader of the local government. Hence, we have included a measure of the leader's tenure, the tenure of the CEO and the CFO to our models to account for the potential expertise these actors may have in making decisions about contracting services out.

Finally, to adjust for the possibility that the gendered nature of the policy area and left-wing political parties make a difference to contracting decisions, we include a measure of the percentage of women in the cabinet in our models, drawn from a search by hand of the cabinet minutes for each local government for the years 2008 until 2016. To adjust for this issue further, we also include a measure capturing whether the leader of the local government is a woman, and a measure capturing whether the director of children's social services is a woman too. In the wake of the very public sacking and vilification of Sharon Shoesmith (director of Haringey children's services) in 2008 by the UK national government of the day, female social services

directors may be more reluctant to outsource service provision than their male counterparts. Here it is important to mention that, in RD approaches, the inclusion of control variables that might be affected by the treatment could bias the RD estimator. Hence, we measure all the adjustment covariates for each local authority before each electoral cycle.⁷

Table 2 reports descriptive statistics for these covariates, while Table 4 shows the results of our RD approaches including controls. The point estimates are slightly smaller following the inclusion of additional control variables in our models, but the results are nonetheless virtually identical, giving us further confidence that we have identified a robust relationship between left-wing political control and an aversion to contracting out.

TABLE 4 ABOUT HERE

In addition to the results reported in Tables 3 and 4, we report in Appendix A, a series of further specifications to check our results' sensitivity to alternative kernel functions. Tables A1 and A2 present non-parametric local linear estimates using Epanechnikov kernel functions, with Table A3 and A4 reporting non-parametric local linear estimates using Uniform kernel functions. Furthermore, we report in Appendix B (Tables B1 and B2) RD estimates based on a local quadratic polynomial approach. Consistent with previous estimates, the results reported in the Appendices suggest that Labour-controlled local governments are likely to have a lower share of looked after children cared for by private providers and a higher share of children in care looked after by the local government itself.

Discussion

In this article, we have analysed political ideology and government contracting in a competitive public service setting in English local governments: social services for looked after children. In doing so, we brought together insights from the citizen-candidate model and partisan theory,

and utilised a RD design able to approximate the effect of political ideology on contracting decisions. Our findings furnish evidence of a politics-administration dichotomy within English local government – political ideology seems to play an important role in shaping the contracting out decision in children’s social services. Left-wing (Labour Party)- controlled governments are less likely to procure services for looked after children from private providers, and more likely to utilise their own in-house services to place children in care. These findings are robust to alternative model specifications and have important implications.

Firstly, as suggested by our contextualized version of the citizen-candidate model and partisan theory, we find that political ideology may have a particularly important influence on contracting decisions within the field of social services. More specifically, it seems that ideological influences may have an especially critical impact on whether local governments choose to contract with the private sector or provide children’s services in-house. Although child protection services are perhaps particularly sensitive to partisanship, there are other local social service markets in England (and elsewhere) that exhibit the kind of supplier diversity and political contestation that could facilitate further in-depth analysis of contracting behaviour akin to that we present here. Contracting out of elderly care services, for example, also involves a wide range of private and not-for-profit providers and accounts for vast sums of money in the UK local government system and that of many other European countries (Costa-Font et al. 2017). Evidence on the ideological influences of contracting in this service would cast valuable further light on this important issue.

Secondly, although local politics in England has a stronger two-party bias than is the case in most other countries, our findings still have relevance for multi-party systems which comprise several political parties across the left-to-right spectrum. Partisan theory highlights that parties with similar partisan commitments can make common cause with one another to achieve the political control needed to achieve policy goals (see Hibbs 1987; Hauserman et al.

2013), and so it is conceivable that the ideological effects we identify may apply in multi-party systems in which parties enter into coalition arrangements as well. In fact, such ideological effects are identified in Pettersson-Lidbom's seminal (2008) study of the impact of political ideology on the revenues and expenditures of Swedish local governments.

Thirdly, we identify ideological effects on government contracting in an Anglo-Saxon country, which has a well-developed and thriving outsourcing industry (Julius 2008), and is home to a host of private providers competing to offer services for children taken into care (Sellick 2012). Prior research on social services contracting has been conducted in Denmark and Sweden, social democratic countries where the state takes a much stronger role in provision (Parton 2014), and in Spain, where provision is still often dependent upon the traditional institutions of the church and extended family (see del Valle et al. 2013). There is a small literature on government contracting for welfare services with non-profit providers in the United States (e.g. van Slyke 2007), but more research is needed that can capture the heterogeneity of social services markets and systems across different countries. Furthermore, whether left or right-wing governments are better at managing private and non-profit contractors and whether contracting choices and management practices influence public services (and financial) markets are all issues that should form the backdrop for further research into ideological effects on government contracting.

Fourthly, unlike most prior studies of the politics of contracting, we have been able to illustrate the effects of political ideology by utilising a quasi-experimental research design, specifically a RD using political control as a treatment variable. Reviews of the contracting literature have highlighted that the empirical evidence on political ideology is inconclusive (Bel and Fageda 2007; 2017), and some have suggested that improvements in research design may result in a more definitive set of findings (Boyne 1998). Our study underlines that RDs of the ideological influences on the behaviour of public organizations can be extended to include

its effects on contracting out by local governments. The approach we have adopted here can therefore be used in subsequent research to develop a suitably robust evidence base on the politics of privatization that might then form the basis for a systematic meta-analysis of ideological effects.

Limitations

Although RD designs offer a number of advantages over other research designs, our study has a number of limitations, which provide opportunities for further research. First, a limitation of local RD designs is that although they may have strong internal validity, the external validity is less strong. Hence, the local nature of our RD approach prevents us from extrapolating our estimates away from the threshold. To cast further light on the politics-administration dichotomy within local government systems more research is therefore required within local government decision-making structures to tease out the precise causal mechanisms behind the kinds of ideological effects that we identify. In many countries, public managers design, award and manage public procurement contracts, and elected politicians have only informal influence on each of those stages of the contracting process (Brown et al. 2006). In-depth case studies involving interviews with key actors involved in making local contracting decisions would therefore add greatly to our understanding of the political management strategies that lie behind this complex issue (Lindholst et al. 2018).

Second, our study examines contracting out in English local governments at a time when financial and national political pressures on local governments to consider contracting children's social services out was particularly strong. It would be interesting to undertake a similar study in circumstances where such pressure was absent, and local governments' contracting choices were less influenced by cost-efficiency considerations. For instance,

Pallesen (2004) finds that left-wing local governments in Denmark are more willing to consider contracting-out to expand service provision during periods of fiscal plenty.

Finally, due to data limitations we are unable to offer a fine-grained assessment of the specific types of services for children in care that are provided by private firms or in-house within local governments. Private providers of children's care often offer specialist services that are costly for local governments to develop and maintain (Jones 2018). Datasets incorporating information on annual expenditure on the specific services provided by contractors, as well as those managed in-house would enable this issue to be investigated in depth.

Conclusion

Our study contributes to the longstanding debates about the politics-administration dichotomy and the impact of political ideology on local government contracting by providing robust and credible statistical evidence identifying a connection between left-wing political control and an aversion to contracting with private sector providers of social services. In doing so, we believe that we have underlined the value of a contextualized theory of ideological effects and a quasi-experimental research design.

To date, research investigating government procurement decisions has rarely conceptualized the contextual dependence of political ideology or employed research designs that facilitate robust, reliable and credible identification of parameter estimates. Although party discipline may conceivably present more of a challenge for the implementation of partisan policy decisions within multi-party systems, prior research indicates that it is not necessarily an insurmountable one, and so our RD approach may be applicable in countries other than England. As a result, we hope that our study provides a foundation for further empirical tests

of the politics of contracting in other settings, and for other services than those provided for the children taken into care by local governments.

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Notes

¹ The proportion of looked after children that are placed with nonprofit providers is very small or zero in many local governments, making it difficult to reliably model variations in this alternative to state-led provision.

² Although empirical studies of local government contracting in the US have investigated the impact of citizens' political preferences (e.g. Brudney et al. 2005; Fernandez et al. 2008), we are not aware of any that estimate the effects of the political ideology of the local governments responsible for making contracting decisions.

³ A detailed explanation of RD designs can be found in Imbens and Lee (2008), Lee and Lemieux (2010), and Cattaneo et al., (2017), among other sources.

⁴ The choice of a local linear approach is based on Gelman and Imbens (2018), who argue that controlling for high-order polynomials might be a poor choice in RD designs and recommend estimators based on local linear or quadratic polynomials. We also report estimates based on a local quadratic polynomial approach in Appendix B.

⁵ In this article, we follow Calonico et al. (2017) and use data-driven optimal bandwidths such as mean square error optimal bandwidths and coverage error rate optimal bandwidths.

⁶ Different kernel functions apply different weighting schemes in non-parametric approaches, which could lead to different parameter estimates. The triangular kernel assigns zero weight to

all observations outside the optimal bandwidths, and assigns a positive weight to observations within those bandwidths. The weights are at their maximum at the threshold and decline linearly as the percentage of Labour party seats get farther away from the threshold. The uniform kernel also assigns zero weight to observations outside the optimal bandwidths, but equal weight to observation within those bandwidths. Finally, the Epanechnikov kernel assigns a quadratic decaying weight to observations within the optimal bandwidth, and zero weight to the rest (see, Cattaneo et al. 2019).

⁷ When including the full set of control variables, sample sizes are slightly smaller than those model specifications without controls due to missing observations on cabinet composition. However, the effective number of observations within the optimal bandwidths remain very similar.

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Table 1 Studies examining political ideology and contracting out of local government services

Study	Country	Sample/ population	Service area(s)	Longitudinal analysis	Quasi- experimental design	Measure of ideology	Findings
Bel and Miralles (2003)	Catalonia, Spain	90/approx. 700	Waste management	No - pooled	No	Dummy variable for right/left-wing control	Ideology makes no difference
Dijkgraaf et al (2003)	Netherlands	540/563	Waste management	No – cross- section	No	Share of votes for seven different parties	Ideology makes no difference
Pallesen (2004)	Denmark	275/275	Multiple, aggregated	No – pooled	No	Dummy variable for right/left-wing mayor	Ideology makes no difference
Gonzalez-Gomez (2011)	Andalusia, Spain	741/772	Water services	Yes	No	Dummy variable for right/left wing control	Ideology makes no difference
Picazo-Tadeo et al (2012)	Andalusia, Spain	734/772	Water services	No - pooled	No	Dummy variables for four main parties majority and minority control	Ideology makes little difference, only extreme left-wing parties resistant to contracting out
Sundell and Lapuente (2012)	Sweden	290/290	Multiple, aggregated	Yes	No	Survey of politicians’ ideological attitudes	Local governments with a right-wing orientation more likely to contract out
Elinder and Jordahl (2013)	Sweden	287/290	Schools, daycare	Yes	Yes	Dummy variable for right/left wing control	Right-wing local governments more likely to contract out
Wassenaar et al (2013)	Netherlands	17/537	Multiple, aggregated	No – cross- section	No	Interview	Ideology makes no difference
Garrone and Marzano (2015)	Lombardy, Italy	135/135	Gas distribution	Yes	No	Dummy variable for right/left wing control	Left-wing local governments less likely to contract out
Plata-Diaz et al (2014)	Spain	685/3048	Waste management	Yes	No	Dummy variable for right/left wing control	Right-wing local governments more likely to contract out, left-wing governments less likely

Petersen et al (2015)	Denmark	93/98	Aggregated, environment, roads, schools, health, day care, elderly care, special needs, employment, administration	Yes	No	Share of left-wing politicians in government	Ideology mostly makes no difference, but left-wing local governments less likely to contract out schools and daycare services
Alonso et al (2016)	England	335/352	Leisure services	No – cross-section	No	Dummy variable for right/left wing control	Ideology makes no difference
Foged (2016)	Denmark	95/98	Aggregated, environment, roads, schools, culture, day care, elderly care, special needs, employment, administration	Yes	No	Share of left-wing politicians in government	Ideology mostly makes no difference, but left-wing local governments less likely to contract out schools services and more likely to contract out employment services
Foged and Aaskoven (2016)	Denmark	98/98	Elderly care services	No – cross-section		Share of left-wing politicians in government	Ideology makes no difference
Zafra-Gomez et al (2016)	Spain	734/3048	Water services	Yes	No	Dummy variable for right/left wing control	Left-wing local governments less likely to contact out
Schoute et al (2018)	Netherlands	86/426	Aggregate	No – cross-section	No	Survey of politicians' ideological attitudes	Local governments with a right-wing orientation more likely to contract out, governments with a left-wing orientation less likely
Plata-Diaz et al (2019)	Spain	1557/3245	Social services	Yes	No	Dummy variable for right/left wing control	Large left-wing local governments less likely to contract out

Table 2 Descriptive statistics and data sources

	Source	Mean	Std. Dev.	Min	Max
<i>Dependent variables</i>					
Private provision	A	31.57	14.03	0	90.63
Inhouse provision	A	57.48	13.80	0	93.39
<i>Assignment variable</i>					
Labour seats	B	40.57	29.96	0	100
<i>Control variables</i>					
Market environment	C	3.33	3.30	0	20.91
Deprivation	D	23.15	8.79	5.36	46.97
Ethnic Diversity	E	2983.37	2366.54	372.71	8915.3
Population	E	340294.81	255192.97	34563.00	1463740
Population Density	E	2484.01	2786.65	61.12	13741.67
Leader tenure	F	5.08	4.27	1	29
CFO tenure	F	4.06	2.69	1	12
CEO tenure	F	5.13	4.17	1	23
Women in cabinet	F	26.43	14.26	0	87.5
Female leader	F	0.13	0.34	0	1
Female CSS	C/F	0.49	0.5	0	1

Notes: Control variables are measured before each electoral cycle. Data Sources: A) Department of Education; B) BBC electoral website; C) Office for Standards in Education, Children's Services and Skills; D) Department for Communities and Local Government; E) Office for National Statistics (census data); F) Data collected from a search by hand of the cabinet minutes for each local government, plus local newspapers.

Table 3 Local polynomial RD estimates

	Private Provision		Inhouse Provision	
	h_{MSE}	h_{CER}	h_{MSE}	h_{CER}
RD coefficient	-0.383***	-0.398**	0.166***	0.188***
Robust 95% CI	[-0.747 ; -0.124]	[-0.775 ; -0.071]	[0.075 ; 0.301]	[0.070 ; 0.328]
N	1186	1186	1193	1193
N_- / N_+	112/130	83/83	117/134	85/87
H	8.894	6.243	9.456	6.635

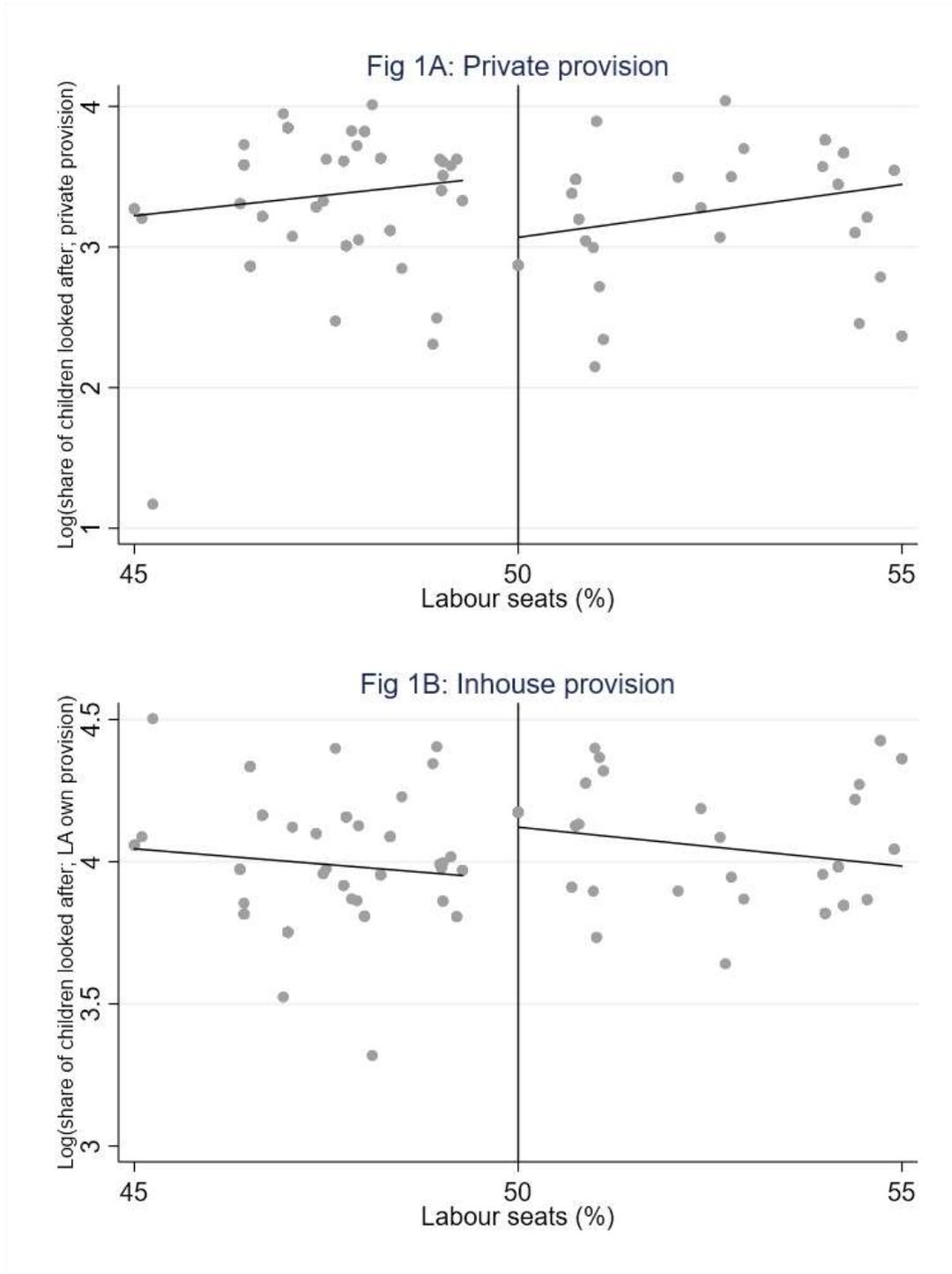
Notes: RD estimates computed using local linear methods with triangular kernel function. Bias-corrected robust estimators of standard errors developed by Calonico et al. (2014). N ; Total number of observations. N_- / N_+ ; Effective number of observations at both sides of the threshold. H ; Optimal bandwidth. Optimal bandwidth selection relies on two different procedures: mean square error optimal bandwidth selector (h_{MSE}); coverage error rate optimal bandwidth (h_{CER}) (see Calonico et al. 2015). *** $p < 0.01$; ** $p < 0.05$.

Table 4 Local polynomial RD estimates (with covariates included)

	Private Provision		Inhouse Provision	
	h_{MSE}	h_{CER}	h_{MSE}	h_{CER}
RD coefficient	-0.316***	-0.372***	0.136***	0.124**
Robust 95% CI	[-0.627 ; -0.146]	[-0.659 ; -0.167]	[0.041 ; 0.261]	[0.012 ; 0.251]
N	933	933	939	939
N_- / N_+	117/155	95/121	94/109	69/69
H	14.348	10.193	9.714	6.898

Notes: RD estimates computed using local linear methods with triangular kernel function. Bias-corrected robust estimators of standard errors developed by Calonico et al. (2014). Covariates included: Market environment, Deprivation, Ethnic Diversity, Population, Population Density, Leader tenure, CFO tenure, CEO tenure, Women in cabinet, Female leader, Female CSS. N ; Total number of observations. N_- / N_+ ; Effective number of observations at both sides of the threshold. H ; Optimal bandwidth. Optimal bandwidth selection relies on two different procedures: mean square error optimal bandwidth selector (h_{MSE}); coverage error rate optimal bandwidth (h_{CER}) (see Calonico et al. 2015). *** $p < 0.01$; ** $p < 0.05$.

Figure 1 Scatter plot with Regression Discontinuity around the threshold



Notes: Plots are constructed using the software developed by Calonico et al., (2017).

Appendix A: Local linear RD estimates using alternative kernel functions

Table A1 Local polynomial RD estimates (Epanechnikov kernel function)

	Private Provision		Inhouse Provision	
	h_{MSE}	h_{CER}	h_{MSE}	h_{CER}
RD coefficient	-0.367***	-0.398**	0.176***	0.182***
Robust 95% CI	[-0.713 ; -0.137]	[-0.765 ; -0.087]	[0.082 ; 0.319]	[0.057 ; 0.329]
N	1186	1186	1193	1193
N_- / N_+	112/131	83/83	105/124	78/66
H	8.946	6.279	8.026	5.632

Notes: RD estimates computed using local linear methods with Epanechnikov kernel function. Bias-corrected robust estimators of standard errors developed by Calonico et al. (2014). N ; Total number of observations. N_- / N_+ ; Effective number of observations at both sides of the threshold. H ; Optimal bandwidth. Optimal bandwidth selection relies on two different procedures: mean square error optimal bandwidth selector (h_{MSE}); coverage error rate optimal bandwidth (h_{CER}) (see Calonico et al. 2015). *** $p < 0.01$; ** $p < 0.05$.

Table A2 Local polynomial RD estimates with covariates included (Epanechnikov kernel function)

	Private Provision		Inhouse Provision	
	h_{MSE}	h_{CER}	h_{MSE}	h_{CER}
RD coefficient	-0.226**	-0.334***	0.138***	0.124**
Robust 95% CI	[-0.513 ; -0.050]	[-0.604 ; -0.129]	[0.041 ; 0.267]	[0.011 ; 0.252]
N	933	933	939	939
N_- / N_+	132/170	109/126	91/104	64/61
H	16.361	11.623	9.083	6.451

Notes: RD estimates computed using local linear methods with Epanechnikov kernel function. Bias-corrected robust estimators of standard errors developed by Calonico et al. (2014). Covariates included: Market environment, Deprivation, Ethnic Diversity, Population, Population Density, Leader tenure, CFO tenure, CEO tenure, Women in cabinet, Female leader, Female CSS. N ; Total number of observations. N_- / N_+ ; Effective number of observations at both sides of the threshold. H ; Optimal bandwidth. Optimal bandwidth selection relies on two different procedures: mean square error optimal bandwidth selector (h_{MSE}); coverage error rate optimal bandwidth (h_{CER}) (see Calonico et al. 2015). *** $p < 0.01$; ** $p < 0.05$.

Table A3 Local polynomial RD estimates (Uniform kernel function)

	Private Provision		Inhouse Provision	
	h_{MSE}	h_{CER}	h_{MSE}	h_{CER}
RD coefficient	-0.0746	-0.269**	0.112**	0.120**
Robust 95% CI	[-0.322 ; 0.118]	[-0.513 ; -0.060]	[0.006 ; 0.226]	[0.025 ; 0.224]
N	1186	1186	1193	1193
N_- / N_+	173/209	139/155	150/173	117/134
H	16.130	11.322	13.271	9.313

Notes: RD estimates computed using local linear methods with uniform kernel function. Bias-corrected robust estimators of standard errors developed by Calonico et al. (2014). N ; Total number of observations. N_- / N_+ ; Effective number of observations at both sides of the threshold. H ; Optimal bandwidth. Optimal bandwidth selection relies on two different procedures: mean square error optimal bandwidth selector (h_{MSE}); coverage error rate optimal bandwidth (h_{CER}) (see Calonico et al. 2015). *** $p < 0.01$; ** $p < 0.05$.

Table A4 Local polynomial RD estimates with covariates included (Uniform kernel function)

	Private Provision		Inhouse Provision	
	h_{MSE}	h_{CER}	h_{MSE}	h_{CER}
RD coefficient	-0.277**	-0.291**	0.0772*	0.125***
Robust 95% CI	[-0.534 ; -0.054]	[-0.553 ; -0.059]	[-0.027 ; 0.169]	[0.029 ; 0.219]
N	933	933	939	939
N_- / N_+	110/141	91/106	115/149	94/109
H	13.186	9.367	13.802	9.802

Notes: RD estimates computed using local linear methods with uniform kernel function. Bias-corrected robust estimators of standard errors developed by Calonico et al. (2014). Covariates included: Market environment, Deprivation, Ethnic Diversity, Population, Population Density, Leader tenure, CFO tenure, CEO tenure, Women in cabinet, Female leader, Female CSS. N ; Total number of observations. N_- / N_+ ; Effective number of observations at both sides of the threshold. H ; Optimal bandwidth. Optimal bandwidth selection relies on two different procedures: mean square error optimal bandwidth selector (h_{MSE}); coverage error rate optimal bandwidth (h_{CER}) (see Calonico et al. 2015). *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$.

Appendix B: Local quadratic RD estimates

Table B1 Quadratic polynomial RD estimates

	Private Provision		Inhouse Provision	
	h_{MSE}	h_{CER}	h_{MSE}	h_{CER}
RD coefficient	-0.403**	-0.452**	0.193***	0.195**
Robust 95% CI	[-0.790 ; -0.006]	[-0.866 ; -0.034]	[0.038 ; 0.347]	[0.027 ; 0.362]
N	1186	1186	1193	1193
N_- / N_+	156/181	117/133	149/173	112/131
	13.892	9.271	13.123	8.755

Notes: RD estimates computed using quadratic polynomial methods with triangular kernel function. Bias-corrected robust estimators of standard errors developed by Calonico et al. (2014). N ; Total number of observations. N_- / N_+ ; Effective number of observations at both sides of the threshold. H ; Optimal bandwidth. Optimal bandwidth selection relies on two different procedures: mean square error optimal bandwidth selector (h_{MSE}); coverage error rate optimal bandwidth (h_{CER}) (see Calonico et al. 2015). *** $p < 0.01$; ** $p < 0.05$.

Table B2 Quadratic polynomial RD estimates with covariates included

	Private Provision		Inhouse Provision	
	h_{MSE}	h_{CER}	h_{MSE}	h_{CER}
RD coefficient	-0.373***	-0.387**	0.115*	0.118
Robust 95% CI	[-0.747 ; -0.109]	[-0.740 ; -0.067]	[-0.050 ; 0.242]	[-0.046 ; 0.262]
N	933	933	939	939
N_- / N_+	164/210	117/149	114/141	91/106
	20.616	13.948	13.540	9.157

Notes: RD estimates computed using quadratic polynomial methods with triangular kernel function. Bias-corrected robust estimators of standard errors developed by Calonico et al. (2014). Covariates included: Market environment, Deprivation, Ethnic Diversity, Population, Population Density, Leader tenure, CFO tenure, CEO tenure, Women in cabinet, Female leader, Female CSS. N ; Total number of observations. N_- / N_+ ; Effective number of observations at both sides of the threshold. H ; Optimal bandwidth. Optimal bandwidth selection relies on two different procedures: mean square error optimal bandwidth selector (h_{MSE}); coverage error rate optimal bandwidth (h_{CER}) (see Calonico et al. 2015). *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$.