

How does labor market policy affect voting behavior during crisis? Evidence from Germany

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Abstract

This paper examines how labor market policy interventions, notably short-time work (STW), affect voting behavior. We use the 2009 German general elections as an example because the grand coalition of Christian democrats (CDU/CSU) and social democrats (SPD) used STW extensively to avoid the recession of 2009, translating into rising unemployment. Interestingly, there is an important regional variance in STW. We use this variance in STW and unemployment to create a unique dataset that combines regional information on 299 German electoral districts with individual survey data. Our results show that both governing parties, but especially the social democrats, profited from high STW rates on election day, but this policy was insufficient to preclude the major losses social democrats suffered during the election. More generally, we show that labor market policy interventions, in this case STW policy, generate electoral support for incumbents.

Keywords: Short-time work, Left parties, Incumbent, Crisis

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1) Introduction

In 2009, the financial crisis of 2007 turned into an economic recession in many countries around the globe. As unemployment rates increased, governments were looking for policies to absorb the negative consequences of the crisis. The foremost goal of these policies was to alleviate the impact of the economic downturn, for example by preventing unemployment. Contemporaneously, governments wanted to signal to voters that they were active and intended to counteract the recession because doing nothing would be political suicide, especially if elections were close.

A large body of political science literature has focused on the link between the economy and on how downturns affect voting behavior (Downs, 1957; Key, 1966; Tufte, 1978; Fiorina, 1981; MacKuen et al., 1992; Duch and Stevenson, 2008; Lewis-Beck et al., 2013a). Another strand of research is interested in how specific policy interventions affect electoral behavior. Although it is a highly relevant question for political science, the effect of policy interventions on voter behavior in *times of recession* is under-researched, not least because of practical questions of data availability at the subnational level.

In this contribution, we analyze the electoral consequences of one specific labor market policy intervention and ask whether, in times of crisis, voters reward or punish incumbents for such expansive measures. Thereby, we contribute to the unresolved scholarly debate about whether in times of crisis voters prefer expansive (Bechtel and Hainmueller, 2011; Huebscher and Sattler, 2017; Talving, 2017) or fiscally conservative policy measures (Pelzman, 1992; Bernder and Drazen, 2008; Giger and Nelson, 2011). Especially, we focus on the electoral reward that compensatory labor market policies can generate for the governing parties. More precisely, we ask whether incumbents are rewarded for short-time work (STW). Moreover, we are interested in disentangling the partisan effects linked to the policy implementation. Do left parties in government benefit from labor market policy intervention or is reward (punishment) independent of the political *couleur* of the government?

Empirically, we focus on the German elections that took place in late September 2009. In the 12 months prior to the election, one of the worst economic crises of the post-World War II period hit Germany: GDP declined sharply and unemployment increased steeply in some regions of the country. The national coalition government responded with various macro-economic policies, amongst them an extensive expansion of STW programs to avoid a further increase of unemployment (Sacchi et al., 2011). The regional variations in both unemployment and STW rates across Germany and its 299 constituencies were substantial. Accordingly, voters in some constituencies were confronted with high STW and/or unemployment levels, whereas those in other regions were not. At the time of the intervention, the main left and right parties (CDU/CSU and SPD) governed together in a Grand Coalition. Thus, both parties were exposed to public scrutiny and could be expected to be either rewarded or punished for the implementation of these measures by voters (Talving 2017).

We exploited this context and created an original multilevel dataset that analyzes the effect of STW intervention on electoral behavior, controlling for pre-crisis unemployment rates in the 299 German electoral districts. That information was combined with survey data from the German Longitudinal Election Study (GLES) to pursue an in-depth analysis of voting behavior at the micro and macro levels (proportional vote) using multilevel modelling and seemingly unrelated regressions, respectively.

In a first step, our findings show that both governing parties do indeed profit electorally in districts with higher STW rates. However, upon closer inspection, we find this effect to be driven by voters rewarding the SPD as hypothesized by partisan logic, according to which left parties are perceived to be more competent in labor market policy matters. Thus, our results confirm previous research and show that left parties in dualizing countries focus on and benefit electorally from policies that protect foremost labor market insiders (Rueda, 2006; Emmenegger et al. 2012; Fossati, 2017). Some effort was made to extend coverage to some groups of atypical workers to prevent increasing unemployment. Nevertheless, as the election ended with a clear victory of the conservative CDU/CSU and major losses for the social democrats, we conclude that electoral benefits from labor market policy interventions

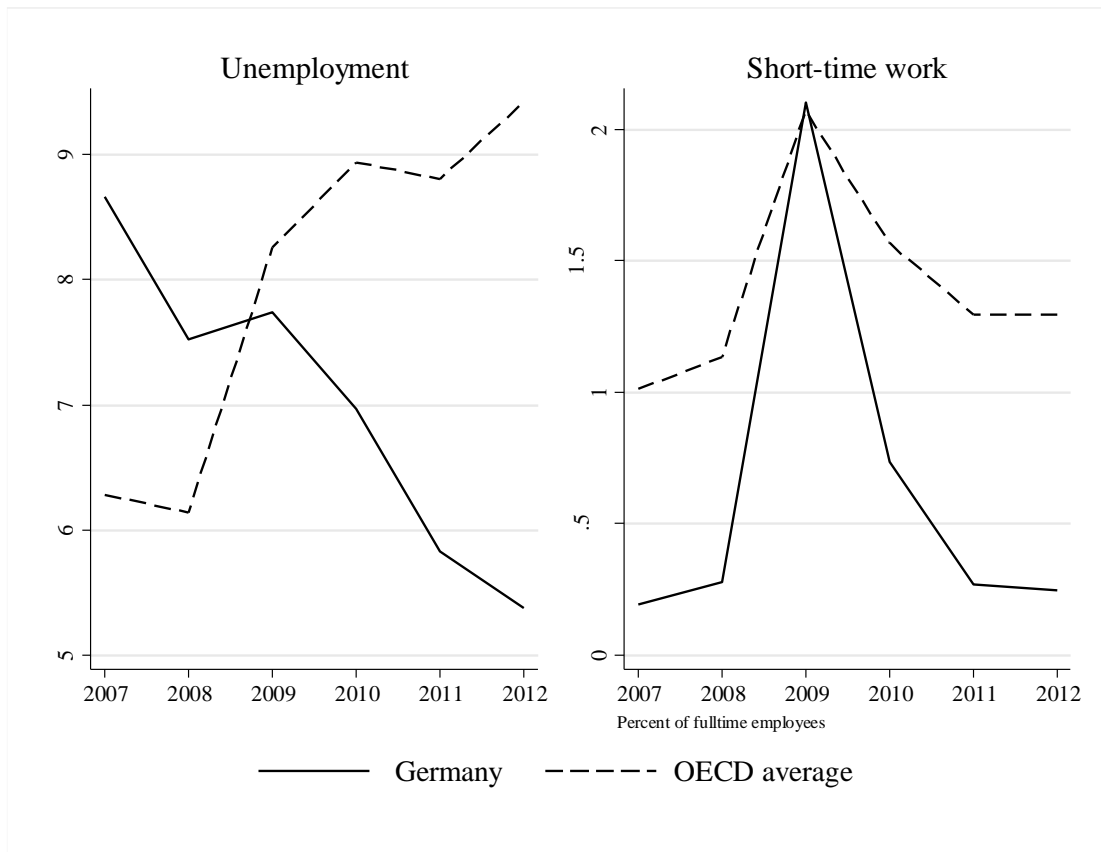
were insufficient to halt the electoral decline of the SPD that is driven by the alienation of the party's traditional constituency and the failure to gather enough new support among labor market outsiders. Therefore, our results further underline that the labor market liberalization in the early 2000s had negative electoral consequences for the SPD (Schwander and Manow, 2016), particularly since voters in precarious labor conditions tend to punish government for economic slumps (Marx, 2016). In sum, STW policy proved insufficient for the SPD to halt its declining support in the electorate as it could not address the problems of a growing low wage sector.

2) Short-time work policy during the economic crisis

During the financial and economic crisis of 2007-2009, policymakers undertook actions to counteract its negative impacts on national economies. For instance, policymakers passed measures to save banks and other financial institutions from collapse and implemented stimulus policies to re-start the economy (Braun and Trein, 2014; Trein and Braun, 2016). Governments in Germany and other Bismarckian-type welfare states such as Austria and Italy also introduced extensive employment promotion programs that prevented the economic downturn from being reflected in labor market statistics. One particularly efficient measure is STW, which consists of payments to companies that allow them to compensate workers for reduced working hours instead of laying them off during a macro-economic demand crisis. Consequently, especially in Germany, unemployment rates remained rather stable throughout the demand crisis (2007-2009), whereas STW increased considerably and reached the OECD-27 average in 2009, which was a year when most European countries had to address a recession (Figure 1).¹

¹ Japan had the highest STW rates according to the OECD definition during the recent crisis period. The presented figures include very different types of STW regimes that vary across countries.

Figure 1: Short-time work and unemployment changes, Germany and OECD average



In Germany, STW is an income replacement scheme paid for by the national unemployment insurance to compensate for working-time reduction. Employees have a claim to STW if there is a loss of earnings due to unforeseen circumstances such as economic crises or natural catastrophes and if the crisis affects at least one-third of the employees in a company.² Legally, STW is a situation in which the employer carries the responsibility for halting production, and the work council must agree to introduce STW.³ In severe economic downturns, STW can be extended. During the 2007-2009 economic crisis, the German government included temporary agency workers in the STW scheme, increased the length of STW from 18 up to 24 months; the government loosened access rules for firms, halved social security contributions for firms or paid for them entirely and extended its scope to include specific groups of atypical workers (Sacchi et al., 2011, 27). These decisions were made by the Ministry of Employment under the leadership

² Code of Social Law III (Sozialgesetzbuch (SGB) Drittes Buch (III)), articles 95-96.

³ German Civil Code (Bürgerliches Gesetzbuch), article 615. Works Constitution Act (Betriebsverfassungsgesetz), article 87.

of the SPD⁴ to prevent increasing unemployment rates.⁵ This policy intervention generated a high level of attention in the news media⁶ as well among experts.⁷ As the strategy worked well and allowed the adverse impact of the crisis in the German context to be substantially decreased, it is plausible that either both governing parties or the SPD in particular, due to their direct involvement in decisions about STW, could have profited electorally from the STW intervention. However, the STW take-up varies regionally (Figure 2).

This policy context is an interesting example for political science research. Given that elections to the German national parliament occurred in September 2009, only nine months after STW rates began to increase sharply (Sacchi et al., 2011, 31), STW likely had a non-trivial electoral impact.

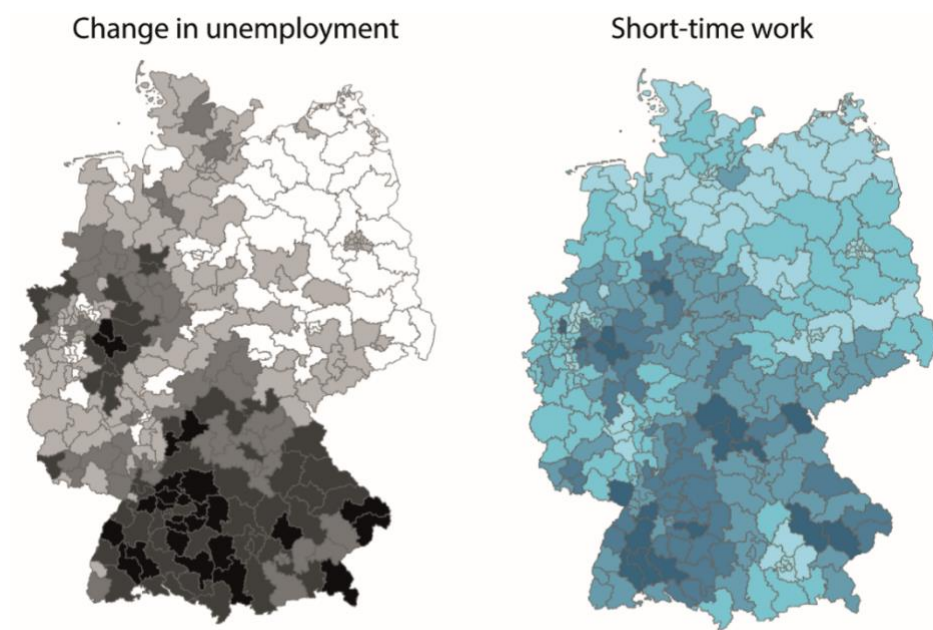
⁴ Spiegel Online, May 20, 2009: <http://www.spiegel.de/politik/deutschland/kampf-gegen-die-krise-bundesregierung-verlaengert-kurzarbeitergeld-a-625925.html>, accessed March, 2017.

⁵ Die Zeit Online, June 16, 2010: <http://www.zeit.de/wirtschaft/2010-06/kurzarbeit-reportage>, accessed March, 2017.

⁶ Spiegel Online, May 20, 2009: <http://www.spiegel.de/politik/deutschland/kampf-gegen-die-krise-bundesregierung-verlaengert-kurzarbeitergeld-a-625925.html>, accessed March, 2017. Die Zeit Online, June 16, 2010: <http://www.zeit.de/wirtschaft/2010-06/kurzarbeit-reportage>, accessed March, 2017. Handelsblatt, January 7, 2009 <http://www.handelsblatt.com/politik/deutschland/kurzarbeit-puffer-gegen-die-krise/3083748.html>, accessed March, 2017. Frankfurter Allgemeine Zeitung, April 15, 2009, <http://www.faz.net/aktuell/wirtschaft/unternehmen/stellenabbau-kurzarbeit-als-bruecke-aus-der-krise-1790336.html>, accessed March 2017. Bild Zeitung, Februar 21, 2009 <https://www.bild.de/geld/wirtschaft/massen-entlassungen-arbeitslosigkeit-7456560.bild.html>, accessed March 2017.

⁷IAB (2009): IAB-Kurzbericht: *Verschnaufpause dank Kurzarbeit*, online at <http://doku.iab.de/kurzber/2009/kb1409.pdf>, accessed March 2017.

Figure 2: Short-time work and unemployment changes in Germany



Legend: Darker shades indicate higher increases in unemployment levels between September 2008 and September 2009 and higher levels of short-time work in July 2009.

In the 2009 elections, the SPD lost 11% of the votes compared to the 2005 elections⁸, whereas the CDU suffered only a minor reduction in their vote share. The research on electoral behavior in the 2009 elections agrees that the economy was a very salient issue (Beckmann et al., 2011; Goerres and Walter, 2016; Trein et al. 2017); however, researchers have disputed how exactly the economy and especially policy interventions affected voting. Talving (2017) argues that in turbulent times, citizens follow government economic decisions with increased attention and that they use that information to judge the politicians. Thus, it is plausible that STW interventions affected electoral behavior in a substantial way in 2009.

⁸ Refer to Figure S1 in the supplementary material for the distribution of electoral gains and losses in the 299 districts for each party (left graph) and for the government parties and the average for the opposition parties (right graph).

Theory and hypotheses

In this article, we transfer some of the insights from the economic voting literature to the work on the electoral impact of policy instruments. According to the former, voters reward incumbents for positive economic developments and punish them for negative ones (Downs, 1957; Key, 1966; Tufte, 1978; Fiorina, 1981; MacKuen et al., 1992; Duch and Stevenson, 2008; Lewis-Beck et al., 2013a), either by accounting for the past or future economic development (MacKuen et al., 1992, 606-7; Erikson et al., 2000). This effect should be particularly pronounced if the responsibility for economic policies is clear, in other words, if it is easy for voters to determine who is responsible for economic downturns (Powell and Whitten, 1993; Anderson and Hecht, 2012).

We adopt a “policy voting” rather than economic voting perspective. In times of economic crisis, governments cannot remain passive and hope that the other party will take the blame for non-action, as governments are aware of the scrutiny by the public and try to implement measures to address public concerns and ensure their re-election. In their policy choices, governments can either focus on fiscally conservative (Pelzman, 1992; Bernder and Drazen, 2008; Giger and Nelson, 2011) or expansive interventions such as STW in times of crisis (Bechtel and Hainmueller, 2011; Huebscher and Sattler, 2017; Talving, 2017). In the following, we focus on expansive policies and explain *how* STW policies affect the electoral reward for political parties.

3.1) Reward and punishment in the context of an expansive labor market crisis policy

A large body of literature has argued that politicians are aware of and react to popular demands for welfare state provisions (Soroka and Wlezien, 2005; Brooks and Manza, 2006). Blekesaune and Quadagno (2003) showed that public support for the welfare state is particularly high - not only among individuals who expect to benefit from such policies (ego-tropic reasoning) but especially in the *context* of high unemployment (Fraile and Ferrer, 2005).

Following this logic, it can be hypothesized that incumbent parties profit electorally when implementing expansive labor market policies whenever they are faced with a crisis and punished otherwise (Soroka and Wlezien, 2010; Bechtel and Hainmueller, 2011; Huebscher and Sattler, 2017). Put differently, a crisis context increases the demand for social protection, and the government has an incentive to expand welfare interventions to counteract its negative effects. Thus, when faced with high levels of unemployment, incumbents have an incentive to implement measures to address this problem and impede electoral punishment. Conversely, when incumbents fail to implement policies to address the adverse outcomes of the crisis, voters should punish them.

In the German case, STW was a very promising way of swiftly and efficiently addressing the adverse impacts of the downturn. STW is firmly anchored in the policy repertoire of continental welfare states (Sacchi et al., 2011), and thus the necessary institutional mechanisms to quickly expand it are in place, which is exactly what the German government did; faced with a crisis, they swiftly expanded the length, targeting and scope of this measure to buffer the economic downturn and prevent electoral backlash. Therefore, if the predictions of the reward and punishment model are correct, and given a high level of salience of labor market issues in the German 2009 elections (see Armingeon et al. 2016), we hypothesize the following.

H1a) *Voters in constituencies with higher levels of STW should ceteris paribus be more likely to reward the incumbents than in districts with lower STW take-up.*

However, an alternative prediction can be made if we follow the literature suggesting that voters prefer fiscally conservative over expansive policies during times of crisis (Durr, 1993; Sihvo and Uusitalo, 1995; Stevenson, 2001). In a context of general austerity and against the backdrop of the International Monetary Fund interventions in many European countries, voters are likely to be sensitive to the necessity of pursuing financial consolidation and avoiding a public debt explosion. Voters will thus also engage in prospective and socio-tropic reasoning (MacKuen et al., 1992, 606-7; Erikson et al., 2000) and disapprove of government if they decide to expand STW, particularly in times of economic slumps. This

reasoning corresponds to the more general observation made by Giger and Nelson (2010) that governments, particularly right-oriented parties, may actually win votes when retrenching the welfare state. In line with theories emphasizing prospective reasoning, we hypothesize the following.

H1b) Voters in constituencies with higher levels of short-time work should ceteris paribus be more likely to punish incumbents than in districts with lower STW take-up.

Nevertheless, even if a relationship can be identified at the macro-level, it is important to assess its micro-foundations, since the link between the actual economic situation and the voting decision may not always be direct. From a micro-level perspective, voters need to perform at least two cognitive links, mediating the connection between the economy and the vote (cf. Coleman, 1986). First, voters need to evaluate the effect of the economic context on their personal situation or the national economic situation (i.e., ego- or socio-tropic reasoning) (Duch and Stevenson, 2008). Second, voters need to evaluate the government's performance and decide whether to hold it responsible for their (the) economic situation. Therefore, they need to identify an incumbent party that is responsible for the negative economic situation or policies they do not approve of (Fournier et al., 2003; Hobolt et al., 2013).

3.2) Partisan differences regarding labor market policies in the context of crisis

An alternative approach accounts for partisan differences regarding policy interventions. In fact, voters consider some parties to be particularly competent and responsible concerning certain policies and use them strategically to attract specific groups of voters (Petrocik, 1996; Bélanger and Meguid, 2008). Hence, voters support a party because of its policy propositions (Lewis-Beck and Nadeau, 2011; Lewis-Beck et al., 2013b) or because they infer from past experiences (or beliefs) that a party is particularly competent in handling a specific policy challenge (Tilley and Hobolt, 2011). According to the literature on party choice and policy preferences, two competing arguments are plausible regarding the link between voters' party and policy preferences.

The first argument proposes that left parties tend to represent workers – or working-class issues – and are therefore most intent on passing protective labor market policies because employment and social policies constitute their core competencies. If voters perceive that unemployment is going to be an important problem for the new cabinet, they support left parties in government during an economic downturn because they expect them to resolve unemployment issues (Lewis-Beck and Bellucci, 1982; Broz, 2010; Wright, 2012). This characterization applies to insiders, especially in countries such as Germany with a strong labor market dualization (Rueda, 2006; Fossati and Häusermann, 2014; Fossati, 2017). Instead, reforms that reduced unemployment by liberalizing the labor market and reducing benefits resulted in declining support for left parties (Schwander and Manow, 2016). Therefore, we hypothesize the following.

H2a) *Left parties in government should be rewarded for expanding STW schemes in contexts of crisis.*

The second argument suggests that conservative parties cater to their electorates showing competence regarding the stability of prices and financial markets (Hibbs, 1977; Schmidt, 1982), which implies the following as an alternative hypothesis.

H2b) *Right parties in government should be punished for expanding STW in crises.*

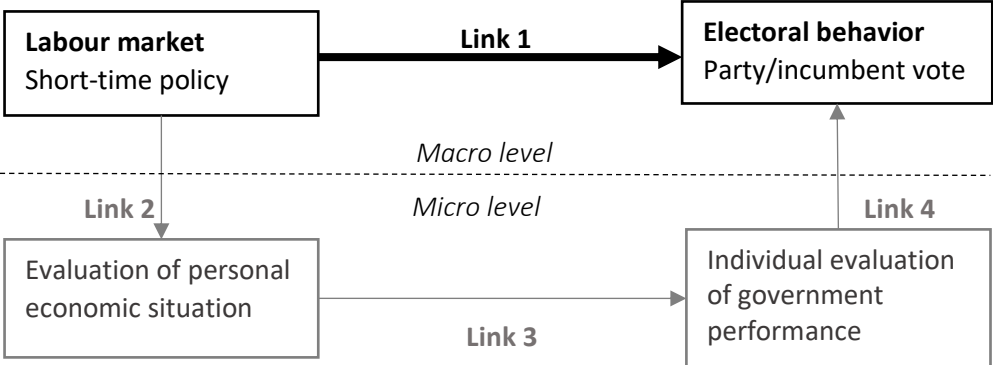
Rather than expecting both parties in the coalition to be rewarded/punished in the same way on election day, regarding STW, we expect them to be evaluated depending on their core competencies. As discussed previously, the partisan effect of economy is likely to be mediated at the individual level by voters' assessments of their personal economic situations and their evaluations of the government's performance.

3.4) Empirical implications for the macro and micro levels

Before turning to the empirical analysis, we briefly present the implications of our hypotheses for the macro and micro levels of analysis. At the *macro*-level, as illustrated in Figure 3 (Link 1), our hypotheses

imply that we will find better (or worse) results for both governing parties at the level of electoral districts in case of higher STW. To the contrary, the opposition parties (Greens, FDP, and *Linke*) should lose (win) at the district level depending on whether the expectations of the reward-for-intervention (reward-for-fiscal-consolidation) reasoning applies. According to our alternative hypotheses, we expect that only the SPD should be rewarded electorally for high STW because voters regard it as being most competent regarding labor market policies. Conversely, the CDU is punished electorally because its competencies prioritize monetary and financial policies.

Figure 3: Theoretical model



At the *micro*-level (Coleman, 1986; Walter, 2010), we connect STW intervention to voters’ personal economic situations, their evaluations of government performance, and their vote choices (Figure 3, Links 2-3). Thereby, a context with higher STW shares should lead to a more positive assessment of the personal economic situations of voters because of the lower danger of directly or indirectly suffering from the crisis. This outcome, in turn, should be accompanied by a better evaluation of government performance overall. Consequently, better government performance should result in a vote that rewards both governing parties – the CDU and the SPD. However, if we differentiate the effect of STW, it will translate into a more favorable evaluation of the SPD by voters, as left parties are appreciated for being more competent regarding labor market policy issues.

3) Data and methods

To test the hypotheses, we use two different empirical tests, one at the macro-level and one at the micro-level. The first analysis focuses on the link between STW and voting behavior at the constituency level, controlling for unemployment and other relevant district-level confounders. Note that the electoral outcome, i.e., the seats, are distributed according to the proportion of the vote share that the parties obtain in the second vote (proportional logic).⁹

The second analysis focuses on the micro-level and aims at assessing the causal chain underlying the postulated macro relationship. To this aim, we use cross-sectional survey data from the GLES (Rattinger et al., 2011)¹⁰ and combine the pre- and post-election surveys. The surveys were conducted six weeks before and after the federal election in Germany on 27 September 2009. A total of 4288 individuals were interviewed¹¹, and the distributions of survey responses are relatively close to the actual voting results.¹² The analyses include only the SPD, the CDU/CSU, the Greens, the FDP and *die Linke*, which are the parties that passed the 5% hurdle, which is necessary to form a parliamentary group in the national German parliament.

4.1) Macro-level analyses (Figure 3, Link 1)

The dependent variable at the macro-level is measured as the percentage change in the average coalition parties' (CDU/CSU and SPD) electoral outcomes and the average outcome of the opposition parties (Greens, FDP and *die Linke*) compared to that in the previous election that was held in 2005 in the 299 German electoral districts (Figure 3, Link 1). Although voters read national newspapers, we know that these papers also cover regional developments, and we assume that voters greatly care about those regional issues. Thus, estimating the effect of regional policy interventions on national elections

⁹ For details on the German electoral system, see Falter and Schoen (2005).

¹⁰ For more information, see <http://www.gesis.org/en/elections-home/gles/>.

¹¹ The results are robust to restricting the sample to the pre- and post-election samples.

¹² Table S1 in the supplementary material presents a comparison of the actual voting results and the sample distribution obtained from our data.

is plausible because voters refer to their local economic situation when evaluating government performance and attempting to maximize their self-interest.

To measure whether labor market policy intervention affects voters' choices at the aggregate level, we introduced a variable that captures the share of individuals who newly registered as working on an STW contract as a percentage of all employees in a specific region between September 2008 and September 2009. After that, we merged municipal-level data obtained from the Bundesagentur für Arbeit (2010) for the corresponding electoral region. To control for bad labor market performance, we included the regional unemployment rate change (September 2008 – September 2009, cf. Figure 2) and the 2009 absolute unemployment level in the 299 constituencies (Bundesagentur für Arbeit, 2010). The raw data measured STW at the municipal level (Landkreise), and we merged the data to the constituency level using ArcGIS software.¹³ Moreover, we controlled for East Germany, the regional participation level, and the 2005 vote shares of both CDU/CSU and SPD.

At the macro-level, we estimated seemingly unrelated regressions, which produce estimates for each party separately but account for the correlations among the error terms. This step is necessary because the decision to vote for one party cannot be considered independently from the choice not to vote for another party.

4.2) Macro-micro-macro-level analyses (Figure 3, Link 2 – Link 4)

The second empirical test analyzed the micro-foundations (Coleman, 1986; Walter, 2010) of our argument by running a series of regression models that operationalize the different analytical linkages connecting the macro to the micro-level (cf. Figure 3). The context hypothesis (Figure 3, Link 2) connects the district-level STW rate to the respondents' evaluations of their personal economic situations. In turn,

¹³ A comparison with labor market data that were available directly for constituencies with our unemployment data shows a correlation coefficient of 0.98, which suggests that the re-aggregation was correct.

this ego-tropic evaluation triggers the individual evaluation of government performance (Figure 3, Link 3). The last step involves the re-aggregation of micro-level preferences that are expected to influence the macro-level outcome. We tested Link 4 (Figure 3) by regressing individual vote choice on the respondents' government evaluations. If all these relationships pass the statistical tests, our argument about the micro-level foundations of STW intervention and their impact on electoral outcomes can be corroborated.

We used different dependent variables to test these analytical links. First, the impacts of context factors on the individual evaluations of the personal economic situation (Figure 3, Link 2) were assessed. As suggested by MacKuen (1992), retrospective (vn178),¹⁴ current (vn179) and prospective (vn181) ego-tropic thinking and average scores (0=very bad to 4=very good) for all three indicators were included. Subsequently, we tested Link 3 by regressing the continuous variable satisfaction with the government's performance (vn112) on the ego-tropic assessment, i.e., the previous dependent variable. Finally, concerning the electoral behavior (Figure 3, Link 4), we considered the five main parties and excluded non-voters. The electoral choice focused on the second vote (proportional rule) and combined the respondents' intentions to vote in the pre-election sample (v254_2A) and the reported vote choices in the post-election sample (n169_2A). First, a dependent variable distinguishing between the governing parties (SPD and CDU/CSU=1) and the opposition (*die Linke*, Greens, FDP=0) was created. Second, we recoded a nominal variable to test for the different preferences concerning the incumbent parties by distinguishing between votes cast for the SPD, the CDU, and the opposition. Our sample contains 2545 observations.¹⁵

The models include a number of possible confounders that account for basic sociological differences among voters (Falter and Schoen, 2005). Precisely, the models control for gender (ref. male, v1), age (in years, v436B), and age squared to account for nonlinear effects of electoral preferences. Education is

¹⁴ All the variable names refer to GLES data (Rattinger et al., 2011).

¹⁵ We keep the number of observations constant to ensure the comparability of the results.

modeled as continuous (5 levels, vn9A), whereas personal unemployment (vn17) and union membership (v337) are included as dichotomous variables. We also included a measure of socio-tropic reasoning by creating an index that averages the assessment of the expected past (vn182), current (vn184), and future (vn185) development of the national economy. We distinguished individuals with very strong or strong party identification from individuals with average or lower levels of party identification (vn136). Moreover, several political variables, including level of political interest (5 levels, vn217), individual position on the left-right dimension (1=left, 11=right, vn190), and the square of the left-right position, were modelled. Controls were also added for East Germany and for the data sampling strategy, i.e., pre- or post-election survey wave (recoded from "Erhebung"). To complete the model, changes in STW rate and in unemployment at the macro-level were added.

The empirical strategy consists of estimating hierarchical linear models that take into account the nested data structure (Steenbergen and Jones, 2002; Rabe-Hesketh and Skrondal, 2008). Thus, we estimated multilevel logit regressions for the decision to vote either for the governing or for the left coalition and multinomial logit models with clustered standard errors for the choice among SPD, CDU and the opposition.

4) Results of the empirical analysis

4.1) Macro-level evidence

Table 1 shows the results for the macro-level analyses. Model 1 shows that STW boosts the governing coalition electoral support. In other words, voters reward the incumbent coalition of social democrats and conservative parties in the 2009 German election, whereas they punish the opposition parties (10% significance).

Regarding the control variables, we find that a high change in unemployment compared to one year prior to the election decreases the coalition's support. Interestingly, high absolute levels of

unemployment do not seem to affect government parties. For the opposition, the situation is reversed – they win when unemployment changes are large but lose when absolute unemployment levels are high. In sum, Model 1 corroborates the expectation that voters favor extensive STW intervention in the context of a crisis. In addition, our results suggest implicitly that voters do not support domestic fiscal consolidation in times of austerity, but we do not have a variable to test that link empirically.

Table 1: The effects of short-time work at the constituency level on the German electoral outcome in 2009 (Link 1)

DV: Electoral outcome	Model 1		Model 2	
	Governing coalition (SPD and CDU/CSU)		CDU/CSU	
STW	0.622***	(0.164)	0.219*	(0.124)
Unemployment	-2.287**	(0.722)	-1.322*	(0.547)
Absolute unemployment	0.034	(0.256)	-0.496*	(0.194)
East Germany	11.581***	(2.137)	16.877***	(1.618)
Participation	-29.473*	(12.093)	-39.013***	(9.155)
Vote share CDU/CSU 2005	-19.007*	(8.955)	-34.971***	(6.779)
Vote share SPD 2005	56.440***	(9.581)	27.033***	(7.253)
Constant	-28.509*	(12.241)	28.862**	(9.267)
R2	0.622		0.789	0.789
	Opposition (Greens/die Linke/FDP)		SPD	
STW	-1.129*	(0.616)	0.403***	(0.106)
Unemployment	6.549*	(2.630)	-0.966*	(0.467)
Absolute unemployment	-2.851**	(0.929)	0.530**	(0.165)
East Germany	-4.300	(8.933)	-5.296***	(1.382)
Participation	28.919	(49.364)	9.540	(7.818)
Vote share CDU/CSU 2005	73.378	(98.827)	15.964**	(5.789)
Vote share SPD 2005	34.372	(93.580)	29.407***	(6.194)
Constant	215.979*	(94.673)	-57.370***	(7.913)
R2	0.744		0.413	
			Opposition (Greens/die Linke/FDP)	
STW			-1.221*	(0.612)
Unemployment			5.852*	(2.622)
Absolute unemployment			-3.075***	(0.926)
East Germany			0.197	(8.759)
Participation			15.116	(48.527)
Vote share CDU/CSU 2005			-51.582	(92.403)
Vote share SPD 2005			-76.171	(87.699)
Vote share <i>Linke</i> 2005			-530.960***	(97.242)
Vote share Greens 2005			-403.407***	(92.070)
Vote share FDP 2005			-715.580***	(104.417)
Constant			342.200***	(89.281)
R2			0.749	
N	299		299	
LI	-2245.445		-2986.456	

Standard errors in parentheses, seemingly unrelated regressions, macro-level.
 Dependent variable: absolute change in electoral outcome per party (2009-2005).
 * p<0.1, ** p<0.05, *** p<0.01, **** p<0.001.
 These estimations correspond to Figure 4.

To analyze the second set of hypotheses, i.e., to test whether there are partisan effects “hidden” in the finding that both incumbent parties are rewarded for STW intervention, we disentangled the party-specific results for the government (Model 2) by modelling the performance of the CDU/CSU and the SPD separately. The results point to a difference between the two governing parties. More STW take-up ameliorates the electoral performance of the conservative CDU/CSU, although the effect is significant only at the 10% level. The effect is stronger results for the SPD, whose voters clearly rewarded them for labor market intervention. In other words, the party lost less electoral ground in districts with high STW.

Moreover, the results unveil that the conservatives suffer electoral punishment in districts with higher levels of unemployment change or with high absolute unemployment levels. As a member of the governing coalition, the SPD also loses electoral ground in districts with high unemployment changes but gains in regions with high absolute levels of unemployment. A striking difference between the two governing parties is that the SPD tended to lose votes in East Germany, whereas the CDU/CSU gained votes in those regions compared to 2005.

Overall, these analyses do support a reward-punishment logic for STW policies – voters reward both governing parties for higher STW – but they make a clear partisan distinction attributing more credit to the SPD. These results suggest that voters evaluate STW policy action retrospectively and especially reward the party responsible for implementing policies supporting insiders (Rueda, 2009; Fossati and Häusermann 2014, Fossati, 2017). In terms of the theories previously outlined, these results show that voters favor extensive labor market policies and reward governing parties for them, especially left parties in government. We did not explicitly test whether voters prefer STW policies over domestic austerity measures, but the findings of this analysis indicate that this might be the case.

4.2) Micro-level evidence

We now turn to the analyses of the causal chain that connects the macro and micro levels. The purposes of these analyses are to link STW and unemployment to the macro-level electoral outcome discussed above and to test the contextual (Figure 4, Graph 1), individual (Figure 4, Graph 2) and aggregation links (Figure 4, Graph 3) with micro-level data.

Figure 4: Micro-level evidence (Links 2, 2a, 3 and 4)

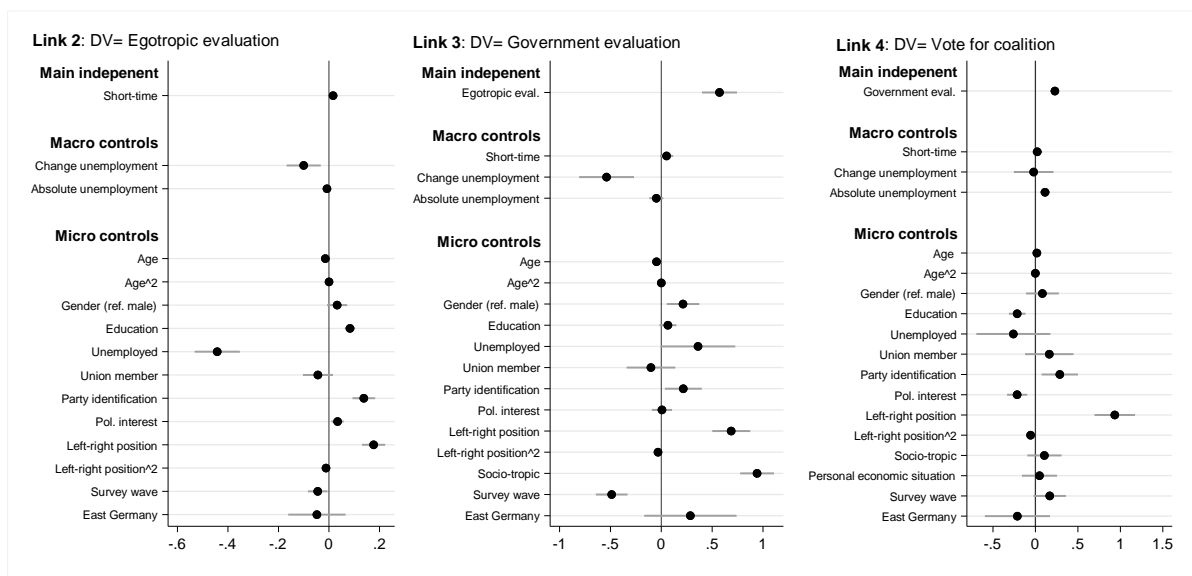


Figure 4 summarizes the results for the different causal links. The first graph shows that increasing STW in the district affects the evaluation of a respondent's economic situation significantly in the expected direction (cf. tables S13-S18 in the supplementary materials for model specifications). In fact, on average, the higher the share of STW is, the better an individual evaluates his/her personal economic situation. Concerning the control variables, we find that a high absolute unemployment level (non-significant) and an increase in unemployment at the macro-level decreases voter satisfaction with the personal economic situation, as do individual level variables that capture labor market risk exposure, especially personal unemployment.

The coefficients in the second graph suggest that when voters better evaluate their personal economic situations, the more satisfied they are with government performance. Concerning the control variables,

a higher STW incidence increases satisfaction with the government (10% significance level). Conversely, a higher increase in unemployment at the regional level, high absolute unemployment levels lower voter satisfaction with government performance.

Finally, we tested the re-aggregation link (Figure 4, Graph 3). The model indicates that respondents who evaluate the government performance positively are more likely to vote for the coalition than for the opposition (base outcome). In these models, however, the effects of STW and unemployment change are no longer significantly different for the coalition and opposition, and only a high absolute unemployment level makes voting for the government more likely.

In sum, our analyses at the individual level indicate that the postulated causal chain holds, as all the main independent variables are significant. We also find that STW affects vote choice indirectly *through* both ego-tropic and government evaluations. However, we do not find a direct effect of STW on voting for the coalition government. Concerning the unemployment controls, the results show that unemployment change affects both ego-tropic and government performance evaluations negatively, but that only absolute unemployment change has a rewarding effect on the outcome of the coalition. Overall, our results suggest that both members of the governing coalition benefit from labor market policy intervention, although the SPD profits more, and both coalition members are generally punished for a bad economic situation.

5) Discussion

In this paper, we started from two sets of hypotheses to explain how labor market policy intervention is linked to electoral behavior. First, we hypothesized that governing parties profit electorally from higher STW because voters want compensation and therefore expansive policies in times of crisis. On the other hand, voters might punish governing parties for STW policies because they fear their future cost and prefer austerity measures. Second, we hypothesized that there is a partisan difference and

that the SPD especially profits from STW electorally because voters regard them as particularly competent in the matter.

At the constituency level, our results show that higher STW rates correlate with more support for both governing parties but especially for the social democrats under control for the difference and level of unemployment, the region, and the party vote share in the constituency during the 2005 elections. This evidence corroborates the hypothesis that voters support expansive labor market policies during times of crisis (1a) because they want government to spend money to protect citizens. Furthermore, the finding supports the hypothesis that especially left parties profit from more STW (2a) because voters associate those policies with that party. The individual level analysis relativizes this finding. We can show that higher STW attends a better individual evaluation of the personal economic situation, which leads to a better evaluation of government, which, in turn, leads to a higher probability to vote for the government coalition. Nevertheless, the individual level analyses do not show a direct link between a higher STW rate in the constituency and more votes for the governing coalition.

Our results contribute to the literature by demonstrating how voters reward governing parties for expansive labor market policies during times of crisis. During the German elections of 2009, the social democrats especially profited from STW policies. Nevertheless, these anti-crisis policies were not sufficient to avoid major losses, which the SPD suffered (11.2 percent) during the 2009 elections. Our analysis contributes to the explanation of this problem by demonstrating that STW programs generated some electoral rewards for the social democrats, but we also show that there is no strong direct link between rate of STW in the constituency and individuals' intentions to vote for the governing parties. Electoral losses for social democrats were particularly high in East Germany, where the level of unemployment is overall higher¹⁶ (Trein et al., 2017, 421) but STW rates are lower (BWL 2009). STW policies addressed labor market insiders in the richest region of the country, where voters did not

¹⁶ *Mecklenburg-Vorpommern*: 15.1; *Brandenburg*: 10.7; *Sachsen-Anhalt*: 15.8; *Berlin*: 14.1; *Sachsen*: 9.9; *Thüringen*: 12.2; percentage of secondary votes lost.

reward the SPD for those policies¹⁷ (Figure 2; BWL 2009). Those policies signaled to voters in poorer regions that even in times of crisis, the richest regions are served first, for which social democrats received the blame. Our macro-level models support this interpretation as the SPD lost in the eastern part of Germany, whereas the CDU gained in that region (Table 1, Model 2).

6) Conclusions

This article addresses the questions of whether and how STW policy affected the 2009 federal German elections, which coincided with the global economic recession. That election is a particularly interesting case because the two largest German parties – the conservative Christian democratic CDU and the social democratic SPD – formed a grand coalition in the period prior to the election. Furthermore, the election is a particularly interesting case as anti-crisis policies and economic conditions varied between German constituencies. This constellation allows testing several hypotheses of how STW intervention affects the electoral fortunes of the governing parties. Notably, it permits analyses of whether voters reward incumbents for anti-crisis policies and whether left or right parties in government are treated the same way. We analyzed these questions using empirical tests at the macro (constituency) and micro (individual) levels using a unique dataset that combines unemployment and STW rates in the 299 electoral regions with information from the German 2009 pre- and post-electoral survey.

At first glance, our macro-level analyses show that the governing parties, if considered together, profit from higher STW rates in the constituency. However, when we disaggregated that finding, our results suggest that foremost the SPD gains electorally in regions with high STW rates. In other words, the governing coalition benefits from STW, but the SPD receives the merit for that result. We also find that voters punish both governing parties for higher unemployment rate changes in the constituency (Table 1). Further empirical analyses that combine micro-level survey data with constituency-level data reveal a particularly interesting insight. Our results demonstrate that STW indirectly affects individuals' voting

¹⁷ *Baden-Württemberg*: 10.8; *Bayern*: 8.7; percentage of secondary vote lost for the SPD.

intentions. Notably, voters' personal economic situations and their evaluations of the government's performance *mediate* the effect of STW policy on voting decisions, but there is no direct link between high STW rates and support for either governing party. Contrariwise, unemployment changes directly affect voting intentions, which is to the disadvantage of the social democrats, who lose in districts with higher unemployment changes in comparison with the Christian democrats and opposition (see supplementary table S7). This finding implies that voters respond to the economic context rather than to anti-crisis policies in their ballots. That was especially negative for the social democrats; although they profited electorally from STW, they could not capitalize on the signaling effect of those policies in general. In fact, we conclude that STW worked against the SPD because the policy affected labor market insiders in the richest regions in the west (the former West Germany). Thus, voters perceived that the social democrats cared more about those who were engaged in well-paid work than voters located in regions that combine higher rates of unemployment with a location in east Germany (the formerly socialist East Germany) and punished the party electorally. On the other hand, STW did not lead to increased votes in the richer regions, and in fact, overall, the SPD lost votes there as well.

Our results are in line with those researchers who suggest that voters reward left parties for labor market insider policies (Rueda, 2006; Fossati and Häusermann, 2014, Fossati, 2017) but tend to favor right parties in times of economic downturns (Barnes and Hicks, 2012; Kayser, 2009; De Neve, 2014; Lindgren and Vernby, 2016). Overall, we demonstrate that left incumbents cannot compensate for losses in labor market downturns with labor market policy interventions against a right incumbent. In the German case, the history of Agenda 2010, which alienated voters from the social democrats (Schwander and Manow, 2016), clearly reinforced this dynamic. In fact, the 2009 election, which happened against the backdrop of a major economic crisis, became an inducement for voters to punish the social democrats.

7) References

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