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The Partisan Politics of New Social Risks in Advanced Postindustrial Democracies: Social Protection for Labor Market Outsiders

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***The Partisan Politics of New Social Risks
in Advanced Postindustrial Democracies:
Social Protection for Labor Market Outsiders***

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Abstract

Advanced postindustrialization generates numerous challenges for the European social model. Central among these challenges is the problem of addressing new risks associated with employment and skills of semi and unskilled workers. In this chapter, I assess the partisan basis of support for social policies that address the needs of these marginalized workers. I specifically consider the impacts of postindustrial cleavages among core constituencies of social democratic parties on the capacity of these parties to pursue inclusive social policies. I argue - and find support for in empirical analyses - that encompassing labor organization is the most important factor in strengthening the ability of left parties to build durable and electorally successful coalitions in support of outsider-friendly policies. I go beyond existing work on the topic by considering the full array of postindustrial cleavages and electoral challenges facing left parties, by more fully elaborating the logic of why encompassing labor organization is crucial, and by considering a more complete set of measures of outsider policies than extant work. I compare my arguments and findings to important new work that stresses coalition building and partisan politics but minimizes the role of class organization.

Biographical Note:

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1 Introduction

Advanced postindustrialization generates numerous challenges for the European social model. Central among these is the rise of “new social risks” not well covered by core social insurance programs of the Twentieth Century welfare state. These risks include threats to income and job security for semi and low-skilled workers generated by skilled-biased technological change, globalization, and related forces as well as new socioeconomic pressures on households that seek to balance work and family commitments and meet the skill/knowledge challenges of the postindustrial economy. Those new risks associated with employment and skills, often analyzed through the lens of labor market dualism, has been the subject of intense study.¹ In addition, advanced postindustrialization creates pressures on the unity of the political coalitions that undergird the European social model; this chapter will pay particular attention to this contemporary political challenge.

Generally, the literature on dualization stresses the bifurcation of postindustrial labor markets between insiders (e.g., skilled industrial sector workers) and outsiders, namely, younger, female, immigrant and less skilled workers increasingly concentrated in the service sector and on the unemployment rolls. Significant differences in wages and income, the incidence of involuntary part-time employment, and access to social insurance, services, job training and education characterize the divergent conditions faced by insiders and outsiders (e.g., Rueda 2007; Häusermann and Schwander 2012; Seeleib-Kaiser, Saunders, and Naczyk 2012; Swank 2014).

¹ See David Rueda (2005; 2007) for the first major analysis of the political ramifications of labor market dualism, especially the impacts on social democratic parties (see below for the specifics of this argument). See Emmenegger et al (2012) for analysis of major features of labor market dualism and summaries of the large social science literature of the topic.

In this chapter, I assess the partisan basis of support for social policies that address the needs of marginalized workers. Following contributors in the seminal work of Armingeon and Bonoli (2006), I specifically consider the impacts of postindustrial cleavages among core constituencies of social democratic parties on the capacity of these parties to pursue inclusive social policies. (Indeed, one of the most important contributions of Klaus Armingeon has been to pioneer the study of the political consequences of the rise of new social risks.) I argue that encompassing labor organization is the most important factor in strengthening the ability of left parties to build durable and electorally successful coalitions in support of outsider-friendly policies. I go beyond existing work on the topic by considering the full array of postindustrial cleavages and attendant electoral challenges facing left parties, by more fully elaborating the logic of why encompassing labor organization is crucial, and by considering a more complete set of measures of social and labor market policies than extant work. In concluding, I compare my arguments and findings to “new politics of the welfare state” research as well as to important new work that stresses coalition building and partisan politics but minimizes the role of class organization.

1.1 An Overview of Labor Market Outsider Policies and Outcomes

I focus on three dimensions of public policy specifically oriented to ameliorating the economic hardships of labor market outsiders in the postindustrial labor market. The first two policies are directed toward income protection for low income households: average income replacement rates of unemployment compensation across single and two earner households at 50 percent of the average production worker earnings and minimum income protection for outsiders. Minimum income protection is the sum of means-tested cash assistance plus family services and housing subsidies averaged across single, lone-parent, and two-parent households as

a percent of the average production worker's wage.² In addition, I focus on the magnitude of national commitments for active labor market policy (hereafter ALMP), or ALMP spending as a percentage of GDP. ALMP programs include provision of an array of labor market services (e.g., job search assistance), training for major categories of labor market outsiders (e.g, unemployed youth, low-skilled workers displaced by globalization and technological change), and publicly subsidized jobs.³ I also include an analysis of the reduction in the relative poverty rate through income transfers and taxes. I use 50 percent of median income as the poverty line and compute poverty reduction as the percentage change from pre-tax-and-transfer to post-tax-and-transfer poverty rates. The poverty rate, itself, is defined as the percentage of working-age households earning below 50 percent of median family income.⁴ With this focus, I go beyond existing studies that have nearly exclusively focused on ALMP and general unemployment benefits as indicators of outsider policies (e.g., Rueda 2005; 2007; Iversen and Soskice 2015a).

-Table 1 about here-

I display data for these four dimensions of outsider policies and outcomes in Table 1. The table provides values for the mid-1980s and early 2010s for the 18 focal nations of this study (grouped by welfare state regimes).⁵ Generally, as even casual observers would expect, Nordic social democratic welfare states score moderately higher in all areas. In both the 1980s and 2010s, the Nordic countries replace several percentage points more income for low wage workers through unemployment compensation and minimum protection programs than do the

² This measure taps the likely social wage available to younger and irregularly employed workers who do not meet or have exhausted eligibility requirements for normal unemployment compensation.

³ Models of ALMP and minimum income protection estimated here update and extend (with new controls, new tests, corrected measures for some explanatory variables, and more years in the case of ALMP) initial analysis reported in Swank (2014).

⁴ See the Appendix for data sources for all variables used in this chapter.

⁵ I exclude the both the Mediterranean countries because of sporadic data availability as well as Central and Eastern European countries because of the time frame of this study.

continental (conservative) welfare states; the difference in these policies between Nordic and Anglo-liberal welfare states is in excess of 20 percentage points. A similar pattern holds with regard to all dimensions of outsider policies and outcomes.

In addition, and surprisingly, change on each dimension in each welfare state type is, for the most part, remarkably modest across early and late postindustrial periods. In fact, the aggregate averages for mid-1980s and early 2010s for all 18 nations differs by only one percentage point (i.e., in percent of income replaced) for low wage worker unemployment compensation and means-tested benefits. ALMP spending is identical in the mid-1980s and early 2010s while pre- to post-fisc poverty reduction only increases by four percentage points. That said, there are some notable changes within countries and welfare state types. For instance, while still relatively generous, minimum income support declines in the Nordic cases, unemployment compensation for low income workers increases notably in Italy and Switzerland and declines by more than 10 points in New Zealand, and ALMP spending declines by half or more in New Zealand and the UK. I now turn to the widely debated question of how politics and, specifically, how partisan politics, has shaped these programs and outcomes in the postindustrial era.

2 Theory: Parties, Labor Organization, and Social Protection of Outsiders

Beyond the analysis of the nature of new social risks, contributors to Amingon and Bonoli (2006) focused on the implications of these risks for parties' electoral strategies, ideological orientations, and, most central to this chapter's inquiry, partisan impacts on social policy, itself. To begin, I consider the question of how partisan politics has influenced support for policies that aid labor market outsiders in light of the broader debate over whether or not "parties still matter" for social welfare policy.

The first wave of studies on partisan government impacts on post-WW II social welfare policy consistently reported large positive impacts of social democratic (and to a more limited extent Christian democratic) government on national resource commitments to social protection (e.g., Cameron 1978; Stephens 1979; contributors to Castles 1982; Hicks and Swank 1992; Huber, Reagan, and Stephens 1993).⁶ Yet, in the wake of 1970s and 1980s economic crises and postindustrialization, a group of scholars led by Paul Pierson (1994; 1996) questioned continued partisan policy effects. In this view, the new politics of welfare policy under postindustrial pressures for austerity and efficiency involved the politically difficult job of reducing concentrated benefits to well-defined, mobilized constituencies in return for future, diffuse benefits. In the face of continued political support for social programs, incumbent politicians had to engage in the politics of blame avoidance where the success of reform depends on the character of program constituencies, the depth of lock-in effects of programs, and related programmatic traits. The partisan hue of governments have minimal impacts on policy reforms.

Beyond Piersonian “new politics” dynamics, welfare state scholars have highlighted three important conflicts among postindustrial constituencies of Left parties that may well undercut their ability to enact inclusive social and labor market policies. First, contributors to Armingeon and Bonoli (2006) as well as contemporary scholars (e.g., Häusermann, Pirot, and Geering 2012; Gingrich and Häusermann 2015) highlight the divergent interests between important new middleclass groups on the one hand, and traditional welfare state constituencies on the other. To elaborate, these scholars stress that younger, better educated, disproportionately female socio-cultural professionals, increasingly important numerically to social democratic parties, prefer

⁶ As is commonly understood, scholars typically emphasized the balance of class power where labor mobilization through union organization, corporatist institutions, and left party rule signaled the relative advantage of low versus high income strata and the likelihood of redistribution (see Korpi [1983] for a classic statement)..

social investment spending on family services and supports, education, and activation policies. Although lower-skilled blue collar workers have an interest in ALMP programs, they and the broader working class have a strong preference for maintenance or expansion of income protection through the programs of the “traditional” welfare state.

Second, scholars have argued that a new conflict has emerged among key constituent groups of left parties as a function of changes in postindustrial occupational structures. As mentioned above, David Rueda (2005; 2007) has argued that with respect to social democratic parties’ constituencies, postindustrial labor markets increasingly consist of insiders (skilled industrial sector workers) and outsiders (younger, female, immigrant and less skilled workers increasingly concentrated in the service sector). Iversen and Soskice (2015a) make a similar point by noting that in the postindustrial production process, skilled and unskilled workers – heretofore intertwined in the structure of industrial production and politically integrated in a progressive social democratic-led coalition – are increasingly separated and dispersed across enterprises and sectors.⁷

For Rueda, the interests of insiders are in the maintenance of employment protection and the moderation of taxation of labor income, while outsiders favor both income transfers for short-term security and active labor market programs for human capital development and, ultimately, secure employment. Rueda argues that in the absence of rises in unemployment and risks that threaten insiders, social democratic parties will maintain employment protection and moderate tax burdens but not increase transfers and active labor market programs (with their

⁷ For Iversen and Soskice (2015a), the challenge for social democrats is to forge a new electoral coalition between low-skilled workers increasingly concentrated in services, remaining high skilled blue collar workers, and middle tier technicians and managers. As articulated in their past work (Iversen and Soskice 2006), the authors argue that this new lower and middle class coalition is most likely in PR systems (especially those with strong secular right parties and without significant Christian Democratic parties), where left parties may credibly commit to a redistribution. Iversen and Soskice do not fully account for programmatic divisions between new middle class and traditional working class constituencies; they ignore the universalism-particularism cleavage discussed below.

associated tax burdens) that enhance the incomes of outsiders. Generally, Rueda and collaborators (e.g., Lindvall and Rueda 2014) stress the complex electoral dilemma facing social democrats. Social democratic shifts to insider and middle class appeals risk outsider defections (e.g, 1998 Swedish parliamentary elections); often left parties respond by returning to policy orientations that encompass outsider interests (e.g., 2006 and 2010 Swedish parliamentary elections).

Third, Häusermann and Kriesi (2015) and Kitschelt and Rehm (2015), among others, adopt a different perspective and stress that while economic conflicts still divide Left party constituencies, a strong universalism-particularism dimension of cultural conflict creates additional, serious electoral dilemmas for social democrats. As noted, Left parties increasingly rely on the support of socio-cultural professions who work in education, health, and family and cultural services; these citizens prefer policies that promote an inclusive, multicultural, and participatory society. Yet, social democrats must balance policies for this constituency with those for blue collar wage earners who tend to favor exclusionary and traditionalist if not authoritarian socio-cultural policies.

-Figure 1 about here-

Figure 1 highlights these three conflicts – and sets of tradeoffs – as well as the positions of three central constituency groups of contemporary social democratic parties. While the degree of difficulty in coalition building will vary depending on the absolute and relative size of these groups in each nation, among other factors, left parties will in all likelihood have to strategically adjudicate multiple conflicts to create an electorally successful coalition behind an inclusive, solidaristic social policy. I now turn to an analysis of the conditions under which left parties are

likely to be more successful in navigating these conflicts and, in turn, building coalitions around an inclusive social and labor market policy mix.

2.1 Labor Organization.

My central hypothesis is that encompassing labor organization, namely, high levels of union density, centralization of powers over constituent unions in one or a few peak associations, and state integration of unions (advisory boards, commissions, tripartite concertation; social program administration), provides a central mechanism through which social democratic parties can mitigate postindustrial cleavages and, in turn, build effective egalitarian coalitions. I make this argument for several reasons. In doing so, I build on Hou (2009) who has argued in his study of ALMP that encompassing labor movements moderate the tradeoffs faced by social democratic parties as they seek to balance the interests of insider and outsider groups. I also build on Thelen (2014) who recently shown that labor organization is a key factor in Danish governments' ability to embed market liberalization in policies that promote extensive human capital development and preserve social protection. Encompassing labor organization effectively brought together white collar, public sector, skilled manufacturing, and low-skill service workers (mitigating the insider-outsider and social investment-social insurance divides) in support of "embedded flexibilization." I expand and elaborate the logic of these as well as my own recent arguments (Swank 2014; Martin and Swank 2012) and provide new evidence on the role of labor organization in facilitating left party promotion of social protections for outsiders.

First, union density is very important. As Hou (2009) and Iversen and Soskice (2015b) have noted, unions disseminate political information and provide forums for political discussion. This, in turn, fosters a better understanding of material interests by members and the capacity of members to make informed political choices. Mosimann and Pontusson (2017), moreover, make the crucial point that unions' behavior and rhetoric create distributive norms (fairness, aversion

to inequality) that members adopt as their own. In fact, Mosimann and Pontusson demonstrate in empirical analyses of individual-level data in 21 European democracies that union membership has a strong, positive effect on support for redistribution and that this effect increases with members' income. Rennwald and Pontusson (2017) also show, and this is especially relevant to the universalism-particularism divide, that union membership significantly lowers the probability that working class voters who defect from social democratic parties vote for right-wing populist parties.

High levels of overall union density should also effectively incorporate many outsiders into the labor movement. Indeed, scholars have stressed that where unions remain relatively encompassing (Nordic countries and Belgium), public sector and low-wage service sector unions (and hence women, younger, and low-skilled workers) are represented alongside core sector industrial unions and white collar workers (e.g., Ebbinghaus 2006; Huo 2009). In fact, the simple correlation between aggregate union density and the ratio of outsider to insider unionization rates is .56 in a sample of 15 European political economies in 2008 (Beecher and Pontusson 2011).

In addition, union centralization (that is, extensive control over political-economic strategies and behaviors of constituent unions by one or a few national peak associations) should reinforce the inclusiveness of relatively densely organized union movements. As Gordon (2015) has pointed out, highly centralized union movements have strong norms for the democratic representation of all constituent unions (including low-skilled unions) in peak association decision making. Moreover, centralized peak associations are more likely to promote coherence in norms and policy positions across the union movement crucial to the mitigation of cleavages, and the general disposition of such encompassing union peaks is to champion broad social justice goals (Hall 2017).

The presence of unions within the state is also important. The integration of unions within policy-making forms (e.g., advisory boards and commissions) and administrative units in mature welfare states is not only likely to offer points of political leverage for the union movement (Swank 2002), it is also likely to foster support for redistributive programs among trade unions. As Gordon (2015) argues, the presence of Ghent system union predominance in the administration of unemployment compensation, and to a lesser extent joint union-employer administration of broad social insurance programs, is likely to cultivate union support of these programs as a vehicle of union maintenance and recruitment of members.

In sum, key features of encompassing union organization should integrate the core postindustrial constituencies of left parties, foster broad commitments to social justice and inclusive policies, and otherwise facilitate social democratic parties' pursuit of policies that address the needs of outsiders. And, as foreshadowed in Walter Korpi's (1983) seminal work on social democracy, encompassing union movements, at a rudimentary electoral level, still have large, significant effects on electoral mobilization (Radcliff and Davis 2000) and votes for left parties (Arndt and Rennwald 2016) in postindustrial democracies.

2.2 A Note on Employers Organization

I also account for employer organization. Specifically, Martin and Swank (2012) have pointed out that high levels of employers' organization cultivate a collective orientation to the long-run interests of employers (for instance, an interest in human capital). In addition, the repeated exchanges with labor and the state that occur at high levels of organization build trust, reciprocity and a commitment to the public interest among employers. These considerations, along with the tendency of highly organized employers to support social insurance that bolsters worker investment in specific skills, suggest that the greater the employer organization, the greater the social protection for outsider policies; Martin and Swank report clear evidence for

this proposition in the case of ALMP.

3 An Empirical Analysis of the Partisan Basis of Outsider Policies and Outcomes

In the following analysis, I focus on the four dimensions of outsider policies and outcomes discussed above: low-wage worker unemployment benefits, means-tested income protection, ALMP, and reduction in relative poverty. I draw on the large literature of the determinants of social and labor market policies and outcomes and develop and estimate empirical models of variations across space and time in outsider policies and poverty reduction for 13 to 18 developed capitalist democracies (see Table 1) for the years 1979-2012.⁸ The general model of outsider policies and poverty reduction is:

$$\begin{aligned} \text{[Eq. 1] Outsider Policy/Poverty Reduction}_{i,t} = & \alpha + \beta_1 (\text{Partisan Govt})_{i, \text{mean } t-10/5/3 \text{ to } t-1} + \\ & \beta_2 (\text{Labor Organization})_{i,t-1} + \beta_3 (\text{Position of the Median Citizen/Income Skew})_{i,t-1} + \\ & \beta_4 (\text{Employer Organization})_{i,t-1} + \beta_5 (\text{Trade Openness.})_{i,t-1} + \beta_6 (\text{Capital Mobility})_{i,t-1} + \\ & \beta_7 (\text{De-industrialization})_{i,t-1} + \beta_8 (\text{Unemployment})_{i,t-1} + \beta_8 (\text{Percent Change in Real per} \\ & \text{capita GDP})_{i,t-1} + \varepsilon_{i,t}, \end{aligned}$$

In the model of ALMP, I add a control for variations in skills demand of the economy in the form of a technological change variable. For the poverty reduction model, I add the lagged level of poverty reduction to tap autoregressive processes (see below for more on this point).

For core political variables, I measure partisan control of government in the short and intermediate term. I do so for two reasons. First, effects of long-term cumulative partisan measures of left government are difficult to separate from those of labor union organization as

⁸ Data series begin between 1979 and the early 1980s and typically end around 2010-to-2012; Nelson's data are available for 1990 to 2009 only. LIS household poverty data are typically available for time points every five years; the three low-income benefit measures are measured annually.

they co-evolve across time. Second, much of the debate about the political sources of social protection and redistribution involves discerning the impact of alternation in Left, Center and Right governments in the postindustrial era. That is, do partisan outcomes of democratic elections still fundamentally matter today? Long-term cumulative measures stretching back several decades give us limited power to address this question. Thus, I assess partisan impacts in the short term with a measure of the average ideological position of government over the last three years.⁹ Short-term (three-year) measures allow us to assess the relatively immediate policy effects of partisan policy choices. I also examine mean ideological scores of governments over the preceding five and 10 years. These measures of intermediate-term power in office are assessed because policy changes are often phased in over a few years and frequently take the form of discrete, limited reforms whose effects accumulate over an intermediate period of time. I use both short- and intermediate-term measures, alternatively, in each model, and, ultimately, report the most substantively and significantly important measure.¹⁰

The organization of labor is measured as a standard score index of union density, a 0.0 to 4.0 scale of centralization of powers in the largest national peak association (control of affiliate appointments, over strikes, of bargaining strategy, and of conflict funds), and a 0.0 to 1.0 scale of integration of unions into public policymaking forums. Employer organization is measured through a standard score index of the presence of a national employers' peak association, 0.0 to 4.0 scale of powers of the peak (control of affiliate appointments, over lockouts, of bargaining

⁹ I measure the partisan control of government by weighting the ideological position of each governing party with that party's share of total governing parties' parliamentary (lower chamber) seats, and summing the score for all governing parties. The ideological position of each party is based on the party's score on the 26-item scale of government intervention in markets and society developed in the Manifesto Data Collection project (Volkens et al 2013). The resulting variable is scaled 0.0 to 100 (where 100 is the most left-leaning score possible).

¹⁰ In addition, I substituted the annual share of Left party cabinet portfolios, a common alternative measure of partisan government, and I note these very similar results below. Overall, measures of multicollinearity reveal the short- and intermediate term measures have low associations with the standard set of exogenous variables, including labor organization (e.g., R-squares of .1 to .4).

strategy, and of conflict funds), and 0.0 to 1.0 scale of policymaking integration of employers.

As to the economic position of the median citizen, I follow the conceptualization and measurement procedures of Lupu and Pontusson (2011) and use a ratio of ratios, or income skew: I compute the ratios of earners at the 90th and 50th percentiles and at the 50th and 10th percentiles. As suggested by theory, I use the ratio of these two numbers to capture relative closeness of median citizen/voter to low income earners.

As to globalization, I control for imports and exports of goods and services as percentage of GDP and a general measure of capital mobility (0.0 to 100 scale of liberalization of capital flows); substitutions of trade with developing countries and actual capital flows produce results similar to those reported below for the main measures. Technological change in the ALMP equation is measured as patents per one million population (OECD 2011). As to structural economic change, I follow Iversen and Cusack (2000) and measure deindustrialization as 100 minus industrial and agricultural employment as a percentage share of the working age population. Unemployment is measured as the percentage of the civilian work force unemployed (standardized across nations). As an additional control for economic conditions, I use growth rates in real per capita GDP (in international prices). I employ a one year lag of all variables unless otherwise noted.

To assess the effects of partisan government across levels of union organization, I estimate Eq. 1 with interaction terms; the equation for each measure of low-income policy and relative poverty reduction is as follows:

$$\begin{aligned}
 \text{[Eq. 2] Outsider Policy/Poverty Reduction}_{i,t} = & \alpha + \beta_1 (\text{Partisan Govt})_{i,mean\ t-10/5/3\ to\ t-1} + \\
 & \beta_2(\text{Labor Organization})_{i,t-1} + \dots \beta_9(\text{Social Democratic Govt} \times \text{Labor Organization})_{i,t-1} + \\
 & \varepsilon_{i,t} ,
 \end{aligned}$$

For estimation of outsider policy models, I use Prais-Winsten regression with first-order serial correlation and panel correct standard errors. In addition, as the time series for some nations occasionally begin after 1979 or end before 2012, I use a standard technique for unbalanced panels where elements of the variance-covariance matrix are computed with all available pairs of panels. As noted, for relative poverty reduction models that rely on data with somewhat variable numbers of years between observations, I use OLS regression with panel-correct standard errors and a lagged dependent variable— a common alternative to Prais-Winsten regression (Beck and Katz, 1996). To assess robustness of results (and check for potential bias from unmodeled country or time effects), I re-estimate all models with fixed and random effects estimators.¹¹

4. Findings

The results of the analysis of the partisan basis of income protections for low-wage earners are presented in Table 2. As the table reveals, the general impact of left partisan government on unemployment benefit replacement rates and minimum income protection is indeed significant. In concrete terms, a shift, let's say, in partisan government of 25 points on the 100-point ideological scale would increase unemployment compensation replacement rates for low-wage workers by 2.8 percent ($25 \times .1111$) and means-tested benefits (as a percentage of an average production worker's wage) by 4.5 percent ($25 \times .1809$).¹² This magnitude of partisan change would be, for instance, equivalent to a shift from a moderate center-right government to a moderate center-left one. In addition, it is important to note that the direct impact of labor

¹¹ I do not use, for instance, a fixed effects estimator as my standard estimator because of the need to assess theoretically important variables with heavily cross-national variation (e.g., labor organization). In any case, fixed and random effects estimations reproduce the pattern of findings presented below.

¹² Measures of party government over the previous five and 10 years produce modestly stronger findings than the three-year average score, I use the 10-year measure in all models as it proves slightly more robust than the five-year average.

organization on unemployment benefits for low income workers is substantively large and statistically significant; a one (standard deviation) unit increase in the index of labor organization (for instance, a move from the degree of 1980s labor organization in New Zealand to the level in the Netherlands) would, itself, increase income replacement rates by three and a half percent. While positive, the substantive direct effect of union organization on minimum income protection is smaller and not significant at conventional levels.

-Table 2 about here-

The second and fourth columns of Table 2 present the results for the basic assessment of the core hypothesis of the chapter, namely, that Left government impacts on income protection for outsiders will differ across levels of labor organization. As the table suggests, the coefficient for the interaction between partisan government and labor organization is not significant for unemployment compensation; it is, however, clearly significant in the case of minimum income protection. Moreover, when one applies the advice of Kam and Franzese (2009) to the current context and examines marginal impacts of partisan government across specific levels of labor organization, it becomes clear that alternation in partisan governments has little impact on both types of outsider income protection when labor organization is low (e.g., Britain and the United States). Partisan impacts are, however, significant and substantively important for outsider policies at medium and high levels of labor organization.¹³ For low wage unemployment benefits, the impact of a 25 point upward shift in party government ideological position at medium levels of union organization (e.g., the Netherlands) is 2.8; at high levels of union organization (e.g., Austria and Denmark) the replacement rate impact is 3.4 percentage points.

¹³ Recall that the effect of some variable X_1 on Y at variable levels of X_2 is given by $\beta_1 + \beta_3[X_2]$, where β_3 is the coefficient for the interaction of X_1 and X_2 . Standard errors for these marginal effects are readily computed (Kam and Franzese 2009).

An identical pattern emerges with respect to minimum income protection benefits, and this is highlighted in Figure 2. As labor organization rises, the effect of social democratic government increases in substantive magnitude and significance. At high levels of union organization, benefits relative to median wages increase over seven percentage points under a left-leaning versus right-leaning government.

-Figure 2 about here-

The estimates of the effects of the models' other variables are presented in subsequent rows of Table 2. While of secondary interest here, one might note the following findings: core features of globalization, trade and capital openness, bolster the level of unemployment benefits for low wage workers; globalization's impacts are also positive and near significant in the minimum income protection models. In addition, there are substantively large need effects. For unemployment benefits, slow economic growth is associated with relatively more generous support for low-wage workers; for minimum income protection, high unemployment is associated with more generous assistance. Finally, two additional findings might be mentioned: employer organization is positively associated with both forms of outsider policy, but these effects are only significant for minimum income protection. Second, deindustrialization has a significant, negative impact on minimum income protection. One interpretation for this finding is that deindustrialization generally promotes the shift to an activation strategy and this, in turn, inherently entails reductions in the generosity of long-term income assistance for outsiders.

-Table 3 about here-

The results of the analysis of partisan and labor organization impacts on ALMP and poverty reduction are presented in Table 3. As in the case of income protection for low income workers, left party government is associated with significantly higher AMLP spending and poverty reduction than under center-right governments. The direct impacts of party government

are substantively important. As shown in the first column, a shift of 25 points in the ideological position of the government (for instance, a move from a center-right to center-left government) would shift ALMP spending by .1 ($25 \times .0036$). Given that mean ALMP spending as a percent of GDP is .8, this change in resource commitments for ALMP is not trivial. Similarly, a 25 point shift in government is associated with a 4 percent point increase ($25 \times .1601$) in pre-fisc to post-fisc relative poverty reduction. The direct impacts of labor organization (first and third columns) are also substantively important: ALMP spending and poverty reduction increase .1 and 3.7, respectively, for a one (standard deviation) unit change in labor organization.

With regard to the mediation of partisan government effects by labor organization, Table 3 illustrates that higher labor organization, as expected, intensifies the impact of party government on ALMP. For instance, at average levels of labor organization (0.0 on the standard score index), the impact of a one unit change in party government is .0031.¹⁴ At moderately high labor organization (say a standard score index value of 1), the partisan government impact is .0081 ($.0031 + .0050 \times 1.0$). If we use a 25 point shift on the ideological position scale as the magnitude in change in party government, ALMP spending would increase by .1 at average levels and .2 at moderately high levels of labor organization with such a partisan change. On the other hand, the interaction between party government and labor organization is not significant in the poverty reduction model. Yet, recalling Kam and Franzese's (2009) suggestion, when we examine individual marginal effects of partisan government we do see important differences in party impacts across levels of labor organization: party alternation in power has no effect on the magnitude of poverty reduction at low levels of labor organization but substantively important ones at moderate and high amounts of labor organization (3.9 and 4.6 percent, respectively).

¹⁴ Recall that the impact of x_1 when the mediating variable, x_2 , is 0.0, is given by the coefficient for the direct effect of x_1 in the equation.

With respect to other factors in the model, three findings deserve note. Employers' organization has significant positive effects, as predicted by Martin and Swank (2012), on ALMP; it is also significantly associated with poverty reduction in one of two models (and nearly so in the other).¹⁵ Second, increases in international capital mobility are significantly related to ALMP spending, although international openness variables are not associated with poverty reduction. Finally, needs have substantial impacts on both ALMP and poverty reduction. In the case ALMP, a drop in economic growth and a rise unemployment rates both significantly increase ALMP spending. For poverty reduction, an increase in unemployment has a large substantive effect on the magnitude of poverty reduction: a one percentage point rise in the unemployment rate would, alone, increase poverty reduction by roughly 1.3 percent points.

5 Conclusions

This chapter speaks to a central question in the debate over the nature of the new politics of the welfare state, namely, does partisan government shape the state's responses to the challenges of new social risks in postindustrial society? Specifically, I analyze the impacts of partisan government on policies to address labor market dualism from the perspective of coalition building by social democratic parties. I find systematic empirical evidence that left parties have significant, substantively important impacts on key features of income protection for low income workers, ALMP, and pre- to post-fisc relative poverty reduction in the 1980s to 2010s period. These results are also in line with the contributors to Armingeon and Bonoli (2006) who stressed the general importance of the power resources model in explaining policies to address new social risks; the findings are also line with other scholars such as Korpi and

¹⁵ It is relevant to mention that as predicted by Swank and Martin (2001), the impacts of Left party government on ALMP also increase at higher levels of employer organization; this is not the case, however, with income protection variables nor poverty reduction.

Palme (2003) and Hou (2009) who continue to stress the central importance of social democratic government to egalitarian social policy in the postindustrial era.

This paper also highlights the importance of the organization of producer interests to postindustrial welfare state politics. As Paul Pierson (2016) recently noted in a commentary on Beramendi *et al*'s (2015) sweeping analytical assessment of trajectories of economic and social policy in advanced postindustrial capitalism, the role electoral politics, coalition building, and partisanship is central to the explanation of policy change; the role of class organization is not. The arguments and findings presented here are both complementary to this recent work and implicitly critical of it. On the one hand, this paper's arguments and findings confirm the importance of electoral politics in shaping responses to the challenges of labor market dualism. On the other hand, my findings diverge from Beramendi *et al* (2015), Iversen and Soskice (2015a), and others who minimize the importance of class organization in the contemporary periods. As this chapter shows, encompassing labor organization has a significant, substantively large direct effect on social policies for outsiders and, ultimately their relative economic status; labor organization also systematically mediates the capacity of partisan governments to adjudicate deep divisions between core constituencies and, in turn, pursue solidaristic policies that address the needs of outsiders. Moreover, as stressed by Martin and Swank (2004; 2012), one must also recognize the importance of employer organization for some forms of inclusive social and labor market policy. This is especially the case in the area of ALMP; earlier evidence offered by Martin and Swank on the salience of employer organization is reinforced here with new analyses of ALMP that extend over a decade into the 21st century.

In sum, the analysis and conclusions of this chapter reinforce the initial assessments of Armingeon and collaborators as well as the array of like-minded scholars discussed above: the

politics of new social risks, and especially the politics of inclusive social and labor market policy, is a story of the dynamics of coalition building in advanced postindustrial society, the continued importance partisan government, and the power of organized interests. This story is not unlike, in broad structural terms, the well-established narrative of the politics of 20th century welfare state development.

Appendix: Data Sources

Outsider Policies and Relative Poverty Reduction:

ALMP: OECD iLibrary (Social Expenditures Data Base).

Minimum Income Protection for Outsiders: social protection data from Nelson (2007); *average production worker's wage* is from Van Vliet & Caminada (2012).

Unemployment Benefits for the Low Income Production Worker: Scruggs, Lyle, Detlef Jahn, and Kati Kuitto. 2017. "Comparative Welfare Entitlements Dataset 2. Version 2017-09." University of Connecticut & University of Greifswald.

Relative Poverty Reduction: computed from data in the Luxembourg Income Study nation micro-files. LIS micro-files available at <http://www.lisdatacenter.org/our-data/lis-database/> (Microdata accessed during March and April 2013).

Politics:

The Wage Position of the Median Wage Earner (90/50 to 50/10 Ratios): OECD iLibrary (Earnings Data Base).

Party Government-Ideological Position: Party Manifesto Data Collection project as described in in A. Volkens (2013).

Party Government-Cabinet Portfolios: Duane Swank, "Comparative Parties Dataset," http://www.marquette.edu/polisci/faculty_swank.shtml.

Union Organization: All variables are from Visser (2013).

Employer Organization: Data for 1955-1992: Golden, Wallerstein, and Lange (2009); for 1993-1997: Traxler, Blaschke, and Kittel (2001); for late 1990s-2010: Traxler and Humer (2007), country specific sources and labor and industrial relations periodicals.

Post-industrialization, Business Cycles, and Needs:

International Capital Mobility: data from Dennis Quinn, Graduate School of Business, Georgetown University.

Trade Openness: components from OECD iLibrary.

FDI Outflows: International Monetary Fund (selected years b); GDP: OECD iLibrary (National Accounts).

Technological Change: Patents: OECD iLibrary (Patent Statistics Database). *Population:* OECD iLibrary (Employment and Labor Market Statistics Data Base).

Deindustrialization: OECD iLibrary, (Employment and Labor Market Statistics Data Base).

Unemployment: OECD iLibrary,(Employment and Labor Market Statistics Data Base).

Per Capita Real GDP in International Prices: Heston, Summers, and Aten (2012)

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Table 1. Income Protection for Outsiders, Active Labor Market Spending, and Relative Poverty Rates in Postindustrial Democracies, 1980s – 2010s^a

	Unemployment Comp RR Low Wage Worker		Minimum Income Protection Cash and In- kind Benefits		ALMP Spending (Percent of GDP)		Relative Poverty Reduction (% Change, Pre- to Post- Fisc)	
	Mid-1980s	Early 2010s	Mid-1980s	Late 2000s	Mid-1980s	Early 2010s	Mid-1980s	Early 2010s
<i>Nordic</i>								
Denmark	94	96	56	48	.8	2.0	50	57
Finland	84	78	69	54	.8	1.0	68	58
Norway	80	80	59	55	.5	.6	49	63
Sweden	04	88	69	55	1.9	1.2	55	68
Mean	88	86	63	53	1.0	1.2	56	62
<i>Continental</i>								
Austria	73	68	51	49	.3	.8	NA	NA
Belgium	92	92	38	34	1.2	1.1	NA	NA
France	74	75	44	40	.7	1.0	55	61
Germany	74	72	45	49	.7	.8	35	46
Italy	30	80	48	53	.3	.4	NA	NA
Netherlands	81	84	43	44	1.3	1.1	57	44
Switzerland	76	88	59	55	.2	.6	11	7
Mean	71	79	47	46	.7	.7	40	40
<i>Anglo-Liberal</i>								
Australia	45	38	38	41	.3	.3	30	38
Canada	72	72	51	41	.5	.3	38	38
Ireland	76	82	54	66	1.1	.9	56	74
New Zealand	74	62	48	47	.8	.3	NA	NA
United Kingdom	60	52	39	48	.8	.4	41	51
United States	77	74	28	20	.3	.2	6	28
Mean	67	63	43	44	.6	.4	34	38
Japan (mixed)	78	82	51	72	.3	.2	NA	NA
Overall Mean	74	75	47	48	.7	.7	42	46

^a Table 1 reports unemployment compensation income replacement rate for 1985 and 2010 while minimum income protections is for 1990 and 2009. The table reports 1985-87 and 2010-2012 means for ALMP spending variable, and a mid-1980s and 2010 data points for reduction in relative poverty.

Table 2. Partisan Politics, Labor Organization and Income Protection for Labor Market Outsiders.

	Unemployment Comp RR	Unemployment Comp RR	Minimum Benefits	Minimum Benefits
Left Government	.1111** (.0444)	.1083** (.0446)	.1809** (.392)	.1772** (.0376)
Labor Organization	3.5084** (1.1079)	2.5115 (2.0960)	.9648 (1.1038)	-3.4167 (2.3140)
Left Government × Union Organization	---	.0209 (.0356)	---	.0900** (.0410)
Economic Position of the Median Citizen	.3950 (4.770)	.5896 (4.7899)	-7.7668 (4.4055)	-6.4350 (4.3478)
Employers Organization	.6798 (1.1820)	.6348 (1.1888)	3.9214** (1.2332)	3.9896** (1.1650)
Trade Openness	.0541** (.0184)	.0547** (.0185)	.0017 (.0017)	.0054 (.0168)
Capital Market Openness	.0501** (.0302)	.0508** (.0302)	.0470 (.0378)	.0438 (.0373)
Deindustrialization	.0249 (.1369)	.0168 (.1384)	-1.0318** (.1838)	-1.0876** (.1828)
Economic Growth Rate	-.1379** (.0588)	-.1394** (.0589)	-.0746 (.0702)	-.0810 (.0704)
Unemployment	-.1331 (.1496)	-.1288 (.1499)	.2818** (.1331)	.3134** (.1318)
Constant	59.8044	60.1783	123.3917	126.5812
R ²	.7976	.7979	.7873	.7903
Observations	434	434	340	340

Models of the unemployment compensation replacement rate for low income workers are estimated with 1978-2010 data for 18 advanced democracies (see Table 1) by OLS regression; models of minimum income supports are estimated with 1990 to 2009 data. The table reports unstandardized regression coefficients and panel-correct standard errors.

* significant at the .10 level; ** significant at the .05 level.

Table 3. Partisan Politics, Labor Organization, ALMP and the Reduction of Relative Poverty for Labor Market Outsiders.

	ALMP Spending (% GDP)	ALMP Spending (% GDP)	Poverty Reduction	Poverty Reduction
Left Government	.0036** (.0023)	.0031* (.0020)	.1601** (.0766)	.1577** (.0795)
Labor Organization	.0998** (.0506)	-.1398 (.1173)	4.706** (2.4201)	3.7467 (4.2945)
Left Government × Union Organization	---	.0050** (.0021)	---	.0188 (.0730)
Economic Position of the Median Citizen	.0627 (.1712)	.0904 (.1701)	-2.1445 (9.2321)	-1.7683 (9.0349)
Employers Organization	.2599** (.0815)	.2550** (.0804)	2.5703 (2.0025)	2.5741* (2.0039)
Technological Change	-.0001 (.0002)	-.0001 (.0002)	---	---
Trade Openness	.0008 (.0011)	.0009 (.0011)	-.0823 (.0872)	-.0778 (.0659)
Capital Market Openness	.0026** (.0014)	.0026** (.0013)	.0929 (.0886)	.0875 (.0967)
Deindustrialization	.0048	.0042	.3832**	.3762*

	(.0053)	(.0053)	(.2444)	(.2406)
Economic Growth Rate	-.0096**	-.0089**	-.0197	-.0256
	(.0030)	(.0030)	(.2407)	(.2387)
Unemployment	.0211**	.0221**	1.3071**	1.3287**
	(.0077)	(.0076)	(.4186)	(.4562)
Poverty Reduction Previous Period	---	---	.6405**	.6416**
			(.0838)	(.0828)
Constant	-.2548	-.2403	-30.5050	-29.9139
R ²	.2574	.2667	.8759	.8760
Observations	454	454	77	77

Models of ALMP spending are estimated with 1979-2012 data for 18 advanced democracies by OLS regression; models of relative poverty are estimated with early 1980s to 2010 data for 13 nations. The table reports unstandardized regression coefficients and panel-correct standard errors.

* significant at the .10 level; ** significant at the .05 level.

Figure 1. Three Sets of Tradeoffs in Social Democratic Party Coalition Building in Advanced Postindustrial Societies.

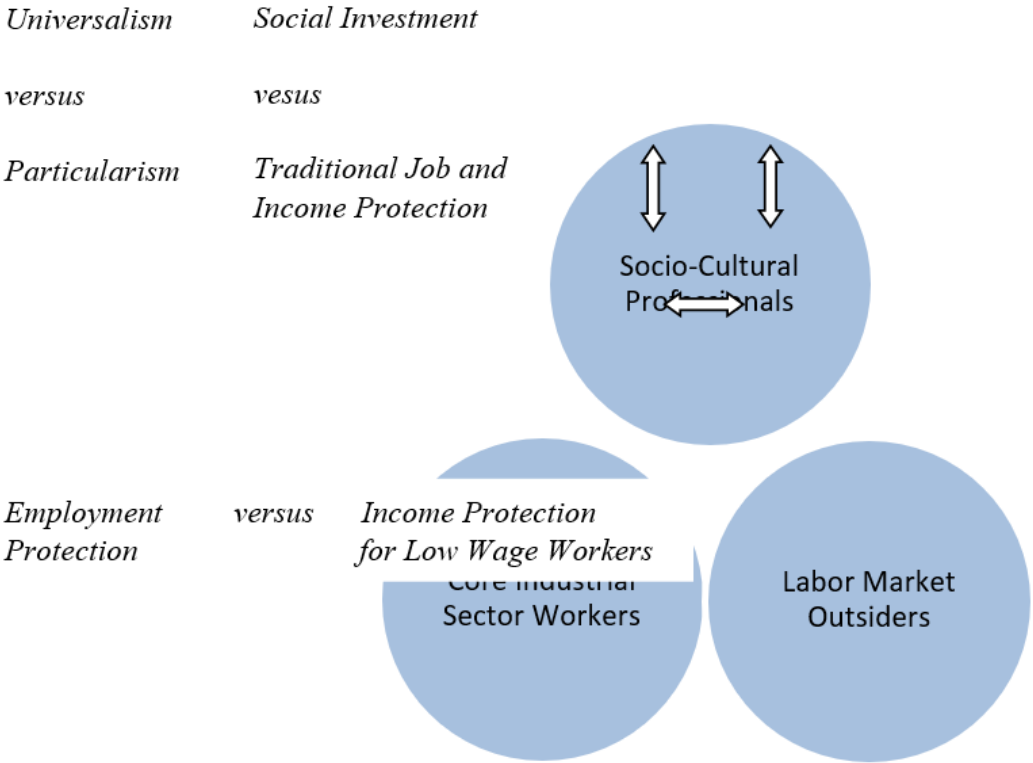


Figure 2: Left Party Effects on Minimum Benefits
Party Effects by Labor Organization

