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Partisan influence on social and labor market policies in the Silver Age of welfare state retrenchment. Evidences from 19 OECD countries.

Abstract. Are governing parties able to shape social and labor market policies according to their ideological positions or are they overwhelmed by socio-economic and institutional constraints? The paper answers this crucial question by developing a comparative study on 19 OECD countries from 1985 to 2011. It investigates whether the location of governments on a continuous left-right scale affects four measures of welfare-state generosity: namely, public spending in social policies, in active and passive labor market policies and the level of unemployment insurance replacement rate. The results obtained through an Error Correction Model show that governing parties are unable to affect social and labor market policies in the short-run, when economic dynamics prevail. However, in the long-run, partisanship gains relevance: when the government coalition moves to the right, there is a negative impact on all the measures of welfare-state generosity.

Keywords: government partisanship, political parties, social expenditure, labor market policies, error correction model.

Main text

Introduction

Unless one choses to reject the representative model, political parties have to be considered as 'the principal instruments of democratic mass process' (Sartori 1987: 148; see also APSA, 1950: 23) as they combine within one organization the expressive (acting as representative agencies) and instrumental (behaving as governing agencies) functions. In Mair's words (2009: 10): 'The same organization that governed the citizenry also gave the citizenry voice, and the same organization that channeled representation also managed the institutions of the polity […]. There were few, if any, principal-agent problem: the principal was the agent'.

However, are parties still able to deliver policy outcomes that match their long-lasting ideological stances, contextual electoral promises, and, most of all, the preferences of their voters, as postulated by the responsible party model (McDonald and Budge, 2005), or is this just another anachronistic aspiration?

Investigating parties' ability to shape policies according to their ideological stances is relevant inasmuch it tells us about the last segment of what Powell refers to as the 'chain of responsiveness' (2004) between voters' policy preferences and actual policy outcomes. Indeed, it is exactly in this last segment that governing parties encounter 'the burden of responsibility', namely the necessity to take into account internal and international systemic constraints and compatibilities (Mair, 2006). Moreover, it is exactly in this last segment that scholars have frequently been confronted with disturbing results: it has been argued that, since the late 1970s, parties' ability to affect policy outcomes has been reduced, if not completely erased, by economic constraints, increasing societal needs, globalization and financial openness, policy legacies and so on (Boix, 2000; Garrett and Lange, 1991). Lastly, it is exactly in this last segment that citizens' skeptical views concentrate: the 2008 ISSP survey shows that in 31 of the 33 countries studied a majority of respondents sees elected politicians as promise breakers (Naurin, 2011; Thomson, 2011; Thomson et al., 2017). Notably, such public skepticism on the ability of governing parties to fulfill their electoral promises seems to conflict with the latest fine-grained comparative analysis on pledge fulfilment, according to which the large majority of pledges tend to be at least partially fulfilled (Thomson et al., 2017).

This paper assesses the relationship between government partisanship and policy outcomes focusing on social and labor market policies as these fields are the most debated policy areas in the existing literature on the degree of congruence between parties' positions and subsequent policy choices (Häusermann et al., 2013). Moreover, they are related to the most conflict-ridden cleavage in industrial democracies, the capital-labor one. As governments know they will be largely evaluated according to their achievements in these policy areas, they are expected to make considerable efforts (Jensen, 2012). Finally, providing welfare support is a large part of what industrial democracies do. Thus, the focus on these domains, which imply heavy budgetary consequences, allows shedding light on the so-called 'politics of constrained choice' (Laffan, 2014).

Despite the conventional wisdom on the 'dependent variable problem' (Green-Pedersen, 2004), according to which studies using aggregate spending measures are less likely to detect a statistically significant role of parties on welfare state developments, while studies adopting measures of welfare state generosity are more likely to do it, I posit that such mixed results are driven by an 'independent variable problem' as the majority of studies adopts rough measures of government partisanship (dummy or categorical variables).

The paper contributes to the literature by developing an extensive empirical investigation that goes beyond these dichotomous or categorical classifications. Government partisanship is measured through a continuous variable based on all of the major expert surveys. The empirical test is performed on 19 OECD countries from 1985 to 2011, time span defined as 'the Silver

Age of welfare state retrenchment' (Ferrera, 2008). The results show that governing parties do matter, but they need time. Indeed, the ideological position of the executive on the left-right scale appears unable to affect social and labor market policies in the short-run, when economic dynamics prevail. However, governing parties acquire relevance on the long-run. *Ceteris paribus*, when the government coalition moves to the right, there is a negative impact on social expenditure as a whole, on public spending in active (ALMP) and passive labor market policies (PLMP) and on the unemployment insurance replacement rate (UIRR).

The section that follows critically reviews the existing contributions for partisan effects on policy outcomes, especially social and labor market ones. Next, the dataset and model specifications are described. Then, the main analytical section hosts the analysis. The last section discusses the main findings and indicates paths for future research.

Partisan influence on social and labor market policies: state of the art

The ability of parties, once in office, to deliver policies congruent with their long-lasting ideological positions and contextual electoral pledges, what Mansbridge (2003) labels 'promissory representation', is one of the key issues in comparative politics and has been investigated from different perspectives.

The so-called 'party-politics perspective' focuses on the relationship between governing parties' ideological positions and policy-making, usually operationalized through budget outcomes. Research in this perspective is grounded on the Lipset and Rokkan's cleavage theory (1967) and, thus, generally focuses on social, labor market and economic policies.

It encompasses at least two broad streams of literature, namely Partisan Theory (PT) and Mandate Theory (MT), both variants of the canonical principal-agent model of democracy according to which the executive is the agent of the parliamentary parties, which in turn are the agents of the electorate (Miller, 2005).

According to PT (Hibbs, 1977), parties are associations of citizens acting as agents of particular societal segments. To win elections, they have to maximize the interests of their core electoral constituencies (Hicks and Swank, 1992). Thus, left-wing governments, being the advocates of the working-class, are expected to pursue expansionary policies to yield lower unemployment and extra growth. Conversely, right-wing governments, being supported by up-scale groups, are expected to promote deflationary policies and to cut public expenditure. More recently, this approach has been adapted to the 'Silver Age of welfare state retrenchment' (Ferrera, 2008), suggesting that left-wing governments are expected to implement less severe reductions in social entitlements (Allan and Scruggs, 2004).

Parallel to PT, Downs (1957) has formulated an alternative model, labelled MT. This approach sees parties as teams of politicians, which compete to be hired as the agents of the whole society, rather than of particular societal segments, and focuses on the extent to which governing parties fulfil the preferences of the median voter.

The party-politics perspective has been later enriched by suggesting that parties 'own' issues according to their ideological preferences and core electoral constituencies (Egan, 2013). For example, consistently with the cleavage-based approach (Lipset and Rokkan, 1967), social-democratic parties are seen as the 'owners' of labor issues and, thus, they are expected to focus on these domains (Carey, 2009).

It is worth mentioning that the party-politics perspective encompasses streams of literature that conceptualize, and thus operationalize, partisan positions in several ways. Studies grounded on the PT tend to adopt clear-cut dichotomies between left- and right-wing executives or categorical classifications referring to the party families (Baumgartner et al., 2009; John et al., 2014). Instead, studies grounded on the MT mainly differentiate between the so-called 'saliency' and 'pledge' approaches. The former was developed by the Comparative Manifesto Project to investigate the association between the emphases parties place on several policy themes in their electoral manifestos and the subsequent government spending in related policy areas (McDonald and Budge, 2005). The latter approach performs fine-grained analyses to identify the specific policy content of parties' electoral appeals and evaluate the extent to which each pledge is fulfilled (Naurin, 2014; Thomson et al., 2017).

So far, empirical results from the party-politics perspective are at best mixed. Alt and Lowry (2000) show that governing parties allocate budgets according to their preferences, but this result has been contested (McAtee et al., 2003). Research on pledge fulfilment generally concludes that between 50 and 80% of governing parties' pledges are at least partially fulfilled (Thomson, 2011). By developing a fine-grained comparative analysis on more than 20,000 pledges made in 57 election campaigns in 12 countries, Thomson and colleagues (2017) show that governing parties are highly likely to fulfil their pledges, even if single-party governments do better than coalitions. Besides power-sharing arrangements, also the subject areas play a role: Naurin (2014) shows that welfare and labor market promises, key policy domains also for the present article, are significantly less likely to be fulfilled than other policy areas, probably due to trade unions and employers' organizations acting as veto players.

However, other studies reach more discouraging results. McDonald and Budge (2005) investigate 21 democracies from 1982 to 1992 and demonstrate that the left-right positions of the median voter and of the median legislator in Parliament do not relate to social expenditure. The same happens for the weighted left-right position of the coalescing parties.

In a similar pessimistic vein, other scholars suggest that the process of globalization and economic interdependence diminishes left parties' ability to implement expansionary policies, vanishing the distinction between left- and right-wing executives (Boix, 2000). Garrett and Lange (1986; 1991) famously investigate the role of governing parties and trade unions in determining the economic performance of industrial democracies between 1974 and 1982 and find out the position each country has in the international economy to be an important driver together with domestic political structures. However, the mid-1970s and the 1980s are seen as a critical juncture: heightened trade and financial openness constrain partisan- and institution-led differences in the fiscal and monetary policies governments can implement.

Moving to institutional constraints, the environment in which governing parties act conditions their ability to shape policies (Ceron et al. 2019). Studies in this branch focus on electoral systems, representation and competition, coalition formation (Laver and Shepsle, 1996), divided government and shared policy control (Negri, 2019; Thomson et al., 2017) and thousands of other issues in delegation and agency, common pools, regulation and oversight (Franzese, 2002). Notably, the veto player theory (Tsebelis, 2002) maintains that the will of governing parties' to implement their preferred policies is likely to be restrained by the number of coalescing parties, by their degree of reciprocal ideological cohesion (range) and by the ideological distance between the actual government and the previous one (alternation).

Finally, scholars underline the role of path dependency: policymakers are heirs before they are choosers (Rose and Davies, 1994) and new governments are constrained by commitments made by past generations (Mortensen et al., 2011). In this stream it is possible to locate the 'new politics approach' (NPA) fueled by Pierson (2000), which explains that welfare institutions do not display radical changes for two reasons. First, welfare dismantling is unpopular; second, welfare state expansion has contributed to the emergence of 'powerful groups surrounding social programs', which act as veto points.

Overall, there is not yet sufficient evidence to end the debate. According to a meta-analysis of 693 published cross-section estimates, 22% find governing parties meaningfully affect social and labor market policies, while the remaining ones find no evidence of such a general relationship (Imbeau et al., 2001).

Parallel to the party-politics perspective, which searches for partisan effects in terms of the direction of policy on a given issue, the 'agenda-setting perspective' (Baumgartner et al., 2009) looks for partisan effects in terms of issue attention. In detail, it investigates whether governing parties are successful in determining levels of attention to a given issue in government outputs such as executive speeches and laws. Research in this perspective does not assumes a mostly fixed type of policy emphasis from a party over time and, thus, it does not focus solely on the policy domains suggested by the cleavage based approach to party politics. Conversely, it allows the issues parties focus on to change over time and it usually takes into consideration a broader range of domains.

As for the party-politics perspective, findings in the agenda-setting research remain open for debate (Bevan and Greene, 2016). Some studies suggest that governing parties play a minor role in shaping the government agenda on an issue-by-issue basis because they are highly constrained by political, institutional and economic conditions (Green-Pedersen and Mortensen, 2010; Mortensen et al., 2011). Moreover, the will of governing parties' to focus on their preferred policy domains has to be balanced with the need to continuously respond to external pressures, issues of immediate public concern (Lindeboom, 2012), unpredictable problems and events, what Mansbridge (2003) calls the 'anticipatory representation'. For example, Froio, Bevan and Jennings (2017) develop an attention-based model to test the influence of government and opposition party mandates on the policy content of the acts of the UK parliament between 1983 and 2008. Their results suggest that the legislative agenda is only partially responsive to the party system agenda as external pressures play a preponderant role. With a more optimistic vibe, other studies show that governing parties successfully shape the content of the policy agenda in specific domains (Froio, 2013; Jennings et al., 2011). Using data on primary legislation from Canada, Denmark, France, the Netherlands, Spain and the United Kingdom from 1960 (1945 in the case of UK) to 2008, Bevan and Greene (2016, 2018) find out that party transitions in government are related to changes in the overall government agenda conditional on parties' characteristics, legislative majorities, and economic conditions.

In response to the mixed results on party government and policy outcomes, this article embraces the party-politics perspectives and contributes to the existing literature by maintaining that such inconsistencies do not originate from a poor theoretical understanding – an option that is denied by the rich body of literature summarized so far – but from limitations in the operationalization of the main dependent and independent variables (Bevan and Greene, 2018; Döring and Schwander, 2015). The next section discusses at length such limitations and suggests how to move forward.

Data and model specification

Three sets of outcomes to address the 'dependent variable problem'

Empirical works dealing with the impact of government partisanship on social and labor market policies have to take into account the so-called 'dependent variable problem' (Green-Pedersen, 2004), an expression used to underline how the choice of different measures to operationalize social and labor market policies could significantly affect the estimates. Particularly, studies using aggregate spending measures are less likely to detect a statistically significant role of parties on welfare state developments, while studies adopting measures of welfare state generosity are more likely to do it (Allan and Scruggs, 2004).

Taking into account this general pattern, the paper operationalizes social and labor market policies using three sets of outcomes. The first and the second sets consist in aggregate spending measures, while the third one is an index of welfare state generosity.

The first dependent variable is the total public and mandatory private social expenditure as a percentage of GDP. Even though this is the commonest indicator of welfare effort, reservations about the use of expenditure data are well documented (Esping-Andersen, 1990; Goodin et al., 1999). Public expenditures are mostly inherited from the past (Rose and Davies, 1994), are notoriously stable, reflect and incremental pattern of decision-making (Wildavsky and Caiden,

2003) and are generally constrained by external factors. Moreover, regulatory decisions as well as decisions with a longer phase-in period are not captured by this kind of data (Mortensen et al., 2011). Lastly, expenditure data can give a misleading impression, as the spending ratio automatically increases during periods of economic crisis due to higher recipient numbers combined with the drop in GDP, the denominator (Allan and Scruggs, 2004). Thus, a second set of dependent variables, namely public spending in ALMP and PLMP as percentage of GDP (OECD), is introduced.

Finally, an index of welfare state generosity is used to take into account the argument formulated by Esping-Andersen (1990), who suggests to use individual entitlement measures as dependent variables because they show more clearly how changes in welfare state impact upon the life chances of typical individuals. The paper uses the UIRR as calculated by Allan and Scruggs (2004) for a married worker with a non-employed spouse and two children. According to data availability, social expenditure (OECD Social Expenditure Statistics) and public spending in ALMP and PLMP (Grubb and Puymoyen, 2008) are observed from 1985 to 2011 in 19 OECD countries, namely Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom. Instead, the UIRR is observed from 1985 to 2002 in 16 OECD countries due to the non-availability of data concerning Greece, Portugal and Spain.

Going beyond the dichotomous operationalization of partisanship

The main independent variable is the ideological position of governments on the left-right dimension. The large majority of studies adopts clear-cut dichotomies between left- and right-wing executives or categorical classifications referring to the party families (Hibbs, 1977). However, these classifications do not make much sense anymore (Baumgartner et al, 2009; Bevan and Greene, 2018; Döring and Schwander, 2015; Häusermann et al, 2013; John et al., 2014). Accordingly, this paper contributes to the existing literature by assessing to what extent shifts in government partisanship on a continuous left-right scale correspond to consistent social and labor market policy changes. Two information sets are required: one concerning the presence of parties in government and the other reflecting their ideological positions. The first information set is drawn from the Parliament and Government Composition Database (Döring and Manow, 2016). Concerning the second information set, assessments of left-right party positions are mainly based on expert surveys or the coding of primary data (usually, party manifestos). None of these methods is free of costs. On the one hand, expert surveys grasp parties' ideological positions according to the interpretative lenses of political scientists: experts' ideological heterogeneity might have a far from negligible impact on measurement validity (Curini, 2019). Moreover, since these surveys are rarely performed, data hardly reflect through-time variation in parties' positions (Gabel and Huber, 2000). On the other hand, since manifestos are documents to be used during electoral campaigns, they may be affected by electoral dynamics (Dolezal et al., 2012). Besides parties' current policy priorities and commitments to action (Froio et al., 2017; Mortensen et al., 2011), manifestos contain positive references to past party records, attacks toward competitors (negative campaigning), and rather abstract statements on the party identity and philosophy (Negri, 2019). Lastly, manifestos may have also important intra- and inter-party functions (Thomson et al., 2017). Internal factions may secure the party leadership's commitment to a given policy by setting medium-term plans in the manifestos. In systems where power sharing is the norm, manifestos are clear statements of the policy positions with which potential coalition partners enter negotiations for government formation (Strøm, Müller and Bergman, 2010).

Taking into account pros and cons and the need to make the results of this article directly comparable with well-known studies in the same field (Allan and Scruggs, 2004; Rueda, 2005), the paper measures government ideological positions through expert opinions[1]. The variable

Partisanship combines the information provided by ParlGov database to all of the major expert surveys, namely Castes and Mair (1984), Laver and Hunt (1992), Huber and Inglehart (1995), Benoit and Laver (2006) and Chapel Hill (1999-2010). The left-right indexes provided by these surveys were standardized from 1 (extreme left) to 20 (extreme right) at party level and then collapsed. Thus, *Partisanship* is equal to the mean of the left-right indexes of the parties involved in the government coalition according to the expert survey nearest to the election date, weighted by their share of seats in the lower chamber (Müller and Strøm, 1999). Since all the dependent variables are yearly based, *Partisanship* was ascribed to all the years in which the same government stayed in power. When there were more than one government in office in the same year, the indexes were weighed by the numbers of days in which each government was in office.

Control variables

Starting from economic and demographic imperatives, it is important to control for the real GDP growth as percentage change from the previous year (OECD). Social policy expenditure may also respond semi-automatically to inflation rates. Thus, controlling for inflation is needed (OECD). Moreover, since aggregate spending measures tend to increase as answer to increasing societal needs, the unemployment rate and the population ageing more than 65 years old are used as control variables (OECD). Finally, two variables capturing the degree of a country's trade and financial openness are introduced. *Trade openness* is measured as imports plus exports as percentage of GDP (UNCTAD Statistical Office). *Financial openness* is operationalized with the Chinn and Ito's KAOPEN index (2006), which takes on higher values the more open the country is to cross-border capital transactions.

Budgetary constraints on the ability of parties to shape social and labor market policies are operationalized as the central government debt as percentage of GDP (OECD).

Moving to institutional and political constraints, strong labor movements are expected to have a positive impact on all the dependent variables. The strength of labor movements is measured by the percentage of unionized workers over the labor force (OECD).

Moreover, to account for political constraints, the model specifications include the number of governing parties (*Veto players*), the Euclidean ideological distance between the most leftist and the most rightist party in each coalition (*Range*), and the Euclidean ideological distance between the actual and the previous government (*Alternation*). According to the veto player theory (Tsebelis, 2002), the likelihood to observe departures from the *status quo* decreases as the number of veto players and their reciprocal ideological distance increase. Instead, as the alternation between the current and the previous government increases, the new government should be motivated to implement a policy change.

Finally, to take into account the effect of path dependence, the lagged values of each dependent variable are embedded in the model specifications. Country and year dummies are included in all the model specifications (see Table 1 in the Online Appendix for descriptive statistics).

Model specification

The panel dataset contains repeated observations of 19 OECD countries from 1985 to 2011.

Panel data are likely to exhibit contemporaneous correlation of the residuals in addition to the more usual time-series' property of serial-correlation and the typical cross-sections' property of heteroscedasticity.

To address these issues, the paper firstly adopts panel-corrected standard errors (PCSE), the commonly used technique for the analysis of panel data proposed by Beck and Katz (1995). In particular, the models displayed in Table 1 simply regress the change in each dependent variable on its lagged level and the lagged levels of the independent variables.

Then, the paper employs a more sophisticated model specification, namely the Error Correction Model (ECM). Indeed, tests on the four dependent variables reveal that they may have a unit root. The Maddala and Wu test for panel unit root fails to reject the null hypothesis according to which all the series are non-stationary. This result is confirmed also by the Im, Pesaran and Shin t-test for unit roots in heterogeneous panels. The same tests, performed on the regressors, reveal that public debt, the inflation rate, the unemployment rate and the population ageing more than 65 years old are likely candidates for co-integration.

In this situation, an ECM is advised. This method, developed by Beck (1992), consists in regressing the change in the dependent variable on its lagged level, the lagged level of each potential co-integrating factor and whatever other levels or differences theory or empirics may suggest. Provided that the coefficient on the lagged dependent variable in levels is negative, this approach provides valid estimates.

Using the ECM structure, the estimated coefficients of differenced independent variables refer to *momentum*-like, short-run, transitory relations between changes in independent and dependent variables. The estimated coefficients of independent variables in levels refer to *equilibrium*-like, long-run, permanent, relations between levels. Moreover, the long-term effects dissipate over time through the coefficients on the lagged dependent variable, reflecting rates of adjustments of levels to *equilibrium* relations (Franzese, 2002). In the present application, the large majority of the independent variables may have both short- and long-term effects. For this reason, they enter the regression in current changes and lagged levels. Instead, trade union density, trade openness, financial openness, range, alternation and the number of veto players enter in lagged levels only. Accordingly, the general form of the estimation equation will be:

$$\Delta Y_{it} = \alpha + \lambda Y_{it-1} + \sum \beta_j \Delta \mathbf{X}_{\mathbf{it-1}} + \sum \beta_j \mathbf{X}_{\mathbf{it-1}} + \varepsilon_{it} \qquad (1)$$

where ΔY_{it} is the change in the dependent variable in country *i* in year *t* from one year to the next. **X** is a vector of (k x 1) explanatory variables with the subscript *j* referring to the particular explanatory variable. α is the intercept and ε is the disturbance term. The short-term effects are measured by the estimated coefficient β_j of any differenced independent variable. The long-term effects are captured by dividing the coefficient β_j of any independent variable in levels by λ, which is called 'error correction rate'. As suggested by Beck and Katz (1995), even with this model specification, PCSE are used to correct for panel heteroscedasticity in the data structure.

Results

Table 1 displays four models, one for each dependent variable, estimated using PCSE. The first model, 'Δ Social exp.', assesses the impact of a unitary increase in the lagged values of each independent variable on the change in the total public and mandatory private social expenditure as percentage of GDP from one year to the next.

The results suggest that if the government coalition moves one point toward the right side of the ideological spectrum in the year *t-1*, the change in the share of social expenditure over GDP in the year *t* is expected to be 0.04 percentage points lower than what it would have been without this ideological shift. In particular, if the social expenditure as percentage of GDP in the year *t* increases (ΔY_{it} is positive), it would have been 0.036 points higher without this ideological shift in the year *t-1*. Vice versa, if the same decreases (ΔY_{it} is negative), this retrenchment would have been 0.036 points lower without the same ideological shift.

[Table 1 about here]

The same reasoning applies to the estimated coefficients of the variable *Partisanship* in the remaining three models. All the coefficients are negative and statistically significant at least at the 95% confidence interval. If the governing coalition moves one point to the right in the year *t-1*, the changes in the share of public spending in ALMP and PLMP over GDP and the UIRR in the year *t* are expected to be, respectively, 0.008, 0.02 and 0.02 points lower than what they would have been without this ideological shift. Figure 1 displays these results graphically. Thus, a more right-wing government in the year *t-1* will trigger a negative, although modest in magnitude, impact on the changes in the amounts of money devoted to social and labor market policies and in the index of welfare state generosity in the following year.

[Figure 1 about here]

Table 2 shows four ECMs, estimated according to the equation 1.

[Table 2 about here]

First, the coefficients of the lagged dependent variables in levels are negative and highly statistically significant, meaning that inferences from these estimates should be free of unit-root concerns. Social policy expenditure adjusts very slowly. In particular, 83.5% (1-0.165=0.835) of a shock in one year persists into the next, than 83.5% of that into the following year, and so forth. Thus, the long-run impact of any permanent shock in the share of social policy expenditure over GDP is about 6.06 (0.165^{-1}) times its immediate impact. The same reasoning applies to ALMP and PLMP spending as percentages of GDP. Respectively 83% (1-0.167=0.833) and 89% (1-0.111=0.889) of a shock in one year in the amount of money devoted to ALMP and PLMP persist into the next year, and so forth. Thus, the long-run impacts of any permanent shock in the share of money devoted to these two programs are respectively about 6 (0.167^{-1}) and 9 ($\approx 0.111^{-1}$) times their immediate impacts. A different behavior is shown by the last dependent variable, the UIRR. Indeed, the coefficient of the lagged dependent variable is about 1: it means that the long-run impact of a shock in the UIRR nearly coincides with its immediate impact, that re-equilibration occurs in less than one year.

Having discussed the error corrections terms, I focus on the estimated coefficients of the main independent variable, *Partisanship*, which enters the regressions both in current changes and in lagged levels. The coefficients of *Partisanship* in current changes suggest that there are not short-term effects: a temporary 1 point movement toward the right in the governing coalition induces statistically insignificant changes in the amount of money devoted to social and labor market policies and in the index of welfare state generosity.

These results are consistent with McDonald and Budge's findings that 'there is some sort of disconnection between the preferences of governing parties and actual social policy outcomes' (2005: 158). The absence of short-term effects may be explained by the transient nature of power holding in democracy: representative democracy produces coalitions were policies have to be negotiated between partners or creates 'elective dictatorship' where everything a government does in its limited term of office is subverted by the next one (McDonald and Budge, 2005: 230). On the short-run, policy change from one government to the next may even be imperceptible.

For a full understanding of the democratic policy process, a broader time horizon is needed. Indeed, all the models detect statistically significant relationships between government partisanship and the four dependent variables in the long-run. A permanent shift toward the right of the governing coalition is estimated to produce significant 0.2 (-(-0.033/-0.165)), 0.05 (-(-0.008/-0.167)) and 0.15 (-(-0.017/-0.111) points declines respectively in the amount of money devoted to social expenditure, ALMP and PLMP. Finally, the same permanent shift in the ideological position of the executive is expected to decrease of 0.016 (-(-0.017/-1.029) points the UIRR.

Crudely put, a shift toward the right of the governing coalition significantly decreases the amount of money devoted to social expenditure, ALMP and PLMP of 0.2, 0.05 and 0.15 points respectively. Moreover, the same shift toward the right decreases the UIRR of 0.016 points. However, as shown by Figure 2, these negative and statistically significant long-run relationships need time to fully display themselves: the negative shocks produced in the four dependent variables by a shift toward the right of the governing coalition dissipate over time so slowly that decades are needed to come back to the pre-shock equilibria.

[Figure 2 about here]

Conclusion

This paper investigated if and to what extent the burden of responsibility (Mair, 2006) is making it harder for governing parties to deliver social and labor market policies consistent with their long-lasting ideological positions. Is the margin of maneuver available to governing parties so heavily constrained that it is drained of all meaning or are there still significant choices to be made? This is a crucial question because if it appears that 'changes of government cannot make a difference, the democratic legitimacy of the political regime itself may be undermined' (Scharpf, 2011: 4).

This paper contributed to the existing literature by developing a rigorous empirical investigation on 19 OECD countries observed from 1985 to 2011, thus, during the so-called 'Silver Age of welfare state retrenchment' (Ferrera, 2008). Indeed, since the mid-1970s, industrial democracies witnessed an arduous transition from the 'Golden Age' of welfare state expansion to a condition of permanent austerity. Such permanent austerity is described as being accompanied by a 'new politics', which sees parties and governments to adopt a plurality of 'blame avoidance' tactics to mask their incapacity to match their voters' needs and preferences in the welfare domain.

The empirical test was implemented taking both the dependent and the independent variable problems seriously. Indeed, the paper employed three sets of outcomes ranging from general spending measures in social and labor market policies to an index of welfare state generosity and related them to a continuous variable referring to government partisanship, able to overcome government classifications based on both left-right dichotomies and party families. Moreover, temporal dynamics were modelled through an ECM.

It is worth noticing that this empirical setting constitutes a least-likely case for partisan effects to emerge. Industrial democracies, with their sluggish economies and population ageing, are heavily budgetary constrained. The welfare domain, especially when operationalized through spending measures, is notoriously stable. The variable of interest, *Partisanship,* is measured through expert surveys that, compared to manifestos, are rarely performed and, thus, hardly reflect through-time variation in parties' positions.

Even in such an unfavorable and conservative empirical setting, the results demonstrate that we have not to accept the doomsday scenario according to which democracy at the national level is hollowing out (Mair, 2006). Of course, the socio-economic processes affecting industrial democracies rob politicians of agency making social and labor market policies to fall within the political space of 'constrained choice' (Laffan, 2014). However, these policy areas largely remain national responsibilities with choices to be made by governing parties.

These results hold important implications for our understanding of democratic politics. Indeed, notwithstanding the constraints imposed by international interdependence, adverse economic conditions, demographic imperatives, institutional and political settings, party effects can still be discerned. The results suggest that the ideological position of the executive on the left-right scale is unable to affect social and labor market policies in the short-run, when external dynamics prevail. However, parties' influence is tangible in the long-run: *ceteris paribus*, when the government coalition moves to the right, there is a negative impact on social expenditure as a whole, on public spending in ALMP and PLMP and on the UIRR.

Is it enough to say that governing parties make a difference on social and labor market policies? McDonald and Budge (2005) would have suggested to say yes. Indeed, they explain that the slow moving policy change is the most important way representative democracy has to keep the consent of the societal segments who recently lost the elections (2005: 232).

The paper has some limitations, though. It focused on a single policy domain, namely social and labor market policies. This domain was selected as it stands at the core of the cleavage-based party-politics perspective. However, future research may search for partisan effects on a broader set of policy domains. Moreover, it operationalized partisanship using experts' judgements: even if they are a common data source in social research, it is worth remembering that experts' ideological positions may affect measurement validity (Curini, 2019). Furthermore, this paper showed that governments are able to shift social and labor market policy outcomes according to their ideological positions in the long-run. This mainly refers to the 'promissory' model of representation (Mansbridge, 2003). However, recent studies underlined that governing parties have to respond also to unpredictable events and issues of immediate public concern (Lindeboom, 2012): this 'anticipatory' model of representation is beyond the scope of the present analysis and calls for further investigations.

Whilst acknowledging these limitations, this paper showed that, with limited margin of maneuver at their disposal, being ruled by a left or by a right government still makes a difference on the social and labor market policies citizens are likely to get. The recent past reminds us that an international financial crisis can blow up in a few days. Even adopting a pessimistic perspective, in this context, there is still an issue on which governing parties have to confront themselves, namely on how the costs of economic difficulties should be distributed.

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Tables

Table 1: Effect of government partisanship on social and labor policies (PCSE)

	Δ Social exp.	**Δ ALMP exp.**	**Δ PLMP exp.**	**Δ UIRR**
Partisanship$_{t-1}$	-0.036	-0.008	-0.020	-0.020
	(1.99)*	(2.04)*	(4.38)***	(3.15)**
Y$_{t-1}$	-0.112	-0.163	-0.044^{+}	-1.061
	(4.08)***	(4.74)***	(1.83)	(4.82)***
GDP growth$_{t-1}$	-0.129	-0.010	-0.044	0.000
	(4.91)***	(2.70)**	(8.10)***	(0.05)
Debt$_{t-1}$	-0.013	0.000	-0.003	0.001
	(3.78)***	(0.11)	(3.45)***	(0.53)
Inflation$_{t-1}$	-0.058	0.003	-0.002	-0.002
	(2.11)*	(0.68)	(0.30)	(0.28)
Unemployment$_{t-1}$	-0.063	-0.001	-0.027	0.005
	(3.56)***	(0.33)	(5.39)***	(0.69)
Elderly$_{t-1}$	0.000	0.000	0.000	0.000
	(5.59)***	(0.22)	(3.66)***	(0.99)
Trade unions$_{t-1}$	-0.032	-0.001	-0.005	-0.017
	(3.79)***	(0.79)	(2.15)*	(2.94)**
Trade openness$_{t-1}$	-0.014	-0.002	-0.004	-0.001
	(2.54)*	(2.03)*	(3.01)**	(0.88)
Financial open$_{t-1}$	0.078	0.008	0.010	0.025
	(1.27)	(1.07)	(0.91)	(1.44)
Range$_{t-1}$	0.034	0.013^{+}	-0.004	-0.021^{+}
	(0.78)	(1.92)	(0.34)	(1.73)
Alternation$_{t-1}$	-0.027	0.009	0.001	-0.001
	(1.06)	(2.08)*	(0.20)	(0.11)
Veto players$_{t-1}$	-0.061	-0.020	0.007	0.044
	(1.31)	(2.01)*	(0.59)	(2.99)**
Year and country d.	Yes	Yes	Yes	Yes
Constant	-0.775	0.172	0.228	0.957
	(0.90)	(1.43)	(1.46)	(3.76)***
R^2	0.67	0.31	0.61	0.60
N	403	390	402	227

Notes: OLS estimations with panel corrected standard errors in parentheses.
+ p<0.1 * p<0.05, ** p<0.01, *** p<0.001.

Table 2: Effect of government partisanship on social and labor policies (ECM)

	Δ Social exp.	**Δ ALMP exp.**	**Δ PLMP exp.**	**Δ UIRR**
Δ $Partisanship_t$	0.022	0.005	0.002	-0.001
	(0.83)	(0.89)	(0.43)	(0.26)
$Partisanship_{t-1}$	-0.033	-0.008	-0.017	-0.017
	(1.91)*	(2.05)*	(3.72)***	(3.29)***
Y_{t-1}	-0.165	-0.167	-0.111	-1.029
	(6.06)***	(5.00)***	(3.98)***	(5.26)***
Δ GDP $growth_t$	-0.239	-0.004	-0.016	-0.004
	(12.90)***	(0.95)	(3.05)**	(0.61)
GDP $growth_{t-1}$	-0.204	-0.013	-0.017	-0.005
	(7.58)***	(2.32)*	(2.47)*	(0.59)
Δ $Debt_t$	0.051	0.005	0.010	0.003
	(5.50)***	(3.07)**	(4.69)***	(1.10)
$Debt_{t-1}$	0.004	0.000	-0.000	0.001
	(1.12)	(0.79)	(0.43)	(1.27)
Δ $Inflation_t$	-0.099	-0.009	-0.018	-0.016
	(4.21)***	(1.40)	(2.88)**	(2.34)*
$Inflation_{t-1}$	-0.053	-0.001	-0.010	-0.012
	(2.54)*	(0.14)	(1.90)	(1.62)
Δ $Unempl_t$	0.025	-0.018	0.093	-0.020
	(0.73)	(2.34)*	(9.76)***	(1.54)
$Unempl_{t-1}$	-0.063	-0.005	-0.009	-0.004
	(4.61)***	(1.50)	(1.62)	(0.53)
Δ $Elderly_t$	0.001	0.000	0.000	0.000
	(4.71)***	(2.16)*	(2.11)*	(0.56)
$Elderly_{t-1}$	0.000	-0.000	0.000	0.000
	(0.21)	(0.37)	(1.81)$^{+}$	(0.06)
Trade $unions_{t-1}$	-0.018	-0.000	-0.003	-0.011
	(2.07)*	(0.28)	(1.28)	(2.46)*
Trade $open_{t-1}$	-0.010	-0.001	-0.001	-0.000
	(3.93)***	(1.52)	(1.54)	(0.35)
Financ. $open_{t-1}$	0.021	0.002	0.014	0.007
	(0.36)	(0.32)	(1.42)	(0.56)
$Range_{t-1}$	-0.017	0.011	0.001	-0.016
	(0.45)	(1.59)	(0.09)	(1.62)
$Alternation_{t-1}$	0.004	0.008	0.011	0.003
	(0.17)	(1.86)$^{+}$	(2.40)*	(0.56)
Veto $players_{t-1}$	-0.026	-0.018	0.005	0.034
	(0.61)	(1.85)$^{+}$	(0.36)	(2.79)**
Year and country d.	Yes	Yes	Yes	Yes
Constant	3.139	0.115	0.038	0.852
	(5.48)***	(0.95)	(0.29)	(3.89)***
R^2	0.68	0.33	0.72	0.59
N	403	390	402	248

Notes: OLS estimations with panel corrected standard errors in parentheses. The probability that the estimated coefficients of Δ *$Partisanship_t$* and *$Partisanship_{t-1}$* are simultaneously equal to zero was tested through four Wald tests. P-levels rejected H_0. $^{+}$ p<0.10 * p<0.05; ** p<0.01; *** p<0.001

Figures

Figure 1: Effect of government partisanship on social and labor policies (PCSE)

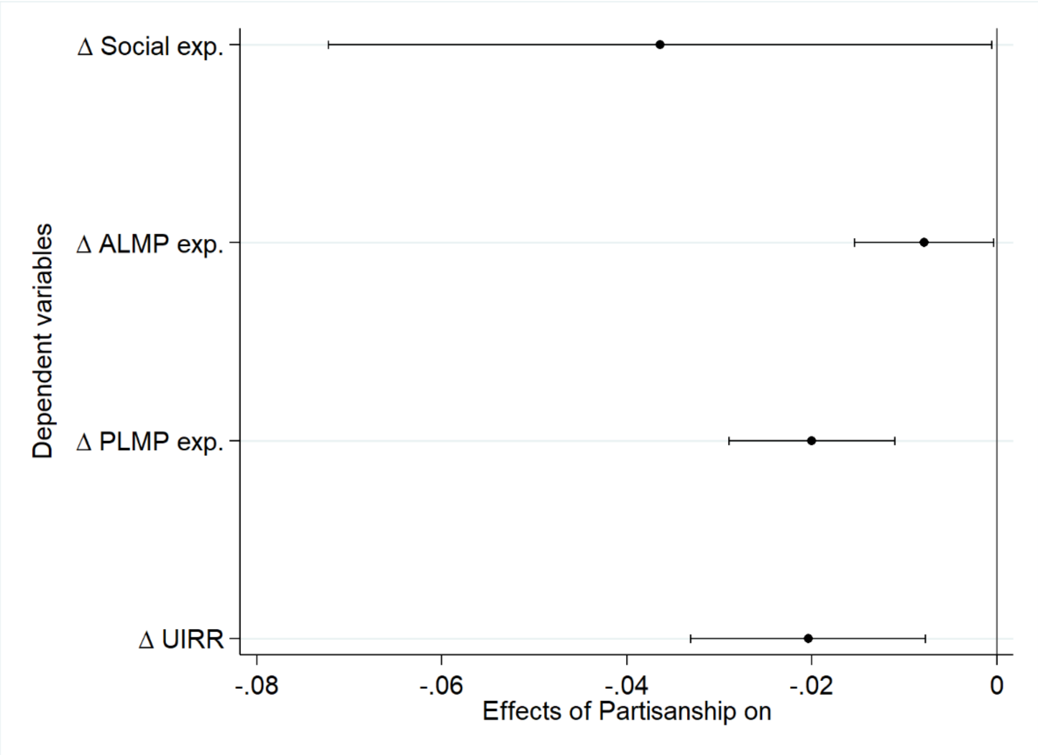
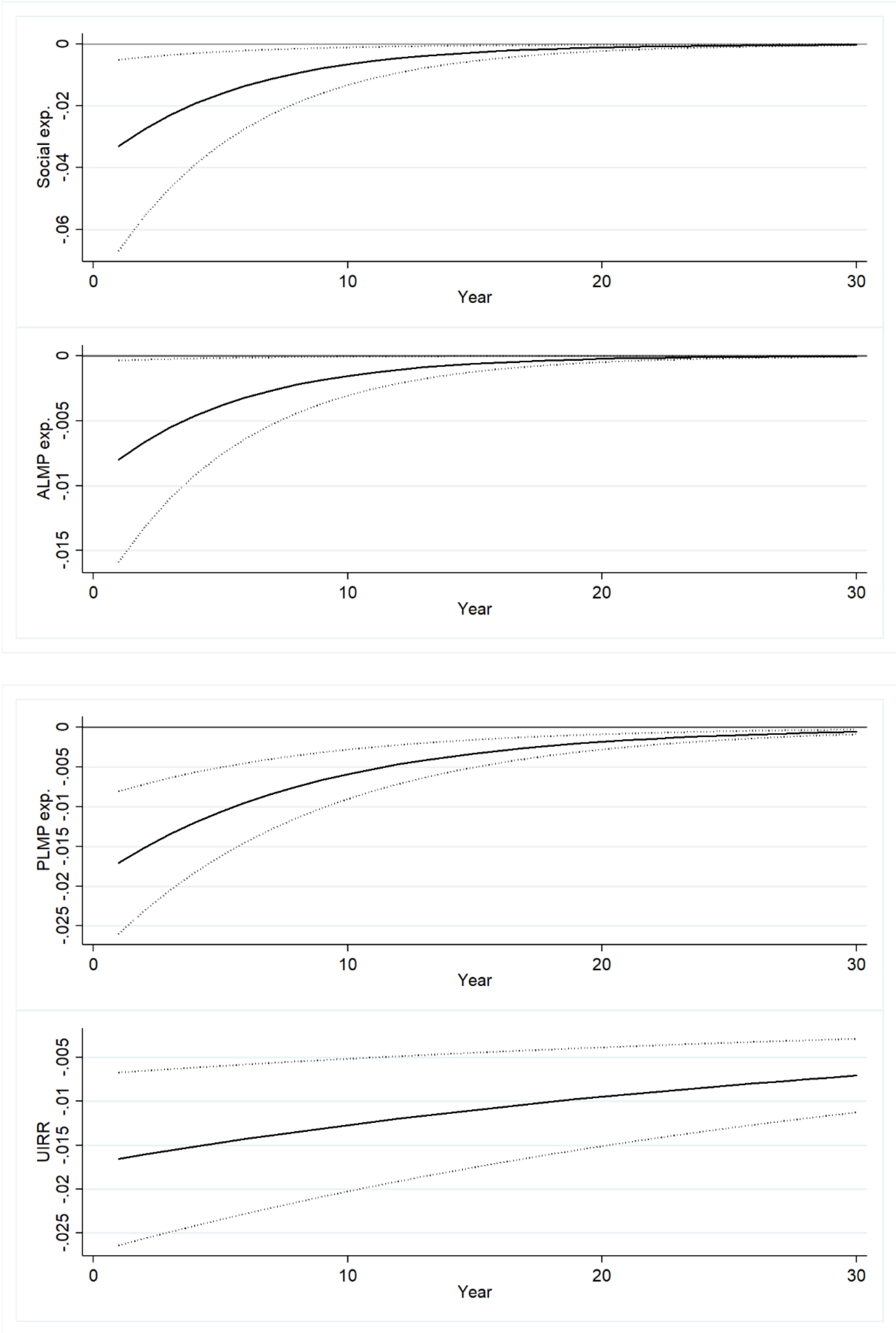


Figure 2: Long-run effect of partisanship on social and labor policies over time (ECM)



Partisan influence on social and labor market policies in the Silver Age of welfare state retrenchment. Evidences from 19 OECD countries.

Online appendix

Appendix Table 1: Descriptive statistics

Variable		Mean	Std.	Min.	Max.	Obs.
Social exp.	overall	22.640	5.144	10.4	36.2	N = 472
	between		4.632	15.504	30.576	n = 19
	within		2.432	15.504	30.904	T = 24.842
ALMP exp.	overall	0.792	0.491	0.1	2.8	N = 462
	between		0.443	0.2	1.824	n = 19
	within		0.234	-0.032	1.768	T = 24.316
PLMP exp.	overall	1.475	1.048	0.1	5.3	N = 470
	between		0.913	0.412	3.552	n = 19
	within		0.549	-0.377	3.842	T = 24.737
UIRR	overall	0.661	0.138	0	0.911	N = 284
	between		0.123	0.362	0.825	n = 16
	within		0.068	-0.085	0.907	T = 17.75
Partisanship	overall	5.360	1.56	0.332	8.661	N = 513
	between		0.756	4.379	7.547	n = 19
	within		1.375	1.06	9.142	T = 27
GDP growth	overall	2.349	2.412	-8.539	11.272	N = 513
	between		0.746	1.442	4.783	n = 19
	within		2.299	-8.83	8.838	T = 27
Debt	overall	55.028	31.871	4.922	183.53	N = 459
	between		28.227	10.536	109.881	n = 19
	within		16.223	4.856	141.413	T = 24.158
Inflation	overall	3.063	3.003	-4.48	23.015	N = 513
	between		1.769	0.528	8.765	n = 19
	within		2.459	-4.492	17.313	T = 27
Unemployment	overall	7.837	3.894	1.617	24.042	N = 498
	between		3.115	3.626	16.719	n = 19
	within		2.474	-0.572	16.077	T= 26.21
Elderly	overall	4673.184	5583.425	382.8	29752	N = 513
	between		5517.705	431.941	20768.59	n = 19
	within		1508.512	-3623.41	13656.59	T = 27
Trade unions	overall	38.169	20.25	7.576	83.89	N = 489
	between		20.235	9.176	78.02	n = 19
	within		4.66	26.746	56.711	T = 25.737
Trade openness	overall	72.032	33.591	15.924	187.848	N = 512
	between		32.147	22.216	142.261	n = 19
	within		12.064	26.190	117.619	T = 26.947
Financial open.	overall	1.921	0.931	-1.169	2.439	N = 502
	between		0.449	0.793	2.439	n = 19
	within		0.822	-0.716	3.567	T= 26.421

Range	overall	1.748	1.705	0.000	6.996	N = 513
	between		1.434	0.000	5.027	n = 19
	within		0.978	-1.159	5.890	T= 27
Alternation	overall	0.981	1.262	0.000	8.111	N = 513
	between		0.498	0.258	2.271	n = 19
	within		1.165	-0.988	7.459	T= 27
Veto players	overall	2.335	1.380	0.192	10.753	N = 513
	between		1.187	0.972	4.524	n = 19
	within		0.753	-1.002	8.619	T= 27

[1] The analysis is replicated by operationalizing partisanship also as the weighted mean of the governing parties' positions on the RILE and welfare dimensions (Comparative Manifesto Project). Results are consistent with those obtained using expert surveys and are available upon request.