

Risky business? Welfare state reforms and government support in Britain and Denmark

Article

Supplemental Material

Appendix

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Risky business?
Welfare state reforms and government support in Britain and Denmark

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Table of Contents

APPENDIX A. Supplementary Analyses.....	2
Table A1. Models including government ideology.....	2
Table A2. Robustness test with domains combined.....	3
Table A3. Robustness test with “Honeymoon periods”	4
Table A4. Effects of pension reforms on the support for PM party in Denmark.....	6
APPENDIX B. Coding of reform data	7
Table B1. Policy instruments coded.....	8
APPENDIX C. Validity check.....	12
Figure C1. Reform data series as used (and reported) in the paper.....	13
Table C1. Number of legislative changes matched with magnitude from existing literature	13
Table C2. Sensitivity test with big reform year dummies	16
APPENDIX D. The dependent variable	19
Table D1. Replication with different dependent variables	19
APPENDIX E. Summary statistics.....	21
Table E1. Britain.....	21
Table E2. Denmark.....	21

APPENDIX A. Supplementary analyses

Table A1. Government ideology

	Britain		Denmark	
	Pension	Unemployment	Pension	Unemployment
Expansions	0.409 (0.440)	1.901** (0.599)	0.879* (0.412)	-0.794* (0.370)
Cutbacks	-1.012** (0.199)	-0.460** (0.065)	-0.488** (0.181)	-0.080 (0.386)
Cost of ruling	-1.464** (0.122)	-1.370** (0.086)	0.012 (0.507)	-0.673** (0.201)
Labour	2.861+ (1.535)	3.004* (1.301)		
Red Bloc			1.693 (1.168)	2.262 (1.853)
GDP growth	0.693* (0.306)	0.699** (0.265)	0.592** (0.074)	0.601** (0.089)
Inflation	0.221** (0.010)	0.203** (0.006)	-0.019 (0.601)	-0.052 (0.633)
Unemployment rate	-0.258 (0.313)	-0.255 (0.476)	-0.377 (0.542)	-0.546 (0.375)
Number of Governing Parties			3.847** (1.177)	4.102** (1.010)
Constant	38.32** (2.474)	37.71** (4.433)	26.43** (2.363)	29.79** (1.742)
Observations	53	53	49	49
R ²	0.329	0.338	0.462	0.436

Note: All variables lagged one year except for costs of ruling. Standard errors in parentheses. Robust standard errors clustered around the different types of government parties. + p<0.10, * p<0.05, **p<0.01. In Denmark, governments led by the Social Democratic party or the Social Liberal Party are defined as “Red Bloc.”

Table A2. Robustness test with domains combined

	Britain	Denmark
Expansions	0.708** (0.255)	0.285 (0.354)
Cutbacks	-0.497* (0.203)	-0.099 (0.252)
Cost of ruling	-1.492** (0.005)	-0.212 (0.758)
GDP growth	0.526* (0.247)	0.649** (0.122)
Inflation	0.149** (0.042)	-0.017 (0.558)
Unemployment rate	-0.452** (0.142)	-0.531 (0.462)
Number of Governing Parties		3.655** (1.254)
Constant	41.315** (0.335)	29.372** (2.105)
Observations	53	49
R ²	0.312	0.401

Note: All variables lagged one year except for costs of ruling. Standard errors in parentheses. Robust standard errors clustered around the different types of government parties. * p<0.05, **p<0.01.

In this test, the main explanatory variables are the number of expansions (and cutbacks) occurred in both policy domains – old age pensions and unemployment protection – in the given year. The results from this joint analysis generally corroborate our findings from Tables 1 and 3. In Britain, expansions increase the government’s popularity while cutbacks decrease its popularity. For Denmark, we find the similar negative effects of cutbacks and positive effects of expansions even though the effects are weaker compared to Britain and insignificant at p<0.05. This is not surprising given our baseline results for Denmark in Table 3, where the effect of expansions is positive for pensions, but negative for unemployment benefits. Accordingly, they likely cancel each other out in a joint analysis.

Table A3. Robustness test with “Honeymoon periods” and “Cost of ruling” disaggregated

	Britain			
	Pension		Unemployment	
	(1)	(2)	(3)	(4)
Expansions	0.650+	0.590+	2.551**	2.332**
	(0.354)	(0.311)	(0.234)	(0.300)
Cutbacks	-1.066**	-1.007**	-0.508**	-0.489**
	(0.041)	(0.001)	(0.051)	(0.093)
<i>[Baseline: Costs of ruling=0]</i>				
Costs of ruling=1	-4.709		-4.774	
	(3.989)		(3.663)	
Costs of ruling=2	-7.481*		-7.882*	
	(3.397)		(3.423)	
Costs of ruling=3	-9.439**		-9.651**	
	(2.058)		(2.057)	
Costs of ruling=4	-7.612**		-7.344*	
	(2.439)		(3.190)	
Costs of ruling=5	-7.934**		-7.294**	
	(2.106)		(2.696)	
1st year in the Govt		8.323**		8.379**
		(2.438)		(2.694)
2nd year in the Govt		3.580**		3.593**
		(1.305)		(0.780)
GDP growth	0.666**	0.631**	0.680**	0.626**
	(0.258)	(0.195)	(0.211)	(0.125)
Inflation	0.221**	0.229**	0.213**	0.211**
	(0.071)	(0.057)	(0.048)	(0.037)
Unemployment rate	-0.459**	-0.479**	-0.460	-0.491
	(0.066)	(0.082)	(0.313)	(0.309)
Constant	43.758**	35.692**	43.452**	35.523**
	(1.854)	(0.674)	(3.664)	(0.706)
Observations	53	53	53	53
R ²	0.367	0.357	0.388	0.374

Note: All variables lagged one year except for costs of ruling and years in the government. Standard errors in parentheses. Robust standard errors clustered around the different types of government parties. + p<0.10, * p<0.05, **p<0.01.

	Denmark			
	Pension		Unemployment	
	(5)	(6)	(7)	(8)
Expansions	0.843 (0.533)	0.871+ (0.518)	-0.800** (0.121)	-0.659** (0.089)
Cutbacks	-0.323+ (0.188)	-0.403* (0.174)	-0.076 (0.262)	-0.100 (0.337)
<i>[Baseline: Costs of ruling=0]</i>				
Costs of ruling=1	-0.210 (2.151)		-1.937 (1.424)	
Costs of ruling=2	-0.223 (2.932)		-2.492 (2.572)	
Costs of ruling=3	1.320 (3.456)		-0.261 (2.549)	
Costs of ruling=4	-3.447 (2.574)		-7.071** (1.437)	
1st year in the Govt		-0.139 (2.589)		1.901 (1.856)
2nd year in the Govt		-0.331 (0.531)		0.006 (0.411)
GDP growth	0.718** (0.250)	0.677** (0.167)	0.794** (0.174)	0.722** (0.085)
Inflation	-0.007 (0.586)	-0.017 (0.574)	-0.034 (0.598)	-0.042 (0.571)
Unemployment rate	-0.352 (0.705)	-0.416 (0.565)	-0.489 (0.561)	-0.591 (0.434)
Number of Governing parties	3.548* (1.489)	3.660* (1.296)	3.644* (1.424)	3.787* (1.243)
Constant	27.532** (2.828)	27.862** (1.812)	31.755** (0.997)	30.086** (2.101)
Observations	49	49	49	49
R ²	0.459	0.447	0.442	0.418

Note: All variables lagged one year except for costs of ruling and years in the government. Standard errors in parentheses. Robust standard errors clustered around the different types of government parties. + p<0.10, * p<0.05, **p<0.01.

This analysis uses two different sets of variables to capture the change in the government popularity along with the lifetime of the government. Models 1, 3, 5 and 7 employ dummy variables for the ages of government since the last election by disaggregating continuous variable “cost of ruling”, and the rest employ dummy variables for the first and second year in the government (honeymoon periods). The effects of reform events are substantively unchanged compared to our main models in the main text, in terms of size and the statistical significance.

Table A4. Effects of pension reforms on the support for PM party in Denmark

Dependent Variable:	Support for Cabinet parties (Models 5 & 6 from Table 3)		Support for PM party	
	(1)	(2)	(3)	(4)
Expansions	0.788+ (0.421)	0.889* (0.413)	0.870** (0.308)	0.662* (0.280)
Cutbacks	-0.467 (0.779)	-0.394* (0.163)	0.214 (1.561)	0.365 (1.086)
Cost of ruling		0.102 (0.623)		-0.628 (1.589)
GDP growth		0.674** (0.169)		0.494 (0.487)
Inflation		-0.017 (0.574)		0.212 (0.336)
Unemployment rate		-0.417 (0.523)		-0.194 (0.821)
Number of Governing Parties		3.682** (1.270)		
Constant	36.686** (1.541)	27.499** (1.984)	26.391** (4.414)	25.215** (4.866)
Observations	53	49	53	49
R ²	0.044	0.447	0.043	0.121

Note: All variables lagged one year except for costs of ruling. Standard errors in parentheses. Robust standard errors clustered around the different types of government parties. + p<0.10, * p<0.05, **p<0.01.

This test is the replication of pension models in Denmark (Table 3), employing the support for prime minister's party only (instead of the support for all parties joining in the government) as the dependent variable (footnote 44). The results for the effect of expansions are substantially very similar (but with slightly smaller coefficients), but the negative effects of cutbacks are even more muted than when we take the support for the whole cabinet as the dependent variable. This finding is in line with our discussion that punishment due to cutbacks (and perhaps reward for expansions) is less pronounced for the Prime Minister's party in Denmark due to the lower level of clarity of responsibility in coalition governments.

APPENDIX B. Coding of reform data

We began by defining the universe of reforms we were interested in. We only wanted to focus on reforms that affected citizens' social rights, so ignored changes to the administration of benefits. Reforms had to relate to one of the 13 features listed in Table B1 that in combination regulate the rules of access, rules of benefits, and rules of conduct if claimants. Each legislative change in any of these 13 features is coded as a "reform event," which is the unit of the dataset. Reform events that curtailed the social rights of citizens were coded as "cutbacks" and reform events that improved citizens' social rights were coded as "expansions."

To collect information on reforms we started out by relying on secondary sources, which allowed us to establish a timeline of reform events. We then looked all reform up in the official legislative databases of Britain and Denmark, respectively. Almost all reforms in the dataset have in this way been double-checked using two sources. The coding was done by trained student assistants, but all coding decisions were verified by a senior researcher. There were very few instances of disagreements and those that occurred were settled by the student assistant and senior researcher examining the question in-depth together.

Table B1. Policy instruments coded

Dimension	No.	Policy instrument	Description
Rules of access	1	Qualification period	How long does it take for a person to become eligible?
	2	Contribution period	How long must a person contribute to a scheme before becoming eligible?
	3	Contribution level	How much must a person contribute?
	4	Waiting period	How long after a social risk occurs before a person is eligible?
	5	Age brackets	How old must a person be to be eligible?
	6	Means test	Is there a means test?
Rules of benefits	7	Duration period	How long can a recipient receive benefits?
	8	Nominal value	What is the nominal value of the benefits?
	9	Indexation rule	Is the nominal benefit automatically regulated and with what factor?
	10	Assessment base	Has the base for calculating benefits changed?
Rules of conduct	11	Employability	Is the recipient required to or offered the opportunity to voluntarily participate in activities meant to increase the likelihood of getting a job?
	12	Health documentation	Is the recipient required to document that she is unable to work?
	13	Residence	Does it matter where and under what circumstances the recipient lives?

Primary sources used

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<https://www.google.dk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=0CDYQFjADahUKEwjuwPLhoYPHAhVLhiwKHxuRDoA&url=http%3A%2F%2Fwww.parliament.uk%2Fbriefing-papers%2FSN00431.pdf&ei=Rk-6Ve6HG8uMsgH7orqACA&usg=AFQjCNGJfDsXcqYXjf6LZ8q3SDjQRQvBWQ&bvm=bv.99028883,d.bGg>

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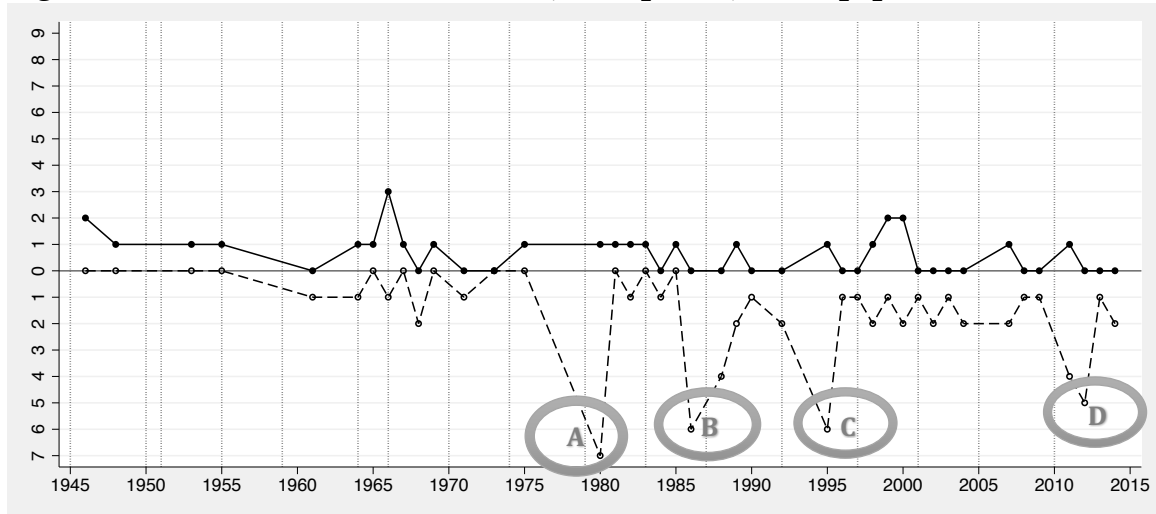
APPENDIX C. Validity check

A potential concern with our dataset is that it does not differentiate between big (or “real”) reforms and small (or “irrelevant”) reforms as our coding is based on the count of a single reform event. A single reform event may be very substantial, or it may be marginal. As it turns out, however, this is not a serious problem because major reforms typically consist of many reform events. In years with well-known major reforms, our dataset also exhibits many reform events.

Below, in Figure C1 and Table C1, we use the changes in unemployment protection in Britain to exemplify this match. According to our measurement displayed in Figure 1, there have been four bigger retrenchment packages in British unemployment protection since WWII – three of them in the Tory governments 1979-1997 and one under the Tory-LibDem coalition. These occasions are also those reforms that the social policy expert Jochen Clasen (2005, 2007) categorizes as “major changes” in his case studies, cf. Appendix B in Clasen (2005) and Table 8 A.1 in Clasen & Clegg (2007). While not covered by Clasen, the welfare reform act of 2012 was seen as “The biggest welfare change for over 60 years” by political observers (<https://www.theguardian.com/housing-network/2012/mar/30/welfare-reform-act-older-people-housing>) and we agree that this was a major change, too. In this respect, those instances where we found 5-7 cutbacks based on our coding of legislative changes are also the policy changes that Clasen and others have characterized as major changes in British unemployment protection since 1979. In this respect, our coding of numerical events captures their qualitative impact quite

well since bigger reform packages with a large magnitude go in hand with a high number of reform events in our data.

Figure C1. Reform data series as used (and reported) in the paper



Note: Years with five or more cutbacks are marked with A, B, C, and D in both Figure C1 and Table C1. The y-axis is the number of reform events. The black circles with the solid line represent expansionist reform and the hollow circles with the dashed line represent reductions. Below is the table that summarizes these four sizeable reforms as the example.

Table C1. Number of legislative changes matched with magnitude from existing literature: The case of unemployment protection in UK.

A	<p><i>Budget cuts in 1980</i></p> <ul style="list-style-type: none"> - Insurance benefits for unemployed cut by 5 % - Higher supplementary benefit for unemployment over 60 who chose to retire early (de facto forced early retirement) - Voluntary registration of unemployed at Job Centres - Increases in basic state pension no longer indexed to the greater of prices or wages, but to prices
B	<p><i>Social Security Act 1986</i></p> <ul style="list-style-type: none"> - Increase in maximum disqualification period for benefits - Abolishment of $\frac{1}{4}$ and $\frac{1}{2}$ UB rates for people with incomplete contribution records - Lower benefits for people 18-25 - Introduction of restart (mandatory interviews for people on benefits for more than 6 months) - Introduction of income support as means-tested social assistance
C	<p><i>Job Seekers Act of 1995/96/Project Work</i></p> <ul style="list-style-type: none"> - Introduction of Jobseekers Allowance (JSA), consisting of 'contributory JSA' and 'income-related JSA' - Reduction of maximum duration of contributory benefit from 1 year to 6 months. - Reduction of contributory benefit rights for unemployed recipients of occupational pensions of all ages. - Introduction of requirement to sign a jobseeker's agreement; and obligatory jobseekers'

	<p>directions.</p> <ul style="list-style-type: none"> - Introduction of a 'permitted period' of 13 weeks for restriction of job search. - Introduction of 'project work' - pilots for long-term unemployed, (13 weeks compulsory supervised job search followed by 13 weeks work experience)
D	<p><i>Welfare Reform Act 2012 and Introduction of universal credit</i></p> <ul style="list-style-type: none"> - Stronger stronger penalties for fraud and error - limits the payment of contributory Employment and Support Allowance to a 12-month period - caps the total amount of benefit that can be claimed - increasing the level of conditionality that is applied to some recipients - introducing Mandatory Work Activity so that some recipients will be required to take part in full-time work activity for four weeks - Failure to meet a requirement to prepare for work (applicable to jobseekers and those in the Employment and Support Allowance Work-Related Activity Group) will lead to 100 per cent of payments ceasing until the recipient re-complies with requirements and for a fixed period after re-compliance

Sources: for A-C (Clasen 2005, Clasen & Clegg 2007), for A also Lawson (1992), for D: <http://services.parliament.uk/bills/2010-12/welfare-reform.html>; <http://www.legislation.gov.uk/ukpga/2012/5/contents/enacted>; <https://www.theguardian.com/housing-network/2012/mar/30/welfare-reform-act-older-people-housing>

Another match can be seen, when we look at the years under Tony Blair (1997-2007). Here we have a balance of cutbacks and expansions according to our data, with a slight overweight of the former. This fits to the recalibration of the unemployment insurance in the UK under New Labour, where some tighter eligibility criteria went in hand with stronger activation measures and more generous benefits for families and disabled (i.e., the New Deal reforms) (see Clasen 2005, 2007; Arndt 2013: chap. 4; Hewett 2002; Walker & Wisemann (2003).

We have also performed robustness checks by running models with dummies for the big reform packages for both pensions and unemployment protection. As shown in Table C2 below, the coefficients for expansions and cutbacks in Britain yield similar results in the models when dummies for big year reforms included. No coefficient changes sign, or becomes insignificant compared to our baseline multivariate models (in Tables 1 and 3 in the main text), except that the coefficient for expansions of pensions in the Britain becomes insignificant. Similar results occur

if we remove years with big reforms. We also ran models excluding the big reform years (results not reported here). The coefficient for expansions in unemployment benefit changes from 2.286 in our baseline model to 2.237 in a model excluding the year 1980 (the first Thatcher budget cuts), and to 2.501 when excluding the year 1996 (JobSeekers Act of 1995/96). All these coefficients are statistically significant at $p < 0.05$. Likewise, we observed small changes in the coefficients for cutbacks in unemployment benefits.

Table C2. Sensitivity test with big reform year dummies

	Britain		Denmark	
	Pension (1)	Unemployment (2)	Pension (3)	Unemployment (4)
Expansions	0.663 (0.409)	2.730** (0.153)	0.719* (0.286)	-0.526** (0.084)
Cutbacks	-1.380** (0.380)	-0.374+ (0.203)	-0.451** (0.041)	-0.041 (0.297)
Cost of ruling	-1.471** (0.135)	-1.275** (0.015)	-0.052 (0.737)	-0.450 (0.597)
GDP growth	0.637** (0.223)	0.644** (0.120)	0.661** (0.099)	0.664** (0.017)
Inflation	0.225** (0.052)	0.178** (0.002)	-0.156 (0.737)	-0.164 (0.751)
Unemployment rate	-0.388** (0.094)	-0.379 (0.318)	-0.522 (0.569)	-0.721 (0.563)
Num. of Governing Parties			3.558* (1.598)	3.859* (1.567)
Year 1980	-5.084** (1.490)	-3.819** (1.154)	Year 1979 5.966+ (3.452)	9.362 (5.822)
Year 1986	-3.779* (1.821)	-5.407+ (3.040)	Year 1983 3.624 (5.843)	1.775 (5.170)
Year 1996	-5.386** (1.043)	-8.529** (0.821)	Year 1995 -1.956 (1.605)	-0.889 (0.852)
Year 2012	2.957** (0.073)	-2.649** (1.024)	Year 1998 -2.782** (1.042)	-1.242 (2.054)
			Year 2006 1.019 (1.042)	0.722 (2.054)
Constant	40.655** (1.109)	39.798** (0.759)	29.410** (2.249)	31.907** (2.660)
Observations	53	53	49	49
R ²	0.331	0.345	0.471	0.451

Note: All variables lagged one year except for costs of ruling and dummy variables for big reform years. Standard errors in parentheses. Robust standard errors clustered around the different types of government parties. In Models 3 and 4 (Denmark), dummy variable for year 1993 is omitted due to collinearity. + p<0.10, * p<0.05, **p<0.01.

The analysis for Denmark in Table C2 yielded substantially similar conclusions as our baseline specifications in Table 3 of the main text. We added dummies for the bigger Danish reform packages such as the introduction of the Efterløn in 1979, the benefit freeze in 1983, the labour market reform packages I, II, and III from 1993, 1995, and 1998, respectively, and the welfare reform package 2006. The positive effect of pension expansions and the negative effects of pension cuts and unemployment expansions remain significant after adding the respective reform-year dummies, and nor does the insignificant effect of unemployment insurance cutbacks turn significant. We obtained very similar results in jack-knifed models, where we removed the respective years from the estimation.

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APPENDIX D. The dependent variable

Table D1 is the replication of our main models, with dependent variables measured in slightly different ways (footnote 33). In Tables 1 and 3 in the paper, we use the annual mean value of the support for governing parties by aggregating monthly polling results. Here we employ the median value for the government support (in Models 1, 3, 5, and 7) and the midpoint value – i.e., (lowest support in the given year + highest support in the given year)/2 (in Models 2, 4, 6, and 8) from each governing party’s monthly polling results. The substantive results for the effect of expansions and cutbacks remain unchanged, with minuscule changes in sizes of errors and coefficients.

Table D1. Replication with different dependent variables

Model: Dependent variable:	Britain				Denmark			
	Pension		Unemployment		Pension		Unemployment	
	Median (1)	Midpoint (2)	Median (3)	Midpoint (4)	Median (5)	Midpoint (6)	Median (7)	Midpoint (8)
Expansions	0.731+ (0.419)	0.573 (0.526)	2.404** (0.452)	1.757** (0.217)	0.938* (0.453)	0.878* (0.343)	-0.509** (0.144)	-0.822** (0.136)
Cutbacks	-1.296** (0.313)	-1.201* (0.584)	-0.625** (0.133)	-0.569** (0.164)	-0.427* (0.192)	-0.405* (0.173)	-0.083 (0.293)	-0.105 (0.373)
Cost of ruling	-1.515** (0.138)	-1.583** (0.165)	-1.453** (0.068)	-1.549** (0.026)	0.110 (0.693)	0.151 (0.524)	-0.553 (0.426)	-0.531 (0.327)
GDP growth	0.572* (0.224)	0.564** (0.173)	0.558** (0.151)	0.542** (0.108)	0.714** (0.151)	0.619** (0.218)	0.737** (0.074)	0.663** (0.118)
Inflation	0.211** (0.033)	0.136** (0.020)	0.188** (0.033)	0.111** (0.004)	-0.054 (0.571)	-0.019 (0.561)	-0.080 (0.610)	-0.061 (0.579)
Unemployment rate	-0.426** (0.101)	-0.532** (0.076)	-0.451 (0.320)	-0.564** (0.210)	-0.380 (0.511)	-0.497 (0.533)	-0.566 (0.413)	-0.662+ (0.381)
Number of Governing Parties					3.517** (1.313)	3.929** (1.237)	3.654** (1.278)	4.116** (1.145)

Constant	40.787** (0.743)	42.216** (1.254)	40.731** (1.317)	42.378** (0.023)	27.764** (2.211)	27.366** (1.790)	31.507** (1.825)	31.243** (1.635)
Observations	53	53	53	53	49	49	49	49
R ²	0.299	0.315	0.302	0.309	0.440	0.471	0.391	0.449

Note: All variables lagged one year except for costs of ruling. Standard errors in parentheses. Robust standard errors clustered around the different types of government parties. + p<0.10, * p<0.05, **p<0.01.

APPENDIX E. Summary statistics

Table E1. Britain

Variable	Mean	S.D.	Min.	Max.	N
Year	1980	20.062	1946	2014	69
Election Year	1	0	1	1	16
Support for governing party	39.866	7.262	20.75	61	69
Costs of ruling	2.145	1.427	0	5	69
GDP growth	2.500	2.344	-4.311	10.427	54
Inflation	5.661	5.008	1.092	25.868	54
Unemployment rate	5.754	3.085	1.1	11.2	54
<i>Pension Reform</i>					
Number of reforms: Expansion	0.829	1.482	0	9	76
Number of reforms: Cutback	0.461	0.972	0	5	76
<i>Unemployment Reform</i>					
Number of reforms: Expansion	0.355	0.626	0	3	76
Number of reforms: Cutback	0.855	1.521	0	7	76

Note: In the (election) years when a new party took the prime ministership (“transitional years”), we separate the unit of analysis (year) into pre-transition and post-transition periods.

Sources: GDP growth and inflation from WDI; Unemployment rate from AMECO; Support for governing party from Gallup (1943-2001) and YouGov (2001-2014), monthly polling data aggregated by year.

Table E2. Denmark

Variable	Mean	S.D.	Min.	Max.	N
Year	1985.5	16.887	1957	2014	58
Election Year	1	0	1	1	21
Support for governing parties	38.195	7.062	16.073	51.1	56
Costs of ruling	1.414	1.351	0	6	58
Number of cabinet parties	2.397	0.972	1	4	58
GDP growth	2.320	2.447	-5.088	9.270	54
Inflation	5.005	3.473	0.8	15.3	53
Unemployment rate	4.753	2.616	0.6	9.6	55
<i>Pension Reform</i>					
Number of reforms: Expansion	1.938	1.983	0	9	64
Number of reforms: Cutback	0.594	1.065	0	5	64
<i>Unemployment Reform</i>					
Number of reforms: Expansion	1.125	1.386	0	5	64
Number of reforms: Cutback	1.344	2.110	0	8	64

Note: In the years when a new party took the prime ministership (“transitional years”), we separate the unit of analysis (year) into pre- and post-transitional periods.

Sources: GDP growth from WDI; Inflation (growth of harmonized consumer price index, CPI) from CPDS (Comparative Political Data Set); Unemployment rate from AMECO; Support for parties from Politisk Indeks (1957-2011) and Søren Risbjerg Thomsen's data (2012-2015), monthly polling data aggregated by year.