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Abstract

The commitment to make provision for huge numbers of asylum seekers challenges Norway's welfare state. Each year central government requests most local governments to receive a certain number of refugees. Local governments are free to accept or decline, and many are hesitant. The ensuing implementation gap stems from this central-local goal conflict and a decentralized decision-making system, embedded in an ideology of local autonomy and in local authorities seeking to accommodate state goals through feasible solutions. The focus is on the Chief Municipal Executive (CME, *rådmann*), the head of the municipal administration who exercises agency over government affairs. How do central state instruments influence this local agent and what are the consequences for settlement decisions? Economic incentives are the most important state tools in settlement decisions. Central information strategies, government appeals and persuasion seem, however, to be less effective. In line with agency theory, CMEs' sovereign assessments of the impact of state requests on local burdens and benefits are shown to be the main factor determining settlement decisions.

Introduction

Keywords:
Refugee settlement
Governance
Immigration
Local government
Agency theory

The commitment to make provision for huge numbers of asylum seekers challenges Norway's welfare state. Each year, the central government requests most local governments to receive a certain number of refugees. Local governments are free to accept or decline, and many are hesitant. The ensuing implementation gap during the period investigated here stems from this goal conflict and 'soft' governance, but also reflects a decentralized decision-making system in which local authorities seek to accommodate state goals through feasible local solutions. The central government is the "owner" of the settlement policy. It acts as "principal" and fully depends on local governments as autonomous "agents" (Miller, 2005) to implement national policies.

The emphasis in this article is on the head municipal bureaucrat and manager of local government affairs, the Chief Municipal Executive (CME), and on the CME as the main agent in the field of refugee settlement. How do central governance instruments influence local agency and what are the consequences for settlement decisions? We analyze the controversy using insights from agency theory, and based on the assumption of conflicts of interest and disproportionate information among the levels of government, eight hypotheses are formulated and tested.

The article is structured as follows. Firstly, the Norwegian case and the CME's role in refugee settlement decisions are delineated. We then discuss the case in a comparative context, before presenting the theoretical framework and hypotheses. Thirdly, the data and methods used to test these expectations are

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presented and fourthly, the results of the statistical analysis are discussed and found to lend support to our expectations derived from agency theory. Lastly, we offer some conclusions and discuss some of the implications of the findings.

The problem stated: State responsibility and local agency

Those who have been granted asylum and have received legal permission to stay in Norway are to be, as soon as possible, settled and integrated into local communities in order to start their new lives. Providing settlement for refugees has, for the past 25 years, challenged central government and is recognized as a problem in numerous government White Papers. A general theme in these White Papers and the ensuing public debate has been whether autonomous local levels serve national integration policies or whether they act as bottlenecks to effective state governance.

Figure 1 shows the discrepancy between state requests and local settlement decisions between 1995 and 2014. The first state policy document from the late 1980s, for example, identified the unwillingness of local governments to accept settlement requests from the state as being the reason for the gap between state requests and local decisions (St.meld. 61, 1989–90). Later White Papers have repeatedly noted the need for better refugee settlement in Norway's overall immigrant-integration policies and, more recently, the need to mobilize local governments to cope with the 2015 refugee crisis (St.meld. 30, 2015–16).

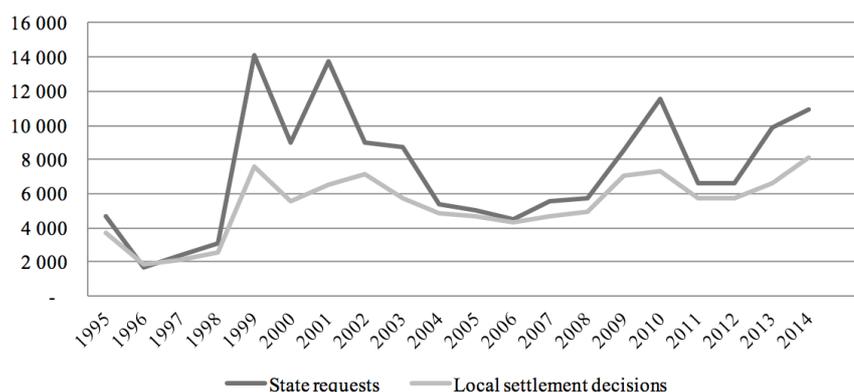


Figure 1: State requests and settlement decisions in all Norwegian municipalities, 1995–2014. Number of refugees. Source: Yearly reports from the Directory of Immigration (UDI) and the Directory of Integration and Diversity (IMDi).

Government requests are addressed to the CME whose role, we argue, is crucial to local outcomes. The CME is responsible for the municipal budget and for keeping track of local capacities, is familiar with the local political context, and acts as an agent when handling the settlement request from the principal (the state).

The debates in the local council often emphasize humanitarian concerns, framing refugee settlement as a moral obligation and a collective task. Economic arguments also feature prominently among immigrant-skeptical local politicians, who focus on the costs to the local population, sometimes because they hesitate to play the tainted xenophobia card in public debates. The CME's recommendation stresses the economic consequences for the municipality and is generally approved by the council after being debated (Steen, 2016). The economic incentives provided by the central government are therefore likely to be important to settlement outcomes.

The central government's request letter¹ to each municipality specifies the number of refugees they are being asked to accept. It furthermore explains that a subsidy will be given for each refugee accepted in order to cover the costs of housing, services, etc. for a five-year period. The local authorities are obliged by law to provide two-year integration courses and necessary welfare services of the standard available to the majority population (Steen, 2009). The subsidy is standardized and calculated based on the average settlement costs of all municipalities in Norway. Local settlement costs, however, vary greatly. The CME will therefore naturally consider the state subsidy in the light of the effect refugees will have upon the demography and economy of the municipality.

The principle of equal treatment lies at the core of the Norwegian welfare state. This principle also applies to integration (Brochmann et al., 2002). Equality in welfare benefits and services is regulated by law and is primarily financed by the state, but generally implemented and distributed by local governments. As Hansen and Klausen (2002: 48) note, this may seem paradoxical in a universal welfare state, considerable tension being created by services being provided at the local level. This tension may be particularly strong in refugee settlement, as economic and cultural costs may easily become an issue of local redistribution. As Freeman (1986) has argued, immigration to a welfare state as a political issue easily leads to discussions about who is to pay newcomer costs, which in turn may fuel anti-immigration attitudes among the majority population. The high costs of including newcomers in a universal welfare state with generous benefits can lead to border control and restricted access, instigating a "closed logic" of the welfare state. The policy response to limited resources, insecure benefits, and a skeptical populace can be particularly evident at the local level (Geddes, 2003). The "closed logic" at the national welfare state level is also highly relevant to local governments that take on responsibilities, particularly with respect to costly and highly visible newcomers.

The final decision rests with local councils, local governments thus functioning as potential veto-powers, so depriving the central authority of direct regulative tools. The central authority must therefore instead depend on soft-power instruments such as economic incentives, moral appeals, meetings and information. We focus here on CME perceptions of these governance instruments and on how state instruments are reconfigured in local contexts.

The economic incentives provided by the state are likely to be important given that the CME's written recommendation generally stresses the economic

consequences of settlement. It is, however, less obvious how the state's information tools affect settlement decisions. We therefore want to more systematically test the relationship between CME assessments of such tools and settlement decisions. We see the basic principal–agent structure of state–local relationships as crucial to understanding the CME as an agent who plays a key role in determining the outcomes of local refugee settlement decisions.

The state's dependence on CMEs can be seen as resulting from informal relationships between the principal with a specific goal (refugee placement) and agents with differing local agendas. Agency theory maintains that central–local goal conflict and information asymmetry challenge traditional law-based top–down governance and stimulate local agency in a decentralized decision-making structure. We argue that CME perceptions of whether the economic incentives are advantageous or not to local purposes create uncertainty at the central level. The state will therefore seek to counter this with information, meetings and appeals. We, however, hold that these measures have little effect on actual settlement decisions. We test these and related expectations using data from a survey carried out in spring 2015 to which the CMEs of 234 municipalities with previous experience with refugee settlement responded.

Refugee settlement in a decentralized welfare state

Norway is a unitary state and, as the other Nordic countries, the central government finances, mandates, regulates, and supervises the provision of local government services to ensure uniform service delivery. However, in a broader comparative perspective, Norway appears as a decentralized unitary state in which local governments enjoy relatively strong powers to protect their self-determination (Sellers and Lidström, 2007). Norway consistently ranks among those countries with the highest degree of local government autonomy (Ladner et al., 2015; Sellers and Lidström, 2007). Governance as a hierarchy and regulations, as mechanisms for allocating economic incentives or as multilevel networks, are to be found in many traditional areas of welfare. Refugee settlement in Norway can also be seen as being influenced by “communitarian governance”, “that communities can —and should—resolve their common problems with a minimum of state involvement” (Pierre and Peters, 2000: 21). This principle of “subsidiarity,” that issues should be dealt with at the most immediate level, is the main justification for assigning decisions relating to responsibility for newcomers to local authorities.

The relationship between the state and local governments is, in Norway, generally characterized by considerable local autonomy, particularly when compared with other countries and particularly with regards to refugee settlement (Brochmann and Hagelund, 2010; Steen, 2009). This gives rise to challenging questions including how the state can influence the municipalities, particularly in contentious issues such as receiving and integrating “others” and in which local democratic processes are decisive (Koopmans and Statham, 2000). State policy-making, public discourses, local party strength and structural aspects of the mu-

municipalities have received considerable attention in refugee settlement research (Bolin et al., 2014; Lidén and Nyhlén, 2014; Steen, 2009). Less focus has, however, been placed on the relationship between central policies and the local *administrative* agency. Administrative discourses inside a local bureaucracy (which often are shielded) are mainly founded on instrumental rationality. Their response to state requests also varies considerably in type (Steen, 2016; Lidén and Nyhlén, 2015).

Denmark's Integration Act of 1998, in contrast to Norway's and Sweden's voluntary settlement policies,² allows the state to instruct local governments to receive a certain number of refugees (Jönsson and Petersen, 2010). In federal systems such as that of Canada, regional authorities are expected to find viable local solutions to immigration, even if such solutions conflict with the national model (Iacovino, 2014; Leo and August, 2009). Levels are, in federal systems, often however mixed together and "plagued by principal-agent problems" (Johnson, 2014). This makes it difficult to see where authority actually lies, and includes factors that render local policymaking unpredictable from the perspective of the principal. Local adaptations are seen as being necessary and beneficial to effective integration in a unitary, decentralized state such as Norway. They may, nevertheless, also become a hindrance to effective implementation. Refugee settlement is voluntary. The provision of welfare in fields such as health services and education is, however, regulated by law, the state controlling outcomes which are usually loyally implemented by local governments.

Caponia and Borkert (2010: 20) in their summarizing of European research literature on immigrant integration, find that the discretion that is available to local administrations is "one of the main sources accounting for deviation from expected goals and policy failure." Scholten (2008) argues that the implementation gap in Dutch integration policies arises from central and local administrative levels perceiving immigrant integration challenges differently and therefore framing the issue and solutions in different ways. Lahav and Guiraudon (2006) identify "principal-agent situations" as a major factor in the explanation of the gap between goals and outcomes in immigration control in many countries. They argue that bureaucracy has a vital role in immigrant control policies, because of its relative autonomy as agent in relation to the principal (the policymaker), which is at an informational disadvantage. Dekker et al. (2015), in their investigation of integration policies in major European cities, question the idea of the considerable autonomy of city governments, of a common local dimension and that national integration models are dominant in local policymaking. They instead hold that complex two-way multilevel relationships promote issue-framings and practices, but do not offer a theory of how or why a "multilevel dynamic of two-way interaction" has certain outcomes. In this article, we hold that agency theory provides useful assumptions about actors in decentralized state-local relationships and provides a fruitful framework for explaining local policies in a context of national governance ambitions. Agency theory furthermore makes it possible to derive testable hypotheses of what affects local settlement outcomes.

Agency theory and central–local relations

We expect local bureaucracies, in a decentralized decision-making structure, to be especially important. The formal head figure of such bureaucracies in the Norwegian case is the CME. A survey of the role that CMEs consider to be most representative of their functions showed that a substantial proportion saw themselves as “administrative entrepreneurs,” the “classical bureaucrat” role being less prominent (Willumsen et al., 2014). This predominant self-perception has much in common with local agency in the field of refugee settlement, a field in which the CME may act as an entrepreneur with substantial autonomy.

A central–local relationship firstly implies dependency between the levels. The metaphor of a “contract” has been used to describe this relationship which refers to the voluntary aspect of receiving refugees. The principal determines the rules of the contract (e.g. economic compensation and procedures), while the agent decides whether to accept the contract (depending on a calculation of benefits and burdens) and the action carried out to fulfill it (positive or negative settlement decision). This is a parallel to market contracts, which define the economic incentives for changing an agreed production output. Establishing a relationship/contract requires a basis for it. The principal needs to be willing to pay more for the product or action than it will cost the agent, so that a local surplus may be generated (Hendrikse, 2003). In market contracts, production is also influenced by a range of other variables linked to local contexts. In politics, however, the dependency is even more complex than in corporate management, and involves multiple agents and principals, competition among them, problems of collective action, in other words “a more complicated palate of interests” with varying consequences for the control and mitigation of asymmetric information (Shapiro, 2005: 271). Local structural, economic, and political environments *and* national expectations of solidarity will therefore be formative for the agent’s (the CME’s) perceptions and decisions. According to Scharpf (1988), there is great pressure in such a decentralized “joint-decision system” to reach agreement, and conflict is avoided through bargaining and economic compensation.

Secondly, a main assumption in agency theory is the presence of conflicting interests and divergent goals between principal and agents. Conflicts may be spurred by lack of time, shortage of material and administrative capacity, or a reluctance due to diffuse concerns such as uncertainty and fear. All these elements are present in refugee settlement decision-making. The state presses for comprehensive and rapid settlement. Local governments, however, have an interest in restraining the numbers and often need time to prepare practical arrangements such as housing, education and healthcare before receiving refugees. Unforeseen expenses will place municipal budgets and public service capacities under pressure. Demographic changes, diffuse cultural costs and xenophobia may, moreover, give rise to concern, perhaps spurring media debates and party opposition, which could also factor into the CME’s assessment basis.

Thirdly, the principal–agent relationship involves asymmetric information between central and local levels, the agent always having superior information

on the actual implementation of the task. Information asymmetry may, according to Poth and Selck (2009), be of two kinds. There is a “hidden action problem” when the principal and the agent at the stage of establishing the “contract” have the same information. This is, however, not the case when the principal is not able to observe actual behavior and decision-making and inspect the local circumstances that influence a decision. The principal can observe the level of output (the number accepted by the local government), but not the underlying mechanisms. The second kind of information asymmetry is the “hidden characteristics problem,” where the agent has more information than the principal at the “contract” formation phase. The agent pursues rational aims. The principal, however, has little information about the characteristics of the agent that guide behavior. This means that the principal must bear the full costs of information asymmetry, and will tend to compensate through targeted information efforts that aim to bridge divergent understandings between the local and central levels on (in our case) the refugee settlement problem. However, according to agency theory, information tools have little impact on local considerations.

For the principal, the challenge is whether central soft incentives can substitute a coercive system of regulations and constant monitoring. Monitoring has occasionally been discussed in Norway to overcome ineffective local implementation. It has, however, been repeatedly rejected (Hernes, 2012, 2017). Without access to coercion, the principal needs to manipulate the agent’s incentives to overcome information asymmetry (Miller, 2005). The basic question therefore becomes whether a “behavior-oriented” contract, with hierarchical governance, is more efficient than an “outcome-oriented contract” that includes incentives through market governance (Eisenhardt, 1989). Decision-making on refugee settlement in Norway is firmly rooted in the ideology of local autonomy. Hierarchical governance would therefore entail high political costs that are otherwise avoided. The central authority can alternatively monitor outcomes through market governance, offering certain payments for anticipated local returns.

Economic incentives and soft instruments such as networking, appeals and information are generally the corollary of decentralized decision structures (Scharpf, 1988). However, networking (in our case meetings, contacts, appeals and information) presupposes a common utility function. Economic incentives therefore fit the decentralized context better. Diverging framing of the settlement issue across levels of governance and horizontally between autonomous local governments is easier to mitigate by means of market-based instruments such as settlement subsidies (Askim and Steen, 2015). Local government is, because of information superiority and as per agency theory, in a position to exploit possibilities for greater funding from the central level. The authorities may, however, distrust reported local needs and concerns as the principal “cannot determine if the agent has behaved appropriately” (Eisenhardt, 1989: 61).

Refugee settlement decisions are characterized by significant asymmetric information between levels of government. State instruments will, under such conditions, be of two kinds. The first is central authorities overcoming goal controversies and the “hidden action problem” by employing economic incentives to

get local government to agree to receive and integrate a specified number of refugees in return for compensation from the state. The second is asymmetric information stemming from insufficient information on what guides an agent's behavior ("the hidden characteristic problem") stimulating the use of supplementary instruments. These instruments are aimed at persuasion through contact, formalized cooperation, information, and normative appeals. The main question is how economic incentives and persuasion strategies affect the cognitions of the Central Municipal Executives and the final settlement decisions

Hypothesizing local outcomes

The hypotheses are specified and organized into four groups: assessment of state tools, local conditions, municipal characteristics, and goal disagreement. State economic and informational impulses are filtered through the cognitions of agents. We firstly examine the effects of CME *assessments of state instruments* (such as information, persuasion, contacts, and state subsidy) on settlement decisions. According to agency theory, the local context within which CMEs operate must also be taken into consideration. We therefore secondly consider the CMEs' assessment of local conditions and some pertinent municipal characteristics. In other words, we consider to what extent CME *assessments of local conditions* and *tangible* municipal characteristics such as the political majority in the council, formal agreements with the state and demography influence settlement decisions. We finally ask how a central aspect of agency theory, the goal conflict between principal and agent and which here is whether the CME deems a state request for the settlement of a specified number of refugees to be acceptable, affects final settlement decisions.

State tools

We first of all assume that the state will seek to capitalize on the strategies of information and persuasion because of the asymmetric information structure. However, we expect CME assessments of government information and appeals to be of little importance to final settlement decisions. CMEs are assumed to possess superior information on local capabilities. CME emphasis on general information and persuasions from the state is therefore unlikely to sway the final settlement decisions. This leads to the following expectation: *H1. CMEs' emphasis on the general strategies of the state that are focused on information and persuasion do not affect final municipal decisions on refugee settlement.*

The agent has an incentive to control local circumstances which can be beneficial or detrimental to settlement. From a top-down perspective, horizontal cooperation between the CME and local state bodies such as local branches of the State Housing Bank and the Norwegian Labor and Welfare Administration (NAV), will support state implementation. However, from a bottom-up agency perspective, cooperation with local state bodies is assumed to be used to demarcate the agent's power and therefore will influence settlement decisions nega-

tively. Information asymmetry and conflicting goals are assumed to also persist at the horizontal level, as these local bodies represent the state interest.

Emphasizing cooperation with local state bodies may, furthermore, also be related to the economic consequences of refugee settlements. Information from local state bodies provides insight into the housing and labor market situation in the municipality and therefore municipal capacities. This information is therefore different in nature from the more general information provided by national authorities. A CME that emphasizes this type of cooperation assumedly does so because the CME is concerned about the municipality's ability to ensure that refugees are provided with adequate housing and jobs. Refugees in the capacity of social clients are, furthermore, likely to be unwanted because they put more strain on the municipal social budget. We overall therefore expect that: *H2. CMEs' emphasis on cooperation with local state bodies has a negative effect on final municipal decisions on refugee settlement.*

Thirdly, CMEs need to ensure that their proposals to the council are viable. They therefore consider the request from the state in the light of local costs and the benefits of the state subsidy. Their utility considerations are assumed to be aimed at maximizing economic benefits for the local community, meaning that it is assumed that the state subsidy determines whether there is a basis for a local surplus. This in turn means: *H3. CMEs' emphasis on the level of the state subsidy has a positive effect on final municipal decisions on refugee settlement.*

Local conditions

Causes of settlement also relate to *how local structural and political conditions are assessed* by the CME. The calculation of local capacities, such as the municipal economy, access to services and housing, the number of immigrants and the local labor market, may be important to the outcome. This also applies to the CME's assessment of attitudes in the council and among the public. Settlement directly affects the municipal budget. Expenses therefore also relate to the number of persons with immigrant backgrounds already living in the municipality. We therefore assume that emphasizing these aspects implies that the CME is worried about possible future costs associated with new settlements. We therefore expect that, *H4. CMEs' concern about local conditions has a negative effect on final municipal decisions on refugee settlement.*

Previous settlements, bilateral agreements and party strength

The local context is also characterized by previous experiences with refugees. We firstly assume that CMEs take advantage of previous settlement investments, e.g. in housing and in personnel in health, education, and daycare centers. "Sunk costs" are likely to diminish the costs of each new refugee. We therefore expect that substantial experience with refugee settlement is conducive to accepting new state requests. Therefore: *H5. A higher number of previously settled refugees has a positive effect on final municipal decisions on refugee settlement.*

Secondly and related to experiences with previous settlements are state-local cooperation agreements. The state had, as of 2014, signed bilateral agreements with 35 local governments. These agreements are voluntary. Entering into such an agreement is nevertheless likely to commit the municipality to accept state requests. We therefore hypothesize: *H6. Having a cooperation agreement with the state has a positive effect on the final municipal decisions.*

Lastly, we expect that the political party makeup of the municipal council has an effect on settlement decisions. The immigration issue has, at the national level in Norway, become a more important ideological cleavage. If we assume that this cleavage also operates at the local level, we expect that a mayor who represents a council majority of immigrant-skeptical parties will have a negative impact on the settlement decision, thus: *H7. Having a mayor from the Conservative Party or the Progress Party has a negative effect on final municipal decisions on refugee settlement.*

Goal controversy

The goal conflict between the principal and agent is a central aspect of agency theory. The degree of fit between the state request and the CME response is a main indicator of this goal controversy. This means: *H8. Having a CME who considers the number of refugees requested by the state as suitable has a positive effect on final municipal decisions on refugee settlement.*

Data and methods

Our data is derived from an electronic survey (QuestBack) conducted in the spring of 2015. The questionnaire was sent to CMEs of the 349 municipalities (target group) that had settled refugees in the three years prior to the survey (2012–2014). Municipalities with a recent history of refugee settlement were therefore included while others, mainly smaller and geographically isolated, were excluded. An informed response by a CME arguably requires at least some experience with the challenges involved in receiving and settling refugees. The formulations of the survey questions were based on a number of face to face interviews with CMEs conducted in case studies of selected local governments.³ Three reminders were sent. A total of 234 municipalities (67%) responded and are included in the study. Table 1 shows the distribution of responses by population for the main municipal categories. Response rates for all categories exceeded 50%, rates being particularly high for larger municipalities. We drew on structural data collected by Statistics Norway (SSB) as a supplement to this survey. Data on actual settlement decisions were obtained from the website of the Directorate of Integration and Diversity (IMDi).

Table 1: Distribution of responses from the municipalities, by population size

Population size	Number of responses	Total number of municipalities (target group)	Response rate (%)	Total number of municipalities
0–1,999	23	45	51.11	94
2,000–4,999	74	105	70.48	131
5,000–9,999	50	87	57.47	89
10,000–19,999	40	59	67.8	59
20,000–29,999	20	25	80	26
30,000–49,999	14	14	100	14
50,000+	13	14	92.86	15
<i>Total</i>	<i>234</i>	<i>349</i>		<i>428</i>

The descriptive statistics are presented in Appendix 1. The dependent variable measures whether the state request for settlements was agreed to at least once between 2012 and 2014,⁴ the timeframe CMEs were asked to consider when answering the survey questions. The dependent variable is coded 1 if at least one state request was agreed to in the three year period, and 0 if no requests were agreed to. The independent attitude variables (CME assessments based on survey answers) are measured on a scale ranging from 1 (very little/not at all) to 5 (very much/very large degree). Questions and frequencies are presented in Appendix 2. We used a survey question that asked for the CME's opinion on the requested number of refugees to measure the CME's overall assessment ('goal controversy'). The variable takes the value of 1 if the CME thought the requested numbers were either too low or appropriate, and 0 if too high.⁵ We included a variable to ascertain the type of political majority in the municipal council, that variable taking the value of 1 if the mayor came from the Progress Party or the Conservative Party, the national programs of these two parties advocating tougher immigration policies than those of the other parties, and the value of 0 for other parties. The other independent and control variables measure the structural and political characteristics of the municipalities studied. The dependent variable is dichotomous. Logistic regression is therefore used (Long, 1997).⁶ Multicollinearity was not found to be an issue in any of the models that we ran.

Findings

Table 2 shows the results of the logistic regression. The first model includes the survey questions on the CMEs' assessment of state tools and local conditions. In model 2, we control for municipal characteristics. Model 3 introduces the survey question that reflects CMEs' assessment of the state request, i.e. whether there is a conflict between state expectations and municipal capacities.

Table 2: Explaining local responses, logistic regression

	Dependent variable:		
	Settlement decisions		
	(1)	(2)	(3)
CME's assessment of state tools			
Appeals from government/minister	0.89 (0.22)	1.20 (0.25)	1.47 (0.28)
Information from IMDi (in writing/online)	0.88 (0.24)	0.82 (0.26)	0.72 (0.28)
Facts/arguments in IMDi request letter	0.79 (0.24)	0.86 (0.25)	0.58* (0.29)
Attending seminars/conferences organized by IMDi	1.15 (0.21)	1.01 (0.24)	1.14 (0.26)
Meetings with IMDi	1.33 (0.20)	1.39 (0.22)	1.30 (0.25)
Meetings/contact with local state bodies	0.63** (0.21)	0.60** (0.23)	0.62* (0.26)
Level of state subsidy	1.49** (0.20)	1.70** (0.22)	1.49* (0.24)
CME's assessment of local conditions			
Municipal economy	0.58*** (0.19)	0.52*** (0.21)	0.53*** (0.24)
Access to municipal services	1.55** (0.19)	1.52** (0.21)	1.78** (0.23)
Available housing	0.82 (0.20)	0.84 (0.21)	0.77 (0.24)
Awareness/knowledge of party-political positions in the council	1.19 (0.17)	1.19 (0.19)	1.33 (0.21)
Attitudes in the municipal council	0.88 (0.16)	0.76 (0.18)	0.78 (0.19)
Local public opinion	1.20 (0.21)	1.43 (0.23)	1.39 (0.27)
Number of immigrants already in municipality	0.70** (0.17)	0.59*** (0.19)	0.61** (0.22)

Local labor market	0.95 (0.17)	0.84 (0.19)	0.82 (0.21)
Municipal characteristics			
Mayor Conservative Party/Progress Party		0.50* (0.37)	0.42** (0.42)
Formal cooperation agreement with the state		2.89* (0.58)	3.25* (0.67)
Settled refugees per 1,000 inhabitants		1.61*** (0.15)	1.56*** (0.16)
Log number of inhabitants		0.73 (0.20)	0.64** (0.22)
CME's overall assessment			
CME's assessment of the number requested			7.00*** (0.39)
Constant	9.35* (1.29)	78.97* (2.24)	284.06** (2.46)
Observations	212	212	207
Log Likelihood	131.60	117.74	-97.71
AIC	295.20	275.48	237.42
McFadden's pseudo-R ²	0.18	0.27	0.39

Note: Coefficients represent odds ratios.

Standard errors of the partial slope coefficients in parentheses.

*p<0.1; **p<0.05; ***p<0.01

McFadden's pseudo-R², the log likelihood, and AIC values overall show that model 3 has the greatest explanatory power. How do the effects of the independent variables correspond with our H1–H8 hypotheses?

State tools: The supremacy of economic incentives

We argue that information asymmetry prompts the central level to compensate for its lack of direct control by using indirect forms of governance such as information, contacts, persuasion strategies and the stimulation of local cooperation. The central authorities need to obtain and present as much information as possible through meetings and contacts with the CME in center-local relations based on asymmetric information. The principal (the State Directorate IMDi) can draw on many resources to provide local governments with information and advice, and to collect local information through reporting procedures, direct contact and meetings. According to H1, these instruments will have negligible effects on settlement decisions because of local information control and agency.

We overall find that the emphasis CMEs place on information sources does not systematically affect final settlement decisions. We find, firstly, that emphasizing *information from IMDi (in writing or online)* and the *facts and arguments given in the IMDi request letter* have a negative but generally non-significant effect on settlement decisions. Similarly, a non-significant effect is observed from the importance attached to *appeals* for more effective refugee settlement made in public speeches and the media by the Minister of Integration and other government representatives.

Based on agency theory, we furthermore expect that *attending seminars or conferences organized by IMDi* does not affect settlement decisions. Table 2 shows some positive effects, but again they are not significant. The emphasis CMEs place on *meetings with the state immigration body (IMDi)* similarly shows a positive but non-significant effect. The survey also included a question on the frequency of *actual contact* (meetings, emails, phone calls, letters) (not shown). This was, however, also not found to affect settlement decisions systematically.

These findings in sum support H1 and the main proposition in principal-agent theory on the principal's dependency on the agent. The state strategy for reducing the relative autonomy of agents and the informational disadvantage of the principal requires the use of comprehensive top-down information flows and cooperation. Many pay attention to the central information and cooperation efforts (appendix 2). We, however, find no significant impact of these on local settlement decisions.

As argued in H2, emphasizing *local horizontal communication* strengthens the tendency to reject the state request! The likelihood of accepting at least one state request generally decreases when emphasis is placed on *meetings and contact with local state bodies*. This fairly strong negative effect may appear counterintuitive, as cooperation between municipal and state bodies is often regarded as a precondition for effective planning and better implementation. The IMDi Director has repeatedly argued for increasing cooperation and coordination between local state-sector authorities and the local government (as shown in various IMDi Annual Reports). The finding however seems less surprising when we recall that these bodies represent the state interest. Information asymmetry and conflicting goals may persist between principal and agent also at the local horizontal level, which is consistent with agency theory. The goal conflict may therefore become even more evident and a cause for concern when the implications become clear to the CME through closer local state contact. In sum, we find support for H2.

As expected (H3), *economic incentives* (the level of the state subsidy) emerge as the most important state instrument. Refugee settlement has major consequences for the municipal budget. The level of the state subsidy is therefore important to the CME, who is responsible for balancing the budget. These state grants can represent an important source of income for municipalities with strained budgets and may create a surplus that can be used for other municipal purposes (Steen, 2010). We find clear support for H3: emphasizing the level of

the state subsidy is associated with a higher chance of positive settlement decisions.

Local conditions: The importance of capacities

The analysis also includes CMEs' assessments of various aspects of the local context. Emphasizing the *municipal economy* has a negative effect on settlement decisions. Concerns about the budget balance generally reduce the chances of accepting state requests. However and in contrast to this, emphasizing *available municipal services* has a positive effect on settlement decisions. We furthermore find that emphasizing *accessible housing* does not systematically affect decisions, which seems surprising. One possible explanation is that more than 80% of the respondents place great emphasis on this, housing therefore seeming to be emphasized regardless of whether the municipality accepts or rejects state requests. The central authorities have suggested "lack of housing" as being a substitute argument "for not wanting to receive refugees, as they clearly are able to provide housing for other weak groups" (Interview with the regional director of the Directorate of Integration and Diversity, IMDi). The same central skepticism to local authorities' use of the housing argument was expressed publicly by the Director of the Directorate of Immigration, UDI on his web-blog (Forfang, 2015).

Interestingly, CMEs' assessment of the number of immigrants already in the municipality has a systematic negative effect on decisions. This implies that the number of immigrants pressurizes local government willingness to settle refugees. We also control for two questions related to CME perceptions of local politics, *awareness/knowledge of party positions* and *attitudes in the municipal council*. These are in addition to *local public opinion*. Emphasizing these aspects is not found to have a systematic effect on settlement decisions. Similarly, we do not find the placing of emphasis on the local labor market affects decisions.⁷

In H4 we argued that the CME is responsible for the municipal economy and that future obligations for refugees becomes a question of costs and will have a negative effect on the decision to receive and settle refugees. Our data show that CME concerns in these areas are associated with settlement outcomes, particularly aspects that are in the CME's field of responsibility such as the municipal economy and services. Aspects that are more difficult to control are, on the other hand, generally not systematically associated with settlement outcomes, e.g. the local labor market.

Municipal characteristics: Sunk costs, bilateral agreements, party-ideology, and the number of inhabitants

We find that the proportion of *previously settled refugees* is associated with a significant and positive effect on settlement decisions. This indicates that municipalities with an established administrative apparatus and infrastructure are more likely to readily accept refugees. Benefiting from sunk costs and thereby making a profit on the state subsidy, as argued earlier, could have an impact on CME considerations about future municipal burdens and actual settlements. CMEs are

also, in addition to this rational economic explanation, ‘learning agents’ who take into consideration positive experiences of human interaction with other cultures. H5 is supported.

The formalization of the state–local relationship is connected with settlement history. The presence of a formal *bilateral cooperation agreement* between the state and the municipality has an independent and positive effect on settlement decisions. This type of cooperation obviously increases predictability for the state and reduces local agency, as a “committed contract” has been introduced. H6 is supported.

The strength of the political parties in the local council is expected to affect decisions on refugee settlement (H7). The results support this hypothesis. The likelihood of at least one state request being accepted generally decreases when the mayor of the municipality belongs to the Conservative Party or the Progress Party. This indicates that national party cleavages on the immigration issue are also reflected in local politics and has consequences for settlement decisions, supporters of the Progress Party and the Conservative Party being the most skeptical to immigrants (Aardal, 2015). Relatedly, in Sweden right-wing party influence on refugee settlement seems to be restricted to the strength of the Swedish Democrats in local councils (Bolin et al., 2014).

We lastly controlled for *the number of inhabitants in the municipality*. As shown in earlier studies (Steen, 2009; Brandtzæg et al., 2006), population size does not have a positive effect on settlement decisions (in model 2). In model 3, the effect is in fact significant and negative. This may indicate that larger municipalities are slightly less likely to accept state requests, potentially because of greater special integration challenges in the larger towns and cities than in rural areas. Rural to urban area migration may also be reflected in rural and economically disadvantaged municipalities that are threatened by depopulation, CMEs in these areas actively using refugee settlement to achieve population increases and benefits from settlement subsidies.

State request and local accommodation: The importance of goal controversy
The CME must consider whether the number requested by the state is reasonable. State preferences are compared with local potentials, possible goal conflicts through this becoming visible. One indicator of center–local goal controversy is *whether the CME considers the numbers of refugees requested for settlement during the last three years to be appropriate or too high*. Many elements clearly influence a CME’s calculations and final settlement decisions. However and as argued in H8, the CME makes an overall evaluation of how reasonable the state request is in relation to local policies and capacities. As shown in Table 2, the CME’s assessment of goal conflicts has a strong effect on the final settlement decision. If a CME considers the number requested to be too high, the probability of the municipality having previously accepted at least one state request is only 0.32, all other variables being constant. This probability increases to 0.76 when the CME thinks that the number is appropriate. H8 is thus supported.

Discussion and conclusion

In this article, we have examined how state instruments and local agency influence municipal decisions to receive refugees. The outcomes have been analyzed as result of a principal–agent relationship, the structure characterized by goal conflicts and information asymmetry between the central authority and local governments. Agency theory used here also supplements and provides insight into the more recent theoretical ‘local turn’ approach to immigrant integration. This approach emphasizes how diverging policy framing across governing levels instigates local entrepreneurship and shapes diversity in the implementation of immigrant integration (Zapata-Barrero et al., 2017; Myrberg, 2017; Bak Jørgensen, 2012; Scholten, 2008; Caponio and Borkert, 2010).

In Norway, the state cannot force local governments to accept newcomers. It is not easy to measure the direct effects of the main state instruments and local conditions on settlement decisions. We have therefore used the importance of these factors as perceived by the CME, the major local agent and entrepreneur. We have argued that how the CME perceives state instruments and how the CME estimates the effects of local contexts is crucial to how the settlement issue is addressed, framed and ultimately how it influences local council decisions.

Under information asymmetry conditions, the state will try to compensate for the lack of direct regulative instruments by using soft strategies such as processing information and making appeals. Information strategies are widely used. However and as the data shows, the CMEs’ evaluation of the importance of different types of information from the state (request letters, websites, seminars) has a negligible effect on settlement decisions. The same applies to pleas made by cabinet ministers to persuade local governments and to meetings and contact with immigration authorities. Emphasis on cooperation with local state bodies is, furthermore, found to be associated with negative settlement decisions.

The negative effect of the goal conflict between national ambitions and local responses, as revealed in CME views of the appropriateness of state requests, must be accommodated by the state. As Scharpf (1988) has observed from federal and supranational multilevel systems, conflicting interests spur policy instruments such as market oriented economic incentives, the effectiveness of which is not rooted in goal consensus between principal and agents. Compliance and outcomes depend crucially on adequate economic compensation under conditions of dis-consensus and a national ideology of equity among municipalities, as in the Norwegian welfare state. As Poth and Selck (2009) argue, the central–local information gap is not axiomatic. It can be mitigated by using leverage, so reducing the principal’s disadvantage. Manipulating the agent’s incentives and thereby trying “to align the agent’s self-interest with that of the principal” will, according to Miller (2005: 204), make it possible to reduce agency costs and therefore minimize shirking in decentralized structures. This is exactly what happens in Norway. Generous state subsidies, in some cases combined with bilateral cooperation agreements, act to assuage center–local goal conflicts over the numbers of refugees requested.

There must be a basis available for surplus in a principal-agent relationship in which there are conflicts of interest and asymmetric information (Hendrikse, 2003). Such a basis emerges when the state is willing to pay more for settlement than it will cost the local government to implement the request. A common understanding of the actual local costs must also exist. An expert committee with representatives from the state, the municipalities and Statistics Norway has every year since 1990 calculated the settlement costs and the level of state subsidy that will meet local expenses. The relative compensation per refugee increased sharply following the record-high numbers of refugees in 2014–2016. (IMDi, 2015). This illustrates the strengthening of the position of local governments in relation to the state in a situation of crisis. It, however, also illustrates the state's expectations of municipal compliance with national goals through more generous economic transfers. The director of IMDi expressed such hopes for settlement in comments on the government's national budget for 2017: "also this year it [the subsidy] provides strong incentives for local governments ... to increase the number of settlements in the municipalities." An extra sum was therefore granted to manage the peak numbers in spring 2017 (*Dagsavisen*, national daily, October 11th 2016).

In economics, the firm is a profit maximizing entity with a simple owner-manager structure. Not even companies are, however, unified in one person but consist of many parties with diverging interests (Hendrikse, 2003: 98). One may argue that local governments are even less cohesive as they serve both administrative and political functions. In the case of refugee settlement, the CME prepares and advises the municipal council to adopt a specific response to the state request, the council making the final decision by majority vote. A majority of the representatives in the council usually support the proposal. However, who is the local agent? Is it the CME who proposes a number or the politicians in the municipal council who make the final decision? Or is it a symbiosis between administration and politics?

Having a political majority in a council that consists of right-wing (immigration skeptical) parties is, as shown, associated with a negative effect on settlement decisions. This raises the question of whether the CME merely adjusts the administrative proposal to the majority opinion of the council – or whether the proposal from the CME becomes the final authoritative decision irrespective of party strength. We did not find a statistically significant relationship between the dominant party ideology and the CME's assessment of the number requested by the state ($r = 0.0004$). In other words, CMEs in municipalities with a right-wing majority do not systematically view the number requested by the state as too high. This provides support for the image of the CME as a figure who puts forward independent and expert-based proposals to the council without taking into consideration the ideology of the majority. Party politics do, however, have an independent effect on settlement decisions. As the data shows, the effect of the political majority in the council is significant. This may indicate that local agency is not fully unified in the CME and is in line with other observations of the role of CMEs in the refugee settlement process in Norwegian cities. It also sup-

ports the view of the CME as a rational actor who is particularly concerned about how settlement and subsidies affect the municipal economy, party debates and council voting however not being decoupled from national political cleavages on the immigration issue (Steen, 2016). As agency theory predicts, CMEs dominate the central-local ‘contracts’ by framing the settlement issue in economic terms and by having superior information on the actual implementation process.

Ambitious settlement goals challenge universal welfare state financing and the capacities of local government, as illustrated in the national party rhetoric during the refugee crisis in 2015. Under conditions of soft governance and strong local agency, state costs will rise to the point where other welfare sectors are considered to be threatened. If the number of settlements increase and state subsidies are reduced, then the refugee issue can easily be perceived as being ‘who is going to pay the costs of the newcomers,’ local governments being expected to contribute more. A more unified local agency is, with strained budgets, likely to appear among CMEs, anti-immigrant parties and parties on the left side of the political spectrum in the council. The implications for the main ideas underpinning immigrant integration in the Norwegian welfare state, equality and generosity, therefore appear gloomy. When refugees are numerous, when they are seen as costly and as a cultural threat, then a multi-level governance structure with unified local agency may easily instigate a ‘closed logic’ to protect municipal welfare and way of life. However, at the time of writing, the decrease in asylum applications after 2016 has given state and local governments breathing space until the next wave of refugees places local agency under pressure.

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Appendix 1

Table A1: Descriptive statistics

Statistic	N	Mean	St. Dev.	Min	Max
<i>Dependent variable</i>					
Settlement decisions	234	0.56	0.50	0	1
<i>Independent variables: CEO's assessment of state tools</i>					
Appeals from government/minister	230	3.17	0.79	1	5
Information from IMDi (in writing/online)	231	3.02	0.81	1	5
Facts/arguments in IMDi's request letter	232	3.61	0.77	1	5
Participating in seminars/conferences organized by IMDi	229	2.55	0.89	1	5
Meetings with IMDi	230	2.90	0.94	1	5
Meetings/contact with local state bodies	228	3.04	0.89	1	5
Level of state subsidy	227	3.76	0.98	1	5
<i>CEO's assessment of local conditions</i>					
Municipal economy	227	3.19	1.03	1	5
Access to municipal services	227	3.58	0.93	1	5
Available housing	228	4.36	0.86	1	5
Knowledge of party positions in the council	232	3.35	1.01	1	5
Attitudes in the municipal council	227	3.63	1.12	1	5
Local public opinion	228	2.37	0.87	1	5
Number of immigrants in the municipality	227	2.93	1.01	1	5
Local labor market	228	3.10	1.01	1	5
<i>Municipal characteristics</i>					
Mayor Conservative Party/Progress Party	234	0.32	0.47	0	1
Cooperation agreement with the state	234	0.15	0.36	0	1
Settled refugees per 1,000 inhabitants	234	1.76	1.69	0.00	13.20
Log number of inhabitants	234	8.87	1.11	6.34	12.50
<i>CEO's overall assessment</i>					
CEO's assessment of the number requested	227	0.52	0.50	0	1

Appendix 2

Survey questions

Q1 Your municipality regularly receives requests from IMDi regarding settlement of a given amount of refugees. Do you think the numbers requested by IMDi during the last three years have been:

- Too high – 47.1 percent (n=107)
- Appropriate – 52.4 percent (n=119)
- Too low – 0.4 percent (n=1)
- *Sum: 100 percent (n=227)*

Q2.1-2.10 When the municipality accepts the request, how much emphasis would you say is put on each of the aspects mentioned below? Percent.

	Very much	A great deal	Quite a bit	Fairly little	Very little	Sum
Q2.1 Solidarity with other municipalities	5	13.6	30.3	39.8	11.3	100 (n=221)
Q2.2 Humanitarian obligations	30.3	48.2	18.9	2.2	0.4	100 (n=228)
Q2.3 The municipal economy	11.9	26.5	31.9	27.9	1.8	100 (n=226)
Q2.4 Access to municipal services	15.9	40.3	29.6	13.7	0.4	100 (n=226)
Q2.5 Available housing	55.1	30.8	9.3	4.4	0.4	100 (n=227)
Q2.6 The level of the state subsidy	25.2	38.5	25.2	9.7	1.3	100 (n=226)
Q2.7 The number of immigrants in the municipality	7.1	21.2	34.1	32.3	5.3	100 (n=226)
Q2.8 The local public opinion	1.3	9.7	26.4	50.2	12.3	100 (n=227)
Q2.9 The local labor market	9.3	25.6	34.4	27.8	3.1	100 (n=227)
Q2.10 The attitudes in the municipal council	24.8	35	23	12.8	4.4	100 (n=226)

Q8.1-8.9 Below are some questions concerning different sources of information. To what degree are the following types of information important when you as CEO prepare your proposal on how many refugees the municipality is to settle? Percent.

	Very large degree	Large degree	Some degree	Small degree	Not at all	Sum
Q8.1 Written statements and case documents from the municipal administration	40.4	49.1	8.7	1.3	0.4	100 (n=230)
Q8.2 Facts and arguments given in IMDi's request letter	10.8	47	35.8	6	0.4	100 (n=232)
Q8.3 Appeals from the government/cabinet minister	3.5	29.1	51.3	13.5	2.6	100 (n=230)
Q8.4 Information from IMDi (in writing and online)	3.9	20.3	52.8	20.3	2.6	100 (n=231)
Q8.5 Meetings with IMDi	4.8	19.6	44.3	24.8	6.5	100 (n=230)
Q8.6 Participating in seminars and conferences organized by IMDi	1.3	11.8	39.3	36.2	11.4	100 (n=229)
Q8.7 Information and recommendations from the Norwegian Association of Local and Regional Authorities (KS)	0.9	29	45.9	21.6	2.6	100 (n=231)
Q8.8 Meetings and contact with local state bodies (e.g., Husbanken, NAV)	3.9	25.9	44.3	21.9	3.9	100 (n=228)
Q8.9 Knowledge concerning how willing the political parties in the council are to settle refugees (e.g., knowledge from previous decisions and debates in the council and from ongoing dialog)	10.8	38.4	31	15.5	4.3	100 (n=232)

Notes

¹ In practice the request comes from the Norwegian Directorate of Integration and Diversity (IMDi).

² In 2015 the Swedish government decided to combine the established individual self-settlement system with forced allocation of refugees to municipalities who had rejected the state request. For a comparison of enforcement policies in Scandinavia, see Hernes (2017).

³ During the period 2008-2016 a number of master theses supervised by A. Steen, studied implementation of state requests to settle refugees in selected municipalities. These qualitative case studies included in depth interviews with CMEs, confirming their position as vital local agents and supporting the statistical results in this article. The theses can be found on the University of Oslo website 'DUO vitenarkiv':

https://www.duo.uio.no/handle/10852/51/discover?query=steen+bosetting&submit=&rpp=100&sort_by=dc.date.issued_dt&order=DESC

⁴ Although the target group is municipalities that have settled refugees in this time period, they have not necessarily met the state requests: a municipality is coded as not having accepted a request if it settled fewer refugees than requested by the state.

⁵ Only one respondent found the requested numbers "too low," so we merged this response alternative with "appropriate."

⁶ Using logistic regression has several advantages over OLS. It does not assume a linear relationship between the dependent and the independent variables, it does not require normally distributed residuals or homoscedasticity, and predictions will fall within the range of 0 to 1.

⁷ We have also run models where we included the CME's assessment of solidarity with other municipalities as well as humanitarian obligations. Emphasizing these aspects was found to have a negative but not significant effect on settlement decisions.