Sharing the Rewards, Dividing the Costs? The Electoral Consequences of Social Pacts and Legislative Reform in Western Europe

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Abstract

Research suggests that electoral pressures may provide an explanation for why governments offer pacts to unions and employers rather than acting through legislation when faced with the need to pass potentially unpopular reforms to welfare policies, wages, and labour markets. Here, we analyse whether governments' pursuit of pacts affects their vote share and increases the probability that they gain re-election for 16 West European countries between 1980 and 2012. We find that the presence of social pacts has a significant and positive effect on incumbents' vote shares at the next election and also results in a higher probability of re-election. While all types of governments benefit electorally from pacts, the electoral penalties from the pursuit of unilateral legislation on policy reforms harm single-party majorities the most, minority governments moderately, and coalition majorities the least.

Introduction

Beginning in the 1980s, just when corporatism appeared to be declining across much of Western Europe, governments in corporatist and non-corporatist countries alike resorted to negotiating social pacts—national agreements with unions and sometimes employers—on welfare, labour market, and wage reforms. Given the empirical reality of multi-faceted economic pressures on West European governments, scholars proposed that social pacts provided governments with the opportunity to respond to these economic pressures, diffusing responsibility among the social partners (Baccaro and Lim 2007; Hamann and Kelly 2007, 2011; Hassel 2006). Research has also established an apparent connection between governments' electoral pressures and their preference for inclusion or exclusion of social partners in programs of potentially unpopular reforms, suggesting that the reform path will affect public opinion and thus have significant electoral consequences.

We further evaluate this argument by exploring two questions concerning the electoral consequences of government choices of policy reform for 16 Western European countries between 1980 and 2012. First, we assess whether governments' choices of pursuing reforms through social pacts or legislation do in fact have an impact on their chances of returning to power after the next election. Second, we evaluate whether the type of government matters for how voters reward or punish incumbents' reforming policies. We find that social pacts produce electoral gains for all types of incumbents, but the electoral penalties for unilateral legislation are conditional on government type, penalizing single-party majorities and minority governments the most, and coalition majorities the least. Our results provide a more complete interpretation of the clarity of responsibility hypothesis; while penalties for unilateral and unpopular reforms operate according to the ease of assigning political blame, the rewards from inclusive policy-making appear to be distributed equally between all types of governments.

We first summarize findings on the factors associated with government preferences for pacts or legislation and then present our reasoning about the impact of pact offers and legislation on governments' subsequent electoral performance. We describe our data, address issues of measurement, and lay out our model and estimation. Next, we present and discuss our results and the final section concludes.

The Electoral Antecedents of Social Pacts

Social pacts between governments, trade unions, and sometimes employers have been signed with considerable frequency across Western Europe since the 1980s (see Table 1; the table only reports those social pacts that regulate potentially contentious reforms). While often used as a way to limit wage hikes, pacts have also regulated other issues, including health care or pension reforms, or changes in labour market policies and working conditions. They have occurred in countries with different types of economic and wage bargaining institutions, including countries ranking either high or low on the corporatism scale, and those having the characteristics of either liberal market economies (LMEs) or Coordinated Market Economies (CMEs); the only country that did not have any pacts during this period was the United Kingdom.[1]

<<Insert Table 1 here>>

The literature on social pacts has primarily been concerned with explaining the emergence of these national-level agreements and by and large identifies economic pressures as motivations for governments and unions to engage in negotiations in an attempt to solve economic problems. Social pacts are most commonly analyzed as centralized mechanisms of governments' attempts to control wages in response to two sets of forces: the 1992 Maastricht criteria for European Monetary Union in 1999 and, more broadly, the global competitive pressures affecting European industry. According to this "functionalist" approach, the Maastricht

criteria on public debt, deficit, inflation, and interest rates meant that wage restraint had to be delivered and the social pact was one obvious tool for governments to employ (Pochet and Fajertag 2000). Wage-jobs tradeoffs have the potential to reduce the level of unemployment, thereby cutting public spending on unemployment benefits (Hancké and Rhodes 2005; Rhodes 2001: 174). Although wage regulation has constituted a central theme in much of the literature, the presence of issues such as welfare reform in social pact agreements has been identified as another mechanism for reducing public expenditure (Hassel and Ebbinghaus 2000; Mares 2006).

A slightly different approach to the emergence of social pacts lays more stress on wage bargaining institutions (Hassel 2006; Rhodes 2001; van Waarden and Lehmbruch 2003). Hassel (2006), for example, argues that governments are most likely to offer social pacts where the wage expectations of union leaders and members are relatively unresponsive to fluctuations in unemployment. Highly responsive wage bargaining systems require relatively low degrees of government intervention, whereas less responsive systems require significantly more government intervention (Hassel 2006: 183-4).[2] Other analyses examine the relative power of unions and governments, finding that economic pressures are mediated by actors' power constellations to lead to pacts although there is no consensus on the exact relative power distribution that is most favourable for producing social pacts (Baccaro and Lim 2007; Baccaro and Simoni 2008). Other contributions (e.g. Avdagic 2011) combine economic problem load, institutions, and actor power into more theoretically complex frameworks.

Building on these insights, we draw particularly on the argument that pacts can be analyzed as an electoral strategy for governments that face the need for unpopular policy reform and use pacts in an attempt to reduce the potential electoral backlash to these reforms. Hamann and Kelly (2007; 2011) conceptualize social pacts as one route towards policy reform, while legislation provides governments with an alternative reform strategy. Therefore, pacts are not

just a functionalist response to economic pressures, but constitute only one possible reform strategy governments have available to respond to such pressures. Governing parties' preferences for reform through pacts or legislation are not just influenced by economic pressures and institutions but also by electoral pressures. Assuming that unpopular welfare, labour market, pension, or wage reforms have the potential to provoke electoral backlash, governments may take refuge in offering social pacts to unions and/or employers in order to distribute reform responsibility. Similarly, Ahlquist (2010: 572-573) views social pacts as a "useful avenue through which to explore important issues of election induced variation in economic policymaking" that allows a party to "try to convince voters that economic outcomes under its rule will be better than those under a challenger" while there is no "reason for a pact to exist in the absence of an electoral incentive."[3]

The Electoral Consequences of Social Pacts

The significance of electoral factors that serve as antecedents of social pacts raises an important empirical question: if governments' strategic choice between pacts or legislation is informed by electoral concerns, to what extent does this choice actually produce electoral gains or losses? In other words, are governments right to believe the strategies they adopt to implement policies affect electoral results and their chances of re-election? To date, research has yet to address this question directly, although Hamann, Johnston and Kelly (2013 b) find that electoral benefits from social pacts depend on party family, offering gains to left and Christian Democratic/centre party governments but not conservative governments.

The literature on economic voting and on welfare state reforms helps us theorize the electoral effects of governments' reform strategies. Economic voting literature has established that voters make rational judgements about their government's past economic performance;

voters either reward the government or hold it accountable and punish it by voting for the opposition (Fiorina and Shepsle 1986). Thus, opposition parties benefit from economic voting when the government's economic performance is evaluated as poor (Lewis-Beck and Paldam 2000; Powell and Whitten 1993). Studies have also found that economic voting happens retrospectively rather than prospectively (Fiorina 1981), and focuses on the state of the national economy and not on individual financial situation (Lewis-Beck and Stegmaier 2007). Focusing on welfare state reforms rather than on the macroeconomic indicators more commonly used in economic voting studies, Kumlin (2007a: 366) emphasizes the increasing salience of voters' dissatisfaction with welfare state performance in contemporary politics. Furthermore, he finds that dissatisfaction with welfare state performance has a "significant negative impact on the [individual's] probability of voting for a government party" (Kumlin 2007a: 366), thus identifying the potential for governments to suffer electoral punishment as a result of their welfare state policies and reform strategies (Kumlin 2007b: 11). In contrast, Armingeon and Giger's (2008) analysis of welfare retrenchment reveals no relationship between cutbacks in welfare entitlements and changes in vote share for the governing parties on the aggregate level. This could be due to the fact that the study does not take into account the way in which welfare reforms were enacted, through social pacts or other mechanisms of "blame avoidance," which might have sheltered the governing parties from electoral backlash. At the same time, partisanship matters as religious and liberal parties in government, or more generally those with a negative welfare image, may be less affected by electoral punishment they enact retrenchment policies (Giger and Nelson 2010; Schumacher, Vis, and van Kersbergen 2013).

Research has also established that governments are not merely passive recipients of the rewards or punishments of economic voting, but can act strategically to influence the electoral effects of the state of the economy and welfare reform. Wenzelburger (2011), for example,

shows that governments act strategically in organizing reforms and in their communication in the public sphere to pre-empt and counteract potential electoral costs. Hellwig (2012) finds that parties can strategically adjust their positions in policy space to minimize being punished for poor economic performance. Here, we employ a similar logic and argue that choosing social pacts over legislation for implementing unpopular reforms can benefit governments for two reasons. First, union inclusion helps quell popular opposition that could otherwise be fuelled by unions, delivering a tool for "blame avoidance" to reformist-minded governments. Even if voters are unhappy with the substantive outcomes of social pacts, this negative appraisal may be mediated by the perception that trade union representatives have been consulted over, and included in, the measures in question, and it prevents unions from organizing and mobilizing voters in protest.[4] A negative appraisal of the government for its economic and welfare performance does not directly imply shifting one's vote to opposition parties. According to Rudolph (2003), voting against the government also requires that the electorate holds the government responsible for negative economic outcomes. Second, union inclusion may help improve the content of the reform package to make it more acceptable to the electorate, making it thereby less unpopular, and in addition ease its implementation (e.g. Culpepper 2002; Ebbinghaus and Hassel 2000; Pochet and Fajertag 2000). Therefore, a government seeking to include the social partners in the formation and implementation of potentially unpopular policies should be likely to perform better at the next election compared to governments opting for legislation and union exclusion. This logic mirrors the arguments set forth in the literature on policy feedbacks and governments' attempts to "modify public awareness of their actions" (Pierson 1993: 621; see also Kumlin 2007a: 375-376 and Pierson 2001).

Voters' ability to accurately target blame or confer reward is a critical factor for the existence and strength of potential electoral effects of policy-reform outcomes, whether pursued

through social pacts or legislation. Although the electoral influence of social pacts has, more recently, been examined along partisan lines (Ahlquist 2010; Giger and Nelson 2010; Hamann, Johnston and Kelly 2013b; Schumacher, Vis, and van Kersbergen 2013), little consideration has been given to how the pursuit of social pacts as opposed to unilateral legislation influences electoral outcomes. That is, the way political accountability is attributed varies when controlling for the way unpopular reforms were introduced. Elections as mechanisms of political accountability capture this differentiation allowing for better identification of the channels of attribution of responsibility. The connection between governmental performance and vote choice is mediated by clarity of responsibility. Opting for social pacts allows the government to blur the clarity of responsibility. Specifically, social pacts spread responsibility between governments and social partners making it irrational for voters to blame them (Duch and Stevenson 2008).

Building on the 'clarity of responsibility' argument opting for social pacts should have different electoral consequences depending on types of government. As attribution of responsibility is easier for single-party rather than coalition governments, electoral consequences may depend on the interaction between type of government and mode of policymaking (pact or legislation). These conditioning effects are well known to students of economic voting (e.g. Duch and Stevenson 2008; Lewis-Beck and Stegmaier 2007; van der Brug et al. 2007). Generally speaking, the electoral impact of economic conditions is sharper when clarity is high, that is, when "institutional context clarifies who is in charge of policymaking" (Anderson 2000:168). When voters are able to clearly assign responsibility for economic policies to a specific party (i.e. in single-party majority governments), their vote is more likely to be driven by economic considerations than in cases where responsibility is less clear, such as coalition governments (see, e.g. Powell and Whitten 1993; Whitten and Palmer 1999).

To the extent that electorates assign responsibility for social pacts in much the same way that they assign responsibility for economic performance, we would expect the electoral consequences of social pacts to be more pronounced in high-clarity contexts. Clarity has been defined and measured in several ways: the presence of single-party and/or majority governments, the strength of the government in the legislature, or the strength and cohesion of the parliamentary opposition (Duch and Stevenson 2008: 338; van der Brug et al 2007: 60-61, 78-79; but see Narud and Valen 2008). Social pacts occur more frequently in proportional representation and consensus systems, which also have lower clarity of responsibility, and less so in majoritarian ones. This endogeneity issue should be kept in mind to disentangle the two effects.

Based on the theoretical reasoning and empirical findings in the literature, we develop and test two hypotheses. First, we expect that governments' choices to reform policies through either social pacts or legislation will carry electoral consequences:

H1: Governments using social pacts as a reform strategy will incur less vote loss than those using unilateral legislation.

Second, following the reasoning of the clarity of responsibility argument, we expect that these electoral consequences are conditioned by the type of government, depending on the public ease of assigning responsibility to parties in power.

H2: The influence of social pacts and legislation should be stronger for single-party administrations than for coalition and minority governments.

Data, Measurement, Model, and Estimation

Dependent and Independent Variables

To probe the effect of governments' reform strategy on their electoral performance we select election years as the unit of analysis. Our panel consists of the EU15 countries plus Norway[5]

from 1980 to 2012, and has a total of 139 election years; our country panels had, on average,

eight election years within this period, with Denmark having the most (11) and Luxembourg the

least (6). Because we are interested in whether the electorate rewards or punishes incumbents

and different incumbent types at the ballot box, we do not consider changes in governments that

occur between elections, nor shifts to technocratic governments. As parties may focus their

efforts on gaining either office or votes (Strøm 1990),[6] we select two manifestations for our

dependent variable to examine our hypotheses. We consider the change in the popular vote share

for the incumbent between elections (which serves as our primary dependent variable of interest

in Tables 2 and 3) to assess the vote-seeking aspect of governing parties. Realizing that change

in vote-share may not fully capture an incumbent's electoral conditions (namely whether they

won or lost an election), we also examine how social pacts and legislation influence the office-

seeking interests of parties, using a simple dummy variable embodying a value of 1 if the

incumbent won the election (Columns V-VII in Table 2). For multi-party governments, we

define the incumbent as the party that holds the prime-ministership (hence, "winning" an election

in a PR system is based upon whether a party is able to capture the head-of-government seat in a

coalition government). Electoral responses to "government performance" (measuring voters'

satisfaction with government performance more broadly than with just the economy) are most

pronounced for the party of the head of government, compared to other parties in a coalition

(Fisher and Hobolt 2010).[7] Vote share data and winning party identification were taken from

Armingeon et al.'s Comparative Political Dataset (2012) and (for elections between 2010 and

2012) the Norwegian Social Science Data Service's European Elections Database (NSD 2013).

<<Insert Tables 2 and 3 about here>>

Our primary independent variables of interest are governments' use of social pacts and/or legislation in policy reform. We define a social pact as an agreement between government and unions, and sometimes employers, on one (or more) of the four following issues: wages (including changes in taxation), welfare (i.e. health and unemployment insurance and benefits), pensions, and labour market reform (i.e. proposed changes to work-time, training, dismissal policy, and industrial relations institutions). The alternative mode of government policymaking in these areas is unilateral legislation. We consider social pacts and legislation that involves retrenchment only, as these measures are potentially contentious with large segments of voters. In other words, we do not consider pacts or legislation that involves more generous welfare benefits such as higher pensions or higher unemployment benefits as these would resonate more with the public. Given the overall support for the welfare state in Western Europe, it seems reasonable to assume that voters will be more opposed to cuts in their benefits, such as pensions or health coverage, than to an expansion of these benefits (Brooks and Manza 2007).

One manifestation we use to measure both government strategies is a simple dummy variable indicating whether a government offered and signed a social pact or pursued legislation between elections (Columns I and II in Table 2). Because it is possible for governments to introduce both social pacts and legislation within an electoral cycle, these dummies cannot be treated as mutually exclusive, and hence should not be interpreted as a multi-categorical dummy (i.e. there is not a "third" baseline category). Realizing that a binary manifestation of pacts and legislation does not properly gauge the frequency of a government reverting to one strategy over another (a government could offer and sign one social pact and present multiple pieces of legislation without union consultation, but with a binary manifestation, these events are weighted the same), we select the average number of social pacts/legislation per year that occurred between elections as the primary measure of these independent variables (columns III-VII in

Table 2 and Columns I-VI in Table 3). We also explored a temporal proximity measure of the pacts and legislation variables, examining whether the proximity of the most recent pact/legislation to the election in months (weighted by the length of the electoral term) significantly influenced electoral outcomes, although this measure yielded insignificant results (we do not show these below).

Of the 139 election years in the sample, 68 were preceded by social pacts and 70 were preceded by unilateral legislation; the average number of social pacts and legislation in an electoral cycle for our sample was 0.266 and 0.252 respectively, or roughly 1 pact/legislation introduced every four years. Data on pacts and legislation stem from a variety of sources, with the Hamann-Kelly dataset serving as the primary source, supplemented by the European Industrial Relations Observatory (EIRO) and the Visser (2013) and Ahlquist (2010: 580) databases.

Empirical Model and Controls

Because our dependent variables embody two different types of empirical measurement (one a continuous interval, the other a categorical dummy), we employ two different empirical estimators. For the change in vote share (Columns I-IV in Table 2 and I-VI in Table 3), we employ an OLS, (country) fixed effects panel estimator. We use fixed effects for two reasons. First, their inclusion enables us to control for a number of time-invariant omitted variables, which includes but is not limited to electoral systems, models of capitalism and welfare states, country-specific features of economic voting (recent work by Lewis-Beck and Nadeau (2012) suggest that economic voting is more pronounced in Southern Europe than in Central and Northern Europe), and political culture.[8] Second, while fixed effects have been criticized for their absorption of level effects (see Kittel and Winner 2005 for an excellent critique), our

dependent and primary independent variables follow heavily stochastic processes in the majority of our panels. As a robustness check in Table 3 (Column IV), we provide model estimates using a random effects estimator; our results remain largely unchanged. The baseline regression models for the change in incumbent vote share can be summarized as follows:

$$\Delta VS_{i,t} = \alpha_{i,t} + \beta_1 VS_{i,t-1} + \beta_2(SP_{i,t}) + \beta_3(Leg_{i,t}) + \Sigma\beta_k X_{k,i,t} + \Sigma\beta_m Z_{m,i,t} + \varepsilon_{i,t}$$

where $\Delta VS_{i,t}$ is the change in vote share for the incumbent in country i at election year t, $VS_{i,t-1}$ is the incumbent party's vote share in country i after the previous election, $SP_{i,t}$ and $Leg_{i,t}$ are the social pacts and legislation variables, respectively, in one of the two manifestations defined above. We expect pacts to produce positive electoral results for incumbents, while legislation should produce negative electoral results. $\Sigma\beta_k X_{k,i,t}$ is a vector of economic controls that includes the average level of unemployment, inflation, net government lending (as a percentage of GDP) and GDP growth between election years. Collinearity existed between net government lending and the three other economic controls (pair-wise correlations between net lending and GDP growth, inflation and unemployment were 0.36, -0.24, and -0.52, respectively, and highly significant) across the sample, although the other three economic controls displayed no significant correlation with each other. Therefore, net government lending was included as a control in a separate regression. Inflation and GDP growth data was taken from the OECD. Unemployment and government net lending data was taken from the EU's ECOFIN's Annual Macroeconomic Database (AMECO).

$\Sigma\beta_m Z_{m,i,t}$ is a vector of political controls that includes the partisanship of the incumbent, the incumbent type and a series of interaction terms between the government type dummies and the pact and legislation variables. Incumbent partisanship was measured as a multi-categorical

dummy variable, with the incumbent stemming from the left, right or Christian Democrat/centre

party family (the latter category was excluded and hence serves as the baseline). In our analysis

of government type (columns V and VI, Table 3), we consider three forms of governments –

coalition majorities (73 of the 139 cases in our sample), which we select as the baseline category;

single-party majorities (27 cases); and minority governments (39 cases) – and interact these

dummies with the average number of pacts and legislative variables in order to determine

whether different types of governments witness different electoral outcomes for pursing pacts or

legislation. Due to the high collinearity between the single-party majority dummy and incumbent

vote share from the previous election, we dropped the latter in regressions that examine

interactive dynamics between government type and social pacts/legislation. According to the

clarity of responsibility hypothesis, the public should most easily be able to assign responsibility

to single-party majorities and less able to assign policy responsibility to parties serving in

coalitions. The clarity of responsibility hypothesis is less clear on the assignment of blame for

minority governments, which must work with opposition parties to achieve their proposed

policies (hence, a cooperating opposition may also incur electoral rewards/penalties for

pacts/legislation, although minority governments may be targeted as the initiator of these

strategies). Consequently, we expect the interaction between pacts/legislation and single-party

majorities to have the highest impact relative to those from coalition majority governments. Data

on government type and government partisanship also stemmed from Armingeon et al.'s

Comparative Political Dataset (2012) and the Norwegian Social Science Data Service's

European Elections Database (2013).

  Insignificant Wooldridge test statistics for autocorrelation for models using the binary

and annual average measurements as the primary independent variables (columns I and III,

respectively, in Table 2)[9] indicated a low likelihood of first-order serial correlation for our errors

within panels – likely the result of selecting a difference rather than level as the dependent variable. There was significant evidence for panel heteroskedasticity within our models.[10] While Beck and Katz's (1995) panel-corrected standard errors have become a popular method to correct for heteroskedasticity in political science, we opt for country clustered standard errors as these provide more conservative standard errors (Rogers 2003) and hence offer more rigorous test of significance (when we opt for panel corrected standard errors, results not shown below, significance is more generous for our pacts and legislation variables and for our economic controls).

For the binary incumbent re-election dependent variable, our baseline regression model is as follows:

$$(y_{i,t} = 0 \text{ or } 1 \mid x_{i,t}) = \alpha_{i,t} + \beta_1 VS_{i,t-1} + \beta_2(SP_{i,t}) + \beta_3(Leg_{i,t}) + \Sigma\beta_k X_{k,i,t} + \Sigma\beta_m Z_{m,i,t} + \varepsilon_{i,t}$$

where $y_{i,t}$ is the binary indicator measuring an electoral win for the incumbent (1 if yes, 0 if no), $VS_{i,t-1}$ is the incumbent's vote-share from the previous election and $SP_{i,t}$, $Leg_{i,t}$, $\Sigma\beta_k X_{k,i,t}$, and $\Sigma\beta_m Z_{m,i,t}$ are the pacts, legislation, economic, and political controls, respectively, used in the change-in-vote-share regressions discussed above. For the binary dependent variable, we employ three empirical estimators. One, presented in Model V, Table 2, is a fixed-effects linear probability model (with country clustered standard errors). Linear probability models (LPM) are frequently criticized for the analysis of binary dependent variables given that residuals are rarely normally distributed for dichotomous dependent variables; heteroskedasticity is frequently present (although this problem can be rectified by the use of robust standard errors); and the models can produce probabilities outside 0 and 1 for certain observations. We employ it here because, unlike a conditional fixed effects logistic regression estimator, it preserves the entire sample, even if perfect separation (i.e. panels with all 0s or all 1s as outcomes over time) exists.[11] LPMs also have the added benefit that their results are easy to interpret in terms of re-

election probabilities. The second empirical estimator for the binary dependent variable is a conditional fixed-effects logistic estimator (Model VI in Table 2), also with country-clustered standard errors. While this estimator drops both Italy and Luxembourg from our sample because neither exhibits variation in electoral success for incumbent parties during the 1980-2012 period, it provides an additional robustness check for whether our results hold with a different estimator (and a slightly altered sample). In order to preserve the entire 16 country sample under a logistic estimator given that perfect separation (i.e. no variation in electoral outcomes) exists for two of our panels, we also employ a third empirical estimator, a simple random effects logistic regression with bootstrapped standard errors (Model VII in Table 2).[12] Given the complexity of examining interaction terms in non-linear logistic models (see Berry, DeMeritt and Esarey 2010), as these models are by nature interactive and hence do not require a significant interaction term in order for variables to interact meaningfully, we limit our analysis of product terms between pacts/legislation and government type to the change in vote-share dependent variable.

Results and Discussion

Tables 2 and 3 present the empirical results from the models above. As expected, social pacts are significantly associated with changes in vote share and probabilities of re-election for incumbents confirming H1. From Models I and II (Table 2) the mere presence of a social pact between elections is correlated with roughly a 2.5 percent increase in the vote share for incumbents, slightly over one-third of a standard deviation for incumbents' vote share change. If measured as an average frequency per year, social pacts are also associated with significant gains in vote share (from Model III, if an incumbent negotiated, on average, a social pact every two years with unions, they would gain an additional 2 percentage of the popular vote share at the next election). This relationship was not significant when controlling for government borrowing,

although if panel corrected standard errors, rather than country clustered standard errors, are used for Model IV in Table 2, the accepted pacts per year becomes significant. We also further tested the robustness of Model III in Table 2 by excluding cases with high pact volume and excluded from our sample elections during the European financial and fiscal crisis after 2007. The results from the sample that excludes 2008-2012 (not shown here) were highly robust, as the pacts and legislation variables retained their sign and significance.

Table 3 includes further robustness checks for the relationship between the frequency of accepted pacts and changes in incumbent vote share. Model I in Table 3 excludes Spain and Italy [both countries had the highest frequency of pacts in our sample, and according to Lewis-Beck and Nadeau (2012), are particularly susceptible to trends in economic voting, suggesting the electoral impact of pacts may be magnified in these cases]. Model II excludes the Maastricht period, where pacts were also more prevalent in Europe to assist countries with qualifying for EMU. Model III excludes the UK, the only pure majoritarian democracy in our sample, enabling us to present results only for countries with proportional representation (PR) electoral systems and to partially resolve for potential endogeneity problems due to the fact that social pacts are more likely in PR/consensus democracies while the UK did not experience any pacts during this time period. The exclusion of these cases failed to significantly alter the results achieved in Model III in Table 2. Model IV presents a random effects estimator; as with the jack-knifing results, accepted social pacts remains significantly and positively associated with electoral outcomes. From the linear probability model (column V, Table 2), average social pact frequency was associated with a significant increase in the probability of re-election; if incumbents negotiated on average one pact every two years with unions, their probabilities of re-election would be enhanced by an additional 6%. This was also mirrored in the conditional fixed-effect logistic estimator, where pact frequency per year was (weakly) significantly associated with an

incumbent's re-election likelihood, although pact frequency failed to achieve significance in the random effects logistic estimator.

Contrary to social pacts, legislation does not significantly impact changes in vote share or probabilities of re-election for incumbents. However, legislation does produce significant interaction effects with government type dummies, suggesting that its influence on electoral outcomes is conditional on the type of government that initiates this reform strategy largely confirming H2. Models V and VI in Table 3 indicate that social pacts produce beneficial electoral outcomes for all types of governments; while the interaction terms with the minority and single-party majority dummies are insignificant, the positive sign on the significant hierarchal social pact term indicates that these strategies are rewarded regardless of whether the electorate can assign responsibility for their emergence. For the impact of legislation on electoral outcomes, however, government type matters a great deal. While the hierarchal legislative term lacks consistency in its significance between Models V and VI in Table 3, legislation frequency, when interacted with the minority or single-party majority dummies, produces significant declines in vote shares, compared to legislation frequencies in coalition majority governments (the baseline category) regardless of whether economic variables are controlled for (predicted values of the interaction effect between legislation frequency and government type are provided in Figure 1). Additionally, a Chow test of beta equivalence between the minority/legislation interaction term and the single-party majority/legislation interaction term (final row, Table 3) indicates the latter is associated with more significant vote share decline than the former. In other words, legislation that occurs under single-party majority governments is associated with more significant vote share decline than legislation under minority governments, while both minority and single-party governments incur greater electoral penalties for legislation than

coalitional majorities. Such results remain consistent, even when a random effects estimator is employed (results not shown).

<<Insert Figure 1 about here>>

In addition, only GDP growth and inflation were consistently and significantly associated with electoral outcomes. As expected, GDP growth not only significantly increases incumbent's vote shares between elections, but also increases the probability that incumbents will win an election. Unexpectedly, inflation was also significantly associated with increases in incumbent's vote shares, but failed to exhibit any significant effect on re-election probabilities (Models V and VI, Table 2) or exhibited weakly significant and negative associations with re-election likelihood if a random effects logistic estimator was used (Model VII, Table 2). Finally, as confirmed by previous literature, governments appear to suffer from a "negative incumbency effect," as indicated by the significantly negative association between vote shares from the previous election and changes in vote shares at the current election, although this effect does not appear to carry when examining re-election chances as a binary phenomenon.

Conclusion

Research to date has largely neglected to analyse empirically the electoral consequences of governments' chosen strategy for reforming policies, through social pacts or legislation. This is an especially interesting topic given that pacts have been designed to have a significant impact on the economy through wage restraint and through the often contentious reform of welfare, pensions, and labour markets. According to our findings, governing parties are not just more likely to gain votes in return for negotiating policy reforms with unions, but they are also more likely to be re-elected to government than ruling parties that lack a record of social pacts. In sum, we find that governments do indeed witness electoral gains as the result of reforming potentially

contentious policies through social pacts, and that such vote share gains are shared by all types of governments, not merely those where policy responsibility is clear to the voters (i.e. single-party majorities).

Our findings for governments' pursuit of legislation as the avenue to reform policies, however, present more intriguing results. Unlike social pacts, legislation has little influence on all incumbents' electoral outcomes, but rather affects electoral outcomes solely through government type, as the clarity of responsibility hypothesis would predict. Single-party governments incur the most substantial punishments in vote share for higher legislation frequencies compared to minority governments and majority coalitions, while minority governments, in turn, incur more significant vote share loss than coalition majorities. Taking the legislative and social pacts results in tandem, our analysis suggests that the clarity of responsibility hypothesis operates differently depending upon whether inclusive or exclusive reform strategies are pursued. All types of governments appear to share similar electoral rewards if they opt for inclusive policy-making, yet governments to which voters can easily assign blame incur greater electoral punishments for the unilateral pursuit of policy reform.

Our results on policy reforms are thus congruent with the existing reasoning and the results from much of the economic voting literature. Voters react to governments' chosen reform path, but their electoral response is contingent on contextual factors. For governments, in turn, context is equally important: electorally, it matters whether they decide to enact reforms through social pacts or legislation, and the electoral effects of the latter are especially contingent on whether the incumbent heads a single-party, coalition majority, or minority government. Thus, while welfare states are being cut back across Western Europe and elsewhere, our research suggests that any blame avoidance effects of reforms are strongly influenced by the combined

effect of the type of government and trade union inclusion in negotiating the terms of these

reforms.

Table 1: Frequencies of Social Pacts and Legislation by Country

	1980-1989		*1990-1999*		*2000-2012*		*Total*	
	Pacts	Legislation	Pacts	Legislation	Pacts	Legislation	Pacts	Legislation
Austria	0	0	2	1	1	6	3	7
Belgium	1	5	6	4	7	2	14	11
Denmark	1	3	2	3	1	3	4	9
Finland	1	0	7	0	6	1	14	1
France	1	2	0	3	2	4	3	9
Germany	0	2	0	5	1	5	1	12
Greece	1	3	1	4	0	7	2	14
Ireland	2	1	4	0	3	0	9	1
Italy	1	4	11	1	4	4	16	9
Luxembourg	0	2	1	1	1	1	2	4
Netherlands	2	3	3	1	6	2	11	6
Norway	2	1	2	0	4	2	8	3
Portugal	2	1	6	2	7	9	15	12
Spain	3	2	9	2	7	7	19	11
Sweden	2	1	1	6	0	5	3	12
United Kingdom	0	8	0	3	0	5	0	16
TOTAL	*19*	*38*	*55*	*36*	*50*	*63*	*124*	*137*

Sources: Hamann-Kelly pacts and legislation dataset; EIRO; Visser (2013)

Table 2: Influence of Social Pacts and legislation on Electoral Outcomes (all incumbents)

|	Change in Incumbent Vote Share				Incumbent Win (1=yes, 0 no)		
	I	II	III	IV	LPM	Clogit	Logit (RE)
Previous Vote Share	-0.34***	-0.3***	-0.33***	-0.32***	0.007	0.035	0.044
	(0.000)	(0.003)	(0.000)	(0.002)	(0.162	(0.222	(0.133
Left Incumbent	0.934	0.536	0.55	0.073	-0.035	-0.375	-0.779
	(0.407)	(0.632)	(0.601)	(0.951)	(0.696)	(0.419)	(0.160)
Right Incumbent	2.089	2.452*	1.424	2.069	0.062	0.247	-0.392
	(0.172)	(0.092)	(0.359)	(0.156)	(0.596)	(0.694)	(0.562)
Accepted pacts during tenure (yes/no)	2.50***	2.516*					
	(0.009)	(0.061)					
Unilateral Legislation during tenure (yes/no)	-0.202	-0.816					
	(0.798)	(0.539)					
Average number of Accepted Pacts in electoral cycle			4.169**	2.557	0.128**	0.600*	0.083
			(0.015)	(0.181)	(0.031)	(0.075)	(0.854)
Average number of unilateral legislation in electoral cycle			1.411	-1.737	-0.055	-0.287	0.12
			(0.546)	(0.592)	(0.671)	(0.648)	(0.869)
Inflation	0.247**		0.27***		0.000	0.009	-0.068*
	(0.014)		(0.006)		(0.973)	(0.866)	(0.086)
Unemployment	0.124		0.074		0.022	0.106	-0.085
	(0.484)		(0.700)		(0.207)	(0.146)	(0.190)
GDP Growth	1.53***		1.64***		0.08***	0.46***	0.41***
	(0.001)		(0.000)		(0.000)	(0.000)	(0.000)
Net Government Lending		0.225		0.231			
		(0.367)		(0.401)			
Constant	0.963	6.143*	0.502	7.480*	-0.064		-0.871
	(0.748)	(0.094)	(0.852)	(0.066)	(0.734)		(0.393)
Number of Observations	138	124	138	124	138	124	138
R^2 *(within) / Pseudo* R^2	0.357	0.193	0.372	0.193	0.148	0.155	
F/Chi-Squared statistic	6.1***	10.99***	8.39***	6.83***	9.63***	47.38***	26.92***

For change in vote share dependent variable, model used was an OLS estimator of election years from 1980 to 2012 for 16 countries (EU15 plus Norway). For incumbent re-election dummy, estimator is indicated above the model (for the conditional fixed effects logistic estimator, Italy and Luxembourg are dropped). N-1 country dummies included but not shown. Robust p-values are in parenthesis (standard errors clustered by country, except for the random effects logistic estimator where bootstrapped standard errors are employed). *, **, and *** indicate significance on a 90%, 95% and 99% confidence level.

Table 3: Influence of Social Pacts and Legislation on Electoral Outcomes (jack-knifing tests, alternative estimators, and interactions with government type)

	I	II	III	IV	V	VI
Previous Vote Share	-0.316***	-0.220**	-0.326***	-0.251***		
	(0.000)	(0.011)	(0.000)	(0.000)		
Left Incumbent	0.168	-1.402	0.507	0.433	-0.313	-0.681
	(0.888)	(0.309)	(0.626)	(0.518)	(0.835)	(0.579)
Right Incumbent	1.812	1.075	1.435	0.634	2.367*	1.736
	(0.304)	(0.457)	(0.380)	(0.518)	(0.083)	(0.208)
Average number of Accepted Pacts in electoral cycle	3.133*	4.378**	4.029**	3.013**	4.386*	5.892**
	(0.083)	(0.012)	(0.018)	(0.020)	(0.086)	(0.023)
Average number of unilateral legislation in electoral cycle	1.312	2.293	1.226	2.617	4.634	6.719**
	(0.594)	(0.343)	(0.608)	(0.244)	(0.161)	(0.012)
Minority Incumbent (yes/no)					3.231	2.062
					(0.360)	(0.481)
Single Party Majority Incumbent (yes/no)					1.621	2.088
					(0.455)	(0.227)
*Minority Incumbent * Social pacts*					-1.828	-2.773
					(0.639)	(0.375)
*Minority Incumbent * unilateral legislation*					-6.617*	-6.119*
					(0.069)	(0.052)
*Single Party Majority incumbent * social pacts*					0.031	-5.945
					(0.994)	(0.197)
*Single Party Majority incumbent * unilateral legislation*					-15.79***	-14.04***
					(0.006)	(0.000)
Inflation	0.286***	0.260***	0.245**	0.149**		0.218***
	(0.009)	(0.009)	(0.012)	(0.039)		(0.006)
Unemployment	0.136	0.052	0.079	-0.230*		0.215
	(0.528)	(0.815)	(0.703)	(0.097)		(0.348)
GDP Growth	1.710***	1.757***	1.682***	1.550***		1.524***
	(0.001)	(0.000)	(0.000)	(0.000)		(0.002)
Constant	0.077	-2.391	0.538	1.287	-5.501***	-11.86***
	(0.977)	(0.507)	(0.861)	(0.482)	(0.001)	(0.001)
Number of Observations	121	109	131	138	138	138
Sample	Excl IT & SPA	Ex. 1992-1998	Excl the UK	All	All	All
R^2 *(within)*	0.361	0.401	0.383	0.3494	0.183	0.357
Estimator	FE	FE	FE	RE	FE	FE
F/Chi-Squared statistic	6.677***	4.596***	8.474***	46.72***	10.01***	41.43***
Wald test minority gov leg interaction = single maj leg interaction					4.84**	10.21***
					(0.044)	(0.006)

Dependent variable is the change in incumbent vote share. Model used was an fixed effects OLS estimator of election years from 1980 to 2012 for the EU15 plus Norway, unless otherwise indicated. N-1 country dummies included but not shown. Robust p-values are in parenthesis (standard errors clustered by country). *, **, and *** indicate significance on a 90%, 95% and 99% confidence level. FE = Fixed effects. RE = Random effects.

Figure 1: Interaction Effects between Annual Legislation Frequency and Government Type on Electoral Outcomes
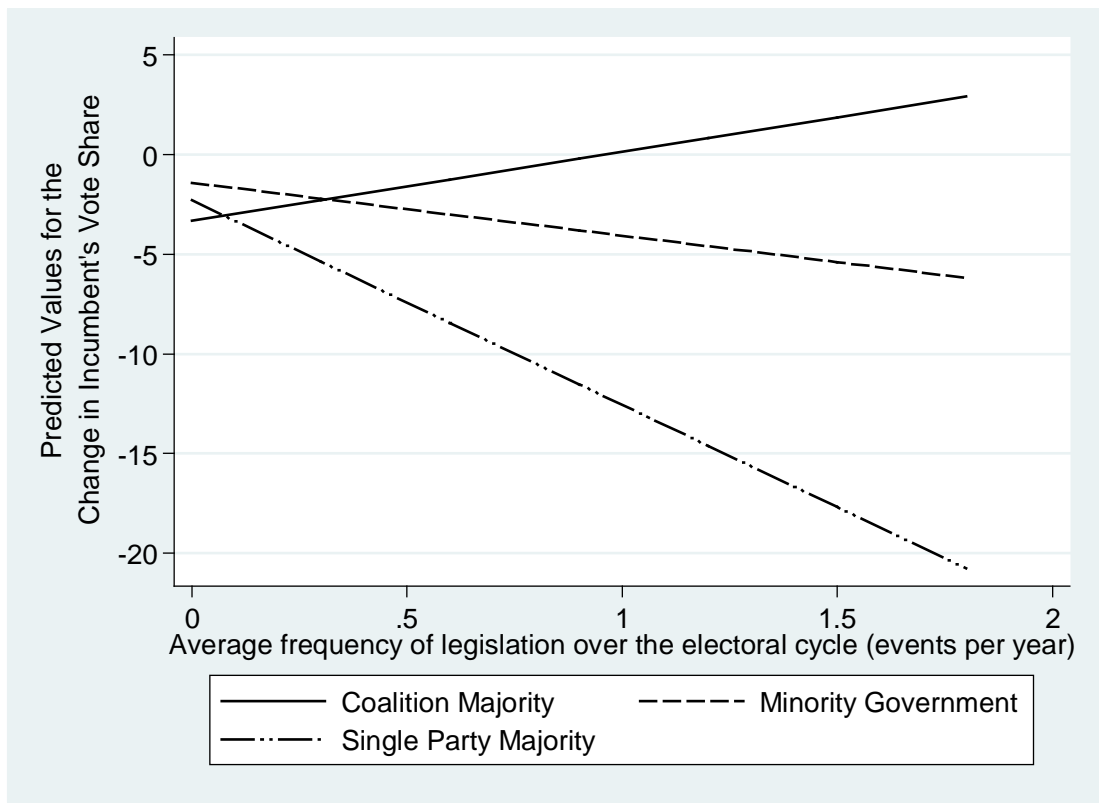
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Endnotes

[1] We do not discuss here in detail the literature on the Varieties of Capitalism; the point is that regardless of the specific typology, social pacts have occurred in many West European countries across different types of capitalist institutions.

[2] For other institutionalist accounts see Regini (2000).

[3] Blame avoidance strategies are widely used and can also include institutional factors, such as veto actors (Zohlnhöfer 2007). Other research on welfare state retrenchment utilizes approaches other than the blame avoidance paradigm. Vis (2009) draws on prospect theory to explore the conditions under which governments in four countries were likely to enact unpopular reforms. Schumacher (2012) analyzes internal party organization and leadership roles in social democratic parties to explain the extent of welfare state reform.

[4] Union membership still affects members' vote choices, at least in some cases. For example, in the 2013 German election, 35.9% of union members voted for the SPD, 3.5% more than voted for the CDU (FAZ 2013). Social pacts, which often receive high media publicity, can thereby also function as a way of communicating the willingness of the government to "listen" to other political actors and communicate with the public, a retrenchment strategy discussed in Wenzelburger (2011).

[5] Norway is often included in comparative studies of social pacts and of welfare regimes and policy (e.g. Fajertag and Pochet 2000; Hamann and Kelly 2011; Mares 2006; Swank 2002).

[6] Strom (1990) discusses policy influence as a third area that parties can seek to obtain, in addition to votes and office. Here, however, we are interested in measuring the outcomes of elections rather than policy capacity of parties, and thus do not discuss policy influence.

[7] The party of the Prime Minister is often the one that is most easily identifiable for governmental policy to voters. In addition, the Prime Minister's party is also commonly the largest party in a coalition government (see Anderson 1995; 2000: 155). Fortunato and Stevenson (2013) show that voters do not always know which party is in office, and that this confusion is likely to be higher for coalition governments. We suspect that error is likely to be higher for smaller coalition parties that have not supplied the Prime Minister.

[8] A Hausman test of Model I in Table 2 (Chi-squared statistic = 15.41, p-value=0.052) provided significant evidence that fixed effects was an appropriate estimator.

[9] LR Chi-squared statistics for Models I and III in Table 2 were 0.024 (p-value=0.8789) and 0.272 (p-value=0.6093), respectively. The null hypothesis for the Wooldridge test is no first-order autocorrelation.

[10] Tests for panel heteroskedasticity for Models I and III in Table 2 yielded significant chi-squared statistics – 30.7 (p-value=0.010) and 39.01 (p-value=0.001), respectively – indicating a high likelihood of non-constant variance within the error terms within panels.

[11] This is problematic for two countries in our sample (Italy, where incumbent party never won re-election, and Luxembourg where the incumbent party always won re-election between 1980 and 2012). In a conditional fixed effects logistic regression model, these panels are dropped, and hence the EU15+Norway sample is restricted.

[12] Clustered standard errors are not an available option for an xtlogit estimator in STATA. Hence we opted for bootstrapped standard errors.