THE EFFECT OF THE POLITICAL SYSTEM ON PENSION REFORM POLICY:
FROM BLAME AVOIDANCE TO ELECTORAL THREAT

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I. ABSTRACT

Governments across Europe have reformed their pension systems in the last two decades in order to consolidate pension finances. The question is: why did these governments pursue the same goal in very different ways, and choose functional equivalents as reform options?

In the literature, an awareness of the potential veto power of voters has become known as the ‘blame avoidance’ approach. The blame avoidance approach (Weaver 1986; Pierson/Weaver 1993; Pierson 1994) postulates that politicians strive for re-election and, thus, voting is the driving force for policy-making.

However, not all voters are equally important. Certain voters who could threaten the re-election of actors at legislative veto points have indirect veto power. As voters use elections as instruments to discipline legislators, the electoral system strongly determines the degree of electoral threat. I claim that policy-makers – subject to the elements of the specific electoral system – favor these veto voters and shift the costs to groups that are non-decisive for the government. This paper analyses whether the groups of relative beneficiaries of selected pension reforms had indeed been big enough to flip the majority if they had blamed the government for possible alternative reform measures in subsequent elections.
II. INTRODUCTION

“Union plans electoral campaign on pensions”

“From the very beginning it was clear that the Christian Union blocked the process and that its only concern was to exploit this issue [pensions] in the election campaigns in Rheinland-Pfalz and Baden-Württemberg,”

„Pension Issue Becomes Campaign Hit“

The media and members of parliament – at least – seem to believe that there is a link between elections and pension policy, as the above citations show. The purpose of this paper is to examine the importance of this link.

Both theoretical concepts and empirical evidence suggest that pension policy-making is influenced by national elections. In theory, the blame avoidance approach postulates that politicians abstain from unpopular welfare state retrenchment in order to maximize their chances of re-election. In empirical case studies, certain features of pension legislation, or specific turns in reform processes, are interpreted as ‘electoral gifts’ for particularly important groups of voters (credit-claiming) (Hockerts 1980, 1992; Mätzke 2004; Vaubel 1991; Fasshauer 2003). Whereas in times of economic booms, financial means were available to make electoral gifts and to win new voters by credit claiming, today – in times of budget austerity – strategies of blame avoidance become necessary to escape electoral defeat.

In everyday practice, opposition parties use past pension cuts as instruments to accuse the government during election campaigns of inappropriate, unsocial policy-making; politicians defer pension reforms until after national or regional elections; and government parties exempt certain groups of voters from the costs and negative effects of pension reforms. Moreover, opinion polls show that pension policy often plays a prominent role in electoral campaigns across countries and across sub-national regions (Forschungsgruppe Wahlen 1996; SZ 02.07.1999; Forschungsgruppe Wahlen 1999; Pulzer 1999).

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1 I thank Ellen Immergut and Sven Jochem for inspiring discussions that influenced the arguments of this paper.
2 „Union plant Wahlkampf um Rente“ (cf. Handelsblatt 23.05.2001, see also Fasshauer 2003: 164 Fn 426).
5 Credit claiming is defined as: „... acting so as to generate a belief in a relevant political actor (or actors) that one is personally responsible for causing the government, or some unit thereof, to do something that the actor (or actors) considers desirable. The political logic of this, from the congressman’s point of view, is that an actor who believes that a member can make pleasing things happen will no doubt wish to keep him in office so that he can make pleasing things happen in the future. The emphasis here is on individual accomplishment (rather than, say, party or governmental accomplishment) and on the congressman as doer (rather than as, say, expounder of constituency views)” (Mayhew 1974: 52-53).
6 E.g. in the German election campaign in 1998 the SPD opposition fought for the reversal of reforms by the Christian Union which had introduced a ‘demographic factor’ into the pension formula.
Despite this commonly accepted knowledge of the effect of elections on pension policy, the causal link between the two phenomena is still unclear. So far it has never been tested – to my knowledge – whether the blame avoidance approach can be empirically supported, and whether certain groups of voters (that were privileged in policy reforms) could really have threatened politicians’ re-election.

The following paper, in discussing the merits and deficits of the blame avoidance approach, will specify the concept in terms of electoral threat. I postulate that some voters, depending on the legislative process and the electoral system, are more important than others and these so-called veto voters have the possibility to influence policies. In a cross-country comparison I will demonstrate that the configuration of electoral system, party system, the law-making procedures and the distribution of preferences determines the decisive electorate i.e. the electoral threat of veto voters.

III. FROM BLAME AVOIDANCE TO ELECTORAL THREAT: THE POTENTIAL FOR BLAME

In the literature on pension politics, an awareness of the potential veto power of voters has become known as the blame avoidance approach or new politics approach (Weaver 1986; Pierson and Weaver 1993; Pierson 1994, 2001).

The blame avoidance literature is fragmented and spread across various disciplines. The core of the blame avoidance approach is the prevention of a predictable, negative event. In political science Weaver and Pierson were pioneers in applying blame avoidance to welfare state retrenchment and to pension reforms in particular (Pierson and Weaver 1993; Weaver 1986; Pierson 1994). But even within political science the blame avoidance concept comprehends multiple facets, arguments and aspects: it includes electoral threat, obfuscation, delaying tactics, positive interpretation of a situation – to name only a few elements. Shinkawa (2003), following Weaver (1986: 384-390) and Pierson (1996: 147), conceptualizes five variations of blame avoidance strategies: first, keeping blame-generating issues off the agenda; second to diffuse or obfuscate loses; third, lowering visibility by delaying enforcement; fourth, deflecting blame by finding scapegoats or by playing off one group against the other; and, fifth, forming a consensus (Shinkawa 2003: 29). Another blame-avoiding strategy in politics is the delegation of certain problems from the parliamentary arena to the public administration, to commissions, to private sector businesses (outsourcing) or to international organizations. Thereby, politicians also defer media attention and blame to the “delegates” (Hood 2002: 23-24, 28). However, the literature is unclear about the different aspects of the concept and the hypotheses are intermingled (e.g. politicians reduce the electoral threat by obfuscating the reform effect).

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7 Its origins are in psychology: based on the empirical occurrence that negative information is valued stronger than positive, i.e. so-called “negativity effect” or “negative bias” (Lau 1985: 119). Blame avoidance also appears in other scientific fields e.g. in economics in the relationship between managers and employees (Glazer and Segendorff 2001: 9). All versions of the blame avoidance approach have in common that they rather construct typologies of blame avoidance strategies (e.g. Bovens et al. 1999; Shinkawa 2003) than examine the hypotheses in quantitative or qualitative terms (Hood and Maor 2004; Lau 1985: 122-123).

8 Lightning rod studies (Hood 2002: 25; Ellis 1994).
The plurality and complexity of the blame avoidance approach makes an empirical examination impossible. In order to test for blame avoidance it is necessary to separate the different strands. In order to assess the value of the strands, the various hypotheses must not be conceptualized as additional but as alternative blame avoidance mechanisms.

Before the actors have to worry about blame avoidance the question is: does blame or the threat of blame exist? If there is no blame or no potential for blame, obviously politicians and governments do not have to worry about future punishment.

The phenomenon ‘blame’ or ‘threat of blame’ can be separated into an individual/psychological and a structural dimension (see figure 1). The individual/psychological strands of blame concentrate on bounded rationality of individuals and socially constructed reality. Bounded rationality in the context of unpopular policies means that the addressee of a policy is unable to assess how s/he will be affected by the new legislation; s/he is ignorant of the precise workings of the political system and does not know who is responsible for the decision (Cutler 2001: 1); he/she is forgetful and does not remember the unpopular policy by the time of the next election; the policy matter is complicated and technical and the addressee has neither enough time nor enough previous knowledge to pick up on judicial and actuarial finesse of e.g. social security legislation. Consequently, it is not necessary to avoid blame if the information deficit between politicians and the people is so big that the policy subjects do not grasp the negative effects of the policies and do not exert blame. Moreover, the framing of the policy issue (e.g. politicizing or concealing), the interpretation of the reform outcome (as policy failure or policy success), or obfuscating and denial of the problem might veil any blame generating cause. The strategies in this dimension of blame avoidance research not only enable politicians to evade blame, but they even conceal the causes of blame in the first place.

The degree of potential blame also varies along a structural dimension. Political systems differ with respect to the responsibility and the accountability of governments. Westminster democracies i.e. systems with one-party, centralized governments feature greater responsibility in law-making than consensus democracies with multi-party government coalitions and other federal or regional institutions that share executive and legislative power (Pierson 1994: 32-34; 1996, 1998). Systems with strong horizontal and vertical separation of powers or a heavily fragmented party system are most capable of sharing responsibility and blame between the coalition partners and other legislative actors (Brooks 2004: 17). The legislative procedures define which actors have to agree to a decision, be it a qualified parliamentary majority, an independent president or other actors that have to be consulted during the political process, be it a second chamber, a council of the state, economic chambers, expert committees, royal commissions or social councils. But not only the distribution of power between legislative and executive and between central state and sub-divisions influence the distribution of responsibility. Further, apparently minor, rules of legislation – such as on urgent legislation, guillotine procedures, summer sessions or legislation by decree – restrict or expand the group of actors that can actually be held responsible for decisions and could be subject to blame.

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9 The political business-cycle model bases on this assumption: due to the short-sightedness of voters governments expanded social expenditures in election years (SchneiderandFrey 1988; Drazen 2000; Nordhaus 1975) and, as empirical studies on German social policy show, legislative acts with benefit retrenching character are passed predominantly in years following elections (Vaubel 1991).

10 See Brändström and Kuipers (2003).
The second way in which the political system influences the potential for blame is the accountability of the system. The Westminster- versus the Consensus-model (Lijphart 1984) is usually used as a first approximation to the degree of accountability, postulating that the Westminster system is more accountable because of its first-past-the-post majoritarian electoral system. However, the accountability of legislators depends on the checks and balances between and within the different political institutions\(^{11}\), and the mechanisms allow people to exert control over their governments (Strøm et al. 2003). Differences between electoral systems extend to many more features than the simple differentiation between majoritarian systems versus proportional representation (see below). The electoral rules have some bearing on the liability for blame, e.g., arbitrary transformation formulas\(^{12}\) from votes to seats may make blame avoidance unnecessary, as voters cannot be sure that their abstention or their swing vote penalizes the governing politicians.

Another structural strand influencing the potential for blame is policy feedback. Preexisting policies have an effect on the distribution of preferences and a unifying function on otherwise unorganized interests. Pierson points out that blame avoidance was easier where previous policy schemes split and diffused interest groups (e.g. Pierson 1994: 40; MylesandPierson 2001). Suppose a government cuts benefits in state pensions, there is little potential for blame if coverage in the state pension system was low and therefore only a small share of the population was affected by the reform provisions. Or consider tightening lax eligibility criteria, e.g. extending reference periods, which does not generate blame with those insured that fulfill the criteria anyway due to their occupation and their career pattern.

From an empirical point of view the different blame avoidance strategies have different relevance and have to be criticized for several reasons. The strategy of keeping the pension issue from the agenda is fairly unrealistic in times of increasing problem pressure, in terms of demographic aging, budget deficits, and changing labor markets. In modern democracies, in the face of mass media and active political opposition it is hardly possible to hide policy failure or costs from the public for an extended period of time (Bovens et al. 1999: 4).\(^{13}\) If the opposition expects to gain electorally from a certain issue, it will arrange for the issue is public knowledge and mastermind catchy slogans, even if the policy matter is complicated and difficult to comprehend. Consequently, framing can be nothing more than a tactic of suspension, and need not be seen as blame avoidance.

As the above description shows, the blame avoidance approach on the whole offers no clear-cut hypothesis or predictions for empirical testing. Obviously, the ambiguity in the theoretical model of blame avoidance makes available both confirming and refuting empirical examples. For systematic examination the concentration on one strand of the concept is necessary. The proposed paper concentrates on the one aspect of blame avoidance that can be best described as the potential for electoral blame or, simply, electoral threat.

\(^{11}\) For instance the existence of a constitutional court, of a vote of no confidence, of certain instruments available to the public administration (e.g. internal audit SchwartzandSulitzeanu-Kenan 2002), the existence of investigation committees, etc.

\(^{12}\) For a discussion of the arbitrary effects of the Hare-Niemeyer or the d’Hondt formula or excess mandates see Pukelsheim (2004).

\(^{13}\) An example showing why obfuscation by itself cannot explain reforms is the UK pension reform of 1986. Opinion polls showed that 55% of the respondents had never heard of SERPS (the state earnings-related supplementary pensions) (DHSS 1985a: 81). I.e. it would have been the ideal case to abolish these supplementary pensions. As most people did not even know SERPS, they would have been unaware that some of their future benefits were cut. Nevertheless the government did not abolish SERPS completely.
In any case, blame avoidance is only necessary if the potential blame or punishment is greater than the politicians’ ability to compensate for losses. Reforms should be easiest if the electoral slack is greatest because the electoral slack – or what I will call “seat and votes buffer” – is “strong enough … to absorb the electoral consequences of unpopular decisions” (Pierson 1996: 176).
Figure 1: Potential Threat for Blame
IV. ELECTORAL THREAT

The main propositions of the blame avoidance concept are transferable to the electoral threat model. To recapitulate, the electoral threat thesis perceives elections as an instrument to discipline legislators. It presumes that politicians are rational individuals whose main interest is re-election. The model says: in anticipation of potential blame, politicians formulate policy in a way that maximizes their chances of staying in office. Thus, elections affect policies, at least indirectly. Some voters are more important than others – namely the voters that determine the re-election of the pivotal legislators. These voters have an indirect veto power in policy-making. I will call them veto voters.¹⁴

In order to pass a law, a government needs the support of a legislative majority. But different actors will be part of the decision-making in different cases, depending on the political system and the rules of policy-making. In other words, a legislative majority in the first parliamentary chamber is often not enough to realize a reform, rather the agreement of a second chamber, an independent president, ethnic minorities or the like might be necessary. If we extend the logic of the electoral threat thesis not only to government politicians but also to all actors that share legislative responsibility, veto voters can also be small minorities that influence the re-election of e.g. regional politicians.¹⁵

Who are the veto voters? The identification of veto voters depends on the specific configuration of legislative rules, electoral system and party competition.

Policy Patterns of Electoral Systems?

The electoral system influences the scope for voters to punish politicians and governments for policy failures or for unpopular legislation. The electoral system defines what a politician has to do to get re-elected. Consequently, there is a connection between the incentives of the electoral system to foster voters’ interests and the policy decisions of a government (RosenbluthandSchaap 2003: 307-308; Bonoli 2000; Powell 2000). The electoral system determines whether governments should appeal to the median voter or whether they should rather provide electoral gifts to small, concentrated interest groups. The decisive question is whether policy patterns are observable. Put another way: do certain electoral systems lead to specific policies?

Recent literature on the effect of electoral systems on policies does indeed show patterns and trends. According to these studies proportional representation leads to greater redistribution, to higher government spending and to the promotion of national (nation-wide) interests (Cusack et al. 2004: 1; Huber et al. 1993; HuberandStephens 1993; Persson et al. 2003; Crepaz 1998). Unlike proportional representation, majority electoral systems with single-member districts advantage local, decentralized strata of voters or the median voter (Cusack et al. 2004: 2;

¹⁴ My thanks to Ellen Immergut for suggesting the term veto voters.
¹⁵ For instance, veto voters on ‘mandatory-consent legislation’ (zustimmungspflichtiges Gesetz) in Germany would be the voters that endanger the re-election of the decisive state governments in the Bundesrat.
see also Bawn and Thies 2003; Rosenbluth and Schiap 2003: 313; Bernhard and Leblang 1999: 74; Rogowski and Kayser 2002).

However, the specification of electoral systems is rather general in all these studies, i.e. the alternatives are proportional representation versus majority electoral systems. On top of this, the effect of these two types of electoral systems are ambiguous. On the one hand majority systems produce the „better“ outcomes as the politician is directly accountable to the voter in a one-member-district (Bonoli 2000: 47); on the other hand, majority systems impose a higher quasi-entrance hurdle for small parties and, consequently, reduce the threat of newcomer parties. The “old”, established parties are under less pressure to compete with trendy/temporary fashion groups (Tabellini 2000: 7-8; Persson et al. 2001). The ambiguous implications, and the great variation in empirical findings within the group of cases considered under ‘proportional representation’, imply that it is inadequate to characterize only two types of electoral systems. First, several characteristics in majority systems are functional equivalents to other characteristics in proportional representation; or, different features within the category proportional representation substitute for each other.\(^\text{16}\) Second, the classification of *mixed systems* is problematic. Third, the classification into the two clusters – majority and proportional representation – does not allow differentiation between different rules of aggregation\(^\text{17}\) for geographically concentrated interests.\(^\text{18}\)

**Measuring Electoral Threat: Indicators of Electoral Systems**

The above discussion showed that an indicator is necessary that assesses different electoral rules via a single measure. The literature suggests different possibilities to measure the intensity of electoral competition but not for *electoral threat*. The length of government (Immergut 2002), the time-lag to the next election date i.e. the moment within the electoral cycle (Schneider 1994; Nannestad and Paldam 1994), the fragmentation of the parliamentary party system (Rae 1967) or the distance in votes between the first and second loser (*second over first loser*\(^\text{19}\)-ratio) (Cox 1997), are all instruments to assess the degree of electoral competition. If we took the length of government, competition was highest in Germany (average duration of political configuration was 212 days) and lowest in Luxembourg (1,444 days) as table 1 suggests. But Belgium and

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\(^{16}\) The more electoral districts in a proportional representation system the smaller the electoral district and the more proportional representation resembles the majoritarian system. The representatives in small districts are more directly accountable, increasing the danger that politicians become subject to local interests (Rogowski 1987: 204). Additionally, entrance hurdles and single-member districts (or districts with small magnitude) display the same effect.

\(^{17}\) Nominally proportional systems may operate like majoritarian systems if there is only one level of seat allocation (level of seat allocation influences the aggregation of district preferences to the national level). Systems with three levels of votes/seats-allocation can produce perfect proportional representation.

\(^{18}\) Although the classical literature already distinguished electoral district conflicts in contrast to national electoral conflicts (e.g. Rae 1967: 95; Garrett and Lange 1996: 64-65) so far there is little empirical study that analyses the consequences of different aggregation mechanisms on the representation of geographically concentrated voters’ preferences. Systematic examination of the effect of electoral systems on policies even neglected cross-district effects on purpose (Cox 1990: 906). However, empirical evidence on pension reforms (Anderson et al. forthcoming-a; Rasner 2002) suggests that regional differences in pension reform efforts exist and that the chances of success for different reform proposals depend on the political system and the point of time.

\(^{19}\) The closer the ratio is to 1 the higher the probability that very few swing voters could change the composition of the next parliament.
Finland would lead the list of highest competition if party fragmentation of the parliament were used as a measure (see table 2). The second over first loser ratio is not even definable in some proportional electoral systems if the seat calculation formula contains discontinuous components such as after-digit numbers as seat determinants. The disadvantage of these electoral competition indicators is that the intensity of competition allows no inference to precise political action and to policy outcomes. What does high competition imply? No action, no reform and thus, no pension benefit retrenchment? Or rather the contrary: high competition, great incentives to act, thus, passage of a fundamental reform and the establishment of a new structure of the pension system with reduced benefits? Neither of the two cause-and-effect chain is possible.

### Table 1: Average Government Length 1980-2002

<table>
<thead>
<tr>
<th>Country</th>
<th>Days</th>
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<tbody>
<tr>
<td>Germany</td>
<td>212</td>
</tr>
<tr>
<td>France</td>
<td>318</td>
</tr>
<tr>
<td>Italy</td>
<td>358</td>
</tr>
<tr>
<td>Portugal</td>
<td>464</td>
</tr>
<tr>
<td>Finland</td>
<td>564</td>
</tr>
<tr>
<td>Belgium</td>
<td>672</td>
</tr>
<tr>
<td>Greece</td>
<td>728</td>
</tr>
<tr>
<td>Sweden</td>
<td>752</td>
</tr>
<tr>
<td>Denmark</td>
<td>759</td>
</tr>
<tr>
<td>Ireland</td>
<td>816</td>
</tr>
<tr>
<td>Austria</td>
<td>930</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1,018</td>
</tr>
<tr>
<td>Spain</td>
<td>1,127</td>
</tr>
<tr>
<td>UK</td>
<td>1,326</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1,444</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>766</strong></td>
</tr>
</tbody>
</table>

**Notes:**
- “End of government” is defined as a change in the political configuration i.e. either change in government parties, legislative elections, change of partisan majority of a veto player (second chamber or president).
- For the first government included into the calculation I used the date of the last change in political configuration prior to 1 January 1980. For the last government I took the last full electoral term.
- All averages are based on the Excel 360-day-calculation modus.

### Table 2: Average Parliamentary Fragmentation 1980-2002

<table>
<thead>
<tr>
<th>Country</th>
<th>Rae Index</th>
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<tbody>
<tr>
<td>Belgium</td>
<td>0.86</td>
</tr>
<tr>
<td>Finland</td>
<td>0.80</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.79</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.77</td>
</tr>
<tr>
<td>Italy</td>
<td>0.74</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0.73</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.72</td>
</tr>
<tr>
<td>France</td>
<td>0.68</td>
</tr>
<tr>
<td>Ireland</td>
<td>0.65</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.65</td>
</tr>
<tr>
<td>Spain</td>
<td>0.63</td>
</tr>
<tr>
<td>Germany</td>
<td>0.61</td>
</tr>
<tr>
<td>Austria</td>
<td>0.59</td>
</tr>
<tr>
<td>Greece</td>
<td>0.56</td>
</tr>
<tr>
<td>UK</td>
<td>0.54</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>0.69</strong></td>
</tr>
</tbody>
</table>

**Notes:**
- First parliament included is the parliament in session on 1 January 1980.

Another problem with the model on electoral competition is that it lacks clear policy implications. Also, empirical evidence for sharp variance in the magnitude of policy reforms is missing. A cross-country comparison of the “old” 15-EU member states shows that all governments had the goal to consolidate state pension expenditure in the 1980s and 1990s, but the reform measures passed are difficult to compare as they struck very different policy dimensions (Anderson et al. forthcoming-b). Why, then, did the governments choose such different strategies? To answer this question we need supplementary context information on the party system and prominent issues in the country to make sense of the diversity of outcomes.

The electoral threat model promises to identify who the veto voters are and where they are located in the political spectrum. Wasted and surplus votes are an indicator for electoral threat that takes us closer to being able to say where – in which electoral district or at which
position in the political spectrum – the veto voters are located (Johnston et al. 2001: 13; Rose 2000: 341; Blais and Massicotte 2002). Wasted votes are votes for a candidate that has no chance of winning a seat; surplus votes are votes for candidates who already got enough votes to win a mandate. Surplus votes or, as I will name them in the following, buffer votes provide a cushion that can be used to compensate for losses of votes. Similarly, buffer seats are mandates for a government party or government coalition in excess of an absolute, legislative majority.

The blame avoidance approach postulates that rational politicians bypass the electoral threat. This means the concept can tell us about the “direction” of buffer votes: the voters that are disadvantaged by a reform act but are not capable of threatening the re-election of the government (or the relevant (non-governmental) legislative majority). The electoral threat thesis, on the other hand, tells us to pay attention to those privileged by the reform, namely the voters whose effect on seat distribution by abstention or by swing vote would be greater than the seat buffer.

Method and Plausibility of Assumptions

In order to examine the electoral threat thesis I proceed in the following way. First I identify the group of advantaged (“winners”) and the group of disadvantaged (“losers”) of policy changes, namely pension reforms in Germany, Luxembourg and the UK. Then, I apply the electoral results of the national elections previous to the passage of the reform. The real electoral outcomes will be modified by reducing the number of votes for the governing parties by the number of votes of the voters who benefited from the reform (the advantaged/“winners”). Next, I simulate electoral results based on this notional distribution of votes applying the exact electoral rules operating in the particular country at the time. If the group of relative “winners” of a reform would have been able to flip the government majority if they had not been privileged (or in other words they could have caused a greater loss of seats than the seat buffer), the electoral threat thesis is confirmed. To control the findings, a counter-simulation of real governmental parties’ results is run by subtracting the number of votes of the reform “losers”, which should show that they were unable to endanger the government even had they voted against the government as a block at the time of decision-making.

My examination of the electoral threat thesis is based on the assumption that voters with similar characteristics, such as occupation, gender, age or residence, vote as a unified block. Obviously, not all blue-collar workers vote for social-democratic parties and not all employers vote conservative, but such a simplification is justified for the discovery of general patterns. If voters voted arbitrarily and none of their personal, occupational, regional or social characteristics was correlated with a certain party than it would not be necessary to bother with testing the blame avoidance approach and electoral threat as politicians could expect that the response to their decisions would be left to chance. But, as we know from opinion polls and from econometric studies, connections between certain societal groups and party preferences do exist, even in times of decreasing party identification and an increasing voter mobility.

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20 The defect in the method used in this paper for the examination of electoral threat is its ex-post orientation. But Pierson, himself, admits that “calculating electoral slack ex ante is a tricky business, and most governments are likely to proceed cautiously” (Pierson 1996: 177).
Moreover, it is evident that single policy issues – such as pension policy – typically do not determine on their own the results of elections. Neither is it the only issue voters care about in their electoral choice. But, like voters, politicians are subject to bounded rationality. They simply do not know what will be ‘high politics’ during the next electoral campaign; whether voter A will weight pensions and foreign politics with $x$ and $y$ and voter B visa versa. If risk-averse politicians have to pass a pension act in the middle of a legislative term it is plausible that they expect a worst-case scenario: pension politics will be campaign issue number one in the next election.21

V. CASE STUDIES

Governments in Germany, Luxembourg and the United Kingdom attempted to reform their pension systems in the early 1980s in order to consolidate state pension finances. The governments in the selected cases22 chose different options to consolidate social security expenditures: Luxembourg reformed the system of pension financing in transferring a capital-funded system with financially independent occupational schemes into a quasi-pay-as-you-go system with risk unity. The UK established subsidized private and occupational pensions as alternatives to state supplementary pensions (SERPS). Although the British reform changed the structure of the pensions system it led to short-term higher costs and to long-term consequential charges such as increased old age poverty. Germany attempted to reduce pension benefits in several steps via reduced pension indexation and increasing the female retirement age. In 2001 Germany succeeded in establishing a state-subsidized private supplementary pension. However the so-called Riester-Rente is voluntary and has as yet seen low take-up rates.

The question is: why did these governments pursue the same goals in such different ways? When and why did each government choose a specific reform option rather than an alternative?23

Which specific reform measure depends on strategic action of rational actors, who try to avoid the electoral blame from their core constituencies. I argue that assuming a priori the absolute unpopularity of social security reforms (Kitschelt 2001; Scarbrough 2000: 225; Pierson 1994: 18), leads to the total neglect of the advantaged of the reform (the “winners”) in the political process. An analysis of the reform provisions will show that in each of the selected cases the reforms included not only “unpopular” features but included also elements “popular” to the government’s “important” electorate – the veto voters. The policy-makers shifted the costs to groups that were non-decisive for the election outcome.23

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21 For an empirical study on how issues become high politics see Brändström and Kuipers (2003).
22 Due to space limitation the following case studies cannot give consideration to every single reform measure and to every affected group of voters. I will therefore concentrate on selected reform issues that were controversial between different parties, prominent in the public attention and have been changed significantly during the reform process, thus indicating the impact of external actors on the government policy.
23 The beneficiaries of welfare programs are said to be concentrated and have clear-cut interests (Lindbom 2005: 6-7) but even within a group such as pensioners (including minimum-income and well-off pensioners and pensioners of all regions) interests may diverge much more than within a certain industry such as banking or construction.
Germany

The German state pension system is an earnings-related insurance system, based on pay-as-you-go contribution financing with government subsidies, covering employees and a small number of the self-employed. Historically, the system is based on the principle of economic status protection (Lebensstandardsicherungsprinzip) with replacement rates of around 70% and, consequently, provided little incentive for extensive supplementary occupational or private coverage. Since the late 1970s pension expenditure projections alerted politicians and the public to the need for reform. The contribution-curbing effect of the 1989 reform (RRG 1992) was quickly exhausted because of the extra burden on the social security system brought by German unification.

Whereas the preparatory work for the 1989 pension reform took almost 10 years and the act was finally passed in cross-party consensus, pension politics since the mid-1990s has produced at least four legislative acts (1996, 1997, 2001, 2004) which have been highly controversial and disputed between the main catch-all parties CDU and SPD. Unification brought five extra elections for state (Länder-) parliaments and, thus, potential for changes in the national second chamber – the Bundesrat.24 Unification further caused a national divide of the party system, with the PDS as a pure East German party and the FDP and Greens with exclusive West German relevance, leaving the CDU/CSU and the SPD with the difficult task of reconciling East and West German party wings. The party constellation on the national level has mutated from a system with the FDP as a pivotal ‘king-maker’, to a rather block-like system (SPD-Green versus CDU/CSU-FDP)

On the one hand, the increased diversity of Länder-governments complicates the building of a Bundesrat majority. On the other hand, the ragtag Bundesrat composition weakens party politics in the second chamber and enables the government to “buy” particular interests in incongruent coalitions” of the Länder (ManowandBurkhart 2004: 15). If the electoral threat thesis were capable of explaining this trend we would have to show that the veto voters have become more heterogeneous with alternating geographic relevance.

Pension Reform 1989 (Rentenreformgesetz 1992)

The German pension reform passed in 1989 increased standard retirement age for women, introduced net wage indexation, prolonged the minimum income pension and increased allowances for child-rearing periods. While the instrument with the greatest consolidating effect on pension expenditure until 2010 – net wage indexation25 – was uncontroversial, the increase in the female retirement age from 60 to 65 years was disputed and the transition period was modified during party negotiations. Obviously, the reform disadvantaged female future pensioners compared to the situation prior to the passage of the act. If the electoral threat thesis of the blame avoidance approach were correct, we would have to show that women were no veto voters otherwise rational politicians striving for re-election would not have agreed on this specific measurement. In other words, a simulation of national elections has to illustrate that women

24 Five more Bundesländer shorten the electoral cycle on national level as regional elections are frequently “barometer elections” (ManowandBurkhart 2004: 9) and have an effect on national policy making (Seemann 2005; Burkhart 2004).

25 For effect of the different reform measures on reduced expenditure and increased revenues see Müller (1989b: 856 Übersicht 853).
were incapable of flipping the governmental majority if they had withdrawn their votes from the
governing coalition (CDU/CSU/FDP) in a hypothetical election after 1989.

On first sight, it seems obvious that female voters are a big enough group to unseat any
government, irrespective of party affiliation. However, we have to look at the precise regulations of the pension reform act of 1992. The transition period for taking effect of the new retirement age was quite long. In 1989, the legislators fixed a transition period starting in 2001 and lasting to 2012. I.e. the first birth cohort that would have been fully affected from a pension age of 65 was born in 1953 and at the time of the legislation was 36 years old. This means, all women older than 36 had no reason to blame the government for an “unpopular” reform, as they were not affected. Hence, the group of potential veto voters is restricted to all younger women.

Appendix Table A illustrates the number of female voters aged 18 to 35 by German states (Länder). Obviously, voters who had not voted for the government parties in the first place cannot punish them in subsequent elections. Yet, young women are strongly underrepresented among the CDU/CSU and FDP electorate. The vote share of 18 to 35-year-old, female CDU/CSU voters was 35% in 1987 compared to total result of 44.3% and for young, female FDP voters 7.7% compared to a total of 9.1%. The electoral threat thesis is refuted if the female and younger-than 35-year-old CDU/CSU and FDP voters could reduce the total government parties’ votes in such a way that they would lose more seats than they have “buffer” seats i.e. seats on top of the absolute majority of seats in parliament.

The seat distribution in the German Bundestag is calculated on the Hare-Niemeyer formula. To simulate the impact of young female voters I use as “second votes” real second votes for CDU/CSU and FDP of 1987 reduced by the estimated number of female “losers” of the 1989 reform (columns 6 and 8 in Appendix Table A). The simulation shows (see Appendix Table B and C) that the number of seats for the government coalition in the Bundestag would have been reduced from 269 to 258 i.e. the majority was reduced from 41 to 17 seats, but, nevertheless, the government would have had a remaining “seat buffer” of 9 seats and a sufficient legislative majority.

26 Following Hare-Niemeyer the seats that are won by non-partisan candidates or by candidates whose party did not reach the 5% entrance hurdle are subtracted from the total number of seats i.e. 598. The “second votes” (Zweitstimmen) for each party (above the 5% hurdle) are multiplied by the number of remaining seats and then are divided by the absolute number of total “second votes”. The resulting rounded down figure is the number of seats the respective party receives. Left-over seats (i.e. 598 minus seats allocated in the first round) are distributed according to the highest digits (Nachkommastelle). If two parties have the same digits the national election officer (Bundeswahlleiter) decides by drawing lots. This calculation provides the number of seats each party receives in the Bundestag. Then the same calculation is done again for each state (Bundesland) to figure out how the total number of seats for each party is distributed between the Bundesländer. For each party in each state the directly won seats are subtracted from the number of seats the party is eligible to according to second votes. The remaining number of seats for that party is distributed relative to the state list of candidates (Landesliste). If the number of direct mandates exceeds the number of proportional seats per state, all candidates with direct mandates keep their seat and excess mandates are created (www.bundestag.de/info/wahlen/wahlgl/h1.html).

27 Every German voter has two votes: with the “first vote” (Erststimme) one candidate is directly elected to the parliament in each of the 299 constituencies with relative majority. With the “second vote” (Zweitstimme) the voter chooses a party.

28 Note direct mandates (first votes (Erststimmen)) are not changed due to unavailability of data per district. This leads to three excess mandates instead of one for Baden-Württemberg.
**Pension Reform 1997 (Pension Reform Act 1999)**

The two main elements of the 1997 reform were the introduction of a demographic factor to the pension indexation formula, a change of the disability pension, and the introduction of an additional state subsidy. The main problem and most important issue of conflict in the Mediation Committee (between the first and second chambers) but also within the government coalition was the financing of the additional state subsidy. Three alternatives for financing were possible:

1. Introduction of compulsory social insurance coverage for marginal employment (*geringfügige Beschäftigung*) to increase revenues for state pension schemes.
2. Increase in the petrol tax.
3. Increase in VAT by one percentage point.

It is surprising that the final act chose option three to secure the additional subsidy considering that the coalition did not have a majority in the second chamber (*Bundesrat*) and that changes in VAT required *Bundesrat’s* agreement (*zustimmungspflichtes Gesetz*). But the two little coalition partners CSU and FDP protested strongly against alternatives one and two. The CSU had to fight state elections (*Landtagswahl*) in Bavaria in fall 1998 and opposed the rise in the petrol tax. The CSU also objected to the pension reform coming into force in 1998 i.e. before the state election. The FDP ruled out the insurance coverage for marginal employment. The Mediation Committee suggested the compromise of increasing VAT from 15% to 16% and lowering the upper limit for social security free minor employment from DM 610 to DM 200 per month. But the *Bundestag* plenum agreed only to the VAT-part of the modified bill, not to the change in coverage rules on marginal employment.

The FDP in its function as coalition partner blocked the mandatory coverage of marginal employment. If the *electoral threat* thesis was to be supported, the FDP did not agree to the reform measure on marginal employment because they avoided electoral blame from a decisive group of voters; i.e. the electorate who profited most from social-security free minor employment had to be large enough to flip the government majority by punishing the FDP at the polls.

As an indicator for the group that profited most from social-security free marginal employment I take the self-employed, as an approximation for employers with minor employees. If all self-employed who voted for the FDP in 1994 had abstained from voting the FDP would have received only 36 instead of 47 mandates. The new distribution of votes would have increased the CDU and SPD seats accordingly. Consequently, the government coalition loses six instead of 11 seats in the simulation and the opposition gains four seats. The overall result of the simulation is a tie of seats between government and opposition: 335 to 335. In the case of the 1997 pension reform, then, the winners from the reform/the advantaged from the reform measure are, indeed, potential veto voters.

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29 Bavaria was the *Bundesland* with the highest rate of motor vehicles in Germany (Statistisches Bundesamt 1998: 136).
30 The FDP had blocked the introduction of mandatory social insurance for marginal employment several times before (Spiegel 13.10.1997; SZ, Koch 04.11.1997).
31 Statistics on the percentage of self-employed who vote for FDP by electoral districts or by states (*Bundesländer*) are not available. As a first approximation I multiplied the number of self-employed per state with the percentage of self-employed in East- or West-Germany taken from (Gluchowskiandvon Wilamowitz-Moellendorff 1997: 199).
The Pension Reform of 1997 is an example where the majority in the first chamber – the Bundestag – is threatened by veto voters. But the German legislative process does not only require a majority in the first chamber. For mandatory consent legislation a majority in the Bundesrat is also necessary.

Not all state governments in the Bundesrat are equally important. Mixed states are Länder with governments that include both governmental parties on national level and opposition parties on national level. The voting behavior of these mixed states is very unstable. The uncertainty is reinforced by effectively permanent election campaigns in one or other of the 16 federal states. Opinion polls show that national issues such as pension policy play an important role in state election campaigns (Marcinkowski 2001; Forschungsgruppe Wahlen 1996, 1999). Therefore, state party groups sometimes dissociate themselves from the national party leadership if they think it might help electoral prospects on state level. Any government without its own majority in the Bundesrat is strongly concerned with securing the agreement of critical votes.

The voters who can threaten the re-election of the governments of the critical Bundesländer are the veto voters in mandatory consent legislation. The state governments anticipate the electoral blame and the national government, in turn, anticipates the veto of the Bundesrat. Consequently, the national government tries to “buy” the necessary state votes through concessions. Commentators of the pension reform 2001 accused the Schröder-government of having bought states with mixed governments. Concessions were indeed made towards Brandenburg, Berlin, Rheinland-Pfalz and Bremen.32

The pension reform of 2001 introduced voluntary, state subsidized private old-age pensions. A prominent issue of conflict in the Mediation Committee was the subsidizing of real estate. Real estate was not eligible to state subsidies in the original reform bill but it was included in the final act. The distribution of votes in the Bundesrat at the time of passage was 23 Länder-government votes with national government parties, 18 mixed Länder votes and 28 opposition states. In other words, the Schröder coalition needed at least 12 out of the 18 mixed states votes.

The thesis: If the national government had not included real estate into the catalogue the SPD/FDP state government in Rheinland-Pfalz would have abstained from voting and thereby, would blocked the passage of the Riester-reform.

Rheinland-Pfalz requested to include real-estate into the group of subsidy-eligible private pension plans. As real estate could not fulfill the need to be taxable at the time of payment Rheinland-Pfalz suggested estimating an artificial pension that could be taxed. It further proposed to register the private pension component in the cadastral register so subsidies could be paid back if the house or apartment was sold. The Mediation Committee amended the bill in as far as privately insured persons could take between € 10,000 and € 50,000 out of the private

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32 Mecklenburg-Vorpommern did not receive any concessions although it was also a mixed government. Although the PDS-coalition partner was against the reform state prime minister Ringsdorff voted in favor of the bill. The party constellation of the state parliament in Mecklenburg-Vorpommern allowed to risk government break down as the PDS had no alternative coalition partner to turn. The FDP and FDP voters in Rheinland-Pfalz, in contrast, did have an alternative: coalition building with the CDU or swing vote to CDU.
pension fond and use it for the purchase of real-estate with the obligation to start back-payment the following year.

Although Rheinland-Pfalz is the state (Land) with the second highest homestead rate in Germany the link between interests and electoral threat is not that direct. The influence the national FDP took via the state-FDP in Rheinland-Pfalz on national policy making was announced by FDP-Bundestag members Schwätzer and Solms in January 2001 when they threatened to withhold the support of Länder-coalitions with FDP participation (BT-PItPr 14/147, 26.01.2001b). The FDP in Rheinland-Pfalz could pressure the state SPD shortly before the state elections in spring 2001. The close electoral results between CDU and SPD in Rheinland-Pfalz and the central position of the state-FDP led to over-proportional influence on national legislation and the Bundesrat.

Electoral Threat in Federal Context

The three examples of German pension policy has shown that politicians do concede to certain groups that are only minorities of the total electorate. Regional interests are particularly regarded before state elections if the government worries about national consequences. But the potential for electoral threat for these groups is not a simple electoral cycle model where social expenditure is increased in election years. But for policy negotiations in progress the phantom of upcoming elections – regional or national – is not linear or constant throughout the process. The threat pops up and disappears depending on externally determined election dates and socio-historical events and on coalition alternatives the regional party spectrum offers: in other words who are the veto voters is strongly time-dependent.

Luxembourg

Financial Reform 1984: Overview

The Luxembourgian pension system in 2005 is a contribution-financed, earnings-related pay-as-you-go pension system of the Bismarckian social security systems. The state pension system holds high capital funds and offers generous pension benefits. Luxembourg owes the healthy financial basis of its pension system to a reform of financing in 1984. The Christian-Democratic/Liberal government coalition (CSV/DP) consolidated the three pension schemes of self-employed, farmers, and blue-collar workers at the expense of the white-collar workers.

33 The Liberals were in a pivotal position already after the last state election in 1996. They could have built majority coalitions both with SPD and with CDU and although the party leadership opted for SPD 58% favored CDU as coalition partner. Prior to the 2001 election the FDP state party leadership promised to maintain the social-democratic/liberal coalition but if the CDU had won a relative majority of votes the promise would have been redundant. The difference in votes between CDU and SPD in 1996 was rather small. The SPD led by 1.1 percentage points only. Opinion polls in September 2000 – i.e. half a year before the election – predicted a close electoral race but with the CDU in advance.

34 E.g. effect of German unification (see also SchulzeandJochem forthcoming).

35 The Chreschtlicht Sozial Volkepartei (CSV) is the “natural” government party in Luxembourg as it was part of all post-war coalitions with the exception of the 1974 to 1979 legislative term. CSV strongholds are the Northern and Eastern electoral district (Schroen 1999: 401; Jacobs 1989: 233, 236). These two districts are characterized by agriculture and viniculture. Agriculture workers, farmers, self-employed
At the beginning of the 1980s a reform of the state pension system became necessary because of the unequal demographic development in the different pension schemes. The adjournment of the core economy from mining and steel industry and agriculture to the financial sector lead to an increasing excess of age in the pension funds of self-employed, farmers and blue-collar workers. The ratio of active workers to pensioners in three of the four existing regimes showed that a capital funded system was not sustainable. The pension scheme for white-collar workers was the only one with a favorable ratio. Thus, the government was under pressure to act.

Before 1984 the pension system was a modified capital funded system with state debt certificates. If the pension schemes were unable to cover the full implicit pension debt with their capital reserves the state guaranteed to cover the difference between revenues and necessary reserves. The state debt certificates, however, were no real payments but notional guarantees. The pension schemes were compensated for interests foregone at the capital market with a low annual interest rate of 4.25% on the debt certificates. If the state had made real payments the pension schemes could have invested the assets and would have received a much higher rate of return (Thullen 1983: 17). As contribution payments did not cover benefit expenses plus capital reserves the notional state pension deficit increased to LUF 28 billions in 1983 (IGSS 1984: 9; see also LW 14.04.1984).

The demographic development of the labor market with explosive increases in the service sector made it most likely that the pressure of the pension system on the national budget would continue to increases. Expert committees suggested a financial equalization between the different pension schemes, which would make the system sustainable without rising the contribution rates (LW 10.05.1984). Concurrently, the state participation in pension financing was to be transformed from notional benefit guarantees to real contribution payments. The government proposal provided for the introduction of a pay-as-you-go system where the contribution rate would be fixed for 7-year periods. The notional state debt certificates were erased without compensation. In future the state was liable to pay one third of the contribution rate i.e. 8% of gross wage (Projet de loi No 2602, 1982). Required reserves of the pension schemes were limited to but also small groups of blue-collar workers are among the CSV core electorate (Jacobs 1989: 236). The Center district – the City of Luxembourg – is the liberal stronghold. Civil servants, self-employed and high-income earners are typical DP voters (Schroen 1999; PoirierandFehlen 2000: 320). Although the CSV is the “natural” government party in Luxembourg it was in a weak position in the early 1980s. During the legislative term preceding the pension reform (1974 to 1979) the CSV was in deep crisis. After heavy electoral losses in 1974 the CSV opted for the opposition bank for the first time since World War II (Jacobs 1989: 236).

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36 Etablissement d’assurance contre la vieillesse et l’invalidité (AVI), caisse de pension des employés privés (CPEP), caisse de pension des artisans, des commerçants et industriels (CPACI), caisse de pension agricole (CPA) (MSS 2001).
37 The ratio of pensioners to active workers was in 1980 in the blue-collar scheme (AVI) 53.2, in the self-employed scheme (CPACI) 77.8 and in the farmers’ scheme (CPA) 99.7. The white-collar workers’ scheme (CPEP) was the only regime with a more positive ratio of 23.7. These ratios have not changed significantly since the early 1980s for the separate schemes. But due to the financial risk community the total dependency ratio is 41.8 in 2001 (IGSS 2002: 217).
38 When the interest rate was fixed in 1964 it corresponded to the real interest rate at the capital market. But due to market developments the interest rate was inadequate in the early 1980s.
39 Without the state debt certificates the blue-collar pension scheme achieved a capital ratio of 30.4%, the scheme for self-employed 8.5% and the farmers’ insurance 1% (IGSS 2002: 265 Tableau 263.212.).
1.5 to 2.5% of yearly pension expenditures (Projet de loi No 2602, 1982: 41; see also Chambre des Employés privés 1983: 59).

Although the government bill met fierce resistance from the chamber of white-collar workers that rejected the loss of the schemes’ financial autonomy and the consolidation of finances at the cost of the white-collar workers pension scheme CPEP (OGB-L actualités 3/1984: 10; Chambre des Employés privés 1983: 59-60) the government was determined to realize the financial pension reform before the upcoming national elections on 17 June 1984 (LW 15.10.1983). The bill passed parliament only one months before the election – on 10 May 1984 – with government majority (Compte rendu, ChD, 62e séance, 10.05.1984a: 3230; see also LW 11.05.1984).41

Advantaged and Disadvantaged of the Reform (the „Winners“ and „Losers“)42

The pension schemes for farmers, self-employed and in the long-term the scheme for blue-collar workers were advantaged by the 1984 reform. The advantages are obvious: the financial equalization between the schemes remedied the unfavorable ratio between active insured and pensioners, and it prevented a different reform possibility – namely contribution increase or benefit reduction for three out of four pension schemes. White-collar employees, i.e. the insured of the CPEP, were the disadvantaged or “losers” of the reform.43

If the electoral threat thesis was right, the self-employed, farmers and blue-collar workers must have been veto voters and therefore the government privileged them by the choice of reform measures. And, if the electoral threat thesis was correct, white-collar workers, on the contrary, were not decisive in elections and politicians did not risk to be thrown out of office if they imposed the costs of reform on the white-collar employees.

I start with the examination of the following question: if all insured of the AVI, the CPACI and the CPA had collectively abstained from voting for CSV, would they have threatened the government majority?

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42 The transformation of pension financing from capital funding to pay-as-you-go had significant consequences on the state expenditures. As the future state participation in pensions would be restricted to contribution payments the 1984 pension reform reduced the pension expenditure by 9.4 percentage points. The deletion of the debt certificates turned the government into the main winner (Schulze forthcoming).
43 Unfortunately, the pension insurance statistics do not differentiate along Luxembourgian nationals, foreigners and cross-boarder workers in the early 1980s (Breyer 2003). However, a survey of the labor market shows that most likely a growing share of cross-boarder workers were members of the CPEP. The number of banks increased from 17 to 111 banks between 1960 and 1980 (+550%), the number of employees rose from 1,321 to 7,600 (see also Weides 2003: 109) (www.statec.lu, Access 16.08.2004). The national labor supply was unable to satisfy the demand in the financial sector. The small territorial stretch of the country made the recruitment of employees beyond the national boarders possible – so-called cross-boarder workers. The number of cross-boarder workers increased heavily between 1981 and 1983 (STATEC 1995: 24; Fehlen 1997: 6). In October 1974 11,400 cross-boarder workers were employed in Luxembourg, in 1984 there were 14,400, i.e. an increase by 26% in ten years (STATEC 1995: 24, 162). (The number of cross-boarder workers continued to rise to 24,567 in 1988 (+ 70% compared to 1984) and to 101,621 in 2002 (+ 606% compared to 1984) (IGSS 2002: 422 Tableau 427.) Looking at these figures it is plausible that the CSV/DP government of 1984 was able to project that the share of employees in the service sector that were not allowed to vote in national elections would continuously increase.
The CSV/DP coalition of 1979 occupied 39 out of 59 seats in parliament. Consequently, the coalition had a “buffer” of 9 seats to lose.

I operationalize the advantaged (or the “winners”) as the sum of farmers, self-employed (including family workers) and blue-collar workers. To assess the electoral potential of the “winners” I use as votes by party the real votes for the CSV in 1979 reduced by the estimated number of votes of farmers, self-employed and blue-collar workers (Appendix Table D). With this hypothetical distribution of votes I simulate seat allocation following the rules of the Luxembourguian electoral system anew.45

The simulation shows (see Appendix Tables E and F), if the self-employed and Luxembourguian blue-collar workers had all switched their votes from CSV to LSAP – the major opposition party –, the CSV would have lost 14 seats i.e. more than the “buffer”. The seat distribution between government and opposition would have turned from 39 : 20 to 25 : 34 (see Appendix Table G).

To cross-check the electoral threat thesis I simulate a potential election after the 1984 reform again postulating that the disadvantaged – the white-collar workers – had switched their votes from CSV to LSAP. A swing vote of white-collar workers would have reduced CSV mandates by 7 but as the coalition had a “buffer” for electoral losses of 9 seats the white-collar workers were unable to flip majorities and consequently, could not influence policy legislation (see Appendix Table G).

Electoral Threat in the Context of Non-eligible Voters

The hypotheses „elected politicians pass pension reforms only if they can avoid electoral punishment“ is confirmed by the empirical case of pension reform 1984 in Luxembourg. With respect to the effect of electoral systems on policies in general and pension reform provisions in particular we have to bear in mind the great difference between those effected by the policy and those who have the right to vote. As early as 1980 8.7% of the members of the state pension system were cross-boarder workers (EURES 2003). 1988 16% of all employees and 25% of all

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44 In the Luxembourguian electoral system each voter has as many votes as there are mandates to distribute in the electoral district. Therefore, I multiply the number of advantaged (“winners” – for calculation of the “winners” see Appendix Table D annotations) per district with the number of mandates in the specific district (e.g. times 24 for the South district). Note that voters may use only part of their votes, therefore the assumption that voters use all voters might cause a bias.

45 The 60 (in 1979: 59) members of the Chambre des Députés are elected by proportional representation in four electoral districts of different magnitude (Constitution Art. 51). Each voter has as many votes as there are mandates to distribute in the district. The electoral system allows splitting (vote panaché), i.e. to award votes to individual candidates of the same or of different party lists, and to cumulate votes up to two per candidate (Loi électorale, Art. 114, 119) (Schroen 1999: 399). The allocation of seats takes place on constituency level only (no national compensation) and follows the Hagenbach-Bischoff method (Nohlen 2004: 204): The total number of valid votes is divided by the number of mandates to distribute elevated by one; the result is called the “electoral number” (nombre électoral). Then, the votes by party are divided by the “electoral number”. The outcome displays the number of seats the respective party receives (Loi électorale, Art. 136). If there are seats left after this division has been done for each party, the number of votes per list is divided by the number of seats plus one the party has already obtained. The party with the highest ratio receives an additional seat. This procedure is repeated as many times as there are seats left (Loi électorale, Art. 137). The seats are distributed to the candidates of each list with the highest number of votes (Schulze forthcoming). See also www.chd.lu/docs/Elections.doc.

46 For numbers of white-collar workers see Appendix Table H.
active population were foreign residents, i.e. 41% of the labor force was not allowed to vote. This large share of foreigners varies between the pension schemes: the schemes for farmers and self-employed hardly displays any cross-boarder workers or foreigners. The blue-collar workers’ scheme features a share of 42% in 1985 (own calculation based on IGSS 1986: 161). The crowding out of eligible voters within the group of insurance opened new scope of action as the addressee of reform measures would continuously lose in electoral significance. The likeliness to be held accountable was much smaller if pension benefits of cross-boarder workers were cut respectively if their financial burden was increased which was the case in 1984.

Right before national elections the senior partner in government at that time (CSV) committed its core electorate of self-employed and farmers with the “election gift” of nullifying the deficit of their pension schemes. Such a fundamental reform was important for the CSV because the electoral system of one-level seat allocation and cumulating and splitting votes amplifies the relevance of district electoral competition. Thereby, the interests of CSV strongholds – the Northern and the Eastern electoral district – are over-represented in parliament with sweeping effect on policy formulation. Furthermore, the country-specific feature of large proportions of non-elective immigrants and cross-boarder workers within the workforce opened an opportunity to consolidate the pension system without imposing any costs on the CSV. The occupational groups that caused the biggest problems in future financing turned out to be the “winners” of the reform.

United Kingdom

The British government enacted a pension reform in 1986. The reform reduced benefits in the state earnings-related pensions by tightening eligibility criteria and changing the benefit calculation formula. Parallel, the government created incentives to opt out of the state supplementary scheme and to take up private or occupational pension plans. The literature praises the British Social Security Act 1986 as a successful attempt for welfare state retrenchment (e.g. Bonoli 2000; Nesbitt 1995; McAllisterandRose 1984). However, as measured by the original goals the legislation must be regarded as partially failed reform. Instead of reducing state pension expenditures the reform increases expenditures through subsidizing occupational pensions and favored interests that were concentrated in the South of England. The reform measures hit low-income earners and employees with unsteady working careers. The original plan was to increase revenues by £ 1.5 to 2 billions per year (HoC, 06.06.1985a: col. 465). The act, as passed, included changes with estimated costs of approximately £ 9.7 billions between 1987 and 1993 (see below).

The question is: why was the British government unable to realize its initial goals and why was the proposal modified to the advantage of a particular reason. The electoral threat thesis is: the government was afraid of electoral punishment at the subsequent elections. Consequently, it approached the group of voters that was most credible of having the potential to threat the re-election of the conservative Party.

I will show that the constellation of die party system in the mid-1980s with geographically concentrated opposition (Labour in the North and Alliance in the South) made the government party vulnerable to core electorate in its traditional strongholds – business elite and representatives of the financial markets in the South of England. Instead of increasing contribution rates for this clientel the government appeased protests against the first governmental bill
with quasi-subsidies and deregulation of private and occupational pensions in the amended bill and final act.

_Avantaged and Disadvantaged of the Reform (the „Winners“ and „Losers“)_

Social Minister, Norman Fowler, published a government draft of a pension reform in June 1985. This Green Paper (DHSS 1985a, c, d) envisioned abolishing the state earnings-related pension scheme (SERPS), a supplementary pension on top of the state basic pension. The SERPS were to be replaced with the introduction of mandatory private or occupational pension plans amounting to contribution rates of 4% of income (employee and employer 2% each). The total social security rate was to be reduced from 19.45% to 16.5%, but, with the mandatory private contribution rate added the total rate would have been increased by 1.05 percentage points. Furthermore, the contribution rate reduction for contracted-out members was to be abolished meaning a rise in contribution rate of 4.35 percentage points.

The Green Paper encountered fierce opposition: unions, pensioners’ and women’s organizations, the National Association of Pension Funds (NAPF) and even the Confederation of British Industry (CBI) criticized various aspects (Meacher (Lab) and Faulds (Lab) in HoC, 03.06.1985b: col. 40, 50; TUC 1985c, a, b; TWGU 1985a, b). Half a year later, in December 1985, a White Paper provided for the following changes (DHSS 1985b):

- No abolishment of SERPS
- No abolishment of the contribution rebates for contracting-out members
- Introduction of voluntary instead of mandatory private pension plans as additional contracting-out option
- Introduction of an additional rebate of 2% of the National Insurance contributions for all chose a contracting-out program within the first five years after enactment of the reform.
- Occupational pension schemes were allowed to offer defined-contribution schemes
- Moreover, the reform act reduced SERPS benefits by increasing the reference period for the assessment base from the best 20 years to life-long earnings and the replacement rate for SERPS benefits was reduced from 25% to 20% of the average personal wage.

The reform did not achieve its goals: it did not realized the structural shift foresee; it did reduce benefits but the principles of voluntariness of private old age provision stayed in force. The Social Security Act was not successful in terms of savings, as many more employees than expected opted for contracting-out and the additional 2% contribution deduction. The Green Paper had predicted that the increase in National Insurance contributions would boost revenues by £ 1.5 to 2 billions per year (Financial Times, Prowse 13.05.1985). The provisions enacted rose short-term cost – via forgone revenues – by estimated £ 9.7 billions for the period 1987 to 1993 (Wain 1995: 329).

The disadvantaged of the reform (“losers”) were low-income earners, persons with interrupted working careers, unskilled workers in construction industry and farming and employees of small companies that seldom provide access to occupational pension schemes and whose employees have to remain in SERPS. In other words, disadvantaged are those SERPS-insured that will suffer from reduced benefits in the future but participate in financing the subsidies for contracting-out via general taxes.
The ratio of contracting-out is over-proportionally high in the banking sector and in companies with more than 1,000 employees. Consequently, the relatively advantaged of the reform act (the “winners” of the political and legislative process) are occupational and private pension funds and the employees that are member of such funds due to their occupation, the size of their employer or their well-paid, managing function.

The South of England, in particular the South-East and London, is the location of business headquarters of a majority of employers and of 43% of all occupational pension funds. Including externally administrated pension funds 95% of all pension fund assets are managed and controlled in the South of England. Over half of the total pension fund assets are invested on the national stock market, which means that the lion’s share flows back to the concerns located in South-England, for the biggest 100 companies stand for ¾ of the stock market in the UK (in 1993). 90 out of the 100 biggest British concerns operate from Southern England and London (MartinandMinns 1995: 136).

The Thatcher government had a majority of 144 seats in the House of Commons i.e. a “seat buffer” of 71 mandates that could be lost without risk. This seems to be a save starting point for the passage of a reform. But a closer look to the political climate of the early 1980er suggests that the party system was apparently in upheaval: In 1981, the Social Democratic Party was founded and joint the Liberal in an electoral Alliance. The SDP, respectively the Alliance, experienced a successful blast-off and reached public support of 51% in opinion polls in December 1981. It was the most popular party in Britain for a short time. At the same time the Conservatives reached only 23% of support in public polls. In the 1983 House of Commons general elections Alliance and Labour were on a par; Labour had only a small winning margin of 2.2 percentage points. The Conservative majority of 144 seats disguises that the party had lost in votes in 1983, it profited only due to Labour weakness in the distribution of seats.

An important point of uncertainty for the Conservative Party was the divided opposition with Labour and Alliance unequally distributed over the country. Alliance candidates came off second-best in (almost) all Southern electoral districts in the 1983. Labour was far behind on third position in the South. That means, the Conservatives competed with geographically concentrated interests at two fronts: in the South their main competitor was Alliance and in the North Labour. If we look at the number of electoral districts with respect to winner and first loser pair of candidates – Labour-Conservative and Conservative-Labour versus Alliance-Conservative and Conservative-Alliance – the ratio is 285 : 283. The Conservative Party competed with Labour in 285 districts for plurality and in 283 districts with Alliance. As the North was traditionally a working class stronghold anyway, it was most important to retain the South as Conservative stronghold. As Alliance and Labour policies were far apart the Conservative Party was challenged to take account of the different claims of intra-party groups.

If the electoral threat thesis was to be supported, the the business elite in South-(East) England was able to credibly threaten the Conservatives’ re-election to government.

As persons with higher education are more likely to have high-income jobs in sectors like the financial sector and consequently statistically are more likely to have an occupational

---

47 Due to the seat distribution based on first-past-the-post system the Alliance received significantly less mandates than Labour, namely 23 compared to 209 seats.
pension I operationalize the advantaged of the 1986 pension reform (“winners”) as share of the population in an electoral district with professional qualification.\textsuperscript{48}

Looking at all 265 electoral districts in which the Conservatives won and Alliance came second in 153 districts the number of professionals was greater than the majority of votes between the winner and the first loser. I.e. the professionals would have been able to flip the final electoral outcome for the national seat buffer was only 71 mandates. The electoral threat thesis is supported by this example.\textsuperscript{49}

To cross-check the electoral threat thesis for the Social Security Act 1986 we look at the relatively disadvantaged of the reform (“the losers”), which I operationalize as unemployed and unskilled workers, as these are the groups with the lowest probability for occupational pension coverage. Neither unemployed nor unskilled workers nor both groups together were big enough to change the electoral results in more districts with Conservative-Alliance duals than the national seat buffer. Only in 41 districts the number of unemployed plus unskilled workers was greater than the difference in votes between the Conservative and the Alliance candidate. Election analyses show the electoral districts with the highest unemployment rates are safe Labour seats anyway, therefore the empirical test whether unemployed could flip majorities in Conservative-Labour duals to the detriment of Conservative is unnecessary.

\textit{Electoral Threat in the Context of Geographical Concentrated Interests}

To summarize, the electoral situation of the Conservative Party in the mid-1980s was not as strong as the 144-seat majority pretends. The early 1980s characterized by the uncertainty whether the Alliance might become a parliamentary force that could tip the scales. The apparently changing pattern of the party competition turned electoral results much more risky and less foreseeable. The divided opposition with geographically concentrated interests increased the chances of throwing the Conservatives out of office. The national “seat buffer” was big but duels stamped the competition on electoral district level. The Conservative government to look after its traditional stronghold in the South. It acted strategically in conceding to the employers claims during the pension reform process 1985/1986: the conservative core electorate found an acceptable alternative in the Alliance for realizing its general policy goals, and, thus, the dissatisfaction with the sitting government was a threat for the subsequent election. The Thatcher government spared the South-English business elite from relative losses and costs.

\textsuperscript{48} Analysis of voters’ movements in 1983 show that the share of “professional/managerial class” that voted for Conservative declined compared to 1979 (-6%); the Alliance in 1983 compared to the Liberals 1979 increased its support within the professional/managerial class (+11%).

\textsuperscript{49} Professionals were, calculational, a big enough group of voters to flip majorities in 98 districts with the Conservative candidate on first place and Labour second as well. But one reason why the Alliance was so successful with company chairmen was that they attempted to avoid a Labour re-election by tempering and mitigating Thatcher reforms. The business elite and managers are among the core electorate of the Conservative Party. Although this group was ideologically still strongly attached to the Conservatives, some chairmen of the board and chief executive officers of big companies supported the SDP, respectively Alliance, in the early 1980s for two reasons: first, one of the main policy goals of the Alliance was the introduction of a proportional representation electoral system. Employers association, who were interested in greater policy continuity through compromises in coalition governments, also favored proportional representation. Second, the business elites feared that the radical reforms by Prime Minister Margaret Thatcher might alienate the electorate in terms of grater support for Labour. And the business elite tried to avoid a left Labour government under all circumstances (CreweandKing 1995: 247). Therefore, a voters’ movement of professionals from Conservative to Labour was unlikely.
VI. CONCLUSION

The above analysis has shown that there is empirical evidence that supports the effect of *electoral threat* on the political process and on the content of pension reforms. The narrative descriptions of selected pension processes in three different countries delivered insight to the puzzle why policy-makers chose different measures to achieve the same goal: the qualitative sketches of the political moods and the policy preferences of the government’s core electorate illustrate why original proposals were modified in the one or the other direction.

However, the quantitative examination, whether the electoral threat approach holds true if confronted with real votes, potential voters’ strata and real votes-to-seat-transformation rules, revealed various deficits both in theoretical and empirical perspective.

First, the indicator “seat buffer” to measure electoral threat is not a sufficient criterion. It only brought to bear in conjunction with ex-post (and to a certain degree subjectively) identified “winners” and “losers” of a reform process. I.e. the measurement is – similar to the indicators for competition – country- and time-dependent.

Second, the empirical analyses above and future research suffer from missing structural data on electoral district level. Most electoral statistics of the past have concentrated on gender, age and previous voting behavior. With respect to occupational status usually the share of agricultural employment, unemployment ratio or gross categories like civil servants, self-employed is collected. All district data is available in percentage only as it relies on samples and extrapolations, thus, the absolute figures needed to accomplish election simulations are never more than estimated approximations. But even more important, specific pension statistics such as number of insured per pension scheme and by nationality or the number of members of occupational pension schemes are never collected by electoral district as geographic classification unit. If available at all, they are aggregated by administrative districts for recent years only. And, as electoral districts often change boundaries, collecting the relevant data is tedious and flawed.

One strategy to remedy this deficit would be to broaden the enquiry spectrum of exit-polls or the aggregate census along electoral district boundaries. But both – from a cost-and-effort-orientated view, as well as from a comparative political science view – it would be more reasonable to concentrate on the further search of a policy-independent indicator for *electoral threat*. In other words, future research has to abstract form the “winner”/”loser”-attachment to circumvent this data problem.
## VII. APPENDIX

*Table A: Germany: Bundestag Election 1987: Share of Female CDU/CSU and FDP Voters by Age Group (Statistics by Länder)*

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Female Voters (absolute)</th>
<th>Female Voters (absolute)</th>
<th>Female Voters (absolute)</th>
<th>Share of female CDU/CSU Voters</th>
<th>Female CDU/CSU Voters (Estimate)</th>
<th>Share of female FDP Voters</th>
<th>Female FDP Voters (Estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-35</td>
<td>207,300</td>
<td>354,500</td>
<td>245,200</td>
<td>30.0%</td>
<td>62,086</td>
<td>8.4%</td>
<td>17,310</td>
</tr>
<tr>
<td>35-60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>26,692</td>
<td>8.3%</td>
</tr>
<tr>
<td>&gt; 60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>188,082</td>
<td>6.5%</td>
</tr>
<tr>
<td>Schleswig-Holstein</td>
<td>207,300</td>
<td>354,500</td>
<td>245,200</td>
<td>30.0%</td>
<td>62,086</td>
<td>8.4%</td>
<td>17,310</td>
</tr>
<tr>
<td>Hamburg</td>
<td>113,100</td>
<td>190,600</td>
<td>196,900</td>
<td>23.6%</td>
<td>26,692</td>
<td>8.3%</td>
<td>9,387</td>
</tr>
<tr>
<td>Niedersachsen</td>
<td>600,900</td>
<td>920,500</td>
<td>697,000</td>
<td>31.3%</td>
<td>188,082</td>
<td>6.5%</td>
<td>39,059</td>
</tr>
<tr>
<td>Bremen</td>
<td>49,600</td>
<td>81,900</td>
<td>77,600</td>
<td>15.9%</td>
<td>7,886</td>
<td>4.9%</td>
<td>2,406</td>
</tr>
<tr>
<td>Nordrhein-Westf.</td>
<td>1,391,100</td>
<td>2,129,300</td>
<td>1,565,400</td>
<td>29.5%</td>
<td>409,679</td>
<td>7.5%</td>
<td>103,637</td>
</tr>
<tr>
<td>Hessen</td>
<td>453,000</td>
<td>690,500</td>
<td>536,800</td>
<td>30.3%</td>
<td>137,033</td>
<td>7.3%</td>
<td>33,069</td>
</tr>
<tr>
<td>Rheinland-Pfalz</td>
<td>320,100</td>
<td>491,800</td>
<td>360,800</td>
<td>36.9%</td>
<td>118,117</td>
<td>8.3%</td>
<td>26,408</td>
</tr>
<tr>
<td>Baden-Württemb.</td>
<td>725,200</td>
<td>1,111,900</td>
<td>789,400</td>
<td>37.2%</td>
<td>269,774</td>
<td>10.2%</td>
<td>73,608</td>
</tr>
<tr>
<td>Bayern</td>
<td>851,100</td>
<td>1,294,900</td>
<td>978,200</td>
<td>48.9%</td>
<td>415,762</td>
<td>6.7%</td>
<td>56,598</td>
</tr>
<tr>
<td>Saarland</td>
<td>100,300</td>
<td>145,200</td>
<td>100,200</td>
<td>31.5%</td>
<td>31,595</td>
<td>5.9%</td>
<td>5,918</td>
</tr>
<tr>
<td>Germany</td>
<td>4,811,800</td>
<td>7,411,100</td>
<td>5,547,700</td>
<td>34.6%</td>
<td>1,664,883</td>
<td>7.7%</td>
<td>368,103</td>
</tr>
</tbody>
</table>

Sources: Own calculation based on Busack (Busack 2001)

* Female voters by party and by state is only available as percentage for the age groups „18-24“ and „25-35“ but neither by total numbers nor by the entire group “18-35” therefore I used the average of the age groups „18-24“ and „25-35“ as approximation.
### Table B: Germany:
**Bundestag Election 1987: Simulated Distribution of Votes and Seats for CDU/CSU by Länder: Abstention of 18-to-35-year-old Female CDU/CSU and FDP Voters**

<table>
<thead>
<tr>
<th>Länder</th>
<th>Real Second Votes</th>
<th>Hypothesis</th>
<th>Hypothetical Second Votes</th>
<th>Proportional Mandates</th>
<th>Direct Mandates</th>
<th>Excess Mandates</th>
<th>Simulated Mandates</th>
<th>Comparison: Real Mandates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schleswig-H.</td>
<td>715,746</td>
<td>-62,086</td>
<td>653,660</td>
<td>9</td>
<td>8</td>
<td>0</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Hamburg</td>
<td>388,517</td>
<td>-26,692</td>
<td>361,825</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Niedersach.</td>
<td>1,969,967</td>
<td>-188,082</td>
<td>1,781,885</td>
<td>25</td>
<td>18</td>
<td>0</td>
<td>25</td>
<td>26</td>
</tr>
<tr>
<td>Bremen</td>
<td>123,745</td>
<td>-7,886</td>
<td>115,859</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Nordr.-Westf.</td>
<td>4,357,794</td>
<td>-409,679</td>
<td>3,948,115</td>
<td>55</td>
<td>33</td>
<td>0</td>
<td>55</td>
<td>58</td>
</tr>
<tr>
<td>Hessen</td>
<td>1,463,043</td>
<td>-137,033</td>
<td>1,326,010</td>
<td>18</td>
<td>14</td>
<td>0</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Rheinl.-Pfalz</td>
<td>1,110,633</td>
<td>-118,117</td>
<td>992,516</td>
<td>14</td>
<td>11</td>
<td>0</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>Baden-Württ.</td>
<td>2,616,971</td>
<td>-269,774</td>
<td>2,347,197</td>
<td>33</td>
<td>36</td>
<td>3</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Bayern</td>
<td>3,715,827</td>
<td>-415,762</td>
<td>3,300,065</td>
<td>46</td>
<td>45</td>
<td>0</td>
<td>46</td>
<td>49</td>
</tr>
<tr>
<td>Saarland</td>
<td>299,329</td>
<td>-31,595</td>
<td>267,734</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Germany</td>
<td>16,761,572</td>
<td>-1,666,706</td>
<td>15,094,866</td>
<td>210</td>
<td>169</td>
<td>3</td>
<td>215</td>
<td>223</td>
</tr>
</tbody>
</table>

#### Table C: Germany:
**Bundestag Election 1987: Government Majorities: Real and Simulated**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Majority in</td>
<td>249</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Bundestag</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Distribution of</td>
<td>269</td>
<td>228</td>
<td>41</td>
<td>20</td>
</tr>
<tr>
<td>Seats</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simulated Distribution of Seats (with real distribution of direct mandates)</td>
<td>258</td>
<td>241</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>Simulated Distribution of Seats (without excess mandates)</td>
<td>255</td>
<td>241</td>
<td>14</td>
<td>6</td>
</tr>
</tbody>
</table>

---

Table D: Luxembourg: Self-employed and Blue-collar Workers by Electoral District (estimated “winners”)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>South</td>
<td>5,423</td>
<td>26,988</td>
<td>30.5%</td>
<td>62.9%</td>
<td>5,178</td>
<td>10,601</td>
</tr>
<tr>
<td>Center</td>
<td>5,529</td>
<td>21,717</td>
<td>37.3%</td>
<td>62.9%</td>
<td>5,095</td>
<td>10,624</td>
</tr>
<tr>
<td>North</td>
<td>4,964</td>
<td>8,947</td>
<td>44.6%</td>
<td>62.9%</td>
<td>2,510</td>
<td>7,474</td>
</tr>
<tr>
<td>East</td>
<td>3,871</td>
<td>5,952</td>
<td>43.0%</td>
<td>62.9%</td>
<td>1,610</td>
<td>5,481</td>
</tr>
</tbody>
</table>

Sources:
(1) Recensement générale de la population du 31 mars 1981, Tableau 6.21: “Population ayant un emploi par subdivision territoriale et selon le statut professionnel”. Note that self-employed include the categories farmers, professionals, other self-employed and family workers.
(2) Recensement générale de la population du 31 mars 1981, Tableau 6.21: “Population ayant un emploi par subdivision territoriale et selon le statut professionnel”
(5) Own calculation. Note: It is obvious that not all self-employed nor all blue-collar workers voted for the CSV before the reform and would have voted for the opposition after the reform. Ideally the simulation should only allow a potential swing vote of the share of self-employed and blue-collar workers that actually voted for CSV in 1979. Unfortunately there is no election analysis or opinion polls for 1979 available with respect to correlations between party vote/party affiliation and socio-economic status. As an approximation of how many blue-collar workers might have been in each district voting for the CSV I postulate that blue-collar workers voted with the same probability for CSV as the entire electorate. This presumption will deviate from the real electoral potential, which should be taken into account when interpreting the results of the simulation (although the CSV has a union wing (LCGB) blue-collar workers are likely to be under-represented within the CSV electorate). However, what we do know is that 37.1% of the employees in the industrial sector were foreigners. Consequently, only the remaining 62.9% could possibly have the right to vote (assuming that the work force in the industrial sector are all blue-collar workers and that the employees in the service sector are all white-collar workers). Therefore, as an estimate for the relevant blue-collar workers in 1981 I multiplied the total blue-collar workers by the share of Luxembourg nationals in the industrial sector by the share of CSV votes by district.
(6) As self-employed are among the core electorate of the CSV and are probably over-represented among CSV voters I did not weight them by CSV-share of votes by district as for blue-collar workers. But, consequently these figures are over-estimated.
### Table E: Luxembourg:
Election 1979 South District: Simulated Allocation of Seats with Hypothetical Distribution of Votes (Swing Vote from CSV to LSAP)

<table>
<thead>
<tr>
<th>Party</th>
<th>Real Votes</th>
<th>Seats 1st Round</th>
<th>Ratio: Votes / Seats 1st Round + 1</th>
<th>Seats 2nd Round</th>
<th>Ratio: Votes / Seats 2nd Round + 1</th>
<th>Seats 3rd Round</th>
<th>Ratio: Votes / Seats 3rd Round + 1</th>
<th>Seats 4th Round</th>
</tr>
</thead>
<tbody>
<tr>
<td>CVS</td>
<td>486,322 + (24 * -10,601)</td>
<td>3.0</td>
<td>57,975</td>
<td>3</td>
<td>57,975</td>
<td>3</td>
<td>57,975</td>
<td>4</td>
</tr>
<tr>
<td>LSAP</td>
<td>482,953 + (24 * 10,601)</td>
<td>11.0</td>
<td>61,448</td>
<td>12</td>
<td>56,721</td>
<td>12</td>
<td>56,721</td>
<td>12</td>
</tr>
<tr>
<td>DP</td>
<td>245,261</td>
<td>3.0</td>
<td>61,315</td>
<td>3</td>
<td>61,315</td>
<td>4</td>
<td>49,052</td>
<td>4</td>
</tr>
<tr>
<td>KPL</td>
<td>143,145</td>
<td>2.0</td>
<td>47,715</td>
<td>2</td>
<td>47,715</td>
<td>2</td>
<td>47,715</td>
<td>2</td>
</tr>
<tr>
<td>Enrôlés de Force</td>
<td>112,057</td>
<td>1.0</td>
<td>56,029</td>
<td>1</td>
<td>56,029</td>
<td>1</td>
<td>56,029</td>
<td>1</td>
</tr>
<tr>
<td>Parti social-démocrate</td>
<td>104,799</td>
<td>1.0</td>
<td>52,400</td>
<td>1</td>
<td>52,400</td>
<td>1</td>
<td>52,400</td>
<td>1</td>
</tr>
<tr>
<td>Socialiste Indépendants</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Alternatív Lescht</td>
<td>15,843</td>
<td>0.0</td>
<td>15,843</td>
<td>0</td>
<td>15,843</td>
<td>0</td>
<td>15,843</td>
<td>0</td>
</tr>
<tr>
<td>Ligue Communiste</td>
<td>4,468</td>
<td>0.0</td>
<td>4,468</td>
<td>0</td>
<td>4,468</td>
<td>0</td>
<td>4,468</td>
<td>0</td>
</tr>
<tr>
<td>Liberal Party</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Club des Indépendants</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,594,848</td>
<td>21.0</td>
<td>-2</td>
<td>-1</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table F: Luxembourg: Elections 1979: Real and Simulated Distribution of Seats by District

<table>
<thead>
<tr>
<th>PARTY</th>
<th>SOUTH Real Seats</th>
<th>SOUTH Simulated Seats</th>
<th>EAST Real Seats</th>
<th>EAST Simulated Seats</th>
<th>CENTER Real Seats</th>
<th>CENTER Simulated Seats</th>
<th>NORTH Real Seats</th>
<th>NORTH Simulated Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>CVS</td>
<td>8</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>8</td>
<td>4</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>LSAP</td>
<td>8</td>
<td>12</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>8</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>DP</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>7</td>
<td>7</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>KPL</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Enrôlés de Force</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>P. Social-démocr.</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Socialiste Indép.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Alternativ Lescht</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ligue commun.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Liberal Party</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Club des Indép.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>24</td>
<td>6</td>
<td>6</td>
<td>20</td>
<td>20</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

Table G: Luxembourg: Elections 1979: Government Majorities: Real and Simulated

<table>
<thead>
<tr>
<th></th>
<th>Government</th>
<th>Opposition</th>
<th>Majority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real</td>
<td>39</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Simulated (self-employed and blue-collar workers’ swing vote)</td>
<td>25</td>
<td>34</td>
<td>-9</td>
</tr>
<tr>
<td>Simulated (white-collar workers’ swing vote)</td>
<td>32</td>
<td>27</td>
<td>2</td>
</tr>
</tbody>
</table>
### Table H: Luxembourg:
#### White-collar Workers by Electoral District (estimated “losers”)

<table>
<thead>
<tr>
<th>District</th>
<th>White-collar employees and civil servants in 1981(^{(1)})</th>
<th>CSV % of votes by district in 1979(^{(2)})</th>
<th>Luxembourg nationals as share of total employment in services sector in 1981(^{(3)})</th>
<th>LOSERS of 1984 reform: estimated white-collar CSV voters(^{(4)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>South</td>
<td>20,283</td>
<td>30.5%</td>
<td>72.5%</td>
<td>4,485</td>
</tr>
<tr>
<td>Center</td>
<td>25,342</td>
<td>37.3%</td>
<td>72.5%</td>
<td>6,853</td>
</tr>
<tr>
<td>North</td>
<td>6,941</td>
<td>44.6%</td>
<td>72.5%</td>
<td>2,244</td>
</tr>
<tr>
<td>East</td>
<td>5,544</td>
<td>43.0%</td>
<td>72.5%</td>
<td>1,728</td>
</tr>
</tbody>
</table>


(4) See notes on Table D annotation (5)
VIII. BIBLIOGRAPHY


Loi du 23 mai 1984 portant réforme du système de financement des régimes de pension contributifs. (23.05.1984).


*Projet de Loi No 2602 concernant l’assurance pension en cas de vieillesse, d’invalidité et de survie, Chambre des Députés, Session ordinaire 1981-1982, (24.06.1982).*


