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Rethinking the paradox of redistribution: how private insurance and means testing can lead to universalizing reform

Margarita Gelepithis

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Abstract

Market-heavy welfare systems, in which low or moderate state benefits are topped up by private welfare arrangements, are expected to undermine political support for the extension of social rights and perpetuate benefit fragmentation over time. And where low state benefits are means-tested, political support is expected to be particularly prone to erosion. In this paper I develop the argument that the combination of private pension insurance and means-testing does not always perpetuate fragmentation. Rather, it structures the policy preferences of pension industry representatives and right-of-centre parties such that these actors push for reforms to make the state pension more universal. I make my argument by examining the reform history of nine market-heavy pension systems in the three decades since 1980. A fuzzy-set Qualitative Comparative Analysis (fsQCA) maps the conditions under which universalizing reforms have occurred, and two case studies link institutional conditions to reform outcomes via the policy preferences of key political actors.

Keywords: Universalism, dualization, means-testing, private insurance, pension reform

* **School of Social Sciences, University of East London**
Email: m.gelepithis@uel.ac.uk

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Introduction

In the comparative study of welfare states, both private insurance and means-tested welfare arrangements are considered to be dualizing, fragmenting the benefit system and leading to different rights, entitlements and services being provided to different categories of recipients. Moreover, there is a formidable consensus, from Moene and Wallerstein, to Korpi and Palme, Rothstein, and Pierson (Korpi & Palme, 1998; Moene & Wallerstein, 2001; Pierson, 2001; Rothstein, 1998), that such benefit arrangements undermine political support for the extension of state-provided social rights, and perpetuate fragmentation over time.

Where private insurance is prevalent fewer people rely on state benefits, making them more prone to retrenchment (Pierson, 1996). For Korpi and Palme, it is class not the number of welfare beneficiaries that matters, but the argument is much the same. Residual state benefits that leave room for the market are more vulnerable to erosion than benefits that are encompassing or universal, because the interests of the middle-classes are decoupled from those of the working class (Korpi & Palme, 1998). And where benefits are means-tested or 'targeted' on the needy, it is particularly obvious that the beneficiaries of the welfare state and those who finance it are rarely the same individuals. Public discussion tends to centre around what the well-adjusted majority should do about the less well-adjusted minority, and benefits are susceptible to retrenchment on the grounds of 'fairness' (Rothstein, 1998: 158).

For no policy area are these logics likely to apply so strongly as for the policy area of pensions - a classic example of path dependent change due to the long duration of pension promises (Myles and Pierson, 2001). Both '*basic social security*' pensions that provide a low level of entitlements based on contributions, and '*targeted*' pensions where eligibility to a low level of benefits is means-tested, leave the middle-classes to safeguard their standards of living through private insurance. As a result they are expected to undermine the cross-class coalitions necessary for their preservation, and become less generous over time. This is the 'paradox of redistribution' (Korpi & Palme, 1998). Public pensions that focus on poverty relief are expected to become in this way increasingly residual.

In this paper, I develop the argument that rather than eroding political support for state-provided pensions and perpetuating fragmentation over time, the *combination of means-testing and private insurance generates political pressure for more universal benefit arrangements.* Specifically, by more universal benefit arrangements I mean any policies which loosen targeting, include new categories of people under social insurance, loosen eligibility requirements to the state pension, or alter the benefit calculation formula such that people previously receiving means tested benefits now receive benefits as a contributory right. I develop my argument in three stages. The argument is set out in more detail in Section I) below.

First, I present a 'least likely' case. Australia's 'targeted' pension system has a ratio of private to public pension expenditure that lies high above the OECD average (Organisation for Economic Co-operation and Development, 2013a, 2013b). According to current understandings of how welfare institutions structure pension politics, we should fully expect to see an erosion of the Australian state pension and the perpetuation of benefit fragmentation - Australia is a 'least likely' case for universalizing reform. Yet, although reforms in the 1980s made the state pension more residual, this trend has since been decisively reversed. The Australian state pension has become more generous and more universal. By tracing the process of reform, I show how the combination of targeting and private insurance structured the preferences of Australian pension industry representatives such that they began to advocate a more universal state pension, and how this advocacy led to universalizing reforms under a right-of-centre Coalition government.

Next, I test the generalizability of my argument. I show that over the past three decades, state pensions have not become more residual in countries with prevalent private pension insurance. Rather, among the set of 'market-heavy' pension systems (the nine countries where the ratio of private to public expenditure is higher than the OECD average), there has been a surprising trend towards more universal state pensions - at the very time when means-testing and the dualization of social entitlements have generally been increasing (Emmenegger, Häusermann, Palier, & Seeleib-Kaiser, 2012: 8; Palier, 2010). With the exception of Ireland, the Qualitative Comparative Analysis (QCA) presented in this section of the paper shows that *every* reform that made the state pension more universal in market-heavy pension systems since 1980 had at its root a mismatch between private pensions means testing.

The QCA makes it possible to suggest political and institutional conditions under which this mismatch can bring about more universal pensions. In the cases under consideration, the combination of means testing and private insurance has led to reform under right-of-centre governments, where there is a low rate of national saving, and where the earnings-related state pension is small. While the importance of a right-of-centre government and a low rate of national savings will already be apparent from the Australian case, Australia provides insufficient temporal variation to examine the role of the earnings-related state pension. In addition, the UK emerges from the QCA as a seemingly deviant case of reform under left-of-centre government. I therefore complete my argument with a final case study, zooming in on the UK where the earnings-related state pension has been dramatically eroded over time. I show how despite appearances, it was the political right that drove the UK reforms. I begin by setting out the rationale for why the combination of means testing and private insurance can lead to more universal state pensions.

I) Why means testing and private insurance can lead to more universal state pensions

I take as my starting point the idea that there is an institutional mismatch between means-testing and private insurance that leads to pressure for more universal pensions, just as the mismatch between contributory insurance and atypical employment shapes the pension politics of Continental Europe (Häusermann, 2010). Green-Pedersen (2003) draws attention to this institutional disharmony in his analysis of recent Danish pension reforms, where moves in the universal direction were mostly driven by right-of-centre parties focusing on making work and savings pay. He argues that right-of-centre parties pushed for more universal benefits because they were more 'market conforming' than means-tested benefits and did not damage incentives to take a job or save privately for retirement. Whereas entitlement to contributory or 'universal' state pensions is not affected by individual savings, entitlement to a means-tested state pension may be drastically reduced if an individual has built up a private pension, and this may act as a significant disincentive to private saving for retirement. However, rather than expecting universalizing reform to result from any ideological commitment of right-of-centre governments to encouraging the market, the argument developed in this paper emphasizes the causal role of particular social interests. Where targeted pensions are prevalent and state pension entitlements are means-tested, those who have saved privately for retirement may find their state pension reduced. For this reason they may benefit from universalizing reforms such as lowering the rate at which public pensions are withdrawn with growing pension income or lowering contributions requirements to the state pension. This logic, which stems from the mismatch between means testing and private pensions, is hereafter referred to as the 'private savings' logic of reform.

Notwithstanding the uneven coverage of voluntary private pensions in favour of those on high incomes, I expect that in market-heavy systems private pensions will be sufficiently prevalent that those affected by means-testing will cut across the political spectrum, and both right and left-of-centre parties will count amongst their constituents a significant number of individuals who stand to gain from universalizing reforms.

However, in a post-industrial setting, expansionary reforms are difficult. Indeed, they are rarely studied and scholarly emphasis has been placed on explaining retrenchment and recalibration (Huber & Stephens, 2001; Pierson, 2001). While some insist that right-of-centre parties shrink state entitlements and left-of-centre parties expand them (Hicks, 1999; Korpi & Palme, 2003; L Scruggs & Allan, 2004), others claim that party roles have been reversed, with left-of-centre parties now more capable of retrenchment than right-of-centre parties (Cukierman & Tommasi, 1998; Green-Pedersen, 2001; Ross, 2000). These authors point to the effect of a 'Nixon goes to China' logic. In a nutshell, since left-of-centre parties are associated with defending the welfare state they may have more leeway in retrenching or restructuring it.

Drawing on this idea, I expect that universalizing reform may be less feasible for left-of-centre parties than it is for right-of-centre parties. Just as left-of-centre parties 'own' the welfare state issue, right-of-centre parties may be said to 'own' the fiscal rectitude issue. A right-of-centre party could gain from initiating popular expansionary reforms and has little to lose, as left-of-centre parties are unlikely to gain votes by attacking welfare state expansion. Turning the classic 'Nixon goes to China' argument on its head therefore, it is right-of-centre parties that can be expected to initiate universalizing public pension reforms.

In sum, the starting point for my argument is that the combination of means testing and private insurance generates pressure to make the state pension more universal. This is because those who save privately for retirement and find their eligibility for state benefits reduced under the means-tested status quo could benefit from universalizing reform. In the post-industrial context, I expect that universalizing reform is more likely to be introduced by right-of-centre governments with a reputation for fiscal rectitude. In the next section, I show how the 'private savings' reform logic has been at work in the case of Australia, a targeted, market-heavy pension system that has become more generous and more universal since the mid 1990s.

II) Australia: a least likely case of universalizing reform

Australia's flat-rate general taxation financed Age Pension was tightly means tested at its inception in 1908. Over the years eligibility conditions were successively loosened, transforming it from a benefit tightly targeted on the poor to one that covered over 80 per cent of the population by the mid-1970s (Cliath, 2007; National Pensions Board, 1993). The trend towards ever more universal pension arrangements came abruptly to a halt however in 1982 when the Hawke Labour government came to power in the midst of a recession.

Labor's fiscal imperative

The Hawke government was determined to gain the support of business and prove its fiscal reliability. It departed from the policies of the previous Labor (ALP) government with a major restructuring of the welfare state, marked by increased means-testing and selectivity (F.G. Castles & Mitchell, 1993; Lyle Scruggs, 2004). Pensions were among the first benefits to be more tightly targeted. The income test was tightened for those over seventy, and the means test was reformed to apply the income or the assets test depending on which gave the lower pension level.

Individually, these reforms were electorally unpopular, and the opposition gained some popularity by promising to abolish the assets test (Francis G. Castles, 2001: 8; Weatherley, 1994: 157). But the ALP's display of fiscal rectitude paid off at the ballot box in 1984, and opposition pressure to abolish the assets test dissipated. The reasons for this were twofold. First, the abolition of the assets test was unpopular with representatives of Australian business (Power, 1988). Second, the opposition's proposal to abolish the assets test sat awkwardly with their own emphasis on budgetary surplus and their very public calls for further tightening of eligibility criteria to social security on the grounds of reducing government spending (Business Council of Australia, 1988: 1618).

At the same time as the Hawke government was making the state pension more tightly targeted, it was also working to make private pensions more universal. In 1992, the government introduced the 'Superannuation Guarantee'. Employers were required to make superannuation contributions on behalf of their employees, and would be fined if they failed to comply (Power, 1988; The Australian Financial Review, 1989a). The Superannuation Guarantee became the Hawke government's flagship policy. In addition to addressing the issue of earnings replacement in old age, it was a high profile way of addressing the low national savings rate, which had become a media obsession by the late 1980s (Commonwealth Treasury of Australia, 2001). With the Superannuation Guarantee, private savings could be increased without increasing spending on tax incentives; public expenditure could remain tight and be further reduced over time. Building on the tightening of the means test, the Superannuation Guarantee would make the Age Pension increasingly residual as more people built up private superannuation and became ineligible for state benefits. National savings would improve through a combination of public and private savings.

Seeds of change

The ALP lost the 1996 election to a coalition of the Australian Liberal and National Parties led by John Howard, for reasons largely unrelated to superannuation or the Age Pension (Cavalier, 1989; Dodson, 1989; 1989b). The Superannuation Guarantee had been opposed by Howard, and the new Coalition government was suspicious of the Association of Superannuation Funds of Australia (ASFA), the peak lobby group headed by former Labour Minister Susan Ryan. Nevertheless, the Coalition government accepted that the Superannuation Guarantee was here to stay, and began to pursue a retirement policy broadly similar to that of the ALP. The Age Pension was to become more tightly targeted as the ALP had envisaged. Once again, this was legitimized by the need to increase national savings (Goot & Watson, 2007; McAllister, 1996). But the Coalition's commitment to a more tightly targeted Age Pension was not to last long.

The further tightening of the means test was not popular with the superannuation industry, which had grown significantly as a result of ALP policies. ASFA wanted a higher financial asset threshold(Liberal Party of Australia & National Party of Australia, 1996: 3). They stepped up their longstanding campaign to bring national savings to the forefront of media attention, but crucially, they emphasized private rather than public savings. They issued public statements noting that household savings had shrunk to a near historical low, and insisted that private savings were the way to fix the current account deficit (Kavanagh, 1996). Media emphasis began to shift from government saving to private saving, and the battle to make people save became 'the nation's prime economic soap opera' (Smith, 1998).

The superannuation industry insisted on reform of 'the interaction between private retirement income and the Age Pension' (Megalogenis, 1999). For some industry actors, like the Institute of Actuaries and parts of the insurance industry, this meant adopting a fully universal Age Pension and a virtual elimination of any means tests (Smith, 1998). The majority of the financial and banking industry however did not have the appetite for such full-on reform, and simply demanded a loosening of the means tests.

A change in policy direction

The Coalition government soon began to realise that a focus on private savings could be used to justify a shift from fiscal rectitude to expansionary loosening of the means tests. In the run up to the 1998 election, the Coalition government announced its intention to introduce a 2.5 per cent increase in the income test 'free' areas applied to the Age Pension, and loosen the income test for pensions by reducing the taper rate from 50 per cent to 40 per cent. These benefits were justified on the grounds that they would 'improve incentives to save for retirement by increasing the returns from such saving' (Blue, 1996; Dunstan, 1993). The Coalition government was re-elected. It introduced the changes to the means test as set out in the pre-election schedule, reversing the tightening of targeting which had so infuriated ASFA in 1996 (Costello, 1998).

In doing so, the Coalition pushed aside calls from business representatives to address national savings through tightening government spending. In their submission to the Budget process of 2001, the Business Council of Australia (BCA) had suggested that private saving should be encouraged by 'building upon the existing mandatory program of superannuation savings' and removing 'remaining biases against saving in the tax system' rather than loosening Age Pension eligibility conditions. In fact, the BCA had called for 'tighter targeting of transfers to those in greatest need' (Costello, 2000).

The universalizing reforms implemented by the Coalition government in 2000 and 2001 were to be the first in a series of popular yet fiscally costly measures, intended to change the Howard government's image 'from mean and tricky to caring and sharing' (Business Council of Australia, 2001: 11). The reforms were picked up by some commentators as an attempt to buy votes (Hayes, 2002; Megalogenis, 1999, 2006), and deemed bribery by the ALP. Yet opposition leader Kim Beazley was 'not about to suggest that a Labour government would take away these hand-outs' (P. Kelly, 2001; Steketee, 2001), and superannuation industry representatives continued the campaign to draw attention to low private savings (Frith, 2001; Richardson, 2001).

So the reforms continued. In 2005, the Coalition abolished the Superannuation Surcharge amidst a flurry of press releases pointing out that this would encourage saving (Wilson, 2003). The following year, the Coalition announced its most generous budget to date (Commonwealth of Australia, 2005). The most expensive part of the 'Santa Claus Budget' (Costello, 2006) was a more generous assets test for the Age Pension. The taper rate was halved, and the assets test threshold raised from $343,750 to $529,250 (Tanner, 2006). Once again, the justification for loosening targeting was that it constituted a 'large disincentive to save for retirement' (Negline, 2007; Parliament of Australia, 2006).

The changes were implemented with the Tax Laws Amendment (Simplified Superannuation) Bill of 2007. The package received cross-party support, and the superannuation industry pronounced the Liberal Party 'the official party of Superannuation' (Association of Superannuation Funds of Australia, 2006: 30; Parliament of Australia, 2006; Ryan, 2006; Small Independent Superannuation Funds Association, 2006). Soon after the reforms, the Treasury announced that the Age Pension should be considered integral rather than peripheral to retirement incomes (House of Representatives, 2006). The Coalition had not only introduced significant universalizing pension reforms, it had also moved away from the ALP's stated vision of a more residual Age Pension.

The private savings logic of reform in Australia

The preceding narrative shows an ALP eager to prove its fiscal rectitude to business and the electorate, embarking on successive tightening of Age Pension eligibility conditions and extending private saving with the explicit intention of making the Age Pension increasingly residual over time. By contrast, the Coalition had the reputational leeway to introduce a series of expansionary budgets that included popular reforms easing the mismatch between targeting and private pensions that was affecting increasing numbers of people.

Even for the Coalition however, the decision to loosen the means test was not an obvious one. When it came to power in 1996, the Coalition initially continued to emphasize deficit reduction and the tightening of targeting. It was only after representatives of the superannuation industry started to publicly emphasize low private savings that the Coalition began to loosen the means tests. Although loosening the means tests entailed popular benefit increases for those whose private savings would otherwise reduce their entitlement to a state pension, the Coalition had played a large part in the construction of the fiscal imperative during its time in opposition. It justified its expansionary pension policies by highlighting how they would reduce disincentives to save and in doing so improve the country's low national savings.

Low national savings facilitated but did not drive the universalizing reforms. After all, a variety of policy responses were offered for the same national savings problem. When low national savings were first identified as a primary policy concern in the 1980s, the ALP responded by targeting the Age Pension more tightly to increase state saving, whilst at the same time introducing the Superannuation Guarantee to expand private saving. In its first term in government, the Coalition framed the problem of low national savings as business representatives had done, as one of fiscal profligacy to be tackled primarily by increasing state saving. By its second term, the Coalition had taken the superannuation industry's lead and reframed the problem of low national savings to emphasize deficient national saving. The narrative thus shows that the 'private savings' logic of universalizing reform is not a functional response to low savings. It is eminently political, driven by the potential electoral popularity of universalizing reforms.

The next section maps the changes that have occurred in other market-heavy pension systems over the three decades since 1980, and finds a trend towards more universal state pensions. To test the generalizability of the 'private savings' logic as an explanation for these reforms, I conduct a fuzzy-set QCA. The fsQCA procedure is a formalized process of comparison. It involves breaking cases up into variables – a number of conditions and an outcome – which can be systematically compared to find the conditions that are present or absent when an outcome of interest is observed. It works well with small-to-medium n research designs where in-depth case knowledge is possible, and is capable of capturing conjunctural causation, where causally relevant conditions do not display their effects on their own but only together with other conditions. This is crucial for the argument of this paper, where means testing and private insurance lead to universalizing reform only when combined, and under favourable political circumstances.

III) Testing and refining the argument – A fuzzy-set QCA of market-heavy pension systems

I define market-heavy pension systems as those where the ratio of private to public expenditure is higher than the OECD average, and focus on the eighteen mature welfare states included in *The Three Worlds of Welfare Capitalism* (Esping-Andersen, 1990) and commonly used in comparative welfare state research thereafter.[1] This yields a set of nine market-heavy pension systems: Australia, Canada, Denmark, Ireland, the Netherlands, New Zealand, Switzerland, the United States and the United Kingdom.[2]

The trend towards more universal state pensions in market-heavy systems

Overall between 1980 and 2008 there has been an increase in the number of universalizing reforms to the state pension in market-heavy pension systems, and a simultaneous decrease in 'de-universalizing' reforms that increase the role of targeting.

Table 1 presents the number of universalizing and de-universalizing reforms that occurred per decade.

[1] This excludes less frequently analyzed Iceland and Israel, as well as the more recently privatized systems of Latin America and Central and Eastern Europe.
[2] Data for the full list of OECD countries is presented in the appendix.

Table 1. Total number of universalizing and de-universalizing reforms

Decade	*Number of universalizing reforms*	*Number of de-universalizing reforms*
1980s	2	7
1990s	4	6
2000s	6	2

Source: author's own database of reform, see appendix

This trend towards more universal state pensions has been driven by Australia, the UK, New Zealand and Ireland.[3] In Ireland, reforms over the last three decades have pushed the pension system in a consistently more universal direction. They have dramatically increased the number of people qualifying for pensions based on their social insurance record rather than through means testing, by extending the coverage of the contributory state pension to the self-employed (1988) and to part-time workers (1991), introducing a system of disregards for carers (1994) and loosening the means test (2007).

In Australia, New Zealand and the UK, reforms shifted away from universalism in the 1980s but have been replaced in recent years with universalizing reforms. As discussed in the case study, reforms in the 1980s made the Australian Age Pension less universal by tightening the means tests (1983, 1985), but the trend since has been reversed with the introduction in the 2000s of two universalizing reforms that together extended coverage significantly by loosening the means test. In New Zealand the affluence test that was introduced in 1986 and increased further in 1990 was repealed in 1997, leaving a universal flat-rate state pension conditional only on residence. The UK moved towards targeting initially, by moving from earnings to price indexation of the state pension in 1980. But in the last decade the UK passed three reforms increasing the universalism of the state pension, introducing credits for carers and

[3] See appendix for a full list of reforms.

disabled people with broken work records to enable them to build up entitlements to the state pension (2000), loosening the means test on the Minimum Income Guarantee (2002), and re-introducing earnings uprating as well as lowering the required contributions for a full basic state pension from 45 years to 30 years (2007).

In Switzerland and Denmark no clear trend emerges. In Denmark reforms loosening the income test for the pension supplement (1987) and introducing contribution credits for benefits recipients (1996) alternated with reforms that shifted towards targeting (1993, 2003), whilst in Switzerland reforms tightening the means test (1983) and shifting individuals towards targeting (2003) have been punctuated by the introduction of contribution credits (1995). In the meantime the US, Canada and the Netherlands did not introduce any universalizing reforms at all.

Thus, although market-heavy pension systems overall have seen an increase in reforms that make the state pension more universal, there is cross-national variation around this trend, which has been driven by four countries – the UK, New Zealand, Australia and Ireland. The fsQCA harnesses this variation to identify the conditions under which moves towards more universal state pensions have occurred.

Setting up the fsQCA

The fsQCA covers reforms in the nine market-heavy pension systems between 1980 and 2009. The data is split into three decades 1980-1989, 1990-1999, and 2000-2009, and the analysis is run not with nine country cases, but with twenty-seven country-decade cases. This offers analytical leverage by introducing variation in causal conditions over time.

The choice of country-decades as cases strikes balance between the idea that change in relevant causal conditions leads to reform and the idea that reform is not an instant reaction to such change. In addition, the fsQCA was conducted using country-five-years as cases. The results, which are included in the appendix, are consistent with the analysis of country-decades and lend further support to this choice of analytical unit.

The outcome of interest is the presence of universalizing reform. For each country-decade, membership is calibrated in the fuzzy-set '*reform*' according to how much any needs-based or contributory arrangements restrict coverage.

Three of the five causal conditions included in the model follow directly from my theoretical argument and case study. The *first of these conditions is the prevalence of targeting within the pension system (hi_targ)*, which, in combination with prevalent private insurance, should result in key political actors having an interest in universalizing reform.

Since all the countries in my analysis are market-heavy, I do not need to include a separate condition to capture the 'private savings' logic of reform. However, to capture the expectation that in the post-industrial context it may be difficult for left-of-centre governments to respond to this logic, *the second condition included in the analysis is the presence of a right-of-centre government (non_left)*.

A low rate of national savings (lo_natsav) is included as a condition since the Australian case shows how low rates of national saving can be used by governments to legitimize a shift in focus, from fiscal restraint to the encouragement of private savings.

Two further conditions are included in the model on the basis of the case knowledge gained during the iterative QCA research process (Ragin, 2000; Schneider and Wagemann, 2012: 81). The first of these conditions is *the absence of a significant earnings-related state pension (lo_erel)*, which turns out to be a crucial part of the private savings logic of reform. As the UK case study will show, a low earnings-related state pension mobilizes pension industry representatives to put disincentives to private saving on the political agenda.

These second is *the presence of social insurance finance rather than general taxation finance (broad_fin).* This condition is included to capture the exceptional nature of the Irish reforms. In the 1980s and early 1990s, Ireland was unique among market-heavy pension systems in excluding large social groups from the contributory pension system. By the early 1990s, the restricted coverage of the contributory pension had created a reliance on means-testing that in turn generated an interest in universalizing reforms among those who paid for both their own pension through social insurance contributions as well as the means-tested benefits of others through general taxation. This interest was manifested politically in the union-driven extension of contributory pension coverage first to the self-employed and certain public sector workers in 1988, and then to part-time workers in 1991 (Schulze & Moran, 2006a). Thus, rather than reflecting a private savings reform logic stemming from a mismatch between means-testing and private insurance, early Irish reforms reflect a 'cost sharing' logic stemming from a mismatch between means testing and a restricted contributory system.

The measurement and calibration of both outcome and causal conditions are presented in detail in the appendix. Fuzzy-set conditions contain more information than crisp-set conditions and are used wherever possible. The resulting analysis is therefore fuzzy-set, and conducted using the specialist software *fsQCA2.5*. Since an analysis of necessary conditions found no causally relevant necessary conditions for universalizing reform, the discussion focuses on sufficient conditions.

Conditions associated with universalizing reform in market-heavy systems

The results of the analysis of sufficient conditions are summarized in Table 2 below. The 'intermediate' solution forms the centre of discussion. The intermediate solution makes theoretically guided ('directional') assumptions about whether logically possible combinations of conditions for which there is no corresponding empirical case ('logical remainders') would contribute to the outcome if they did exist. It then uses these assumptions to inform the logical minimization process, generating solution terms that are usually simpler than the 'conservative' solution which makes no assumptions about logical remainders, and more meaningful than the 'parsimonious' solution which assumes that all logical remainders would contribute to the outcome.

The directional assumptions used in the model directly follow from the theoretical discussion. The prevalence of targeting, the absence of a significant earnings-related pension, the presence of a non-left government, and the presence of a low rate of national saving are each assumed to contribute to bringing about reform. Since the financing arrangements of a pension system are relevant under the 'cost-sharing' logic of reform but are not expected to be relevant under the 'private savings' logic of reform, no directional assumption is made for the condition 'broad_fin'. The parsimonious and conservative solutions are included in the appendix.

The Boolean algebraic solution term at the top of Table 2 reveals three combinations of conditions that are sufficient to explain the introduction of significant universalizing reforms in market-heavy pension systems. Together, these three combinations of conditions cover every significant universalizing reform in market heavy pension systems in the past three decades, and they each do so with a solid degree of consistency, meaning that there is little empirical evidence to contradict the statement of sufficiency set out in the solution formula. The statement of sufficiency is not logically contradicted by any cases.

Table 2. Analysis of sufficient conditions for the outcome 'significant universalizing reform', intermediate solution

Solution	***hi_targ* lo_erel* lo_natsav* non_left***	***+***	***hi_targ* lo_erel* ~broad_fin* non_left***	***+***	***hi_targ* lo_erel* lo_natsav* ~broad_fin***	→	*reform*
Single country coverage	*DEN80, NZ90, AUS00*		*IRE80, IRE90, IRE00*		*UK00*		
Consistency	0.768802		0.702703		0.748092		
Raw Coverage	0.413793		0.350825		0.146927		
Unique Coverage	0.367316		0.304348		0.100450		
Solution consistency: 0.785612; Solution coverage: 0.818591							

Model: reform = f(hi_targ, lo_erel, lo_natsav, broad_fin, non_left). Intermediate solution.
Frequency cut-off: 1.000000 Consistency cut-off: 0.755396.
Cases in bold are uniquely covered by the relevant solution term.
Assumptions: non_left (present); lo_natsav (present); lo_erel (present); hi_targ (present*)*

The first combination of conditions sufficient to bring about significant universalizing reform in market-heavy systems consists of a non-left government, a low rate of national saving, the absence of a significant earnings-related pension, a reliance on targeting and general taxation financing. This combination of conditions uniquely covers the Danish reform of 1987 that loosened the income test for the pension supplement, the abolition of the affluence test in New Zealand in 1997, and the Australian reforms of 2000 and 2007 that loosened the means tests for the Age pension. No cases logically contradict the statement of sufficiency, and the consistency score is adequate at 0.768802.

I interpret this combination of conditions to be a manifestation of the 'private savings' logic of reform, in which a mismatch between the prevalence of means targeting and the prevalence of private savings means that large parts of the electorate are likely to have an interest in universalizing reform. In line with the expectation that in a time of austerity it will be difficult for left-of-centre governments to respond to this logic, the reforms in Denmark, New Zealand and Australia all occurred under non-left governments. Low rates of national saving were also present in all these reforms, supporting the idea that low national savings allow right-of-centre governments to legitimize a shift in focus, from fiscal restraint to the encouragement of private savings.

Yet the solution term at the top of Table 2 suggests that the prevalence of targeting, of a non-left government, and of low national savings are not alone sufficient to explain universalizing reform in the market-heavy pension systems of Denmark, New Zealand and Australia. The absence of a significant earnings-related pension is also required. The UK case that follows offers an explanation as to why this may be the case.

The second combination of conditions consists of a non-left government, the absence of a significant earnings-related pension, a reliance on targeting, and contribution rather than general taxation finance. It uniquely covers the Irish reforms that occurred in the 1980s, the 1990s, and the 2000s. Again, no cases logically contradict the statement of sufficiency, and the consistency score is passable at 0.702703. This 'Irish path' to universalizing reform reflects the exceptionalism of Irish pension politics since the 1980s.

The third combination of conditions consists of the absence of a significant earnings-related pension, a reliance on targeting, contribution rather than general taxation finance and a low rate of national saving. It uniquely covers the universalizing reforms introduced by the UK in the 2000s, with a consistency score of 0.748092. Although the UK thus seemingly emerges from the analysis as an exceptional case of universalizing reform which occurred in the absence of a non-left government, the case study that follows show that the causal logic behind the UK reforms was in fact no different to that which drove the universalizing reforms in Australia, Denmark and New Zealand. Unlike statistical inference, in QCA, causal relationships are not assumed to be symmetric, so separate analysis is needed to explain negative or low values of the outcome of interest(Schneider & Wagemann, 2012). I therefore conduct a separate fsQCA for the non-reform outcome. The analysis shows a striking causal symmetry, and suggests that the 'private savings' logic explains not only the introduction of most universalizing reforms but also their absence. The results of the fsQCA of the non-reform case are presented in the appendix.

Aside from the Irish state pension reforms therefore, which were largely driven by a mismatch between targeting on the one hand and a contributory system from which large social groups were excluded on the other, the analysis in this section suggests that recent trends towards more universal state pensions can be explained by a single logic. This logic has at its root a mismatch between private pensions and targeting which leads to reform to make the state pension more universal when combined with the absence of a significant earnings-related pension, a low rate of national savings, and the presence of a non-left government. Despite the fact that QCA does not assume causal symmetry, this logic extends to explain why reform did not occur in most of those cases where it was absent.

The next section examines the UK, which seemingly emerges from the QCA as a 'deviant' case of universalizing reform. The case study offers further support for the idea that reputational politics are involved in universalizing reform. It further clarifies the 'private savings' logic, and examines why the absence of an earnings-related pension emerged from the QCA as part of this logic.

IV) United Kingdom: a deviant case of universalizing reform?

In the 1980s, pension politics in the UK were contested in a rather straightforward way. The Conservative government wanted to shift responsibility for pension provision from the state to the market. The role of the state was to be confined to poverty relief through means-tested benefits, and earnings replacement was to be provided by private pensions (Saunders, 2007). Though the Conservatives did not succeed in abolishing the State Earnings Related Pension Scheme (SERPS) that supplemented the flat-rate contributory Basic State Pension (Hills, 1998), they responded to calls from employers and the pension industry by extending incentives to opt-out in favour of private schemes (Oude-Nijhuis, 2009; Pemberton, 2010).

In addition, six years earlier the Conservative government had passed a less high profile reform of pension indexation, which was to erode the value of the state pension dramatically and to push people into means-tested benefits who otherwise would have received those benefits as a matter of contributory right. This was no side-effect of indexation. Rather, increased targeting was characteristic of the Conservative government's broader welfare policy (Schulze & Moran, 2006b: 73).

By contrast, throughout the 1980s the Labour party was strongly committed to contributory rather than means-tested benefits (Hills, 1998). It had taken the Labour Party over twenty years to introduce the SERPS in 1975, and the party was now fighting fiercely to retain the scheme. In its 1983 Manifesto, Labour not only promised to restore the earnings link but also promised to reverse the decline in the value of the basic state pension that had occurred since de-indexation. This commitment was repeated in the 1987 Manifesto, and Labour went to the 1992 general election promising to raise the top rate of tax and middle income national insurance contributions (Hills, 1998). Through a succession of electoral defeats, the Labour party remained critical of the growth in the number claiming means-tested benefits, and insistent that the social security system should be based on the foundation of social insurance.

New Labour's new pension policy

The Conservatives labelled the 1992 shadow budget 'Labour's tax bombshell' and Labour lost the election. Although subsequent analyses of voting behaviour found little evidence Labour had been defeated on the basis of its plans for taxation, the message drawn by the new leadership was that Labour had to lose its tax and spend image (Driver, 2002). The Labour party conference in 1996 was a turning point in this direction. The party abandoned its commitment both to earnings uprating and to restoring the SERPS. By the time New Labour came to power in 1997 promising not to raise income tax and to stick to spending limits set by the Conservatives, it was no longer redistribution but rather poverty relief that was the party goal (Hills, 1998: 22). In line with this change in objectives, New Labour opted to increase the generosity of the means test rather than the basic state pension. Its first pension reform, the *Welfare Reform and Pensions Act* of 1999, reformed the means-tested pension. The new 'Minimum Income Guarantee' was to be substantially more generous than its predecessor. Moreover, it would hold its position against average earnings while the value of the Basic State Pension, linked only to prices, continued to shrink. One year later, the *Child Support, Pensions and Social Security Act* replaced SERPS with the Second State Pension (S2P), moving the state gradually but definitively out of the business of earnings replacement and marking the unambiguous end of the Labour party's commitment to social insurance.

These reforms faced fierce internal opposition, not only from traditionalists within the party (Driver, 2002), but also from party modernizers worried that they locked people into poverty traps and had a morally damaging impact on behaviour (Castle & Townsend, 1996). But all attempts to shift the policy emphasis away from poverty relief were blocked on the grounds of cost (Field, 1995 in Driver, 2002: 95). Instead the Labour government tried to mitigate the disincentive effects of targeted benefits. The *Child Support, Pensions and Social Security Act* introduced for the first time an additional pension for carers and disabled people with broken work records, making it easier for these people to keep off the means test. And in 2002, the *State Pension Credit Act* replaced the Minimum Income Guarantee with the Pension Credit, which partially offset disincentives to save by rewarding people over 65 for their savings.

Industry complaints lead to a new consensus

Neither the *Child Support, Pensions and Social Security Act* nor the *State Pension Credit Act* reassured pension industry representatives, who were increasingly concerned about stagnating retirement savings. They began to lobby against means testing in favour of a more universal state pension, receipt of which would be less affected by private retirement savings. The National Association of Pension Funds (NAPF) was the first organization to propose reforms in this direction. The proposed reforms were radical. The NAPF wanted the various state pension strands combined to create a universal, non-contributory 'citizen's pension' with eligibility based on a residency test (Hills, 1998: 20).

The Labour government rejected the NAPF's proposal outright (Skypala, 2002). The opposition's response however was much more accommodating. According to shadow Work and Pensions secretary David Willets, the Conservatives would back proposals for a single state pension sufficiently generous to take people off means tested benefits 'if we were confident it commanded support from the occupational pension fund movement and employers' (Timmins & Eaglesham, 2002).

Support from pension industry representatives was consolidated in early 2003 when the Association of British Insurers (ABI) 'joined the chorus of providers and analysts demanding changes to the state pension system to rescue the ailing private pension system' (Willets, 2002). According to the ABI, the Pension Credit, which was to come into effect that year, would go to fifty-five per cent of the population and would 'leave many wondering why they should save'. The ABI aligned with the NAPF in calling for 'a simpler, less means-tested system' (Timmins, 2003).

Three months after the ABI's statement, the Conservatives began to publicly advocate a more generous state pension, less reliant on means-testing, in order to restore private saving (Timmins, 2003; Financial Times, 2003). They proposed scrapping the S2P and providing in its place a Basic State Pension which would be 'much higher' than the Basic State Pension at the time, and 'arguably higher' than the means-tested pension (Financial Times, 2003). This would be done by restoring the link between the Basic State Pension and average earnings that was broken in 1980 (Timmins & Newman, 2003; Timmins & Turner, 2003).

The Conservative party's new policy stance was a clear move away from Thatcherite attempts to residualize the state pension. Cost concerns from traditionalists within the party were pushed aside (Timmins & Turner, 2003), as were the reservations of employers, who were stalling for time. The Confederation of British Industry (CBI) accepted that the Basic State Pension needed to be strengthened, but insisted that this should not start to happen until 2020. Speaking to the press, Willets dismissed the CBI's concerns, insisting: 'we need to start increasing the Basic State Pension as soon as possible to begin to get people off means-tested benefits' (Timmins & Newman, 2003).

The Conservative's pledge to reduce the need for means-testing by restoring the earnings link to the Basic State Pension ensured that pension saving was 'set to be a main issue in the general election' (Timmins, 2004b). Faced with the Conservative's pledge to expand the state pension, the Labour party began to rethink its policy stance. In September 2004, the Financial Times reported that after three years of denying the disincentive effects of their pension policies, 'the government is acknowledging that its critics have a point' (Hall, 2004). In his party conference speech, the Prime Minister announced that in a third term Labour would redesign the state system, putting more money into pensions while ensuring that the non means-tested basic pension was 'at the core' of the redesign (Timmins, 2004a).

An extensive consultation by the Pension Commission highlighted an emerging consensus that means testing had damaged disincentives to save and ought to be lessened (Timmins, 2004a). The consultation formed the basis of the Commission's second report, which recommended reforms to make the state system less means-tested and closer to universal (Giles, 2004; Pensions Commission, 2005a: 26).

In 2006 the Government published its own proposals in a White Paper that closely followed the proposals of the Pensions Commission. The White Paper proposed to uprate the Basic State Pension to average earnings and loosen eligibility conditions for both the Basic State Pension and the S2P (Pensions Commission, 2005b). When the proposals were brought before parliament in the form of the 2007 Pension Act, they received cross-party support.

Although the UK had not fully turned its back on the contributory principle, it had taken the biggest step towards universalism in over thirty years. The reforms were introduced by Labour and for this reason the UK emerges from the fsQCA as a deviant case of reform. However, the preceding narrative shows that it was not Labour but rather the Conservatives that played the crucial role in the introduction of universalizing reforms. It was the dramatic shift in policy stance of the Conservative opposition that forced New Labour to rethink the strategy of targeting that it had adopted less than a decade previously.

The private savings logic of reform in the UK

As in the Australian case, pension industry representatives shaped the development of the Conservative's new policy stance. Citing concern about the negative effect that increased means-testing was having on incentives to save privately for retirement, both the ABI and the NAPF pushed decisively for a more universal state pension. Despite employer ambivalence, the Conservatives responded by adopting the language of 'incentives to save' to justify their first universalizing policy proposal in living memory. The Labour party had been promoting targeted benefits as part of a show of fiscal rectitude, and was initially reluctant to change policy stance. It did so only after the idea was put forward publicly by the opposition and legitimized as a consensus through the expert work of the Pensions Commission.

What caused pension industry representatives to react when they did? By the 2000s, means-testing had increased as a result of both Conservative and Labour policies, and was set to increase further if no changes were made. Yet it is unlikely that this increase in means-testing was alone the reason that the NAPF and the ABI began to call for a more universal state pension. Though the role of means-testing had increased, it had always been prevalent in the UK pension system. As the calibration data in the appendix shows, means-testing was above the OECD average not only in the 2000s, but also in the 1990s and the 1980s.

The narrative shows that in addition to increasing the prevalence of means-testing, successive Conservative and Labour policies since the 1980s also eroded the SERPS. Before the SERPS was eroded, pension industry representatives were focused on minimizing the crowding-out of private saving by protecting and extending National Insurance rebates and the 'opt-out'. As SERPS declined, their attention shifted to how means-testing was creating disincentives to save.

Although there is insufficient variation in the UK case to 'isolate' the effects of the increase in means-testing and the declining significance of the earnings-related pension, the idea that means-testing becomes salient for pension industry representatives only in the absence of an earnings-related pension that crowded-out private saving is supported by the fsQCA results, where the absence of a significant earnings-related pension is associated without exception with universalizing reform, while the presence of a significant earnings-related pension is associated without exception with the absence of such reform.

Conclusion

With the exception of Ireland, where early reforms to make the state pension more universal stemmed from a mismatch between targeting and a contributory system with restricted coverage, the fsQCA presented in this paper shows that *every* reform that made the state pension more universal in market-heavy pension systems since 1980 had at its root a mismatch between a reliance on private pensions and a reliance on targeting.

Contrary to established institutionalist logics, private insurance and targeting do not necessarily shape political preferences such that the state pension becomes more residual over time. Rather, where the prevalence of means testing and the prevalence of private pensions coexist, this can lead to a less residual state pension with looser eligibility conditions and more people receiving the state pension as a matter of contributory right.

Prevalent means-testing led representatives of the pension industry in market-heavy systems to develop an interest in universalizing reforms that could reduce disincentives to save for retirement. And unlike employers whose ambivalence regarding universalizing reform was sidelined, the pension industry was influential in bringing about reform. This pattern of interest group influence can be understood in light of the fact that pension industry representatives did not succeed in the introduction of universalizing reforms by lobbying. Rather they achieved their aims because they influenced the electoral strategies of right-of-centre parties, using their expertise to identify, develop and communicate policies that were then adopted by these parties as being in their electoral interest.

The electoral interest of political parties was shaped by reputation and reflected a Nixon-goes-to-China logic. In both Australia and the UK, left-of-centre parties were primarily concerned with proving their fiscal rectitude to the electorate. They targeted state benefits more tightly on the needy, and supplemented targeted state provision with the regulatory extension of private pensions. By contrast, right-of-centre parties in both countries had built up strong reputations for macro-economic management. They were able to propose fiscally costly yet electorally popular universalizing reforms that benefited those who had saved privately for retirement and whose eligibility to state pension entitlements was to be reduced as a result.

The analysis in this paper thus reveals a systematic relationship between political parties and reforms that make the state pension more universal. Yet contrary to the stylized picture that means-testing is driven by the secular right and universal state pensions by the left, the universalizing expansion of state pensions in the post-industrial context has been driven by non-left parties. Even in the seemingly deviant case of the UK, the Conservatives played a crucial role in the reform process.

The idea that targeting and private provision erode political support for state benefits features prominently among institutionalist understandings of welfare state change. By showing that the combination of targeting and private pensions can generate pressure for reforms that make the state pension more universal, and spelling out the conditions under which this pressure leads to universalizing reform, this paper develops a more nuanced understanding of how the increasingly prevalent institutional patterns of targeting and private provision interact to shape pension politics.

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Appendix

Table A1. Ratios of private to public pension expenditure for all OECD countries

OECD Pensions at a Glance 2013				***OECD Factbook 2013***			
Country	2005	Country	2009	Country	2005	Country	2009
		Iceland	2.13	Iceland	1.70	Iceland	3.76
Iceland	1.42	***Netherlands***	***1.10***	***Australia***	***1.12***	***Australia***	***1.31***
Netherlands	***1.06***	***Switzerland***	***0.92***	***Switzerland***	***0.78***	***Netherlands***	***0.76***
Canada	***1.03***	***Canada***	***0.81***	***Netherlands***	***0.70***	***Denmark***	***0.70***
Switzerland	***0.89***	***United Kingdom***	***0.74***	***Denmark***	***0.63***	***Canada***	***0.60***
United Kingdom	***0.86***	***Australia***	***0.59***	***United Kingdom***	***0.54***	Korea	0.52
United States	***0.63***	***United States***	***0.57***	Korea	0.53	***United Kingdom***	***0.52***
Australia	***0.56***	***Denmark***	***0.40***	***Canada***	***0.49***	***United States***	***0.43***
Denmark	***0.41***	Chile	0.38	***United States***	***0.48***	***New Zealand***	***0.40***
Sweden	0.28	Japan	0.30	Israel	0.33	Chile	0.37
Ireland	***0.25***	Sweden	0.30	***New Zealand***	***0.30***	Israel	0.34
Chile	0.22	***Ireland***	***0.21***	Norway	0.29	Belgium	0.33
OECD	**0.21**	**OECD**	**0.21**	**OECD**	**0.24**	**OECD**	**0.28**
Belgium	0.17	Belgium	0.14	Belgium	0.14	Mexico	0.23
Norway	0.12	Norway	0.12	Sweden	0.13	Sweden	0.16
Italy	0.10	Italy	0.10	Portugal	0.09	Portugal	0.08
Luxembourg	0.08	Germany	0.08	Mexico	0.08	Finland	0.07
Germany	0.07	Luxembourg	0.07	Spain	0.06	Spain	0.06
Slovak Republic	0.07	Czech Republic	0.06	Hungary	0.02	Czech Republic	0.05
Portugal	0.06	Austria	0.05	Austria	0.02	France	0.03
Austria	0.04	Portugal	0.04	Italy	0.01	Germany	0.03
Greece	0.04	Slovak Republic	0.04	Luxembourg	0.01	Hungary	0.02
Czech Republic	0.04	Greece	0.03	Germany	0.01	Austria	0.01
Finland	0.03	Finland	0.03	Poland	0.00	Turkey	0.01
France	0.03	France	0.02	Turkey	0.00	Italy	0.01
Korea	0.00	Korea	0.00			Luxembourg	0.01
						Estonia	0.00
						Greece	0.00
						Poland	0.00
						Slovenia	0.00

Missing data: *OECD Factbook 2013* has missing data for Chile 2005; Czech Republic 2005; Estonia 2005; Finland 2005; France 2005; Greece 2005; Ireland 2005, 2009; Japan 2005, 2009; Norway 2009; Slovak Republic 2005, 2009; Slovenia 2005; Switzerland 2009. *OECD Pensions at a Glance 2013* has missing data for Estonia 2005, 2009; Hungary 2005, 2009; Israel 2005, 2009; Japan 2005; Mexico 2005, 2009; New Zealand 2005, 2009; Poland 2005, 2009; Slovenia 2005, 2009; Spain 2005, 2009; Turkey 2005, 2009.

Two OECD datasets provide figures for expenditure on private and public pension benefits as a percentage of GDP (Organisation for Economic Co-operation and

Development, 2013a, 2013b). The two datasets vary slightly in the private pension expenditure that they report. Since no clear reason is given for the differences in recorded private pension expenditure, I make use of both sources to identify my universe of cases. The table above expresses the data from each source as a ratio of private to public pension expenditure, for the two years for which both sets of information are available. For the purposes of this paper, the universe of market-heavy pension systems consists of those countries that on the basis of the available data have a ratio of private to public pension expenditure that is consistently higher than the OECD average. I therefore exclude Sweden, Norway and Belgium, in which the ratio of private to public expenditure is higher than the OECD average in only one of the two datasets, and Japan, where only one data point is available.

Table A2. Reforms to the state pension affecting universalism

Although some databases of pension reforms do exist, they are few and are not sufficiently detailed to develop an understanding of reforms affecting universalism[1]. The following list of reforms has therefore been compiled by drawing on secondary sources, government reports, and the *International Social Security Association (ISSA)* reform database.

Country	*Year*	*Description of reform*	*Name of reform*
Australia	1983	**Means testing tightened-** tightened income testing of pensions for those aged over seventy	Social Security and Repatriation Legislation Amendment Act
Australia	1984	**Means testing tightened-** assets test re-introduced and either income or assets test to be applied, depending on which test gives lower pension level.	Social Security and Repatriation (Budget Measures and Assets Test) Act
Australia	2000	**Means testing loosened-** reduced the asset and income taper test rates from 50% to 40%. Increased the income and asset test 'free' areas by 2.5%	
Australia	2007	**Means testing loosened-** halved the assets test taper rate to increase incentives to save. The assets test threshold was raised from $343,750 to $529,250.	Tax Laws Amendment (Simplified Superannuation) Act 2007
Canada	1989	**Affluence test introduced-** introduced OAS 'clawback' from high income pensioners	
Canada	1997	**Shift towards targeting-** Pensions to be calculated on the 5-	

		year average of the Year's Maximum Pensionable Earnings instead of the 3-year average	
Denmark	1987	**Means testing loosened-** loosened the income test for the Pension Supplement. More people entitled to the full means-tested benefit	Lettelese af Samspilsproblemer
Denmark	1993	**Shift towards targeting-** reduction of basic pension, and increase in Pension Supplement by equal amount.	Konsekvenser af skattereform
Denmark	1996	**Contribution credits-** recipients of sickness, maternity and unemployment benefits received twice the normal ATP contribution	Dobbelt ATP for folk pa overforselsindkoms ter
Denmark	2003	**Shift towards targeting-** introduction of the 'elderly check', a tightly targeted benefit paid only to pensioners with no income aside from the state pension.	Budget
Ireland	1988	**Coverage of state pension extended-** introduced compulsory PRSI for the self-employed	Social Welfare Act
Ireland	1991	**Coverage of state pension extended-** introduced compulsory PRSI for the part-time workers	
Ireland	1994	**Coverage of state pension extended-** up to twenty years spent caring for children or incapacitated adults to be disregarded when averaging the social insurance record	Homemakers' Scheme
Ireland	1997	**Eligibility conditions for state pension tightened-** increased the minimum contributions required for eligibility to the Old Age (Contributory) State pension	Social Welfare Act
Ireland	2006	**Means testing loosened-** increased the means test disregard from EUR 7.60 per week to EUR 20.00	Social Welfare Law Reform and Pensions Act
New Zealand	1985	**Affluence test introduced-** introduced the taxation Surcharge	
New Zealand	1990	**Affluence test increased-** taxation surcharge rate increased from 20-25%	
New Zealand	1997	**Affluence test abolished-**	Taxation

		surcharge abolished entirely, leaving universal pension with no form of targeting	(Superannuitant Surcharge Abolition) Act
Switzerland	1985	**Means testing tightened-** lowering of complementary benefits for pensioners with own savings	Zweite Revision des Bundesgesetzes uber Ergänzungsleistungen zur AHV/IV
Switzerland	2003	**Shift towards targeting-** cutbacks in pension indexation	11th AHV/AVS revision
United Kingdom	1980	**Shift towards targeting-** pensions no longer uprated by the better of earnings or prices, but by prices only	Social Security Act
United Kingdom	1999	**Shift towards targeting-** renamed the main means-tested pension 'Minimum Income Guarantee'. Increased its generosity substantially and temporarily indexed it to earnings rather than prices.	Welfare Reform and Pensions Act
United Kingdom	2000	**Contribution credits-** introduced credits for carers and disabled people with broken work records to enable them to build up entitlements to the state pension	
United Kingdom	2002	**Means testing loosened-** replaced the Minimum Income Guarantee with the Pension Credit. The Pension Credit system offset some of the disincentive effects of the means-tested Minimum Income Guarantee by introducing a Savings Credit element to reward people over 65 for their savings.	State Pension Credit Act
United Kingdom	2007	**Eligibility conditions for state pension loosened and a shift away from targeting-** loosened eligibility conditions for receipt of the Basic State Pension Re-introduced earnings uprating	Pensions Act
United States	1981	**Means testing tightened-** instead of the first $60 of earned or unearned income being excluded, now the first $20 were excluded, and instead of the next $195 of the remainder of quarterly earned income being excluded, now the next $65 was excluded	Public Law 97-35

United States	1993 1996	**Means testing tightened**- placed restrictions on DI and SSI benefits to Drug Addicts and Alcoholics	1993 and 1996 SSA Amendment Acts

Measurement and Calibration of Outcomes and Causal Conditions

Measurement and calibration of the reform outcome

The outcome of interest is the presence of universalising reform. For each country-decade, I calibrate membership in the fuzzy-set '*reform*' according to how much any needs-based or contributory arrangements restrict coverage. To do this I draw on my own database of reforms (see Appendix B), as well as on a range of government reports and secondary sources, and construct a four value fuzzy-set, the coding scheme for which is presented in Table C1 below.

Table A3. Coding scheme for the reform outcome

Fuzzy-set score	*Membership in the set of cases that have experienced significant universalising reform*
1	fully in
0.67	more in than out
0.33	more out than in
0	fully out

Such a method of calibration is 'especially useful in situations where researchers have a substantial amount of information about cases, but the nature of the evidence is not identical across cases' (Ragin, 2009: 90). The calibration of the reform outcome is explained in detail for each country-decade in Box 1 below. The calibrated conditions are then summarized in Table C5.

Box 1: Calibration of the reform outcome 'reform'

Australia-1980 (AUS80), Australia-1990 (AUS90)* and *Australia-2000 (AUS00)

The state pension in Australia consists solely of the means-tested *Age Pension*. Reforms in 1983 and 1985 tightened the means-testing of the Age Pension, decreasing its coverage. *The country-decade of AUS80 therefore lies 'fully out' of the set 'significant universalising reform'.*
There were no reforms that affected the universalism of the Australian state pension in the 1990s. *The country-decade of AUS90 therefore lies 'fully out' of the set 'significant universalising reform'.*
The trend since has been reversed. In 2000 the asset and income taper test rates were reduced from 50% to 40%, and the income and asset test 'free' areas were increased by 2.5%. Though I have not been able to find an impact assessment that directly estimates the impact of this policy on Age Pension coverage, from research estimating the impact of a similar policy change it is possible to infer that around 2% of seniors would be newly eligible for the Age Pension after this change (S. Kelly, 2009: 24). In 2007 the assets test taper rate was halved, and the assets test threshold was raised from \$343,750 to \$529,250. This resulted in an estimated 300,000 extra seniors becoming eligible to receive the Age Pension, or 8% of those who were over 60 at the time of the reform (Australian Bureau of Statistics, 2009: 40; Nielson & Harris, 2010; Organisation for Economic Co-operation and Development, Various Years). Since in Australia two universalising reforms were introduced in the 2000s which together extended coverage significantly, *I consider the country-decade AUS00 to be 'fully in' the set 'significant universalising reform'.*

Canada-1980 (CAN80), Canada-1990 (CAN90)* and *Canada-2000 (CAN00)
The Canadian state pension consists of a) the basic *Old Age Security (OAS)* pension which is based on residence and subject to an income test or 'claw-back' operated through the tax system, b) the *Guaranteed Income Supplement (GIS)* which is a means-tested supplement to the basic *OAS* pension, and c) the *Canada Pension Plan (CPP)* which is an earnings-related supplement to the *OAS.*
In the three decades under consideration Canada implemented two reforms, both of which increased the targeting of the state pension. Canada introduced an affluence test in 1989 to 'claw back' *OAS* benefits from high income pensioners, and a change to the benefit formula of the earnings-related *CPP* scaled back contributory benefits and in this way constituted a shift towards targeting. *The country-decades of CAN80 and CAN90 and CAN00 therefore all lie 'fully out' of the set 'significant universalising reform'*.

Denmark-1980 (DEN80), Denmark-1990 (DEN90)* and *Denmark-2000 (DEN00)
The Danish state pension consists of a) the basic National Pension *(Folkepension),* which is flat-rate and based on citizenship, b) the working-hours related *Arbejdsmarkedets Tillaegspension* or *ATP* and income-related *Særlige Pensionsopsparing* or *Special Pension* (*SP)*, and c) the income-tested *Pension Supplement*[1].
In 1987 Denmark loosened the income test for the *Pension Supplement*. By the time this change was fully implemented, in 1993, the number of pensioners who received the income tested supplement had risen by 15% (the number of pensioners who received the full supplement rose from 48% in 1987 to 69% in 1993, whereas the number who received the reduced supplement decreased from 18% to 12%) (Green-Pedersen, 2000: 75-76). On the basis of this reform, *I consider the country-decade of DEN80 to lie 'fully in' the set 'significant universalising reform'*.
The country shifted towards targeting in 1993 when it passed a reform that reduced the Basic Pension and increased the Pension Supplement by the same amount. This reform had the effect of increasing the relative importance of the Pension Supplement relative to the Basic Pension. Over time, as occupational pension schemes introduced through collective agreements in 1991 mature, fewer people will be entitled to the Pension Supplement. As a result 'for the system in general the change made in 1993 was a step away from universalism' (Green-Pedersen, 2003: 12).

However, in 1996, Denmark passed a reform extending ATP contributions to cover those on sickness, maternity, and unemployment benefits for the first time (Green-Pedersen, 2006: 484-486). This extension of ATP coverage to these individuals was a significant universalising reform. Taking into account the two reforms, and on the basis of qualitative assessments of the Danish case (Green-Pedersen, 2003) *I consider the country-decade DEN90 to lie 'more out than in' the set of cases which have experienced significant universalising reform.*
In 2003, Denmark introduced the 'elderly check', a tightly targeted benefit paid only to pensioners with no income aside from the state pension (Green-Pedersen, 2003, 2006). On the basis of this reform and in the absence of any universalising reforms in this decade, *I consider the country-decade of DEN00 to lie 'fully out' of the set 'significant universalising reform'.*

Ireland-1980 (IRE80), Ireland-1990 (IRE90) **and** ***Ireland-2000 (IRE00)***
The Irish state pension consists of the *State Pension (Contributory),* which is a flat-rate pension based on social insurance (PRSI) contributions, and a means-tested safety net in the form of the *State Pension (Non-Contributory)*.
In 1988, Ireland extended the coverage of the contributory state pension significantly, by introducing compulsory PRSI for the self-employed for the first time. It is on the basis of compulsory PRSI contributions to the Social Insurance Fund that contributors become eligible for the contributory state pension. This extended coverage by 10-12% of the workforce in the three years immediately following the reform. Of these self-employed people who were newly covered, many are expected to build up sufficient contributions to make them eligible for the contributory state pension (IHRC, 2006: 21) *and I therefore consider the country-decade AUS00 to be 'fully in' the set 'significant universalising reform'.*
In 1991 the coverage of the contributory state pension was increased further with the inclusion of part-time workers into the Social Insurance Fund. This was a significant increase. At the time of the reform, part-time workers in Ireland made up around 9% of the total, and a large number of these can be expected to build up enough PRSI contributions to be eligible for the contributory state pension. Moreover, part-time work has since become more common - ten years after the reform, part-time workers in Ireland made up 16% of the total (European Foundation for the Improvement of Living and Working Conditions, 2007: 3). In 1994 the coverage of the contributory state pension was further extended with the introduction of the Homemakers' Scheme. As a result of this reform, up to twenty years spent caring for children or incapacitated adults would now be disregarded when a person's social insurance record was averaged for contributory purposes. The extension of coverage that resulted from this reform was of smaller magnitude to the reforms of 1988 and 1991- a total of 15,034 people registered for the scheme between its introduction in 1994 and 2007. Since other qualifying conditions still apply, many but not all of those registered for the scheme will build up eligibility for a contributory state pension (2007). In 1997, Ireland passed a reform increasing the minimum contributions required for eligibility to the Old Age (Contributory) State Pension. Although this reform was significant and cannot be ignored, the overall trend remains that of an increase in the number of people qualifying for pensions based on their social insurance record rather than through means testing (Cliath, 2007: 58-59). To reflect this *I place the country-decade IRE90 'more in than out' of the set of cases which have experienced significant universalising reform.*
In 2006 Ireland moved towards universalism again when it increased the means test disregard from EUR 7.60 to EUR 20.00 per week. This reform was estimated to 'lift some 34,000 pensioners onto higher or full pensions' (2006). This is equivalent to extending the coverage of the non-contributory state pension by around 5% of the over 60s (own calculation, (Organisation for Economic Co-operation and Development, Various Years)). *I therefore consider the country-decade IRE00 to lie 'more in than out' of the set of cases which have experienced significant universalising reform.*

Netherlands-1980 (NET80), Netherlands-1990 (NET90) **and** ***Netherlands-2000 (NET00)***
The Dutch state pension consists solely of the *Algemene Ouderdomswet (AOW),* which is flat-rate and based on residence. In the Netherlands, there were no reforms that affected the universalism

of the state pension at all in the period under consideration. *The country-decades of NET80 NET90 and NET00 therefore lie 'fully out' of the set 'significant universalising reform'.*

New Zealand-1980 (NZ80), New Zealand-1990 (NZ90)* and *New Zealand-2000 (NZ00)

The state pension in New Zealand is called *New Zealand Superannuation*, and is flat-rate and based on residence. New Zealand moved away from universalism in 1986 when it introduced the Superannuation Surcharge, an affluence test affecting 23% of superannuitants. *The country-decade of NZ80 therefore lies 'fully out' of the set 'significant universalising reform'.*

After a small increase in the affluence test from 20% to 25% in 1990, the Superannuation Surcharge was abolished completely in 1997, leaving a universal flat-rate state pension conditional only on residence. *The country-decade of NZ90 therefore lies 'fully in' of the set 'significant universalising reform'*

Having experienced no reforms that affected the universalism of its pension system in the 2000s, *the country-decade of NZ80 therefore lies 'fully out' of the set 'significant universalising reform'.*

Switzerland-1980 (SWI80), Switzerland-1990 (SWI90)* and *Switzerland-2000 (SWI00)

The Swiss state pension consists of a) the *Alters- und Hinterlassenenversicherung/Assurance Vieillesse et Survivants (AHV/AVS)* which is earnings-related and based on social insurance contributions, and b) an income-tested pension supplement called the *Ergänzungsleistungen/Prestations Complémentaires (EL-PC).*

Switzerland tightened the means test in 1985, lowering complementary benefits for pensioners with their own savings. *The country-decade of SWI80 therefore lies 'fully out' of the set 'significant universalising reform'.*

In the 1990s there were no reforms affecting the universalism of the state pension in Switzerland. On this basis, *I consider the country-decade SWI90 to lie 'fully out' of the set of cases which have experienced significant universalising reform.*

Switzerland shifted towards targeting in 2003 when it introduced cutbacks in pension indexation. *The country-decade of SWI00 therefore lies 'fully out' of the set 'significant universalising reform'.*

United Kingdom-1980 (UK80), United Kingdom-1990 (UK90)* and *United Kingdom-2000 (UK00)

The state pension in the UK consists of a) the *Basic State Pension,* which is flat-rate and based on social insurance contributions, a) the *State Earnings Related Pension (SERPS) or Second State Pension (SSP)* which is earnings-related and subject to an opt-out clause, and c) an income-tested supplement *(Minimum Income Guarantee or Pension Credit)*

The UK shifted away from universalism in the 1980s when it moved from earnings to price indexation of the state pension, and again in the 1990s when it increased the generosity of the Minimum Income Guarantee. *The country-decades UK80 and UK90 therefore lie 'fully out' of the set 'significant universalising reform'*

In 2000s, the UK made three significant reforms increasing the universalism of the state pension. In 2000, it introduced credits for carers and disabled people with broken work records to enable them to build up entitlements to the state pension. Then in 2002, it loosened the means test. The Minimum Income Guarantee which was withdrawn at a rate of 100% as outside income increased, was replaced by the Pension Credit which was to be withdrawn at a rate of 40 % (Emmerson & Disney, 2005: 75). This inevitably increased the number of individuals who are eligible. Moreover, because the Act indexed the Pension Credit to prices while the Basic State Pension remained indexed to earnings (temporarily, but with the aspiration to make this permanent) eligibility to the Pension Credit was expected to increase more over time. Using the IFS tax and benefit model, and detailed information on incomes from the 2002-03 Family Resources Survey, Emmerson and Disney estimated that the number of individuals in families containing an individual aged 65 or over eligible for the Pension Credit would increase in the first instance by around 18.4% (from 27.4% of individuals to 45.8% of individuals) in 2004-5, and subsequently to 71.1% of individuals by 2050-51 (an increase of 43.7%) as a result of the reduction of the withdrawal rate to 40% (Emmerson & Disney, 2004: 33). Estimates published by the DWP using a similar model but assuming that real earnings growth would only average 1½% a year suggested that entitlement will increase by 15%, from 50% in 2002 to 65% in 2050 (DWP, 2002). On either estimate, this reform increased eligibility to state benefits substantially, however it did so by extending eligibility to means-tested benefits whilst eligibility to the basic state pension remained unaltered. It extended coverage of the state pension, but in doing so it increased the role of means tested benefits relative to non means-tested benefits.

In 2007 the UK re-introduced earnings uprating, and loosened the eligibility conditions for receipt of the basic state pension, most notably by reducing the number of qualifying years needed for a full basic State Pension to 30 (from 44 for men and 39 for women). The immediate effect of this reform (as of its implementation in 2010) was to increase the number of women retiring on a full basic State Pension by around 20% - from around 70 % of those reaching State Pension age in 2010 instead of around 50 % without reform (DWP, 2006: 108). In the long run, as the effects of earnings uprating kick in, the combined impact of the reforms to the structure and coverage of the State Pension will be 'a considerable reduction in the number of people whose entitlements will be means-tested in the future' compared to what would have happened in the absence of reform. The DWP estimated that under current policies projected forward, around 70 % of pensioner households will be entitled to some Pension Credit by 2050. As a result of the 2007 reforms, that figure will be reduced to around 30 %, i.e. a 40% decrease (DWP, 2006: 122-123). The Pensions Policy Institute agreed that the state pension reforms introduced in the *Pensions Act 2007* were likely to mean "a large fall in future Pension Credit eligibility" compared to what would have happened in the absence of reform. The Pensions Policy Institute provided an estimated range of possible Pension Credit entitlements in 2050, from 25% to 55%. Under its central scenario, eligibility is projected to fall slightly less, to 40% in 2050 (Pensions Policy Institute, 2007). As a result of the 2007 reform therefore, these individuals are no longer eligible for the Pension Credit, because they are eligible for the basic state pension instead. So, in addition to the immediate effects on pension entitlement, the Pension Act of 2007 increases pension coverage as a social right substantially in the long term compared to what would have happened in the absence of reform, but also (if we remember that in 2004-05 around 45.8% individuals were entitled to the pension credit (Emmerson & Disney, 2004: 33)) compared to what the situation was just prior to the reform. To reflect these reforms, *I therefore place the country-decade UK00 'fully in' the set 'significant universalising reform'.*

United States-1980 (US80), United States-1990 (US90) **and** ***United States-2000 (US00)***

In the United States the state pension consists of a) *Social Security,* which is earnings-related and based on social insurance contributions, and b) the *Supplementary Security Income,* a means-tested supplement.

In the US universalism decreased incrementally throughout the 1980s and 1990s. There were no universalising reforms in the period under consideration. Instead, the means-test was tightened in 1981, and certain categories of people (drug addicts and alcoholics) were excluded from the minimum pension in 1993 and 1996. *I therefore place the country-decades US80, US90 and US00 'fully out' of the set 'significant universalising reform'.*

Membership and calibration of causal conditions

A reliance on targeting (hi_targ)

I expect that the prevalence of means testing may lead to key political actors having an interest in universalizing reform, stemming either from a mismatch between contribution financing and means-testing, or from a mismatch between the prevalence of means-testing and private savings. The first condition that I include in my analysis therefore aims to capture the reform pressures that targeting can generate.

For each country-decade, I calibrate membership in the crisp-set '*hi_targ*' according to how prevalent means testing is. I draw on a range of government reports and secondary sources and collect data on the proportion of elderly either receiving means-tested benefits or affected by an affluence test. However, since reliance on means-testing is a classic characteristic of 'Liberal' welfare regimes which are over-represented in my universe of cases, relying on this data alone is likely to be a poor guide to defining what constitutes prevalent means testing.

I therefore calibrate the condition *hi_targ* using criteria for set membership that are external to this data. In particular, I used OECD data on the 'percentage of over 65s receiving a targeted pension' and took the mean of 15% as the threshold for membership in the set of countries where means-testing is prevalent. Although this data is not available in time-series and refers to 'the most recent year available' in 2011, it suffices to place my cases within the conceptual set of 'cases where means-testing is prevalent'. I create a crisp rather than a fuzzy set, and use the 15% threshold to dichotomize my data on means-tested benefit recipiency. As a robustness check, I also calibrate the data to create a fuzzy set, using the direct method of calibration with 15 as the 0.5 anchor, and the 0 and 1 anchors at 6 and 65 respectively - guided by prominent gaps in the data. Again, the decision to place the UK80 above or below the 0.5 anchor makes no difference to the result, and as expected, the solution term remained the same when using the fuzzy set version of this condition. The data behind of the condition *hi_targ* is set out in detail for each country-decade in Box 2 below. Both the data and the resulting calibration scores are summarized in Table C2.

Box 2: Calibration of the condition *hi-targ*

Australia-1980 (AUS80), Australia-1990 (AUS90)* and *Australia-2000 (AUS00)
The Australian *Age Pension* starts to be reduced once annual income from other sources exceeds a threshold known as the "free area". The amounts for 2008 were AU$132 in the first half and AU$138 in the second half of the year (calculated fortnightly). Almost 44 per cent of all pensioners have their benefits reduced by the means tests and therefore receive a part-rate *Age Pension*. Within this group 82 per cent are income tested and 18 per cent are assets tested. Just over 56 per cent of pensioners receive the maximum *Age Pension* (Organisation for Economic Co-operation and Development, 2011).
According to the *Welfare Entitlements Data Set*, the proportion of those above statutory retirement age in receipt of the state pension in Australia is very high, though it has declined a little over the past three decades from 78 per cent in the 1980s, to 70 per cent in the 1990s, and to 67 percent in the 2000s (Lyle Scruggs, 2004). Combining data on *Age Pension* recipients published by the Australian Department of Parliamentary Services with OECD population data tells a similar story, with the proportion of *Age Pension* recipients declining from 84 per cent of the over 65s in the 1980s to 73 per cent in the 1990s and 2000s (Daniels, 2011). For comparability with my other cases, I use the Australian and OECD data as the basis for my analysis, though this choice makes no difference to the results.

Canada-1980 (CAN80), Canada-1990 (CAN90)* and *Canada-2000 (CAN00)
In Canada the basic *Old Age Security (OAS)* is subject to an income test or 'claw-back'. For income above CA$66,733 a year, the basic pension in 2010 was withdrawn at a 15 per cent rate, and the benefit was phased out completely for incomes over CA$108,000. In the two decades since it was introduced 1989, the claw-back has affected a steady 5 per cent of OAS recipients (Canadian Department of Finance, 2010).
The *Guaranteed Income Supplement (GIS)* is Canada's means tested supplement to the basic OAS pension, and is reduced against all income other than the basic OAS pension at a 50 percent rate (Organisation for Economic Co-operation and Development, 2011). The Office of the Chief Actuary in Canada publishes annually an *Actuarial Report on the Old Age Security System*. These reports publish the number of *GIS* beneficiaries, and, in combination with OECD population data (Organisation for Economic Co-operation and Development, Various Years) it is therefore possible to calculate the proportion of over 65s receiving *GIS* benefits (Office of the Chief Actuary, Various Years). This data shows that the prevalence of *GIS* benefits has declined slightly over the three decades since 1980, averaging 34 per cent of the over 65s in the 1980s, 29 per cent in the 90s, and 26 per cent in the 2000s.

Denmark-1980 (DEN80), Denmark-1990 (DEN90)* and *Denmark-2000 (DEN00)
In Denmark the *Pension Supplement* is withdrawn at a rate of 30 per cent for singles since the loosening of the income test in 1987 (Organisation for Economic Co-operation and Development, 2011). By combining data on *Pension Supplement* recipients from Statistics Denmark, and OECD population data, I calculate that the proportion of over 65s in receipt of means tested pension

benefits in Denmark has risen from 56 per cent in the 1980s, to 73 per cent in the 1990s, to 80 per cent in the 2000s (Statistics Denmark, 2012).

Ireland-1980 (IRE80), Ireland-1990 (IRE90)* and *Ireland-2000 (IRE00)

In Ireland the *State Pension (Non-Contributory)* is the means-tested safety net. There is a small weekly disregard; in 2008 this consisted of thirty Euros disregarded in the means test, and an additional two hundred Euros disregarded in the earnings test. Otherwise, the benefit is withdrawn at 100 per cent of income. There is also an assets test, under which capital sums of more 20,000 Euros are converted to income using a standard formula (Organisation for Economic Co-operation and Development, 2011).

The Irish government publishes an annual Statistical Report on Social Welfare Services (Various Issues: 1998: 24; 2006: 26; 2011: 30) from which it is possible to find the number of recipients of the Old Age (Non-Contributory) pension dating back to 1989. With the help of OECD population data (Organisation for Economic Co-operation and Development, Various Years) I therefore calculate an approximate value for the proportion of over 66s receiving means-tested benefits in Ireland. The data shows that there has been a decline in the recipients of the State Pension (Non-Contributory) over the three decades since 1980, from around 23 per cent of the over 66s in the 80s, to 19 per cent in the 90s and 14 percent in the 2000s. Although the data is not available before 1989, it is safe to say that 23% is a conservative estimate of the proportion of elderly receiving means tested benefits in Ireland in the 1980s, since the prevalence of means testing has steadily declined since the Social Welfare Act of 1988 extended the coverage of the contributory state pension (Houses of the Oireachtas, 2012).

Netherlands-1980 (NET80), Netherlands-1990 (NET90)* and *Netherlands-2000 (NET00)

The Netherlands has no means-tested state pension.

New Zealand-1980 (NZ80), New Zealand-1990 (NZ90)* and *New Zealand-2000 (NZ00)

In 1986 New Zealand introduced an affluence test in the form of the *Superannuation Surcharge*. In the first year of the surcharge about 10 per cent of superannuitants paid the equivalent of their full superannuation back in surcharge payments, and about 13 per cent repaid a partial amount. This makes a total of 23 per cent of superannuitants affected by the surcharge. In 1990, the surcharge rate was increased from 20 to 25 per cent of assessable income and the income exemption was lowered, and this was expected to result in more superannuitants being affected by the surcharge (Preston, 2001). Subsequent changes in the investment decisions of those affected meant that by the time the surcharge was abolished in 1997, it was paid by just 14 per cent of superannuitants. However, what is relevant here is those affected rather than the amount of revenue the government received, and consequently I take 23 per cent to be the best estimate of the proportion of superannuitants affected by this affluence test (New Zealand Ministry of Social Development, 2003: 4; New Zealand Parliamentary Debate, 1997, July 31).

Switzerland-1980 (SWI80), Switzerland-1990 (SWI90)* and *Switzerland-2000 (SWI00)

By combining data from the Swiss Federal Social Insurance Office on the number of recipients of the means-tested *Ergänzungsleistungen - Prestations Complémentaires (EL-PC)* with OECD population data (Office Fédéral des Assurances Sociales - Secteur Statistique, 2011), I calculated that the proportion of over 65s receiving means tested pensions averaged 11 per cent in the 1980s, 12 per cent in the 1990s, and 13 percent in the 2000s.

United Kingdom-1980 (UK80), United Kingdom-1990 (UK90)* and *United Kingdom-2000 (UK00)

In the UK pension system means tested benefits evolved over time, from *Income Support* and the *Minimum Income Guarantee (MIG),* which was withdrawn at a rate of 100 per cent, to the *Pension Credit* which replaced the *MIG* in 2002 was withdrawn at a rate of 40 per cent (Emmerson & Disney, 2005: 75). The Department for Work and Pensions publishes data on the number of people aged 60 and over receiving Income Support, the MIG, or the Pension Credit (Office for

National Statistics, 2009). Unfortunately, data is available only from 1994. By combining the available data with OECD population data, I have calculated that the average proportion of over 65s in the 1990s receiving income tested benefits is 18 per cent, and the average for the 2000s is 25 per cent. Since the role of means testing in the UK pension system is expected to have increased as a result of the decision to index the state pension to prices rather than earnings from 1980, it is safe to assume that the prevalence of means testing was lower in the 1980s than it was in the 1990s. Since how much lower cannot be determined, and the prevalence of means testing in the 1990s lies fairly close to the 0.5 anchor of 15 per cent, I run the QCA twice, once assigning the case UK80 a hi_targ value of 0 and once assigning it a hi_targ value of 1. As expected, due to the effect of other conditions (notably lo_erel) the choice has no effect on the solution term.

United States-1980 (US80), United States-1990 (US90)* and *United States-2000 (US00)
In the US, the means tested *Supplementary Security Income (SSI)* is subject to strict income and assets tests. There is a small (US$20 per month) disregard in calculating the *SSI* entitlement, and the benefit is withdrawn at rate of 100 per cent against income above this level. Although states can supplement the *SSI*, in my analysis I take into account only the federal benefit. By combining data from the *SSI Annual Report* on the number of Federally Administered SSI Applications for the Aged (from SSI Annual Report 2011: 31) with OECD population data, I calculated that on average only 1 per cent of the over 65s applied for the *SSI* in 1980s and 1990s and that this proportion fell to below 1 percent in the 2000s (Office for National Statistics, 2009).

Table A4. Calibration of condition *hi_targ*

Case	*Prevalence of means test (% of over 65s)*	*Prevalence of affluence test (% of over 65s)*	*Total Prevalence of targeting*	*Fuzzy-set score (robustness check)*	*Crisp-set score*
AUS80	84	0	84	0.98	1
AUS90	73	0	73	0.97	1
AUS20	73	0	73	0.97	1
CAN80	49	0	49	0.88	1
CAN90	39	5	44	0.85	1
CAN20	35	5	40	0.82	1
DEN80	56	n/a	56	0.92	1
DEN90	73	n/a	73	0.97	1
DEN20	80	n/a	80	0.98	1
IRE80	30	n/a	30	0.71	1
IRE90	26	n/a	26	0.66	1
IRE20	20	n/a	20	0.57	1
NET80	n/a	n/a	0	0.01	0
NET90	n/a	n/a	0	0.01	0
NET20	n/a	n/a	0	0.01	0
NZ80	n/a	n/a	0	0.01	0
NZ90	n/a	23	23	0.62	1
NZ20	n/a	n/a	0	0.01	0
SWI80	11	n/a	11	0.21	0
SWI90	12	n/a	12	0.27	0
SWI20	13	n/a	13	0.34	0
UK80*	18	n/a	18	0.54	1
UK90	18	n/a	18	0.54	1

UK20	25	n/a	25	0.65	1
US80	1	n/a	1	0.01	0
US90	1	n/a	1	0.01	0
US20	0	n/a	1	0.01	0

*Assumed value due to missing data

The absence of a significant earnings-related state pension (lo_erel)

To capture the existence and significance of the state earnings-related alternative I use OECD data on 'the % contribution of public earnings-related pensions to average pension wealth' to identify those market-heavy pension systems with negligible earnings-related state pensions, and assign to these countries full membership of the set *'cases with no significant earnings-related state pension'*. On this basis Australia, Denmark, Ireland, the Netherlands and New Zealand score full set membership.

For those countries with non-negligible earnings-related state pensions, namely Canada, Switzerland, the UK and the US, I record for each decade the statutory replacement rate that accrues at average earnings from the earnings-related pension (Organisation for Economic Co-operation and Development, 2011, Office for National Statistics, 2011). The replacement rate data ranges from 10% in the UK in the 2000s to 32% in the US, and is presented in Table C4, the summary table at the end of this section. I use this data to construct a four-value fuzzy set as shown in Table C3 below.

Table A5. Coding scheme for *lo_erel*

Replacement rate	*Fuzzy-set score*	*Membership of the set 'cases with no significant earnings-related state pension'*
x = 0	1	Fully in
0 < x > 20	0.67	More in than out
20 ≤ x > 25	0.33	More out than in
x ≥ 25	0	Fully out

I assign full non-membership of the set 'cases with no significant earnings-related state pension' if the replacement rate is more than or equal to 25%, as this was the replacement rate offered by the archetypical State Earnings Related Pension (SERPS) of the UK in the 1980s. On this basis, Canada, the US, and the UK in the 1980s score zero. The Social Security Act of 1986 reduced the SERPS accrual rate from 25 to 20%. To capture this reduction in the statutory replacement rate, I deem the UK in the 1990s to fall short of full non-membership, but to remain 'more out than in' the set of cases with no significant earnings-related pension. By this logic, I assign to it a fuzzy-set score of 0.33. Finally, I deem Switzerland and the UK in the 2000s to be 'more in than out' of the set of cases with no significant earnings-related pension and assign to them a fuzzy-set score of 0.67 on the grounds that they have an earnings-related pension, but the replacement rate that accrues at average earnings is below 20%.

Low national savings (lo_natsav)

I collect annual data from the World Bank on net national savings, as a % of Gross National Income (GNI) and average it over country-decades. In order to identify the point of maximum ambiguity for the set of 'cases that have low net national savings', I identify the most prominent gap in the net national savings data, which lies between and 5.99 and 7.91 % of GNI. I use this prominent gap to place the point of maximum ambiguity at 6.95 % of GNI. The idea that this gap is a suitable anchor for the point of maximum ambiguity about membership in the set 'cases that have low net national savings' is reinforced by data I have collected from the OECD on the current account balance - with only two exceptions, all those country-decades with a current account surplus have net national savings equal to or above 7.91% of GNI, and all those countries with a current account deficit have net national savings below 5.99% of GNI. I locate the anchors for full membership and full non-membership of the set according to the next most prominent gaps in the net national savings data. The threshold for full non-membership is at the point where net national savings as a percentage of GNI = 14.43993 and the threshold for full membership is at 2.267804 % of GNI.

Non-left party control of government (non_left)

To capture the expectation that in a time of austerity it may be difficult for left-of-centre governments to pass costly universalizing reform, I include an indicator of partisanship using data from the Comparative Political Data Set (CPDS) on percentage of total cabinet posts held by non-left parties (Armingeon et al., 2011). According the CPDS, left parties are those classed as 'Social Democratic' or 'left of Social Democratic', and non-left parties consist of Liberal and Conservative parties, as well as centre-right parties that favour a 'moderate social amelioration in a location to the left of Conservative or Conservative neo-liberal parties', in particular Christian Democratic or Catholic parties (CPDS codebook: 25).

Because my cases represent country-decades, a single case may contain more than one government and therefore a change in the partisanship indicator. I deal with this as follows: where there has been a reform, I use the % of total cabinet posts held by non-left parties in the year when the reform was passed (if in a particular decade there was more than one universalizing reform, I take the average over any years when universalizing reforms were passed). In decades where there was no universalizing reform, I take the approach of averaging the % of total cabinet posts held by non-left parties over the decade. Following the logic behind the CPDS indicator, I calibrate membership in the fuzzy set 'non-left parties are dominant' by setting 66.6% as the anchor for full set membership, 33.3% as the anchor for full non membership, and 49.95% (the midpoint between 33.3 and 66.6) as the point of maximum ambiguity regarding set membership.

General taxation finance (broad_fin)

I include an indicator of the financing arrangements of the state pension, intended to capture the idea that where a contributory pension system leaves many people uncovered and reliant on means-tested benefits, those who pay for both their own pension through social insurance contributions as well as the means tested benefits of others through general taxation have an interest in reforms to broaden the coverage of the contributory system, because in so doing they may broaden the tax base and spread their burden. This logic is captured using a simple binary indicator of whether or not the state pension is financed by general taxation.

Table A6. Summary table of underlying data

Case	Proportion of elderly receiving means-tested benefits or affected by an affluence test	Replacement rate accruing from the earnings-related state pension, at average earnings	Net national savings as a percentage of Gross National Income	Percentage of total cabinet seats held by non-left parties
AUS80	84	0	6	0
AUS90	73	0	4	38
AUS20	73	0	6	97
CAN80	49	25	9	100
CAN90	44	25	5	100
CAN20	40	25	9	100
DEN80	56	0	5	100
DEN90	73	0	6	25
DEN20	80	0	8	85
IRE80	30	0	10	100
IRE90	26	0	16	81
IRE20	20	0	14	100
NET80	0	0	10	96
NET90	0	0	11	79
NET20	0	0	11	79
NZ80	0	0	4	46
NZ90	23	0	2	100
NZ20	0	0	4	11
SWI80	11	16	15	71
SWI90	12	16	13	71
SWI20	13	16	13	71
UK80	18	25	4	100
UK90	18	20	3	73
UK20	25	10	4	0
US80	1	32	6	100
US90	1	32	5	100
US20	1	32	2	100

Table A7. Summary table of all crisp and fuzzy set scores

Case	*reform*	*hi_targ*	*lo_erel*	*lo_natsav*	*non_left*	*broad_fin*
AUS80	0	1	1	0.67	0	1
AUS90	0	1	1	0.89	0.1	1
AUS20	1	1	1	0.66	1	1
CAN80	0	1	0	0.33	1	1
CAN90	0	1	0	0.82	1	1
CAN20	0	1	0	0.27	1	1
DEN80	1	1	1	0.82	1	1
DEN90	0.33	1	1	0.65	0.01	1
DEN20	0	1	1	0.4	1	1
IRE80	1	1	1	0.24	1	0
IRE90	0.67	1	1	0.02	1	0
IRE20	0.67	1	1	0.05	1	0
NET80	0	0	1	0.22	1	0
NET90	0	0	1	0.18	0.99	0
NET20	0	0	1	0.15	0.99	0
NZ80	0	0	1	0.86	0.33	1
NZ90	1	1	1	0.96	1	1
NZ20	0	0	1	0.9	0	1
SWI80	0	0	0.67	0.04	0.98	0
SWI90	0	0	0.67	0.09	0.98	0
SWI20	0	0	0.67	0.08	0.98	0
UK80	0	1	0	0.89	1	0
UK90	0	1	0.33	0.91	0.98	0
UK20	1	1	0.67	0.9	0	0
US80	0	0	0	0.7	1	0
US90	0	0	0	0.75	1	0
US20	0	0	0	0.95	1	0

Solution Tables

A8. Analysis of sufficient conditions for the outcome 'significant universalising reform', conservative solution

Solution	***hi_targ* lo_erel* lo_natsav* broad_fin* non_left***	+	***hi_targ* lo_erel* ~lo_natsav* ~broad_fin* non_left***	+	***hi_targ* lo_erel* lo_natsav* ~broad_fin* ~ non_left***	→	*refor m*
Single country coverage	*DEN80, NZ90, AUS00*		*IRE80, IRE90,IRE00*		*UK00*		
Consisten cy	0.830508		0.755396		0.971014		
Raw Coverage	0.367316		0.314843		0.100450		
Unique Coverage	0.367316		0.314843		0.100450		
	Solution consistency: 0.815625; Solution coverage: 0.782609						

Model: reform = f(hi_targ, lo_erel, lo_natsav, broad_fin, non_left). Conservative solution.
Frequency cutoff: 1.000000
Consistency cutoff: 0.755396
Cases in bold are uniquely covered by the relevant solution term

A9. Analysis of sufficient conditions for the outcome 'significant universalising reform', parsimonious solution

Solution	***lo_erel* lo_natsav* non_left***	+	***hi_targ* lo_erel* ~broad_fin***	→	*reform*
Single country coverage	*DEN80, NZ90, AUS00*		*IRE80, IRE90,IRE00, UK00*		
Consistency	0.589744		0.752500		
Raw Coverage	0.413793		0.451274		
Unique Coverage	0.367316		0.404798		
	Solution consistency: 0.679105; Solution coverage: 0.818591				

Model: reform = f(hi_targ, lo_erel, lo_natsav, broad_fin, non_left). Parsimonious solution.
Frequency cutoff: 1.000000
Consistency cutoff: 0.755396
Cases in bold are uniquely covered by the relevant solution term

A10. Analysis of sufficient conditions for the outcome 'no significant universalizing reform', intermediate solution

Solution	***~lo_erel***	**+**	***~ non_left***	**+**	*~hi_targ* ~lo_natsav*	*→~reform*
Single country coverage	*US80 US90 US00 UK80 UK90 CAN80 CAN90 CAN00*		*AUS80 AUS90 NZ80 NZ00 DEN90 UK00*		*NET80 NET90 NET00 SWI80 SWI90 SWI20*	
Consistency	0.963293		0.766784		*1.000000*	
Raw Coverage	0.425971		0.213478		*0.299065*	
Unique Coverage	0.346778		0.196754		*0.208067*	
Solution consistency: 0.928533; Solution coverage: 0.843581						

Model: ~reform = f(hi_targ, lo_erel, lo_natsav, non_left). Intermediate solution.
Frequency cut-off: 1.000000, Consistency cut-off: 0.768965.
Cases in bold are uniquely covered by the relevant solution term.
Assumptions: ~non_left (absent); ~lo_natsav (absent); ~lo_erel (absent)

Truth Tables

A11. Truth Table for 'reform' using country-decade cases

hi_targ2	lo_erel	lo_natsav	hi_right	broad_fin	number	reform	raw consist.	PRI consist.	SYM consist
1	1	1	0	0	1	1	0.971014	0.971014	1
1	1	1	1	1	3	1	0.830508	0.829932	0.995935
1	1	0	1	0	3	1	0.755396	0.679245	0.76087
1	1	0	1	1	1	0	0.448819	0.444444	0.982759
1	1	1	0	1	3	0	0.149321	0	0.5
0	1	1	0	1	2	0	0	0	
1	0	0	1	1	2	0	0	0	
1	0	1	1	0	2	0	0	0	
1	0	1	1	1	1	0	0	0	
0	0	1	1	0	3	0	0	0	
0	1	0	1	0	6	0	0	0	

A12. Truth Table for '~reform' using country-decade cases

hi_targ2	lo_erel	lo_natsav	hi_right	number	~reform	raw consist.	PRI consist.	SYM consist
0	1	0	1	6	1	1	1	1
0	1	1	0	2	1	1	1	1
1	0	1	1	3	1	1	1	1
0	0	1	1	3	1	1	1	1
1	0	0	1	2	1	1	1	1
1	1	1	0	4	1	0.768965	0.7393	0.871094
1	1	0	1	4	0	0.360494	0.233728	0.685446
1	1	1	1	3	0	0.253482	0.236467	0.919192

A13. Truth Table for '~reform' using county-five-year cases

hi_targ	lo_erel	lo_natsav1	hi_right1	number	~reform	raw consist.	PRI consist.	SYM consist
0	1	0	1	12	1	1	1	1
0	1	1	0	2	1	1	1	1
0	0	0	1	2	1	1	1	1
1	0	0	1	4	1	1	1	1
1	0	1	1	5	1	1	1	1
0	0	1	1	4	1	1	1	1
0	1	1	1	1	1	1	1	1
1	1	1	0	7	1	0.760714	0.74573	0.928105
1	1	1	1	6	0	0.664678	0.645202	0.923715
1	1	0	1	10	0	0.643973	0.620238	0.911532
1	0	1	0	1	0	0.488372	0.488372	1

Analysis of sufficient conditions with country-five-years as cases

I recoded the data into country-five-year cases, and conduct the QCA again. In the five-year analysis, the causal conditions are insufficient to explain the majority of cases of reform. Most cases of reform remain uncovered by the solution formula, reflecting the fact that sometimes the presence of all the causal conditions was not in itself sufficient to bring about reform within a five year period.

The analysis of the non-reform case using country-five-years as cases has greater explanatory power, and reinforces the country-decade analyses. The table below presents the results. Again, three 'paths' to non-reform emerge. The first path, with a consistency score of 1.000000, uniquely covers the UK from 1980 to 1995, and Canada from 1980 to 2009. It reinforces the idea that the presence of a significant earnings-related pension is sufficient to explain the absence of universalizing reforms in these cases - even in the presence of a non-left government.

The second path reinforces the idea that the presence of a left party in government is sufficient to explain why there were no universalizing reforms - despite the absence of a significant earnings related pension - in Australia between 1985 and 1994, in New Zealand between 1985 and 1990, and in Denmark between 1980 and 1984 and between 1995 and 2000. Again, the high consistency score of 0.817783 masks the seemingly deviant case of the UK in the 2000s.

The solution formula reinforces the causal importance of targeting for bringing about universalizing reform. In addition to uniquely explaining the absence of reform in Switzerland and the Netherlands, the third 'path' shows that 'the non-prevalence of targeting' – or rather the high coverage of non-means tested pensions of which this is the flip-side – is also sufficient to explain the complete absence of universalizing reform in the US, and the absence of reform in New Zealand between 1980 and 1984 and between 2000 and 2009.

Overall, the five-year analysis suggests that the causal conditions identified under country-decade cases are robust, but that more information is needed if we are to understand why sometimes the presence of all the causal conditions was not sufficient to bring about reform within the five year period. Ultimately, the choice of country-decades as cases strikes an appropriate balance between parsimony, and explaining the myriad reasons why reforms do not occur the moment the relevant sufficient conditions are in place.

A14. 'Five-year' analysis of sufficient conditions for the outcome 'no significant universalising reform', intermediate solution

Solution	***non_left* ~lo_erel***	+	***~ non_left* lo_erel***	+	*~hi_targ*	→	*~reform*
Single country coverage	*UK80, UK85, UK90, CAN80, CAN85, CAN90, CAN95, CAN00, CAN05, US80, US85, US90, US95, US00, US05*		*AUS85, AUS90, NZ85, NZ00, NZ05, DEN80, DEN95, UK20, UK25*		*NET85, NET90, NET95, NET00, NET05, SWI80, SWI85, SWI90, SWI95, SWI00, SWI05, NZ80, NZ00, NZ05, US80, US85, US90, US95, US00, US05*		
Consistency	1.000000		0.817783		*1.000000*		
Raw Coverage	0.375469		0.164350		*0.463269*		
Unique Coverage	0.192146		0.098390		*0.231193*		
	Solution consistency: 0.954093; Solution coverage: 0.761085						

Model: ~reform = f(hi_targ, lo_erel, lo_natsav, non_left). Intermediate solution. Country-five-years as cases.
Frequency cutoff: 1.000000. Consistency cutoff: 0.760714. ***Cases in bold are uniquely covered by the relevant solution term.***
Assumptions: ~non_left (absent) ~lo_natsav (absent) ~lo_erel (absent) ~hi_targ (absent)

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LEQS
European Institute
London School of Economics
Houghton Street
WC2A 2AE London
Email: euroinst.LEQS@lse.ac.uk

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