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Working-class strength by institutional design?

Unionization, partisan politics and unemployment

insurance systems, 1870-2010

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Abstract:

Many studies have found that countries with Ghent systems of unemployment insurance have higher rates of unionization than countries with state-administered unemployment insurance. With data going further back in history, this paper demonstrates that the introduction of Ghent systems had no effect on unionization rates. We argue that the Ghent effect identified in the existing literature came about as a result of increasing state subsidization and benefit generosity in the 1950s and 1960s. Exploring the partisan politics surrounding Ghent systems, we show that progressive Liberals (“Social Liberals”) favored Ghent designs while Social Democrats favored state-administered unemployment insurance before the Second World War. We also present some evidence suggesting that Left governments, faced with Ghent systems that were not of their choosing, promoted state subsidization in the postwar era, and thus helped generate the Ghent effect identified in the existing literature.

This paper engages in a historical-comparative analysis of the effects of the design of unemployment insurance on rates of unionization and the politics of designing unemployment insurance in some twenty countries that are today industrialized, rich and democratic. The motivation behind our study is as follows. In most long-standing democracies, organized workers are more likely to vote (Flavin & Radcliff, 2011) and more likely to support Left parties than unorganized workers (Arndt & Rennwald, 2016). There are good reasons to suppose that the effects of union membership have been stronger in the past. Be that as it may, comparative welfare-state scholars agree that working-class organization has been a major factor in the development of generous and redistributive public welfare provisions, partly through its effects on the partisan composition of government (see, e.g., Huber & Stephens, 2001). The obvious question arises: Why is it that some working classes are (have been) better organized than others?

Everyone of the many comparative studies of unionization that have been produced over the last 25-30 years finds that unionization rates are higher in countries with unemployment insurance funds administered by unions—so-called Ghent systems of unemployment insurance—than in countries with state-administered systems of unemployment insurance. Quite plausibly, the existing literature argues that Ghent systems create selective incentives for workers to join unions. This in turn raises the question of why it is some countries ended up with Ghent systems of unemployment insurance while others ended up with state-

administered systems.

Could it be that Left parties introduced (or helped introduce) Ghent systems as a means to strengthen their long-term political prospects? Rothstein (1990, 1992) argues that long-term strategic thinking played an important role in the decision of the Swedish Social Democrats to introduce a Ghent system of unemployment insurance in 1934. In Rothstein's (1990:320) words, the Swedish case illustrates how "state capacity and policy might be deliberately constructed by political agents... as a means of promoting the mobilization of workers."

The politics of choosing Ghent, and living with Ghent, is our primary concern, but we begin by revisiting the Ghent effect. We argue that the existing literature on this topic fails to recognize that the selective incentives to join unions under Ghent systems depend on the extent to which the state subsidizes the benefits provided by union-administered unemployment funds. With data for 19-21 countries over the period 1870-1970, we implement a difference-in-differences design to test whether the introduction of Ghent had a positive effect on unionization.¹ While we find no evidence whatsoever of a long-term Ghent effect, our results indicate that the adoption of Ghent systems followed increase in union density. For the period 1930-2005, we then estimate models of unionization that include the proportion of insurance-fund outlays financed by the state (i.e., by general tax revenues) and interact this variable with the presence of a Ghent system. We find a strong Ghent effect when union-administered unemployment funds are financed primarily by tax revenues.

Rothstein's account of the Swedish case is a contingent one, meant to illustrate the potential for long-term strategic behavior by political actors. Rothstein does not claim that Left governments necessarily favor the adoption of a Ghent system. Indeed, he recognizes that Liberals introduced Ghent systems in Denmark and Norway and that the Norwegian Social Democrats replaced the Ghent system with a state-administered compulsory system at more or less the same time that the Swedish Social Democrats opted for Ghent (Rothstein 1992:43-46). Within Rothstein's framework, however, there is no obvious reason why any political actors other than unions and Left parties would prefer Ghent over state-administered unemployment insurance. As Rothstein himself points out, the implication of his discussion is that Liberals who introduced Ghent and Social Democrats who abandoned Ghent were mistaken.

Seeking to generate testable claims about the political origins of Ghent systems, we rely on a paired comparison Sweden and Norway to argue that the primary concern of Social Democrats and other Left parties in the interwar period was to provide unemployment insurance coverage to their working-class electoral base. In most countries, unionization was too low for Ghent to be a viable alternative to state-administered insurance for the Left. We argue further that the Ghent story captures a social-liberal moment in the development of the welfare state that has largely been ignored by the power-resources tradition of comparative welfare-state scholarship. In Norway and elsewhere, Liberal parties—to a lesser extent, Christian Democratic parties as well—responded to early union organization and the associated socialist threat by proposing Ghent-style unemployment

insurance systems. In so doing, they sought to appeal to newly-enfranchised workers and to cultivate ties with craft unions. Ghent was an attractive option for progressive Liberals and Christian Democrats because the scheme was voluntary, did not entail an expansion of the state and, as envisaged at the time, was not expected to result in any significant redistribution of income in favor of workers.

Estimating fixed-effects logistic regression models with data over the period 1905-1970, we find that Social-Liberal government is a strong predictor of Ghent adoption while Left government is not. Other than in the Swedish case, the kind of strategic behavior identified by Rothstein does not appear to have played an important role in the politics of designing unemployment insurance systems. But there is another possibility that ought to be considered: Left parties did not choose Ghent, but perhaps they pushed for state subsidization of unemployment benefits under Ghent as a means to boost unionization and, by extension, their own political position? Exploring this question with data for the period 1930-2005, our statistical results provide some evidence of strategic behavior by Left parties, but the results are not terribly robust.

When all is said and done, we wish to insist on two points. First: postwar government decisions concerning state subsidies were critical in producing the Ghent effect on unionization identified in the existing literature. And second: those decisions were not—and could not have been—foreseen by political actors making decisions about the design of unemployment insurance systems before the Second World War. Put differently, our analysis serves a warning to social scientists: be wary of the temptation to read history backwards!

The paper is organized as follows. We begin by reviewing existing literature and presenting our own arguments concerning, first, the effect of Ghent on unionization and, secondly, partisan politics related to the introduction of Ghent systems and their subsidization by the state. Setting up the empirical analysis, we introduce our coding of unemployment insurance systems as “Ghent” and “non-Ghent” in the third section. In the following two sections, we present and discuss our empirical results—again, in two steps: first, the results pertaining to the Ghent effect (on unionization) and, secondly, the results pertaining to partisan effects (on the adoption of Ghent and subsidization). We conclude with some further thoughts on partisanship and institutional legacies in historical-comparative perspective.

1. Ghent and unionization

Ghent systems of unemployment insurance originate in voluntary insurance schemes established by craft unions in the late 19th century (Alber, 1981). For obvious reasons, private insurance against unemployment was never really viable option and union schemes commonly became insolvent in the face of mass unemployment. In 1901, the city of Ghent intervened to subsidize union unemployment funds. A number of other municipal and provincial governments followed suit in the early 1900s. In 1905, France became the first country to introduce a national system based on state subsidization of union-administered unemployment funds. As we shall see, some “Ghent systems” created by national governments over the following three decades retained the principle of voluntary

insurance while others compelled workers to insure themselves with a union-administered fund. As emphasized by Rothstein (1992) and other scholars, what all of these systems have in common boils down to this: unions set the conditions of eligibility for unemployment benefits and participate directly in the process whereby it is decided whether or not unemployed workers satisfy these conditions.

It is not hard to see that such a system incentivizes individuals to join unions. Even if it is perfectly possible to belong to a union-administered unemployment fund without joining a union, workers will likely look upon union membership as a means to secure access to full unemployment benefits. More positively, as noted by Western (1997:56), a key feature of Ghent systems is that they encourage workers to remain union members when they become unemployed and allow unions to take credit for the unemployment benefits being provided.

By our count, there are at least twenty comparative studies that purport to demonstrate statistically that Ghent systems of unemployment insurance cause higher rates of unionization.² An important limitation of all of these studies is that they rely on postwar data. Indeed, most of these studies rely on post-1960 or even post-1970 data. The existing literature thus identifies the effect of Ghent systems by comparing countries that do and do not have such systems and never addresses the question of whether or not the introduction of Ghent systems affects the rate of unionization. Hence we cannot rule out, based on existing studies, that it was countries with strong unions that adopted Ghent systems while countries where unions failed to organize many workers ended up with state-administered unemployment insurance.

Cognizant of the limitations of his statistical analysis, Western (1997:58) invokes the comparison of Sweden and Norway as a “quasi experiment” that demonstrates the positive effect of having a Ghent system for the rate of unionization. While Sweden introduced a Ghent system in 1934, Norway replaced its Ghent system by state-administered compulsory unemployment insurance over the period 1938-46. According to Western, union density in the two countries rose in parallel from 1921 to 1938 while union density grew more rapidly in Sweden than in Norway over the 1940s. Drawing on somewhat different sources and covering a longer stretch of time, our data on unionization in these two countries, presented in Figure 1, do not support Western’s interpretation. To begin with, Swedish union density grew steadily from 1910 to 1960 and there is no indication that the introduction of Ghent accelerated the process of unionization. In Norway, union density increased following the introduction of Ghent in 1907, dropped in the early 1920s and began to climb again from the late 1920s onwards. Again, there is no indication that the dismantlement of Ghent adversely affected unionization. Most importantly for our purposes, Figure 1 shows that a significant gap in unionization between Sweden and Norway opened up between 1920 and 1934, when Norway had a Ghent system and Sweden did not have any unemployment insurance at all.³

[Figure 1]

It also deserves to be noted that many Swedish unions boycotted the Ghent systems until 1941, when a further reform increased the level of state subsidization (Rothstein 1990, 1992). In the existing literature, the negative or ambivalent stance

towards Ghent adopted by many unions in the interwar period emerges as a big puzzle (see, e.g., Alber, 1981; Mares, 2003). This puzzle fades away once we recognize that Ghent legislation not only offered carrots to unions, in the form of subsidies, but also sticks, in the form of state regulation. In return for state subsidies, unions typically had to give up the use unemployment insurance to support strikers. They also had to accept non-union members as insured and to submit to budgetary and legal control by state administrators. In light of such stipulations, state subsidies had to be relatively high in order to entice unions to join Ghent systems.

We do not wish to challenge the idea that Ghent systems entail selective incentives for workers to join unions. Our point is rather that the extent of such incentives depends on the level of unemployment benefits being provided. Benefit levels in turn depend on the level of state subsidies provided to union-administered unemployment insurance funds. While the existing literature posit that having a Ghent system by itself causes unionization, we hypothesize the Ghent effect is conditioned by the level of subsidization. Not all Ghent systems are the same.

2. The partisan politics of Ghent

Turning now to the partisan political origins of national legislation introducing Ghent-style unemployment insurance, the Swedish story can quickly be summarized as follows.⁴ Prior to the 1930s, the Conservatives and Agrarians were the dominant political parties in Sweden. For different reasons, both parties were strongly opposed to unemployment insurance. A Conservative government instead

introduced a system of public relief works in 1918. This system became deeply resented by the labor movement in the course of 1920s, not only because it offered very low pay but also, and above all, because public relief workers were assigned to work at workplaces with ongoing industrial disputes. Famously, the Agrarian Party entered into a coalition government with the Social Democrats in 1933. However, the coalition agreement left the question unemployment assistance aside. Drafted by Gustav Möller, the Social Democratic Minister of Social Affairs, the 1934 legislation that introduced Ghent-style unemployment insurance, and simultaneously abolished the commission in charge of relief work, was passed with the support of the Liberals rather than the Agrarians. Möller made extensive concessions to the Liberals, leaving union-administered insurance schemes seriously underfunded, and many unions responded by not applying for state subsidies. Further legislation in 1941, under a national unity government, increased subsidies and otherwise rendered the Ghent system more attractive to the unions.

Relative to the standard account of the Swedish story, Rothstein's (1992) main innovation is to present documentary evidence showing that Möller explicitly argued to union leaders that they should support the 1934 legislation and join the new system because it would serve, over the long run, to boost unionization. The important thing, according to Möller, was to establish the Ghent principle: less desirable features of the reform would be improved upon as political conditions became more favorable to the labor movement. It is, of course, very difficult to assess, retrospectively, the weight that this argumentation carried in the debate

over unemployment insurance within the Swedish labor movement. As noted at the outset, Rothstein's is a decidedly voluntarist-rationalist account in the sense that Rothstein is interesting in establishing the potential for long-term strategic behavior by Left parties rather than predicting what Left parties do under normal circumstances. That said, it is difficult to see, within the parameters of Rothstein's discussion, why any political party other than a union-based Left party would promote or support Ghent-style unemployment insurance.

The Norwegian case again provides for an interesting comparison with the Swedish case, generating alternative hypotheses concerning the partisan politics of Ghent adoption.⁵ In Norway, it was a coalition government dominated by the Liberals (Venstre) that introduced state subsidies for union-administered unemployment funds in 1906. This legislation was a response to demands previously made by the main trade-union confederation, but many unions were disappointed with the specific provisions of the 1906 legislation. Like the Swedish Social Democrats, the Norwegian Social Democrats became the dominant government party in the mid-1930s. In contrast to their Swedish counterparts, however, the Norwegian Social Democrats opted to use this position to introduce compulsory state-administered unemployment insurance rather than to improve on the existing Ghent system. Interestingly, the 1932 election program of the Norwegian Labor Party explicitly argued that the coverage of union-administered unemployment funds was too low for the Ghent system to provide adequate solution to the problem of mass unemployment (Det Norske Arbeiderparti 1932:23–24).⁶

The Norwegian Ghent story exemplifies a broader phenomenon of liberal social policy initiatives in response to unionization and suffrage extension at the beginning of the 20th century (see Hicks, Misra, & Ng, 1995; and Ramussen, 2016). As emphasized by Luebbert (1991) and Boix (2010), Social-Liberal parties such as the Liberals in the UK, the Radicals in France and Venstre in Norway, competed with rising left parties for working-class votes, including the votes of organized workers, at this point in time. The Liberals were at a distinct disadvantage in this competition, for they needed to appeal to workers in ways that did not undermine their support among small farmers and urban middle classes, and this meant that redistribution had to keep to a minimum. Not surprisingly, Social Liberals targeted skilled workers, with relatively high wages and less exposure to unemployment risk, and were particularly responsive to the demands of craft unions.

With craft unions being far more able to sustain voluntary unemployment insurance schemes than industrial unions, state subsidization of unemployment funds suited the electoral needs of Social-Liberal parties very well. The Ghent option also tallied well with their ideological disposition. With insurance being voluntary, at least legally speaking, the Ghent option exemplified the self-help and civil-society solutions favored by Liberals at the turn of the century. In addition, Ghent systems required very little state apparatus, as most of the administrative work was carried out by the unions.

The nature of the union movement arguably played a key role in determining the attitudes of Liberals towards unions and, by extension, towards union-administered unemployment funds. When and where unions adopted the principle

of industrial unionism, seeking to organize all workers by industry and engaging in more militant tactics to put pressure on the state as well as employers, Liberals assumed or quickly realized that successfully appealing to organized workers would require more redistribution (greater subsidies) than what their middle-class supporters would countenance. In the Norwegian case, Venstre responded to the LO confederation's embrace of industrial unionism and syndicalism by abandoning its support for the Ghent system and proposing, in the late 1920s, to replace it with a state-administered scheme (Bjørnson and Haavet, 1994:96).

The Dutch case resembles the Norwegian case in that the Labor Party played a prominent role in the replacement of a voluntary Ghent system by state-administered compulsory unemployment insurance in the late 1940s (Alber, 1981). One way to approach the puzzle generated by comparing Sweden and Norway is to ask which of these two cases is more representative. Has it been more common for Liberals or for Social Democrats to introduce Ghent systems of unemployment insurance? This framing of the problem is not altogether satisfactory, however, for we ought to aspire to an explanation that not only accounts for general patterns in the data, but also for cases that do not fit the general pattern. From this point of view, Rothstein's discussion leaves something to be desired in that it provides very little insight into the behavior of Norwegian Liberals or Norwegian Social Democrats, i.e., it does not explain why they made strategic "mistakes." By contrast, the analytical framework proposed here provides insights into the Swedish case.

From our perspective, the Swedish case is distinguished from other "Ghent adopters" by the weakness of liberalism in the process of democratization. In

market contrast to the experience of neighboring countries, the Swedish Liberals held government power only once and only briefly, 1911-14, prior to being displaced by the Social Democrats as “the party of the Left.” Related to the weakness of liberalism, the Swedish union movement was from the beginning closely linked to the Social Democratic party and embraced industrial unionism earlier and more quickly than other union movements in North-Western Europe (Ebbinghaus & Visser, 2000, pp. 608–614). Most decisively, the preceding discussion suggests that rapid unionization in the course of the 1910s and 1920s made the Ghent system a more viable option for the Swedish Social Democrats than for other Left parties in the 1930s, allowing them to design unemployment insurance in a way that would have long-term political consequences while, at the same time, provide unemployment insurance coverage to a majority of workers in the near future.

In a sense, our interpretation of the Swedish case stands Rothstein on his head. For Rothstein, there was nothing special about Swedish unions until the Social Democrats introduced the Ghent system. In our account, by contrast, it only made sense for the Swedish Social Democrats to introduce the Ghent system because the unions had already organized a large proportion of the working class.⁷

As indicated at the outset, our quantitative analysis speaks not only to the partisan-political origins of Ghent systems, but also the partisan politics of state subsidization of unemployment insurance. It is important to note that the issue of state subsidization pertains to state-administered systems as well as Ghent systems. In the former context, state subsidization implies a greater reliance on general

government revenues, as distinct from earmarked payroll taxes, to finance unemployment insurance.

Even if Left parties did not initiate the adoption of Ghent systems, they may have played an important role in generating the Ghent effect identified in the existing literature by promoting state subsidization and more generous unemployment benefits in the postwar era. We can distinguish two versions of this argument. In one version, inspired by power resources theory (Korpi, 2006; Korpi & Palme, 2003), Left parties have promoted state subsidization in Ghent and non-Ghent systems alike, but their distinctive preference for generous unemployment insurance has only translated into higher unionization in Ghent systems. In the second version, the unionization effect under Ghent has led Left parties to push harder for state subsidization in countries with Ghent systems, at the expense of other spending priorities (or tax reductions). The latter argument implies the kind of long-term strategic behavior that Rothstein invokes to explain why the Swedish Social Democrats chose the Ghent option in the first place.

3. Typology of unemployment insurance systems

The quantitative analyses that follow all feature a dummy variable that captures whether a particular country had a Ghent system in a particular year. We have coded all major unemployment benefit programs in existence between 1870 and 2010 according to two criteria: first, whether or not unions that are independent from the state play an important role in the administration of unemployment insurance; and, secondly, whether unemployment insurance

systems in which independent unions play an important administrative role are voluntary or compulsory.⁸ The application of both of these criteria yields a three-fold typology of institutional designs for unemployment insurance: (1) unemployment insurance administered by state, with little or no involvement by unions; (2) state-subsidized voluntary insurance administered entirely by unions; and (3) compulsory state insurance with a significant administrative role played by unions. For the twenty-one countries included in our analyses, Table 1 sorts country-years from 1870 to 2010 into these three categories.

[Table 1]

The distinction between systems with “little or no union involvement” and systems with “significant union involvement” is, of course, somewhat arbitrary. In particular, it should be noted that we code bipartite and tripartite systems, such as the Dutch system established in 1952, as systems with minor union involvement. It is important to keep in mind that the administrative role that the Ghent variable is meant to capture is one that makes it plausible for workers to suppose that whether or not they are union members might affect their access to unemployment benefits. Our coding of post-1950 Netherlands as “non-Ghent” is entirely consistent with the existing literature as, indeed, is our coding of current unemployment insurance systems in all other countries included in Table 1. Relative to the existing literature, our main contribution in this regard is to identify when different institutional designs were introduced and discontinued.

It also deserves to be noted that all but one of the hybrid cases that make up our third type originated in voluntary Ghent systems (the exception being the

British system of 1911-20). In voluntary systems, such as the Norwegian system of 1906, workers had to join union-administered funds in order to be insured against unemployment and these funds had to apply for state subsidies. In most cases, the law stipulated that the funds had to allow non-unionized workers to join in order to receive state subsidies, but, again, these systems created a strong implicit linkage between unemployment insurance and union membership.

We can loosely distinguish three variants of the hybrid system. Since 1944, the Belgian system is essentially a mandatory, state-financed insurance scheme administered by the unions. Norway between 1938 and 1946 and Sweden since 1974 exemplify a second variant, characterized by the co-existence of state-subsidized voluntary insurance managed by unions and some form of compulsory or means-tested state insurance. The third variant, exemplified by the UK between 1911 and 1920, is a state-administered compulsory insurance system with the option for unions either to apply to administer the state program in specific sectors or to opt out and form their own funds with state subsidies (Crouch 1999).

The typology presented in Table 1 provides the basis for a narrow and a broad definition of “Ghent.” With Ghent being defined by strictly voluntary insurance as well as union administration, the narrow definition coincides with the second of the three types of unemployment insurance systems in Table 1. With the administrative role of unions as the (sole) defining characteristic of Ghent systems, the broad definition encompasses the second and third types. The results presented below are based on the broad definition of Ghent, but we obtain very similar results if we instead use the narrow definition.

4. Empirical results: The Ghent effect

Turning now to our empirical analyses, let us begin with the effects of introducing or dismantling Ghent systems of unemployment insurance on the rate of unionization. The consensus in the literature on the “Ghent effect” implies that the rate of unionization should increase in years following the introduction of Ghent and that it should decline in years following the replacement of Ghent by state-administered insurance. We test these expectations by estimating difference-in-difference models including leads and lags of the Ghent dummy. Specifically, we estimate OLS models with indicator variables up to five years or ten years before and after changes in the value of the dummy variable. This setup allows us not only assess the effects of changes in the institutional design of unemployment insurance, but also to explore whether such changes might themselves have been a response to unionization.

As shown in Table 1 above, there is only one instance of change in the broadly-defined Ghent dummy since 1970: Switzerland’s abandonment of a poorly funded and largely ineffective Ghent system in 1976. Since our analysis pertains to the effects of changes in this dummy, the results presented in Table 2 are based on estimating our models with data for the period 1870-1970. For our measure of unionization, defined conventionally as the percentage of wage- and salary-earners that are union members, we rely on the dataset constructed by Rasmussen (2016) from ILO reports and secondary sources. We opt for this dataset because it covers

more countries and provides longer time series than other multi-country compilations of unionization data.⁹

We follow the new convention of only including control variables of direct theoretical relevance and relying on fixed country and year effects to minimize omitted variable bias. Our models also include a variable that captures country-specific time trends. We include three control variables. First, we control for the size of labor force, to take into account Wallerstein's (1989) argument that the benefits that unions and unionized workers derive from organizing a certain number of workers decline with the size of the labor force while the costs are the same. Our measure of the size of the labor force is based on census data reported in Flora *et al* (1983) and national statistical yearbook, with missing observations between data-points being interpolated. Secondly, we control for trade openness, measured as trade (imports and exports) in percent of GDP, to capture how changes in the integration of labor markets into the world economy might influence the incentives or abilities of workers to organize and the incentives for politicians to encourage or discourage unionization (Cameron, 1978). Our data on trade come from Barbieri *et al* (2008). Finally, we include (logged) GDP per capita as a control variable, to capture the potential effects of economic growth on industrial organization and government policies that might have promoted unionization. Our GDP data come from Bolt and Zanden (2013).¹⁰

The estimated effects over the five years before and after a change in the Ghent dummy are essentially the same whether or not the model includes 10-year leads and lags. Figure 2 graphically illustrates the results of estimating the model

with 10-year leads and lags and with control variables (Model 4 in Table 2). While this figure construes our results as the effects of introducing Ghent unemployment insurance, it is important to keep in mind that our analysis pertains to the effects of abandoning Ghent in favor of state-administered unemployment insurance as well. (A graph showing the effects of abandoning Ghent would simply be the mirror-image of Figure 2).

[Table 2 and Figure 2]

The coefficients for the 3-year lead and the 1-year lead as well as the year in which a reform was adopted are statistically significant. We also obtain a statistically significant positive coefficient for the 10-year lead. On the other hand, none of the coefficients of the lags for the first five years are statistically significant and the coefficient for the 10-year lag is significant with a negative sign. In short, we find some evidence that unionization may have triggered the introduction of Ghent systems and we find no evidence whatsoever that the introduction of Ghent systems had a positive long-term effect on unionization or, conversely, that the removal of Ghent has had a long-term negative effect on unionization. Over the long haul, introducing Ghent may actually have had a negative effect on union density.

As shown in the online appendix (Table A2), the results are substantially the same when we instead use the narrow definition, i.e., when we restrict the Ghent dummy to country-years with Ghent systems based on strictly voluntary insurance. Furthermore, we obtain very similar results for the entire period 1870-2010 (including the Swiss removal of Ghent in 1976) and when we estimate these models with data restricted to countries that have had a Ghent system at some point in time.

We also obtain similar results when we include all the country-years in the SPAW dataset for which we have observations of union density (adding some 30 countries to the sample).

The most obvious reason why we do not observe a Ghent effect is that Ghent systems were not very generous in their infancy. High individual contributions and low benefits rendered the incentives to join union-administered unemployment funds weak and, by extension, the introduction of Ghent systems did not significantly alter the incentives to join unions. As early Ghent systems were unable to pool bad and good risks, they probably underperformed state-administered compulsory systems in protecting workers against unemployment in the interwar period. This might explain the negative 10-year Ghent effect that we observe. Workers in Ghent countries arguably experienced bigger income losses as a result of unemployment than workers in non-Ghent countries in the interwar period and were therefore more prone to drop out of unions (stop paying membership dues) when they became unemployed. This problem was mitigated as subsidies increased in the 1950s and 1960s, enabling unions to retain members and recruit new members even in periods of high unemployment.

To explore the role of state subsidies, we rely on data on individual contributions as a share of total unemployment insurance receipts reported in the database of the Social Citizenship Indicator Program (Korpi and Palme 2007). Reversing this measure gives us a measure of state subsidization of unemployment insurance for 19 countries between 1930 and 2000.¹¹ Our hypothesis is that state subsidization promotes unionization when unemployment insurance takes the

Ghent form and not otherwise. Conversely, we expect Ghent to be positively associated with unionization only at high levels of state subsidization.

As shown in Table 3, interacting Ghent and state subsidization in a standard OLS model confirms our hypothesis in a very convincing manner. With and without fixed effects and the control variables mentioned above, we find negative direct effects of state subsidies as well as having a Ghent system, but the interaction of these two variables is positive, statistically significant, and substantially meaningful. Based on Model 5 in Table 3 and setting the control variables at their means, Figure 3 illustrates how the Ghent effect is conditioned by state subsidies. At zero subsidies, the Ghent effect is insignificant, but at maximum subsidies we find a strong Ghent effect. The difference in predicted union density between these two scenarios is 25 percentage points.

[Table 3 and Figure 3]

As shown in the online appendix (Tables A4), the finding that the Ghent effect is conditional on state subsidization holds up when the variables of theoretical interest are lagged by one year. Restricting our the sample to countries with Ghent systems, we find that lags for state subsidies have a significant positive effect on union density while leads do not, allaying concerns about reverse causality (Table A5). We also report the results of two “placebo tests” in the online appendix (Tables A6 and A7). One might well suppose that various social provisions favoring workers go together and that union density is positively correlated with all forms of state subsidies. To test for this possibility, we replace unemployment insurance subsidies with sickness or workplace accident insurance subsidies. Re-running the

models presented in Table 3 with either sickness or workplace accident insurance subsidies as the independent variable of interest, we do not find any significant effects of either subsidy in Ghent or non-Ghent countries.

In summary, our results show that having a Ghent system of unemployment insurance does not by itself boost unionization, contrary to what the existing literature seems to imply. Our results suggest that, Ghent systems may have been, at least in some cases, introduced in response to unionization. More importantly, our results show that future effects on unionization depended critically on the level of state subsidies.

5. Empirical results: Partisan effects

Rothstein's (1992) account of the Swedish case would seem to imply that the probability of observing Ghent adoptions increases when the Left is power. As noted above, Rothstein's account involves foresightful political entrepreneurship and does not imply that Left governments always adopt Ghent. But in Rothstein's theoretical model, Left parties are the only political actors with a long-term rational interest in the adoption of Ghent. By contrast, we argue that the interests of Left parties regarding Ghent were ambiguous and that Social Liberals had electoral and ideological reasons to promote Ghent before the Second World War. We test these competing theories of the partisan-political origins of Ghent by estimating a series of logistic regression models with Ghent adoption as the dependent variable.

Our measures of government partisanship are based on the ideology of heads of government as coded by Brambor *et al* (2014). Focusing on the economic

dimension of ideology, Brambor *et al* code heads of government as Left, Center, Right or Other. The “centrist” category encompasses “various centrist ideologies, especially social liberalism—a generally market-oriented ideology combined with a social reform agenda” (Brambor, Lindvall and Stjernquist 2014:3). With some exceptions, Brambor *et al* code Christian Democratic heads of government as “conservative.”¹² Including dummies for Left and Centrist or, in our preferred terminology, Social-Liberal heads of government in the same model means that we identify the effects of these party families relative to Conservatives, who we assumed to be unequivocally negative to the introduction of any form of unemployment insurance.

Our main models include GDP per capita (logged) to control for differences in development and wealth across countries and over time. In addition, and perhaps more importantly, we again include international trade in percent of GDP, conceived as a proxy for the level and structure of labor-market risks. Huberman (2012) argues persuasively that international trade is decisive in shaping the size of the pro-welfare coalition, as the income volatility introduced by international trade renders workers and (large) employers in trade-exposed sectors more supportive of risk redistribution through social insurance (see also Mares 2003).

Our argument holds that Ghent served, at a certain point in time, as an instrument for progressive Liberals to mobilize electoral support among skilled workers and to bolster the organizational resources of craft unions. As noted earlier, an important feature of this argument is that the rise of industrial unions rendered the Ghent option less attractive to progressive Liberals. To explore this

question, we include a time-variant dummy measure of union structure developed by Rasmussen (2016). This variable takes the value of 1 when the main union confederations in a country aim to organize or have already organized workers along industry instead of craft lines.

Table 4 presents the results that we obtain with our broad definition of Ghent and data for the period 1905-70, with fixed country and year effects and standard errors clustered by country. Our basic model can only be estimated with cases that experienced some change (to or from Ghent) and so the analysis is restricted to eight countries.¹³ In the first model, we include only partisanship measures. In Model 2, we control for GDP per capita and trade openness. In Model 3, we also control for union density and, in Model 4, we substitute the industrial-unionism for union density. In Model 5, finally, we interact industrial unionism with the variable that captures the presence of a Social-Liberal head of government.

[Table 4]

The results in Table 4 clearly support our argument about Ghent as a social-liberal initiative. In all the models, the effect of having a Left head of government is imprecisely estimated and in one model the sign of the coefficient is actually negative. By contrast, the positive social-liberal effect consistently clears standard thresholds of statistical significance. The size of predicted effect depends on the model specification, but taking Model 1 at face value, and setting Left government at its mean value, the formation of Social-Liberal government increases the probability of adopting a Ghent-system by 31 percentage points (95% confidence interval: 9-54). Based on the second model, with two control variables, Figure 4 plots the

differences in probabilities of having a Ghent-system for each of the partisanship variables.

[Figure 4]

As for the control variables, it should be noted that that we do not find any effect of GDP per capita nor any effect of trade openness. We find that industrial unionism reduces the probability of the introduction of a Ghent system of unemployment insurance and, more importantly, that union structure, or perhaps union militancy, conditions the effect of Social-Liberal government on the probability of Ghent adoption.¹⁴ Based on Model 5, Figure 5 shows the effect of Social-Liberal government on the probabilities of Ghent adoption in the absence and presence of industrial unionism. Simply put, we find that the Social-Liberal effect is only significant in the absence of industrial unionism.

[Figure 5]

How robust are these findings? We present the results of a number of robustness results in the online appendix (Tables A8-A11). To begin with, we exclude Norway and Sweden as these countries have above-average influence statistics and were used to generate our theory. We also estimate random effects models with and without fixed-year effects. The estimated effects of partisanship remain substantially the same with any and all of these modifications. We then explore the temporality of partisan effects by lagging the Left and Social-Liberal dummies up to five years in separate models. While we do not find any significant positive effects of Left government, Social-Liberal government lagged by 3-5 years is positively associated with Ghent adoption.

Many scholars have argued that proportional representation (PR) promotes the inclusion of labor-market partners in policy-decision making and implementation (e.g., Martin & Swank, 2008). In light of this literature, it seems plausible to suppose that countries with PR are more likely to adopt Ghent. Using Schjolset's (2008) classification and data, we control for such an effect by including a dummy that takes the value 1 if a country has a PR and 0 if it has a semi-PR or majoritarian-plural system. PR turns out not to be a significant predictor of Ghent adoption and our findings concerning the partisan effect are robust to its inclusion as a control variable.

Finally, we do not find any direct effects of either Left government or Social-Liberal government when we re-run the models in Table 4 with a Ghent dummy based on the narrow Ghent definition (i.e. voluntary insurance administered by unions), but the positive effect of Social-Liberal government in the absence of industrial unionism remains statistically and substantively significant. This suggests that their ideological disposition in favor of voluntarism does not suffice to explain why Liberals played such an important role in the establishment of Ghent systems. Their efforts to mobilize skilled workers in the electoral arena and to strengthen craft unions in their competition with industrial unionism would appear to be a critical part the Ghent story. (As noted above, the Norwegian Liberals changed their mind about Ghent when the LO embraced industrial unionism in the 1920s).

To summarize, we have shown that Left government does not explain the adoption of Ghent principles for the design of unemployment insurance and that Ghent principles, taken by themselves, have not had a significant effect on union

growth. Our results also show that state subsidization of Ghent systems did promote union growth in the period 1930-2005. The obvious question becomes: Did Left parties promote union growth by increasing state subsidization of Ghent systems since the 1930s? As suggested at the outset, union growth could be an unforeseen by-product of Ghent systems favored by Liberals being combined with welfare-state generosity favored by Social Democrats. However, it is also conceivable that Social Democrats would be particularly prone to promote generous unemployment benefits in countries with Ghent systems, realizing that this would not only serve the interests of their voters, but also promote unions and electoral mobilization capacity over the long run.

In table 5, we present the results from two alternative strategies to capture the effect of Left government on state subsidies under Ghent, relying on the same data on subsidies that we used to estimate the models in Table 3. First, we take the whole sample and estimate a set of models that interact Left government (i.e., having a leftist head of government) with the presence of a Ghent system. Secondly, we split the sample into two, Ghent and non-Ghent country-years, and estimate the effect of Left government for each sub-sample. If Left parties behave strategically, following Rothstein's logic, the interaction term in the first set of models should be positive and the Left effect should be larger when the second set of models are estimated with data for Ghent country-years.

[Table 5]

Using either strategy, we find no effect whatsoever of Left government on subsidization under state-administrated unemployment insurance. (As noted

above, “subsidization” here means reliance on general tax revenues rather than earmarked payroll contributions). The coefficient for Left government is actually negative for state-administered systems, but it is very imprecisely estimated. Using the whole sample, the coefficient for the interaction between Left government and Ghent is positive signed, but fails to clear the 95% significance threshold once we enter the fixed effects. In the sample restricted to Ghent country-years, the effect of Left government is significant when we enter the fixed effects, but falls below the 95% threshold when we add our controls.

The results presented in Table 5 are preliminary and must be interpreted with caution. With only 249 observations, our findings could reflect small sample bias. It could also be that Left governments have promoted unemployment generosity without increasing state subsidies. Even if these are correlated in Ghent systems ($r=0.53$ with the measure of generosity used in Table A3), they are theoretically distinct. While subsidies increase unions’ ability to operate unemployment funds, generosity is arguably the key variable affecting the cost-benefit calculus of workers—whether or not to join union-administered unemployment funds and, by extension, whether or not to join unions. Space does not allow us to pursue such analysis here, but previous studies have found a clear effect of Left parties on unemployment generosity using more extensive data (Allan & Scruggs 2004; Korpi & Palme 2003; Jensen 2012). For the time being, suffice it to say that Table 5 provides suggestive evidence—by no means definitive 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 and that this understanding informed their decisions in government.

5. Conclusion: Reading history forwards

The literature on the Ghent effect reads history backwards and, as a result, suffers from selection bias. Relying primarily (often exclusively) on data since 1970, the literature finds that countries with Ghent systems of unemployment insurance have, on average, significantly higher union density than countries with state-administered unemployment insurance and infers that this effect derives from intrinsic features of Ghent systems. Against this background, it becomes reasonable to suppose that Left parties have been protagonists in the introduction of the Ghent design of unemployment insurance.¹⁵

The problem with this literature is that, with one notable exception, the Ghent systems that survived into the 1960s and beyond were heavily subsidized by the state and provided relatively generous benefits to the unemployed. Prior to 1950, however, the extent of state subsidization of Ghent systems was invariably quite limited. State subsidies allowed craft unions to provide reasonably effective unemployment insurance to skilled workers, but did little for the unskilled and semi-skilled workers who were the main targets of the organizing efforts of industrial unions and the main electoral base of Left parties. Switzerland is the one case of a poorly funded voluntary scheme that survived into the 1970s—as it were, “the last of the Mohicans.” This system was finally replaced by state-administered

obligatory insurance through consensual legislation spearheaded by the Socialist Party in the wake of the recession of 1974-75 (Tabin and Togni, 2012:ch.5).

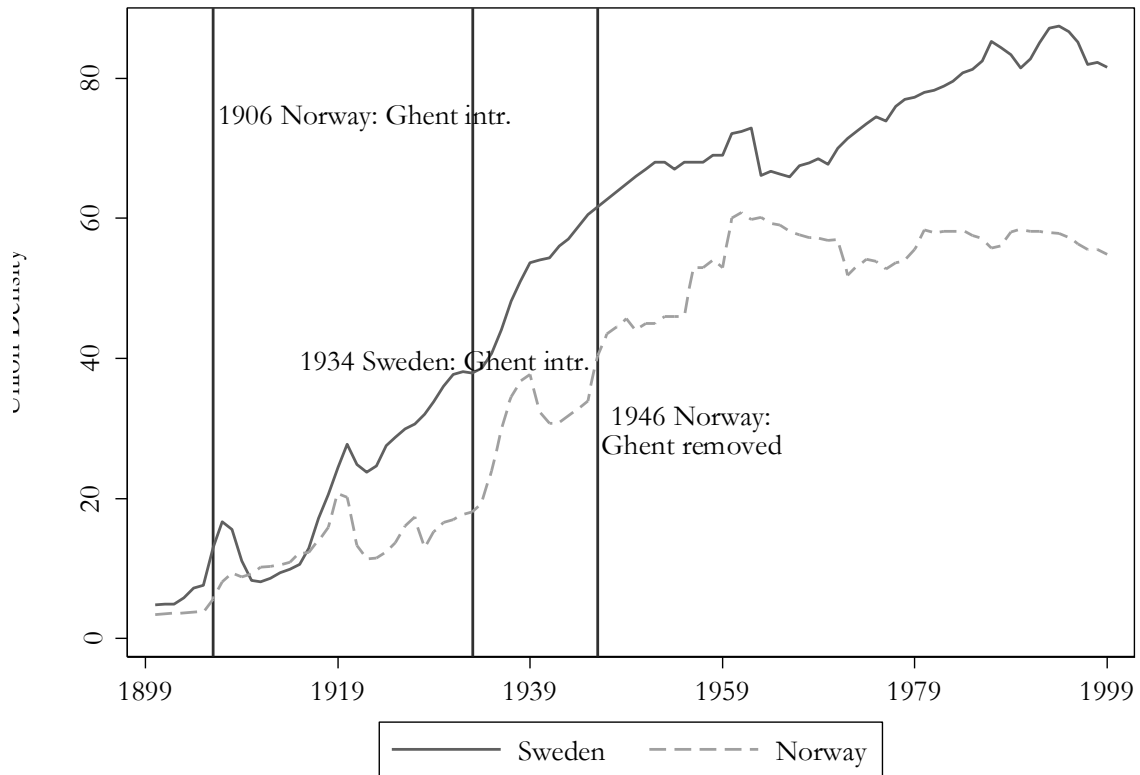
As suggested above, the Ghent design of unemployment insurance suited progressive Liberal parties far better than it suited Labor and Social Democratic parties in the first half of the twentieth century. Sweden is the only case in which Social Democrats can be said to have been protagonists in the introduction of a Ghent system. As documented by Rothstein (1990, 1992), at least some Swedish Social Democrats, most notably Möller, argued for the Ghent design on the grounds that it would strengthen the labor movement over the long run. It is important to recognize, however, that the Liberals were an important player, supporting the introduction of Ghent, in the Swedish case as well. As the support of at least one of the “bourgeois” parties was needed to introduce nation-wide unemployment insurance, Ghent was arguably the only option available to the Swedish Social Democrats in the early 1930s. In addition, high unionization mitigated the trade-off between short-term electoral considerations and long-term strategic considerations for the Swedish Social Democrats. The idea that Ghent might serve as a means to provide decent unemployment insurance to a majority the working class was more plausible in Sweden than in most other countries.

Using Korpi’s (2006) terminology, and setting the Swedish aside, Left parties were, at best, “consenters” in the introduction of Ghent-style unemployment insurance. In closing, we want to suggest that Left parties have nonetheless played a very important role in the process whereby the universe of Ghent systems was narrowed down to a small set of well-funded systems providing generous benefits

to virtually all unemployed workers. This role is difficult to capture through quantitative analysis, for it varies across countries. On the one hand, some Left parties—notably the Norwegian and Dutch Labor parties but also, belatedly, the Swiss Socialist Party—initiated legislation that shut down poorly funded Ghent systems, replacing them with mandatory, state-administered unemployment insurance. On the other hand, other Left parties—the Belgian Socialists as well as the Swedish, Danish and Finnish Social Democrats—initiated or at least supported legislation that increased state subsidies to union unemployment funds in the 1950s and 1960s.

How might we explain the divergence between Left parties that opted to abandon Ghent and Left parties that opted to strengthen Ghent (turning it into a political asset)? The historical record suggests that timing matters: setting Switzerland aside, Left parties have consistently chosen the second option in cases where Ghent systems survived into the 1950s. In so doing, they avoided conflicts with unions with a vested interest in the maintenance of their unemployment funds. More importantly, the preceding discussion and analyses suggest that the Ghent design became more attractive to Left parties, relative to state-administered unemployment insurance, as unionization progressed and unemployment declined in the postwar era. That said, it must also be noted that there is not a single instance of a Left party advocating, let implementing, the replacement of state-administered unemployment insurance by a Ghent system. The legacy of social liberalism remains critical for understanding cross-national differences in the institutional design of unemployment insurance.

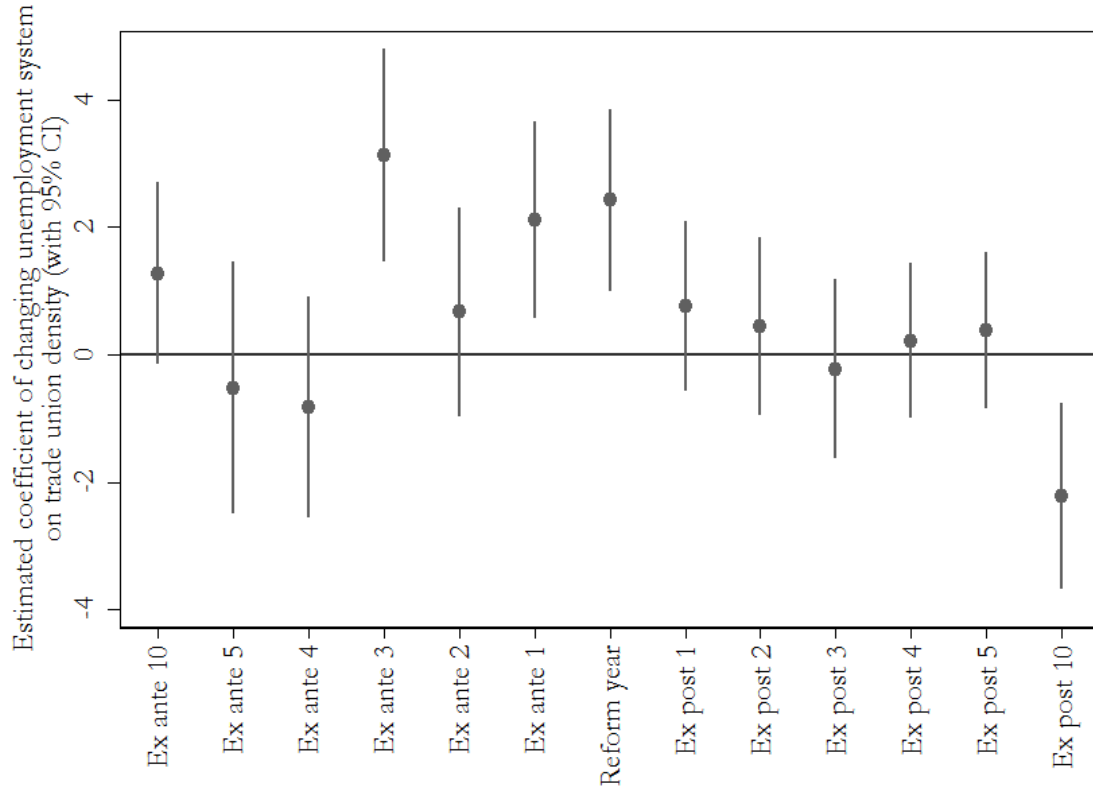
Figure 1: Union density in Norway and Sweden, 1899-1999.



Note: The vertical lines indicate the introduction and removal of Ghent systems.

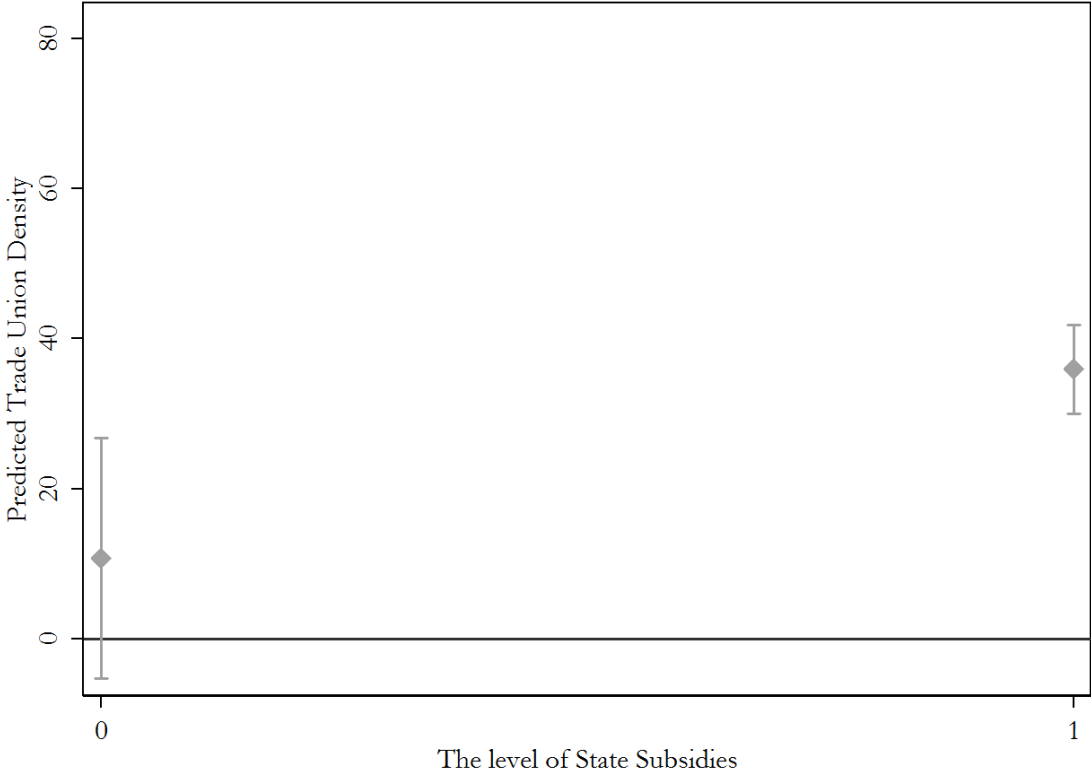
Source: Rasmussen (2016).

Figure 2: Estimated coefficient of introducing or removing Ghent unemployment insurance on trade union density, with 95% confidence intervals.



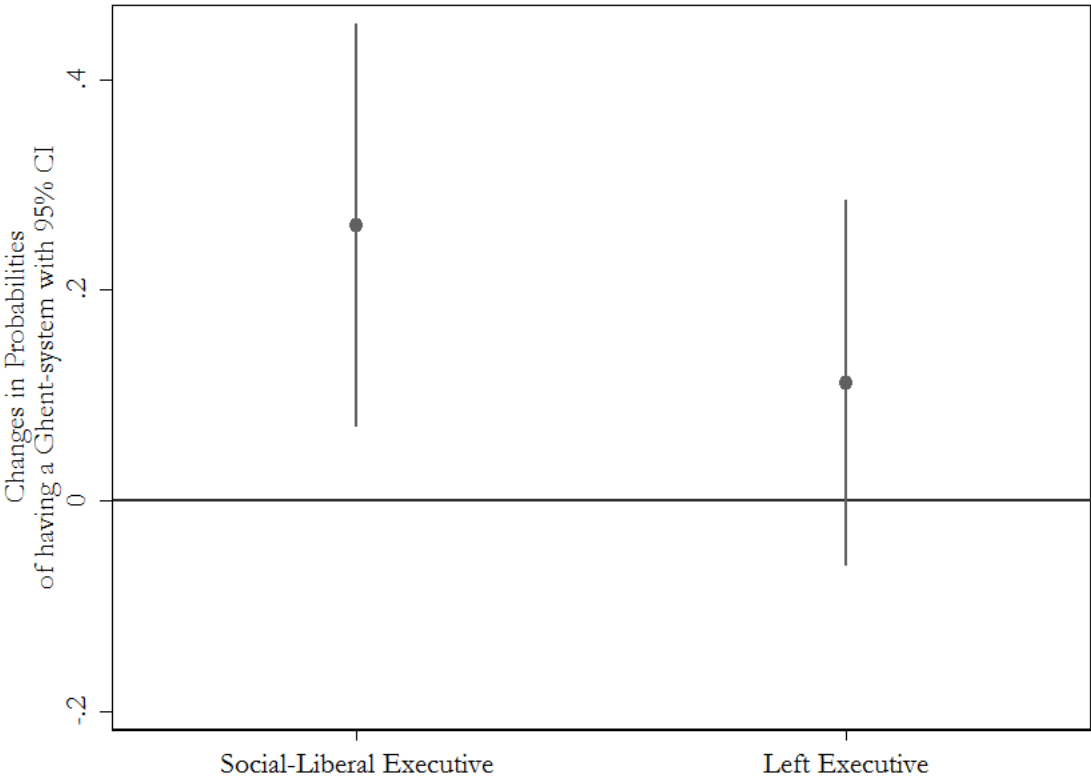
Note: The graphs are based on models 4 in Table 2. The coefficient for “reform year” represents the correlation between Ghent and union density in the year when a Ghent system was introduced. “Ex ante” refers to the number of years prior to a reform (leads) while “ex post” refers the number of years after the reform was introduced (lags).

Figure 3: The Ghent effect at different levels of state subsidization, with 95% confidence intervals.



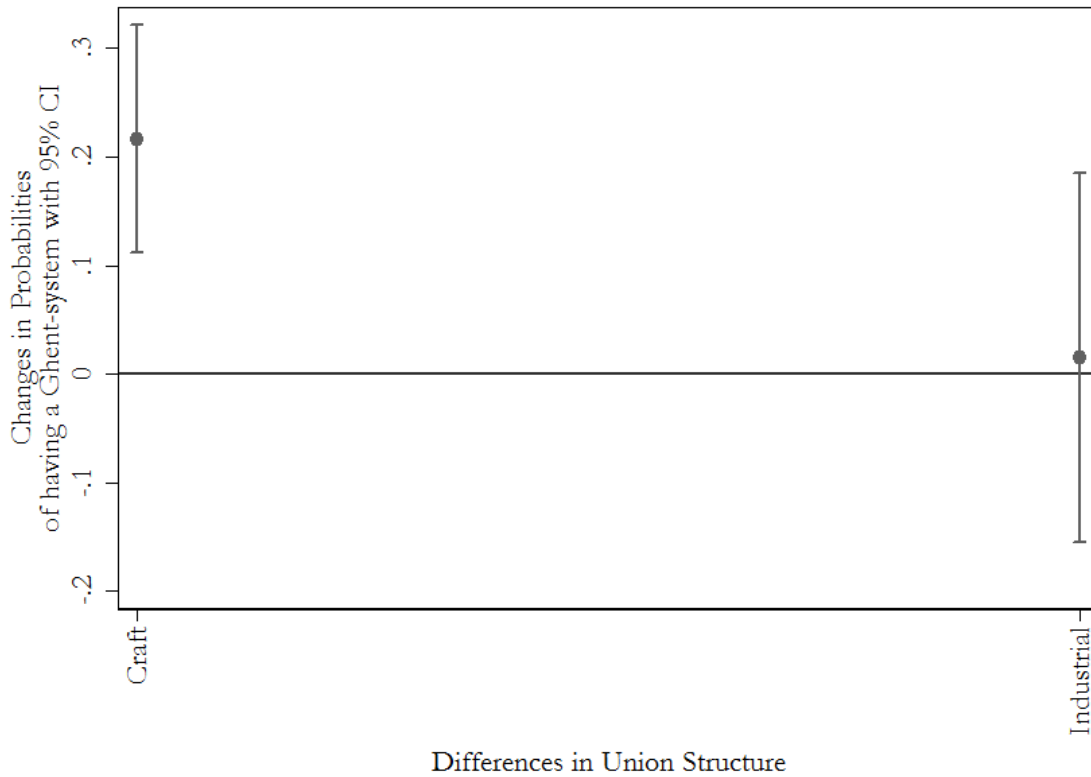
Note: The figure is based on model 5 in Table 3, with control variables set at their mean values.

Figure 4: Partisan effects on probabilities Ghent being introduced or removed, with 95 % confidence intervals.



Note: The figure is based on Model 2 in Table 4, with control variables set at their mean values.

Figure 5: The effect of Social-Liberal government on the probability of Ghent being introduced or removed condition on type of unionism, with 95% confidence intervals.



Note: The figure is based on Model 5 in Table 4, with control variables set at their mean values.

Table 1: Institutional design of unemployment insurance in 21 countries 1900-2010.

	Type 1: compulsory state with minor or no union involvement	Type 2: voluntary insurance with union administration (<i>narrow Ghent definition</i>)	Type 3: compulsory state insurance with union involvement	<i>broad Ghent definition</i> (Type 2+Type 3)
	Australia 1944- Austria 1920- Canada 1940- France 1950- Germany 1923- Ireland 1911- Italy 1919- Japan 1947- Netherlands 1945- New Zealand 1938- Norway 1946- Spain 1936- Portugal 1975- Switzerland 1976- United Kingdom 1920- USA 1935-	Belgium 1920- Czechoslovakia 1921-1939 Denmark 1907- Finland 1917- France 1905-1950 Netherlands 1916-1945 Norway 1906-1938 Spain 1919-1936 Sweden 1934-1974 Switzerland 1924-1951	Belgium 1945- Finland 1960- Netherlands 1949-1952 Norway 1938-1946 Sweden 1974- Switzerland 1951-1976 United kingdom 1911- 1920	Belgium 1920- Czechoslovakia 1921-1939 Denmark 1907- Finland 1917- France 1905-1950 Netherlands 1916-1952 Norway 1906-1946 Sweden 1934- Switzerland 1924-1976 United kingdom 1911-1920
mean density*	28.72 (17.38)	40.28 (23.33)	47.58 (18.32)	41.99 (22.4)

*. Standard deviation of union density in parentheses.

Table 2: The effects of introducing or removing Ghent systems (broad definition) on union density, 1870-1970

	(1)	(2)	(3)	(4)
Ghent _{Ex.ante 10}		0.91 (1.27)		1.28 (1.76)
Ghent _{Ex.ante 5}	-0.44 (-0.50)	-0.66 (-0.77)	-0.078 (-0.08)	-0.53 (-0.52)
Ghent _{Ex.ante 4}	-0.19 (-0.21)	-0.11 (-0.14)	-0.60 (-0.68)	-0.82 (-0.93)
Ghent _{Ex.ante 3}	1.36 (1.53)	1.58 (1.90)	3.16*** (3.68)	3.12*** (3.66)
Ghent _{Ex.ante 2}	0.48 (0.58)	0.74 (0.94)	0.90 (1.06)	0.67 (0.80)
Ghent _{Ex.ante 1}	1.27 (1.53)	1.76* (2.25)	2.05** (2.58)	2.12** (2.69)
Ghent _{Reform year}	3.20*** (4.34)	2.33** (3.24)	2.47*** (3.41)	2.43*** (3.33)
Ghent _{Ex post 1}	-2.01** (-2.79)	-1.83* (-2.49)	0.65 (0.94)	0.76 (1.12)
Ghent _{Ex post 2}	-0.33 (-0.44)	-0.18 (-0.24)	0.33 (0.46)	0.45 (0.63)
Ghent _{Ex post 3}	-0.12 (-0.17)	-0.30 (-0.39)	-0.15 (-0.22)	-0.22 (-0.31)
Ghent _{Ex post 4}	-0.26 (-0.38)	0.037 (0.05)	-0.075 (-0.12)	0.22 (0.36)
Ghent _{Ex post 5}	-0.23 (-0.32)	-0.12 (-0.17)	0.20 (0.31)	0.38 (0.61)
Ghent _{Ex post 10}		-2.15** (-2.95)		-2.22** (-2.99)
GDP (log)			0.56 (0.22)	0.69 (0.27)
Labor Force			-0.00047 (-1.19)	-0.00054 (-1.34)
Openness			54.2* (2.40)	55.3* (2.45)
Year Effects	Yes	Yes	Yes	Yes
Country Trends	Yes	Yes	Yes	Yes
Country Effects	Yes	Yes	Yes	Yes
Observations	1055	1013	820	802
Countries	21	21	19	19
Time Period	1870-1970	1870-1970	1880-1970	1880-1970

t statistics in parentheses, calculated with panel corrected standard errors clustered by country. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. The coefficient for “reform year” represents the correlation between Ghent and union density in the year when a Ghent system was introduced. “Ex ante” refers to the number of years prior to a reform (leads) while “ex post” refers the number of years after the reform was introduced (lags).

Table 3: Ghent and state subsidies of unemployment insurance as determinants of union density, 1930-2000.

	(1)	(2)	(3)	(4)	(5)
State subsidies	11.5*	-12.2*	-23.0**	-15.6**	-14.9*
	(2.32)	(-2.05)	(-3.78)	(-2.72)	(-2.54)
Ghent	15.5***	-70.5***	-84.5***	-55.2***	-51.9***
	(5.81)	(-4.72)	(-6.24)	(-4.31)	(-4.03)
Ghent*State sub.		53.5***	58.3***	42.1***	40.1***
		(5.74)	(6.88)	(5.29)	(5.04)
Country Dummies	No	No	Yes	Yes	Yes
Year Dummies	No	No	No	Yes	Yes
Controls	No	No	No	No	Yes
Observations	236	236	236	236	236
Countries	18	18	18	18	18
Time Period	1930-2000	1930-2000	1930-2000	1930-2000	1930-2000

t statistics in parentheses. OLS estimates with panel-corrected standard errors. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 4: Determinants of introducing or removing Ghent, 1905-1970.

	(1)	(2)	(3)	(4)	(5)
Social-liberal Exec.	2.56*	2.14*	1.83*	2.48*	5.80***
	(2.11)	(2.26)	(2.25)	(2.47)	(3.67)
Left Exec.	1.54	0.91	-0.083	1.21	0.60
	(1.55)	(1.11)	(-0.15)	(1.66)	(0.56)
Openness		27.5	13.1	22.9	33.4
		(0.70)	(0.42)	(0.64)	(0.97)
GDP (log)		4.86	0.87	7.28	8.11
		(0.63)	(0.14)	(1.13)	(1.42)
Union Density			0.12		
			(1.48)		
Industrial Unionism				-3.11**	-2.43
				(-2.70)	(-1.38)
Social-l.*Industrial U.					-5.65**
					(-3.17)
Time Effects	Yes	Yes	Yes	Yes	Yes
Country Effects	Yes	Yes	Yes	Yes	Yes
Observations	524	438	401	438	438
Countries	8	8	8	8	8
First Year	1905	1905	1906	1905	1905

Logistic regression estimates, with t statistics in parentheses. T-values calculated with standard errors clustered by country. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. “First year” is the year of the first observation entering the dataset. (All models ends in 1970). Standardizing all models to have the same number of observations as model 4 does not change the substantial results presented above (results available upon request).

Table 5: Ghent and Left government as determinants of state subsidies for unemployment insurance, 1930-2000.

	<i>Whole Sample</i>			<i>Ghent only</i>			<i>State-administered only</i>		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Left exe.	-0.02 (-0.60)	-0.02 (-0.92)	-0.02 (-0.89)	0.1* (2.10)	0.1* (2.34)	0.1 (1.80)	-0.005 (-0.17)	-0.01 (-0.64)	-0.03 (-1.47)
Ghent	-0.3*** (-6.01)	-0.2** (-3.10)	-0.2** (-3.06)						
Left exe.*Ghent	0.1* (2.05)	0.1 (1.49)	0.1 (1.48)						
Country Dummies	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Year Dummies	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Controls	No	No	Yes	No	No	Yes	No	No	Yes
Observations	249	249	249	78	78	78	198	198	171
Countries	18	18	18	8	8	8	16	16	15

t statistics in parentheses. OLS estimates with panel-corrected standard errors. The dependent variable is the proportion of insurance fund receipts derived from contributions by the individuals insured reversed so that higher values indicate a greater proportion of state subsidies. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

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Endnotes

¹ The number of countries included in our analysis varies depending on the precise model being estimated. Created by Rasmussen (2016), the Social Policy Around the World (SPAW) database on which we rely for our coding of unemployment insurance systems contains data for a total of 55 countries over the period 1870-2010, but the time series are considerable shorter for some countries. We restrict our analysis to the twenty-one countries in the SPAW that are currently OECD member states (listed in Table 1 below). This subset includes all SPAW country-years with a Ghent system of unemployment insurance. Note also that our statistical analyses include separate country dummies for Imperial Germany, West Germany and unified Germany.

² For a sampling of this literature, see Ebbinghaus & Visser (1999), Høgedahl (2014), Schnabel (2013), Scruggs (2002), Van Rie, Marx, & Horemans (2011) and Western (1997).

³ Having nearly closed in the course of the 1940s and 1950s, the gap again opened up from 1960 onwards. Arguably, it was not until the 1960s that state subsidies and concerns about unemployment reached levels that were sufficiently high to generate a Ghent effect in Sweden.

⁴ The following summary draws primarily on Heclo (1974:ch.3), by far the best English-language source available. Along with Unga (1976), Heclo (1974) is the main source of Rothstein's (1990, 1992) discussion of the Swedish case.

⁵ Here we draw primarily from the government's evaluation of the scheme (Statistics Norway, 1915), debates at the LO congress of 1938 (Arbeidernes Faglige Landsorganisasjon 1938), and Bjørnson and Haavet (1994).

⁶ As shown in Figure 1, Norwegian union density barely exceeded 15% in the early 1930s. In addition, low levels of state subsidies restricted union-administered unemployment funds to low risk sectors and very large unions, such as the Metal Workers Union. According to Bjørnson and Haavet (1994:950), only 5,5 % of 316,000 LO members were insured against unemployment in 1937.

⁷ According to Rothstein (1990: 335), "when the insurance scheme was established in the mid-1930s, Sweden had a fairly but not uniquely high union density. It is thus not a uniquely strong working class that creates a Ghent system. Instead, the causal link goes the other way round. A medium-strong working class establishes such a system to enhance its future strength." According to our data (Rasmussen 2016), Swedish unions organized roughly 40% of the workforce by the early 1930s, twice the average for industrialized countries. Only two countries—Czechoslovakia and fascist Italy—had higher unionization rates in the early 1930s.

⁸ The main source used to code country-years is the Legislative Series, a collection of welfare laws compiled and translated into English by the ILO between 1919 and 1990. In addition, we have relied on various ILO reports, notably the 1955 Unemployment Benefit Report, which summarized national laws at their time and their historical evolution. See Rasmussen (2016) for additional details.

⁹ For overlapping years, the correlation between Rasmussen's (2016) data and those Scheve & Stasavage (2009) is 0.98. For the post-1960 period, Rasmussen (2016) relies on Visser (2011) data for all countries included except the United Kingdom. Note that we drop Spain from the analysis of unionization due to the spotty coverage of syndicalist unions in our data and the volatility of aggregate union density to which it gives rise. Including the Spanish case does not substantially change the results reported below.

¹⁰ Table A1 in the online appendix provides descriptive statistics for the main empirical models reported in this paper.

¹¹ Using short-term replacement rates from the SCIP database as a measure of unemployment generosity produces results that are very similar to the ones reported below (see online appendix, Table A3).

¹² As exceptions to this rule, the codebook mentions the German Zentrum party and smaller Christian Democratic parties in countries with large conservative parties.

¹³ The countries included are United Kingdom, Netherlands, Belgium, France, Switzerland, Sweden, Norway, and Denmark.

¹⁴ We do not find any significant effects of interacting Left government with either union density or union structure.

¹⁵ Korpi (2006) usefully distinguishes between "protagonists," "antagonists" and "consenters" in the expansion of the welfare state.