

# THE IMPACT OF NEW PARTY POLITICS ON PENSION POLICIES

WINS Seminar on Institutional Analysis of Socio-  
Ecological Systems

Humboldt Universität zu Berlin

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- ▶ Paper: Electoral Competition and the New Party Politics of Welfare State Calibration
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# ELECTORAL VULNERABILITY

[HTTPS://WWW.SOWI.HU-  
BERLIN.DE/DE/LEHRBEREICHE/COMPPOL/FORSCHUNG/AKTUELL/EV](https://www.sowi.hu-berlin.de/de/lehrbereiche/comppol/forschung/aktuell/ev)

- ▶ Parchment Institutions
- ▶ Behaviour of Politicians
- ▶ Sustainable Policies- Agriculture, Pensions, Migration

NEO-INSTITUTIONALIST PERSPECTIVE



- ▶ Intensity of Electoral Competition: Interaction between electoral rules and electoral results
- ▶ Cuts in Agricultural Subsidies: SMD's & Personal Vote, Geographic concentration of farmers, Corporatism, Veto Points: Incentives more intense as electoral competition increase.
- ▶ Migration: Electoral Competition precludes liberalization
- ▶ Left government facing Conservative Veto Point

INSTITUTIONS=> DYNAMIC INTERACTIONS  
BETWEEN PREFERENCES AND INSTITUTIONS

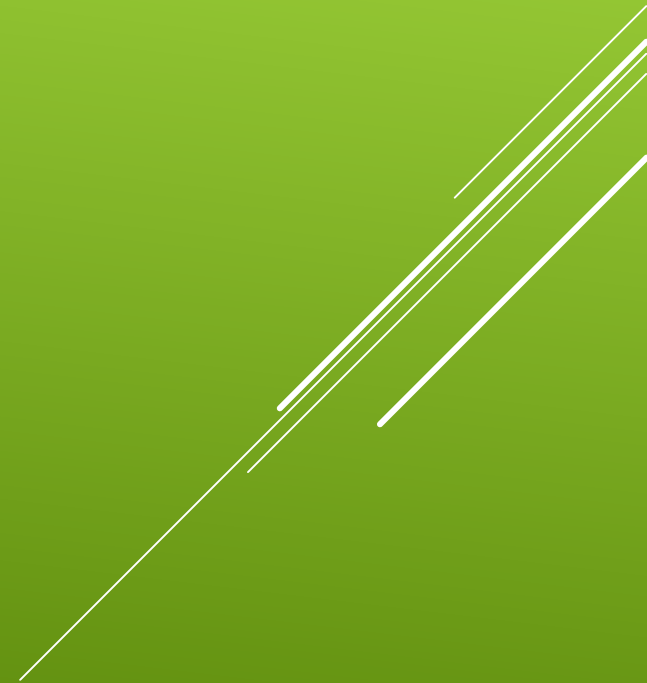
- ▶ Institutional theory:
  - ▶ Institutional Effects not Institutions
  - ▶ Interaction Effects Amongst Preferences and Institutions
  - ▶ Dynamic Interactions

INSTITUTIONS=> DYNAMIC INTERACTIONS  
BETWEEN PREFERENCES AND INSTITUTIONS



- ▶ Pension Policy Reforms Entail trade-offs
- ▶ Party and Electoral Competition tip the balance

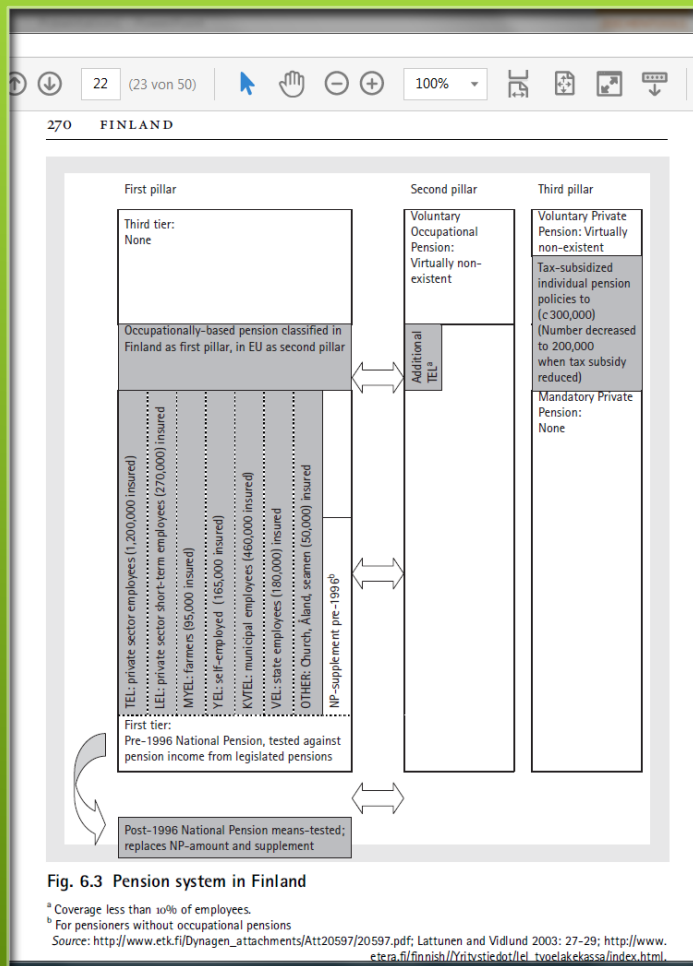
## FOCUS: NEW PARTY POLITICS OF PENSION REFORM



- ▶ 1) Connection between Pension Policy Change and Party Constituencies
- ▶ 2) Parties' strategies for gaining new voters are relational
- ▶ 3) Opportunities and risks depend upon the intensity of electoral competition

=> VOTERS, PARTIES, COMPETITION





# THREE PILLARS AND TIERS

First Pillar:

Basic Pension

Earnings Related

1990s: Efforts to cut 1st Pillar, expand 2nd and 3rd

2000s: Tier Zero



## Traditional Working Class

- ▶ Core Workers:
- ▶ Second Tier of First Pillar: Earnings Related
- ▶ Peripheral Workers:
- ▶ Basic Pension, Tier Zero, Active Labor Market Policy
- ▶ Second Tier x

## Service Sector Women

- ▶ Pro-Welfare State
- ▶ Basic Pension, Tier Zero, Child Credits, Child Care
- ▶ Second Tier x

VOTER PREFERENCES

## Social Democrats

- ▶ Losing Working Class voters to Conservative and Right Parties on cultural issues
- ▶ But gaining Service Sector Women on cultural and welfare state
- ▶ Trade-Off: traditional welfare state policies (policy) versus new social risks (votes)

## Conservative Parties

- ▶ Gaining working class voters
- ▶ Trade-off: neo-liberal (policy) versus pro-traditional welfare state (votes)

WHICH PARTIES COMPETE FOR THESE VOTERS? SECOND DIMENSION POLITICS

## Social Democratic

- ▶ Improve New Social Risks Coverage
- ▶ Cut Traditional Pensions

## Conservative

- ▶ Don't cut traditional pensions
- ▶ Risk angering fiscal conservatives

INTENSITY OF ELECTORAL COMPETITION↑  
=> GO FOR VOTES, SACRIFICE POLICY



## Social Democratic

- ▶ More Afraid to Cut Traditional Pensions

## Conservative

- ▶ Even more afraid to cut traditional pensions

DIRECTIONALITY OF PARTY COMPETITION  
ENTRY OF RIGHT-WING CHALLENGER



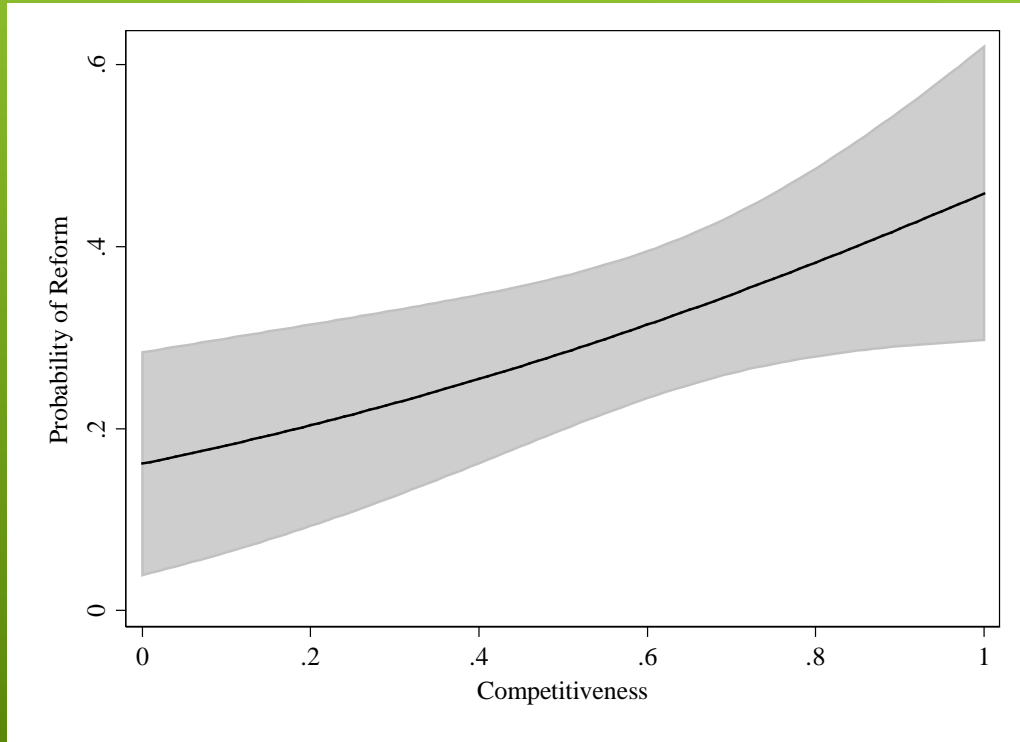
- ▶ Dependent Variables:
- ▶ 1) Replacement Rates (Scruggs, Lyle, Detlef Jahn, and Kati Kuitto. 2014, Comparative Welfare Entitlements data set)
- ▶ 2) Recalibration Index (sum of public spending on day care and active labor market policies divided by public spending on old-age benefits)
- ▶ 3) Pension Generosity (public and mandatory private expenditure on old-age benefits, as a percentage of GDP divided by the size of the population over 65, Brady, David, Evelyne Huber, and John D. Stephens. 2014. Comparative Welfare States Data Set)

## EMPIRICAL TEST

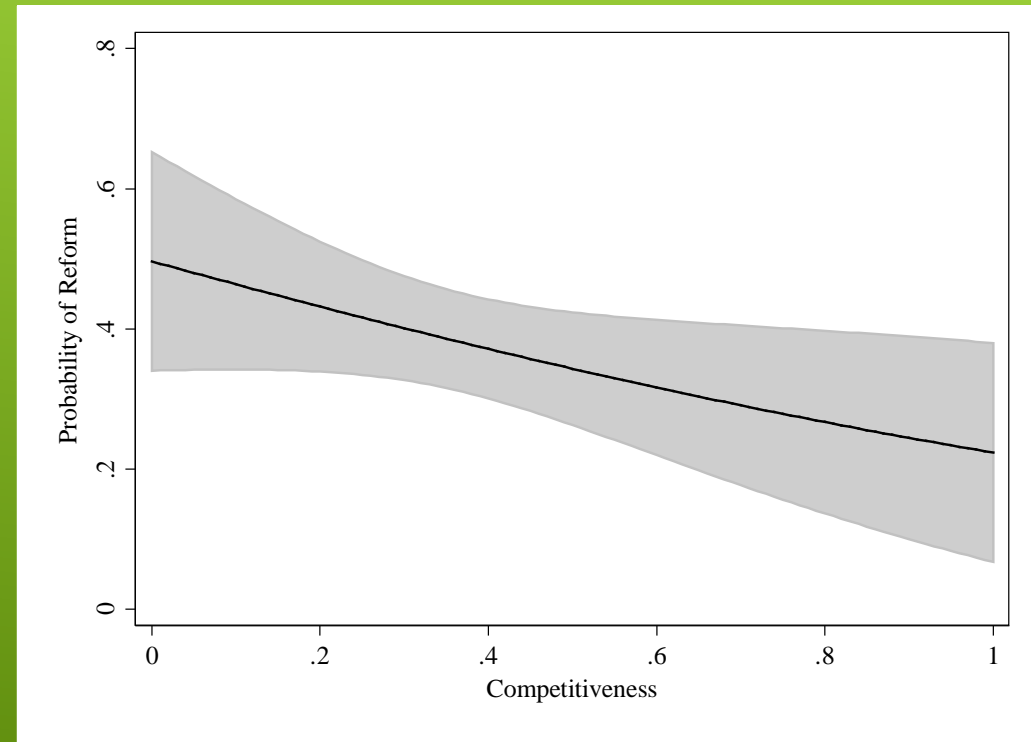
Complementary log-log models, with spell counter, three natural cubic splines, standard errors clustered by countries

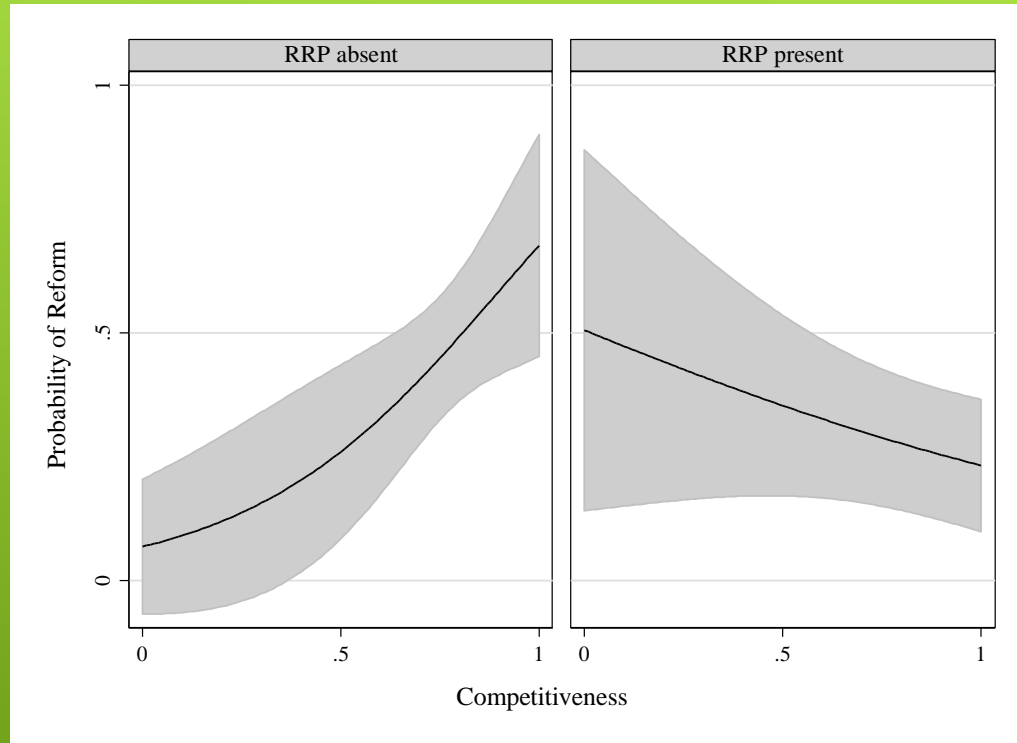
Alternate specifications: logit link, spell dummies cubic polynomial splines

# Predicted probabilities of reform for left governments

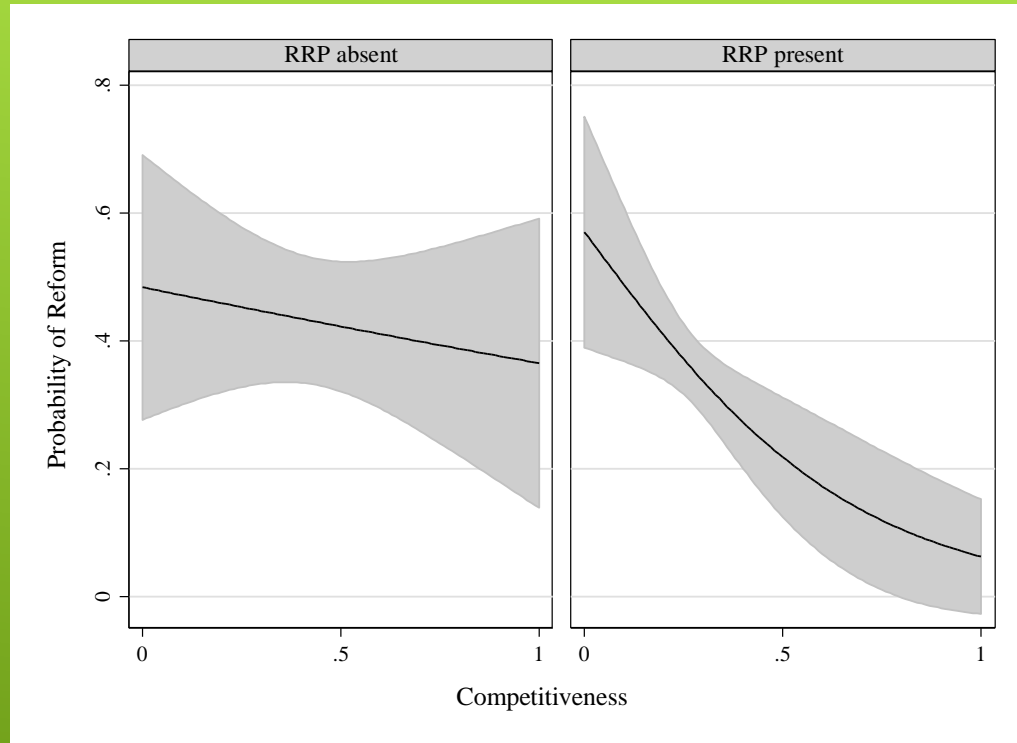


# Predicted probabilities of reform for right governments





PREDICTED PROBABILITIES OF REFORM FOR LEFT GOVERNMENTS CONDITIONAL ON RRP PRESENCE



PREDICTED PROBABILITIES OF REFORM FOR LEFT GOVERNMENTS CONDITIONAL ON RRP PRESENCE (EVEN MORE AFRAID)



- ▶ Political Competition is increasing
- ▶ Intensity of electoral competition and entry of new competitors
- ▶ Pension Recalibration Increasingly Impeded
- ▶ May come to depend on non-electoral institutions

## CONCLUSIONS