

# Are Social Democratic Parties Insider Parties? Electoral Strategies of Social Democratic Parties in Western Europe in the Age of Dualization<sup>1</sup>

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## Abstract

The article analyses the electoral strategies of social democratic parties in the context of increased and new inequalities among its electorate. The literature on the politics of dualization argues that social democratic parties are essentially insider-parties. By contrast, I argue that they also target outsiders by promoting policies that facilitate the integration of outsiders into the labour market and enhance their social protection. There are two reasons that make outsiders electorally attractive for social democratic parties: first, the share of outsiders has been growing strongly, while the share of insiders has been decreasing. As a consequence, social democratic parties cannot hope to win elections solely on the basis of their insider constituency. Second, outsiders are not as politically inactive as the original insider-outsider literature suggests which makes them electorally more attractive to social democratic parties.

To analyse the electoral strategies of social democratic parties, I rely on original data on party statements as reported in newspapers during election campaigns between 2007-2010 in four Continental European countries (Spain, France, Germany and the Netherlands). The evidence clearly suggests that social democratic parties are no insider parties but propose policies in the interests of outsiders.

Keywords: Social democracy, inequality, mobilisation, labour market dualization, insider-outsider divides

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## **Introduction**

Times are difficult for social democratic parties. Not only is their core constituency declining and old party loyalties fading (Dalton and Wattenberg, 2000), they are also confronted with strong divides within their electorate. One of the most prominent examples of such divides is the dualization of the workforce into labour market insiders, working in secure and stable employment relationships, and labour market outsiders with a more marginal labour market attachment (OECD, 2014; Rueda, 2007; Emmenegger et al., 2012; Esping-Andersen, 1999). Some scholars even speak of a "new social divide [...] based on access to good jobs" (Oesch, 2015). For social democratic parties, dualization is problematic because it entails a differentiation of economic interests within their electorate. Given the economic constraints of permanent austerity and diverging economic interests between insiders and outsiders, parties must evaluate carefully whether to address the concerns of insiders first or those of outsiders. The literature on the politics of dualization makes a clear prediction regarding this question: Social democratic parties are portrayed as representatives of insiders who will protect insiders' interests due to historical and ideological reasons but also to outsiders' weaker political organisation and lower electoral participation (Rueda, 2005; see also Hübscher, 2016; Rueda, 2007). In contrast to this literature, I argue that social democratic parties do not represent insiders only, but aim to mobilise outsiders due to strategic considerations for winning office. I argue that outsiders have become an attractive electoral group for social democratic parties for two reasons. First, as labour market dualization progresses, the number of outsiders grows, while the number of insiders shrinks, and social democratic parties cannot win elections with the support of their core voters alone. Second, dualization has been spreading into the educated middle class which is politically active. Hence, – so my argument – social democratic parties will attempt to mobilise outsiders too. To do so, social

democratic parties will emphasise policies in the interest of outsiders, for example policies that foster the labour market integration of outsiders.

I study the electoral orientation of social democratic parties in four continental European countries (France, Germany, the Netherlands and Spain) from 2007-2010 based on an original database from a manual sentence-by-sentence coding of newspaper coverage of election campaigns.

Although labour markets and welfare states of these countries are all strongly dualized, the countries differ with regard to a range of alternative explanatory factors that might affect the electoral orientation of social democratic parties.

By analysing the electoral orientation of social democratic parties in times of increased and new inequalities within its electorate, i.e., if they represent insiders, outsiders or both, the article seeks first to contribute to the literature on the politics of dualization. So far, the literature has mainly focused on individual-level preferences of insiders and outsiders respectively. Given that we have only limited knowledge of how parties deal with the emergence of new labour market divides (see Picot and Menéndez, 2017 for an explorative study), my study enhances our understanding of the political implications of insider-outsider divides. Further, I add the notion of high-skilled outsiders (Häusermann et al., 2014; Polavieja, 2006) to the strategic considerations of social democratic parties. Differentiating between outsiders with different skill levels is important as their labour market prospects vary markedly and social democratic parties must therefore propose different policies to mobilise them. It is also crucial because the educated middle class tends to be politically more active than the lower educated segments. Furthermore, the article also provides insights for party research. In particular, the article adds to the encompassing literature on the ideological orientation of social democratic parties, their constituencies and electoral strategies (Kitschelt, 1994; Gingrich and Häusermann, 2015; Arndt, 2014; Green-Pedersen and van

Kersbergen, 2002; Green-Pedersen, 2002; Karreth et al., 2013; Schwander and Manow, 2016) by shedding light on how social democratic parties deal with new inequalities within their electorate.

The article is organised as follows: First, I briefly elaborate on the phenomenon of labour market dualization and discuss the literature on the role of social democratic parties in shaping dualization. I then present my argument and show how the size of the outsider segment makes them electorally attractive. I finally explain how outsiders can be mobilised. The empirical section starts by explaining in detail how the data was created before analysing the electoral strategies of social democratic parties in Spain, France, Germany and the Netherlands.<sup>i</sup> The final section concludes.

### **Parties' electoral strategies**

For any party, mobilising its electorate is crucial (Downs, 1957) and parties develop sophisticated strategies to mobilise various electoral groups by promising different policies to them (Dixit and Londregan, 1998). It are these electoral strategies that the article is interested in.<sup>ii</sup> For social democratic parties, the welfare state is traditionally a strong mobilisation tool (Esping-Andersen, 1990). Social democratic parties are perceived as 'welfare state' parties, first dedicated to expand and later to preserve the welfare state (Ross, 2000; Green-Pedersen, 2002; Schumacher et al., 2013). In the terminology of the salience and issue ownership theory, social democratic parties 'own' the welfare state issue as the electorate expects them to fight hard for social security and social justice (Green-Pedersen, 2002; Petrocik et al., 2003). Consequently, social democratic parties benefit if welfare issues are salient during electoral campaigns (Bélanger and Meguid, 2008). They therefore emphasise these issues in their campaigns (Dolezal et al., 2014). Yet, the

conflict about the welfare state has changed: labour is no longer a unitary actor that wants ‘more welfare state’. Instead, the social democratic electorate is divided on welfare state issues. This is the main insight of the insider-outsider literature for party politics. In the following section, I discuss the development of labour market dualization and its implications for social democratic parties in more detail.

The reason for the divergent welfare state interests within the social democratic electorate is to be found in the dualization of post-industrial labour markets. While industrial labour markets have provided stable and permanent jobs, the post-industrial labour force is divided into labour market insiders with secure positions and labour market outsiders with weak labour market attachment (OECD, 2014; Saint-Paul, 2002; Palier and Thelen, 2010; Rueda, 2007; Emmenegger et al., 2012; Esping-Andersen, 1999). The number of workers in atypical employment (denoting all forms of employment that deviate from full-time, stable and permanent employment) across Europe has been growing. Many European countries sought to promote labour market flexibility by easing the use of non-standard employment. Aside from temporary employment, part time employment represents another way to increase (internal) flexibility. Hence, most job growth in the EU in the last decades was due to atypical employment (Plougmann, 2003; OECD, 2014). Figure 1 demonstrates the growing importance of the two most important forms of atypical employment in the European Union.<sup>iii</sup> The share of part-time employment increased steadily from 14.5 percent in 1983 to 18 percent in 2013. Given that temporary employment explicitly serves as buffer to cyclical downturns, it does not surprise that the share of temporary employment declined during the Great Recession when many temporarily employed moved into unemployment.<sup>iv</sup>

[INSERT FIGURE 1]

From labour markets, dualization spills over to the realm of social protection: Due to their full contribution records, insiders receive generous social insurance benefits, while outsiders have to be content with much less generous, often means-tested social assistance benefits (Palier and Thelen, 2010). Hence, besides higher unemployment risks, lower wages and lower mobility prospects (Piore, 1980; Häusermann and Schwander, 2012), outsiders have also fewer social rights.

How does this phenomenon of dualization matter to social democratic parties? David Rueda (2005; 2006; 2007) was the first to link labour market dualization and political representation. He argues that social democratic parties no longer represent the entire working class but side with insiders when confronted with divergent interests in their electorate. That is, they will maintain and even increase employment protection for insiders but refrain from combating unemployment and inequality (Rueda, 2007; Hübscher, 2016). More generally, social democratic parties are expected to advocate a welfare state in the interests of insiders, i.e. policies that passively protect income and jobs and grant benefits proportional to contributions, while flexibilizing the labour market at the margins. The argument behind insider-orientation of social democratic parties is that they have ideological and historical bonds to insiders who are supposedly also politically more active (Rueda, 2007; Rueda, 2005). Hübscher (2016) adds the idea of political constraints, that is the importance of extra- and intra-parliamentary veto-players, for the social democratic welfare state agenda. She argues that in the context of strong political constraints, social democratic governments are pressured from two sides and will only be able to pass insider-biased reforms: The conservative opposition in the parliament will block any proposal without welfare state cuts, the well-organised insider workforce pressures the government in the extra-parliamentary arena. To make sure that the government does not lose the support from the unions representing the insiders, the social policy programmes that benefit insiders will experience fewer cuts than

outsider policies (Hübscher, 2016). Nuancing another aspect of Rueda's claim, Vlandas (2013) argues in a study on the political determinants of spending on active labour market measures that different elements of active labour market policies have different political determinants: Left-wing governments spend less on employment incentives and rehabilitation than other parties, presumably because of the negative effects of these programmes on workers, but increase spending on direct job creation.

In contrast to this literature, I argue that social democratic parties do not represent insiders only, but aim to mobilise a larger electoral coalition comprising both insiders and outsiders due to strategic considerations for winning office. There are two reasons that make outsiders electorally attractive: first, the share of outsiders is growing strongly while the share of insiders is shrinking, so that social democratic parties cannot hope to win elections solely on the basis of their insider constituency. The growing number of outsiders makes them an increasingly attractive electoral target for social democratic parties. Saint Paul (1996) expects that once the number of outsiders exceeds 30 percent, the interest of the median voter should shift away from insider interests. I will show the importance of outsiders in the countries under consideration below. Second, outsiders are not as politically inactive as the early insider-outsider literature proclaims. While the unemployed are generally less likely to participate in electoral politics, the atypically employed do not refrain from voting (Marx and Picot, 2013; Bürgisser and Kurer, 2016; Marx, 2016). In particular, in the proportional electoral systems in continental Europe, where a large number of parties competes for voters, disadvantaged groups are mobilised by radical parties (Anderson and Beramendi, 2012; Emmenegger et al., 2015). As a consequence, social democratic parties are more concerned with their demands (Rueda and Pontusson, 2000; Hopkin, 2004). Equally important for the political relevance of outsiders is the spread of labour market vulnerability in the educated middle class. Evidence from labour market sociology shows that education does not guarantee a secure position

in the labour market anymore. This is a result of a double transformation of labour markets in the post-industrial area. The democratisation of education, the expansion of the service sector and the feminisation of the workforce expanded the middle class which consequently became much more heterogeneous in terms of working conditions (Oesch, 2006). At the same time, employment has become less secure and less stable, resulting in an increased vulnerability of employment conditions. It is important to note that while a deviation from the standard employment relationship might correspond to an increased demand for more flexible employment forms by parts of the working force (in particular for the higher-skilled segments), deviation from the standard employment model results in long-term disadvantages in terms of labour market prospects and social rights. Atypical jobs of all skill levels tend to be inferior in terms of wages, promotion chances and access to internal training (Kalleberg et al., 2000; Häusermann et al., 2014; Schwander, forthcoming 2018; Goos and Manning, 2007). Atypical employment, in particular, part-time employment as well as longer spells of unemployment for instance result in lower old age pensions in most countries (Hinrichs and Jessoula, 2012). Therefore, atypical employment results in long-term economic losses, limited career advancement and lower social rights even for the higher skilled (Häusermann et al., 2014). This is a social segment that is able and willing to voice its concerns (Hernández and Ares, 2016). Hence, with the spread of instable and atypical employment to the middle class (Häusermann et al., 2014; Schwander, forthcoming 2018; Polavieja, 2006), a larger share of outsiders will participate in politics.

My argument is related to a recent article by Iversen and Soskice (2015) who take a coalition perspective on the importance of left governments in shaping dualization. In contrast to Rueda and Hübscher, they find that centre-left coalition governments in countries with proportional representation are concerned with outsider interests, particularly if they are confronted with a strong right adversary party. Iversen and Soskice explain this seemingly paradoxical finding with



the incentives set by the political institutions to form an electoral coalition that includes or excludes outsiders. Since in majoritarian systems it is essential for parties to win the median voter, parties in these systems have little incentives to redistribute to those who are hurt by rising income inequality and labour market dualization (i.e. the outsiders) as they do not form part of the median voter group. In proportional electoral systems, by contrast, governments are usually a coalition of parties. Iversen and Soskice argue that in these electoral systems a strong independent right party increases the likelihood of a pro-outsider coalition as it pushes centre parties, that is Christian Democratic parties, to form a coalition with the left. In the absence of an independent right party, centre parties are not forced to align with the left but might form a coalition with another cross-class party which in turn reduces the likelihood of a coalition that compensates outsiders. Here, my argument differs from Iversen and Soskice's argument. Iversen and Soskice (2015) see Christian democratic parties as likely to enter a coalition with the left 'to tax the rich'. The presence of a Christian democratic party, thus, makes the inclusion of outsiders in the coalition government more likely in their account. In contrast, I argue that the presence of a Christian democratic party pushes social democratic parties to weight the interests of insiders more strongly because these parties are (co-) responsible for the industrial welfare state with its strong insider-bias (van Kersbergen, 1995) and are therefore popular among low-skilled insiders. If the social democratic parties would not promote policies in their interest, the lower-skilled insiders might vote for the equally welfare state friendly Christian democrats. The presence of a Christian democratic party might therefore explain why the social democratic party promises social policies in the interest of lower skilled insiders.<sup>v</sup>

My study differs from these previous studies by taking a different analytical perspective than Rueda, Hübscher, Vlandas, Iversen and Soskice. The previous studies were interested in the policy output of governments. By contrast, I am interested *in parties' responses to dualization in the*

*electoral arena*. If we are interested in the relevance of insider-outsider divides for politics, the analysis of electoral campaigns enables us to study the link between parties and voter groups more directly. I also cover a different time period than previous studies which analyse governments' policy output from the mid 1980s to the mid 2000s, while I analyse the late 2000s. By that time, the strategy of dualization is seen less suited to deal with unemployment but is itself considered to cause economic difficulties because of the effects of high entry barriers and increased inequality on job growth. Thus, the need to integrate outsiders into the labour market (OECD, 2015) has become acknowledged by social democratic parties. Additionally, the share of outsiders is much larger in the time period I cover than in the early 1980s. My study differs in one additional point from previous studies that discuss the role of social democracy in shaping dualization. I argue that atypical employment and to a certain extent unemployment spreads into the higher skilled middle class, affecting in particular young adults and women (Schwander, forthcoming 2018; Häusermann et al., 2014; Polavieja, 2006). This has stark consequences for the electoral incentives of parties to address outsider-relevant issues. Iversen and Soskice by contrast, differentiate insiders and outsiders mainly on the basis of skills: Outsiders have low levels of general skills, which makes them highly interested in redistributive policies while insiders are skilled workers with specific skills which have less to gain from redistribution. The higher skilled middle class is argued to be 'well positioned in the external labour market' and has therefore no reason to support outsider policies. My approach, by contrast, and in line with Rueda's work, differentiates insiders and outsiders on the basis of their employment stability (permanent full time employment versus atypical employment and unemployment) rather than skills alone.

But how large are the outsider segments in the four countries? To establish the size of the outsider segment, we need to know how to define outsiders empirically. Originally, insiders and outsiders were distinguished on the basis of their *employment status*, pitting the 'permanent and full time

employed' against those 'working part-time, on a temporary contract or being unemployed' (see Lindbeck and Snower, 1988; Burgoon and Dekker, 2010; Emmenegger, 2009; Rueda, 2007; Rueda, 2006; Rueda, 2005; Saint-Paul, 2002). The left part of Table 1 shows the share of outsiders in the workforce defined by their employment status based on data from the EU SILC in the respective election year. With a share between 19 and 39 percent, outsiders clearly represent a substantial part of the working age population in all four countries.

The employment status approach has been criticised for neglecting the heterogeneity of outsiders in terms of social mobility, skills and other socio-structural determinants and for being too volatile to affect political preferences and behaviour (Schwander and Häusermann, 2013; Vlandas, 2015; Emmenegger et al., 2015). As a response, the literature has developed a second approach that focuses on the *prospective risk exposure of an individual* (Rehm, 2009; Walter, 2017; Häusermann et al., 2016; Schwander and Häusermann, 2013). The basis for the insider-outsider classification is thus not the individual employment status but the risk exposure defined by the incidence of vulnerable employment of the individual's occupational reference group. Specifically, it classifies individuals as outsiders or insiders depending on their belonging to an occupational group with an above-average risk of vulnerable employment. This conceptualisation of insiders and outsiders is argued to be better suited to grasp the political ramifications of labour market dualization as it pertains to more permanent differences between insiders and outsiders (Schwander and Häusermann, 2013: 249). Because I am interested in the implication of labour market dualization for political parties, the right part of Table 1 also shows the share of outsiders in the workforce as proportion of individuals with an over-proportional exposure to labour market risks (atypical employment or unemployment). The numbers are based on Schwander and Häusermann's (2013) measurement which is the measure of the risk-based approach used most often (Rovny and Rovny, 2017). Naturally, the risk-based measure suggests a higher share of outsiders than the employment

status approach as it considers individuals as outsiders that are currently in standard employment but face an over-proportional risk to lose their job or work in atypical employment over their entire employment career. The most important message of Table 1 is, however, that outsiders represent a considerable share of the workforce in both conceptions.

[INSERT TABLE 1]

To give a clearer impression of the empirical relevance of high-skilled outsiders, Table 1 also displays the share of outsiders with tertiary education as well as the share of low-skilled outsiders (below secondary education) in both conceptions of outsiders. This shows us, unsurprisingly, that low skill levels increase the risk to be an outsider, regardless of the measurement. Yet, we also see from the third and the last columns of Table 1 that tertiary education does not protect completely from labour market vagaries. We find outsiders among the high-skilled in both conceptions, mainly due to the above-average risk of high-skilled women to work in (involuntary) part-time employment and the above-average risk of high-skilled young adults to be temporarily employed. We also find that the share of high-skilled outsiders is considerably higher if we consider risk exposure instead of current employment status. What is important for the purpose of this article is that these high-skilled outsiders are often members of the “new middle class” (Kriesi, 1998; Oesch, 2006), which tends to vote for left or green parties (Dolezal, 2010; Gingrich and Häusermann, 2015). It has been argued that the inclination of the new middle class to vote for the left is not primarily about the economy and the just distribution of resources, but about culture and the definition of identity (Kitschelt, 1994). I add a political economy explanation to this. For a specific part of the new middle class, it makes sense to support the left for material self-interest: Their higher labour market vulnerability makes them beneficiaries of a redistributive and universalist welfare state. Furthermore, the welfare state is a prime source of employment for

these groups (see Huber and Stephens, 2001). Hence, I expect that social democratic parties in all four countries will attempt to mobilise outsiders by proposing policies in their interests.

After having shown that outsiders represent a sizable voter segment in continental Europe, the question arises how these outsiders can be mobilised, in other words: What do they want?

The key demarcation between insiders and outsiders is *stability of employment*. As a result, insiders have divergent needs and subsequently divergent welfare state preferences, which I will briefly discuss. The literature has focused mainly on preference divides with regard to labour market and social policy. In the original formulation on insider-outsider politics (Rueda, 2005; Rueda, 2007; Lindvall and Rueda, 2014), insiders are seen to favour low taxes, whereas outsiders want generous and non-incentive based unemployment benefits and employment policies (see also Burgoon and Dekker, 2010). I go beyond this narrow conceptualisation of insider-outsider interests and *argue that both insiders and outsiders want a strong welfare state but a different kind of welfare state*. I draw here on a recent literature that emphasises risks and skills as determinants for social policy preferences. This literature finds that individuals in a stable labour market position (i.e. insiders) favour social insurance policies while those exposed to labour market risks (i.e. outsiders) are in favour of economic redistribution and job creation (Häusermann et al., 2016; Rehm, 2011; Rehm, 2009). Generally, a welfare state that protects the existing distribution of social rights and economic opportunities lies in the interests of insiders, while outsiders need compensation for their instable labour market integration in the form of redistribution or want policies that enhance their employability and facilitate their integration into the labour market (active social policies, see Bonoli, 2013). That means that in contrast to the assumption of the early insider-outsider literature (Rueda, 2006; Rueda, 2005), insiders too favour a strong welfare state over lower taxes but prefer a different logic to allocate benefits: insiders support the idea that benefits should be allocated proportional to contribution, that is according to the equivalence

principle of the social insurance state. Given that their atypical employment biographies result in incomplete or low contributions records, the lower enthusiasm of outsiders for this distributive logic stands to reason (Häusermann et al., 2014; Marx, 2014; Häusermann, 2010). The insider-outsider literature has confirmed outsiders' strong support for redistribution time and again, regardless of the outsider-measure. Both the current situation as well as the long-term evaluation of their economic prospects make it reasonable for outsiders to demand redistribution even when taking household effects into account (Häusermann et al., 2016). Importantly, these differences in social policy preferences are not restricted to the lower skilled segments of the population. In contrast, insider-outsider differences in social policy preferences even magnify with increasing education (Häusermann et al., 2014). Generally, support for the welfare state is not restricted to the lower skilled strata of a society if we consider different distributive implications: While support for redistribution from the better-off to the less well-off shrinks with increasing education level, support for the social insurance logic based on the equivalence principle increases with rising education levels (Häusermann et al., 2014; Marx, 2014).

I study the insider-outsider orientation of the social democratic social policy agenda in four countries: France, Germany, the Netherlands and Spain. The country selection is motivated by their similarly dualised labour markets and welfare states but variation in political and economic context factors which might alternatively impact the electoral orientation of social democratic parties, namely the party constellation, the incumbency status of the social democratic party, the electoral institutions and the economic context. I use this variation to emphasise the importance of the outsider-electorate for social democratic parties regardless of the political and economic context.

The party constellation represents a first alternative explanation for the electoral orientation of social democratic parties. Several studies have shown that social democratic parties are more redistributive and ‘working-classish’ if confronted with a left rival for their electorate (Rueda and Pontusson, 2000; Hopkin, 2004). In addition, competition for underprivileged voters increases the turnout among these voters (Anderson and Beramendi, 2012). This makes low-skilled outsiders more attractive for social democratic parties because they are not only more likely to turnout but are also at risk to vote for a rival party. The Socialist party in France struggles with several radical left parties such as *Lutte Ouvrière*, *Parti Communiste Français* or *Ligue Communiste Révolutionnaire* which compete with economic arguments for the working class (Sperber, 2010). Similarly, in Spain, the *Izquierda Unida*, a coalition of radical left parties, competes for the lower skilled voters. In Germany, the Christian Democratic Party is the main rival on the right, while the only competitor on the left was the green party for the high-skilled votes until *Die Linke* emerged as a radical left competitor in the mid 2000s. We find a similar party constellation in the Netherlands.

Alternatively, electoral institutions might impact the electoral orientation of parties (see Iversen and Soskice, 2015). France and Spain have quasi majoritarian systems leading to “one-party-cabinets” (on account of its many small districts, the Spanish system provides large parties with such an electoral advantage that some scholars consider it a majoritarian system, see Kriesi, 2012), while Germany and the Netherlands have proportional electoral systems and coalition governments. Coalition considerations might therefore affect party’s electoral strategies.

Particularly in the Netherlands, discussions about potential coalitions occupy a central space during the electoral campaign.

The incumbency status of a party could also matter for its electoral strategy. A social democratic party that competes as an opposition party might find it easier to mobilise both insiders and outsiders as it does not have to defend its’ actions in the previous legislative period but can

promise policies to both insiders and outsiders. Again, the incumbency of social democratic parties varies in the countries under investigation. The PSOE competed in the election 2008 as the incumbent party of a single party government. The social democratic parties in Germany and the Netherlands competed the election of 2009 and 2010 respectively as the junior partner of a Grand Coalition with the Christian democrats. Finally, the French Socialists contested the election from an opposition position in 2007.

Lastly, while enhancing employment and reducing unemployment were pressing issues in all countries, Germany and the Netherlands were in the midst of the greatest economic crisis since World War II, while the elections in France and Spain took place just before the Great Recession. Table 2 summarises the political and economic context in the four countries (see Figure A.1 in the appendix for more information on the economic situation in the countries in the election year).

[INSERT TABLE 2]

## **Methods and Data**

To assess the electoral strategies of parties, we need information about party positions regarding insider-outsider relevant issues, i.e. labour market regulation and social policies, on a comparative basis.<sup>vi</sup> Such data did not exist previously. Where available comparative data go beyond the dimension of ‘more or less’ state intervention, they do not distinguish between insider and outsider interests (Picot and Menéndez, 2017). To overcome this shortcoming, I code parties’ statements to a fine-grained differentiation of insider-outsider interests as reported in newspapers during election campaigns<sup>vii</sup> according to a detailed coding scheme that distinguishes more than 60 issues depending on the national social policy debate (see Appendix B). The database for the coding of party statements is a dataset collected in a larger project on parties’ social policy



positions and based on a method developed by Kleinnijenhuis and Pennings (2001) and Kriesi and colleagues (Kriesi et al. 2008; Kriesi et al. 2012). Included are all statements referring to labour market related policies such as labour market regulation, active and passive labour market policies, unemployment schemes and old age pensions.

Outsiders are interested in policies that either enhance their employment opportunities by creating new jobs, reducing the statutory working week or investing in human capital of individuals as well as policies that guarantee income independently from employment records. Thus, policies that enable them to take up employment such as re-training programmes for unemployed or create new employment possibilities such as public employment programmes are in the interests of outsiders. Outsiders are also interested in policies or regulations that enhance the working conditions or social protection of atypically employed. Insiders, by contrast, are interested in policies that preserve the existing distribution of rights and jobs and protect these passively and earnings-related. Policies that protect existing (standard) jobs or flexibilize the labour market only at the margins match the interests of lower skilled insiders. I do not code these policies as favourable for higher skilled insiders as they are not threatened by the flexibilization of labour markets due to their high levels of human capital.<sup>viii</sup> In the interests of higher skilled insiders are all policies that strengthen market mechanisms, for example the promotion of private old-age provision, or policies that re-inforce the equivalence principle of social schemes. Low-skilled insiders and low-skilled outsiders have also common interests: Statements that imply a distribution from the ‘better-offs’ to the ‘have-nots’ are in the interests of low-skilled insiders and low-skilled outsiders.

Each statement can either be in the interest of an electoral group, in which case I assign (+1), neutral in its effect (0) or reduce a social right or privilege (-1). The following sentence serves as a coding example: Peer Steinbrueck, chancellor candidate of the SPD in 2009, emphasised “[...]”

*how important employment protection is, in particular in time of [economic] crisis.*”[Own translation]. The sentence is assigned to the political actor, the SPD. I then attribute the sentence to the electoral group(s) whose interest(s) the proposal matches. Protection of existing jobs corresponds to the interests of lower-skilled insiders, who rely on institutionalised protection for their job security. I therefore code +1 for lower skilled insiders. From this data, I construct indicators for the *electoral orientation* of a party measured by the relative frequency by which the propositions intend to protect the interests of an electoral group. The coding scheme and process are described in more detail in Appendix B.

## **Empirical Results**

To reiterate, I expect that social democratic parties in all four countries will attempt to mobilise outsiders by proposing policies in their interests. Figure 2 shows the electoral orientation of the social democratic parties. The light bars show the share of statements that propose or defend policies in the interest of the respective electoral group, while the dark bars show the share of statements that aim to curtail a policy in the interest of the respective electoral group.

[INSERT FIGURE 2]

The evidence presented in Figure 2 confirms the expectation: In all countries, the share of outsider-orientated statements exceeds the share of statements aimed at promoting the interests of insiders. To substantiate this, I discuss the issues that were relevant for the social democratic electoral campaigns in more detail. Fighting unemployment and providing employment for outsiders were central claims of the social democratic campaigns in all four countries, even though

the elections in France and Spain were held before the Great Recession hit Europe. The French socialist candidate promised to fight youth unemployment by creating 500.000 so-called 'springboard jobs' for disadvantaged young adults. The socialist presidential candidate defended the 35-hour week introduced by the socialists in 2000 and criticised her opponent's plan to de-tax overtime hours "because they benefit those who already have work".<sup>ix</sup> To redistribute work more equally, the further reduction of the working hours (per week) remained an objective for the socialists. Reducing the working hours to redistribute employment was an objective for the Spanish socialists as well (with an explicit reference to the German and French experiences). For the same reasons, the Spanish socialists also planned to promote stable, part-time employment, an ambiguous objective for outsiders. More importantly to the campaign was the proposal to reduce fix-term employment, and labour market precariousness in general, by improving vocational training and the revision of the recruitment process. They also wanted to offer unemployed citizens the option to use their unemployment benefits to set up their own enterprise.

The German social democrats aimed to facilitate the re-integration of (long-term) unemployed: Sticking to the aim of their ambiguous reform project Agenda 2010 which had profoundly altered the activation orientation of the unemployment compensation system, they wanted to further improve the quality of job placement and to realise an active labour market policy. Another promise referred to 'fair' wages. Yet, the elections were held in the midst of the economic crisis that followed the financial crisis of 2008. Consequently, the SPD promised stimulus programmes to save jobs by extending the short-time working schemes and subsidising the rehabilitation of houses to stimulate demands for the skilled crafts and trades. These measures to protect existing jobs corresponded to the interests of lower skilled insiders. The stimulus package also entailed the creation of jobs, an activation component benefiting outsiders. In the Netherlands, the PvdA wanted tax and wage subsidies for low income jobs to increase incentives to take up employment and rejected a further reduction of the unemployment benefit (*werkloosheidswetuitkering*). At the

same time, the PvdA stood for strong employment protection which suited in particular the needs of lower skilled insiders. The pledges of the French Socialist and the PdvA in the Netherlands to increase low salaries in general in an attempt to enhance the purchasing power of the lower income groups matched the interest of low-skilled outsiders but also those of low-skilled insiders.

Another important issue in all countries was the reform of the old age pension systems. In France and Spain, the debate was mainly about the level of the minimum pension, a policy clearly targeted at low-skilled outsiders which would not qualify for the contribution-based standard pension. In Spain, for example, the PSOE promised to raise the minimum pension by 200 Euros within four years. The minimum pension for couples would also have been raised to 850 Euro at the same time. In France, the Socialists additionally defended the legal retirement age of 60 years, which was in the interest of low-skilled insiders and outsiders. In the Netherlands too, the position of the PdvA in the pension debate was outsider-orientated. For example, the PdvA proposed to increase the retirement age generally to 67 years but wanted to exempt those with ‘heavy jobs’ from such an increase of the retirement age. From their firm defence of the level of the state pension *AOW* (*algemene ouderdomswet*), which is a flat-rate and highly redistributive benefit, would benefit not only lower skilled outsiders benefit but also lower skilled insiders. In Germany, then, the pension debate revealed that the SPD took a pro-insider position with regard to old age pensions: the party guaranteed that existing pension benefits would never be shortened (*Rentengarantie*), which benefitted insiders most of all (because pensions are strictly contribution based).

Figure 2 also reveals that only a very limited share of statements attempts to curtail policies. In Spain, the socialists proposed virtually no measures that aimed to reduce the privileges of any

group. Instead, they promised to *expand the welfare state to outsiders* and to promote the labour market integration of outsiders by expanding the public sector. In that sense, the electoral strategy of the Socialist parties in Spain and France could also be referred to as populist since retrenchment is not on the agenda<sup>x</sup>. Particularly, expanding social rights is a crucial aim of the Spanish PSOE. Fittingly, social rights are often called democratic rights since Spain's transition to democracy.

One could argue that the outsider orientation of social democratic parties is a result of my understanding of outsiders that includes higher skilled voters too. However, a closer look at the statements in Figure 2 reveals that the largest shares of statements target lower skilled outsiders in all countries, followed by statements directed at higher skilled outsiders in Spain and France and at lower-skilled insiders in Germany and the Netherlands. Hence, social democratic parties cannot be said to be insider-oriented parties even if we consider only the lower-skilled segments of the population. Table 3 illustrates this. The table clearly shows that a larger segment of outsider voters is associated with a stronger emphasis on pro-outsider policies from social democratic parties.

[INSERT TABLE 3]

The competitive constellation might explain the differences between Spain and France on the one hand and Germany and the Netherlands on the other hand. In France and Spain, the social democratic party faced low-skilled competition by radical left parties that are supported by outsiders. Hence, the mobilising effect by a rival left party made low-skilled outsiders more attractive for social democratic parties because they were not only more likely to turnout but also at risk to vote for a rival party. In Germany and the Netherlands, the social democratic party was

confronted with a different competitive constellation. In addition to a left contender, the social democratic party competes with a 'welfare friendly' Christian democratic party.

Given the impact of the Great Recession on the labour market, the desire to protect insider jobs during the crisis might be an additional factor to explain the relatively stronger orientation towards insiders in Germany and the Netherlands than in France and Spain. One might argue that social democratic parties could 'afford' to neglect insider interests, as their jobs were safe in France, where elections were held in 2007, and in Spain, where elections took place six months before the collapse of the Lehman Brothers in September 2008. In Germany and the Netherlands, by contrast, the election took place in the midst of the Great Recession. On account of the magnitude of the crisis, not even insiders were spared from the crisis effects (Schwander, 2017) and social democratic parties took care to protect their jobs.

## **Conclusions**

The analysis of the social policy proposals during the electoral campaigns in four continental European countries (France, Germany, the Netherlands and Spain) confirms that social democratic parties do not represent insiders alone but aim to mobilise larger electoral coalitions and that outsiders are part of this electoral coalition. My analysis shows that, as the segment of outsiders is growing, they become electorally attractive to social democratic parties. In all countries the largest share of statements matches the interests of low-skilled outsiders. Of particular importance for the outsider-orientation of social democratic parties are their positions in the old age pension debate and their proposals to create work jobs and re-integrate disadvantaged labour market groups (the young adults in France, women in Spain and the long-term unemployed in Germany).

By analysing parties' responses to labour market divides, I shed light on an issue that is of paramount importance to the literature on the politics of dualization as well as to research on changing party systems. My results contrast some of the findings of the dualization literature, most prominently Rueda's argument that social democratic governments promote insider interests (Rueda, 2007; also Hübscher, 2016; Rueda, 2005). I explain with the different analytical and empirical scope of my article. In contrast to Rueda and Hübscher, who examine the period between 1970 and 2000, I focus on the late 2000s/early 2010s. By that time, the strategy of dualization has proven to be less suited to deal with unemployment but is itself seen to cause economic difficulties. Thus, the need to integrate outsiders into the labour market has become acknowledged by social democratic parties. Equally, the share of outsiders has been growing over the past decades as most job growth in the EU is due to atypical employment (Plougmann, 2003; OECD, 2014) and spreads also into the middle classes (Häusermann *et al.* 2014) who voice their political demands actively (Hernández and Ares, 2016). As a consequence, targeting outsiders becomes more attractive for social democratic parties, in particular if other parties attempt to mobilise them as well. A second reason lies in the analytical focus of the studies. In contrast to Rueda and Hübscher who examine the policies of social democratic *governments*, I am interested in parties' responses to dualization in the *electoral arena*.<sup>xi</sup> Analysing electoral campaigns enables us to directly study the link between parties and voter groups (Kriesi et al., 2008).

These voter-party links are crucial if we are interested in the likelihood of a politicisation of insider-outsider divides. Hence, my study complements the literature on the politics of dualization which has tended to concentrate on individual-level preferences of insiders and outsiders. Given that so far we have only limited knowledge on how parties deal with the emergence of divides in

the labour market (see Picot and Menéndez, 2017: for an explorative study), the findings of my study contribute to our understanding of a potential politicisation of insider-outsider divides.

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**Appendix A**

**Figure A.1: Labour market situation in France, Germany, the Netherlands and Spain in the election year**



Source: OECD 2016

## Appendix B: Coding scheme

I code the policy statements according to their reference to four electoral groups: lower skilled outsiders, lower skilled insiders, higher skilled outsiders and higher skilled insiders. Each statement can either improve the situation of a specific electoral group or reduce an existing social right (or make no statement about it). Hence, the statements have a direction, which is measured by a three-point scale: 0 means a neutral, +1 a positive and -1 a negative relationship between the political actor and the electoral group. Obviously, policies have effects on more than one group, and for some policies one could argue that they are beneficial for all or most of all individuals. However, most statements concern some groups more immediately than others and, from a rational-choice perspective, should matter more for them than for others. Hence, I code the distributive effects only for those group(s) whose situation is directly affected. Nevertheless, a statement can change the situation of more than one group directly. For example, redistribution employment is in the interest of both higher and lower skilled outsiders, while lowering the retirement age is beneficial for lower skilled insiders and lower skilled outsiders. It follows that a statement can generate more than one observation. Also, everyone wants the fight against unemployment to be won (it's a so-called 'valence issue'). I do not include these valence issues.

In addition, we should differentiate between positive and negative activation. Incentives to work can be increased in a punitive way, for example, by reducing social benefits or pushing unemployed to accept any jobs at the risk of remaining working poor or losing their job again. Despite having an activating effect, these punitive workfare policies are not in the interests of outsiders, so I assign -1 for statements that aim to push outsiders to work by reducing social benefits. I do not code statements referring to the minimum wage for its ambivalent effect on low-skilled outsiders: minimum wage protects low-skilled outsiders from wages below the poverty level. At the same time, minimum wages can be seen as a way to protection low-skilled insiders from competition from low-skilled outsiders.

**Table B.1: Coding scheme for the classification of statements into welfare directions and interests of distributive groups**

Policy	LSO	LSI	HSO	HSI
<i>Labour market policies</i>				
Maintaining or increasing employment protection (for SE)		+		
Protecting existing jobs		+		
Redistribution of work	+		+	
Reduction of the working week with salary compensation (FR: 35h working week)	+	-	+	
FR: tax relief for overtime		+		+
Wage increase		+		+
Performance based pay		+		+
Active labour market policies	+		+	
Job creating programmes for young adults	+		+	

Upgrading of flexible employment	+		+	
Policies to ingrate the elderly in the labour market	+		+	
General vocational training	+	+		
Advanced training		+		+
Policies against (gender) labour market discrimination or the gender wage gap	+		+	
GER: Introduction/defence of Agenda 2010	+	-	+	
Increase of benefit or duration of ALG I		+		+
Increase of ALG II	+			
Higher pressure on unemployed to accept jobs	-		-	
Reduction of unemployment benefits to increase incentives to work	-		-	
Flexibilisation and deregulation of labour market		-		
Support for small and middle enterprises		+		+
Stimulus packages	+	+	+	

#### *Pensions*

Lowering of retirement age depending on contribution years		+		
Resistance to increase of retirement age	+	+		
Subsidised lowering of retirement age	+	+		
Increase of retirement age, abandoning of statutory retirement age	-	-		
Flexibilisation of retirement age			+	+
Increase of minimum pension	+			
NL: Expansion of state, flat-rate pension pillar	+	+		
Expansion of occupational pension pillar		+	+	+
Extension of private old age provision			+	+
Subsidised private pension saving plans			+	+
Education credits for pension system	+		+	
Part-time retirement with mandatory replacement by younger employees	+	+	+	+

#### *Social contributions and benefits*

Contribution-dependent benefits	-	+	-	+
Needs-based benefits	+			
Lowering of benefits	-	-		
Promotion of equivalence principle		+		+
Tighter eligibility criteria for social benefits		+		+
Inclusion of all employment forms in social insurance scheme	+		+	

#### *State responsibility*

Retrenchment of welfare state or state responsibilities	-	-	-	+
Business-friendly policies				+

Note: LSO = lower skilled outsiders, LSI = lower skilled insiders, HSO = higher skilled outsiders, HSI = higher skilled insiders.

As database for the content analysis serve the quality newspaper and the tabloid with the highest print-runs. Because no genuine tabloid exists in the Netherlands, a widespread tabloid-style newspaper was selected (see Kriesi et al. 2008). A further advantage of the data is that it relies on the media coverage of national election campaigns. For a long time, party positions have been coded mainly from party manifestos (Klingemann et al., 1994; Benoit and Laver, 2006). In the time of media democracy, however, most voters obtain their information through the media. Moreover, voters' perceptions about the relevance of an issue are shaped by the media (Petrocik et al., 2003). Thus, a recent strand of research on party positions has argued that parties' manifestos have become less relevant for transporting information of party positions and we should focus on media coverage to assess party positions (Kleinnijenhuis and Pennings, 2001; Kriesi et al., 2008; Bornschieer, 2010).

Table A.2 shows the selected newspapers, the election year and the number of statements derived from the coding.

**Table B.2: Description of selected years, newspapers and number of statements**

Country	Election year	Newspaper	Party	No. of coded statements
France	2007	Le Monde, Le Parisien	Parti Socialiste – PSF	106
Germany	2009	Die Süddeutsche, Bild	Sozialdemokratische Partei – SPD	401
The Netherlands	2010	Algemeen Dagblad, NRC Handelsblad	Partij van de Arbeid – PvdA	67
Spain	2008	El País, 20 minutos	Partido Socialista Obrero Español – PSOE	63

*Note: The higher number of statements in Germany is related the style of the political discourse in Germany compared to the other countries. Electoral campaigns in Germany tend to more be policy orientated with detailed discussions of the proposed policies whereas the political discussions in the other three countries were more centred on general principle of social policy (“cutting unemployment benefits to 67 percent” in Germany versus “revalorize work” in France”). Nevertheless, in all campaigns, parties made sufficiently detailed statements about their proposed policies to allow a coding of their insider-outsider orientation.*

## FIGURES AND TABLES

	<i>Labour market status</i>			<i>Risk exposure</i>		
	Share of employment			Share of employment		
	Total	Low skilled	High skilled	Total	Low skilled	High skilled
DE	23.9	39.1	15.5	45.2	59.1	32.0
ES	38.6	47.0	27.2	47.2	54.6	34.5
FR	26.4	38.5	18.2	49.1	59.7	34.4
NL	19.3	23.9	16.2	50.6	53.3	47.8

*Notes: The labour market status measure follows the operationalization proposed by Rueda (2005), the risk measure follows the outsidersness measure proposed by Schwander and Häusermann (2013); Numbers include only citizens of the respective country; “Low skilled” refers to an educational attainment below secondary education, “high skilled” refers to tertiary educational attainment. The numbers are based on EU SILC data from the respective election year in a country. The share of outsiders in the middle category of “skilled” individuals, that is that share of individuals with complete secondary or post-secondary degrees, is not shown.*

**Table 1: The size of the outsider segments barriers in the four countries**

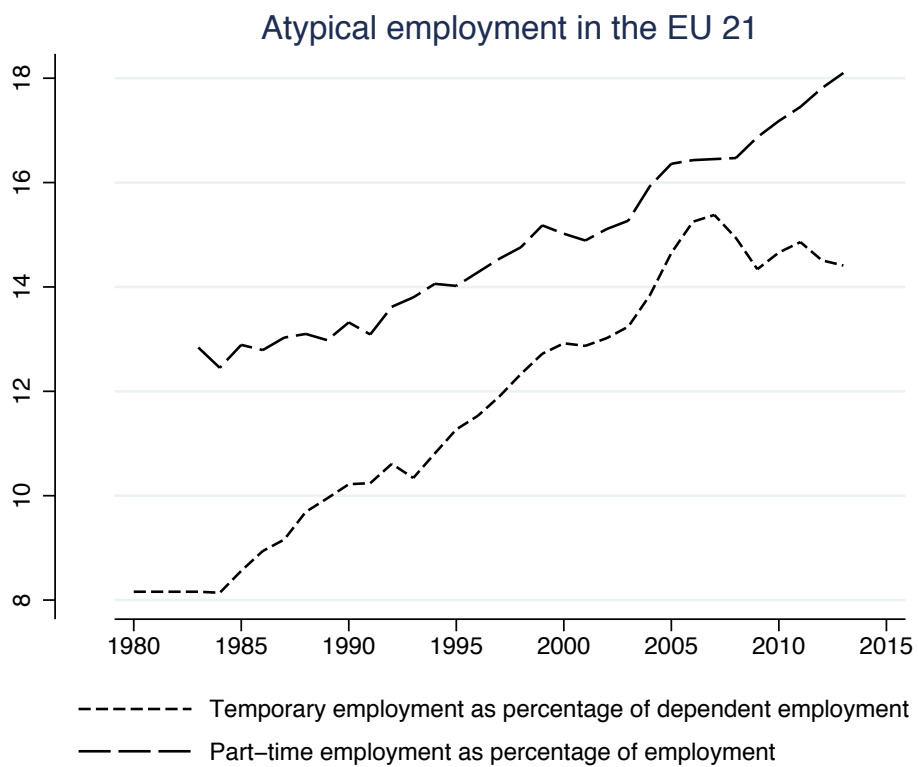
<i>Country (year)</i>	<i>Main competitors for social democratic party</i>	<i>Electoral system</i>	<i>Type of government</i>	<i>Incumbency status of social democratic party</i>	<i>Great Recession</i>
France (2007)	• Left and right-wing populist party	Majoritarian	Single party government	Opposition	Before
Germany (2009)	• left-wing party • Christian democratic party	Mixed	Coalition government	Junior partner	During
The Netherlands (2010)	• Left and right-wing populist party • Christian democratic party	Proportional	Coalition government	Junior partner	During
Spain (2008)	• Left and right-wing populist party	Proportional	Single party government	Government	Just before

*Notes: Classification of the electoral systems based on Bormann and Golder (2013)*

**Table 2: The political and economic context in the four countries**

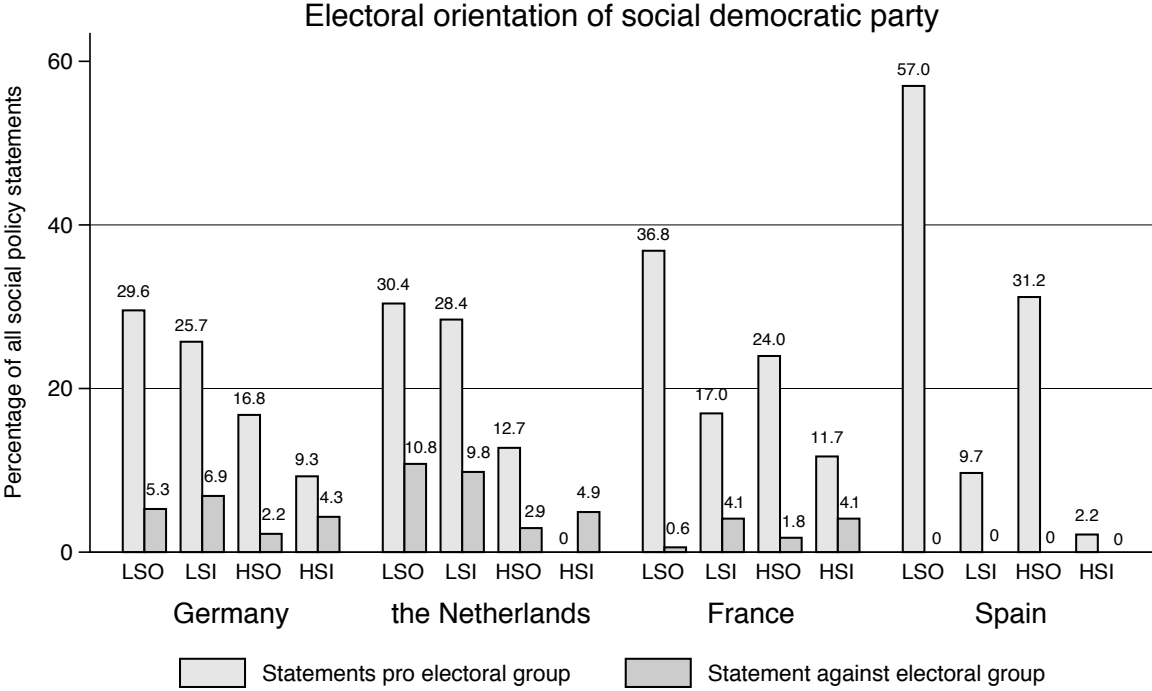


**Figure 1: Incidence of atypical employment in the European Union**



Source: OECD 2016

**Figure 2: Electoral orientation of social democratic parties in France, Germany, the Netherlands and Spain**



Note: LSO = lower skilled outsiders, LSI = lower skilled insiders, HSO =higher skilled outsiders, HSI = higher skilled insiders

	Size of outsider segment (Labour market status)	Share of pro-outsider statements
DE	23.9	46.4
NL	19.3	43.1
FR	26.4	60.8
ES	38.6	81.2

*Note: The numbers are based on EU SILC data from the respective election year in a country*

**Table 3: Share of outsiders and share of pro-outsider statements**

## Notes

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<sup>i</sup> I use the expression social democratic party for the French Socialist party, the Spanish Socialist Workers' party, the Dutch Labour party and the German Social Democratic party.

<sup>ii</sup> Hence, the term 'electoral strategies' does not refer to the policy, vote or office-seeking motivation of parties but rather to the mobilisation strategies developed for single electoral battles.

<sup>iii</sup> Dependent or pseudo self-employment (referring to formally self-employed individuals who work only for one client and are therefore *de facto* dependent from this client) represents a third form of atypical employment. As it is illegal in many European countries, its importance is hard to estimate, but the OECD (2014) estimates that around 3 percent of the labour force work in dependent self-employment across the OECD in 2010. Further, around 1.4 percentage of the labour force work helps in family business (own calculation, based on EU-SILC 2007) which is also associated with lower job security and social protection.

<sup>iv</sup> While part-time work is clearly an atypical employment relationship and often employed by employers as a means to increase the internal flexibility of the workforce, the dualization literature usually considers only *involuntary* part-time work. However, given that even voluntary part-time work is associated with lower social rights (Clegg, 2007; Hinrichs and Jessoula, 2012), part-time is included in the analysis here and I consider policies that enhance social protection for part-time workers generally.

<sup>v</sup> In Spain and France, the main party of the right is a conservative party, not known to be a welfare state enthusiast.

<sup>vi</sup> Alternatively, parties could mobilise insiders and outsiders with cultural issues. Higher skilled outsiders often have libertarian cultural values (Oesch, 2006). This enables social democratic parties to forge a 'heterogeneous value coalition' between the working class and the libertarian

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part of the middle class (Häusermann, 2010). Low-skilled insiders and outsiders, by contrast, might be opposed to immigration, offering social democratic parties the possibility to mobilise them with anti-migration policies, in particular, if radical right parties represent a credible rival for their vote (Bale et al., 2010). Nevertheless, insiders and outsiders have opposing economic interests and given the overall salience of the welfare state and other economic issues for political competition and the importance of welfare state policies in shaping insiders and outsiders socio-economic position (Häusermann and Schwander, 2012), I focus on the socio-economic dimension only.

<sup>vii</sup> collected in the context of a larger project „Who is in and how is out?“, funded by the Swiss National Science Foundation (100017-131994/1). The project is conducted by Silja Häusermann, Thomas Kurer and Hanna Schwander.

<sup>viii</sup> High-skilled insiders are clearly the most privileged group in the labour market. They correspond largely to what Rueda (2007) calls the *upscale group*.

<sup>ix</sup> „[...] a critiqué la d’*taxation des heures supplémentaires* de M. Sarkozy, qui profiterait ceux qui ont déjà un emploi“ [own translation].

<sup>x</sup> Keep in mind that the elections took place before the Great Recession, which made such populist appeals economically more feasible.

<sup>xi</sup> When it comes to the electoral orientation of social democratic parties, Rueda takes a more nuanced view. In a study of the electoral orientation of the social democratic party in Sweden in the 1990s and 2000s, he finds that social democratic parties might side with outsiders too but that this leads to electoral losses among insiders in times of high unemployment (Lindvall and Rueda, 2014).