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## **Abstract**

Some Nordic countries and Belgium have for a long time stemmed the tide of union decline, basically due to their Ghent systems of unemployment insurance. But over the last two decades, the Ghent effect seems to have lost some of its power as labor unions were no longer spared from substantial membership losses. We argue that this is not so much the result of structural changes but of well-directed legislative changes introduced under right-wing governments. Based on a distinction between different reform strategies, we conduct a process-oriented analysis of the instructive Swedish case, which is complemented by three shorter case studies of the other Ghent countries. We show that the deliberate erosion of the Ghent system substantially lowered union density in Sweden, while the unions' membership losses in Denmark and Finland partly resulted from decoupling unions and unemployment insurance. The Belgian case highlights political constraints for market-liberal reformers.

## **Introduction**

Since the end of the Golden Age, most Western democracies have seen a dramatic decline in union density and thus a substantial loss of power for organized labor. Remarkably, in a small number of European countries labor unions have stemmed the tide, with unionization remaining as high as 80 percent until the mid-1990s. What is striking is that almost all of those countries share one particular feature, the Ghent system, i.e. unemployment insurance is organized in form of voluntary unemployment insurance funds (UIFs) run by labor unions. A large amount of studies shows that these UIFs have worked as an excellent recruiting device for unions, resulting in exceptionally high unionization via the famous 'Ghent effect' (e.g.,

Schnabel, 2013; Scruggs, 2002; Western, 1997). But although unionization is still at an exceptionally high level in the Ghent countries, the in part substantial decline in union density over the last two decades points to a deterioration of the Ghent effect.

This article makes the argument that the substantial drop in unionization is not so much the result of structural factors like deindustrialization but of partisan politics, more precisely of legislative changes to the Ghent system introduced under right-wing governments. The argument builds on recent work by Pontusson and Rasmussen (2016) who provide statistical evidence that social democrats, though not being the main pioneers of the Ghent system as suggested by Rothstein's (1992) seminal study on Sweden, used their parliamentary power in the 20<sup>th</sup> century to strengthen unions by expanding state subsidies to the Ghent system. Correspondingly, we expect right-wing parties, especially market-liberal ones, to use their growing political power in Ghent countries to dampen the Ghent effect. While Pontusson and Rasmussen focus exclusively on state subsidization of UIFs, we argue that market-liberal parties have additional reform strategies at their disposal (cf. Høgedahl & Kongshøj, 2017). Distinguishing between strategies like replacement, erosion and decoupling enables us to reconstruct the causal mechanisms through which right-wing governments contributed to union decline.

The empirical analysis includes all contemporary Ghent countries, i.e. three Nordic countries, Sweden, Denmark and Finland, as well as Belgium, where unions profit from a peculiar form of Ghent effect (Van Rie, Marx, & Horemans, 2011). Given the ambitious task of tracing the process from government intentions to the resulting policies to the effect of these policies on unionization, we cannot cover all countries to the same extent. Instead, we present an in-depth analysis of the Swedish case which not only offers favorable scope conditions to analyze the proposed causal mechanisms but also allows, as we will see, for an instructive within-case comparison. The other three countries are dealt with in more pointed

case studies. This design has the advantage of allowing for a thorough test of the outlined causal chain of government partisanship, (proposed) reforms of the Ghent system and their effects on unionization, while still covering the whole population of cases.

The article is structured as follows: The two starting sections provide an overview of our knowledge about the Ghent effect as well as the surrounding partisan politics. This is followed by theoretical considerations on the contemporary politics of the Ghent system, addressing partisan motives as well as reform strategies. Next, the research design is outlined. The two subsequent sections provide the empirical analysis, before the key findings are wrapped up in the final section.

## **The Ghent Effect Revisited**

In contrast to compulsory state-run insurance systems, the Ghent system, named after the Belgian city where it was first introduced, consists of voluntary UIFs that are run by unions. The argument well-established in the literature is that the control over the UIFs offers unions a powerful means to recruit members, especially as personal contributions are generally quite modest due to heavy subsidies by the state. This results in the famous ‘Ghent effect’, i.e. in strong incentives for employees to join one of the voluntary schemes and the affiliated unions.

- Table 1 -

So let us take a look at the empirical evidence. First of all, a simple cross-country comparison of net union density supports the claim of the enormous relevance of the Ghent system (see Tab. 1). All three countries with a union density of more than 65 percent in 2013 are Ghent countries, while Belgium which, as we will see, can be classified as a *de facto* Ghent country is ranked fourth. The numbers from the mid-1990s are even more impressive.

Turning from levels to changes, Table 1 demonstrates that the Ghent countries are among the few which saw a substantial rise in union density from 1960 to 1993, albeit the tide obviously turned from the mid-1990s on. A substantive amount of cross-country studies that control for economic and political factors confirms the strong correlation between the Ghent system and union density (e.g., Ebbinghaus & Visser, 1999; Ebbinghaus, Göbel, & Koos, 2011; Oskarsson, 2003; Schnabel, 2013; Scruggs, 2002; Western, 1997). In line with expectations, the Ghent effect especially shows in times of economic crises, with union density generally dropping in non-Ghent countries but rising in Ghent countries (Checchi & Visser, 2005; Scruggs, 2002). In short, there is overwhelming evidence in support of the Ghent effect, though the considerable drop in union density in the three Nordic Ghent countries from 1993 to 2013 points to its potential deterioration.

So how exactly does the Ghent system exert its influence on unionization? A simple explanation is that the mere existence of union-run UIFs automatically leads to a rise in union membership numbers. But this is at odds with fresh empirical evidence based on historical data which shows that the introduction of the Ghent system does not automatically lead to an enduring rise in unionization (Pontusson & Rasmussen 2016, pp. 18-23). A more sophisticated explanation is that it is in fact the specific design of the Ghent system which affects union density. According to this line of argument, workers will join the unions if the UIFs are designed in a way that creates sufficient selective incentives for doing so, i.e. if potential benefits outweigh potential costs, and abstain from union membership (or leave the unions) if this is not the case (cf. Høgedahl, 2014, p. 472). Surveys show that UIFs are indeed an important reason for union membership, especially among workers with a high risk of unemployment (e.g., Høgedahl, 2014; Pehkonen & Tanninen, 1997; Waddington, 2015). But as costs and benefits of UIFs are not fixed, the institutional design of the UIFs can be

expected to have a decisive impact on workers' willingness to join an UIF and the affiliated union.

Given the peculiar structure of the Ghent system, three institutional features stand out. First, as highlighted by Pontusson and Rasmussen (2016), the extent to which union-run UIFs are subsidized by the state substantially influences the costs of UIF and union membership. An extensive subsidization by the government lowers workers' membership fees and thus the costs of getting unemployment insurance. Second, the generosity of unemployment benefits impacts the attractiveness of UIFs (Goul Andersen, 2012; Høgedahl & Kongshøj, 2017). This obviously concerns the net replacement rate a worker can expect in the case of unemployment but also aspects like benefit duration and eligibility criteria. If replacement rates are high, especially compared to other forms of unemployment or social assistance, and access to unemployment benefits not overly restricted, incentives to join an UIF are strong. A third crucial factor is the connection between union and UIF membership (Høgedahl & Kongshøj, 2017, pp. 4-6). If all UIFs are run by unions and union membership is legally required for UIF membership, workers looking for unemployment insurance are forced to join a union. But if the connection is more relaxed or there are non-union alternatives available, incentives for double membership are reduced.

To sum up, the empirical evidence clearly confirms the existence of the Ghent effect. This effect does not result from the sheer existence of Ghent-style UIFs but from certain features which, in combination, create selective incentives for union membership. The strength of the Ghent effect basically rests on state subsidization of UIFs, the generosity of unemployment benefits and the strength of links between unions and UIFs.

## **The Partisan Politics of the Ghent System**

The most prominent account on the partisanship surrounding the Ghent system is Rothstein's (1992) work on the introduction of this union-administered insurance system in Sweden in 1934. Rothstein convincingly argues that the Swedish Social Democrats (SAP) behaved strategically and opted for the Ghent system, in order to strengthen the organizational capacity of the allied unions. Cross-country analyses, however, show that the Swedish case is rather exceptional and that it was not social democrats but mainly liberals who introduced the Ghent system in other countries (Pontusson & Rasmussen, 2016; Rothstein, 1992, pp. 43-46). Accordingly, union-affiliated UIFs offered an attractive option for liberals to mobilize electoral support among skilled workers and bolster craft unions. The Swedish case is exceptional in this regard due to the weakness of the Swedish Liberals as well as the strength of industrial unionism (Pontusson & Rasmussen, 2016, pp. 9-15).

But even if social democrats are not the original champions of the Ghent system, what about their role *after* the UIFs had been established? Here, Pontusson and Rasmussen are more in line with Rothstein's argument. The latter's Swedish case clearly shows that the SAP used its power to strengthen labor unions by successively increasing state subsidies and raising the generosity of unemployment benefits (Heclo, 1974, pp. 127-141). The formers' cross-country analysis on state subsidization of unemployment insurance provides "suggestive evidence [...] in support of the idea some Left parties, faced with Ghent systems that were not of their choosing, understood the political advantages that such systems would provide them if adequately subsidized by the state" (Pontusson & Rasmussen, 2016, pp. 29-30). This finding is based on a two-stage analysis which reveals that there is a (modest) partisan effect on state subsidization of union-run UIFs which, as we have seen, has a positive impact on unionization.

While Pontusson and Rasmussen have to be credited with providing us with innovative insights and thus revitalizing the research on the Ghent effect, a number of things are missing to get a full understanding of the surrounding politics. First, they do not offer, as they themselves acknowledge, conclusive evidence on the partisan politics of UIF subsidization. Given their large-N approach, they cannot show that social democrats have used UIF subsidies on purpose to strengthen trade unions. Second, they do not cover alternative channels of partisan influence. As discussed above, the strength of the Ghent effect not only depends on state subsidization but also on the generosity of unemployment benefits<sup>1</sup> and the closeness of links between unions and UIFs. Since governments can exert their influence in these different ways, a comprehensive approach on the partisan politics of the Ghent system has to take all three strategies into account. Finally, their analysis covers the period from 1930 to 2000, i.e. it excludes a substantial part of the period marked by union decline which is crucial for analyzing our argument.

To sum up, recent research provides some evidence that political parties try to influence the strength of the Ghent effect by altering its parameters through legislative action. The fresh evidence is, however, far from conclusive, omitting alternative reform strategies as well as a crucial part of the current retrenchment era. In other words, our understanding of the contemporary politics of the Ghent system remains so far shallow at best.

## **The Contemporary Politics of the Ghent System**

A comprehensive understanding of the partisan politics of the Ghent system demands the consideration of parties' ends and means. Hence, two interconnected questions arise: 1) *Why* should parties make a difference on the Ghent system or, put differently, what should motivate them to try to alter the strength of the Ghent effect? 2) If there is reason to assume

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<sup>1</sup> The authors recognize that benefit generosity has to be taken into account as it “is arguably the key variable affecting the cost-benefit calculus of workers” (Pontusson & Rasmussen, 2016, p. 29).



that parties want to make a difference, *how* do they do it, i.e. which strategies can they pursue to reach their aims? Previous research has mainly centered on left-wing parties' motives and strategies to strengthen the Ghent effect. Given our focus on the decline in union density since the mid-1990, special attention has to be given to the strategies available to right-wing parties interested in weakening the unions.

### *Ideological and Electoral Motives*

The first question is why government partisanship should matter when it comes to the Ghent system. Turning to the political left, the assumption underlying the existing research is that left-wing governments, especially social democrats, expand or at least defend the Ghent system's selective incentives to support organized labor (Pontusson & Rasmussen, 2016; Rothstein, 1992; Western, 1997). But what about the widely held view that the 'Siamese twins' (Ebbinghaus, 1995) of the labor movement have been alienated from each other by structural forces like globalization and deindustrialization (Howell, 2001; Piazza, 2001)?

The empirical evidence shows that party-union ties in the Ghent countries have weakened but are stronger than in most other European countries. On the one hand, unions continue to be influential actors within social democratic parties in these countries, not least due to their exceptional organizational strength (Allern & Bale, 2017; Allern, Aylott, & Christiansen, 2007).<sup>2</sup> This is highlighted by the Swedish case, where bonds between the SAP and the Swedish Trade Union Confederation (LO) remain exceptionally strong even after the abolishment of collective party membership of union members. The close relations between social democrats and unions lead to a high responsiveness of the former to the latter's policy demands, especially when it comes to social policy and labor market policy (Simoni, 2013, pp. 316-326). On the other hand, social democrats have also an electoral interest in supporting

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<sup>2</sup> At the time of writing, former union leaders are at the head of the social democratic parties of Sweden (Stefan Löfven, also Swedish Prime Minister) and Finland (Antti Rinne).

organized labor, as union members are in general more likely to vote for social democrats than unorganized workers (Arndt & Rennwald, 2016). As Figure 1 shows, union members are overrepresented among social democratic voters in all Ghent countries, but especially in Sweden, and represent about two-thirds of the social democratic vote in the three Nordic countries (see Fig. 1).<sup>3</sup>

- Figure 1 -

Turning to the other side of the political aisle, we find good reasons why parties of the right, including market-liberal ones in Ghent countries, should be interested in curbing union power. The corresponding argument can be based on vote-seeking as well as policy-seeking. From a vote-seeking perspective, the argument mirrors the argument on the social democrats. Because union members are more likely to vote for left-wing parties, their political opponents might profit from lowering unionization. More importantly, right-wing parties are supposed to have strong ideological motives for weakening organized labor. From a market-liberal perspective, strong unions are perceived as a threat to the functioning of free markets, e.g. due to excessive wage demands and their support for strict labor market regulations (Prasad, 2006). Furthermore, attacking unions, one of the main proponents of the welfare state, forms a promising strategy of ‘systemic welfare retrenchment’, i.e. facilitating future welfare retrenchment by altering the politico-economic context in which political actors operate (Jensen, 2014, pp. 102-125; Pierson, 1994, pp. 15-17).

Examples of right-wing attacks on organized labor come first and foremost from the Anglo-Saxon world, most prominently Britain and the United States, where conservative parties aggressively undermined union power by curtailing the right to strike as well as

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<sup>3</sup> Union members are also overrepresented among voters of the Left Parties of the three Nordic countries (see Appendix, Fig. 1A).

collective bargaining rights (e.g., Cooper & Ellem, 2008; Freeman & Pelletier, 1990; Goldfield & Bromsen, 2013). While such blunt attacks on unions are rather unlikely in coordinated market economies, undermining an outstanding institutional power resource like the Ghent system could present an attractive alternative for market-liberal parties on the rise. Attacking the Ghent system thus not only promises to weaken a key ally of social democrats but also to facilitate future labor market and welfare reforms favored by these parties.

### *Strategies of Dampening the Ghent Effect*

Starting from the premise that conservative and other market-liberal parties intent to weaken organized labor by attacking the Ghent system, how will they proceed when in government? Building on the work of Høgedahl and Kongshøj (2017) on recent reform trajectories in Ghent countries and our own insights on the Ghent effect presented in Section 2, we identify four strategies: 1) Abolishing the Ghent system altogether (*replacement*), 2) cutting state subsidies and thus raising membership fees, 3) reducing the benefit generosity of unemployment benefits (both forms of *erosion*) and 4) loosening the ties between UIF and union membership (*decoupling*).

The most direct way to get rid of the Ghent effect is a frontal assault on the Ghent system as a whole, i.e. its complete abolishment. This approach is the most straightforward one to destroy any form of Ghent effect but it is not without problems. First, such an open attack will be seen as a declaration of war by the unions who could call their members to the barricades. Second, the abolishment of the voluntary insurance system means that it has to be replaced by something else, with state-administered unemployment insurance being the most natural option. A switch from a voluntary insurance system to a mandatory one, financed through (payroll) taxes, is, however, rather unattractive for staunch market-liberals.

Notwithstanding these problems, *replacement* still represents the most direct option for market-liberal governments to put an end to the Ghent effect.

A second, more indirect approach leaves the basic structure of the Ghent system untouched but pursues the same goal by making UIF membership more unattractive. This systematic *erosion* of the Ghent system incorporates two strategies. Substantially cutting state subsidies for UIFs would lead to a significant rise in membership fees which, in turn, could drive a substantial number of people out of the UIFs and affiliated unions. A similar effect results from lowering benefit generosity and impeding access to benefits by introducing stricter eligibility criteria. Both reform strategies, which can be combined to intensify their effect, will especially affect the cost-benefit analysis of low-income earners in irregular jobs, who would face higher costs and might nevertheless lose coverage. The strategies of erosion are supposed to be more appealing to market-liberals than replacement, because benefit cuts correspond to their ideology and low-income earners are not among their core electorate.

A fourth strategy abstains from cutting benefits but targets the link between UIFs and unions. The basic idea is to keep people in the voluntary insurance system while offering incentives to leave the unions, thereby *decoupling* UIF from union membership. Here, we can distinguish a softer and a more aggressive approach. The softer approach mainly consists in raising people's awareness for the fact that union membership is no legal requirement for UIF membership, e.g. by forcing unions to separate union from UIF membership fees.<sup>4</sup> The more aggressive approach goes further by introducing public or private alternatives to the union-run UIFs. The negative impact of those alternatives on labor unions will especially be felt if the former can offer unemployment insurance at a lower price than the union-run UIFs. As reforms that lower insurance costs promise to be more popular with the electorate than higher

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<sup>4</sup> Besides identification with the labor movement and additional selective incentives created by unions, ignorance of the fact that UIF membership is possible without union membership is one of the main reasons for double membership (Clasen & Viebrock, 2008, pp. 445-447).

fees and benefit cuts, decoupling presents an interesting option for right-wing parties who want to appeal to working-class voters.

Thus, we see that market-liberal parties have a number of reform options available to dampen the Ghent effect, including the promising strategies of erosion and decoupling. Such reform efforts will, given their supposed negative effects on the unions, face the resistance of social democrats (and other union-friendly left-wing parties) who will on their part try to block or, if possible, reverse them.

## **Design of the Empirical Study**

The main argument of this article is that market-liberal parties have an interest in undermining the union-friendly Ghent system and will do so by adopting one or more of the outlined reform strategies. The changes in union density from 1993 to 2013 indicate that they succeeded in the three Nordic countries but not in Belgium (see Tab. 1, col. 4). In order to test the argument, we adopt a mechanism-centered design which is well-suited “to gain a better understanding of the causal relationship between X [partisanship] and Y [unionization] within a bounded population [Ghent countries]” (Beach & Pedersen, 2016, p. 4). Consequently, the empirical analysis has to prove that 1) right-wing governments introduced reforms intended to reduce the strength of the Ghent effect and that 2) those reforms actually contributed to membership losses for the unions. Since this requires a careful analysis of the supposed causal processes, we cannot cover all Ghent countries to the same extent. Therefore, we start with an in-depth analysis of the Swedish case and subsequently supplement this comprehensive case study with more pointed case studies of the three remaining Ghent countries. This design has the advantage of allowing for a thorough test of the outlined causal chain of government partisanship, (proposed) reforms of the Ghent system and their effects on unionization, while still covering the whole population of cases.

The focus on the Swedish case is based on two reasons. First, applying a mechanism-centered design, we have to pick a case where we expect the scope conditions to be favorable and the outcome of our argument to be present (Beach & Pedersen, 2016, pp. 14-16). These criteria are best met by the Swedish case. Turning to scope conditions, Sweden (like Denmark and Finland but unlike Belgium) not only possesses a classic Ghent system but (similar to Denmark) also a political bloc system, in which social democrats are challenged by market-liberal parties.<sup>5</sup> Concerning the outcome, Table 1 shows that Sweden is the Ghent country that witnessed the most dramatic decline in union density since the mid-1990s. Based on the outlined argument, we expect legislative changes to the Swedish Ghent system to be a major cause of this decline. Second, the Swedish case study contains, as we will see, not one but two major reform initiatives by right-wing governments what allows for an additional within-case comparison. Based on the insights from the Swedish case, we then expand our analysis to the three other countries to look for similar processes. This design offers the additional advantage to facilitate the identification of potential scope conditions of these processes (Rohlfing, 2012, pp. 200-211), i.e. we are also able to identify conditions which prevent market-liberal parties from pursuing some or all of the presented strategies.

The case studies are based on primary sources, country studies as well as expert interviews. Using primary sources like policy proposals and parliamentary debates, the comprehensive Swedish case study traces the major political reform initiatives directed at the Ghent system since the early 1990s. The more condensed case studies on Denmark, Finland and Belgium are based on existing research as well as expert interviews.

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<sup>5</sup> In Finland and Belgium, the labor-capital cleavage is less dominant due to cultural cleavages. Belgium also has a federal structure and a peculiar form of Ghent system.

## Sweden

Since the early 1990s, Sweden has seen two center-right governments (1991-1994 and 2006-2014), each led by the market-liberal Conservatives. As we will see, both governments launched attacks on the Ghent system, albeit with different reform approaches and with different results. In the following, the focus will be on these reform initiatives without neglecting the political answers by the Social Democrats.

### *1991-1994: A Failed Push for Replacement*

When the minority-government consisting of the Conservatives and three minor center-right parties was formed in 1991, the Swedish Ghent system provided strong incentives for union membership: The nominal replacement rate was set at 90 percent and thus substantially above the level of unemployment assistance, huge state subsidies (including employer contributions) kept UIF membership fees low and union members were legally obligated to join the corresponding UIF (though UIF membership was possible without union membership). As a result, more than 80 percent of the workforce were members of a union and the associated UIF, with double membership being the rule ([author]).

The austerity packages introduced by the government to fight the deep fiscal crisis of that time included cuts in unemployment benefits. The nominal replacement rate was lowered from 90 to 80 percent and the indexation of the upper benefit ceiling abolished, de facto a reduction of real replacement rates for high-wage earners. But savings also affected funding, as the by then modest UIF membership fees were doubled (Proposition 1991/92, No. 38; Proposition 1992/93, No. 150). While these changes meant a slight but noticeable erosion of the union-friendly system, the real reform push was yet to come. In 1992, an investigatory commission was appointed to formulate a plan for the creation of compulsory unemployment insurance (Direktiv 1992, No. 24). Quite exceptionally, neither Social Democrats nor unions

had any voting rights in the commission, a measure taken to prevent any disturbances. The commission delivered the desired results: Besides increasing membership fees, freezing employer contributions and setting a clear time limit for benefit receipt, the resulting reform plan included the creation of a state-run UIF that would be in competition with the existing union-run funds (Proposition 1993/94, No. 80; Proposition 1993/94, No. 209). The crucial point was that “the state fund would have a competitive advantage versus the union funds in that wage earners would pay no extra membership fee [in addition to a new payroll tax] while those remaining in the union run funds would continue to pay membership fees” (Anderson, 1998, p. 293). In other words, the Ghent system was supposed to be replaced by a mandatory insurance system which made membership in a union-run UIF dispensable.

The reform initiative was strongly opposed by Social Democrats and unions. While the latter mobilized tens of thousands of their members to protest against the reform bill, the SAP accused the government of class warfare. In the Riksdag debate on the issue, SAP’s labor spokesman Johnny Ahlquist called the reform an attack on “something that has always been a thorn in the side of the [main employer association] SAF and the Conservatives, namely the historical bond between unemployment funds and trade unions” and declared that the government’s “strategy is to lower unions’ membership numbers, in order to weaken unions” (J. Ahlquist quoted after Riksdag, 1993).<sup>6</sup> Besides pointing to fiscal considerations and the high number of uninsured people, the governing parties, but especially the Conservatives, made no secret of the fact that the reform was aiming deeper. While the Minister of Labor, Börje Hörnlund of the Center Party, emphasized the advantages of the competition provoked by the new (and structurally privileged) state-run fund and noted that the SAP’s harsh criticism “smelled of private interests from a long distance” (B. Hörnlund quoted after Riksdag, 1994a), representatives of the Conservatives were even blunter in

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<sup>6</sup> Representatives of the Left Party shared this view, accusing the Conservatives of intending “to shatter the social solidarity and the class solidarity that is build into the design of the union-led unemployment funds” (H. Andersson quoted after Riksdag, 1993).



showing their intentions. In the parliamentary debate on the issue, their spokeswoman referred to Rothstein's work on the topic and acknowledged the political importance of the Ghent system:

"In countries, which have chosen the Ghent system, i.e. Sweden, Denmark, Finland and partially Belgium, union density [...] and workers' parties' government participation are high. Thus, we can conclude [...] that a corporatist institution like the Ghent system is in a way self-enforcing, because it systematically tends to strengthen the forces which have an interest in defending its existence. And in the Swedish case, the corporatist political structures are a better explanation for the exceptional organizational strength of the working class than vice versa" (S. Rembo quoted after Riksdag, 1993).

Even though the center-right government did not command a majority in the Riksdag, it was due to abstention of many delegates of the right-wing populist New Democracy able to pass the institutional reform in June 1994. The voting pattern was in line with the theoretical expectations: While the four right-wing parties supported the passage of the bill, the Social Democrats as well as the Left Party opposed it (Riksdag, 1994b). But the Conservatives' success was short-lived. The late passage of the bill meant that its fate hinged on the September election, as the SAP promised not to implement the changes but to repeal the law in case of an election victory (SAP, 1994).

The SAP narrowly missed a parliamentary majority but with the support of the Left Party was able to put a halt to the predecessor's reform.<sup>7</sup> In December 1994, the introduction of the state-led unemployment fund was repealed, a decision that was criticized by the Conservatives for fulfilling the "LO's demands for a union monopoly on unemployment funds" which "forces people into the unions" (K. Olsson quoted after Riksdag, 1994c). In order to restore the union-friendly design of the Ghent system, membership fees were lowered

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<sup>7</sup> Significantly, the center-left Greens, which have no close ties to the LO, favored a tax-financed compulsory insurance and did not support the reestablishment of the Ghent system (Riksdag, 1994c).

to the original level and a limit on benefit duration, also introduced by the previous government, abolished (Proposition 1994/95, No. 99). Over the subsequent twelve years, SAP governments succeeded in keeping UIF membership stable, amongst others by making membership fees tax deductible and lifting the benefit ceiling (for more see [author]), even though they were not able to stop the slight but steady decline in union membership observable in most advanced democracies (Kjellberg, 2016).

To sum up, the first reform effort by the center-right parties in Sweden consisted in a frontal attack on the Ghent system, with the aim to replace it with mandatory unemployment insurance. As seen, the, at first sight, surprising fact that the Conservative-led government favored a mandatory over a voluntary solution has a lot to do with the Conservatives' intention to put an end to "a union monopoly that belongs to the unions' political empire build by the Social Democrats" (S. Rembo quoted after Riksdag, 1994c).<sup>8</sup> As expected, the Social Democrats as well as the Left Party strongly opposed the reform. When the SAP returned to power it immediately restored the Ghent system, thus preventing any potential negative effects on the unions.

### *2006-2014: Successful Erosion of the Ghent System*

Under the label 'Alliance for Sweden' the four right-wing parties regained power in 2006, this time commanding a majority in the Riksdag. Led by the Conservative Prime Minister Fredrik Reinfeldt the new center-right government immediately launched another attack on the Ghent system, this time choosing a different reform strategy. Leaving the institutional structure untouched, this strategy consisted in raising costs and lowering benefits for UIF members.

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<sup>8</sup> Another rationale offered by the government, a deep concern for the uninsured, lacks persuasiveness since a substantial number of unemployed would have lost their entitlements under the proposed system due to stricter eligibility criteria.

Concerning benefit cuts, there were some substantial changes as well as one important form of policy drift.<sup>9</sup> On the one hand, the nominal replacement rate was lowered from 80 to 70 percent after 200 days of unemployment and, for unemployed persons with children, to 65 percent after 300 days (Proposition 2006/07, No. 15). On the other hand, contrary to demands of the Social Democrats, the upper benefit ceiling, which had not been raised since 2002, was not lifted but even cut from 730 SEK to 680 SEK for the first hundred days of unemployment. Apart from this reduction, the upper ceiling remained at 680 SEK from 2007 to 2014. Though the nominal replacement rate remained unchanged after 2007, this led to a steady decline of real replacement rates for an ever-growing part of the unemployed (see Fig. 2). Here, it proved crucial that the indexation of the upper benefit ceiling had been abolished under the previous center-right government, since this provided perfect conditions for policy drift. Finally, access to benefits was made harder, as participation in active labor market measures and periods of study no longer sufficed to qualify for benefit receipt (Sjöberg, 2011, p. 218).

- Figure 2 -

While the cuts were substantial, the hardest blow to the Ghent system occurred on the financing side, in the form of a massive increase in UIF membership fees. While employer contributions were lowered, membership fees were raised by the introduction of an ‘increased financing fee’ for all fund members (Proposition 2006/07, No. 15, p. 2). From January 2007, fund members were supposed to cover half of the expenses of unemployment insurance. Since the unemployment rate differed among the occupational groups covered by the individual UIFs, this meant that workers with the highest risk of unemployment, who generally belong to the group of low-wage earners, would have to pay the highest contributions under the new

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<sup>9</sup> ‘Policy drift’ occurs “when groups with the ability to block change effectively resist the updating of policy over an extended period of time in the face of strong contrary pressure and strong evidence that policy is failing to achieve its initial goals” (Hacker & Pierson, 2010, p. 168).

system (see Tab. 2). This link of membership fees to sectoral unemployment was further tightened by the abolition of the so-called ‘balancing fee’ through which better-off UIFs had until then compensated UIFs which bore higher costs. Finally, the increase hit employees even harder, because UIF as well as union membership fees were no longer tax deductible (Proposition 2006/07, No. 1, p. 163).

- Table 2 -

Given the absence of the typically emphasized fiscal pressures, how did the Reinfeldt government justify these reform measures? The main argument was that the Ghent system in its original form distorted wage formation by passing the costs of unemployment almost entirely on taxpayers and employers, thereby causing unemployment. For instance, in an opinion piece for *Dagens Nyheter* Finance Minister Anders Borg and two of his Conservative cabinet colleagues claimed that “a clear coupling of the membership fee of an UIF to the employment in the according sector will contribute to the fact that the social partners will pay more attention to employment and unemployment in wage negotiations” (Borg, Littorin, & Husmark Pehrsson, 2008). In line with this rationale, the sharp rise of uninsured unemployed after the Great Recession was not only met by a reduction of membership fees for most UIF members but also with the introduction of the so-called ‘unemployment fee’ (Proposition 2008/09, No. 1, pp. 24-25) which strengthened the link between individual contributions and sectoral unemployment even further (see Tab. 2, col. 4).

There is considerable evidence that the government was well aware of the fact that its reforms would affect the unions in a more direct way than via wage formation. Thus, the authors of the economic model on which the reforms were based unmistakably stated that “a rise in the share of benefits financed by union members is likely to reduce wages as well as

union membership” (Holmlund & Lundborg, 1999, p. 397). Furthermore, the previous Social Democratic government had published a report on the Swedish Ghent system, which on the basis of different simulations concluded that union density would drop if member fees were raised substantially (Swedish Ministry of Enterprise, 2005). Finally, not only LO-economists but also Lars Calmfors (2006), the future chairman of the Swedish Fiscal Policy Council, vocally warned that the planned fee rises would provoke workers with low unemployment risk as well as low-income earners to leave their UIFs. Calmfors also pointed out the inconsistency of an economic policy that used higher fees for workers to partially finance the simultaneous tax reduction on working income. This alleged inconsistency, however, makes a lot of sense from a political perspective. According to this, the fee rises promised to kill two birds with one stone by generating revenue for tax reductions, popular with voters and party ideologues alike, while at the same time lowering incentives for UIF and union membership.

This time, the consequences for the unions were substantial. While the expected effects on wage formation never materialized, the effects on unionization were felt immediately. As Figure 3 demonstrates, unions and UIFs witnessed unprecedented membership losses in 2007 and 2008. Moreover, the share of union members outside UIFs rose from 3.7 percent in 2006 to 9.1 percent in 2008 (Kjellberg, 2009, p. 487), another clear sign of the deterioration of the Ghent system.<sup>10</sup> As the last column of Table 2 shows, the unions in low-wage sectors, mainly members of the blue-collar LO, were hit hardest, as the combination of low wages and high contributions set strong incentives to leave those unions. This is best exemplified by the union of hotel and restaurant workers which lost almost a third of its members in 2007 and 2008.

- Figure 3 -

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<sup>10</sup> To prevent their members from leaving the union, many unions allowed their members to leave the affiliated UIF without giving up union membership.

To sum up, the Conservative-led government this time chose a different strategy, opting for erosion, especially through a massive hike in membership fees, instead of replacement. This approach of liberalizing the Ghent system by linking membership fees to sectoral unemployment to suppress wages had the big advantage of being in line with the Conservatives' ideology.<sup>11</sup> In addition, the potentially unpopular deterioration of unemployment benefits was obscured by policy drift and compensated for by popular tax reductions. The effect of the erosion of the Ghent system on unionization was immediate and substantial, with unions losing about eight percent of their members from 2006 to 2008. Given the warnings of all kinds of experts, this outcome was anything but an unintended consequence of the reform measures. Social Democrats and Left Party harshly criticized the reforms but were powerless in the face of the parliamentary majority of the center-right parties.<sup>12</sup>

## **The Other Ghent Countries**

In Sweden, the Conservatives were ultimately successful in dampening the Ghent effect by the means of erosion. What remains to be seen is if the Swedish case is (again) exceptional or if there were similar attacks by market-liberal parties in the other Ghent countries and, if this is the case, how right-wing governments proceeded.

### *Denmark: Decoupling by Design*

Out of the three countries, Denmark is the one that comes closest to the Swedish case. Similarities are the generous, almost exclusively state-financed Ghent system, the historically strong position of the Social Democrats with (once) close ties to the blue-collar LO as well as

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<sup>11</sup> Proposals for another push for mandatory unemployment insurance were blocked by the Conservatives because of ideological reservations as well as fear of the unions' reaction ([author]).

<sup>12</sup> Back in power, the SAP strengthened the Ghent system by substantially raising the benefit ceiling.

the rise of market-liberal parties. After the right-wing parties had already formed minority-governments in the 1980s, the Liberal Party and the Conservatives returned to power from 2001 to 2011. The obvious question is if the center-right government, led by the Liberals, started a similar attack on the Danish Ghent system.

Still in opposition in the 1990s, the Liberal Party had begun to openly criticize the trade unions' monopoly on UIFs and demanded the creation of alternative funds to guarantee freedom of choice (Jensen, 2014, p. 107). The Liberals made no secret of their anti-union bias. For instance, one Liberal parliamentarian frankly acknowledged that the planned changes "will obviously be unpleasant from the perspective of the unions" (F. Dam quoted in Jensen, 2014, p. 107). The issue was at the top of the Liberals' agenda, which is why they lost no time to push for reform when they regained office in 2001. The crucial change, fiercely criticized by LO and Social Democrats, consisted in the approval of cross-occupational UIFs.<sup>13</sup> This gave so-called 'alternative unions', which organize employees across different trades and professions, the opportunity to compete for new members. From the perspective of the traditional unions, the main problem is that alternative unions operate as free riders. They do not engage in collective bargaining activities and refuse strikes and other forms of collective action – and are therefore able to offer membership at a much cheaper rate than recognized unions (Ibsen, Høgedahl, & Scheuer, 2013). The reform, which promised to lower the costs of insurance, had the advantage that it not only corresponded to the Liberals' free market approach but also served to attract support from working-class voters (Goul Andersen, 2011, p. 200).

Given the clear intentions, what are the effects of the reform? Union density as a whole dropped about 7.5 percentage points from 2000 to 2011. However, this in no way small decline is only part of the bigger story. A more detailed analysis reveals that the blue-collar

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<sup>13</sup> The original proposal also included the creation of a cross-sectional public insurance fund, but this part of the reform plan had to be withdrawn due to the resistance of the right-wing populist Danish People's Party, whose support was needed by the liberal-conservative minority government.

LO lost about 250.000 members over this period, i.e. more than 20 percent of its original membership, whereas alternative unions at the same time gained more than 100.000 members (Ibsen, Høgedahl, & Scheuer, 2013, pp. 446-448). This means that the total numbers hide a more dramatic loss of power by the traditional unions, especially the blue-collar LO. Surveys show that the main reason for the switch from traditional to alternative unions was the substantially lower price of membership fees of the latter (Ibsen, Høgedahl, & Scheuer, 2013, pp. 453-458; cf. Høgedahl, 2014). A further reform package introduced by the center-right government in 2010 could intensify this trend in the future. Besides some benefit cuts, the reform contained the establishment of a ceiling on the tax deduction on union fees. Since the “ceiling was set precisely so that the members of the recognized unions no longer could receive a full tax deduction, whereas the alternative unions can continue to do so” (Ibsen, Høgedahl, & Scheuer, 2013, p. 453), financial incentives to shift to an alternative union were strengthened further.

The parallels to the Swedish case are obvious. With the Social Democrats out of office, the center-right parties used their political power to attack the Ghent system. But unlike their counterparts in Sweden, the Danish Liberals did not erode the Ghent system<sup>14</sup> but adopted the electorally risk-free strategy of decoupling, in this case achieved through the establishment of UIFs not affiliated or even opposed to organized labor with a competitive advantage over union-run UIFs. The negative effects on traditional unions did not materialize as rapid as in Sweden but the lower fees of the new UIFs contributed to steady and, over time, substantial membership losses for the LO.

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<sup>14</sup> An exception is the 2010 reform which halved maximal benefit duration to two years.



### *Finland: Decoupling by Accident*

Finland witnessed a steady decline in union density from about 80 percent in the mid-1990s to below 70 percent in the late 2000s. Remarkably, this decline was not accompanied by a similar decline in UIF membership, which remained consistently above 80 percent. While UIF membership without union membership was almost non-existent in the early 1990s, about ten percent of UIF members were non-union members a decade later (Böckerman & Uusitalo, 2006). The main reason for the decline in union density was not changes in the composition of the labor force but “the erosion of the Ghent system, due to the emergence of an independent unemployment fund that provides unemployment insurance without requiring union membership” (Böckerman & Uusitalo, 2006, p. 283). Since surveys have shown that unemployment insurance was one of the main reasons for Finnish workers to join a union (Pehkonen & Tanninen, 1997, pp. 583-587), the new and compared to full union membership cheaper independent UIF removed a major incentive to unionize.

What led to the creation of the independent UIF (YTK) and which role did government ideology play in this process? In 1992, when the YTK was created, Finland was indeed governed by a center-right government. In contrast to the two Scandinavian countries, the government was not led by a distinctively market-liberal party but by the more centrist Center Party. In fact, the government was not the driving force behind the creation of the YTK. The initiative came from some small entrepreneurs, whose application for the creation of an independent fund was approved by the Ministry of Social Affairs. This happened without any lengthy discussion, not least because the existing legislation on the regulation of unemployment funds did not contain any reference to trade unions. Moreover, the silence of the Finnish unions and the Social Democrats, which later reversed their positions on the issue, can be explained by the fact that neither at that time recognized the threat posed by the YTK (Böckerman & Uusitalo, 2006, p. 288). In sum, the momentous creation of the YTK can in

some way be seen as “an interesting historical accident” (R. Uusitalo, personal correspondence), but one that was facilitated by “the fact that the right-wing parties were in power in 1992” (Böckerman & Uusitalo, 2006, p. 288).

Other reform efforts by the center-right government did not go this unnoticed. Proposals to increase employee contributions to the unemployment funds, to freeze benefit indexation and to introduce other cuts to unemployment benefits were all withdrawn due to massive union protests (Timonen, 2003, pp. 93-94). This prevented any form of erosion of the Ghent system similar to Sweden which would, according to calculations based on surveys among workers, have led to a similar decline in union density (Pehkonen & Tanninen, 1997). More recently, the debate on the universal basic income has once more highlighted the importance of the Ghent system for unions and Social Democrats. While the idea of a modest basic income, currently the subject of a national experiment authorized by the present center-right government, is supported by some politicians of the center-right parties and the Greens, unions as well as Social Democrats are skeptical. They fear that a basic income will undermine the whole work-based social insurance system, but first and foremost the Ghent system, and thereby weaken the unions (Koistinen & Perkiö, 2014, pp. 37-39).

To sum up, Finland resembles the Danish case as it represents another case of decoupling, this time in form of the creation of an independent UIF. But in Finland, right-wing parties were not so much the initiators as the enablers of the change whose potential consequences were, in this particular case, ignored by the Social Democrats. In other words, neither the right-wing parties nor the Social Democrats (nor the unions themselves) sensed the long-term impact of the reform on organized labor. The Finnish case thus reveals the importance of political actors’ perceptions of reforms and their long-term implications.

### *Belgium: Insurmountable Obstacles for Market-Liberals*

Belgium, the ‘birthplace’ of the Ghent system, ceased to be a classical Ghent country in 1944 when mandatory unemployment insurance replaced the voluntary system. Nevertheless, Belgium can be considered a country with a ‘de facto Ghent system’ (Vandaele, 2006) or ‘partial Ghent system’ (Van Rie, Marx, & Horemans, 2011) since Belgian unions still profit from a ‘Ghent effect’. In this case, the effect is not based on union-run UIFs but on the unions’ involvement in unemployment benefit payments for the unemployed and the ‘temporary unemployed’, i.e. workers who are forced to reduce their working time (Vandaele 2006, pp. 650-653; Van Rie, Marx, & Horemans, 2011, p. 129). Thus, unions with at least 50.000 members are allowed to run payment services. Although the unemployed can also get their unemployment benefits via a state agency, the union-run payment services are more attractive due to a number of reasons. First, working rules for the state agency are more restrictive, which means that the unemployed get their benefits more quickly and smoothly through the unions’ payment services. Second, the unions’ payment offices are more widespread than the state agency’s regional offices offering unemployed people an easier access. Finally, the cost of union membership is tolerable for the unemployed, since membership fees are comparatively low for this group. Consequently, more than 85 percent of the unemployed receive their benefits through the unions. Econometric analyses show that the prospect of becoming unemployed drives workers – especially blue-collar workers – into the unions (Vandaele, 2005; Van Rie, Marx, & Horemans, 2011).

Turning to the political conflicts surrounding the Belgian Ghent system, a well-known pattern emerges. The Flemish as well as the French-speaking Socialists are because of their close ties to the socialist union movement strong proponents of the existing system, while the main opponents are represented by the Liberals and, more recently, the market-liberal Flemish Nationalists. An excellent example of the resulting conflict pattern is given by the 1999

negotiations to form a Liberal-Socialist coalition government. The Flemish Liberals proposed to abolish union involvement in the unemployment insurance system but the Socialists successfully opposed those plans (Vandaele, 2006, p. 653). More recently, demands to abolish the Ghent system have also come from the Radical Right as well as from the ranks of the Flemish Nationalists, currently the strongest party in the Belgian parliament. However, as long as the Socialists or, as is currently the case, the Christian Democrats are included in the federal government, demands for radical reforms are bound to fail. The support of the Christian Democrats for the existing insurance system results from the exceptionally strong Christian union movement in Belgium (Ebbinghaus & Visser, 2000, pp. 111-155), which like the socialist union confederation profits from the unions' involvement in the payment service. Frontal attacks on the Belgian Ghent system are thus rather futile, what led the system's right-wing opponents to try other approaches. One is the "erosion of the system [...] by a reduction in government reimbursements" (Vandaele, 2006, p. 653) for providing the payment services. For instance, a coalition of Christian Democrats and Liberals limited reimbursements in the 1980s, a reform that was repealed when the Socialists replaced the Liberals later on (Vandaele, 2006, p. 653). Another strategy is to cut benefits, e.g. by restricting the in principle unlimited duration of unemployment benefits (De Deken, 2011). Liberal proposals to limit benefit duration have, however, also been blocked by the Socialists.

To sum up, the Belgian case is somewhat special as the Belgian unions do not profit from UIFs but from their role in the administration of benefit payments. While the Liberals and other right-wing parties have launched a number of initiatives to erode the system or even abolish union involvement altogether, they have thus far faced insurmountable resistance. The presence of strong Christian unions with ties to the Christian Democrats means that the Socialists are not alone in defending the Ghent system and the veto-point-ridden federal system enables those parties to block any reform attempts that threaten to destroy selective

incentives for union membership. In the absence of major reforms of the Ghent system, Belgian unions escaped the membership losses of their Nordic counterparts.

- Table 3 -

## **Conclusion**

This article started from the observation that Ghent countries are exceptional in the respect that they stemmed the virtually universal tide of union decline until the mid-1990s but that the famous Ghent effect seems to have lost some of its power ever since. We argued that market-liberal parties substantially contributed to the unions' membership losses by adopting reform strategies which aimed at reducing selective incentives produced by the Ghent system. Our empirical findings in general corroborate this argument (see Tab. 3).

The supposed causal processes are clearly present in the Swedish case. While the first assault on the Ghent system by the Conservatives failed, the second attempt aiming at its erosion proved highly successful, leading to unprecedented membership losses for the unions. The Danish case shows a similar pattern, but in this case the right-wing government adopted the strategy of decoupling. Membership losses were not as immediate and massive as in Sweden but nevertheless substantial over the longer run. In Finland, the decoupling of UIF and union membership also proved painful for organized labor. But while the center-right government played merely a supporting role in the process, the creation of an independent UIF was facilitated by the Finnish Social Democrats' failure to anticipate the reform's long-term consequences. In contrast to the three Nordic countries, Belgium did not see a decline in unionization. The case is nevertheless in line with our argument, as the Liberals and other right-wing parties were eager to erode or even replace Belgium's partial Ghent system. However, the combined resistance of Socialists and Christian Democrats, who have close ties

to the strong Christian unions, was too much to overcome in Belgium's veto-point-ridden federal system.

Turning to reform strategies, we have seen that not replacement but erosion and decoupling proved the most successful approaches for right-wing governments. The most dramatic membership losses for the unions resulted from the two-sided erosion of the Swedish Ghent system, especially from the massive rise in membership fees. Potential electoral losses for the governing right-wing parties were averted by simultaneous tax reductions on working income. Decoupling unemployment insurance from union membership did not show such dramatic effects, but had the advantage of being popular with workers because it promised to lower the costs of insurance. In addition, the creation of cheap non-union UIFs which attract workers is harder to reverse than benefit cuts and fee rises. Though both reform approaches contributed to union decline, the exact patterns concerning union and/or UIF exit differ substantially in the three Nordic countries. In Sweden, many workers opted for dual exit due to high membership costs. In Finland, the independent UIF offered an opportunity to receive unemployment insurance without union membership. Finally, the Danish version of decoupling triggered a flow from traditional labor unions to alternative unions (cf. Høgedahl & Kongshøj, 2017).

Even after the decline of the last two decades, unionization remains at an exceptionally high level in the Ghent countries. Nevertheless, the membership losses in the Nordic countries pose a serious threat to unions in particular and the Nordic model in general. A cornerstone of this model is high collective bargaining coverage which is based on voluntary negotiations between the social partners. The drop in unionization weakens the bargaining position of union associations and, if union decline continues, might even call into question the bargaining process itself due to a lack of legitimacy on part of the unions. In addition, the loss of organizational strength can result in the loss of political influence, what is already showing

in Sweden but especially in Denmark (Jørgensen & Schulze, 2011; Svallfors, 2015). Last but not least, the reforms change the structure of the trade union movement itself. Our findings show that blue-collar unions were hit much harder than white-collar unions, indicating that the former are much more dependent on the Ghent effect than the latter (cf. Høgedahl, 2014). This means that even if unions remain influential actors, their preferences and preferred policies are likely to change. All of this shows how, at first sight, marginal legislative changes contribute to broader shifts in the political economy of the Nordic Ghent countries.

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## Tables and Figures

Table 1: Net Union Density in International Comparison

Country	Union Density 1960	Union Density 1993 (Change 1960-1993)	Union Density 2013 (Change 1993-2013)
Finland	31.9	80.7 (+48.8)	69.0 (−11.7)
Sweden	72.1	83.9 (+11.8)	67.7 (−16.2)
Denmark	56.9	77.3 (+20.4)	66.8 (−10.5)
Belgium <sup>a</sup>	39.3	55.0 (+15.7)	55.1 (+0.1)
Norway	60.0	58.0 (−2.0)	52.1 (−5.9)
Italy	24.7	39.2 (+14.5)	37.3 (−1.9)
Ireland	45.3	47.5 (−2.2)	29.6 (−17.9)
Austria	67.9	43.2 (−24.7)	27.8 (−15.4)
Canada	29.2	37.8 (+8.6)	27.1 (−10.7)
United Kingdom	40.4	36.5 (−3.9)	25.8 (−10.7)
Germany	34.7	31.8 (−2.9)	18.1 (−13.7)
Japan	32.3	24.3 (−8.0)	17.8 (−6.5)
Netherlands	41.7	25.1 (−16.6)	17.8 (−7.3)
Australia	50.2	36.7 (−13.5)	17.0 (−19.7)
Switzerland	31.0	23.0 (−8.0)	16.2 (−6.8)
United States	30.9	15.1 (−15.8)	10.8 (−4.3)
France	19.6	9.5 (−10.1)	7.7 (−1.8)

<sup>a</sup> State-administered system but unions provide benefit payments.

Notes: Countries with Ghent system highlighted in grey.

Source: OECD Statistics

Table 2: Membership Fees of Selected Unemployment Funds (2006-10) and Changes in UIF and Union Membership (2006-08)

	Membership Fees per Month (SEK)						Members 2006-08	
	Dec. 2006	Jan. 2007	Sept. 2008	Dec. 2009	Dec. 2010	Change 2006-10	UIF	Union
Teachers	97	247	148	90	90	-7	-4.1%	-2.7%
AEA <sup>a</sup>	90	240	150	90	90	0	-2.4%	+0.7%
Finance and Insurance	86	244	118	90	90	+4	-3.1%	-0.2%
Municipal Workers	100	340	226	215	144	+44	-13.8%	-9.2%
‘Unionen’ <sup>b</sup>	90	331	214	214	214	+106	-11,8%	-8,9%
Service and Communic.	104	349	193	296	278	+174	-13.7%	-10.7%
Food	102	359	327	287	297	+195	-15.8%	-16.7%
Transport	106	361	296	306	306	+200	-12.8%	-14.9%
Commercial Employees	95	346	305	335	315	+220	-15.1%	-15.2%
Maintainance	100	351	351	325	325	+225	-15.3%	-12.8%
Building	116	366	296	425	375	+259	-11.9%	-11.3%
‘IF Metall’	93	339	224	384	390	+297	-8.5%	-9.9%
Hotel and Restaurant	97	361	397	430	405	+308	-35.3%	-31.0%
Musicians	115	415	415	415	444	+329	-37.7%	-18.5%
„Polarization“	29	175	297	360	354			

<sup>a</sup> AEA is the unemployment fund affiliated with Saco, the Swedish Confederation of Professional Associations.

<sup>b</sup> ‘Unionen’ is Sweden’s the largest white-collar union.

Notes: 9 SEK ≈ 1 EUR.

Sources: Kjellberg 2009, 2011; Swedish Unemployment Insurance Board

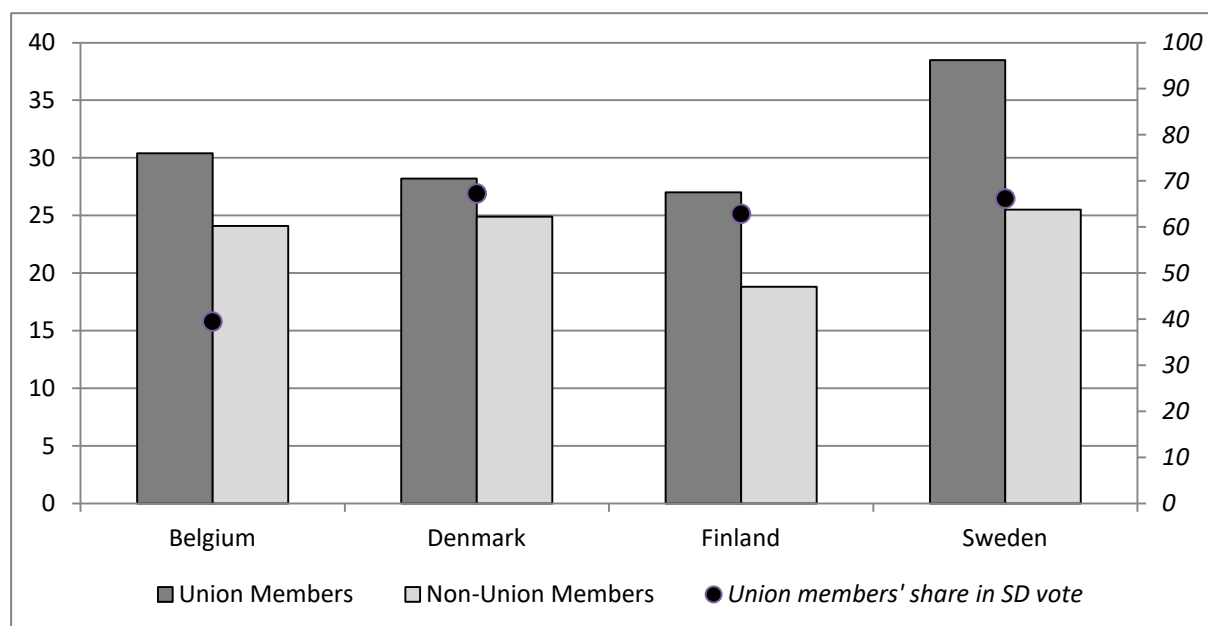
Table 3: Summary of Case Study Results

Country	Reform Strategy by the Right	Result
Sweden I	Replacement	No success: Reversal by SAP-led government, no effect on union density
Sweden II	Erosion (funding + cuts)	Success: Immediate decline in union density, blue-collar LO hit hardest
Denmark	Decoupling	Success: Decline in union density, shift from LO to alternative unions
Finland	Decoupling <sup>a</sup>	Success: Decline in union density, shift to independent UIF
Belgium	Replacement, erosion (funding) <sup>b</sup>	No Success: Reforms blockaded by Socialists and Christian Democrats

<sup>a</sup> Center-right government enabled the critical reform.

<sup>b</sup> Erosion in this case consists in limiting reimbursements for union provision of benefit payments.

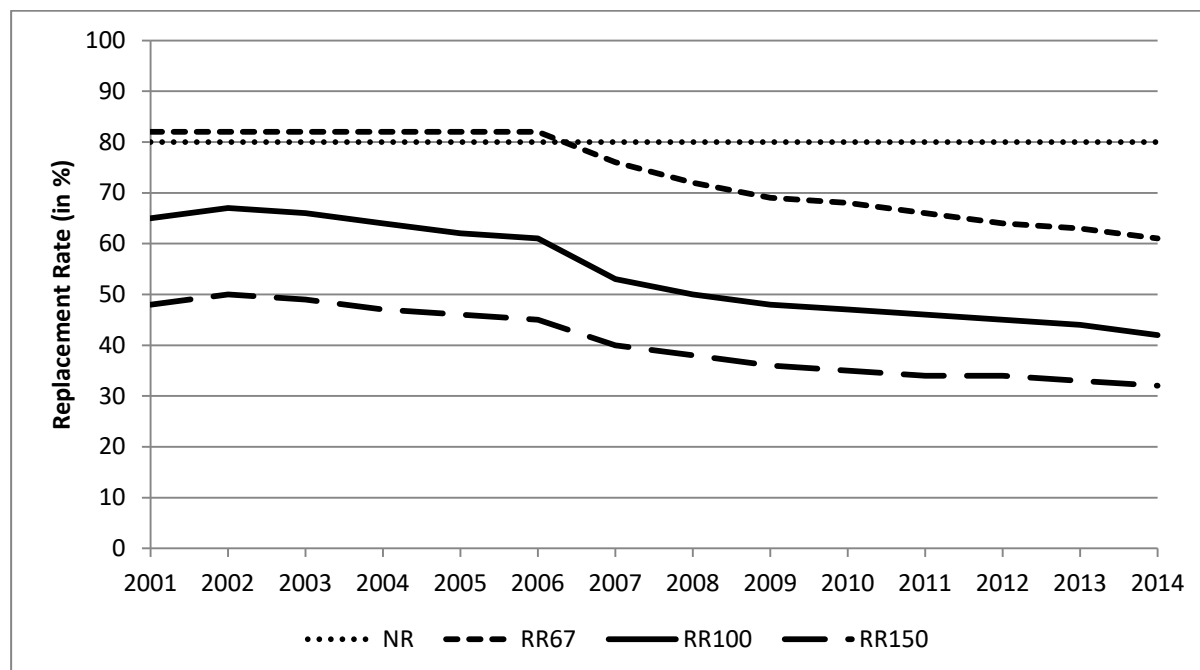
Figure 1: Electoral Support for Social Democrats among Union Members and Non-Union Members in the Ghent Countries (2002-2014)



Note: Electoral support among union and non-union members (left axis), union members' share in the total social democratic vote (right axis).

Source: Own calculations based on European Social Surveys 1-7.

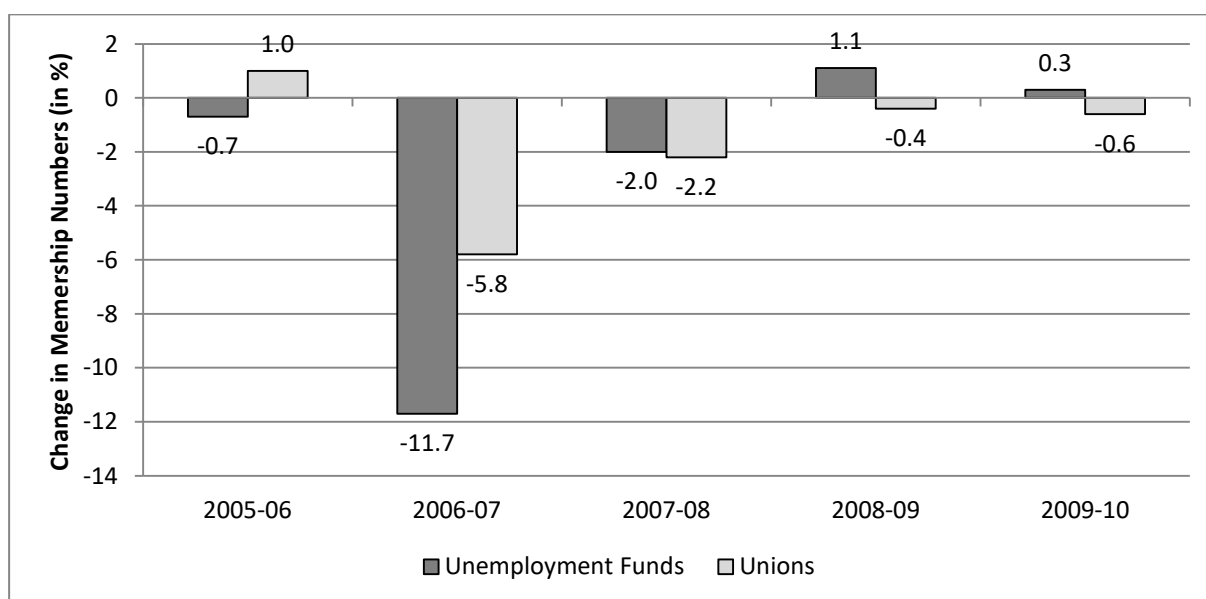
Figure 2: Net Replacement Rates in the Swedish Unemployment Insurance, 2001-2014



Notes: NR = Nominal replacement rate (days 1-200), RR67 = Net replacement rate for single with 67% of average wage (no children), RR100 = Net replacement rate for single with average wage (no children), RR150 = Net replacement rate for single with 150% of average wage (no children).

Sources: Swedish Unemployment Insurance Board; OECD Statistics (Benefits and Wages)

Figure 3: Changes in Union and Unemployment Fund Membership, 2006-2010



Source: Swedish Unemployment Insurance Board; Kjellberg 2016 (own calculation)