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Electoral Competition and the New Party Politics of Welfare State Recalibration

Abstract

This paper investigates the impact of electoral competition on parties' willingness to recalibrate public pension programs. We argue that as electoral competition becomes more intense, electoral incentives require parties to emphasize vote maximization more than their traditional policy goals. For left-of-center governments this means targeting progressive socio-cultural professionals over their traditional blue-collar clientele, while right-of-center governments should focus on appeals to culturally-conservative working class voters over their fiscally-conservative core constituency. Using a new data set and a recently published measure of electoral competitiveness, we show that as electoral competition intensifies, left governments are willing to recalibrate social programs by trimming pensions in order to expand programs for 'new social risks,' while right governments avoid making pension cuts despite their fiscal conservative profiles. We also demonstrate that this relationship is moderated by the presence of a credible radical-right challenger, which increases the electoral risk of recalibration.

Introduction

Globalization, de-industrialization, and changing gender roles have challenged welfare states since the late 1970s. Nevertheless, there is little consensus on how we should understand the "new politics" of the welfare state. During the "Golden Age" of the welfare state in the post-war period, left parties generally promoted welfare state expansion, and conservative and liberal parties fought against expansion—with Christian Democratic Parties occupying a middle position, supporting moderate public expansion, but with a focus on "subsidiarity." Following neo-conservative efforts to retrench welfare states in the 1980s, however, we have experienced relatively large shifts in the coalitions that support or attack the welfare state. In general, right-of-center parties have abandoned all-out broad-sides against the welfare state. They now often support the welfare state, and even claim credit for welfare state programs.[1] At the same time, many governments, including left-of-center governments, have introduced welfare state cutbacks, despite the widely-held view that this would amount to electoral suicide.

In order to explain welfare state policy recalibration, we build on a growing literature on the political economy of the welfare state that analyzes the shifting bases of both support for political parties and social policy preferences in terms of large-scale shifts in post-industrial economies.[2] As a number of scholars have argued, the transition to a service economy is linked to three main social structural trends: a decline in the marginal utility of low-skilled or semi-skilled work, and a tendency of these workers to move into less-

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[1] Häusermann, Picot and Geering 2013; Gingrich and Häusermann 2015; Steinmo 2013
[2] Palier and Thelen 2010; Iversen and Soskice 2015; Beramendi et al. 2015a

protected, peripheral sectors; a reduction in the numerical importance of core, high-skilled industrial workers with high levels of protection; an increase in educated, disproportionately-female service workers whose "new social risks" are not always adequately covered by traditional welfare state programs.[3] What's more, overlaying these socio-economic developments, changing individual cultural attitudes have restructured the parameters of party competition. In addition to the traditionally prominent left-right dimension—which is based on the conflict of state-versus-market—a second, post-materialist libertarian-authoritarian dimension of party competition has emerged.[4] Taken together, these developments imply shifts in the electoral-opportunity structures for parties. But these opportunities are also fraught with strategic trade-offs. Educated, middle-class voters in the social service sector—predominantly female—have become a core electoral group for left-of-center parties.[5] However, given finite resources, mainstream left parties face a trade-off between appealing to this potential new constituency by expanding social investment, and maintaining their policy-position as traditional working class parties, committed to the consumption-oriented policies of the traditional welfare state. At the same time, the opening up of the culturally-conservative "second dimension" of party competition has enabled right-of-center parties to compete for the traditional working class vote on cultural issues.[6] This, however, means that these parties have an electoral incentive to be restrained on neo-liberal

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[3] Gingrich and Häusermann 2015; Estevez-Abe, Iversen and Soskice 2001; Häusermann 2010a; Häusermann 2010b; Iversen 2001; Taylor-Gooby 2004

[4] Kitschelt 1994; Inglehart 1997

[5] Kitschelt and Rehm 2014; Kitschelt and Rehm 2015; Häusermann, Picot and Geering 2013; Gingrich and Häusermann 2015

[6] Kitschelt and McGann 1995; Kriesi et al. 2008

cuts to social policies.[7] Thus, similar to the Left parties, Conservative parties face a trade-off between appealing to the potential new constituency versus maintaining their traditional policy position as "small-government," low-tax parties.

While building on these extent analyses, our particular contribution is to focus on the parameters of electoral competition itself. Our argument is that the *intensity of electoral competition* is critical for the behavior of parties when faced with these trade-offs. Electoral competitiveness affects how party leaders weigh the benefits of a vote-maximizing strategy versus a policy-seeking one.[8] Combining this moderating effect of competitiveness with parties' ideological predispositions and their changing electoral constituencies leads to several predictions about different parties' propensity to change welfare policies. At low levels of electoral competition, left parties should be prone to stick to their traditional defense of the welfare state *status quo*. At higher levels of electoral competition, however, left-of-center parties have increasing incentives to focus on vote-seeking. This means appealing to educated, service sector, middle-class voters and, thus, recalibrating welfare policies by privileging social investment at the expense of consumption. Similarly, if electoral competition is low, right-of-center parties will tend to follow their traditional policy-profile, and thus be more likely to retrench welfare state measures in the interest of fiscal consolidation and economic growth. With higher levels of competition, however, right-of-

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[7] Gingrich and Häusermann 2015
[8] Robertson 1976; Strøm 1990

center parties will prioritize their appeal to socially-conservative working class voters, and will find engaging in welfare state cut-backs increasingly risky.

In addition to the *intensity* of electoral competition, we also consider the impact of changes in the dynamics of party competition or what one could term the *directionality* of electoral competition. New entrants, in this case radical right parties, significantly change the trade-offs between vote and policy seeking. For left parties, the presence of a radical-right competitor makes the vote-seeking strategy of recalibration riskier, as blue-collar voters might defect to the right; thus, recalibration should be less attractive. For conservative parties, who already become less prone to recalibration as the intensity of competition increases, the entry of a radical-right challenger should further strengthen this tendency. Thus, as electoral competition becomes more intense, both center-left and center-right parties will reach out to maximize their vote share. However, if a radical right competitor is available, the risk of compensatory electoral losses increases.

In our analysis, we focus on reforms of public pension systems as the most traditional (and expensive) welfare state policy. In a time-series cross-section analysis of 10 OECD countries from 1980 until 2011 we find that electoral competitiveness shows diverging effects depending on the type of party in government. For left governments, the likelihood of pension recalibration increases with the intensity of electoral competition—but only in the absence of a radical-right party. For right-of-center governments, increasing electoral competition decreases the probability of pension recalibration, and if a radical-right competitor is available, this tendency is exacerbated. For left parties, we posit that pension recalibration is necessary to pay for new-social-risk policies, such as day care and active

labor market policies. We probe the assumed mechanism behind our findings and show that with increasing levels of competition left governments do indeed increase the share of spending on day care and labor market activation policies in comparison to public pension spending. For right-of-center governments, we find that lower levels of competition are indeed associated with less pension generosity.

Literature

Much theorizing and empirical research on the politics of the welfare state has been inspired by two related sources: the "politics matters" school, which responded to convergence theory by demonstrating the importance of political partisanship for social policy;[9] and the "democratic class struggle approach" which posited a clear linkage between class mobilization, political parties, and social policy outcomes.[10] On this view, working class voters were mobilized by unions and left parties, whose combined economic and political clout allowed for class compromises that resulted in the establishment and expansion of the welfare state.[11] Differences in class coalitions and the linkages between social groups and parties explained the emergence of different welfare state regimes. Highly-mobilized and unified unions and left parties successfully fought for the social democratic regime;

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[9] Hibbs 1977; Cutright 1965
[10] Castles 1982; Korpi 1983
[11] see also Huber and Stephens 2001

confessionally-split unions and parties were granted the conservative regime; the most fragmented and weak unions and left parties failed to achieve more than the liberal regime.[12]

While some scholars defend the relevance of this "traditional" view of partisanship for welfare state retrenchment,[13] a growing body of contemporary research has increasingly come to question its assumptions. First, the "new politics" of the welfare state literature argues that the politics of welfare state change in the period of retrenchment and austerity differ fundamentally from those of the expansion period.[14] Since the existence of the welfare state itself creates and reinforces multiple support groups, changes of the welfare state in the era of "permanent austerity" have mainly become an exercise in "blame avoidance."[15] Political parties should thus matter less for explaining differences in the retrenchment than in the expansion phase of the welfare state. Empirical research on this topic, however, demonstrates that welfare retrenchment should not necessarily be considered as an act of "touching the third rail"—as is commonly assumed.[16]

In contrast to the "new politics" literature, a second strand of literature, which can be referred to as the "new partisanship" or "constrained partisanship" literature continues to emphasize the role of political parties for welfare state developments.[17] However, within these approaches, political parties do not statically represent class cleavages. First, these scholars argue that party behavior can only be meaningfully analyzed in the light of the

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[12] Esping-Andersen 1990; van Kersbergen 1995
[13] Korpi and Palme 2003; Allan and Scruggs 2004
[14] Pierson 1994; Pierson 1996
[15] Weaver 1986; Pierson and Weaver 1993
[16] Giger 2011
[17] Beramendi et al. 2015b; Gingrich 2011; Häusermann, Picot and Geering 2013

structural changes of post-industrial societies. As a broader group has pointed out, post-industrial economies display dualistic tendencies, with jobs for core industrial workers in decline, and jobs in peripheral sectors and in public services increasing, the proportions of which vary amongst liberal versus coordinated economies, and also depend upon the type welfare state regime.[18] As these groups have different social policy preferences, parties have incentives to update their policy profiles, but face considerable trade-offs. High-skilled core workers—often referred to as "insiders"—are interested in protecting their generous benefits and employment protection to defend the return on their skill-formation. "Outsiders" on the other hand are less interested in standard benefits, but need minimum benefits, unemployment benefits, and active labor market policies, including training programs.[19] As Gingrich and Häusermann point out, amongst the outsiders, we find both educated, middle-class service sector workers and unskilled workers, and that there is a gender aspect to this, as many of the high-skilled outsiders are women in the social services, especially prevalent in the Social Democratic welfare state regimes, and least numerous in Conservative welfare state regimes.[20] Thus, party policies should be changing in response to these changing and differentiated demands for social protection.[21]

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[18] Hall and Thelen 2009; Palier and Thelen 2010; Iversen and Soskice 2015; Oesch 2015

[19] Gingrich and Ansell 2015; King and Rueda 2008; Lindvall and Rueda 2014; Rueda 2005

[20] Gingrich and Häusermann 2015; Palier and Thelen 2010; see also discussion in Martin and Thelen 2007

[21] It should be pointed out that there are differences amongst the predictions of these accounts. Rueda and Lindvall (2013) argue that insiders seek lower taxes and higher daycare, while Gingrich and Häuserman (2015) see female service sector workers as high-skilled outsiders seeking daycare and activation policies. Further, Gingrich and Häusermann distinguish between left and right government's activation measures, as left governments include compensatory social protection for low-skilled, low-income workers. Iversen and Soskice (2015) posit that insiders seek employment protection, outsiders redistribution and ALMP. In addition, they pay more attention to Martin and Thelen's (2007) and Thelen and Palier's (2010) insight that women in conservative welfare states in CME's have mixed motives, as many are advantaged by traditional male

Changes in occupational structure are the first step in this analysis, but in order to understand party positions on welfare state change, one must also consider strategic interactions amongst parties, stemming from their competition for votes and office.[22] Occupational change affects not only the material considerations of voters, but also their "post-materialist" or cultural outlook.[23] Consequently, a complete analysis of these changes in post-industrial social preferences must also consider a second major trend, namely the politicization of second dimension policies (such as immigration, European integration, and morality politics). In combination, these social-structural and political-cultural changes have effected a fundamental shift of the European political space that creates new incentives for vote-seeking political parties.[24] As the second dimension becomes politicized, center-right and radical-right parties can more easily appeal to the culturally conservative traditional working class. Similarly, with the rise of culturally-liberal service professionals, left parties can increasingly depend upon this group for support.[25] Changing voter demands are not just relevant for policy shifts amongst established parties, but they also create incentives for new entrants, whose policy strategies should presumably take advantage of the particular situation of niche parties.[26] Thus, two-dimensional party competition responds to changing political demands, and has implications for party positions vis-à-vis welfare state policies. Left parties

breadwinner social policies, such as high family allowances and family social insurance coverage. Rehm 2011 focuses on the distribution of social risk as being the key variable determining social policy preferences.

[22] Green-Pedersen 2001; Kitschelt 2001; Schumacher 2014

[23] Kitschelt 1994

[24] Kitschelt and McGann 1995; Kriesi et al. 2008; Kitschelt and Rehm 2015

[25] Häusermann, Picot and Geering 2013; Gingrich and Häusermann 2015

[26] Meguid 2008

are increasingly reliant on socially-progressive voters, while conservative parties increasingly appeal to the traditional working class.

Electoral competition and welfare recalibration

Given these shifts in social structure and party competition, we argue that both left and right parties face a fundamental trade-off between their vote-seeking and their policy-seeking incentives, one that crucially depends upon the degree of electoral competition. When electoral competition is high, parties should follow their vote-seeking incentives and pursue a strategy of vote maximization by reaching out beyond their core constituency; in cases of low competitiveness, however, their policy-seeking strategies should dominate and they will follow their traditional ideological profile and the preferences of their rank-and-file members.[27] Although a number of scholars have begun to analyze the role of electoral systems in accounting for the social policy profiles of governments,[28] we focus instead on the changing intensity of electoral competition over time. We build on existing work investigating how electoral vulnerability and electoral risk affect policy change.[29] In contrast to these studies however, we integrate arguments about intensity and type of electoral competition. [30]

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[27] Robertson 1976; Strøm 1990

[28] Iversen and Soskice 2006; Iversen and Soskice 2015

[29] Hübscher and Sattler 2017; Immergut and Abou-Chadi 2014

[30] Hicks and Swank 1992 have also investigated the role of electoral competition on welfare state generosity, but rely solely on a measure of the distribution of votes amongst parties. While this allows for inter-temporal comparison (in contrast to measures of the type of electoral system), it does not consider the probability of being ousted from office, nor measure this at the electoral district level, as does our measure.

Left-of-center parties have traditional ties to unionized workers in core economic sectors. However, as outlined before, the structural transformation of post-industrial societies means that left-of-center parties need to appeal to social progressives and non-core workers in order to be electorally successful. Consequently, as a vote-maximizing strategy, left governments should prioritize social investment, such as better coverage of new social risks through day care and active labor market programs over defense of traditional social consumption, such as the generosity of contributory pensions.[31] There are two reasons why appealing to these new groups should be electorally beneficial and does not simply result in a trade-off between old and new voters. First, the fact that vote choice is not fully a function of parties' policy positions but also dependent on party identification and political socialization gives parties some leeway to strategically position themselves without necessarily alienating their core constituency.[32] Hence, incorporating new social risks and demonstrating a commitment to the demand of educated, female, middle-class voters should not necessarily decrease working class support. Second, activists and core supporters themselves can be willing to accept the strategic movement of parties even if it deviates from their policy believes to a certain degree.[33] Hence, under conditions of increasing levels of electoral competition, we should expect left-of-center parties to be more likely to restructure systems of social security when electoral competition is high. Hypothesis 1 thus states:

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[31] see also Tavits 2007
[32] Adams, Merrill and Grofman 2005
[33] Karreth, Polk and Allen 2013; Keman 2011

H1 With increasing levels of competitiveness left governments become more likely to recalibrate systems of social security.

The impact of increasing electoral competition on conservative governments, on the other hand, should be different. Their ideological profile and traditional voter base prescribe small-state and fiscally-conservative policies. Under conditions of low electoral competition these parties should therefore aim to reduce welfare state generosity. However, as electoral competition increases, conservative parties should reach out to traditional working class voters, their newer constituency. Consequently, they should avoid 'neo-liberal' cuts on traditional social consumption.[34] Furthermore, de-polarizing the welfare issue can be seen as a beneficial electoral strategy for right-of-center parties as it will reduce class voting,[35] and thus allows them to compete with Social Democratic parties on their "home turf".[36] Hence, we can formulate a second hypothesis:

H2 With increasing levels of competitiveness, right governments become less likely to recalibrate systems of social security.

One additional factor that should influence the relationship between electoral competition, partisan ideology, and welfare state recalibration is the presence of a credible radical right challenger. Radical right parties have become established contenders for the working class vote in a large share of industrialized democracies. While there is an ongoing debate about whether the economic policy positions of radical right parties can be adequately described as

[34] see also Ross 2000
[35] Evans and Tilley 2012
[36] Arndt 2014

neo-liberal, more centrist or welfare chauvinist,[37] radical right parties mostly appeal to the losers of globalization through their authoritarian and anti-immigrant positions.[38] They, thus, compete with center-left and center-right parties alike. If a radical right party can credibly compete for the working class vote, then losing those voters as a result of welfare state recalibration becomes much more risky for government parties. This means that the effect of the degree of electoral competition will depend on the existence of a credible radical right challenger. We expect to see that the increasing propensity of left parties reducing the generosity of traditional welfare schemes with higher level of competition is more pronounced when there is no radical right challenger. Similarly, center-right parties with increasing competitiveness will become less likely to reduce welfare generosity in the presence of a radical right challenger. Summarized as Hypothesis 3a and 3b:

 H3a The positive effect of competitiveness on left parties' likelihood to recalibrate systems of social security will be stronger if there is no radical right challenger.

H3b The negative effect of competitiveness on right parties' likelihood to recalibrate systems of social security will be stronger if there is a radical right challenger.

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[37] Kitschelt and McGann 1995; de Lange, Sarah L. 2007
[38] Kriesi et al. 2008

Data, Operationalization and Method

We test these hypotheses for the area of pension politics. Pension politics is the largest area of social spending and it is one that pits "new social risk" interests against traditional welfare state interests; that is, social investment versus social consumption. Public pension programs are generally defined as the 'first pillar' of pension provision, and they consist of three tiers: the first tier, comprising a universal basic pension; the second tier, which adds an earnings-related component, and can be seen as an approximation of an occupational pension; and (in some countries) a newer, third tier, which adds an individual accounts element as an approximation of a private pension. In many countries, the basic and earnings-related pensions have been fused into a unified contributory scheme, leaving a means-tested social safety net comprised either of a minimum pension, pension supplement or public social assistance for those that do not qualify for an earnings-related pension.[39] Indeed, it is the key policy recommendation of the World Bank's seminal publication, "Averting the Old-Age Crisis," that governments trim back public pensions to a minimum level of poverty protection, leaving income maintenance in old-age to the second and third pillars, that is, occupational and private pension schemes.[40]

Such initiatives affect traditional working-class male breadwinners quite differently than labor market outsiders. A high replacement rate based on 45 years of continuous

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[39] Our data set includes one country with a non-contributory public pension (the Netherlands). All others have either a purely contributory public pension—which means that benefits will be related to earnings (Austria, Finland, Germany, Spain, Sweden)—or a combination of flat-rate plus contributory/earnings related (Canada, Denmark, Norway, UK). In our validity check of our dependent variable, we include examples from all types of systems (Austria, Denmark, Finland, Germany, Netherlands, Spain, Sweden, UK).

[40] Immergut, Anderson and Schulze 2007, 21–23

employment is important to traditional core industrial workers, but less so to low-income earners, who are likely to be dependent on the minimum pension and pension supplements, and on employment programs, such as active labor market policies. Similarly, service sector women can benefit from contributory pensions, but rarely achieve the earnings record necessary for the full standard benefit. Consequently, improvements in day care, and methods of re-adjusting the accumulation of pension entitlements so as to credit family roles and to forgive interruptions and career changes, should be more important to this constituency than all-out defense of the standard pension. We argue that, under some conditions, when faced with demographic and fiscal pressures to reign in pension expenditures, governments will take the opportunity to recalibrate their systems, redirecting some resources from the standard pension to new social risks. As Häusermann has argued, these "modernizing compromises" are typical of contemporary pension politics.[41]

In order to test our hypotheses, we have compiled a novel data set combining data on pension generosity with macro-economic indicators, political institutions, and a new measure of the degree of electoral competition. It includes country-year information for 10 OECD countries from 1980 until 2011.[42]

In this analysis, we rely on three dependent variables: a measure of change in pension rights; a measure of social policy recalibration; and a measure of standardized pension

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[41] Häusermann 2010a; Häusermann 2010b

[42] The countries are: Austria, Canada, Denmark, Finland, Germany, Netherlands, Norway, Spain, Sweden, UK. The availability of the measure of electoral competitiveness that we use in our analyses is what limits us to these countries.

expenditure. The first of these, *pension rights change*, is based on the public pension generosity measure from the Comparative Welfare Entitlements data set.[43] The purpose of this data set is to measure the generosity of pension rights, and it has been used in a large number of studies to test the impact of political variables on welfare state generosity.[44] The indicator for pension generosity (PGEN) is comprised of the pension take-up rate (proportion of persons over the standard retirement age that receive a pension) multiplied by the sum of 4 standardized items and a constant. The four components comprise: the standard pension replacement rate (the pension benefit as a percentage of the average production wage for a worker that earned 100% of the average production wage for the full qualification period), the "social pension" replacement rate (percentage of wage of average production worker received by a person with no pension contributions whatsoever), expected pension duration in years (based on the different between the standard retirement age and life-expectancy), years of qualification for the standard pension, and the ratio of employee to employer funding. As Scruggs points out, "[o]ur pension scores are based on the structure of benefits for a new retiree in the specified year, and not spending levels, so [pension generosity] reflects more than simply aging population structures."[45] We construct a binary indicator for

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[43] Scruggs, Jahn and Kuitto 2014; Scruggs 2014

[44] Scruggs 2014 mentions that there are more than 100 studies that rely on the CWED data set. Particularly notable are Scruggs, Lyle, and James P. Allan. 2006. Welfare-state decommodification in 18 OECD countries: A replication and revision. Journal of European Social Policy 16 (1):55–72; Allan, James P., and Lyle Scruggs. 2004. Political Partisanship and Welfare State Reform in Advanced Industrial Societies. American Journal of Political Science 48 (3):496–512

[45] Scruggs focuses on three long-term trends that affect pension generosity. First the maturation of pension systems caused an increase in pension generosity in the 1970s and 1980s; second, if life expectancy increases faster than retirement ages are raised, pension duration will increase, as has been the case since the late 1990s; third, some pension reforms have long-term effects, as reductions in accrual rates or gradual introduction of raised retirement ages or stricter benefit formulas will continue to accumulate over time. Even if demographic factors play in to these factors, it remains a political decision to introduce a pension system that will mature,

pension reform that takes the value of 1 if in a year public pension generosity was reduced and 0 otherwise.[46] In order to check whether pension reforms actually result in decreases in the pension generosity index, we rely on the *Handbook of West European Pension Politics*.[47] And indeed, aside from Austria, we only find 5 cases where a pension reform listed in the *Handbook* did not lead to a decrease in the same or in the following year.[48] In the Appendix, we give a detailed account of how pension reforms in Germany and Sweden as well as a number of other pension systems translated into changes in the pension generosity index. Here we should note that in addition to observing drops in pension generosity subsequent to reforms, we also observe a substantial amount of smaller changes in pension generosity that do not correspond with a larger reform in the pension handbook. One major source of these changes is policy drift, caused by "non-decisions" not to improve benefits as the value of pension benefits decline owing to a variety of factors (see also discussion in Appendix).[49] In order to assure that our findings are not driven by these smaller changes we re-run our main analysis with a dependent variable that only takes on the value of 1 if there is a large shift in

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not to raise retirement ages as life expectancy increases, or to introduce an accrual formula or demographic factors whose impact will increase over time, or, conversely, not to react when these effects become apparent. (Scruggs 2014: 10-11).

[46] Since this coding leads to a reference category that includes country-years with no reform as well as those with increases in pension generosity, we additionally run models that distinguish between these three potential outcomes. All our findings are robust against using a multinomial model that takes this into account.

[47] Immergut, Anderson and Schulze 2007

[48] Austrian pension reforms have focused mainly on changing the rules for early retirement either increasing the penalties for early retirement (*malus*) or the incentives for later retirement (*bonus*) or both. But as early retirement is not considered in the CWED data, it does not show up in PGEN. All the results presented here are robust against excluding Austria or any single country at a time.

[49] Hacker 2004

the pension generosity index.[50] The results of these additional analyses can be found in Figure A2 and A3 in the Appendix.

We use two additional dependent variables in our analysis based on social spending data. This allows us to demonstrate that our findings are not based on idiosyncrasies of the pension generosity data. In addition, they allow us to probe the assumed mechanisms underlying our hypotheses. First, we use a newly constructed *recalibration index* as our dependent variable, which consists of the sum of public spending on day care and active labor market policies divided by public spending on old-age benefits. All indicators are taken from the Comparative Welfare States data base.[51] Higher values on this index thus indicate more investment oriented spending that is targeted towards new social risk groups relative to traditional consumption oriented old-age spending. Second, we use a measure of *pension generosity* based on spending data. More precisely we use public and mandatory private expenditure on old-age benefits, as a percentage of GDP divided by the size of the population over 65. By standardizing pension expenditures by the population over 65, we create a quasi per capita measure for the elderly that captures generosity largely independent of the number of recipients and thus of demographic trends. As the traditional conservative party profile is defined by fiscal prudence, we expect that conservative parties restrain pension expenditures unless electoral competition increases.[52]

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[50] More precisely a large shift is a reduction in pension generosity that is bigger than 0.2 which is the upper quartile of the changes occurring.

[51] Brady, Huber and Stephens 2014

[52] Some conservative parties, such as the German Christian Democratic Party (which is classified as Right, Christian) were instrumental in building up the welfare state. Nevertheless, they are fiscally conservative,

Three main independent variables of interest are necessary to test our hypotheses: (1) government ideology, (2) electoral competitiveness and (3) radical right party presence. We define a *left government* as a government that does not include a conservative or radical-right party; a *right government* is a government without a left party. This coding of government ideology differs from other studies which calculate some variant of a weighted average of government parties' policy positions.[53] In contrast to this operationalization, in this paper we follow a veto player logic of policy making.[54] It makes a significant difference if a government contains either exclusively left parties or right-of-center parties—or, if it includes a party from across the aisle. For, if this is indeed the case, a veto player from the opposing camp can veto government policy proposals. Therefore, we define a left government not by its degree of "leftness," but by the absence of a conservative partisan veto player, i.e. a center-right or radical-right party in government that has the potential to block legislation. Similarly a right government is defined by the absence of a left-of-center veto player.[55] Figure A1 in the Appendix shows that all three types of governments on average lead to the same amount of reduction in pension generosity. These findings are a first indication that neither partisanship nor blame avoidance coalitions alone can account for the dynamics of pension politics in post-industrial societies.

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concerned with payroll taxes, and subject to the same trade-off between business and conservative working class constituents, as a classical conservative party, such as the British Tories.

[53] Allan and Scruggs 2004; Huber and Stephens 2001

[54] Tsebelis 2002

[55] Our coding of parties follows the Comparative Welfare States Data Set. Following from this operationalization most Christian Democratic parties in our sample are coded as "right" while some are centrist. We come back to this point in the conclusion, presenting the scope for further research on these issues.

In order to investigate the effect of *electoral competitiveness*, we employ a novel measure proposed by Abou-Chadi and Orlowski (2016). This measure is based on the conception that parties' office gains and their possibilities to influence policy in multi-party systems are dependent on their bargaining position in the legislature.[56] Degrees of electoral competition should, thus, be understood as the relationship between changes in votes and changes in the legislative party position. In order to capture this, the measure consists of two components. First, it estimates how insulated parties are against vote shifts; that is how many votes a party has to win or lose until changes of its position in the legislative party system occur. In the hypothetical case of a pure two-party system with an electoral system that is a hundred per cent proportional a party's insulation is represented by its margin of victory at the previous election. In the real world of multi-party competition and non-proportional electoral systems, measuring insulation becomes of course a lot more complex. Orlowski derives a measure for insulation that takes into account the electoral system, geographical distributions of party competition and which parties are more likely to attract voters from one another.[57] Linking a party's seat share to its own and every other party's vote share, it is possible to calculate how many votes a party needs to win or has to lose until its bargaining position changes. Secondly, the measure includes estimates of the likelihood of these vote shifts based on individual-level analyses of vote choices. Following Converse's idea of a "normal vote" this method predicts future election results based on the number of party

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[56] see also Laver and Benoit 2015
[57] Orlowski 2014

identifiers and the effect of party identification on vote choices.[58] The resulting composite measure of electoral competitiveness ranges from 0 to 1 for every party. It represents the probability of a vote shift occurring that is big enough to surpass the insulation boundaries for a given party. For our analyses we use the competitiveness value of the party that leads the government. In order to evaluate our hypotheses, we estimate two models, one where we interact the measure of left government with the measure of competitiveness and one where we do the same for the right government dummy.

In order to test how the effect of competitiveness on pension reforms depends on the presence of a radical right party, we add a binary indicator for the representation of a *radical right party* in parliament. If radical right parties make it into parliament this signals to other parties that they are a credible challenger that has proven the necessary capacity for a minimum amount of electoral success. [59]

We add a number of control variables that have been shown to affect welfare state efforts and that are possibly correlated with our main variables of interest.[60] First we include a measure of institutional veto points. Veto points have been shown to impede the development of social security systems in the expansion phase of the welfare state, but results for the "silver age" of the welfare state are more mixed.[61] Especially in the area of pension politics, several scholars show that veto points do not necessarily impede change but may

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[58] Converse 1966
[59] Our coding of radical right parties follows Mudde 2007
[60] All our main findings hold for models that do not include any of these control variables.
[61] Swank 2002; Allan and Scruggs 2004

even be conducive for it as they allow blame sharing.[62] In contrast to existing studies that often rely on additive indices of veto points that are time-invariant, more in line with the original theory, we use a dynamic definition of veto points. We code an *open veto point* as 1 for a country-year where government parties do not have a majority in the first or second chamber of parliament (if the second chamber has de jure veto power) or if a president with veto power of another party is in office. Second, we include a number of macro-economic and demographic indicators that have been shown to affect welfare state developments. All of them have been collected for the Comparative Welfare States data base.[63] We control for the share of the population *over 65*, the harmonized *unemployment* rate and *GDP per capita* (logged) as domestic factors that affect welfare state efforts. We also include a dummy variable for the years of the global economic and financial *crisis* starting in 2008. Several scholars argue that globalization and regional integration affect national systems of social security.[64] Hence, we include controls for *trade openness* and *EU membership*. Third, following power resource approaches (next to our variables for government ideology) we control for *union density, female labor force* participation and the type of *welfare state regime*. In the following analyses, all independent variables are lagged by one year. As we argued that pension reforms can also lead to reductions in generosity in the same year, we re-run our main analyses without lagging our independent variables. None of our main findings

[62] Pierson and Weaver 1993; Bonoli 2001; Schludi 2005
[63] Brady, Huber and Stephens 2014
[64] Brady, Beckfield and Seeleib-Kaiser 2005

are affected by this alternative specification. The according results as well as summary statistics for all independent variables can be found in Figure A4 and A5 in the Appendix.

Since our main dependent variable is a binary indicator within a time-series cross-section set up we follow Beck, Katz and Tucker and estimate a complementary loglog (cloglog) model and correct for serial dependence by including a spell counter (for the years leading up to a reform) and three natural cubic splines.[65] In addition to this, the standard errors are clustered by countries. We also estimated the models using several variations of this approach including a logit link instead of a cloglog link; spell dummies instead of splines and the cubic polynomial splines suggested by Carter and Signorino (2010). All main findings are robust against these alternative specifications.

Results

Table 1 presents the findings for our two main models.

[Insert Table 1 – Determinants of Pension Reform here]

Model 1 includes the dummy variable for left government and its interaction with electoral competitiveness. While most independent variables show a sign in the predicted direction, only some of them reach statistical significance at a conventional level. With an increasing size of the population over 65 and thus increasing pressure for governments to recalibrate their systems of social security, we do find indeed an increased likelihood of

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[65] Beck, Katz and Tucker 1998

pension reform. In line with the power resources approach we find that liberal welfare regimes show a higher likelihood of reduction in public pension generosity. Female labor force participation, in contrast, significantly reduces this likelihood. We also find a significant positive effect of trade openness, indicating that globalization rather leads to a decrease in welfare benefits, thus, supporting the competition rather than the compensation hypothesis. The main point of interest for us in Model 1 lies of course in the effect of electoral competitiveness and its interaction with government ideology. While we do find significant effects for the interaction as well as the constitutive terms, in a non-linear model they do not provide us with a lot of information to evaluate the relationship under investigation.[66] Hence, for interpretation, we turn to the predicted probabilities derived from this model.

[Insert Figure 1 – Predicted probabilities of reform for left governments here]

Figure 1 shows how the predicted probabilities for left governments to pass pension reforms change with electoral competitiveness.[67] We can see that with increasing intensity of electoral competition left governments become, indeed, substantially more likely to reduce public pension generosity. For a competitiveness value of 0.1 the predicted probability for a left government to pass a pension reform lies at about 0.18, while for a high degree of competitiveness it is about 0.42 and thus more than twice as high. The average marginal

effect of a change in electoral competitiveness from 0 to 1 amounts to a change in the predicted probability of pension reform of 0.3.[68] Hence, we find empirical support for hypothesis 1. With increasing levels of electoral competition left governments become more likely to recalibrate pension systems and reduce the generosity of public pension schemes.

Model 2 evaluates the effect of electoral competitiveness for right governments, i.e. governments that do not include a left party. Figure 2 shows the predicted probabilities for a right government passing a pension reform based on this model.

[Insert Figure 2 – Predicted probabilities of reform for right governments here]

For right governments we find that increasing levels of competitiveness substantially reduce the likelihood of a pension reform. For a competitiveness value of 0.1 the predicted probability for a right government to reduce public pension generosity lies at about 0.46 while for a value of 0.9 it is reduced to about 0.25. The average marginal effect for a change in competitiveness from 0 to 1 is a change in the predicted probability of reform of -0.27. We can thus confirm hypothesis 2. With increasing levels of competitiveness right governments become less likely to pass pension reforms.

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[68] For governments that include a right-of-center party we find the opposite with an average marginal effect of -0.41. The difference between the two coefficients is highly significant.

We additionally investigate how the presence of a radical right challenger affects the interaction of government ideology with electoral competitiveness. A successful radical right party will make welfare state recalibration a much more risky electoral strategy for left-of-center parties. While they should still be able to attract educated middle-class voters with this strategy, the likelihood of losing the working class vote increases dramatically in the presence of a credible radical right challenger. The following figure shows results that support this expectation. The regression table for this analysis can be found in the Appendix.

[Insert Figure 3 – Predicted probabilities of reform for left governments conditional on RRP presence here]

We can see the predicted probability of a left government reducing public pension generosity conditional on the degree of electoral competition. The left panel shows the effect with no radical right party represented in parliament, the right panel if there is at least one. We can see that the positive effect that we reported in the previous analysis is a lot more pronounced if there is no credible radical right challenger. On the other hand, if there is a radical right party in parliament we do not find this effect – it is even slightly negative although far from being significant.

For right-of-center governments we should expect that the presence of a credible radical right challenger increases the negative effect that competitiveness has on the likelihood of a reduction in pension generosity. Again, with an additional competitor for the

working class vote, reducing traditional welfare benefits becomes a lot more risky. Moreover, the politicization of second dimension politics that goes along with a successful radical right party can be beneficial for mainstream right parties in their competition with the mainstream left.[69] They, thus, do not have an interest in putting welfare state policies more prominently onto the agenda by passing pension reforms. Figure 4 again empirically supports this intuition.

[Insert Figure 4 – Predicted probabilities of reform for right governments conditional on RRP presence here]

We can see that in both panels competitiveness has a negative effect on the likelihood of a right-of-center government reducing public pension generosity. This effect, however, is a lot more pronounced when a radical right party is represented in parliament. In cases where mainstream right parties expect elections to be very competitive and are facing a radical right challenger their likelihood of reducing public pension generosity becomes minimal.

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[69] Abou-Chadi 2016; Bale 2003

Probing the Mechanism

In the following section we present analyses for two additional dependent variables in order to probe the mechanism assumed in our line of argumentation. As outlined earlier we use a recalibration index that measures public spending on day care and active labor market policies in relation to spending on old age benefits as well as a measure of pension generosity as quasi per capita old age spending. Since these new dependent variables are continuous, our strategy to deal with the time-series cross-section nature of the data differs from the previous models. We include a lagged dependent variable to model a first-order autoregressive process, country fixed effects to control for country specific heterogeneity and we estimate the model using OLS with panel corrected standard errors.[70] In what follows, we present graphs with the marginal effects for our relationship of interest. The regression table with the full results can be found in the Appendix.

Since our theorized effect for the interaction of left government with electoral competitiveness implies that Social democratic parties reduce traditional welfare benefits partly in order to recalibrate the welfare state towards other types of needs, we test our interaction of left government with the degree of electoral competition using the recalibration index as a dependent variable. The marginal effects in Figure 5 represent this relationship.

[Insert Figure 5 – Marginal Effect of Competitiveness on Welfare Recalibration here]

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[70] Beck and Katz 1995

Figure 5 shows the marginal effect of competitiveness (with a 95% confidence interval) on our recalibration index for left and non-left governments. We can see a significant positive effect for left governments. With increasing levels of electoral competitiveness left governments spend more on day care and active labor market policies versus old age benefits. This is in line with our expectation that when left-of-center parties expect elections to be more competitive they increasingly appeal to high-skilled, female, middle-class voter and follow less their traditional working class ideology that is related to the traditional welfare state in the form of generous, earnings-related pensions.

As a second analysis we use spending on old age benefits divided by the population over 65 in order to test if higher competitiveness for right governments is indeed associated with higher pension generosity.

[Insert Figure 6 – Marginal Effect of Competitiveness on Pension Generosity here]

Figure 6 shows the marginal effect of competitiveness on pension generosity for right and non-right governments. Again, in line with our argumentation we find that competitiveness has a positive effect on generosity for center-right governments. With increasing competitiveness these parties refrain from reducing pension generosity.

Conclusion

Welfare states in an age of austerity can only be sustained by continual recalibration in light of changing demographic and economic conditions, and the diversified social policy preferences of changing constituencies. In this article, we contribute to the new partisanship view on the politics of the welfare state. We can show that left and right parties have, indeed, departed from their traditional policy-positions on social policies, and that these departures can be explained by the changing electoral constituencies for these parties, as analyzed in the new partisanship literature. This departure, however, depends on the degree of electoral competition that these parties are facing. Left parties in government become more likely to cut public pension benefits and to recalibrate social policy in order to favor social investment when electoral competition increases. The opposite is true for right-of-center parties.

By emphasizing the role of electoral competition, we contribute to the debate about the role of context in understanding the policy-responsiveness of political parties. In contrast to approaches that focus on the electoral system *per se*, however, we show that the intensity of electoral competition—which depends upon an interaction amongst electoral rules, voter results, and party strategies—varies over time within a given electoral system, and that it has an independent effect on parties' policy choices. Further, in line with recent research about party strategies, we show that the reaction of parties to electoral competition depends upon their ideological placement and strategic positioning, particularly with regard to right-wing challengers.

Further research on a broader array of policies, as well as analysis of vote gains and losses between elections, would contribute to more a precise analysis of the dynamics of

party positioning. Furthermore, we have not considered all possible constituent changes or types of parties. Thus, a more fine-grained analysis of party types and their constituencies should be fruitful for future research. In particular, distinctions amongst different types of outsiders, their skill-levels, their preferences and party allegiances, as well as more consideration of the role of Christian democratic parties, left parties and Green parties would enrichen the analysis. Here, we do show, however, that governments' policy output is influenced by their competitive situation in the preceding election, and that government's policy priorities vary based on the impact of potential voter losses on its legislative bargaining position. Consequently, governments interpret their electoral mandate based on their competitive situation, and are thus differentially accountable to particular sub-sets of their constituents. In this way, institutions do indeed constitute a "mobilization of bias" but one that is produced by interactions amongst institutions and strategic political behavior of self-reflective actors.

Table 1 – Determinants of Pension Rights Change

|	(1)	(2)
Left Government	-1.787** (0.567)	
Right Government		0.840 (0.572)
Competitiveness	-1.776** (0.513)	0.332 (0.552)
Left X Comp	3.142** (1.056)	
Right X Comp		-1.404 (0.911)
Radical Right	-0.152 (0.150)	-0.188 (0.200)
Open Veto Point	0.418 (0.433)	0.354 (0.466)
Female labor force	-9.096** (2.499)	-5.729* (2.528)
Union Density	0.017 (0.014)	0.009 (0.014)
Over 65	28.040*** (5.619)	21.518** (6.229)
Unemployment	0.091 (0.053)	0.091 (0.056)
Trade Openness	0.025* (0.011)	0.027* (0.012)
GDP per capita	0.360	-0.329

	(0.682)	(0.746)
EU	-0.572[*]	-0.460
	(0.273)	(0.315)
Crisis	-0.729	-0.824
	(0.639)	(0.606)
Liberal WS Regime (Ref. Cons)	0.850[*]	0.876[*]
	(0.421)	(0.445)
Soc. Dem. WS Regime (Ref. Cons)	0.401	0.763
	(0.951)	(0.991)
Constant	-7.618	-2.001
	(5.416)	(5.848)
Observations	253	253

Cloglog models for pension reform. Clustered standard errors in parentheses
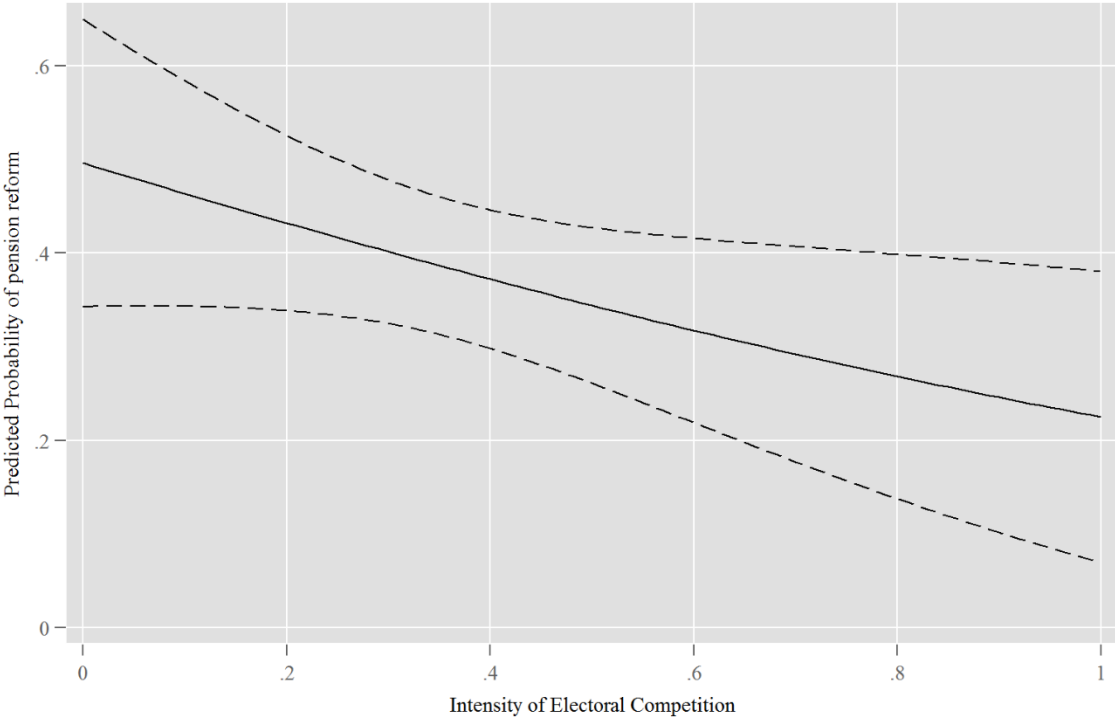All models include a spell-counter and three cubic splines
[*] $p < 0.05$, [**] $p < 0.01$

Figure 1 – Predicted probabilities of pension rights change for left governments
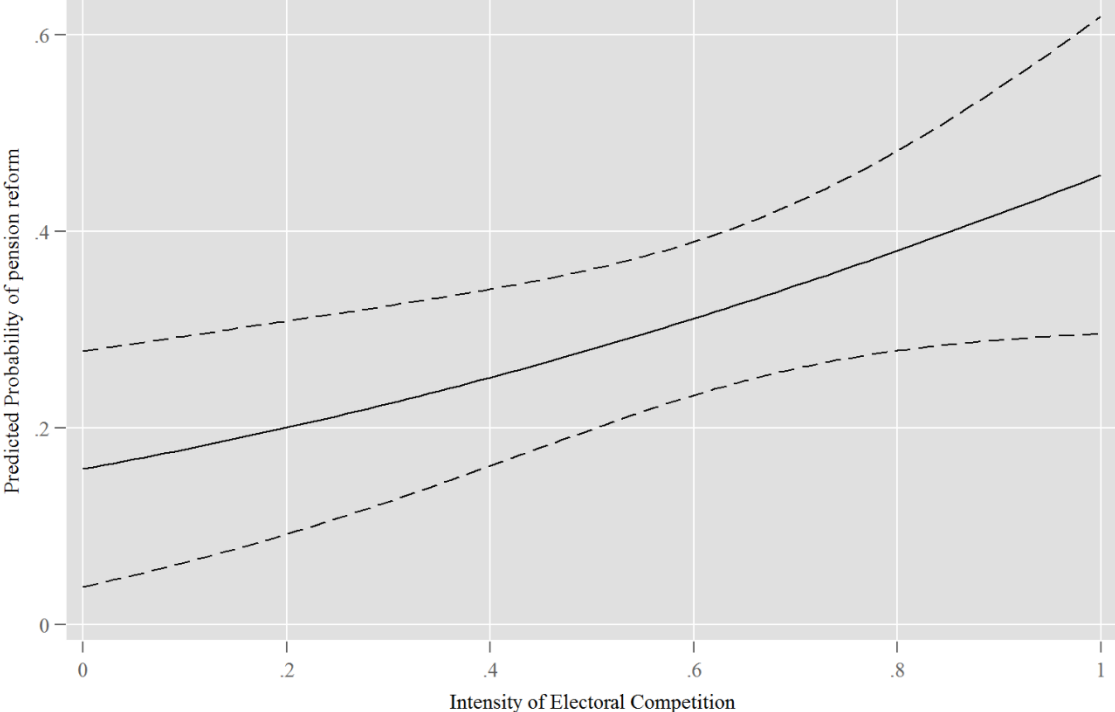
Predicted probability of pension reform. Dashed lines indicate 95% confidence intervals.

Figure 2 – Predicted probabilities of pension rights change for right governments
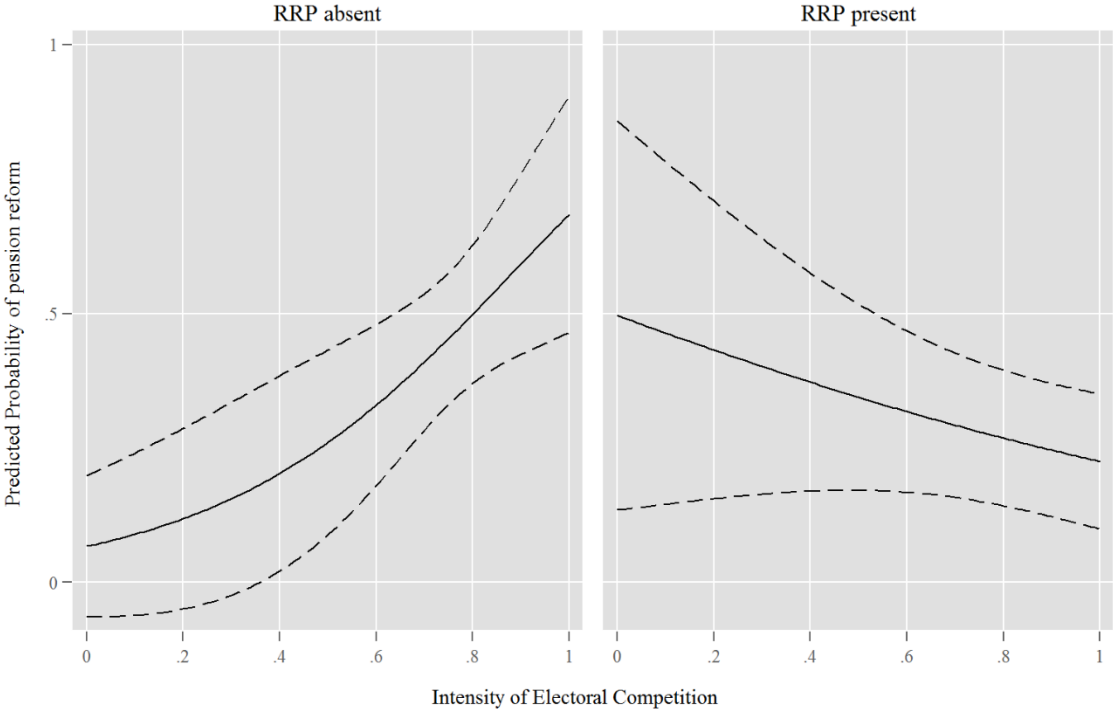

Predicted probability of pension reform. Dashed lines indicate 95% confidence intervals.

Figure 3 – Predicted probabilities of pension rights change for left governments conditional on RRP presence
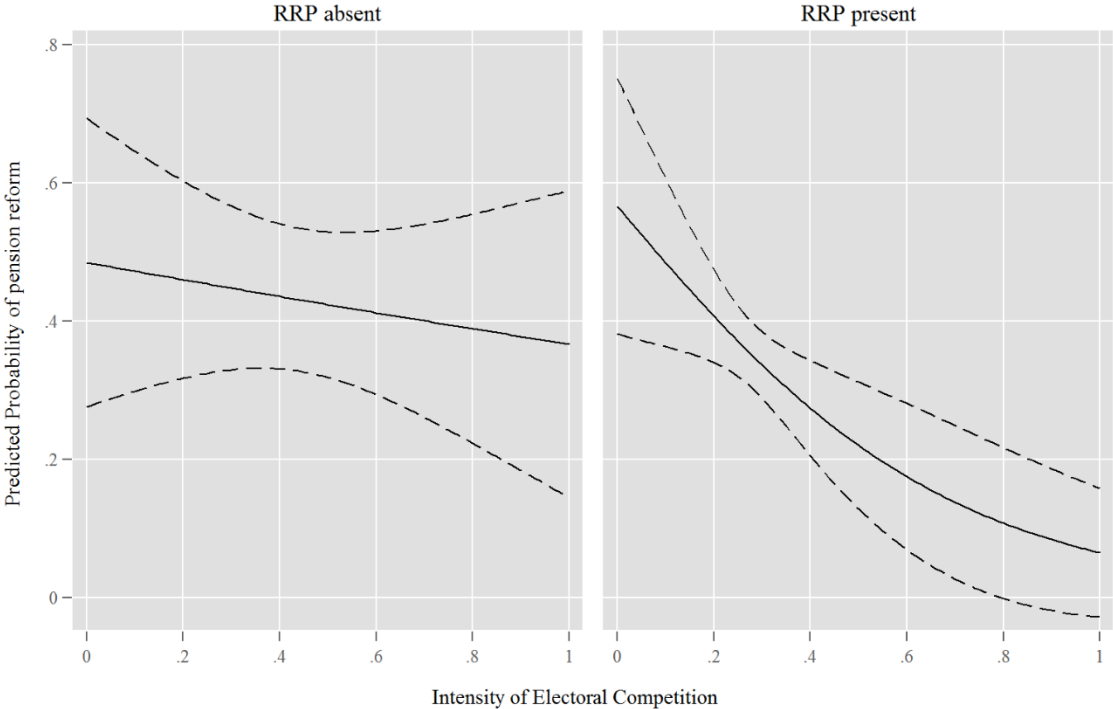

Predicted probability of pension reform. Dashed lines indicate 95% confidence intervals

Figure 4 – Predicted probabilities of pension rights change for right governments conditional on RRP presence

Predicted probability of pension reform. Dashed lines indicate 95% confidence intervals

Figure 5 – Marginal Effect of Competitiveness on Welfare Recalibration
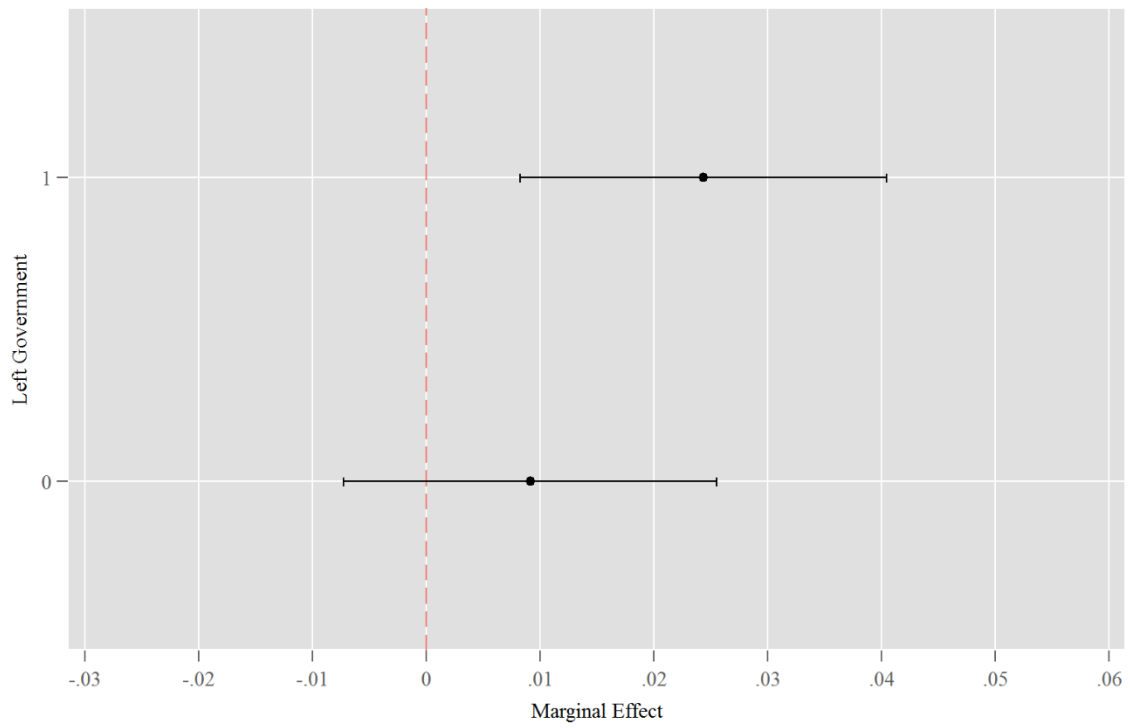
Marginal effect of competitiveness on *welfare recalibration.* Horizontal bars indicate the 95% confidence intervals

Figure 6 – Marginal Effect of Competitiveness on standardized pension expenditure
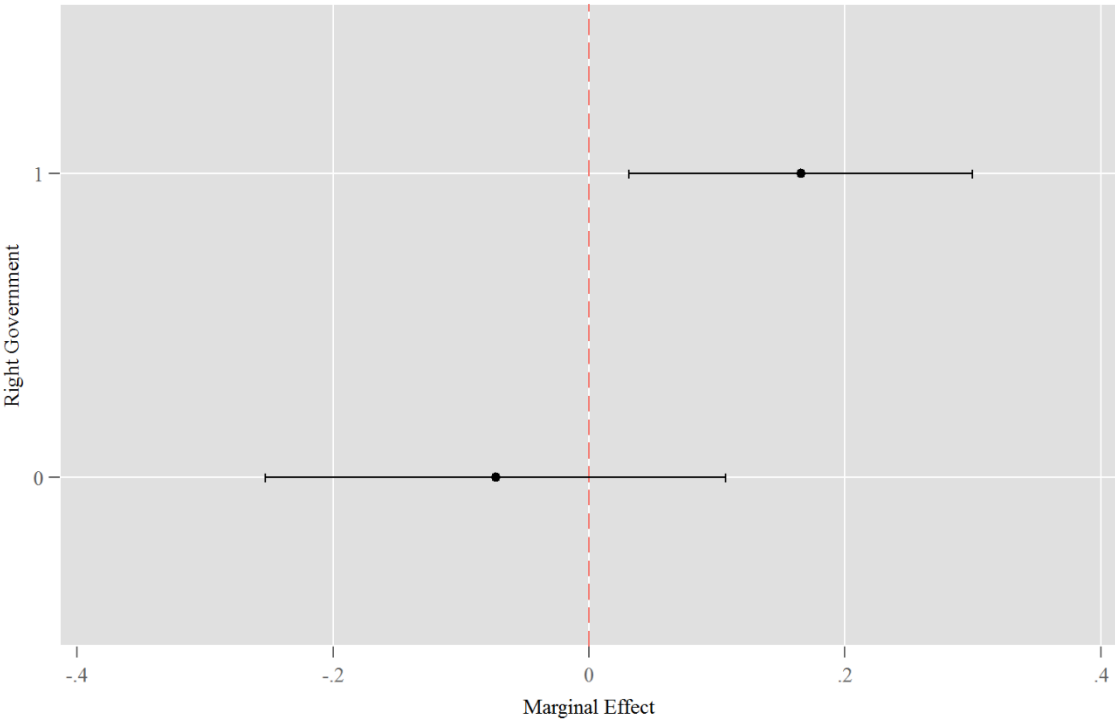
Marginal effect of competitiveness on *standardized pension expenditure*. Horizontal bars indicate the 95% confidence intervals

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Appendix 1 – Validation dependent variable and case discussion

Appendix

In this Appendix we examine the extent to which major pension reforms are mirrored in our pension reform dependent variable. In Germany, right and left governments enacted three major pension reforms: the first Blüm reform of 1989, which reduced future pension costs by changing the formula for benefits indexation from gross to net wages and by increasing the retirement age for women as well as the penalties for early retirement; the Riester reform of 2001, which reduced the replacement rate, defined a fixed upper limit for pension contribution rates, and provided tax incentives for private pensions; and the Rürup Reform of 2004, which introduced an automatic demographic stabilizer on pension growth (albeit with a loss limit of 46% of average wages), blocked the indexation adjustment for 2004, based indexation on real contribution rates rather than the average wage, abolished credit points for periods of higher education, reduced pension funds' required reserves, increased the retirement age for partial or unemployment retirement pensions, and made pension benefits subject to taxation.[1] In all three cases, we observe decreases in both the PGEN index and the standard pension replacement rates. In the case of the Rürup Reform, the decrease occurs in the same year, understandable as the reform was tied to a stop in indexation and the introduction of taxation of pension benefits in the same year. Because the replacement rates are simulated, any changes in the formula go into effect immediately. In the year after the Rürup reform, the increase in the minimum pension causes an increase in the PGEN even though the standard replacement rate declines.

[1] Schulze, Isabelle, and Sven Jochem. 2007. "Germany: Beyond Policy Gridlock." In *Oxford Handbook of West European Pension Politics*, edited by Karen M Anderson, Ellen M Immergut and Isabelle Schulze, 660-710. Oxford: Oxford University Press.

Jochem, Sven. 2008. "Germany: The Public-Private Dichotomy in the Bismarckian Welfare Regime." In *Public and Private Social Policy: Health and Pension Politics in a New Era*, edited by Daniel Béland and Brian Gran, 190-206. Houndmills: Palgrave Macmillan.

Not only is there a trade-off between the standard and minimum pension in this reform process, but as Häusermann notes, "while the red-green government made some concessions to the trade unions, it denied further recalibrating measures for nonworking women. Rather the government referred to its investments in child-care infrastructure as direct support for women who work and own their own pension rights. However, even though, in the end, the government introduced a target minimum replacement rate of 46 percent in the law, the major trade unions remained opposed to the reform."[2] Finally, the last Kohl government passed a controversial pension reform in 1997 containing a demographic factor. This reform did not result in a decline in the PGEN, but as this reform was rescinded in 1998 by the new Red-Green government, this is not a surprise.

In addition, one might note here that the PGEN may also decline as a result of "policy drift." As wages increase, tax brackets 'creep' or changes are made in the taxation rates for pensions and/or wages, replacement rates may decline. In these situations, governments may decide to compensate these losses through policy changes, as is now being discussed in the prelude to the next German Federal election in September 2017. Thus, a decline in the PGEN may result from a political 'non-decision' as well.

To take a more dramatic example, we can turn to the Swedish pension reforms of 1994 and 1998, considered by the World Bank to be the second most significant set of pension reforms in the world (with Chile in first place). The 1994 "*Allmän Pensionsreform*" changed the benefits formula from the best 15 years to the last 30 years to lifetime earnings, introduced a joint pension contribution for employers and employees, added an obligatory pension contribution to be paid into an individual, defined contributions account, and replaced the basic pension with a guarantee pension and pension supplement. In the next year, PGEN significantly

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[2] Häusermann, Silja. 2010. The Politics of Welfare State Reform in Continental Europe. New York: Cambridge University Press: 152.

dropped because of the change in funding and the lower replacement rates. After the passage of legislation necessary for full implementation of the reform in 1998—in particular as regards the individual reserve fund—the PGEN dropped significantly, again mainly because of the change in funding but also because of lower replacement rates.[3] As the Swedish reform contained a demographic automatic adjustment for benefits, replacement rates will continue to drop, and have indeed done so, as life expectancy has increased. Thus, as Scruggs points out, the full effect of a reform may be greater than indicated by the PGEN indicator.[4]

Finally, we can observe the responsiveness of the PGEN index to pension reforms in a number of different types of pension systems and for a variety of pension reform instruments. In Spain, a 1997 reform increased the reference period from 8 to 15 years; this is immediately reflected in a drop in the PGEN index as the *avgper* variable, which measures the years of earnings relevant for the benefit formula, nearly doubles.[5] In the Netherlands, a country with a public non-contributory pension (the AOW), pension indexation was made conditional on moderate wage increases and labor market participation by a law passed in November 1991. Consequently, indexing was suspended in 1993, 1994 and 1995. In 1993 and 1994, both the PGEN and the replacement rate for the minimum and standard (which in this system are the same) fell. In 1995, however, we do not observe a decrease, which might be explained by tax increases, as the average production wage went up. In the UK, although the Thatcher government did not succeed in eliminating the State Earnings Related Pension Scheme

[3] Anderson, Karen M. 2001. "The politics of retrenchment in a social democratic welfare state: Reform of Swedish pensions and unemployment insurance." *Comparative Political Studies* 34 (9):1063-1091. doi: 10.1177/0010414001034009005.
Anderson, Karen M., and Ellen M. Immergut. 2007. "Sweden: After Social Democratic Hegemony." In *The Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze, 349-395. Oxford: Oxford University Press.
[4] Scruggs, Lyle. 2014. Social Welfare Generosity Scores in CWED 2: A Methodological Genealogy. CWED Working Paper Series WP01: 11.
[5] Chuliá, Elisa. 2007. "Spain: Between Majority Rule and Incrementalism." In *The Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze, 499-554. Oxford: Oxford University Press.

(SERPS) entirely, as was its goal,[6] the Social Security Act of 1986 extended the reference period for state earnings-related pensions (SERPS) and reduced replacement rates;[7] subsequently, both the PGEN and replacement rates declined. In Finland, a 1995 law abolished the basic pension and converted it to a means-tested pension supplement, while a second reform increased the number of pension contribution years relevant for the pension formula. In 1995, 1996 and 1997 the pension generosity index declined, and a look at the raw data shows that this declined is indeed caused by reductions in the replacement rate.[8] In Denmark, the pension supplement was increased by law in 1988; the next year the PGEN significantly increased, with the largest increase affecting the minimum pension with family.[9] In Austria, a number of pension reforms increased the penalties for early retirement or made the benefits formula for early retirement more stringent. As the CWED index does not take early retirement into account, it is not surprising that the index did not decrease following these reforms. Similarly, a harmonization reform in 2004 also did not reduce the PGEN, but as public employees are not included in the CWED; this is what is to be expected.[10]

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[6] Pierson, Paul. 1994. *Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment*. Cambridge, UK: Cambridge University Press.

[7] Schulze, Isabelle, and Michael Moran. 2007. "United Kingdom: Pension Politics in an Adversarial System." In *Oxford Handbook of West European Pension Politics*, edited by Karen M Anderson, Ellen M Immergut and Isabelle Schulze, 49-96. Oxford: Oxford University Press.

[8] Kangas, Olli. 2007. "Finland: Labor Markets Against Politics." In *Oxford Handbook of West European Pension Politics*, edited by Karen M Anderson, Ellen M Immergut and Isabelle Schulze, 248-296. Oxford: Oxford University Press.

[9] Green-Pedersen, Christoffer. 2007. "Denmark: A Pension System the World Bank Would Love." In *Oxford Handbook of West European Pension Politics*, edited by Karen M Anderson, Ellen M Immergut and Isabelle Schulze, 454-495. Oxford: Oxford University Press.

[10] Schulze, Isabelle, and Martin Schludi. 2007. "Austria: From Electoral Cartels to Competitive Coalition-Building." In *The Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze, 555-604. Oxford: Oxford University Press.

Appendix 2 – Tables and Figures

Figure A1 – Distribution of pension rights change by government type
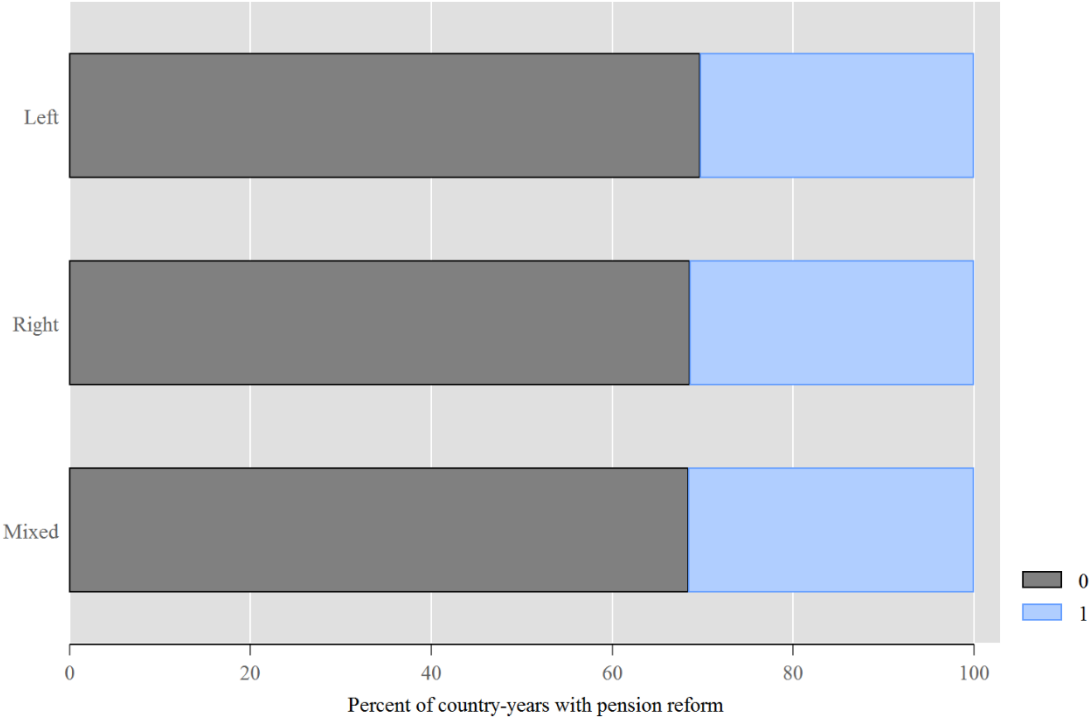
Figure A2 and A3 present the average marginal effect of competitiveness on the predicted probability of a large pension reform in the presence and absence of a radical right party. Large reforms are coded as one if a shift in pension generosity is larger than 0.2, which corresponds to the upper quartile of changes. As this coding of the dependent variable results in a distribution of the dependent variables with considerably less 1 values, the estimations for Figure A2 and A3 are based on a model that only include the main independent variables and adjustments for the TSCS nature of the data. Successively adding one control variable at a time does not change the observed results.

Figure A2 – Average marginal effect on predicted probability of pension rights change for left governments
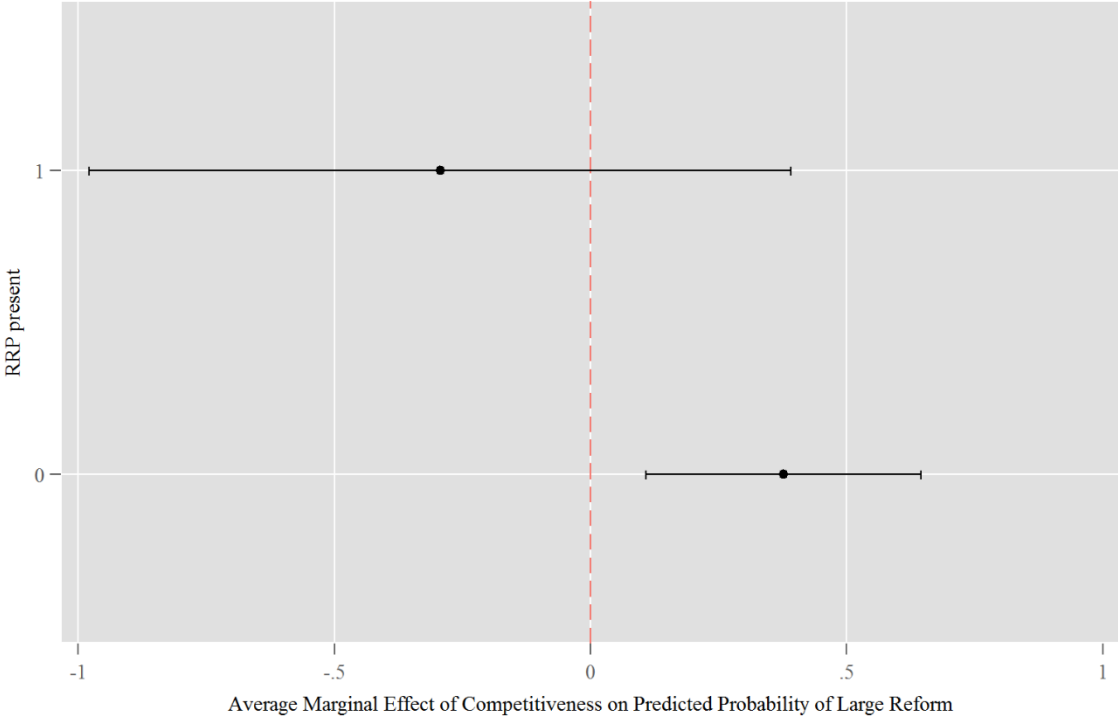
Figure A3 – Average marginal effect on predicted probability of pension rights change for right governments
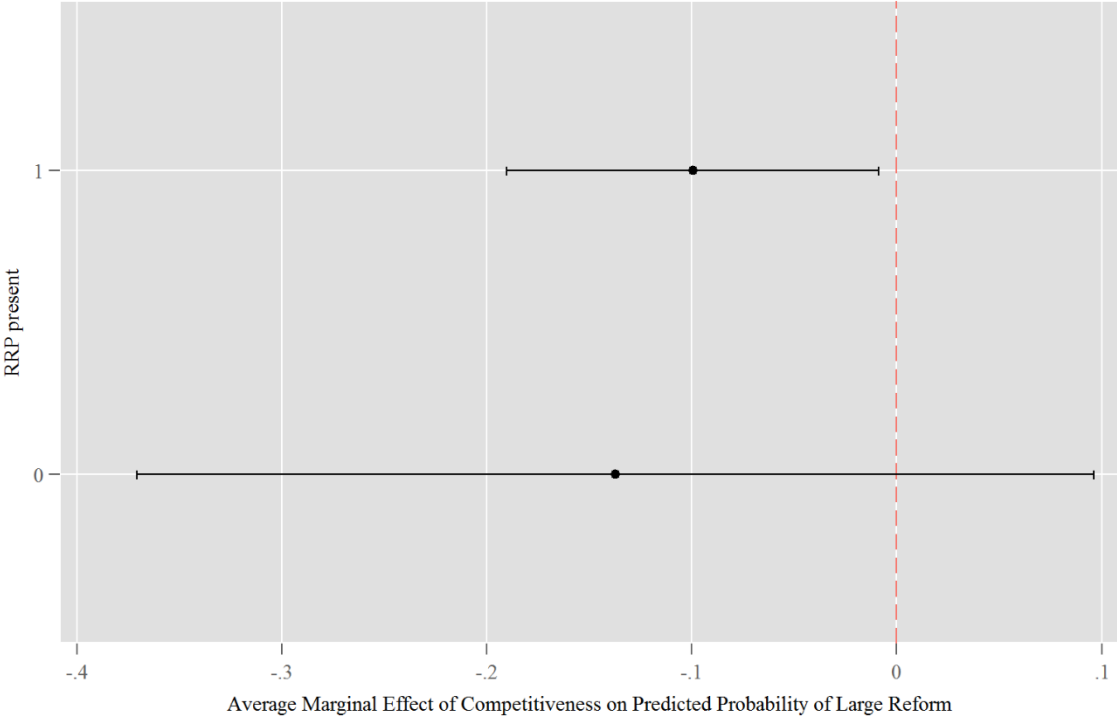
Figure A4 – Average marginal effect on predicted probability of pension rights change for left
governments. Independent variables not lagged.
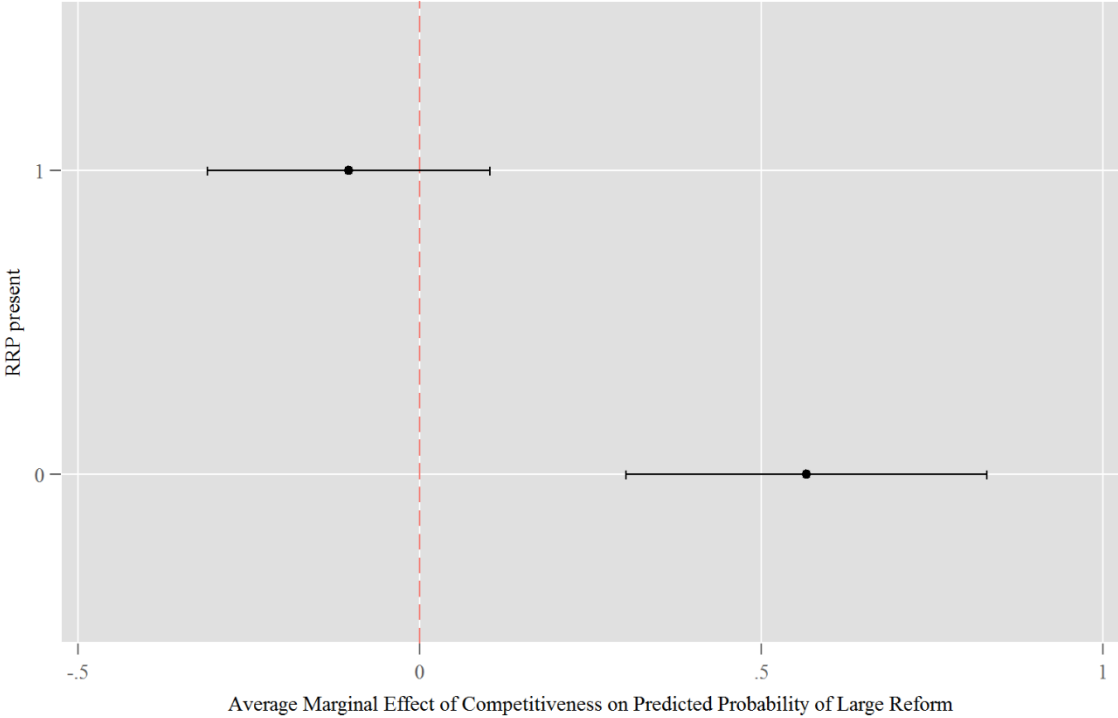
Figure A5 – Average marginal effect on predicted probability of pension rights change for right governments. Independent variables not lagged.
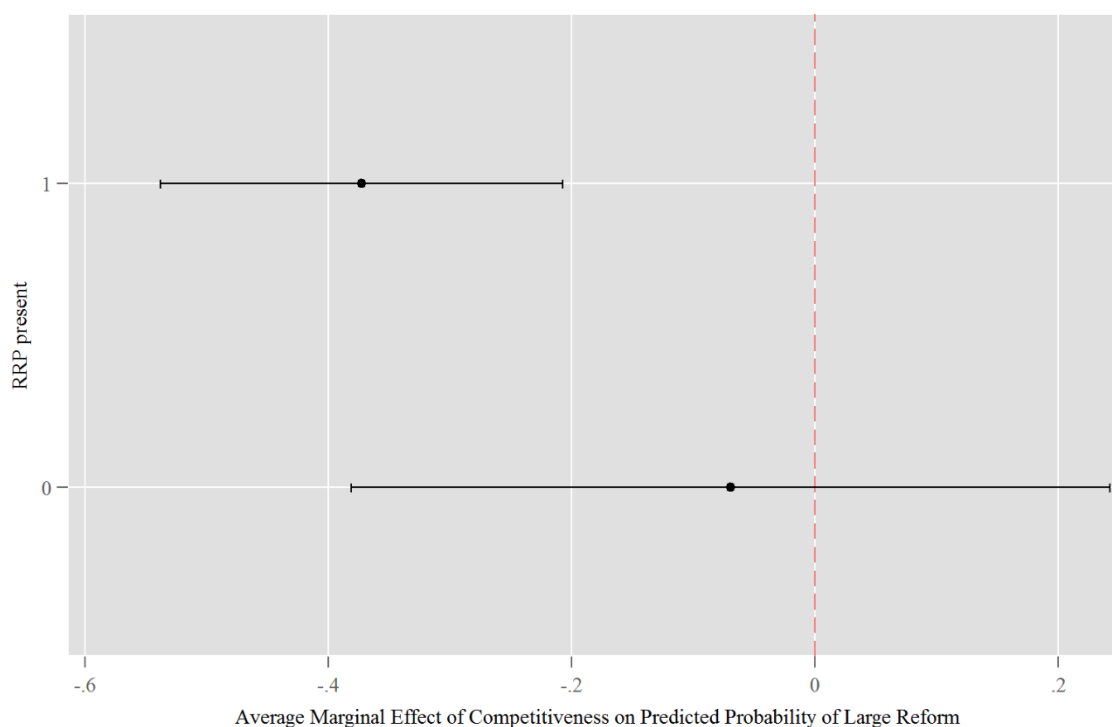
Table A1 – Summary statistics

	Mean	SD	Min	Max	N
Pension Reform	0.36	0.48	0.00	1.00	272
Left Government	0.42	0.49	0.00	1.00	272
Competitiveness	0.53	0.35	0.00	1.00	272
Open Veto Point	0.54	0.50	0.00	1.00	272
Over 65	0.15	0.02	0.09	0.19	272
Unemployment	6.75	3.30	1.56	21.33	272
Trade Openness	68.67	26.64	17.19	144.24	272
GDP per capita	10.21	0.25	9.66	10.88	272
EU	0.60	0.49	0.00	1.00	272
Union Density	43.39	23.43	11.48	87.44	272

Table A2 – Radical Right Moderation

	(1)	(2)
Left Government	-2.774[*]	
	(1.157)	
Right Government		1.485[*]
		(0.596)
Competitiveness	-2.021[**]	1.278[**]
	(0.430)	(0.316)
Left Government X Comp	5.054[**]	
	(1.447)	
Right Government X Comp		-1.703[*]
		(0.758)
Radical Right	-0.249	1.470[**]
	(0.404)	(0.300)
Left Government X Rad. Right	2.667	
	(1.505)	
Right Government X Rad. Right		-1.197
		(0.621)
Rad. Right X Comp	0.663	-2.115[**]
	(0.538)	(0.304)
Left Government X Comp X Rad. Right	-4.775[*]	
	(1.857)	
Right Government X Comp X Rad. Right		-0.183
		(1.389)
Crisis	-0.764	-0.783
	(0.650)	(0.661)
Lib. WS Regime (Ref. Cons)	1.107[*]	1.043[**]
	(0.458)	(0.287)
Soc. Dem. WS Regime (Ref. Cons)	1.209	0.551
	(1.022)	(0.847)
Female Labor Force	-9.048[**]	-8.762[**]
	(2.482)	(1.860)
Open Veto Point	0.267	0.487
	(0.427)	(0.484)

Over 65	26.878**	27.221**
	(8.272)	(8.020)
Unemployment	0.082	0.087
	(0.058)	(0.054)
Trade Openness	0.024	0.031**
	(0.013)	(0.012)
GDP per capita	-0.003	0.194
	(0.661)	(0.613)
EU	-0.159	-0.429
	(0.384)	(0.301)
Union Density	0.006	0.019
	(0.016)	(0.011)
Constant	-3.870	-8.584
	(5.674)	(5.037)
Observations	253	253

Cloglog models for pension reform. Clustered standard errors in parentheses
All models include a spell-counter and three cubic splines
$^*\ p < 0.05$, $^{**}\ p < 0.01$

Table A3 – Recalibration and Generosity

	(3) Recalibration	(4) Generosity
Left Government	-0.013 (0.007)	
Right Government		-0.159* (0.078)
Competitiveness	0.009 (0.008)	-0.073 (0.092)
Left X Comp	0.015 (0.010)	
Right X Comp		0.239* (0.108)
Radical Right	-0.007 (0.011)	-0.030 (0.061)
Open Veto Point	-0.003 (0.005)	-0.121** (0.042)
Female Labor Force	0.209 (0.117)	-1.631 (0.958)
Union Density	0.001 (0.001)	-0.003 (0.005)
Over 65	0.018 (0.288)	6.681* (2.702)
Unemployment	-0.001 (0.001)	-0.001 (0.007)
Trade Openness	0.000 (0.000)	-0.009** (0.002)
GDP per capita	-0.014 (0.018)	-0.012 (0.207)
EU	0.003 (0.013)	0.076 (0.110)
Crisis	-0.015* (0.007)	0.226* (0.103)

Lagged DV	0.789^{**}	0.672^{**}
	(0.043)	(0.083)
Constant	0.017	3.346
	(0.190)	(2.003)
Observations	181	231

Panel corrected standard errors in parentheses
Country fixed effects included but not reported
$^{*} p < 0.05$, $^{**} p < 0.01$