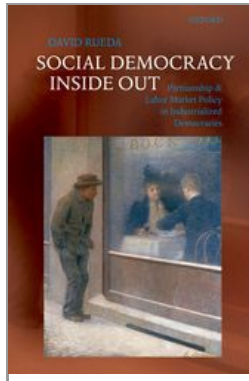


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Social Democracy Inside Out: Partisanship and Labor Market Policy in Advanced Industrialized Democracies

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The Preferences of Insiders and Outsiders: Testing the Model's Assumptions about Individual Interests

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Abstract and Keywords

This chapter has two main goals: to produce data that provide a complete picture of the preferences of insiders, outsiders, and upscale groups; and to test whether these preferences fit into the partisanship model proposed in this book. The chapter proceeds as follows. The first section provides a brief explanation of the survey used in the analysis and the way insiders, outsiders, and upscale groups have been categorized. The second section offers a detailed explanation of the individual preferences implied in the insider-outsider model and an initial and descriptive assessment of their accuracy. The third section contains a systematic multilevel analysis of the individual preferences of insiders, outsiders, and upscale groups. The fourth section introduces the two macro factors which, in Chapter 2, were hypothesized to affect the differences between insiders and outsiders: job security and corporatism. The final section presents multilevel maximum

likelihood models estimating the effects of job security and corporatism. The results corroborate the model's claims: lower levels of employment protection do indeed make insiders more like outsiders (i.e., more supportive of labour market policy). The results support an economic insider-outsider interpretation of the effects of corporatism on insider preferences.

Keywords: insider-outsider model, upscale groups, individual preferences, job security, corporatism, multilevel maximum likelihood models, labour market policy

The theoretical model presented in Chapter 2 is fundamentally concerned about the relationship between government partisanship and policy but it relies quite heavily on a number of assumptions about the preferences held by different individuals. For the insider–outsider partisanship model to make sense, it must be the case that insiders support employment protection more strongly than outsiders or members of the upscale groups and that outsiders support labor market policies more than insiders and upscale groups. These are the fundamental assumptions on which this book's model is built. It is common for the comparative political economy literature focusing on macro level variables to put individual preferences into the category of untested assumptions. A strong divide exists between work on comparative political economy (which pays little attention to individual preferences and often focuses on institutional factors) and on comparative political behavior and public opinion (which often ignores macro level variables and often focuses on individual interests). As I mentioned in the Introduction, this book attempts to bridge these two literatures. While Chapter 4 will address the macro implications of the insider–outsider model, this one will take the testing of the individual level assumptions very seriously.

Having defined the ambitious goals for this chapter, I will reveal one of its weaknesses. The most important difficulty when trying to provide an initial test for the assumptions in this book's arguments involves finding surveys that allow insiders, outsiders, and upscale groups to be differentiated and that then ask questions related to their policy preferences. The importance of a fine-grained definition of labor market status and the **(p.37)** need for questions related to labor market policy preferences limit the data I use to one Eurobarometer survey conducted in 1996. Unlike the macro level analysis to be presented in Chapter 4, this Eurobarometer survey does not provide data for a large number of industrialized democracies or for an extended period of time. It only provides a snapshot in time of a sample of European countries. This is a considerable limitation. However, it is one that must be accepted in order to develop an analysis that closely addresses the individual claims implied in the insider–outsider model.

This chapter's analysis has two main goals: to produce data that provide a more complete picture of the preferences of insiders, outsiders, and upscale groups and to test whether these preferences do indeed fit into the partisanship model proposed in this book. The chapter proceeds as follows. First, I will provide a brief explanation of the survey used in the analysis and of the way I have categorized insiders, outsiders, and upscale groups. The second section will offer a detailed explanation of the individual preferences implied in the insider–outsider model and an initial and descriptive assessment of their accuracy.

The third section contains a systematic multilevel analysis of the individual preferences of insiders, outsiders, and upscale groups. A set of logit random intercept multilevel maximum likelihood models provide estimates for the effects of insider–outsider differences (controlling for a number of other individual characteristics). As will be clear from the analysis below, the results strongly support the claims on which this book's argument rest. The fourth section introduces the two macro factors which, in Chapter 2, were hypothesized to affect the differences between insiders and outsiders: job security and corporatism. I remind readers of the reasons why this should be the case and describe the variables used in the analysis. The final section presents multilevel maximum likelihood models estimating the effects of job security and corporatism. The results corroborate once more the model's claims. Lower levels of employment protection do indeed make insiders more like outsiders (i.e. more supportive of labor market policy). Finally, the results support an economic insider–outsider interpretation of the effects of corporatism on insider preferences.

3.1. Defining Insiders, Outsiders, and Upscale Groups

The data analyzed in this chapter come from a survey belonging to the Eurobarometer series. Starting in the early 1970s, the Eurobarometer **(p.38)** surveys have been conducted regularly on behalf of the European Commission. They provide information on the political, social, and economic preferences of the European public and have been used by numerous political scientists in analyses of public opinion and political behavior. The Eurobarometer survey conducted from February to April of 1996 focused on a number of issues relevant to the arguments presented in this book. All data used in this chapter, therefore, refers to Eurobarometer 44.3OVR (Employment, Unemployment, and Gender Equality, February–April, 1996).

The sampling procedure in this survey can be summarized briefly. As suggested by its title, the survey in Eurobarometer 44.3OVR focused on employment issues. The data were obtained in two stages. The first consisted of multistage national probability samples while in the second the data were merged with an oversample. In the first stage, a set of primary sampling units from each of the administrative regions¹ in every country were selected. The choice of primary sampling units was determined with probabilities proportional to population size and it was stratified according to degree of urbanization. Clusters of addresses were then systematically selected using standard route procedures, beginning with an initial address selected at random. In each household, the respondent was also chosen by a random procedure. The second stage introduced an oversample of approximately 300 persons per country who were either full-time housewives/husbands or were unemployed (students and retirees excluded).² The universe for the survey included those persons of at least 15 years of age residing in the fifteen member nations of the European Union.³

The distinction among insiders, outsiders, and upscale groups follows from the theoretical claims presented in Chapter 2. My partisanship model relies on the disaggregation of labor into insiders and outsiders. I defined insiders as those workers with protected jobs and outsiders as those who are either unemployed or hold jobs characterized by low

levels of protection and employment rights. For the analysis of the survey, I define those individuals employed full-time with a permanent job, or with part-time or fixed-term jobs who do not want a full-time or **(p.39)**

Table 3.1. Insiders, outsiders, and upscale group as percentage of sample

	Insiders	Outsiders	Upscale	Others
All countries	21.59	40.68	8.49	29.24

Notes: Data from Eurobarometer 44.3OVR (1996). 18,779 respondents from 13 countries.

permanent job, as insiders. This group includes manual workers (skilled and unskilled) and those in employed positions (whether working at a desk, traveling, in services, or employed professionals) with full-time and permanent contracts (defined as contracts for an unlimited period of time).⁴ Outsiders are then defined as those who are unemployed, employed full-time in fixed-term and temporary jobs (unless they do not want a permanent job), or employed part-time (unless they do not want a full-time job). The upscale group category, finally, includes those not employed by someone else or who define themselves as managers. This group includes self-employed professionals (lawyers, architects, etc.), owners of shops, business proprietors, farmers, fishermen, and general and middle management.

Before providing evidence showing that the preferences on which my partisanship model rests are in fact reasonable, it is important to check that the survey used in this chapter's analysis provides enough of a sample for the different categories under consideration. Table 3.1 provides the numbers of insiders, outsiders, and upscale groups in the analysis to be developed in this chapter. There are 18,779 respondents from thirteen countries in total.⁵ Of these, almost 22 percent are insiders, almost 41 percent are outsiders, and about 8 percent are members of the upscale groups. Two things should be noted. First, there are large numbers of insiders (4,054) and outsiders (7,639) in the sample.⁶ The claims made about the differences in their preferences can therefore be investigated thoroughly. Even in the case of the upscale groups, the total number of respondents (1,595) is large enough to allow us to systematically test **(p.40)** claims about their preferences. Second, considering the small number of upscale group members, it would be tempting to conclude that they are not a significant part of the electorate. It is important to remember, however, that the purpose of this chapter is to analyze the individual preferences on which this book's arguments depend, not to evaluate the relative weight of insiders, outsiders, and upscale groups in the market of potential voters. As indicated in Chapter 2, my insider-outsider partisanship model understands parties to have ideological and historical commitments in addition to electoral objectives.⁷ Like the traditional partisanship school, then, I consider the connection between conservative parties and upscale groups not to be entirely dependent on the number of upscale individuals as a proportion of the total adult population.⁸ The importance of the upscale groups is also related to their economic power, their influence on policymaking,

etc.

3.2. Policy Preferences of Insiders, Outsiders, and Upscale Groups

The most critical test of my model's individual assumptions concerns the policy preferences of insiders, outsiders, and upscale groups. The implications of the insider-outsider model presented in Chapter 2 are summarized in Figure 3.1.

There are two dimensions represented in Figure 3.1: employment protection and labor market policy. I have placed the three groups on these dimensions according to the preferences specified in the model. On the first dimension, insiders are expected to be strongly in favor of employment protection while upscale groups and outsiders are expected to place themselves closer to the other side of the spectrum. Clearly, lowering employment protection legislation directly attacks the interests of insiders. The preferences of outsiders are justified by their belief that lower employment protection will facilitate their exit from unemployment and precarious employment. The upscale groups (especially employers and managers) benefit from the flexibility of lower levels of employment protection, and thus their placement at the left of the spectrum.

(p.41)

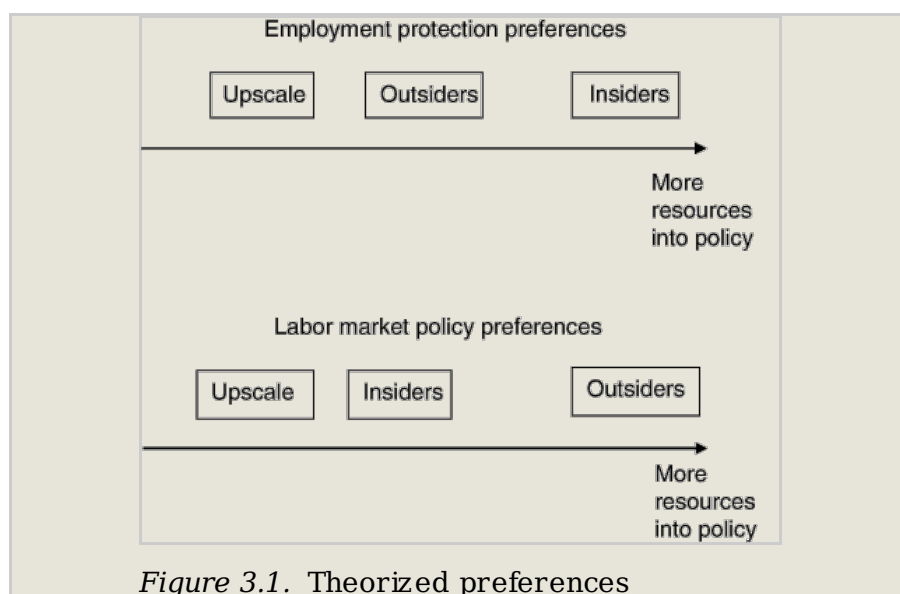


Figure 3.1. Theorized preferences

On the second dimension, insiders (who enjoy a high degree of job protection) are considered less affected by unemployment and less interested in dedicating more resources to labor market policies. Outsiders are most vulnerable to unemployment and therefore more concerned about labor market policies. As for the upscale groups' preferences, their position is justified by their desire to reduce the taxes that pay for these policies and a general inclination to limit the role of government in the economy.

There are reasons for insiders to favor higher levels of labor market policy. Insiders face some probability of losing their jobs (e.g. when companies become economically unviable) and labor market policies can reduce the intensity of job searches by outsiders and

therefore reduce competition for wages. But the reasons for insiders to oppose labor market policies are more powerful. An increase in the levels of labor market policies, after all, represents a higher tax burden for insiders. Additionally, some of these policies may, if successful, promote the entry into employment of individuals who can underbid insiders' wage demands.⁹ As Saint-Paul has argued, when insiders feel protected enough not to significantly fear unemployment, lack of support for labor market **(p.42)** policies may result from the insiders' interest in being sheltered from low-wage competition (1998: 162).

The emergence of employment protection, on the one hand, and precarious employment, on the other, creates these insider–outsider differences. As was explained in more detail in Chapter 2, two processes started to develop in the 1970s. First, because of the growth and stability of the late 1960s as well as the social unrest and union activism that characterized the early 1970s, firms accepted highly restrictive tenure and severance pay arrangements (see Blanchard et al. 1986; Bentolila and Bertola 1990). As a consequence, a considerable proportion of labor became significantly more protected from unemployment. Second, as ‘insiderness’ emerged, the number of outsiders also grew. Increases in unemployment, larger numbers of women entering the labor force, and an intensification of international competition are all factors that contributed to an emerging emphasis on working time flexibility (see e.g. Dore 1994; Mosley and Kruppe 1996). One of the consequences of these developments is a dramatic increase of part-time work and temporary contracts. This shift away from traditional models of employment has dramatic consequences for the creation of insider–outsider differences.

Looking ahead to the analysis in Chapter 4, Figure 3.1 sharply illustrates the reasons why the insider–outsider model implies the absence of partisanship effects in one of the policy dimensions. The analysis in Chapter 2 suggested that insiders are the core constituency of social democratic parties while upscale groups are the core constituency of conservative parties. However, the figure shows that insiders and upscale groups have very similar preferences on the labor market policy dimension. They are both relatively uninterested in policies that promote employment. When analyzing the relationship between government partisanship and policy, no effect will be expected in this policy area. The figure illustrates with equal clarity the drastically different preferences of the two core constituency groups regarding employment protection. It is in this dimension that the behavior of social democratic parties (mainly caring about insiders) and that of conservative parties (mostly concerned about the interests of upscale groups) should be most different.

Returning now to the preferences of insiders, outsiders, and members of the upscale groups, the next step is to test whether the preferences presented in Figure 3.1 are in fact accurate. To do this, I turn to the Eurobarometer survey. To address the hypotheses, questions need to be **(p.43)** found in the survey which sufficiently approximate individual preferences regarding employment protection and labor market policy. This is not completely straightforward, even when using a Eurobarometer that focused on employment issues.

To determine a respondent's opinion about employment protection, the first dimension in Figure 3.1, I use a question about job security. Respondents were asked the following question: 'For you personally, how important do you think each of the following is in choosing a job?' Respondents were then given several characteristics that they could rate from very important to not important at all. Responses that considered a secure job very important were given a 1 and those that did not were given a 0. This seems a reasonable way to capture a respondent's preferences regarding employment protection. Other questions could have been selected (e.g. about the security enjoyed by the respondent in his/her present job). But the alternatives are more difficult to apply to all groups in my analysis (the questions are not usually asked of those without employment). The question chosen is as meaningful when asked to an unemployed outsider as to an employed insider. In the sample used in my analysis, 58 percent of all respondents declared that job security was very important in choosing a job.

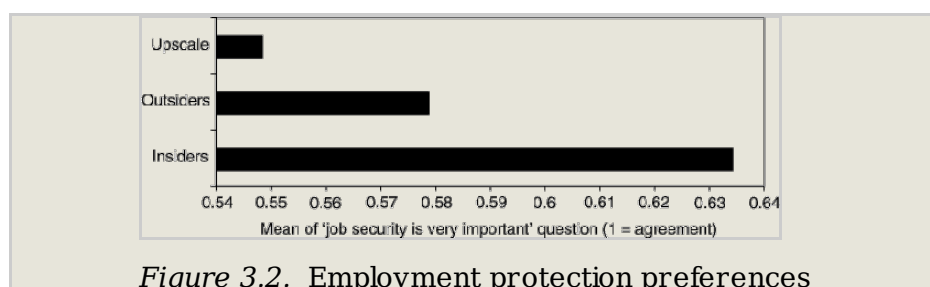
To capture preferences about labor market policy, two different questions are used, reflecting the two kinds of labor market policies that respondents can support. Labor market policies can be either active (aimed to promote employment directly) or passive (aimed to provide compensation when an individual no longer works).¹⁰ Eurobarometer 44.3OVR provides a question that addresses ALMP concerns. Respondents were asked whether they would tend to agree or disagree with the following statement: 'I would be ready to pay more tax if I were sure that it would be devoted to creating new jobs.' Responses that tended to agree were given a 1 and those that did not were given a 0. This again seems a reasonable way to capture a respondent's preferences regarding labor market policies directed to promote employment. The respondents do not only express an abstract view on whether policies to promote employment are good or not but they have to declare an opinion about their willingness to pay taxes to support these policies. This reference to the costs of ALMPs is crucial to the test of the differences between insiders (**p.44**) and outsiders. In the sample, 41 percent of all respondents tended to agree with the idea of paying more taxes to promote employment.¹¹

I also use the Eurobarometer survey to explore individual preferences about PLMPs. The third question I analyze asks respondents whether they would tend to agree or disagree with the following statement: 'The welfare state costs too much to be maintained in its present form.' To capture support for PLMPs, those responses that tended to disagree with the statement were given a 1 and those that did not were given a 0. This question is not as closely related to the theoretical claims as the other two. Unfortunately, no other question in this Eurobarometer is better at addressing public opinion regarding social policy. Other questions are either too general or related to areas that are difficult to consider as passive labor market policy (PLMP). An analysis of the responses to this question will, nevertheless, provide some evidence in support of this book's insider-outsider hypotheses. As hypothesized in Figure 3.1, we would expect outsiders to be most clearly in disagreement with the statement that the welfare state costs too much. As the main potential beneficiaries of passive social policies, outsiders would be in favor of putting more resources into this policy. Insiders, on the other hand, are sufficiently protected from unemployment to feel that the welfare state may cost too much in its

present form. Keeping in mind the limitations of the question, insiders are therefore expected to disagree with the statement less strongly than outsiders. In the sample, 30 percent of total respondents tended to disagree that the welfare state costs too much.

I have so far introduced the questions to be used in the analysis and provided some general figures about answers, in total percentages. By distinguishing among insiders, outsiders, and upscale groups, it is possible to test the claims in Figure 3.1 more directly. We turn to employment protection preferences first.

Figure 3.2 depicts the employment protection preferences of insiders, outsiders, and upscale groups. Each bar reflects the mean response for each group. As explained above, responses indicating that employment security was very important when choosing a job were given a 1. The most significant thing about Figure 3.2 is that the mean preferences of the three groups confirm the hypothesis in Figure 3.1. As expected, insiders were **(p.45)**

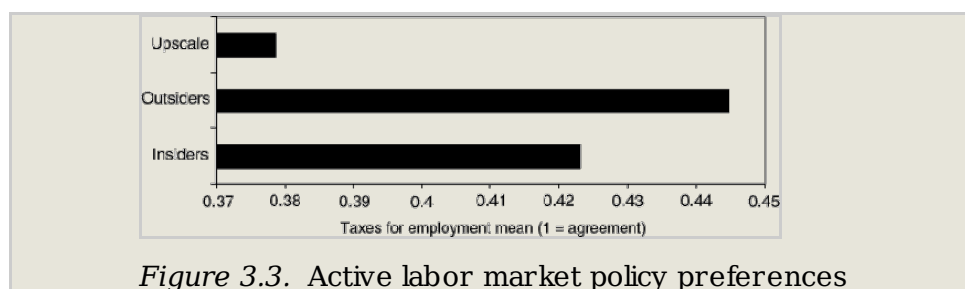


most concerned about job security while outsiders and upscale groups were much less likely to consider job security very important. Almost 64 percent of insiders believed that employment protection was very important when choosing a job, while only 58 percent of outsiders and 55 percent of the upscale groups did so.

The numbers in Figures 3.2 are suggestive but an initial assessment of their statistical significance can help confirm their meaningfulness. I estimate Pearson chi-square statistics to test whether a significant relationship exists between being an insider, outsider, or upscale individual and holding the specific opinions about employment protection contained in the figure. The null hypothesis in this test is that there is no association. The results suggest (at better than a 99 percent level of confidence) that a relationship does exist between insider-outsider-upscale status and employment protection preferences.¹²

Turning now to the second dimension in my analysis, Figure 3.3 presents the mean responses of the three groups when asked about ALMP. In this case, respondents that tended to agree with paying more taxes if the money was devoted to promote employment were given a 1. As was the case with employment protection, the preferences for labor market policy reflected in Figure 3.3 confirm the hypothesis in Figure 3.1. As expected, outsiders were most willing to promote employment, even at the cost of taxes. Insiders, less likely to be vulnerable to unemployment themselves, were more reluctant to agree to pay higher taxes to create jobs. Members of the upscale

groups, also as hypothesized in Figure 3.1, were the least supportive. The figure indicates that almost 45 percent (**p.46**)



of outsiders were in favor of employment promotion (even if it meant higher taxes) while only about 42 percent of insiders and 38 percent of the upscale groups had the same preferences.¹³ Whether an individual is an insider, an outsider, or a member of the upscale groups does prove to be a statistically significant determinant of his/her attitude toward ALMP (a Pearson chi-square test shows that the association is significant at better than a 99 percent level of confidence).

The second dimension in Figure 3.1 is also explored by looking at preferences about PLMP. Figure 3.4 presents the mean responses of insiders, outsiders, and upscale groups when asked about whether the welfare state is too costly. As mentioned above, responses that tended to disagree were given a 1. In spite of the limitations of this question, Figure 3.4 shows a similar pattern to the one found in Figure 3.3. This confirms the expectations summarized in Figure 3.1. Outsiders were most supportive of the welfare state. Insiders and, especially, members of the upscale groups do not see themselves as potential beneficiaries of social policy and dislike paying the costs of a generous welfare state. As a consequence, their support is much more muted. While almost 32 percent of outsiders disagree that the welfare state is too costly, fewer than 31 percent of insiders and a much lower 25 percent of the upscale groups share this preference. A Pearson chi-square statistics shows (at better than a 99 percent level of confidence) that a relationship does exist between insider-outsider-upscale status and PLMP preferences.

The similarity in insiders' and outsiders' preferences with respect to PLMP shown in Figure 3.4 could introduce a degree of doubt in the (**p.47**)



model's claims. However, it is important to remember that the question used for measuring these preferences is far from ideal. To support this initial analysis (a more

systematic one follows this section), we can turn to the conclusions in Boeri, Börsch-Supan, and Tabellini (2001). They show that the preferences in my model are in fact reasonable. They find that the individuals I define as outsiders would be ready to accept higher costs (i.e. taxes) in return for more unemployment insurance. Insiders and upscale groups do not seem to share these preferences.

3.3. Multilevel Analysis of Preferences

Section 3.2 offers a meaningful initial take on the data supporting this book's arguments, but it is mostly descriptive. The frequency tables on which the analysis was based do not control for the influence of a number of possibly relevant factors. They illustrate in a powerful way that the model's assumptions are accurate but they should be complemented by more rigorous tests. This section represents an effort to produce such tests. Below, I present the results of regressions designed to examine whether the conclusions explained in previous paragraphs are reliable.

The nature of the dependent variables to be used in the analysis is dichotomous, or binary. The responses to the questions about employment protection and labor market policy preferences are either 0 or 1. It is well known that ordinary least squares (OLS) estimation is not appropriate when analyzing the determinants of binary responses (see e.g. Hosmer and Lemeshow 2000). Instead, I estimate a logistic model.

(p.48) In a binary logistic model, we estimate the following equation:

$$P(Y|x) = \frac{e^{\beta_0 + \beta_1 x}}{1 + e^{\beta_0 + \beta_1 x}}$$

which can also be written as:

$$P(Y|x) = \frac{\exp(\beta_0 + \beta_1 x)}{1 + \exp(\beta_0 + \beta_1 x)}$$

where $P(Y|x)$ means the probability that the response is 1 and the x 's are the explanatory variables.

The interpretation of the constant and coefficients in a logistic model is not as straightforward as in the OLS case. In the linear case, β_0 refers to the constant and β_1 to the slopes of the explanatory variables. In the logistic case, the coefficients represent the change in the logit for a change in one unit in the explanatory variables. A positive logit means the independent variable has the effect of increasing the odds that the dependent variable equals 1. A negative logit means the independent variable has the effect of decreasing the odds that the dependent variable equals the given value.

Thinking in terms of logits is not easy, so it is common to transform the coefficient into odds ratios [odds ratio = $\exp(\beta_1)$]. The odds ratio reflects the increase in the probability that Y equals 1 associated with a unit increase X in . Once the logit has been transformed into an odds ratio, it can be interpreted as a percent increase in the odds. The odds ratio

is the probability of the event represented in the outcome variable divided by the probability of the nonevent. If the odds ratio estimate for an explanatory variable is 2, then, this would mean that an increase in one unit in the explanatory variable (e.g. being an insider) makes the probability of the event (e.g. having strong preferences for employment protection) twice as likely. Since odd ratios have a much more intuitive interpretation than coefficients, I report both in the analysis below. The significance tests of the coefficients are extended to the odds ratios and I report those as well.

The data used in the analysis have a multilevel structure (one level, the individual, is nested within the other, the country). Developing an analysis that ignores the multilevel nature of the data could create a number of statistical problems (clustering, nonconstant variance, underestimation of standard errors, etc.).¹⁴ Like other recent analyses of similar data (see e.g. Rohrschneider 2002; Anderson and Tverdova 2003), I follow the **(p.49)** recommendations for modeling multilevel data structures of Steenbergen and Jones (2002).

To test the claims summarized in Table 3.1, therefore, I run some logit random intercept multilevel maximum likelihood models. In these models, a subject-specific random intercept is included in the general equation as a predictor. Then maximum likelihood estimates are obtained for all parameters in the model.¹⁵

The analysis proceeds as follows. I estimate models for the determinants of preferences about employment protection and labor market policy. The dependent variables in each case are the questions already described in the section above. The explanatory variables are the insider, outsider, and upscale group dummy variables (this coding was also explained above) alongside some controls (age, gender, income, and education).

Although age, gender, income, and education are commonly used as control variables when exploring public opinion and political behavior, there are also substantive reasons why they should be included in this chapter's analysis. In industrialized democracies, new social risks have become increasingly important when analyzing preferences for employment protection and the welfare state. Although new social risks have become a prominent focus of the literature on the welfare state, a precise definition is not easily available (see e.g. Esping-Andersen 1999). Bonoli (2005) explains that current socioeconomic transformations have brought into existence postindustrial labor market and family structures which are generating new social risks. These new risks tend to concentrate among women, the young, and the low skilled. I attempt to control for the effect of these new social risks by including variables capturing age, gender, income, and education in the analysis. In the following pages, I will be paying special attention to gender. Female participation in the labor market has significantly increased in the last twenty years. In fact, employment growth in the OECD from 1983 to 1992 consisted almost exclusively of an increase in female employment participation (see Rubery et al. 1996; Daly 2000). Furthermore, women are disproportionately represented in precarious employment (whether it is fixed-term or involuntary part-time employment).¹⁶ In the following pages, I try to distinguish **(p.50)** between the effects of insider-outsider status and those of gender on policy preferences.

Table 3.2 presents the results of the analysis of employment protection preferences. As is the case with all the tables in this chapter, the first column depicts the estimates of the coefficients, their standard errors, and p values from z tests of significance. To make the interpretation of the results easier, the significance levels of the estimates are also indicated by asterisks in the usual manner (***) if p value < .01, ** if < .05, and * if < .1). The second column provides the odds ratios associated to the coefficients. Table 3.2 provides a substantial amount of support for the claims in the insider–outsider model. In Figure 3.1, I argued that insiders would be strongly in favor of employment protection while upscale groups and outsiders would not. Table 3.2 makes clear that this is the case. Only insider status is significantly associated with employment protection preferences (the relationship is significant at higher than a 99 percent confidence level). Neither outsider nor upscale group status, on the other hand, reaches statistical significance as a determinant of these preferences. Moreover, the second column in the table indicates that insider status is not only statistically significant but also has important effects. The odds ratio suggests that being an insider is associated with a 45 percent increase in the probability of considering employment security very important when choosing a job. It is clear, therefore, that lowering employment protection is perceived by insiders as a direct attack on their interests. Because they understand that lower employment protection will facilitate their exit from unemployment and precarious employment, outsiders, on the other hand, do not share these concerns. This lack of concern is also reflected in the preferences of the members of the upscale groups.

The table shows that several of the control variables are also significant. I will not dedicate much attention to the controls for age, income, and education. But I will mention that once we control for the effects of insider–outsider differences, gender is still a significant determinant of employment protection preferences. The gender variable is coded so that females get a 1 and males a 0. The odds ratio for gender in Table 3.2 suggests that the probability of considering employment security very important when choosing a job decreases by 11 percent if the respondent is a female. This effect is statistically significant at better than a 99 percent confidence level. This result is interesting and it seems to reflect a difference between females and insiders. Given the fact that females are **(p.51)**

Table 3.2. The effects of insider, outsider, and upscale status on employment protection preferences

	Coefficients	Odds ratios
Constant	.874 *** (.089) .000	—
Outsider status	.077 .047) .107	1.080
Insider status	.371 * * * (.049) .000	1.449
Upscale group status	– .093 (.061) .133	.911
Age	– .072 *** (.021) .001	.930
Gender	– .115 * * * (.031) .000	.891
Income	– .021 * (.011) .055	.980

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Education	−.136 *** (.019) <i>.000</i>	.873
N	18,779	
Number of countries	13	
<i>Notes:</i> Employment protection preferences measured as agreement in 'job security is important' question.		
All entries are from logit random intercept multilevel maximum likelihood estimation.		
In the first column, numbers in bold are estimated coefficients; numbers in parentheses are standard errors; numbers in italics are p values from z tests.		
The asterisks signify statistical significance in the usual manner (
(***) if p value < .01,		
(**) if < .05, and		
(*) if < .1).		

over represented in the sectors of the economy characterized by precarious employment, this may not be a surprising result.

The odds ratios reported in Table 3.2 are meaningful but a complementary explanation of the variables' effects can be provided. Using the coefficients in the table, we can calculate the probability that an individual with a particular set of values in all the independent variables would consider employment security very important when choosing a job. By looking at the probabilities associated with some combinations, it is possible to get a more intuitive impression of the effect of the explanatory variables.

(p.52) We do this by calculating:

$$P(Y = 1) = 1 / (1 + \exp(-X\beta))$$

In this case:

$$= 1 / (1 + \exp(-(\beta_0 + \beta_1 \text{outsider} + \beta_2 \text{insider} + \beta_3 \text{upscale} + \beta_4 \text{age} + \beta_5 \text{gender} + \beta_6 \text{income} + \beta_7 \text{education})))$$

The estimates for all s are in the table, by providing the values of the explanatory variables we can calculate the probability associated to them. First I calculate the probability of considering employment security very important for a male insider. In this case, *insider* equals 1 and *outsider*, *upscale*, and *gender* equal 0. I also set the individual control variables (*age*, *income*, and *education*) to their most common values. For *age*, the most common response is 2 (26 to 44 years), for *income* 4 (the lowest quartile in the household income distribution), and for *education* 2 (the respondent was 16 to 19 years old when he/she finished full-time education). Replacing estimates and values, we obtain:

$$\begin{aligned}
 P(Y = 1) &= 1 / (1 + \exp(-(.874 + (.077*0) + (.371*1) + (-.093*0) + (-.072*2) \\
 &\quad + (-.115*0) + (-.021*4) + (-.136*2)))) \\
 &= 1 / (1 + \exp(-(.874 + (.371*1) + (-.072*2) + (-.021*4) \\
 &\quad + (-.136*2)))) \\
 &= 1 / (1 + \exp(-.745)) \\
 &= .678
 \end{aligned}$$

This means that being a male insider is associated with a 68 percent probability of considering employment security very important when choosing a job.¹⁷ We can do the same calculations to estimate the probability when a respondent is a female outsider. The probability this time is only 58 percent. The probability for a female member of the upscale groups is still lower, only 54 percent. Clearly, being an insider represents a substantive increase in one's preferences for employment protection.

Table 3.3 presents the results of the analysis of ALMP preferences. The estimates provide once again a substantial amount of support for the claims in the insider–outsider model. Going back to the explanation of Figure 3.1, I argued that outsiders are most vulnerable to unemployment and therefore most supportive of higher levels of active and passive labor market policies. I also argued that insiders face some probability of losing

Table 3.3. The effects of insider, outsider, and upscale status on active labor market policy preferences

	Coefficients	Odds ratios
Constant	−.671 *** (.090) .000	—
Outsider status	.206 *** (.048) .000	1.229
Insider status	.127 ** (.050) .011	1.136
Upscale group status	−.068 (.064) .289	.934
Age	.021 (.021) .326	1.021
Gender	−.067 ** (.031) .031	935
Income	−.016 (.011) .160	985
Education	.108 *** (.019) .000	1.114
N	18,779	
Number of countries	13	

Notes: Active labor market preferences measured as agreement in ‘ready to pay more tax if devoted to creating new jobs’ question.

All entries are from logit random intercept multilevel maximum likelihood estimation.

In the first column, numbers in bold are estimated coefficients; numbers in parentheses are standard errors; numbers in italics are p values from z tests.

The asterisks signify statistical significance in the usual manner (

(***) if p value $< .01$,

(**) if $< .05$, and

(*) if $< .1$).

their jobs but they are much less vulnerable to unemployment than outsiders. As a consequence, their support of active and passive labor market policies was expected to be much more muted. Members of the upscale groups see these policies as expensive government intervention in the labor market and they were expected not to support them. The results in Table 3.3 support these hypotheses: being an outsider is significantly associated with higher active labor market preferences (the relationship is significant at higher than a 99 percent confidence level). The odds ratio indicates that the probability of agreeing to pay more tax to promote employment increases by 23 percent when the respondent is an outsider. **(p.54)** This is both a significant and a substantively important increase. Being an insider, on the other hand, is also statistically significant (at higher than a 95 percent confidence level) but less influential. The willingness to pay more tax to promote job creation only increases by 14 percent when the respondent is an insider. As hypothesized, insiders are not as concerned about labor market policy as outsiders. Also consistent with the claims in Figure 3.1, members of the upscale groups exhibit a lack of concern for ALMPs (being in this category is not significant in the analysis).

As for gender, it is again a significant determinant of individual preferences. The odds ratio for gender in Table 3.3 indicates that the probability of supporting ALMP decreases by 6 percent if the respondent is a female. This is not a very noticeable effect in substantive terms. But the sign of the change is, nevertheless, surprising. While the results in Table 3.2 placed the preferences of females closer to those of outsiders (they were less likely to support employment protection), those in Table 3.3 seem to distance them. Females do not share a concern for ALMPs with outsiders.

As was the case with the results in Table 3.2, the effects of the explanatory variables can be illustrated by calculating the probabilities associated to particular values. Using the estimates as described above, we can calculate the probability of supporting ALMP for a male outsider. As before, I set the individual control variables (*age*, *income*, and *education*) to their most common values. The calculations show that the probability of agreeing to pay more tax if it was devoted to create jobs is 43 percent when the respondent is a male outsider. Being a male insider reduces the probability of supporting ALMP to 41 percent (this was, in fact, the average response for the total sample) while being a male member of the upscale groups reduces it even further, to only 37 percent.

The results of the analysis of PLMP preferences are presented in Table 3.4. The expectations explained when considering ALMP apply here as well. And, as was the case with Table 3.3, the results provide considerable support for the model's hypotheses. Being an outsider is significantly associated with support for PLMP (the relationship is

significant at higher than a 95 percent confidence level). The probability of disagreeing with the statement that the welfare state is too costly increases by 11 percent when the respondent is an outsider. Insider status, on the other hand, is not a significant determinant of passive labor market preferences. While the analysis of Table 3.3 showed that insiders are less supportive of ALMP, Table 3.4 indicates that being an insider is not significant at all when considering PLMP. The third category in the analysis, the upscale groups, **(p.55)**

Table 3.4. The effects of insider, outsider, and upscale status on passive labor market policy preferences

	Coefficients	Odds ratios
Constant	−.957 *** (.098) .000	—
Outsider status	.102 ** (.051) .047	1.107
Insider status	.054 (.051) .298	1.055
Upscale group status	−.231 *** (.070) .001	.794
Age	−.023 (.023) .303	.977
Gender	−.124 *** (.033) .000	.884
Income	.019 * (.011) .091	1.019
Education	.083 *** (.020) .000	1.087
N	18,779	
Number of countries	13	

Notes: Passive labor market preferences measured as disagreement in ‘welfare state costs too much’ question.

All entries are from logit random intercept multilevel maximum likelihood estimation.

In the first column, numbers in bold are estimated coefficients; numbers in parentheses are standard errors; numbers in italics are p values from z tests.

The asterisks signify statistical significance in the usual manner (

(***) if p value < .01,

(**) if < .05, and

(*) if < .1).

is highly significant (at higher than a 99 percent confidence level). Being a member of the upscale group is associated with a substantial 21 percent decrease in the probability of supporting PLMP, which is consistent with the claims of the insider–outsider model.

The influence of gender on the likelihood of agreeing that the welfare state costs too much is very similar to the one discussed when looking at the previous table. Gender is a

significant determinant of PLMP preferences. Being a female decreases the probability of supporting these policies by 12 percent. As was the case in Table 3.3, females do not seem **(p.56)** to share the levels of support for labor market policies (whether active or passive) exhibited by outsiders.

I will once again illustrate the effects of the explanatory variables by calculating the probabilities associated to particular values. The estimates in Table 3.4 indicate that the probability of disagreeing that the welfare state costs too much is 34 percent when a respondent is a male outsider (as before, the control variables are set to their most common values). This number may seem low, but it must be put in context by remembering that 30 percent of the total sample disagreed with the statement in this question. Being a male insider reduces the probability of supporting PLMP to 33 percent (not a substantial change from the one associated with being an outsider) but being a male member of the upscale groups does promote a much greater reduction, to only 27 percent. It is possible that the limitations inherent to this question as a proxy for social policy preferences affect the lack of a greater difference between insiders and outsiders. But it is still the case that outsider status is a statistically significant determinant of PLMP (as shown in the table) while insider status is not.

3.4. Factors Mitigating Insider–Outsider Differences: The Effects of Employment Protection and Corporatism

In Chapter 2, I explained in some detail that there are factors that can affect the differences between insiders and outsiders. My argument focused on two main ones: employment protection and corporatism. The insider–outsider model is based on the existence of very different preferences for insiders and outsiders. All circumstances that make the interests of insiders more similar to those of outsiders will transform the strategies of social democratic parties. Insiders will remain the core constituency of social democratic parties, but the more insiders become like outsiders, the greater the incentives for Left parties to promote what I have defined as pro-outsider policies. Both employment protection levels and the existence of corporatist arrangements affect the existence of differences in the preferences of insiders and outsiders. They do so, however, quite differently. While employment protection is straightforwardly related to the unemployment vulnerability of insiders, corporatism has more ambiguous effects.

It is clear that decreasing levels of employment protection directly increase the vulnerability of insiders to unemployment. If firing insiders becomes easier, the interests of insiders and those of outsiders will become **(p.57)** more similar. The benefits of policies directed to promote employment become more attractive to insiders as they themselves become more likely to need them. A hypothesis emerges directly from this: the insider–outsider model implies that decreasing levels of employment protection should be associated with increasing demands for labor market policy. In other words, as the insider loses his/her employment protection and becomes more vulnerable to unemployment, he/she is expected to get closer to the preferences we had defined for outsiders. Increasing the levels of labor market policy (whether active or passive) therefore becomes part of these insiders' goals.

I explained above that there are costs and benefits to labor market policies for insiders. The costs are related to taxation and competition. An increase in the levels of labor market policies represents a higher tax burden for insiders and it may also promote low-wage competition from new entrants into the market. The benefits, on the other hand, are related to the possibility that insiders may ever need these policies (either as compensation for losing a job or assistance to find a new one). To the degree that insiders face a low probability of losing their jobs, the costs of labor market policy greatly outweigh the benefits. As the probability of losing a job increases (as insiders become more like outsiders), the benefits of labor market policy become more meaningful.¹⁸

A number of different options exist for measuring the levels of employment protection in OECD countries. For the analysis in this chapter, I will use a variable provided in Baker et al. (2004). The data were created by joining together several series: an original one from Lazear (1990), an update using OECD data from Blanchard and Wolfers (2000), and a further update and interpolation from Nickell and Nunziata (2000). It is important to note that the OECD data, used from 1985 onward, is constructed on the basis of a more extensive collection of employment protection dimensions.¹⁹ The variable ranges from 0 to 2, where higher values mean stricter employment protection.

(p.58)

Table 3.5. Employment protection, 1996

Country	
Austria	1.30
Belgium	1.19
Denmark	0.74
Finland	1.08
France	1.50
Germany	1.41
Italy	1.41
Ireland	0.54
Netherlands	1.23
Portugal	1.91
Sweden	1.32
Spain	1.62
UK	0.35

Notes: Employment protection is measured as an index ranging from 0 to 2, higher values mean more employment protection.

Source: Baker et al. (2004).

Table 3.5 shows the employment protection levels of the 13 countries in this chapter's analysis. The figures show the great cross-national diversity in employment protection that exists in our sample. Liberal countries like the UK or Ireland exhibit a very low level of employment protection (0.35 and 0.54, respectively). On the other hand, the Mediterranean countries (Portugal, with 1.91, Spain, with 1.62, and France, with 1.50) are examples of very high levels. The insider-outsider model implies that these differences will have an effect on the preferences of insiders.

While it is certainly true that employment protection legislation is an important factor affecting the vulnerability of insiders, it is also possible to capture the individual aspects of job security. Political scientists have long been interested in the effects of individual employment insecurity on public opinion and political behavior (see e.g. Mughan and Lacy 2002).²⁰ This is particularly the case since job insecurity seems to have become a widespread feature of many industrialized democracies. A great deal of evidence suggests that employment-related worries have been on the rise in recent years (OECD 1997). The structural changes in favor of flexible and part-time employment mentioned in previous sections have contributed to these changes. The erosion of lifetime employment and the shift to more temporary contracts has promoted a sense of insecurity in many workers. Although job insecurity at the individual level is related **(p.59)** to the macro level measure of employment protection used above, it is clearly not the same thing. Employment protection legislation is an important contributing factor, but many other variables affect the levels of individual job insecurity. I therefore explore whether subjective feelings of individual job insecurity affect preferences for labor market policy.

The question I use asked employed respondents whether a number of statements about their current jobs were very true, quite true, a little, true, or not at all true. Those who believed the statement 'my job is secure' was not true at all were given a 1. It is important to note the differences between the question I used for the analysis of employment protection preferences and the one used here to measure insider vulnerability. Previously, I needed to analyze the differences among insiders, outsiders, and upscale groups regarding support for employment protection. So I used a question that asked respondents how important job security was to them when choosing a job. In this analysis, I am interested in the question of whether unemployment vulnerability makes insiders more like outsiders. I use a question posed only to those in employment that focuses on the job security they enjoy at present. I also code it differently, to capture their unemployment vulnerability (rather than the existence of employment protection). In the sample, 10 percent of insiders feel insecure about their jobs.

The second macro level factor in my analysis affecting the differences between insiders and outsiders is corporatism. Employment protection legislation has a straightforward effect on insider vulnerability to unemployment. Corporatism, on the other hand, has more ambiguous effects. As was suggested in Chapter 2, corporatism could be interpreted as a set of institutional arrangements that systematically protect the interests of insiders. The economic insider-outsider framework argues that unions, even in corporatist countries, have little incentive to consider the interests of outsiders. Is it the

case that corporatism is designed to promote the interests of insiders only? An alternative interpretation of the effects of corporatism is possible. As Chapter 2 explained in more detail, what I call the Olsonian interpretation of corporatism emphasizes the effects of institutional encompassment. In this view, corporatism would be expected to translate into a decrease in the policy preference differences among insiders, outsiders, and upscale groups. If corporatism does indeed promote solidaristic preferences, we would expect insiders in highly corporatist systems to be more supportive of labor market policies (employment promotion being a solidaristic goal that would benefit labor as a whole, not only protected insiders). If the economic insider–outsider framework (p.60)

Table 3.6. Corporatism, 1994

Country	
Austria	0.96
Belgium	0.66
Denmark	0.61
Finland	0.83
France	0.36
Germany	0.76
Italy	0.40
Ireland	0.11
Netherlands	0.53
Portugal	—
Sweden	0.78
Spain	—
UK	0.07

Notes: Corporatism is measured as an index ranging from 0 to 1.

Source: Hicks and Kenworthy (1998).

is more accurate, however, we would expect exactly the opposite effect.²¹

The measure for corporatism used in this chapter is provided by Hicks and Kenworthy (1998). It is an index that encapsulates a number of economic characteristics: the centralization and coordination of unions, business, and wage-setting; the cooperation between government and interest groups; the existence of tripartite organizations, the degree of cooperation among economic actors, etc. The variable ranges from 0 to 1, where higher values mean more corporatism.

Table 3.6 shows the corporatism index values for all countries in this chapter's analysis. Because of missing data, two countries are lost when the corporatism measure is

introduced. Hicks and Kenworthy do not provide observations for either Portugal or Spain. The data are also provided only until 1994. Although the Eurobarometer survey was conducted in 1996, we have to make do with this, the latest observation available.²² As was the case with employment protection, the table shows a great deal of cross-national variation. Unsurprisingly, liberal countries like the UK or Ireland exhibit a very low level of corporatism (0.07 and 0.11, respectively) while the Northern European countries have very high levels. Austria (0.96) is the most corporatist country but Finland (0.83), Sweden (**p.61**) (0.78), and Germany (0.76) are also good examples of strong corporatist arrangements.

3.5. Multilevel Analysis of the Effects of Job Security and Corporatism: What Happens When Insiders Become More Like Outsiders?

I test the claims about the effects of job security and corporatism by developing an analysis similar to that in the previous sections of this chapter (I estimate logit random intercept multilevel maximum likelihood models). As indicated by the title, the focus of this section is to explore whether insiders become more like outsiders when: (a) they suffer greater job insecurity and (b) they are influenced by corporatist arrangements. The insider–outsider model implies that, like outsiders, insiders will become more supportive of labor market policy as their job insecurity increases. The analysis will also allow us to assess whether the economic or the Olsonian interpretation of the effects of corporatism is correct. I estimate models for the determinants of preferences about active and passive labor market policy. As in previous analyses, the explanatory variables are the insider, outsider, and upscale status variables, alongside some controls (age, gender, income, and education). In this case, however, I add the variables capturing job insecurity and corporatism described in section 3.4 (two at the macro level, employment protection and corporatism, and one at the micro level, subjective job insecurity). Because my argument concerns the influence of the job insecurity and corporatism variables on insider preferences, I introduce an interaction term consisting of the multiplication of each of these variables and the insider status variable. I analyze first the influence of employment security and then of corporatism.

Table 3.7 presents the effects of job security on active and passive labor market policy preferences. The table follows the format of the previous analyses but includes estimates for two different models (one for active and one for passive labor market policy preferences). To test whether the preferences of insiders become more like those of outsiders when they are exposed to higher levels of unemployment vulnerability, I have introduced into the models a measure of individual job insecurity and another of macro level employment protection. To assess the effects of these two variables on insiders, I have also introduced interactions of the variables with the one capturing insider status. Given (**p.62**)

Table 3.7. The effects of job security on active and passive labor market policy preferences

Active labor market policy preferences	Passive labor market policy preferences
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The Preferences of Insiders and Outsiders: Testing the Model's Assumptions about Individual Interests

	Coefficients	Odds ratios	Coefficients	Odds ratios
Constant	-.278 *** (.104) .008	—	-.735 *** (.109) .000	—
Outsider status	.221 *** (.049) .000	1.248	.079 (.051) .126	1.082
Insider status	-.039 (.114) .733	.962	-.212 * (.122) .083	.809
Upscale group status	-.051 (.065) .429	.950	-.233 *** (.071) .001	.792
Individual job insecurity	-.087 (.092) .345	.917	.018 (.098) .850	1.019
Insider status*individual job insecurity	.198 (.143) .165	1.219	-.044 (.151) .769	.957
Employment protection index	-.202 *** (.041) .000	.817	-.250 *** (.044) .000	.779
Insider status*employment protection index	.154 * (.087) .077	1.167	.220 ** (.094) .020	1.246
Age	.028 (.021) .180	1.029	-.025 (.023) .267	.975
Gender	-.067 ** (.031) .032	.935	-.123 *** (.033) .000	.884
Income	-.019 * (.011) .088	.981	.013 (.012) .263	1.013
Education	.110 *** (.019) .000	1.112	.083 *** (.020) .000	1.086
N		18,779		
Number of countries		13		

Notes: Active labor market preferences measured as agreement in 'ready to pay more tax if devoted to creating new jobs' question. Passive labor market preferences measured as disagreement in 'welfare state costs too much' question.

All entries are from logit random intercept multilevel maximum likelihood estimation.

In the coefficient columns, numbers in bold are estimated coefficients; numbers in parentheses are standard errors; numbers in italics are p values from z tests.

The asterisks signify statistical significance in the usual manner (

(***) if p value < .01,

(**) if < .05, and

(*) if < .1).

(p.63) the focus of this part of the analysis (and the fact that the estimation of other variables is very similar to that reported in previous models), I will concentrate the following observations on the effects of these variables.

From Tables 3.3 and 3.4, we know what the differences between insiders and outsiders are regarding active and passive labor market policy. I showed that being an outsider was significantly associated with support for ALMP (the relationship was significant at higher than a 99 percent confidence level). Being an insider was also statistically significant (but only at higher than the 95 percent confidence level) but less influential in substantive terms. In Table 3.7 we can see how these estimates change when we take into account the influence of job security. When we introduce our measures of job security, insider status becomes insignificant in relation to ALMP preferences but significant in relation to passive ones. It is difficult to interpret these results without taking into consideration the combined effects of the interaction variables. The estimates for individual job insecurity, however, suggest that this is not an important factor determining insider preferences. Neither individual job insecurity nor its interaction with insider status are statistically significant as determinants of active and passive labor market policy preferences. It is perhaps surprising that subjective feelings about job security do not influence an insider's likelihood to support policies either promoting employment or compensating for job loss. The influence of the employment protection index, on the other hand, fully supports the expectations of the insider-outsider model. The results suggest that the direct effects of employment protection at the macro level are significant (at better than a 99 percent confidence level) and negative in both models. As hypothesized, the willingness to pay tax to support employment promotion and the likelihood to disagree that the welfare state is too costly decrease as the levels of employment protection increase. The interaction terms are also significant (only at better than the 90 percent level in ALMP analysis) but its effects are more complicated to assess by looking simply to the coefficient or odds ratio.

To get a better impression of the effects of job security (both at the individual and macro levels) on the likelihood of supporting active and passive labor market policy, I will calculate the probabilities associated to particular values of the explanatory variables.²³ More specifically, I am interested in the change in the probability of supporting labor market **(p.64)** policy for a male insider associated to changes in individual job insecurity and levels of macro level employment protection. In these calculations, *insider* equals 1 and *outsider*, *upscale*, and *gender* equal 0. As before, I set the individual control variables (*age*, *income*, and *education*) to their most common values. To capture change in the job security variables, I set *individual job insecurity* to either 0 or 1 and *employment protection index* to either the level in Denmark, 0.74 (as shown in Table 3.5, this is a moderately low level of employment protection in our sample), or that of Germany, 1.41 (a moderately high level of employment protection in the sample). The estimates in Table 3.7 indicate that with individual job insecurity and a low level of employment protection the probability for a male insider to agree to pay taxes for employment promotion is 49 percent. When a male insider does not exhibit individual job insecurity and experiences a high level of employment protection the probability goes

down to 45 percent. The results also indicate that the probability of disagreeing that the welfare state is too costly is 30 percent for a male insider with individual job insecurity and a low level of employment protection but does not change when there is no individual insecurity and a high level of employment protection.

The results in Table 3.7, therefore, support this chapter's claims regarding ALMP very strongly. Without individual job insecurity and enjoying high levels of employment protection, a male insider has a 45 percent probability of supporting ALMPs. When a male insider experiences individual job insecurity and low levels of employment protection, the likelihood goes up to a much more substantive 49 percent.²⁴ This is exactly what the insider-outsider model would lead us to expect.²⁵ The results, however, do not support the expectations when looking at PLMP preferences. The probability of supporting PLMP does not change for a male insider whether the measures of job security are high or low. The lack of confirmation of this chapter's hypotheses in this case may have to do with the nature of the question itself (as mentioned above, it is not ideal as a proxy for PLMP preferences).

Data from Portugal and Spain are missing.

Finally, Table 3.8 presents the effects of corporatism on active and passive labor market policy preferences. The goal of the analysis this time is to test whether the effects of corporatism on insider preferences (p.65)

Table 3.8. The effects of corporatism on active and passive labor market policy preferences

	Active labor market policy preferences		Passive labor market policy preferences	
	Coefficients	Odds ratios	Coefficients	Odds ratios
Constant	−.832 *** (.103) .000	—	−.870 *** (.109) .000	—
Outsider status	.252 *** (.053) .000	1.286	.096 * (.054) .077	1.101
Insider status	−.073 (.095) .444	.930	−.053 (.102) .601	.948
Upscale group status	−.070 (.071) .322	.933	−.269 *** (.075) .000	.764
Corporatism	−.660 *** (.069) .000	.517	−.179 * (.079) .023	.836
Insider status*corporatism	.424 *** (.143) .003	1.527	.134 (.151) .376	1.143
Age	.059 ** (.023) .011	1.061	−.020 (.024) .416	.981
Gender	−.080 ** (.034) .018	.923	−.119 *** (.035) .001	.888

The Preferences of Insiders and Outsiders: Testing the Model's Assumptions about Individual Interests

Income	.002 (.011) <i>.890</i>	1.002	.010 (.012) <i>.402</i>	1.010
Education	.134 *** (.021) <i>.000</i>	1.144	.082 *** (.022) <i>.000</i>	1.086
N	16,176			
Number of countries	11			

Notes: Active labor market preferences measured as agreement in 'ready to pay more tax if devoted to creating new jobs' question. Passive labor market preferences measured as disagreement in 'welfare state costs too much' question.

All entries are from logit random intercept multilevel maximum likelihood estimation.

In the coefficient columns, numbers in bold are estimated coefficients; numbers in parentheses are standard errors; numbers in italics are p values from z tests.

The asterisks signify statistical significance in the usual manner (

(***) if p value < .01,

(**) if < .05, and

(*) if < .1).

are economic or Olsonian. Do insiders become more like outsiders when corporatism is high or not? To answer this question I have introduced the measure of corporatism described in section 3.4 into the analysis (both as a direct effect and as an interaction with insider status).

(p.66) The reader has already been reminded of the results in Tables 3.3 and 3.4; Table 3.8 shows the estimates obtained when introducing corporatism into the analysis. Insider status becomes insignificant when looking at both active and passive labor market policy preferences. As above, to interpret these effects we must now take into consideration the combined effects of the interaction variables. The estimates for corporatism, however, suggest that this is an important factor determining insider preferences in both the active and the passive models. The results suggest that the direct effects of corporatism are significant and negative in both models. This means that the willingness to pay tax to support employment promotion and the likelihood to disagree that the welfare state is too costly decrease as the levels of corporatism increase (in support of the economic insider-outsider interpretation regarding the effects of corporatist arrangements). The interaction terms are also significant, but only in the model for ALMP preferences.

Once again I calculate the probabilities associated to particular values of the explanatory variables to acquire a better impression of the effects of corporatism. In this case, I am interested in the change in the probability of supporting labor market policy associated with different levels of corporatism. As before, I set the variables to represent a male

insider (with the most common values of the control variables). I then set the corporatism variable to the levels in France, 0.36 (as shown in Table 3.6, this is a moderately low level of corporatism in our sample), and then Germany, 0.76 (a moderately high level of corporatism in the sample). The estimates in Table 3.8 indicate that with a low level of corporatism the probability for a male insider to agree to pay taxes for employment promotion is 35 percent while with a high level of corporatism it is only 33 percent. As was the case in the analysis of job security, corporatism does not make a difference regarding preferences for PLMP. The results indicate that the probability to disagree that the welfare state is too costly is 31 percent for a male insider whether the level of corporatism is high or low.

The results in Table 3.8 provide a limited amount of support for an economic approach to the effects of corporatism regarding active and passive labor market policy. When corporatism is low, the probability of supporting ALMPs for a male insider is higher than when corporatism is high. Admittedly, it is not a large effect. It is, nevertheless, an effect more consistent with the economic insider–outsider interpretation of corporatism than with an Olsonian one. It is clearly not the case that insiders become more like outsiders when corporatism is high. The **(p.67)** results also support these expectations when looking at PLMP preferences. The probability of supporting PLMP does not change for a male insider whether the measures of job security are high or low. This is again more understandable in the economic framework than in an Olsonian one. I hasten to add, however, that the nature of the question is (as mentioned above) not a good proxy for PLMP preferences.

Notes:

(1) These are Eurostat regions.

(2) For details, see Reif and Melich (1993); Reif and Marlier (1996).

(3) In 1996, these were Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the UK. Please note that in this chapter's analysis, East and West Germany (which are separated in the Eurobarometer survey) were merged into Germany, and Great Britain and Northern Ireland were merged into the UK.

(4) My conception of insiderness is clearly related to the level of protection enjoyed by workers. It is equally unambiguous from the definition above, moreover, that I do not consider the more general category of labor to consist of only manual workers. Like a number of authors (see e.g. Zweig 2000), I emphasize the lack of power over production (being an employee) rather than manual work as the defining characteristic of labor.

(5) Eurobarometer 44.3OVR contains data for 15 countries, but Greece and Luxembourg were excluded due to missing data.

(5) This applies to Janoski's country-specific treatment of the determinants of ALMPs (1990, 1994).

- (6) The number of outsiders is high due to the oversampling described above.
- (7) See e.g. Powell (1982).
- (8) It is also true that the importance of upscale groups in purely individual terms would be much greater if Table 3.1 contained figures for likely voters instead of all adults. The greater tendency to vote of upscale individuals (compared to both insiders and outsiders) would increase the proportion of this group within the total of likely voters.
- (9) See Calmfors (1994); Saint-Paul (1998). For the relationship between the effects of different kinds of labor market policies, see Calmfors (1993). For an analysis showing that the effects of ALMPs on labor market competition may be dependent on whether they target particular individuals, see Calmfors and Lang (1995).
- (10) The analysis of macro policies in Chapter 4 contains a more detailed explanation of the distinction between active and passive labor market policies in the context of my insider-outsider model.
- (11) Elsewhere, I complement my analysis by also looking at a more abstract formulation (respondents were asked whether they would tend to agree or disagree with the following statement: 'The government should offer a guarantee of training, or a job, to all young people leaving school'). See Rueda (2005) for details.
- (12) The sections below will provide a more systematic test of the implications of the insider-outsider model to employment protection and labor market policy preferences.
- (13) As mentioned in footnote 11, in Rueda (2005) I test this same claim with a slightly different question. The pattern suggested in Figure 3.3 is confirmed by an analysis of the support for active labor market policy looking at responses for that question as well.
- (14) For a more detailed analysis of these issues, see Zorn (2001).
- (15) For more details about maximum likelihood estimation of random intercept multilevel models, see Rabe-Hesketh, Skrondal, and Pickles (2005). For more details about estimating these models with Stata, as was done for the results below, see Rabe-Hesketh and Skrondal (2005).
- (16) See Maier (1994) and the policy-specific chapters in this book.
- (17) To put this figure in context, it is important to remember that 54 percent of the total sample considered employment security very important when choosing a job.
- (18) Elsewhere, I also look at increases in unemployment as having a potential effect on the vulnerability of insiders. One of the claims in Rueda (2006) is that as unemployment becomes unstable, insiders will increase their demands for employment promotion policies. This argument, and the analysis supporting it, complement the ones presented in this chapter.

(19) Lazear's index measures the severance pay and advance notice a blue-collar worker with ten years of service receives upon termination without cause. The OECD index is constructed by averaging the scores obtained by each country in three categories: 'procedural inconveniences which the employer faces when trying to dismiss employees; notice and severance pay provisions; and prevailing standards of and penalties for unfair dismissal'(OECD 1999: 54).

(20) For an analysis of the determinants of job insecurity, see Anderson and Pontusson (2007).

(21) For a theoretical attempt to integrate these two views, see Teulings (1997). For an empirical analysis of the two alternative frameworks, see Kittel (2000).

(22) Since the index of corporatism is relatively stable through time, using the corporatism measure from 1994 does not seem too problematic.

(23) Probabilities are calculated as explained in previous sections.

(24) The results in Table 3.7 make clear that this increase is mostly the result of employment protection changes at the macro level, rather than the effects of individual job insecurity.

(25) Using a different estimation model, these results are confirmed in Rueda (2006). In that analysis, I estimate logit random intercept multilevel maximum likelihood Restricted Iterative Generalized Least Squares (RIGLS) models and confirm my results with parametric and nonparametric bootstrapping models.



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