

Article

Insider–outsider representation and social democratic labor market policy

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Abstract

Postindustrialization and occupational change considerably complicate partisan politics of the welfare state. This article asks about the determinants of contemporary social democratic labor market policy. We argue that the composition of their support base is a critical constraint and empirically demonstrate that the actual electoral clout of different voter segments decisively affects policy outcomes under left government. We calculate the electoral relevance of two crucial subgroups of the social democratic coalition, labor market insiders and outsiders, in 19 European democracies and combine these indicators with original data capturing the specific content of labor market reforms. The analysis reveals considerable levels of responsiveness and demonstrates that relative electoral relevance is consistently related to policy outcomes. Social democratic governments with a stronger support base among the atypically employed push labor market reforms on their behalf—and vice versa. Our findings have important implications for our understanding of policy-making in postindustrial societies.

Key words: labor market institutions, social policy, political parties, employment, comparative politics, political economy

JEL classification: P16, J48, E24

1. Introduction: social democratic dilemmas

The traditional view on the party politics of the welfare state maintains that left parties defend pro-welfare stances favoring their lower-class constituency and parties from the right aim to limit welfare spending in the interest of their better-off supporters. However, more contemporary perspectives emphasize that welfare politics have become more complex and more multifaceted in postindustrial societies (Häusermann *et al.*, 2013). One crucial factor

adding complexity to the debate is the fact that the composition of political parties' support coalitions has undergone substantial transformation since the end of the industrial age. The literature agrees that the electorate of the social democratic party, the most important supporter of the welfare state in the traditional view, has been reshuffled particularly strongly (Rennwald and Evans, 2014; Gingrich and Häusermann, 2015; Evans and Tilley, 2017; Oesch and Rennwald, 2018). Clearly, a profoundly altered support coalition calls for programmatic renewal and raises the question of the driving forces behind contemporary social democratic policy-making.

Programmatic reorientation involves tough decisions since realigned voter segments provide parties with less clear, often heterogeneous and perhaps even conflicting signals with respect to their policy preferences. This is particularly true in the domain of welfare states and labor market policy, where social democratic parties face challenging trade-offs as a result of voter realignment in postindustrial societies. These programmatic dilemmas have been described in different flavors but are always rooted in the vanishing of a homogeneous, unitary block of working class voters. Based on the evolution of post-Fordist societies and a two-dimensional policy space, Kitschelt (1994) described the trade-off between catering to the traditional blue-collar electorate and appealing to the growing white-collar constituency. In a similar vein, Gingrich and Häusermann (2015) showed that the Left has successfully substituted the decline in working class support with attracting votes among specific part of the educated middle class, leading to a 'middle-class shift' in the welfare support coalition. Relying on a grouping of voters based on employment conditions rather than class, Lindvall and Rueda (2014) emphasized the dilemma European social democratic parties are caught in due to the division of their traditional support coalition into insiders holding secure jobs and outsiders in atypical or precarious employment.

Consequently, the question is no longer *whether* left parties represent their electorate but rather *which* part of their (potential) electorate they should side with. And this decision has crucial implications on content and priorities of social democratic policy-making. The existing literature has not provided unequivocal answers. In the light of the declining number of jobs in manufacturing, Kitschelt (1994) expects 'electorally rational' social democratic parties to increasingly focus on white-collar constituencies. The dominating interpretation of the dualization literature, in contrast, is that social democratic parties will and do consider insiders their core constituency (Rueda, 2005, 2006). The 'industrial blueprint' (Häusermann *et al.*, 2016) of stable, protected full-time insider employment is often found exactly in those shrinking sectors Kitschelt identifies as less and less profitable to mobilize. Postindustrialization and occupational change thus considerably complicate partisan politics of the welfare state and electoral shifts demand a reconsideration of our assumptions of whose interest social democratic parties represent (Häusermann *et al.*, 2013). Increasingly fragmented voter groups with distinct policy priorities provide ambivalent or even conflicting signals and parties have to balance and prioritize these demands.

We contend that the *electoral relevance* of distinct voter segments is an obvious but all-to-often neglected determinant of policy-making in the face of increasingly heterogeneous electorates. Based on the concept of dynamic representation (Stimson *et al.*, 1995), we argue that social democratic labor market policy is directed by politically powerful subgroups among their diverse support coalition. 'Rational anticipation', that is, the calculation of future electoral implications of dominating views among the electorate, affects policy priorities

and hence shapes policy outcomes. Widespread private and public opinion polling allows for increasingly precise detection of such dominant attitudes.

We support our conjecture by explicitly studying the varying composition of social democratic voter coalitions across time and space. Following the influential dualization literature (Rueda, 2005; Emmenegger *et al.*, 2012), we focus on labor market insiders and outsiders. We largely draw on the original, status-based classification as proposed by Rueda (2005) because we need clear-cut categorizations to calculate the relative size of the groups.¹ We then apply Axelrod's (1972) concept of the 'contribution to a coalition' to create empirical measures of insiders' and outsiders' relative political weight and assess their implication on actual labor market policy implementation under left government.

To this end, we leverage large-scale individual-level data to operationalize the relative electoral contribution to the social democratic coalition as well as original, hand-coded data on labor market reforms to capture policy output. The empirical analysis demonstrates (a) considerable cross-national and temporal variance in the relative electoral weight of insiders and outsiders and, more importantly, (b) the explanatory power of relative electoral relevance with regard to actual policy outcomes. The larger the share of atypically employed voters in the social democratic support coalition, the more favorable are the implemented labor market reforms to the demands of labor market outsiders, and vice versa.

Our results have important implications for political science research beyond the specific case of the insider/outsider divide and social democratic party strategies. We put the role of distinct voter segments' relative electoral relevance front and center and emphasize that the underlying logic equally applies to any other situation, where a party aims at dynamic representation and is confronted with competing demands from its core constituency. Importantly, such situations of increasingly heterogeneous electorates are a core characteristic of postindustrial societies and have become much more prevalent due to the erosion of traditional class voting (Oesch, 2006; Evans and Tilley, 2017; Oesch and Rennwald, 2018). We make a strong case for the argument that accounting for the relative political significance of different constituencies considerably adds to a more complete and encompassing understanding of policy-making in times of increasing electoral volatility.

2. The puzzle: pro-outsider labor market reforms

We focus on labor market insiders and outsiders because these groups are both considered part of the social democratic core electorate but have been shown to have diverging interests when it comes to labor market policy (Burgoon and Dekker, 2010; Marx, 2014; Häusermann *et al.*, 2015). The dominating interpretation of the literature is that social democratic parties will and do consider insiders their core constituency (Rueda, 2005, 2006), in particular when they face a high level of political constraints (Hübscher, 2017). The theoretical justification of social democrats' decision to side with insiders is substantially based on the crucial assumption of outsiders being disenchanted with politics. In Rueda's words, there

1 Outsiders are part-time workers (less than 30 hours), temporary workers or unemployed. Insiders are workers with a full-time permanent working contract. The residual group, which Rueda calls 'upscales', consists of mainly high-skilled professionals in nonworking-class jobs. See the section on operationalization for a more detailed discussion of advantages and disadvantages of alternative classifications.

is ‘the important fact that [...] outsiders tend to be less politically active and electorally relevant (as well as economically independent) than insiders’ (2006, p. 388). Ten years later, the premise of politically alienated labor market outsiders appears to have become an unquestioned standard assumption in political economy. In an influential recent edited volume, labor market outsiders are plainly dismissed as ‘not a powerful electoral group in contemporary capitalist democracies’ (Beramendi *et al.*, 2015, p. 23).

As a consequence, one would expect social democratic parties to cater primarily or solely to their well-protected core voters and implement labor market policies that are distinctly in favor of insiders. However, a closer look at the more recent history of labor market reforms does not support this one-sided perspective. We have collected and hand-coded the policy content of the entire universe of labor market reforms enacted between 2000 and 2016 in Continental and Southern Europe. We describe the data in more detail below. For the moment, the reader only needs to know that the fine-grained coding allows disentangling the distributional consequences of reforms in different domains of labor market policy for insiders and outsiders. Figure 1 shows a descriptive overview of enacted reforms in the fields of active labor market policy (ALMP) and employment protection legislation (EPL) (Supplementary Figure SI2.2 provides a breakdown by country). Positive values on the Y-axis describe expansionary reforms, while negative values indicate retrenchment. Various aspects of this figure are noteworthy. First of all, there is no general trend of across-the-board retrenchment, despite the austerity pressure created by the Great Recession. Rather, governments have cut back social security in specific domains, primarily regarding employment protection (EPL) for both insiders and outsiders. Much in contrast, many governments enacted expansionary reforms in the field of ALMP over the course of the last two decades. This is largely in line with the existing literature describing the expansion of activation and social investment policies more broadly (Morel *et al.*, 2012; Bonoli, 2013; Garritzmman *et al.*, 2016). Even though the extent to which countries have implemented pro-outsider and social investment policies varies a lot (Hemerijck, 2015), the overall focus on ALMP at the cost of EPL provides clear evidence against pronounced pro-insider policies since it is mainly outsiders who demand and benefit from activation policies (Rueda, 2005).

This reading is reaffirmed by our reform data, which also coded the distributive implications of implemented reforms by differentiating between policies targeting insiders as opposed to policies targeting outsiders (in both directions, i.e. with respect to cut-backs as well as expansion). The strong focus of expansionary reforms on ALMP in conjunction with the fact that this kind of policy specifically aims at integrating and activating outsiders results in a surprisingly large share of policy reforms that mainly benefit labor market outsiders in vulnerable employment situations. On the other hand, standard employment protection for insiders has been increasingly deregulated, especially since the onset of the Great Recession.²

- 2 To be clear, Figure 1 shows policy changes rather than levels. We do not mean to claim that outsiders are better protected in the labor market than insiders. The literature on insider/outsider divides and labor market flexibilization (Rueda, 2005; Palier and Thelen, 2010; Emmenegger *et al.*, 2012) is unequivocal on the fact that insiders enjoy higher employment protection than outsiders, have better access to unemployment benefits, and that active labor market policies remain underdeveloped in most countries. But since we are interested in explaining *policy change over time within a country*, our focus on labor market reforms rather than levels of protection stands to reason.

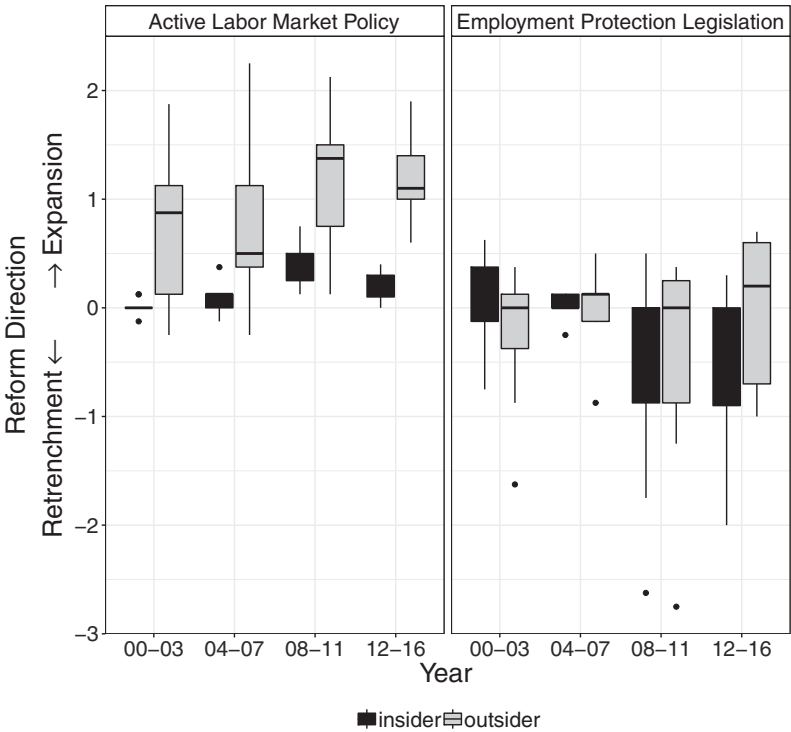


Figure 1 Effects of ALMP and EPL reforms on insiders and outsiders, Continental and Southern Europe, 2000–2016.
Notes: Countries included are Austria, Belgium, France, Germany, Greece, Italy, the Netherlands, Portugal and Spain.

The considerable skew of labor market reforms in favor of outsiders in recent years is difficult to explain when neglecting how party constituencies have changed over time. From a vote-seeking perspective, a specific electorate is only worth rallying if it is sufficiently large and, in addition, likely to take part in politics. We argue that the existing literature has neglected and/or underestimated both the size of and the turnout rate among labor market outsiders, leading to a widespread but misleading image of an electorally irrelevant group. The first part of this article thus aims to correct this allegedly commonsensical view of inert and insignificant outsiders. We demonstrate that the electoral relevance of labor market outsiders varies strongly across countries and regions. While in some countries the well-protected core of labor market insiders still accounts for the largest share of labor, in others, nonstandard employment has in fact become the new standard.³ The rapid spread of atypical employment in many postindustrial democracies provides temporal variation in the relative size of labor market outsiders, which we exploit in a second step in order to assess the

3 In Spain, for example, the recovery after the Great Recession is associated with a continued increase of already widespread atypical work as temporary contracts account for the 'large majority' of new hires (OECD, 2016).

impact on labor market policy under left government. This differential development attributes varying electoral weight to the two groups, resulting in either an accentuated or weakened political dilemma for social democratic parties.

Our point of departure ties in with a burgeoning literature on the changing social democratic electorate in postindustrial societies (Best, 2011; Karreth *et al.*, 2013; Gingrich and Häusermann, 2015; Abou-Chadi and Wagner, 2019). Gingrich and Häusermann (2015), for example, study the social democratic support coalition by distinguishing between different classes based on respondents' occupation and education level. This approach shares some obvious similarities with ours but also has some important differences. The main overlap concerns the fact that outsiders cluster in certain occupational groups. However, since this clustering is far from perfect,⁴ our outsider category to some extent cross-cuts occupational groups. Whereas Gingrich and Häusermann (2015) focus exclusively on the differences between manual workers and the middle class, we expand the analysis by focusing on the entire group of workers. Most importantly, we thereby also include the significantly large group that Gingrich/Häusermann call routine workers,⁵ which faces by far the highest prevalence of labor market vulnerability.

3. Determinants of social democratic labor market policy

Political parties are important intermediary organizations that are expected to transmit preferences among the population—and particularly among their electorate—into policy outcomes. Broadly speaking, the vast literature on the determinants of political parties' position and/or issue emphasis⁶ can be divided into two camps. The first promotes a distinctive top-down perspective on policy making by emphasizing parties' strategic considerations to steer public debate toward issues they 'own'. Selectively highlighting their own policy issues turns elections into a contest on favorable home turf, which is generally expected to yield electoral gains (Petrocik, 1996; Bélanger and Meguid, 2008; Klüver, 2018).

The large literature dealing with representation and responsiveness, by contrast, posits quite a different view on the determinants of policy outcomes. In its most general formulation, the core idea behind 'dynamic representation' is that vote-seeking parties need to follow the mood of the public in order to secure electoral gains (Stimson *et al.*, 1995). In such a bottom-up process, parties are expected to take cues from voters and adjust their policy platform (Adams *et al.*, 2004) or their issue emphasis (Klüver and Spoon, 2016) in a way that signals responsiveness and increases the chances of electoral support.

- 4 We replicated Gingrich and Häusermann's occupational classes to calculate the share of labor market outsiders among their groups. Table SI2.1 in the Online Appendix reports outsider shares within the middle class, manual workers and routine workers.
- 5 Note that Gingrich/Häusermann categorizes low-skilled service and office workers into this group. Routineness is understood differently in the task-based literature in labor economics, which defines routine work as 'carrying out a limited and well-defined set of cognitive and manual activities, those that can be accomplished by following explicit rules' (Autor *et al.*, 2003), meaning primarily semi-skilled blue- and white-collar jobs.
- 6 Given that large shifts in positions are relatively rare, most of the literature is concerned with positional shifts within a political block or with varying salience of distinct policies, i.e. differential emphasis of one or the other issue, for example, in party manifestos (see, e.g. Bremer (2018) for a more detailed discussion).

We do not attempt to settle this debate since the two perspectives are difficult to conclusively disentangle due to obvious endogeneity concerns. Presumably, both apply to some extent (Steenbergen *et al.*, 2007). Parties certainly have strategic leeway in framing, issue emphasis and agenda setting. However, we contend that elite decisions on policy platforms do not occur in a vacuum and political parties' room for maneuver is thus most likely constrained by the distribution of preferences in the population. Consequently, we argue that parties' labor market policy positions are at least partly directed by the demands of politically powerful voter segments. 'Rational anticipation' (Stimson *et al.*, 1995), i.e. the calculation of future electoral implications of currently dominating views among the social democratic electorate, is expected to significantly impinge on social democratic parties' policy priorities and hence to shape policy outcomes under left government. While generally in line with traditional welfare state literature emphasizing bottom-up influence of powerful voter segments (Korpi, 1983), our more contemporaneous take on social policy reforms acknowledges that welfare politics have turned from a positive-sum into a zero-sum game (Häusermann, 2010). Put differently, social democrats—and any other party, for that matter—have to prioritize some policy domains over others and cannot equally satisfy distinct (expansionary) demands from among their electorate.

The concept of rational anticipation explicitly posits an image of well-informed politicians/parties seeking reelection and thus strategically adjusting their political programs to the dominating voice in their—perhaps quite heterogeneous—support coalition. Abou-Chadi and Wagner (2019) indeed show that mainstream left parties gain votes by taking up investment-oriented positions, which have become increasingly popular among the social democratic electorate (Gingrich and Häusermann, 2015). In a similar vein, we would expect social democratic parties to adjust their policy priorities to the balance of power *within* their core electorate. Instead of focusing on party manifestos, as most of the existing literature, we aim to go one step further and look at a more consequential outcome. We study the relationship between the composition of the electorate and actually implemented policy reforms once parties win elections and form the government.

More specifically, we hypothesize that the country-specific electoral relevance of labor market outsiders relative to insiders affects the kind of labor market reforms social democratic parties implement when in government. Our argument has four observable implications. (a) Mere group size of different subgroups of the population *per se* should not affect policy outcomes since electoral relevance also depends on participation rates and vote choice. (b) The electoral relevance of insiders and outsiders should not generally affect policy outcomes. Both groups are considered part of the left core electorate and non-left governments' policy decisions should only marginally be affected by their relative political clout. (c) In contrast, the relative electoral relevance of outsiders vis-à-vis insiders should impact on labor market reforms under governments with a significantly large share of left seats. In this case, we expect the frequency of pro-outsider reforms as well as spending for ALMP and passive labor market policy (PLMP) to increase with outsiders' contribution to the coalition.⁷ More technically speaking, the focus of the empirical analysis is on the interaction

7 Vlandas (2013) has pointed out that political parties implement different types of active labor market policies. A descriptive breakdown of ALMP reforms into different subtypes (following (Bonoli, 2010)) and cabinet ideology confirms that center-left compared to center-right cabinets enacted more upskilling reforms and less employment incentive reforms (Supplementary Figure SI2.3).

effect between outsiders' electoral relevance and left government on implemented labor market reforms. (d) By implication, in countries with electorally dominant insiders, left government should, if anything, be negatively correlated with spending on and frequency of outsider-friendly labor market reforms.

4. The changing electoral relevance of insiders and outsiders

In our assessment of electoral relevance, we build on Axelrod's (1972) approach to study what he called the 'contribution to a coalition'.⁸ We need three parameters to estimate the contribution of a group to a party's total vote share: size, turnout and party choice ('loyalty' in Axelrod's terminology). In the following, we briefly discuss how the relative electoral relevance of outsiders as opposed to insiders has evolved over the course of the past two or three decades.

An obvious starting point for studying the electoral relevance of different constituencies is relative group size. Focusing on insiders and outsiders, occupational change in recent decades has led to remarkable changes in this regard. Until the 1970s, the model of full-time wage employment dominated the world of work. The bigger part of workers consisted of archetypical insiders, most of them employed in the second sector. This pattern steadily changed in the course of continuous deindustrialization and the concomitant growth of the service sector. The rise of novel forms of atypical employment, most importantly temporary and (involuntary) part-time work, has become a central issue in all advanced postindustrial democracies (De Grip *et al.*, 1997). Figure 2 displays the remarkable spread of atypical employment in Europe since the 1980s. While unemployment seems to be dominated by cyclical trends, temporary employment has constantly been on the rise. The most recent economic crisis has further reinforced the spread of labor market vulnerability as the hardest hit sectors have, again, been those dominated by insiders: manufacturing and construction (Autor, 2010).

Critical mass is a necessary but not a sufficient condition for achieving electoral relevance. Based on the assumption of low political activity, Rueda maintained that social democrats will cater to insiders even if outsiders are 'numerous' (2005, p. 86). Therefore, the second important aspect of electoral relevance is turnout. If policymakers assume every second individual of a specific subgroup of society to go to the ballot, the electoral relevance of this subgroup is only half of what it could be. What do we know about turnout among outsiders? Although existing research provides some evidence for lower political activity (Häusermann and Schwander, 2012; Rovny and Rovny, 2017), the actual magnitude of the participation gap between insiders and outsiders deserves some more attention. As labor market risks have 'spread well into the more highly educated segments of the population' (Häusermann *et al.*, 2015, p. 235; see also Supplementary Table SI2.1), the rise of outsider-ness goes hand in hand with a steady shift in its composition. Contemporary labor market vulnerability is by no means restricted to the poor and low skilled, the usual suspects of non-voting (Leighley and Nagler, 2013), but increasingly affects individuals with all the necessary means to political participation.

8 For a slightly modified more recent application, see Best (2011).

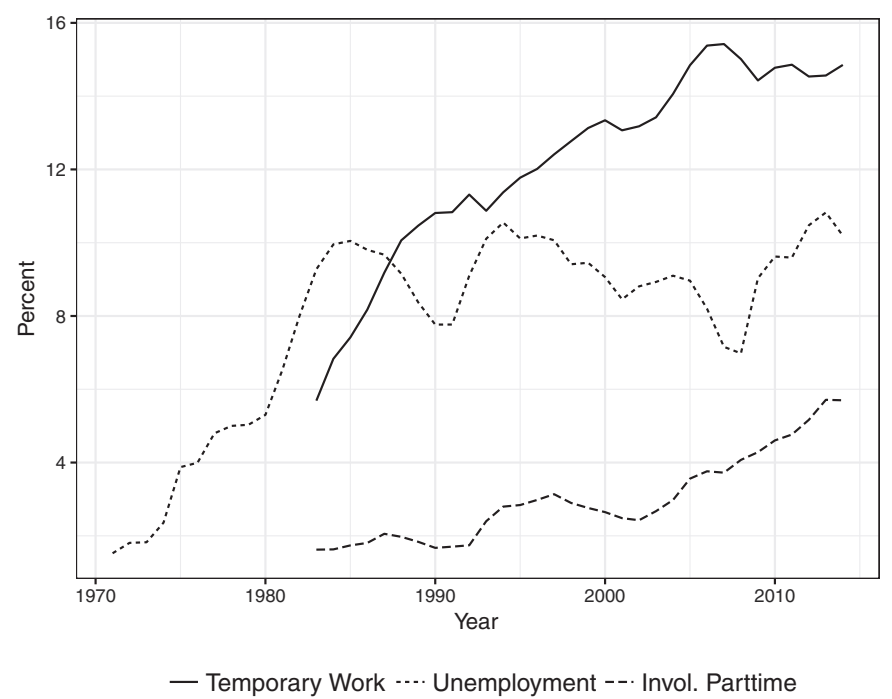


Figure 2 Share of atypical employment in Europe of working-age population (in percentages).
Source: OECD Employment Database; data weighted by population.

The remaining crucial aspect in a discussion about the electoral relevance of a specific group is party choice. Traditional insider/outsider theory has been more than clear on the prime example of a social democratic voter: the well-protected insider. However, we suspect that support for the Left among insiders is overestimated, whereas it is underestimated in the case of outsiders, resulting in a much less clear-cut picture. First, we argue that social democratic parties are a likely choice for outsiders. On election day, voters have to choose from existing ‘policy packages’ (Emmenegger, 2009) and need to compromise. The existing literature has heavily focused on employment protection to justify the expectation of strong support for social democrats among insiders but weak or even inexistent support among outsiders. However, the overall package offered by social democrats might still be one of the more interesting options for the latter. Indeed, Picot and Menéndez (2017) show that policies to mitigate the adverse effects of nonstandard employment are clearly the domain of left parties and Schwander (2018), more specifically, shows that social democrats do address outsiders’ concerns to a significant extent in electoral campaigns. Outsiders thus might support social democratic parties despite their adherence to employment protection since an ideal policy package that matches preferences in each and every policy domain is hardly available. Parties with a more skeptical stance on employment protection are likely to combine this position with a generally critical attitude toward welfare provision. And general

social policy retrenchment cannot be in the interest of outsiders, which makes the major right an unlikely choice (Rovny and Rovny, 2017).

Second, we question the assumption of unambiguous support for the left among insiders. The realignment literature has pointed out that the working class vote has experienced a rightward shift (Gingrich and Häusermann, 2015). Right-wing populists have been shown to successfully mobilize among moderately skilled private sector insiders (Bornschier, 2010) and especially attract support from small business owners and production workers (Oesch, 2008). It is, therefore, not primarily precariousness or low wages that drive workers into the arms of right-wing populist parties but rather the fear of losing status and/or privileges that were previously deemed protected (Gidron and Hall, 2017; Kurer, 2017). As insiders are much more likely to depend on such ‘taken-for-granted features’ (Rydgren, 2013, p. 6) than the more vulnerable outsiders, they seem especially prone to abandon the left and instead vote for its populist competitor from the right. All in all, then, insiders might not be so much more likely to support social democratic parties than vulnerable outsiders who demand social policy protection as a reaction to economic insecurity (Rehm, 2009; Burgoon and Dekker, 2010; Häusermann *et al.*, 2015).

Taken together, this section discussed several reasons why the electoral relevance of outsiders relative to insiders might have been underestimated in previous accounts. In that case, according to our electoral relevance argument, the surprisingly high share of pro-outsider policy in recent years is not puzzling but a logical consequence of social democratic parties anticipating changes in their electorate and aiming at dynamically representing their pivotal voter.

5. Measurement, data and method

In accordance with our theoretical explanations, we build on the following formula originally proposed by Axelrod (1972) to empirically examine the relative electoral relevance of insiders and outsiders for social democratic parties:

$$\text{Electoral relevance} = \frac{(\text{group size}_{it}) \times (\text{group turnout}_{it}) \times (\text{group vote share}_{it})}{(\text{national turnout}_t) \times (\text{national vote share}_t)}$$

The formula specifies how the three parameters size, turnout and vote share are combined to assess the total contribution of a given group i at time t . ‘Group vote share’ is the estimated average probability of the group under consideration to vote for the specified party. Most importantly for our purposes, it also provides a straightforward handle to empirically compare the electoral relevance of one group i at time t , e.g. insiders, to that of another, e.g. outsiders.

To be sure, not all of the constituent parameters of the above formula are entirely exogenous to the specific supply-side context or electoral rules. Axelrod (1972) himself discussed some ‘strategic considerations’ for parties in the light of his conceptualization. While group size is difficult to manipulate, turnout and vote choice are to some extent ‘elastic’ to parties’ appeals. Whether citizens turn out to vote depends not only on socio-economic background but also on electoral rules and the party system (Blais and Dobrzynska, 1998). While both aspects certainly affect our estimates of relative electoral relevance to some extent, we do not expect systematic biases since we are primarily interested in the *difference* between two

groups within the same socio-economic class in the same country. Issues of endogeneity are more obvious with respect to the propensity to vote for Social Democrats. Elite-mass linkages are known to be of a reciprocal nature (Steenbergen *et al.*, 2007), meaning that it is not only the electoral relevance of a group that affects parties' policy stances but also, simultaneously, the other way round. The particular policy proposals put forward will to some extent affect the inclination of specific subgroups of the electorate, e.g. insiders or outsiders, to vote for the party.

In terms of conceptualization, we largely rely on the original definition of outsiders as proposed by Rueda (2005), but coded students as outsiders only if they indeed faced some form of atypical employment. The group of outsiders consists of part-time workers (less than 30 hours), temporary workers and the unemployed. Insiders are workers with a full-time permanent working contract. The residual group consists of what Rueda calls 'upscales', i.e. higher skilled professionals, large employers and business owners as well as self-employed citizens who are not considered part of the social democratic core electorate. More recently, the insider-outsider literature has been enriched by alternative and more fine-grained ways to operationalize outsidership, e.g. risk-based, continuous measures of labor market vulnerability (Rehm, 2009; Schwander and Häusermann, 2013) or longitudinal approaches to labor market disadvantage that take into account previous experience and scar effects (Emmenegger *et al.*, 2015).⁹ We deliberately stick to the simple initial version because the calculation of relative group size requires a clear-cut distinction between insiders and outsiders, which is less straightforward when using continuous measures. Furthermore, a status-based operationalization will yield more conservative estimates of the prevalence of outsidership and thus prevent us from overestimating the share of outsiders based on risk-based classifications. We test our conjectures on a sample consisting of 19 European countries that are considered advanced capitalist democracies.¹⁰

In order to calculate the electoral relevance of insiders and outsiders, we need measures for the three parameters previously introduced. For the first parameter, group size, we rely on the large samples of European Union Statistics on Income and Living Conditions (EU-SILC) (2004–2015) to provide reliable estimates of relative shares of both insiders and outsiders among the entire labor force. The political parameters are derived from the European Social Survey rounds 1–8 (2002–2016, see Supplementary Table SI2.2). We run two separate unconditional logistic regression models to calculate predicted probabilities of the effect of labor market status on turnout and vote choice, respectively.¹¹ Unconditional (i.e. models without control variables) because we want to capture the effect of inherent 'outsidership' instead of partial correlations under the control of covariates, such as age, gender or occupation. When thinking about electoral relevance of different groups, it is this

9 For a comparison of these approaches, see Rovny and Rovny (2017).

10 These countries are Austria, Belgium, Switzerland, Czech Republic, Germany, Denmark, Spain, Finland, France, Greece, Great Britain, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Portugal and Sweden. All countries have a per capita GDP higher than 25 000 international dollars and more than 3 million inhabitants (for a similar case selection, see Beramendi *et al.* (2015, p. 4)).

11 Based on Armingeon *et al.* (2018), the following parties were classified as the main social democratic parties: SP.A and PS (Belgium), SP (Switzerland), CSSD (Czech Republic), SPD (Germany), SD (Denmark), PSOE (Spain), SDP (Finland), PS (France), Labour (Great Britain), MSZP (Hungary), Labour (Ireland), Ulivo/PD (Italy), PvdA (Netherlands), A (Norway), SLD (Poland), PS (Portugal) and SAP (Sweden).

unconditional effect of outsidersness that should matter most for party strategies. Having said that, controlling for compositional effects and thus examining partial correlations of outsidersness—unsurprisingly—decreases the participation gap and further strengthens our central claim (see [Supplementary Table SI2.3](#)).

In the second empirical part, we test our hypotheses regarding the bottom-up impact of insiders/outside on different policy outcomes with a pooled times-series cross-section (TSCS) analysis. To this end, we have created a data set that includes measures of labor market reforms on insiders and outsiders, spending on ALMP and PLMP, strength of social democratic governments, electoral relevance of insiders and outsiders, as well as control variables.

We use four different measures to assess policy outcomes. The first two output variables are based on our original, hand-coded database that contains information on the policy content of all enacted labor market reforms in Continental and Southern Europe between 2000 and 2016. In a first step, information on all the policy changes in the fields of EPL, PLMP and ALMP, early retirement and short-time work was collected. In total, the data set includes 1045 policy changes. Table SI1.1 in the Online Appendix shows the detailed distribution by country and policy instrument. The focus of the coding is on the extent to which certain policy changes insulate insiders and/or outsiders from particular labor market risks.¹² Based on the detailed explanation of the policy content and, if available, evaluation reports and secondary literature on specific labor market reforms, each policy change has been assigned a value of +1 if it improves the situation of outsiders/insiders, 0 if the policy change does not affect outsiders/insiders and –1 if worsens the situation of outsiders/insiders. In addition, each policy change is weighted by 1 if it is a comprehensive reform that addresses the broader design of existing systems or by 0.5 if it is only a marginal change. In a final step, all the reforms in one country-year are aggregated together and measure the sum effect all the policy changes have on insiders and outsiders in a given country-year. Data collection and coding have proceeded in several steps to ensure that all relevant labor market reforms were found and hand-coded correctly (see the [Supplementary Information](#) for a more detailed description of data collection and coding, see also [Bürgisser 2019](#)). In stark contrast to spending data, such a reform measure can more clearly distinguish reform effects on insiders and outsiders and it minimizes potential confounding factors. In addition, it allows to link policy output more directly to the party in office, whereas it is more difficult to attribute certain spending outcomes to specific government decisions as reforms only become visible some years later.

The drawback of our detailed coding is that the reform measure is only available for nine countries (Austria, Belgium, France, Germany, Greece, Italy, the Netherlands, Portugal and Spain). As a reaction, we complement our empirical evaluation with traditional spending data, despite the discussed concerns, in order to test the robustness of our results and broaden the geographical scope of the analysis. These measures are straightforward: we use *spending on ALMP* and *spending on PLMP* as indicators for pro-outsider policies. The data come from the Comparative Political Dataset ([Armingeon et al., 2018](#)). We try to minimize the main concern with spending data, i.e. their interlinkage to various other factors ([Clasen](#)

12 It is therefore not about the question whether outsiders and/or insiders prefer these policies or not. For example, it may very well be the case that outsiders prefer rigid employment protection of permanent work contracts ([Emmenegger, 2009](#)), even though they are not directly affected by such changes and hence do not profit from such legislation.

and Siegel, 2007), by controlling for the most obvious confounders such as the unemployment rate and real GDP growth.

Following our theoretical argument, we are mainly interested in two explanatory variables and their interaction: the electoral relevance of insiders/outside and the strength of social democratic governments. For the former, we use our measure of electoral relevance that we have developed above¹³ and the latter we measure by cabinet posts held by the main social democratic party in percentage of total cabinet posts (weighted by the number of days in office in a given year). We adjusted the left government variable from the CPDS I data set (Armington *et al.*, 2018) so that cabinet posts held by other left parties are excluded due to the dualization literature's primary focus on Social Democracy. We include further control variables for the unemployment rate, real GDP growth and union density (data from Armington *et al.*, 2018), all lagged by 1 year.

In order to test our core hypothesis, we include an interaction term between the two main explanatory variables, that is, the strength of social democratic parties and the electoral relevance of insiders/outside. We follow the recent recommendations by Hainmueller *et al.* (2018) to check the underlying assumption of a linear interaction effect: First, we use a binning estimator that breaks the continuous moderator (Z) into three bins (dummy variables) and interact these with the other explanatory variable (X). Second, we use a kernel estimator that allows to flexibly estimating the functional form of the marginal effect of Z on Y across values of X . Third, we always plot the interaction effects together with a histogram showing the distribution of the moderator variable in order to prevent severe extrapolation. The diagnostics demonstrate that the assumption of a linear interaction is plausible in our case (Supplementary Figure SI2.4).

The use of TSCS data violates several assumptions of ordinary least squares (OLS) regression. To take the problems of autocorrelation and heteroskedasticity into account, we estimate all the models with a lagged dependent variable (LDV) and country-clustered standard errors (Beck and Katz, 1995). Prais-Winsten (AR1) regression, instead of LDV, results in very similar findings. We also include country-fixed effects to account for unit heterogeneity and unobserved country-specific factors that do not vary over time (Beck, 2001).

6. Electoral relevance in cross-national perspective

We apply Axelrod's formula to calculate the relative electoral relevance of insiders and outsiders for social democratic parties in 19 European countries for the years 2002–2016. To reiterate, the first parameter, group size and the resulting relative group share, is derived from EU-SILC. The additional parameters, turnout and support for social democratic parties among both groups as well as the reference group, the national average, are estimated in the ESS. We show the very rich but slightly overwhelming full descriptive data for all parameters in each country in Table A1 in the Appendix. Figure 3 provides a more compact overview about the relative weight of distinct subsets of voters in the social democratic support coalition by plotting the ratio between the electoral relevance of insiders relative to outsiders.

13 We can only calculate turnout and vote choice biannually due to data availability of the ESS. Since we are dealing with slow-moving averages, we linearly impute the missing years, but only if there are observations 1 year before and 1 year after. We also ran all the models without the imputation and the linear imputation does not change the substantive findings presented in the next part.

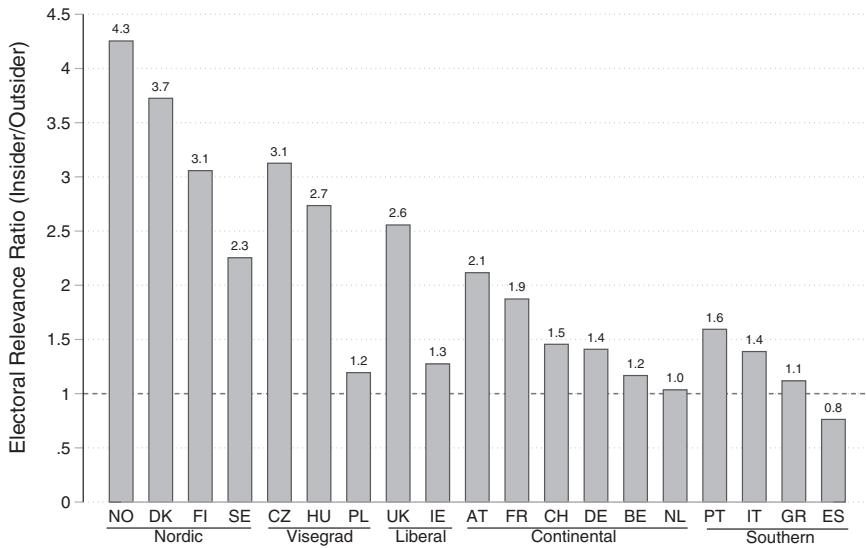


Figure 3 Electoral relevance ratio by country (average values 2002–2016).

Notes: For full descriptive data and separate parameters, see Table A1 in the Appendix. The dotted line at ratio = 1 indicates equal electoral relevance of insiders and outsiders.

The horizontal line at ratio = 1 indicates perfect balance between insiders and outsiders in terms of electoral relevance for social democratic parties. To give a reading example, in Ireland, insiders’ contribution to the social democratic coalition (averaged over the time span between 2002 and 2016) is an estimated 27.5% whereas outsiders’ contribution amounts to 21.0%. This results in a slight predominance of insiders among the potential Irish social democratic electorate ($27.5/21.0 = 1.3$).

This first descriptive evidence yields two important insights. First, insiders are (still) electorally more relevant than outsiders. However, in many places, particularly in Continental and Southern Europe, the gap is small and perhaps not sufficient to explain social democratic strategies abandoning the demands of outsiders. Second, the remarkable cross-sectional (but, interestingly, also within-regime) variance highlights the different significance of the social democratic dilemma across Europe. In countries like Spain, Greece but also the Netherlands, Belgium, Ireland or Poland outsiders represent a large part of the electorate, comparable in size to labor market insiders. In an extreme case like Spain, outsiders in fact outnumber insiders in terms of electoral relevance.

Consequently, in these countries, social democrats truly do face a dilemma as they are confronted with two similarly important groups of potential supporters with clearly distinct policy preferences. In contrast, the strategic considerations for social democrats in most Scandinavian countries, Hungary or the Czech Republic are much less complex. As the working class is still dominated by comparably well-protected standard employment, resulting in electoral relevance ratios of three and above, insider-friendly policies seem to be a straightforward and reasonable programmatic choice for vote-seeking social democratic parties.

Electoral relevance thus helps put the balancing act of social democratic parties into perspective. Promoting policies that benefit insiders might lead outsiders to abandon the center-left. However, as long as one group dominates the electorate, policy choices for vote-seeking parties are not very delicate, thus strongly mitigating the social democratic dilemma. For example, in the Swedish case discussed by [Lindvall and Rueda \(2014\)](#), an emphasis on insider policies makes sense since insiders have more than twice the weight of outsiders (ratio = 2.3) in the electorate of the Swedish Social Democratic party. In contrast, pro-outsider reforms are shown to be electorally costly. Strategic decisions are even more straightforward in other Nordic countries, where the ratio in favor of insiders is even higher, which offers the party elite a dominant strategy.

Finally, one aspect we have not addressed so far concerns the absolute electoral decline of the social democratic vote share across Europe. To be clear, we are primarily interested in the relative strength and, thus, policy influence of different social democratic constituencies rather than their combined electoral relevance vis-à-vis other parties. However, we do not want to ignore the fact that many of the analyzed social democratic parties have lost a significant share of voters to competing parties in recent years. While it is beyond this article to provide an answer to the important question of vote switching, our data on the relative electoral relevance of different sub-constituencies allows for some tentative insights. In [Supplementary Figure SI2.1](#), we show how the social democratic voting propensity of the two groups, insiders and outsiders, changes over time compared to social democrats' national vote share. Since we look at a relatively short period of time, in most countries we do not see spectacular changes. Still, as expected, a steady downward trend is visible in many countries. Exceptions are more dramatic cases like Poland and Hungary, where social democratic parties have been almost electorally obliterated. Here, corruption scandals have accelerated the more general decline visible in almost any other country. Our data do not reveal a consistent pattern as to whether insiders are more likely than outsiders to leave social democrats.

7. Results

The presentation of results is split into two sections with distinct measures of the dependent variable (labor market policy intervention). The first part is based on our novel reform database with original, hand-coded data for nine Continental and Southern European countries, which we consider the 'gold standard' in terms of measuring policy output. The very fine-grained coding of reforms comes at the cost of a limited sample of countries, however. In a second step, we thus recede to more traditional spending measures in order to validate our original dependent variables and to test our hypotheses with models based on a geographically more encompassing sample with more statistical power.

7.1 Electoral relevance and labor market reform output

How does the relative electoral relevance of insiders and outsiders affect actual social democratic policymaking, i.e. labor market policy output under social democratic government? [Table 1](#) presents the results from our models looking at actual reform output. The coding captures how outsiders (M1–M3) and insiders (M4–M6) have been affected by implemented labor market reforms. As hypothesized, Models 1 and 4 confirm that group size itself does not have a direct effect on the two dependent variables. There is no direct correlation

Table 1 Left government, electoral relevance and labor market reforms

Variable	Reform effect on outsiders			Reform effect on insiders		
	M1	M2	M3	M4	M5	M6
L.OutsiderReform	0.102 (0.10)	0.121 (0.09)	0.087 (0.10)			
L.InsiderReform				0.187 (0.16)	0.203 (0.16)	0.224 (0.15)
LeftGov		−0.011 (0.01)	−0.074* (0.03)		−0.007 (0.01)	−0.123 (0.08)
ElRelOutsider		2.871 (8.15)	−8.987 (8.57)		4.498 (9.37)	8.201 (11.89)
ElRelInsider		−4.002 (19.32)	−14.987 (21.97)		2.988 (11.94)	2.889 (11.30)
LeftGov X ElRelOutsider			0.267* (0.11)			
LeftGov X ElRelInsider						0.423 (0.29)
Outsidershare	2.044 (12.55)			−3.499 (18.24)		
Insidershare	20.188 (15.20)			17.095 (15.34)		
L.Unemploymentrate	0.022 (0.07)	−0.036 (0.08)	0.012 (0.07)	0.004 (0.08)	−0.038 (0.08)	−0.062 (0.07)
L.RealGDPgrowth	0.275+ (0.12)	0.295+ (0.13)	0.334* (0.14)	0.211 (0.17)	0.211 (0.16)	0.117 (0.07)
L.UnionDensity	−0.146 (0.12)	−0.167 (0.14)	−0.197 (0.15)	−0.026 (0.07)	−0.029 (0.06)	0.024 (0.09)
Constant	−2.331 (6.62)	6.954 (4.07)	13.500* (5.51)	−4.247 (8.89)	−0.293 (4.97)	−2.518 (5.90)
Country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
R-sq	0.136	0.149	0.185	0.235	0.240	0.288
AIC	474.581	474.980	472.484	418.420	419.662	414.891
BIC	490.505	493.558	493.715	434.344	438.240	436.122
N	105	105	105	105	105	105

Notes: Pooled OLS-regression with LDV, country fixed effects and country-clustered standard errors. Standard errors in parentheses: + $P<0.1$, * $P<0.05$, ** $P<0.01$ and *** $P<0.001$.

between a change in the group size of specific subgroups of the electorate and labor market reforms. The absence of such a functional relationship between mere group size and policy outputs lends support to our operationalization of electoral relevance that takes political mobilization into account by also including participation rates and vote choice. Similarly, the results in Models 2 and 5 show that neither the strength of social democratic governments nor the electoral relevance of insiders or outsiders has a direct effect on the two reform measures. Again, this is an expected result given our theoretical reasoning. Social democratic parties are expected to implement pro-outsider policies especially (or only) if

outsiders form a substantial part of their electorate. Since this is not the case across the board (Figure 3), the pooled results should yield weak correlations.

Finally, Models 3 and 6 test our main theoretical expectation regarding the interaction between the strength of social democratic governments and the electoral relevance of outsiders and insiders, respectively. The positive and statistically significant effect of the interaction term in Model 3 is in line with our hypothesis. The larger the share of outsiders within the social democratic electorate, the more outsider-friendly are labor market reforms under left government. Figure 4 visualizes this interaction effect. From very low levels of outsiders' electoral relevance until about 0.25, the marginal effect of social democratic government strengths' on outsiders' reform output is negative. In that case, the increasing presence of social democrats in government leads to labor market reforms that worsen the situation of outsiders. This is essentially the insider/outsider story of Rueda (2007), which still applies to countries with a heavily insider-dominated working class. When outsiders, however, become more relevant (at about 0.25), as they have in various countries, then the negative effect ceases. More speculatively, judging from the figure, one could extrapolate that if outsiders become even more relevant in the future, we might witness a positive marginal effect of social democratic government strengths' on outsiders' reform output, and thus a reversal of insider/outsider bias of social democratic parties.

Moving on to the substantive significance of this finding, we find a marginal effect of about -0.025 on our outsiders' reform measure when the electoral relevance of outsiders is low (about 0.18). This sounds like a negligible effect at first sight. However, an one-point change in government strength is not very telling because the cabinet share of social democratic parties in the 19 European countries under study usually varies quite drastically from one election to another (see Figure SI2.6 in the Online Appendix for country-specific cabinet shares).¹⁴ A more realistic 50-point change in the strength of social democratic governments leads to a 1.25 point decrease in our outsiders' reform measure. In other words, if social democrats can improve their cabinet share by 50 percentage points, it is associated with about 1.25 comprehensive policy changes that negatively affect outsiders, but only if outsiders are electorally almost irrelevant. If it comes to a wholesale government alteration, which equals a 100-percentage point change, it is related to about two and a half comprehensive policy changes that worsen the situation of outsiders. By implication, these detrimental reforms do not take place when outsiders form a more significant part of the social democratic electorate. These are substantive effects given that the standard deviation of the outsiders' reform measure is 2.2. Looking at the effective policy changes that took place in a country over time (Supplementary Figure SI2.2), it becomes clear that our effects are substantively relevant: many actual policy changes are of a smaller magnitude.

Model 6 in Table 1 shows that the mirror image of this hypothesis, i.e. the interaction between the electoral relevance of insiders and left governments on insider-friendly reforms, fails to reach conventional levels of statistical significance. This stands in contrast to Model 3 and all other interactions that will follow in the next section. The right-hand side of Figure 4 visualizes this conditional relationship. Clearly, the effect goes in the expected

14 In a majority of the cases, it is common to witness 50–100-percentage point changes (Czech Republic, Denmark, Germany, Spain, France, Greece, Italy, Norway, Poland, Portugal, Sweden, UK and Hungary) and in all the other countries, with the exception of Switzerland, 25–50-percentage point changes are no exception (Austria, Belgium, Finland, Ireland and the Netherlands).

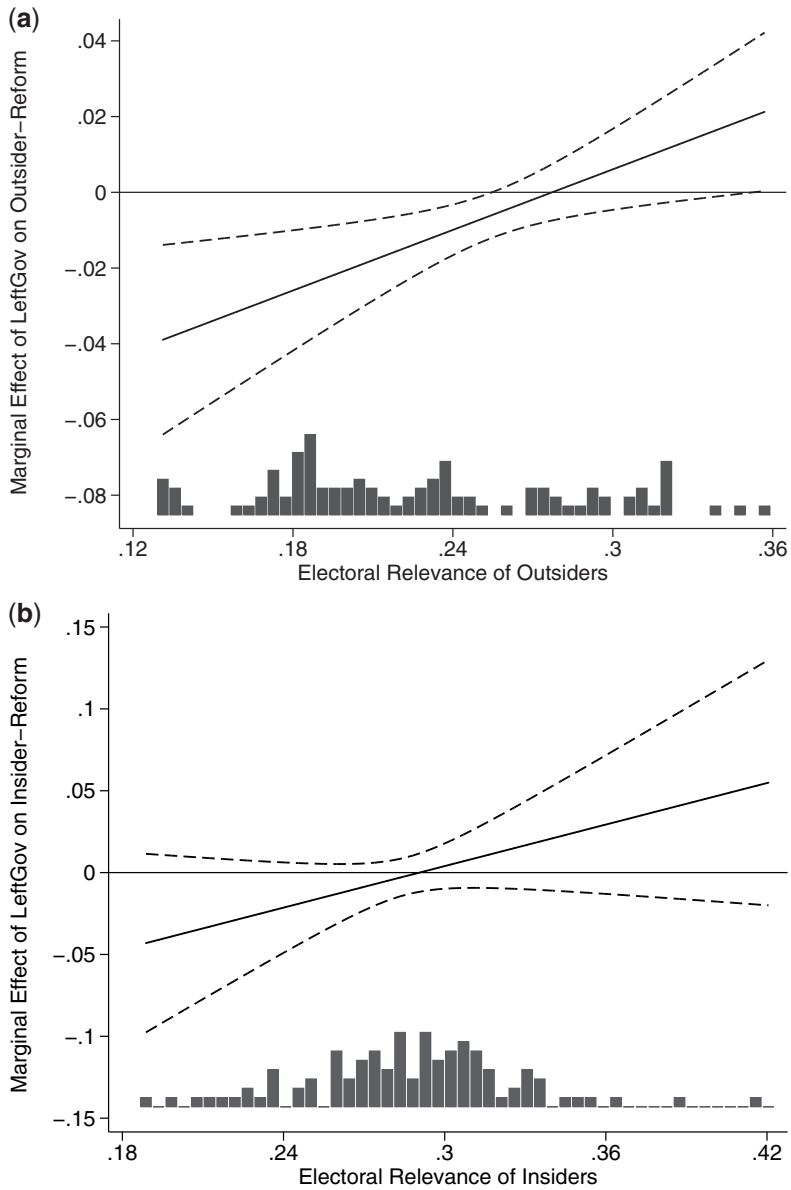


Figure 4 Interaction LeftGov with electoral relevance of outsiders and insiders on reform effects data (each based on Models 3 and 6 in Table 1).

direction but is imprecisely estimated. This is for two reasons. This first part of the analysis only includes countries from Continental and Southern Europe, thus substantially reducing sample size. In addition, the distribution of insiders' electoral relevance is much more centered than those of outsiders on the left-hand plot in Figure 4, resulting in fewer cases on the

margins, which reduces precision. In the light of these circumstances and given that at least the direction of the effect confirms our expectations, we contend that Model 6 should not fundamentally invalidate our all in all affirmative evidence of the main hypothesis. The next section, which is based on more broadly available spending data, will demonstrate that we can recover this effect with more statistical power.

7.2 Electoral relevance and labor market policy spending

We complement our evaluation of policy reforms with more conventional dependent variables, i.e. measures based on spending data. The following analyses are based on a larger sample of countries, and thus represent a welcome validation of our previous results based on novel data. [Table 2](#) presents the results of spending on ALMP and PLMP.

Again, Models 1 and 5 indicate that the group size of insiders and outsiders is in itself not directly related to the level of spending on ALMP or PLMP. We tested further in Models 2 and 6 whether the strength of social democratic governments or our measures of the electoral relevance of insiders and outsiders is associated with our two spending outcomes. As anticipated, the results show that there is hardly any direct correlation between our three explanatory variables and our two dependent variables. The one exception to this pattern is the significant negative correlation between the electoral relevance of insiders and ALMP spending. Since ALMP is clearly the least beneficial policy for insiders, perhaps even other than social democratic parties lower spending in that domain if insiders form a large part of the electorate.

Models 3 and 7 are another test of our core hypothesis and provide consistent evidence in line with our expectations. For both labor market outcome measures, the interaction between the strength of social democratic governments and the electoral relevance of outsiders is statistically significant and positive. This means that the stronger social democratic governments are, the more they pursue pro-outsider policies like ALMP and PLMP if and only if the electoral relevance of outsiders is sufficiently high. As hypothesized, the impact of social democratic governments depends upon the electoral relevance of outsiders. [Figure 5](#) visualizes the interaction effect of the two continuous variables by presenting the conditional marginal effects. In both cases, for low values of our outsiders' electoral relevance measure, we find no effect of social democratic governments on the level of ALMP or PLMP spending. When outsiders become sufficiently relevant (at about 0.22 for ALMP and at about 0.20 for PLMP), we do find a positive and significant marginal effect of social democratic government strengths' on ALMP and PLMP spending.

For an outsider value of 0.3 on our electoral relevance measure, we find a positive marginal effect of about 0.001 percentage points for ALMP and 0.002 percentage points for PLMP spending (both measured in percentage of GDP) for a one-point change in the social democratic government strength. A more realistic 50- or even 100-percentage point change in the strength of social democratic governments, would be associated with a yearly percentage point increase in ALMP spending equal to 0.05 or 0.10 and PLMP spending equal to 0.10 or 0.20. Given that the standard deviation of ALMP and PLMP spending is 0.13 and 0.34, these are substantial changes in labor market policy spending. We can further contextualize the effect by looking at ALMP/PLMP levels of particular countries ([Supplementary Figures SI2.7 and SI2.8](#)). In the case of Spain, for example, the share of GDP devoted to ALMP is about 0.70. A 50- or 100-percentage point change in left government would, therefore, lead to a considerable 7 or 14% yearly increase in ALMP spending. In contrast, in a

Table 2 Left government, electoral relevance and labor market spending

Variable	ALMP spending (in percentage of GDP)			PLMP spending (in percentage of GDP)				
	M1	M2	M3	M4	M5	M6	M7	M8
L.ALMP	0.750*** (0.06)	0.751*** (0.05)	0.741*** (0.05)	0.757*** (0.05)				
L.PLMP					0.870*** (0.09)	0.876*** (0.08)	0.866*** (0.07)	0.875*** (0.08)
LeftGov		0.000 (0.00)	-0.001* (0.00)	0.001 (0.00)		0.001 (0.00)	-0.002+ (0.00)	0.002 (0.00)
EIRelOutsider		-0.379 (0.25)	-0.542* (0.26)	-0.381 (0.24)		-0.313 (0.29)	-0.693* (0.30)	-0.315 (0.30)
EIRelInsider		-0.562* (0.20)	-0.684** (0.21)	-0.527* (0.20)		-1.023 (0.65)	-1.285+ (0.61)	-0.977 (0.70)
LeftGov X EIRelOutsider			0.006** (0.00)				0.015* (0.01)	
LeftGov X EIRelInsider				-0.003 (0.00)				-0.005 (0.01)
OutsiderShare	-0.242 (0.55)				0.060 (0.61)			
InsiderShare	-0.897+ (0.43)				-0.799 (1.26)			
L.UnemploymentRate	-0.004 (0.00)	-0.004 (0.00)	-0.003 (0.00)	-0.004+ (0.00)	-0.025+ (0.01)	-0.025* (0.01)	-0.023* (0.01)	-0.025* (0.01)

continued

Table 2 Continued

Variable	ALMP spending (in percentage of GDP)				PLMP spending (in percentage of GDP)			
	M1	M2	M3	M4	M5	M6	M7	M8
L.RealGDPgrowth	-0.009*** (0.00)	-0.010*** (0.00)	-0.009*** (0.00)	-0.010*** (0.00)	-0.029*** (0.00)	-0.029*** (0.00)	-0.028*** (0.00)	-0.028*** (0.00)
L.UnionDensity	-0.004 (0.00)	-0.001 (0.00)	-0.000 (0.00)	-0.001 (0.00)	0.006 (0.01)	0.008 (0.01)	0.010+ (0.01)	0.009 (0.01)
Constant	0.687** (0.20)	0.503*** (0.10)	0.539*** (0.11)	0.466*** (0.11)	0.416 (0.64)	0.489 (0.33)	0.543 (0.32)	0.438 (0.37)
Country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R ²	0.956	0.957	0.958	0.957	0.963	0.965	0.966	0.965
AIC	-575.400	-576.671	-580.706	-576.716	-163.015	-169.832	-175.097	-168.741
BIC	-554.344	-552.105	-552.631	-548.641	-141.959	-145.266	-147.022	-140.666
N	247	247	247	247	247	247	247	247

Notes: Pooled OLS-regression with LDV, country fixed effects and country-clustered standard errors. Standard errors in parentheses: + $P<0.1$, * $P<0.05$, ** $P<0.01$ and *** $P<0.001$.

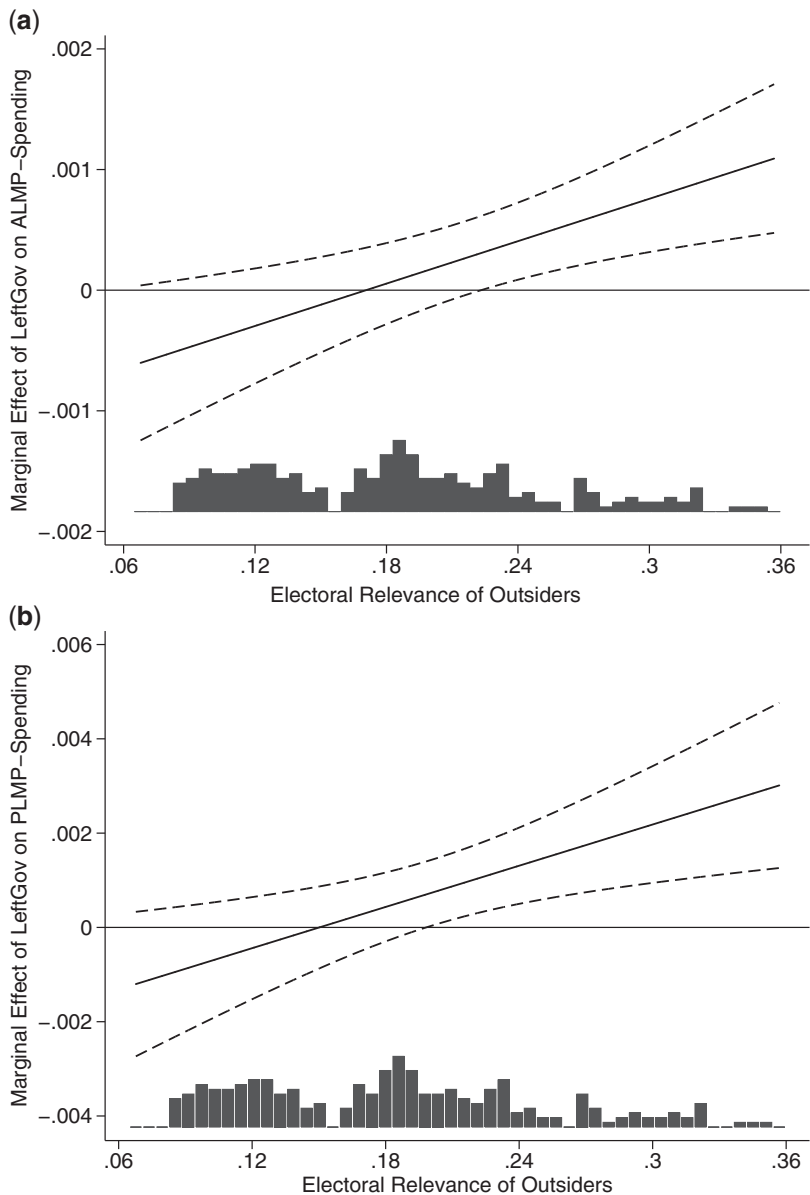


Figure 5 Interaction LeftGov with electoral relevance of outsiders on ALMP and PLMP spending with 95%-confidence intervals (based on Models 3 and 7 in Table 2). Histograms show the distribution of the electoral relevance of outsiders.

counterfactual Spain with outsiders being only half as relevant in the social democratic support coalition, a similar increase in left government seats would not result in higher ALMP spending.

As a last step, we tested in Models 4 and 8 the reverse idea in the spirit of a placebo test. Given that both ALMP and PLMP spending are considered pro-outsider policy, the interaction between the strength of social democratic governments and the electoral relevance of insiders should be either not significant or have a negative effect. The results confirm this expectation. [Supplementary Figure S12.5](#) visualizes the interaction effects and confirms that the marginal effects of social democratic governments on ALMP and PLMP spending are not significant.

8. Discussion and conclusion

This article provides two main takeaways. First, we show that the often-made assumption of widespread political apathy among the more vulnerable part of labor does not hold under empirical scrutiny. Especially in Continental and Southern Europe, insiders and outsiders are of comparable electoral relevance. Given the structural developments of the past decades in conjunction with the rapid rise of task-based jobs in the so-called gig economy, an ongoing spread of atypical work is highly likely. This will make labor market outsiders even more relevant in the electoral arena.

Second, and most importantly, the described variation in electoral relevance is politically consequential. This is the case with respect to both actual labor market reform outputs and spending on different kinds of labor market policy. We demonstrate that a higher relative electoral weight of labor market outsiders is consistently related to more frequent pro-outsider labor market reforms and increased spending on ALMP and PLMP whenever left parties have a substantial share in government. From the perspective of electoral relevance, social democratic governments in the 1980s and 1990s have implemented reforms biased against outsiders because insiders were their core electorate. As outsiders, however, become more electorally relevant for social democratic parties over time, we witness a shift in social democratic labor market policy-making away from the pro-insider bias emphasized in the seminal insider/outsider literature toward more inclusive, pro-outsider oriented policies.

This result has several important implications. First of all, our results show remarkable responsiveness of parties to their voters' demands, even when studying the issue within political blocks. While policymakers do not blindly follow the mood of their supporters and certainly retain some room for strategic maneuver, we demonstrate that policy implementation is systematically related to the relative electoral weight of different groups within the support coalition. In contrast to much of the existing work, we do not study what parties *promise* in their manifestos but what they really *do* in terms of policy output. This finding ties in with the idea that parties anticipate and deliver what their pivotal voter wants in order to maximize votes and increase chances for reelection. This is not a trivial result, in particular in times when mainstream parties' ability and willingness to respond to 'the ordinary voter' is increasingly doubted and questioned, not least by populist parties from various ideological backgrounds.

What is more, the electoral relevance approach we propose in this article has a more general takeaway for research on responsiveness in postindustrial societies, which are characterized by increasingly heterogeneous electorates. Existing studies often examine preferences of specific constituencies without taking into account differences in size and, thus, electoral relevance. To get a more encompassing understanding of political decision-making and responsiveness, research needs to move beyond focusing solely on particular subgroups'

preferences but also incorporate their specific electoral weight. A good recent example is [Evans and Tilley's \(2017\)](#) analysis of long-term changes in class voting in Britain, which explicitly takes into account the varying size of different societal strata over time.

Finally, we want to address a caveat of our approach. The political mobilization of particular subgroups of the electorate partly depends on parties' programmatic offers and what they offer in turn hinges on the relative electoral relevance of each group. Iteratively assessing how strongly an increase in electoral relevance affects party programs and what such a programmatic move means for the political mobilization among the targeted groups is at the heart of political science. Ideally one would combine supply- and demand-side in a dynamic framework. However, the apparent endogeneity issues pose thorny empirical questions. We believe that acknowledging the importance of both supply- and demand-side and assessing them separately is a first (but not the last) step toward a more encompassing understanding of both party strategies and citizen's political decisions. Our analysis thus highlights new avenues for further research. For example, studies concerned with the moderating impact of social democratic (or any party's) policy decisions on the share and prevalence of atypical employment might incorporate our findings to arrive at a more encompassing picture of feedback effects and policy-making in postindustrial societies.

Supplementary material

[Supplementary material](#) is available at *Socio-Economic Review* online.

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Appendix

A1. Electoral relevance by country

In Table A1, The first two columns show the relative group shares derived from EU-SILC, the next two columns display the predicted probability to turnout for both groups and the sixth and seventh columns give the calculated probabilities to vote for the social democratic party. The fifth and eighth columns show the national average in turnout and the national average of the social democratic vote share. Finally, the last four columns to the right-hand side of Table A1 represent our estimates of electoral relevance, i.e. the product of the three parameters for each group divided by the product of the two national parameters, as well as the difference and the ratio in electoral relevance between insiders and outsiders. Take for example the case in the first row, Denmark. According to our data, 44.3% of the votes for the Danish Social Democrats come from insiders and only 11.9% from outsiders. The total adds up to 100% with the few votes of labor market upscales, which are not considered typical supporters of social democratic parties, and the considerable vote share among people not in the labor force, mainly pensioners, who are an unlikely driving force behind labor market policy. Reducing the sample to the labor force, as is often done in the insider/outsider literature, would obviously increase vote shares massively but we deem the current numbers both more telling and more intuitive.

Table A1 Continued

	Group share		Turnout		Social democratic vote		Electoral relevance	
	Outsider (%)	Insider (%)	Outsider (%)	Insider (%)	Outsider (%)	Insider (%)	Outsider (%)	Insider (%)
Italy	18.6	24.9	81.7	87.7	84.2	32.7	31.6	31.9
Portugal	20.8	29.9	64.4	77.2	74.0	41.6	38.4	39.9
Greece	19.5	21.8	88.2	90.0	89.8	42.8	42.1	42.9
Visegrad	22.2	25.4	78.1	84.7	82.6	40.7	37.9	38.8
Czech Republic	13.6	36.1	56.6	64.6	60.9	31.6	32.5	32.3
Hungary	13.5	34.0	71.4	78.5	75.9	27.9	27.5	30.6
Poland	22.7	24.0	64.6	70.1	70.0	16.0	16.6	17.0
	16.6	31.4	64.2	71.1	69.0	25.2	25.5	26.6
							14.5	31.3
							16.7	2.4

Notes: Relative groups shares are based on all pooled EU-SILC (2002–2015). Participation and social democratic vote shares are predicted probabilities based on unconditional country-by-country logistic regressions of all pooled ESS Rounds 1–8 (2002–2016). Underline values indicate mean per megime.