

## The Insider-Outsider Dilemma in Sweden

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**Abstract:** This paper argues that labor market “outsiders” whose interests are ignored by mainstream left-wing parties become more likely to exit politics or support radical parties. We also argue that left parties face a dilemma: if they propose policies that benefit insiders, they push outsiders to exit politics or to support radical parties; if they propose policies that benefit outsiders, on the other hand, they see their support decline among insiders. We test our claims with data from Sweden, which we argue is a critical case. We analyze electoral data from 1994 to 2006, focusing on the interaction of party politics and individual preferences. Specifically, we explore the relationship between (1) the changing electoral strategies of Swedish political parties – particularly the Social Democrats – and (2) the preferences and party choices of insiders and outsiders in the Swedish labor market.

## 1. Introduction

The increasing dualization of labor markets in most industrialized democracies, and its political implications, is becoming a topic of great importance to the literature on comparative political economy. Recent work emphasizes the political and economic relevance of a division within labor distinguishing workers who enjoy stable and protected employment (insiders) from those who do not (outsiders).<sup>1</sup> This paper is concerned with the relationship between party politics and the political behavior of insiders and outsiders in the labor market. The political interests of these two groups often differ, and we examine the implications of these differences for electoral politics. Taking the critical case of Sweden as our guide, we argue that labor market outsiders who perceive that they are being ignored by mainstream left parties – such as social democratic parties – become more likely to exit politics, or to support radical parties. We also argue that mainstream left parties face a dilemma: if they propose policies that benefit insiders, they will push outsiders to exit politics or to support radical parties; if they propose policies that benefit outsiders, they will see their support among insiders decline. Our empirical study combines an analysis of election campaigns with an analysis of survey data from the Swedish National Election Studies.

[Figure 1]

Until recently, the insider-outsider divide was not very pronounced in Sweden. This was a result of propitious macroeconomic circumstances, a strong political commitment to full employment, and an encompassing labor union movement that resolved latent conflicts between different categories of wage earners.<sup>2</sup> However, in the early 1990s Sweden experienced an exceptionally sudden and rapid increase in unemployment (from less than 2 percent in 1990 to almost 10 percent in 1993; see Figure 1), which placed the Swedish labor market model under great strain. A case study of Sweden thus allows for a detailed investigation of political competition and mass political behavior in a country that has experienced a sudden increase

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<sup>1</sup> See, for example, Mares (2006), Martin and Thelen (2007), Rueda (2007), Iversen and Stephens (2008), Swank, Martin and Thelen (2008), Palier and Thelen (2009), and Iversen (2009).

<sup>2</sup> Some types of precarious employment, such as fixed-term employment, are still relatively rare in Sweden and the other Nordic countries (Pontusson forthcoming).

in the number of outsiders. We concentrate on the four elections that have been held since mass unemployment emerged in the Swedish economy: 1994, 1998, 2002, and 2006.

There is still a divide between work on public policy and comparative political economy (which often pays little attention to individual preferences, focusing on institutional factors) and work on comparative political behavior and public opinion (which often ignores macro variables, focusing on individual interests). In this paper we wish to contribute to the integration of these two literatures (cf. Mettler and Soss 2004).

## 2. Party Politics and the Political Behavior of Insiders and Outsiders

Like Rueda (2007), we argue that distinguishing between insiders and outsiders is essential to understanding the politics of industrialized democracies since the 1970s. However, where Rueda's work concentrates on the relationship between government partisanship and economic policy, we emphasize another matter of central importance that has not received enough attention so far: the interaction between party strategies and voter preferences.

We ask two questions. First, if, as Rueda argues, mainstream left parties face strong incentives to promote the interests of insiders, how do outsiders respond? Second, is it possible for political parties to develop electoral strategies that attract both insiders and outsiders? Our answer to the first question is that outsiders tend to abandon the political process or vote for radical political parties when they perceive that mainstream left parties are not promoting their interests. Our answer to the second question is that unless they are helped by propitious macroeconomic circumstances, attempts by mainstream left parties to maintain their support among outsiders are likely to be punished by insiders. Herein lies the *insider-outsider dilemma*. Parties on the left are pulled in opposite directions by two groups of voters – if they satisfy insiders, they lose the support of outsiders; if they try to retain outsiders, they lose the support of insiders.

Our model relies on the disaggregation of the working class, broadly defined, into insiders and outsiders. Theoretically, we define insiders as wage-earners with protected jobs and outsiders as individuals who are either unemployed or hold jobs with low levels of protection

and employment rights.<sup>3</sup> The potential for conflicting interests between insiders and outsiders is related to their vulnerability to unemployment. Insiders are less affected by unemployment (especially in a country such as Sweden, where employment protection is relatively strong) and therefore less likely to support parties that dedicate substantial resources to employment promotion or cash benefits for the unemployed. Outsiders are more vulnerable to unemployment (since they are either unemployed already or enjoy little unemployment protection). They are therefore more concerned with the employment strategies of political parties, and favor generous benefits for the unemployed.

Of course, insiders always face *some* probability of losing their jobs (when the companies they work for become economically unviable, for example), but since insiders have less reason to believe that unemployment will affect them personally, we expect that they will find parties that emphasize employment less appealing. An increase in the resources dedicated to active labor market policies and benefits for the unemployed represents a higher tax burden for insiders, and a diversion of resources that could have been spent on public services that insiders benefit from.

Where does this leave political parties? Sometimes, it may not matter. When the macroeconomic circumstances are right, the conflict between insiders and outsiders remains latent. In periods of growth and low unemployment, the emphasis that parties place on employment issues may be unimportant to insiders and outsiders alike. When unemployment emerges as an issue, however, so does the insider-outsider dilemma. If a party does not respond to unemployment, the most vulnerable groups in society – the outsiders – become less likely to sup-

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<sup>3</sup> There are different ways of thinking about insider-outsider differences (by emphasizing employment status, access to benefits and protection, political representation, citizenship, etc). See Davidsson and Naczyk (2009) and Häusermann and Schwander (2009) for a more detailed analysis. We believe most of these definitions share a general conception of the difference between insiders and outsiders that reflects the increasing labor market dualism in many OECD economies. We are agnostic about the benefits and costs of each definition and defend a more practical approach that relies on the particular research question under analysis. In this paper, we are interested in the interaction between individual political preferences and party strategies. We consider unemployment and precarious employment to be the political salient issues and we therefore adopt unemployment vulnerability as the defining characteristic dividing insiders from outsiders.

port it. On the other hand, emphasizing employment will antagonize insiders who would prefer government resources to be used differently. Mainstream left parties, with the working class as their traditional core electorate, are especially sensitive to the costs associated with either strategy.

As we will demonstrate, Swedish political developments in the 2000s illustrate how a mainstream left party that tries to recover outsider votes may offer an opportunity for center-right parties to win over insiders. Left parties that stick with insiders, however, push outsiders either to not vote or to consider other options. Depending on the party system, these other options can be radical left-wing parties (such as in Sweden in 1998), traditional right-wing parties that emphasize the need to reduce insider prerogatives (as in late 1990s Spain; see Rueda 2007), or extreme right parties (as in France, where the *Front National* has succeeded in attracting the unemployed).

Insider-outsider differences, therefore, represent a challenge, but also an opportunity, for parties. In analyzing the implications of individual preferences for the electoral strategies of political parties (and vice versa), we join a large number of authors who have emphasized different dimensions of this relationship. Our argument has three main elements.

First, we disaggregate the working class as an electoral constituency and explore the political consequences of evolving preferences among insiders and outsiders. Our starting point here is the assumption that economic factors (such as unemployment) affect individual preferences and voting behavior. The literatures on economic voting and class voting are based on similar arguments. Like authors in the economic voting tradition (see, for example, Duch and Stevenson 2008), our argument posits that there is a relationship between an individual's economic interests and her likelihood to reward a party with her vote.<sup>4</sup> Class voting analyses (see, for example Evans 1999) emphasize the effects of socio-economic cleavages on political preferences, but their focus on occupational factors is largely compatible with this paper's

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<sup>4</sup> Whether this influence is egotropic or sociotropic (Lewis-Beck and Padam 2000), and whether the political can be separated from the personal (Kumlin 2004) are questions that need not to detain us here. While an egotropic element is obvious in our argument, some sociotropic effects are also compatible with our analysis (in-group solidarity among outsiders, for example).

insider-outsider arguments. Our approach is also related to a recent literature that emphasizes risks and skills as determinants of preferences. While this literature associates unemployment vulnerability with skill profiles (see, for example, Cusack, Iversen and Rehm 2006), we highlight the importance of a more general division between insiders and outsiders (regardless of their skills). It must be emphasized, however, that while most of the authors mentioned above are interested in individual preferences and voting choices, our goal is to explain how these preferences influence (and are in turn influenced by) party strategies.<sup>5</sup>

Second, we argue that parties will respond to the preferences of individuals. We understand political parties to have both vote-seeking and policy-seeking motivations. These two goals are not necessarily contradictory and, often, they are complementary. As Kaare Strøm has pointed out, arguments in favor of the policy orientation of parties typically assume “that parties also pursue office at least instrumentally, as elective office is taken to be a precondition for policy influence” (1990, 567). We also recognize the existence of stable ideological and historical connections between parties and some social groups (Powell 1982, 116). Ideology and history, however, are not enough. Elections need to be won and they inevitably revolve around issues, like employment or the provision of public services, that give political meaning to partisan attachments and social divisions (Dalton 2002, 195).

Third, we consider how the nature of political competition affects the ability of parties to respond to voter preferences. Studies of the relationship between voters and party systems have a long history in comparative politics (see, for example, Kirchheimer 1966, Lipset and Rokkan 1967 and Sartori 1976). But our efforts are perhaps most closely related to the work of authors such as Kitschelt, who, in his analysis of welfare state retrenchment, argues that the strategic configuration of party systems is a critical force shaping electoral strategies (Kitschelt 2001, 265). We will show below that the insider-outsider dilemma for left parties affects (and is affected by) what other parties do. In Sweden, the electoral success of the center-right Moderate Party in 2006 was made possible by the Social Democrats’ attempt to recover outsider support (and their dereliction of insider demands).

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<sup>5</sup> See Evans and Tilley (2009) for a similar approach.

### 3. Why Sweden?

There are two reasons why we have chosen to focus on the Swedish case. The first reason is theoretical: Sweden is a critical case for theories of insiders and outsiders. The second reason is methodological: since the transition from near-full employment to mass unemployment was exceptionally sudden in early 1990s Sweden, a close examination of the four elections that have been held since then – in 1994, 1998, 2002, and 2006 – allows us to examine how parties adjust to new social and economic circumstances.

#### *3.1. Sweden as a Critical Case*

Although the division between insiders and outsiders is accepted by an increasing number of scholars of the comparative political economy of industrialized democracies, authors disagree on where this division matters. A number of influential authors have argued that insider-outsider politics are of great relevance in continental Europe (see, for example, Palier and Thelen 2009) but not in the the Nordic countries (Iversen 2009). In the words of Jonas Pontusson, “the growing gap between labor-market ‘insiders’ and ‘outsiders’ is first and foremost a continental phenomenon” (forthcoming, 4).

Two arguments can be made for the claim that conflicts between insiders and outsiders are likely to be less intense in Sweden than other European democracies. The first argument points to Sweden’s encompassing and centralized trade unions and employer organizations. As Mancur Olson (1965) argued, encompassing organizations facilitate the consideration of general goals by actors that may be tempted not to act solidaristically. Swedish labor market institutions are therefore expected to promote solidaristic outcomes that bring together insiders and outsiders.

The second argument emphasizes the difference between Christian Democracy and Social Democracy. Iversen and Stephens, for example, see insider-outsider divisions as the outcome of Christian Democratic rather than Social Democratic politics (2008, 605). They argue that Social Democratic governments have “shored up employment while preventing the development of either deep insider-outsider divisions (as in the continental European countries) or stark wage inequality as in the liberal countries” (2008, 609). For Iversen (2009), the reason

for this difference between the continental and Nordic cases is that in countries like Sweden the proportional representation system allows social democratic parties to protect low-wage workers; in countries with strong Christian Democratic parties, on the other hand, Social Democratic parties have to become more moderate, abandoning outsiders.

These arguments clearly demonstrate the importance of Sweden as a critical case. The scholars we have cited above would not expect the distinction between insiders and outsiders to have any effect on party politics and political behavior in Sweden. If we find an effect, we will make a general point about the importance of this division that is not limited to an explanation of Swedish politics. It is possible that insider-outsider divisions are weaker in countries with encompassing unions and proportional representation systems without strong Christian democratic parties. Yet, the insider-outsider dilemma is still present. As Iversen and Stephens would expect, our analysis shows that after the election in 1998, when their support among outsiders declined, the Swedish Social Democrats made significant attempts to recover outsider support (unlike many mainstream left parties in continental Europe). But our analysis also shows that they have paid a high price for this political choice and that, even in Sweden, the electoral costs make party leaders question this strategy.

### *3.2. Maximizing Variation in the Explanatory Variable*

The Swedish Model of the 1950s and 1960s ensured that most Swedes were, for all practical purposes, guaranteed a job. High economic growth and employment-oriented economic and social policies ensured reasonable chances for all those who wished to find employment. The active labor market programs that were put in place from the 1950s onwards were meant to assist workers who were stranded on “islands of unemployment” in the economy (in the words of the leading trade union economist Gösta Rehn; see Lindvall 2004, 160). Meanwhile, employment protection was relatively weak. Ever since the “December Compromise” between the union confederation LO and the employer confederation SAF in 1906, employers could “hire and fire workers freely.” The political objective was not to guarantee employment within the same firm but to make sure that everyone could find a job even if they were to lose their present employment.

In the mid-1970s, new labor market legislation was introduced. Most importantly, employers could no longer choose which workers to lay off (although they had, and have, a right to reduce the overall size of their workforce). The so-called “LAS-rules” (*Lagen om anställningskydd*, or “employment protection act”) require employers to lay off workers in reverse order of employment. The center-right government in 1991–1994 relaxed some of this legislation, but in all essentials, the 1970s legislation still stands.

The introduction of employment protection legislation in the 1970s is the main cause of the insider-outsider cleavage in Europe (Rueda 2007), but during the 1970s and 1980s, employment protection legislation in Sweden did not appear to have created any strong divisions between insiders and outsiders. A vast majority of wage-earners were employed on regular contracts, the trade unions were encompassing and inclusive, and, most importantly, the economic policies of both social democratic and center-right governments provided for full employment.

However, since about 1990 outsiders have lost ground. Real incomes have increased for people with jobs while the number of outsiders has increased dramatically. In many cases, outsidership does not only matter to a person’s income, but also to his or her social security rights: Sweden’s core social insurance programs are based on income replacement and citizens only become eligible for benefits once they have worked for a certain period. Consequently, during and after the deep economic crisis of the early 1990s much larger groups in the labor market than before – particularly among immigrants and young people – fell outside the scope of the main welfare programs. For these reasons, we have chosen to make the appearance of mass unemployment in the Swedish economy the starting point for our analysis of employment policies, party politics, and the political behavior of insiders and outsiders (see Figure 1). We believe the high variation in the explanatory variable (insider-outsider differences) makes Sweden during this period an ideal case for exploring our hypotheses.

## 4. Data and Methods

### 4.1. Data

The empirical sections of the paper present an analysis of election campaigns and voting behavior in the Swedish parliamentary elections in 1994, 1998, 2002 and 2006. Our theoretical claims concern the interaction of party strategies and voter responses. It is therefore essential to consider both levels in the empirical analysis.

Our description of party positions in the election campaigns relies on three sources. First, we use Esaiasson and Håkansson's POP dataset (*Partiernas opinionspåverkan*; see Brandorf et al. 1996) on the content of Swedish election campaigns. We use debate data (the dataset also contains party manifesto data) since the final party leader debates are more likely to reflect the nature of the election campaign as a whole.<sup>6</sup> Second, we draw on election reports in *Electoral Studies*, *European Journal of Political Research* and *Scandinavian Political Studies* (and in books by the principal investigators of the National Election Study) in order to provide more detail on election campaigns. Third, we provide our own analysis of survey data from the National Election Studies in order to examine voter perceptions and evaluations of election campaigns and party messages.

Our individual-level analysis of voting choices relies on data from the Swedish National Election Studies. Sweden's election studies program is one of the oldest in the world, second only to the United States, and the data benefit from very high response rates (in our case, the response rate varied between 82 percent in 1998 and 70 percent in 2002). Our dependent variable, party choice, is based on a survey item that asked voters to name the party they actually voted for.<sup>7</sup> The dependent variable has nine categories: (1) Left Party, (2) Social Demo-

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<sup>6</sup> The final party leader debate is one of the last events of the election campaign and usually sums up the campaign as a whole. It is also one of the most widely watched programs on Swedish television. According to data from the National Election Studies, a remarkably high number of voters claim to have seen at least parts of the final party leader debates: from 65 percent of the respondents in 1994 to 57 percent in 2006 (Oscarsson and Holmberg 2008, 75).

<sup>7</sup> Our sample contains respondents whose main interview took place before the election, but these respondents received a brief questionnaire after the election where they were asked for this information.

crats, (3) Green Party, (4) Centre Party, (5) Liberals, (6) Moderate Party, (7) Christian Democrats, (8) another party, and (9) did not vote (or left an empty ballot).<sup>8</sup> Since electoral participation is a matter of public record in Sweden, we have objective information on non-voting. Respondents who claim to have voted are coded as non-voters if their survey answers are contradicted by official data.

[Table 1]

Table 1 summarizes the distribution of the dependent variable in the four samples. We will look at these numbers in more detail later. For now, we will only mention the variation that exists in our sample both across parties and over time. We believe that differences in the behavior of insiders and outsiders across elections explain some of this variation. The variation in our sample is very similar to the actual election results, which increases our faith in the reliability of the data (see Table 2).

Our main explanatory variables are insider and outsider status. The unemployed and respondents who were enrolled in active labor market programs such as training or subsidized employment count as outsiders in all our models. Two more categories of wage earners are usually considered as having precarious employment: fixed-term and involuntary part-time employees. A number of analysts have found that such “atypical” jobs increase job insecurity (see, for example, Näswall and De Witte 2003 and Burgoon and Dekker 2009). Regrettably, we do not have data on fixed-term employment for the 1994 and 1998 elections, nor do we have data on involuntary part-time employment for the 2002 and 2006 elections. In our main models for 1994 and 1998, we therefore count respondents who were employed in full time jobs or worked part-time voluntarily as insiders (excluding managers, businessmen, and farmers), whereas we count the unemployed, respondents enrolled in active labor market pro-

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<sup>8</sup> Sweden has a largely bipolar party system. (1)–(3) are normally included in the left-wing bloc whereas (4)–(7) are included in the right-wing bloc. Ever since 1957 (with the exception of a Liberal single-party minority government in 1978–1979), governments in Sweden have alternated between Social Democratic single-party minority governments and center-right coalition governments including some combination of parties (4)–(7). The most prominent parties in category (8) are New Democracy (*Ny Demokrati*), a right-wing populist party that was represented in the Swedish parliament in 1991–1994, and – more recently – the anti-immigrant Sweden Democrats (*Sverigedemokraterna*).

grams, and involuntary part-time employees as outsiders. In our main models for 2002 and 2006, on the other hand, insiders are gainfully employed with permanent contracts (excluding managers, businessmen, and farmers), whereas outsiders are unemployed, enrolled in active labor market programs, or fixed-term employees. Although these results are based on two different “broad” definitions of outsidership, we also report results based on a single, “narrow” definition of outsidership, counting only the unemployed and participants in active labor market programs. Table 3 describes the proportions of insiders, outsiders, and others in our four samples, using the broad as well as the narrow definitions. When we use the narrow definitions, the ratio of insiders to outsiders ranges from 5.4:1 in 1994 to 11.4:1 in 2002. When we use the broad definitions, the ratio of insiders to outsiders ranges from 3.2:1 in 2002 to 5.2:1 in 1998.

[Table 3]

We include a number of control variables that have been shown to influence party choice and electoral participation in either the comparative literature, the literature on the Swedish case, or both.<sup>9</sup> We run three models for each election. In the first, simple model, outsider and insider status are the only explanatory variables. In the second model, we include gender, age, education, immigration status and union membership.<sup>10</sup> In the third and final model, we add a set of dummies controlling for class, a measure of the respondent’s religiosity, and a control for public sector employment.

Starting with the control variables in our second model, a large literature has emphasized the connection between union membership and the strength of left parties. At the aggregate level, the idea of such a relationship is supported by power-resource theories in comparative political economy (Stephens 1979, Korpi 1983, Huber and Stephens 2001). At the individual

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<sup>9</sup> Details about the operationalization of all variables can be found in Appendix 1. For detailed information about the empirical relationships between the control variables in our model and the party choices of Swedish voters, we refer to the four books on the 1994–2006 elections that have been produced within the Swedish National Election Studies program: Gilljam and Holmberg 1995, Holmberg 2000, Holmberg and Oscarsson 2004, and Oscarsson and Holmberg 2008.

<sup>10</sup> We do not add income since it is highly correlated with the class variables in model 3. Furthermore, the Swedish literature has shown that the relationship between income and party choice in Sweden is weak (see Martinsson 2009, chapter 3, for a literature review).

level, union members have been found to be more likely to support left parties. This may be because of the role of unions as a channel of communication for shared problems – as in the pioneering work of Lipset (1960) – or as an intermediary organization for class (see, for example, Kumlin and Svallfors 2007). Moreover, union membership is likely to be a predictor of participation, since it integrates the individual in a social network and makes her a likely target of mobilization efforts (Sweden’s largest union, LO, is affiliated with the Social Democrats and supports them in elections; see Allern et al. 2007). Immigration status is also important to control for, especially since electoral participation tends to be lower among immigrants (see Dahlström and Möller 2004 on the Swedish case).

Although age, gender, and education are almost always used as control variables in studies of public opinion and political behavior, there are also substantive reasons why they should be included in our analysis. In industrialized democracies, new social risks have become increasingly important when analyzing policy preferences and political behavior. As Bonoli (2005) explains, the new social risks that are generated by post-industrial labor markets and family structures tend to concentrate among women, the young, and the low-skilled. We attempt to control for the effect of these new social risks by including variables that capture age, gender and education. Controlling for age and gender is particularly important since women and the young are disproportionately represented in the outsider group, and we want to distinguish between the effects of insider-outsider status and gender on party choice. Moreover, age and education are known to be very strong predictors of electoral participation.

In the third model, we include social class, religiosity, and public sector employment. A vast literature has developed about the influence of class on voting (see for example, Lipset 1960, Evans 1999, Svallfors 2006, Brooks and Manza 1997, and, on the Swedish case, Oskarson 1998). Evidence has been presented both for and against the importance of class. We are agnostic about these claims, but we include variables capturing class differences. We use a set of dummies that corresponds roughly to the most widely used conceptualization of

class: the Erikson–Goldthorpe schema (see Holmberg and Oscarsson 2004, 56).<sup>11</sup> Religion has been recognized as an influence on voting behavior for a long time (see, for example, Lipset 1960); we control for religiosity by including a variable that picks up respondents who say that they attend a religious service at least once a month. Our final variable in the third model is public sector employment. A number of authors have noted that public sector workers are more likely to support left parties since left parties tend to promote large public budgets and a generous welfare state (Kitschelt 1994; Blais *et al.* 1997; Knutsen 2001).

#### 4.2. Methodology

Since our dependent variable is a (nominal) choice among parties, plus the option of not voting or leaving an empty ballot, we estimate a multinomial logit model. Multinomial logit is a straightforward extension of the binomial logit model to cases where the dependent variable can take more than two values.<sup>12</sup> Multinomial logit models are multi-equation models. A response variable with  $k$  categories will generate  $k-1$  equations, where each equation is a binary logistic regression comparing a certain category with the reference category. In our case, the reference category is voting for the Social Democrats. Because we run three models on four datasets (one dataset per election), our main results consist of ninety-six sets of estimates of the effects of the independent variables on the likelihood of choosing a certain category (the Left Party, the Green Party, etc.) rather than the reference category (the Social Democrats).

The raw estimates are complex and, more importantly, do not directly reflect the relationships of interest, so we do not present them in the paper.<sup>13</sup> Instead, we concentrate on the marginal effects of insider and outsider status on the probability of choosing a certain party (or not voting) in each of the four elections. Using the estimated coefficients from the model

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<sup>11</sup> It should be noted that since some classes are more vulnerable to unemployment than others, controlling for class is a tough test for our theory.

<sup>12</sup> The main limitation of the multinomial logistic model is that it assumes the independence of irrelevant alternatives (IIA). We perform a Hausman test for the IIA assumption. Our tests do not provide any evidence against the assumption that the odds between any two categories of the dependent variable are independent. The results are available from the authors.

<sup>13</sup> All results are available from the authors.

that controls for the largest number of potentially relevant factors (model 3),<sup>14</sup> we calculate the probability that an individual with a particular set of values on the independent variables would vote for a particular party (or not vote). In order to get point estimates for the predicted probabilities and to test whether the differences between insiders and outsiders are significant, we use a procedure proposed by Long and Freese (2006: 249).

When we calculate the predicted probabilities, we concentrate on the effect of a change from “insider” to “outsider” for a typical member of the labor force. In other words, we vary the outsider and insider variables but assign the modes or means for all individuals that are *either insiders or outsiders* to all other variables in our model. A typical member of the labor force in our sample is a 40-year-old man who was born in Sweden and has three years of secondary-school education.<sup>15</sup> He is a mid-level white-collar worker and a union member, and he does not work in the public sector.<sup>16</sup> He does not go to church regularly.

## 5. Party Politics and Vote Choice in Sweden, 1994–2006

### 5.1. The 1994 Election

The parliamentary election in 1994 was the first to follow the large increase in unemployment experienced in the early 1990s. However, it resembled past elections, held in the era of full employment, in the sense that the social democrats were able to benefit from their traditionally strong profile in the area of employment policy (cf. Martinsson 2009).<sup>17</sup> The reason why the Social Democrats did not confront the “insider-outsider dilemma” in 1994 was that even

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<sup>14</sup> The other two models confirm the substantive findings we describe below.

<sup>15</sup> Average education levels have increased over time, which complicates matters somewhat. We have chosen to calculate predicted probabilities for respondents who have completed three years of secondary school (and have no university education), since this is the median level of education in the later elections and we wish to make the predicted probabilities comparable between elections.

<sup>16</sup> In 1994, “other worker” is the modal class category, closely followed by mid-level white-collars. In all other years, medium-level white-collars are most common, so we stick to that.

<sup>17</sup> Ideally we would like to explore the effects of insider-outsider differences in pre-1994 elections, but the small number of labor market outsiders in pre-1994 samples prevents us from doing so.

if unemployment had begun to increase before the Social Democrats lost power in September 1991, most of the blame for the emergence of mass unemployment fell on the center-right parties that were in power in 1991–1994. Many voters appear to have expected a social democratic victory to bring back the pre-1990s status quo with respect to both the labor market and the welfare state.

For much of 1994, a Social Democratic victory was seen as a foregone conclusion. Before the summer, some opinion polls even suggested that the Social Democrats would win more than 50 percent of the vote (Widfeldt 1995, 209). As the election drew nearer, the Social Democrats tried to lower expectations. The budget deficit had increased greatly during the deep economic crisis in the early 1990s, and there was broad political agreement that spending cuts and tax increases would become necessary in the 1994–1998 parliament (Gilljam and Holmberg 1995, 21). For this reason, the Social Democrats presented a harsh election manifesto in August, proposing some drastic cuts in the welfare state, as a “precaution against a future opinion backlash” (Widfeldt and Pierre 1995, 481).

[Figure 2]

When it comes to employment, however, there is no doubt that the Social Democrats kept a high profile in 1994.<sup>18</sup> The Social Democrats emphasized employment in the campaign, and in the final televised debate between the party leaders, almost 19 percent of the Social Democratic party leader Ingvar Carlsson’s statements concerned employment or unemployment (see Figure 2). National Election Study data show that in the minds of the voters, the issue of employment was strongly associated with the Social Democrats – 70 percent of election respondents said that the Social Democrats had emphasized this issue during the campaign. This is an unusually large number. No other party scored higher than 26 percent (Gilljam and Holmberg 1995, 52).

[Figure 3]

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<sup>18</sup> When the National Election Study respondents in 1994 were asked an open-ended question about which issues mattered most for their party choice, 41 percent of respondents declared that employment was important – the second highest number for any issue in any election ever since this survey item was introduced in 1979 (Gilljam and Holmberg 1995, 23–26).

Moreover, voters approved of Social Democratic employment policies. As Figure 3a shows, the difference between those who believed the Social Democrats had good employment policies and those who believed that they had bad policies was large, both among outsiders and insiders. Figure 3b, on the other hand, reveals that many voters, and especially labor market outsiders, were critical of the employment policies of the Moderates (the prime minister's party in 1991–1994).

The 1994 election was a big success for the Social Democrats, who won 45.2 percent of the vote. It was also a success for other left parties. With 6.2 percent, the Left Party had its best result since the 1940s, and the Greens, who had lost all their seats in 1991, passed the 4 percent electoral threshold, winning 5 percent of the vote. In their book on the 1994 election, Gilljam and Holmberg wrote that the Social Democrats won because of a widespread belief that the previous government had failed to deal with the economic crisis (1995, 188). Voters had more confidence in Social Democratic policies on employment, the economy, and the welfare state. The data we have presented so far are consistent with this interpretation, but add important details. The most important features of the 1994 campaign, for our purposes, were: (a) it was an election where employment was very salient, (b) voters perceived that they were offered clear alternatives in employment policy, and (c) *all* labor market groups – particularly labor market outsiders – had more confidence in Social Democratic employment policies than in the policies of other parties.

In 1994, then, the Social Democrats were perceived as a party interested in promoting the interests of wage earners in general, and therefore as an attractive alternative for both insiders and outsiders. This was an extension of the way in which the Social Democrats were perceived before the emergence of mass unemployment (that is, before the insider-outsider division became politically relevant in Sweden). On the basis of the theoretical ideas that we presented in section 2, we expect that this should lead to relatively small differences between insiders and outsiders, both when it comes to non-voting and when it comes to party choice. If there are any differences in party choice, we would expect the outsiders to vote left, since the left was identified with employment promotion in this election.

[Table 4]

A detailed analysis of individual-level data shows that these expectations are largely met. Table 4, which is based on our full model of voting behavior, presents the predicted probabilities for the nine voting choices for both insiders and outsiders (using the broad definition, which includes involuntary part-time workers, and the narrow definition, which only includes the unemployed and participants in active labor market programs). The main result is that outsiders were less likely than insiders to vote for two of the center-right parties, the Center Party and the Moderate Party. Outsiders also appear to have been slightly more likely not to vote (or to cast an empty ballot), but this effect only becomes significant when we use the narrow definition of outsidership.

Overall, the results confirm our expectations for an election where the Social Democrats manage to appeal to both insiders and outsiders: outsiders were less likely than insiders to vote center-right, and more likely to vote center-left. This is how outsiders behave in existing studies of pre-1990s elections (Holmberg 2000, 99).

### *5.2. The 1998 Election*

Circumstances in 1998 were very different from 1994. For four years, a Social Democratic government had administered a high unemployment economy. In some respects the economy had improved since the first half of the 1990s (Möller 1999, 263) but unemployment remained high. The Social Democrats had also made large cuts in welfare programs, including unemployment benefits, and they had cooperated with the Centre Party, traditionally regarded as a member of the right-wing bloc. All this is likely to have led to disaffection and disappointment among left voters, particularly among outsiders.

Because of the focus on core left-right issues such as the choice between public spending and tax cuts, the 1998 election campaign is often described as “traditional” (Pierre and Widfeldt 1999, 514). It is true that voters chose between Social Democratic policies based on investments in the welfare state and center-right policies based on tax cuts. However, there are strong indications that the Social Democrats were unable to reconcile the demands of labor market outsiders, who were concerned with the problem of unemployment, and labor market insiders, who were concerned with public services. Faced with these competing demands, the

Social Democrats concentrated on winning over middle class voters.<sup>19</sup> For example, one of the main events of the election campaign was a late Social Democratic promise to cap public child care rates. This policy (*maxtaxan*) benefited medium- and high-income earners with children, who are much more likely to be insiders than outsiders.

For many voters, however, employment remained an important concern. According to National Election Study data, 34 percent of the voters mentioned employment when they were asked which issues mattered to their party choice. This was lower than the exceptionally high 1994 figure of 41 percent, but it was very high compared to most other issues. In the Social Democratic campaign, however, the employment issue was much less prominent in 1998 than it had been in 1994. As Figure 2 shows, only 6.8 percent of Prime Minister Göran Persson's statements in the final election debate dealt with employment or unemployment, *less* than the average figures for the center-right parties and for the other left-wing parties (the Greens and the Left Party). Unemployment, and the fact that the government "was not able to do much about it," as Pierre and Widfeldt wrote at the time (1999, 513), was not something that the Social Democrats were eager to discuss in 1998.

Both insiders and outsiders looked less favorably on Social Democratic employment policies in 1998 than they had in 1994, but the shift is especially noteworthy among outsiders. The number of outsiders who thought that the Social Democrats had bad employment policies actually outnumbered those who believed they had good policies (see Figure 3a). Many outsiders found the Left Party's employment policies more appealing. The number of outsiders believing the Left Party to have good policies on employment significantly outnumbered those who thought that it had bad policies. In the other three elections included in our analysis, no group was ever this supportive of the Left Party's policies on employment.<sup>20</sup>

The 1998 election was a disaster for the Social Democrats, who won only 36.4 percent of the vote, almost 9 percentage points less than in 1994. This was the party's worst result since

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<sup>19</sup> In an interview conducted in May 1997 but published only in 2007, the Social Democratic Prime Minister Göran Persson said that he expected the macroeconomic situation to improve before the 1998 election and that this would reduce the salience of employment issues (Fichtelius 2007, 208).

<sup>20</sup> Figure for the Left Party not shown, available from the authors.

the introduction of general suffrage in the early 1920s. The big winner among the left-wing parties in 1998 was the Left Party, and there was a big flow of voters from the Social Democrats to the left.<sup>21</sup> It also seems clear that many social democratic voters chose to abstain, accounting for some of the big drop in turnout, which reached the lowest level since the 1950s. In spite of the election result, however, the Social Democratic government stayed in power, since most party changes between 1994 and 1998 occurred within the two main ideological blocs.

Several scholars have tried to explain the decline in Social Democratic support and the fall in electoral participation in the 1998 election. Regarding the Social Democratic vote, most authors attribute the reduced support to the cuts in welfare spending that occurred in the mid-1990s (Arter 1999, 298; Möller 1999, 263). The role of employment has also been noted before. For example, Arter's election report claimed that "[t]here was clearly discontent among rank-and-file members over the fact that unemployment had been given insufficient prominence in the campaign" (1999, 298). In fact, the Social Democratic Party's own evaluation of the election said that one of the main problems had been that voters had higher confidence in other parties when it came to employment. The report argued that one explanation for the election result was that large groups had become excluded from the labor market under the Social Democratic government (Socialdemokraterna 1999). Several previous studies have also noted the decline of voting among socially marginalized groups, such as the unemployed. For example, Bennulf and Hedberg (1999) have documented that the effect of unemployment (and other socioeconomic variables) on electoral participation increased between 1994 and 1998 (see also Hedberg et al. 2001), and Adman (2004) has documented, on the basis of late 1990s data, that unemployment decreased political participation in general and voting in particular (cf. Martinsson 2009, 170).

In our view, what happened in 1998 was that the Social Democrats were unable to reconcile the competing claims of two groups that had traditionally supported them. Their failure to address the employment problem in 1994–1998, combined with their emphasis on issues

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<sup>21</sup> Of those who voted for the Social Democrats in 1994, 10 percent voted for the Left Party in 1998 (Holmberg 2000, 20). Considering the fact that the Social Democrats won more than 40 percent of the vote in 1994, this is a very large number.

with middle class appeal (such as child care rates) led to disapproval among outsider groups. This means that the 1998 election offers us an excellent opportunity for evaluating our first hypothesis. Do outsiders abandon the political process or vote for more radical political parties when they perceive that mainstream left parties are not promoting their interests? We turn again to a detailed analysis of individual-level data.

[Table 5]

As before, Table 5 presents the predicted probabilities for insiders and outsiders, using both broad and narrow definitions of outsidership. This time, we also discuss some differences between the 1998 election and the results for 1994, which were based on identical definitions. In 1998, outsiders were still much less likely than insiders to vote for the Moderate Party (the difference for the Centre Party is now only significant when we use the narrow definition). The two important findings, however, relate to non-voting and support for the Left Party. In 1998, outsiders were much more likely than insiders not to vote. The difference in predicted probabilities is much larger than it was in 1994, and moreover, it is statistically significant both when we use the broad and the narrow definitions. Among insiders, the probability of not voting increased from 4.4 to 8.7 percent, but among outsiders (defined broadly), it increased from 7.2 to 16.0 percent. The difference between insiders and outsiders, therefore, almost tripled (from 2.8 to 7.3 percentage points). Support for the Left Party also increased dramatically among outsiders. In 1994 the difference in predicted probabilities between insiders and outsiders was small and statistically insignificant, in 1998 it was significant and substantial: the predicted probability of voting for the Left Party for outsiders (10.7 percent) is almost twice as that for insiders (5.9 percent).

### *5.3. The 2002 Election*

In contrast with 1998, voters in 2002 looked back on four years of *declining* unemployment under a Social Democratic government. Most voters in 2002 placed the quality and provision of public services on top of the agenda – not economic policy and employment, which traditionally score very highly. In fact, compared to the other three elections considered in this paper, employment mattered very little to voters in 2002: only 7 percent of survey respon-

dents mentioned employment when they were asked if there were any issues that mattered to their party choice (Holmberg and Oscarsson 2004, 123). This is probably a result of the decline in unemployment after the deep economic crisis of the 1990s. After a decade when macroeconomic problems had dominated the political agenda, other issues became more salient.

Still, the Social Democrats paid more attention to employment than they had in 1998, at least judging from the final party leader debate (Figure 2). More than 12 percent of Göran Persson's statements dealt with this issue, more than other party leader. As in previous elections, this influenced the perceptions of the voters. According to National Election Study data, the issue of employment was identified more strongly with the Social Democrats than with any other party: 11 percent of respondents said that the Social Democrats had emphasized employment in the campaign, whereas no other party scored more than 2 percent (Holmberg and Oscarsson 2004, 128). As Figure 3a shows, most voters thought highly of Social Democratic employment policies.

The Social Democrats increased their vote share in 2002, winning 39.9 percent of the vote. However, in terms of the competition between left and right, there was almost no change compared to 1998. Within the left wing bloc, the Left Party lost many of the votes they had won from the Social Democrats in 1998 (Widfeldt 2003 *a*, 1095). Within the right-wing bloc, the Moderate Party lost almost a third of its vote share, whereas the Liberal Party increased its vote share from 4.7 to 13.4 percent.

Most scholars and political commentators have concentrated on the ability of the Social Democrats to press home their message of investments in public services in the 2002 election campaign. In addition to this, we would argue that an important difference between 1998 and 2002 was economic performance. Sweden's growth, the positive development of employment and unemployment rates, and the low salience of employment, made it possible for the Social Democrats to appeal to a broader range of voters than in the previous election. The Social Democrats attracted both outsiders (by talking more about employment than other parties) and the middle class (by suggesting that center-right tax policies would lead to a deterioration of public services). It is true that the support of insiders and outsiders did not return to the

high numbers in the 1994 election. Nevertheless, propitious macroeconomic circumstances allowed the Social Democrats to minimize the insider-outsider dilemma.

[Table 6]

The points made in the previous paragraph are confirmed by the detailed analysis of the individual data. Probably because employment issues had such low salience, 2002 is very different from the two previous elections. There were very few significant differences between insiders and outsiders, either substantively or statistically, regardless of which definition of outsidership we use (the broad definition now includes temporary workers but not involuntary part-time workers).<sup>22</sup> Neither the difference in the probability of non-voting nor the difference in the probability of voting for the Left Party was particularly large in 2002, nor were these differences statistically significant.

#### *5.4. The 2006 Election*

At the time of the 2006 election, voters looked back on four years of slightly increasing unemployment. The Swedish economy was doing well when compared with other European countries, but for the Social Democrats, who had been in government since 1994, it was problematic that “the strong economy was not sufficiently translated into jobs,” as Widfeldt put it in his election report (2007*a*, 1118). Employment was a salient issue in the campaign, even if the prime minister, Göran Persson, famously said that it would not be (Oscarsson and Holmberg 2008, 182). As many as 35 percent of the voters said that employment was important for their party choice, which was approximately the same level as 1998. Once more, employment was more salient than any other political issue.

The social democrats did not ignore unemployment: 11.8 percent of Göran Persson’s statements in the final, televised party leader debate dealt with this issue (Figure 2). But unlike in 2002, the center-right opposition also paid a great deal of attention to it. As in previous years, these data are remarkably highly correlated with voter perceptions of the campaign: the

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<sup>22</sup> The one exception is the probability of voting for the Liberal Party, which becomes large and significant when we use the narrow definition of outsidership. The Liberal Party’s “tough” message on issues such as immigration and education in the 2002 election campaign appears to have appealed more to insiders than to the unemployed.

Social Democrats, the Center Party, and the Moderate Party were all associated with the issue of employment by more than 15 percent of survey respondents (Oscarsson and Holmberg 2008, 52).

As several Swedish scholars have pointed out (most notably Martinsson 2009, Chapter 8), the social democrats lost issue ownership in the area of employment policy for the first time ever, since the Moderate Party's employment policies were more popular than the policies of the Social Democrats. While 35 percent of survey respondents believed that the Moderate Party had good employment policies, only 21 percent thought the same of the Social Democrats. This was the lowest score for Social Democratic employment policies since measurements began in 1979 (Oscarsson and Holmberg 2008, 182).

However, when we consider the attitudes of different labor market groups (Figures 3a and 3b), we find that the decline in the support for Social Democratic employment policies was much larger among insiders than among outsiders. Even more importantly, whereas many insiders were enthusiastic about the Moderate Party's employment policies, outsiders were much more likely to say that the Moderate Party's employment policies were bad, just as in previous elections. In other words, while the Social Democrats stuck with outsiders, the Moderate Party and its partners in the center-right coalition successfully targeted insiders. The center-right did not win the support of all social groups with their approach to employment and unemployment. This is not surprising, for their labor market policies were designed to cut benefits to the unemployed while cutting taxes on incomes from paid employment. In his election report, Widfeldt noted that the policy of the center-right parties "was criticised by SAP as punishing the weakest in society," yet this "attempt to introduce traditional left-right rhetoric into the campaign had little apparent effect" (Widfeldt 2007*b*, 821). The data we have presented suggest that this rhetoric *did* have an effect, but only to the party's popularity among outsiders. The price the party paid was lower support among insiders.

The Social Democrats had their worst election outcome since pre-democratic times, winning only 35.0 percent of the vote. Unlike in 1998, the voters did not go to the Left Party or the Green Party. Instead, many previous Social Democratic voters (remarkably) supported the main ideological opponent of the Social Democrats: the Moderate Party. Unlike in the 1998

and 2002 elections, the center-right parties were able to generate a net flow of voters from left to right.

Our interpretation of the 2006 election is similar to earlier studies in the sense that we believe that the Social Democrats lost the 2006 election since they “were no longer regarded as the party that offered the best solutions for employment and the economy” (Oscarsson and Holmberg 2008, 184) and were “on the defensive regarding jobs” (Widfeldt 2007*a*, 1122). However, the successful center-right message on employment was targeted at insiders, not outsiders (and it attracted insiders, as we will show below). Going back to our theoretical argument, the political problem for the Social Democrats in 2006 was that – just as in 1998 – they faced competing claims from outsiders (who wanted to preserve their level of benefits and were opposed to an “incentive-based” policy of labor market activation) and the insiders (who were attracted by the center-right message of lower taxes for people in work, paid for by reducing benefits for the unemployed). In 1998, the Social Democrats chose the insiders, which led to a marginalization of outsiders and increased support for the Left Party. In 2006, the Social Democrats chose the outsiders, allowing the center-right to target insider groups that had previously voted for the Social Democrats. This makes the 2006 an important test case for our second hypothesis, which is that unless they are helped by propitious macroeconomic circumstances, attempts by mainstream left parties to maintain their support among outsiders are likely to be punished by insiders.

[Table 7]

Table 7 clearly demonstrates the effects of the Moderate Party’s appeal to insider voters. In our main model, which is based on the broad definition of outsidership, there are only two statistically significant differences between the predicted probabilities for insiders and outsiders: outsiders were more likely to vote for the Social Democrats and less likely to vote for the Moderate Party. Remarkably, these two differences are of almost identical size, but with opposite signs. When we use the narrow definition of outsidership, we cannot be equally confident about the effect for the Social Democrats, but otherwise the results are broadly similar. Judging from our data, the Social Democrats were in fact slightly *more* popular among outsiders than they had been in 2002, but they lost a great deal of their support among insiders.

Our interpretation is that by being seen to defend the interests of outsiders, the Social Democrats avoided the effects that we observed in 1998 (note that the differences between insiders and outsiders for non-voting and voting for the Left Party were relatively small and statistically insignificant in 2006, especially compared to 1998), but they paid a heavy political price, for they became vulnerable to a targeted attack from the center-right opposition.

### *5.5. Composition*

One possible counterargument to the the analysis we have presented so far is that the composition of the insider and outsider groups has changed over time, and that the observed variation in the behavior of insiders and outsiders is best explained by these changes, rather than the changes in party politics that we have concentrated on. Table 8 describes the characteristics of the insider and outsider groups in 1994, 1998, 2002 and 2006 (using the narrow definition of outsidership, in order to maximize comparability over time) including all the control variables in our statistical models. Table 8 shows that the general characteristics of insiders and outsiders have changed over time, but we are quite confident that our conclusions are not biased.

[Table 8]

When it comes to general demographics, we note that in all samples, outsiders are on average slightly younger than insiders (the mean age for outsiders ranges between 34 and 38, the mean age for insiders ranges between 40 and 43). The proportion of women is more or less constant in the insider samples (48–49 percent), but it increases slightly in the outsider samples: in 1994, approximately 60 percent of outsiders were men; in 2006, the distribution was approximately 50–50. The proportion of immigrants is also more or less constant in the insider samples (6–8 percent) but increases in the outsider samples: in 1994, approximately 6 percent of outsiders were immigrants; in 2006, 14 percent were. Unsurprisingly, outsiders have lower levels of education. The proportion of university educated respondents is 17–23 percentage points higher in the insider samples than the outsider samples. The proportion of secondary school-educated (adding the two secondary school categories) is 12–16 percentage points higher among insiders. Consequently, outsiders are much more likely to have only vo-

cational training, or only primary school. The pattern appears to be relatively similar at the four different points in time, with the possible exception of the high number of outsiders with only primary school in the 2006 sample.

Moving on to labor market variables, we note that with the exception of 2002 – when the difference was smaller – the unionization rate in our outsider samples is approximately 15 percentage points lower than in the insider samples (but what is most noteworthy is perhaps that the unionization rate is so high in absolute terms among outsiders). Again with the exception of 2002 – when the difference is larger – the proportion of public sector workers among outsiders is 10– 13 percentage points lower than in the insider samples. With respect to class, outsiders consistently have much lower proportions of medium and upper white collars, and these differences appear to be relatively constant over time. In 1994, outsiders were much more likely to be industrial workers than insiders, but by 2006 this difference has disappeared (the explanation for this is probably that very many manufacturing jobs were lost in the early 1990s). Outsiders have always been more likely to be “other workers,” but the proportion appears to be increasing over time. With respect to lower white collars, finally, the proportion of this class category was lower among outsiders than insiders in 1994, but higher in 2006. Overall, then, the class categories that are most vulnerable to unemployment appears to have changed from industrial workers to “other workers” and lower white collars.

Two general trends in these data that are worth noting. First of all, as we have just pointed out, there is a shift over time in terms of which categories of workers are most vulnerable to unemployment: in the beginning of the period, a relatively large proportion of the outsider group belonged to the blue-collar working class; in the 2000s, on the other hand, outsiders have been more commonly found among other categories of workers and in lower-level white-collar occupations. Second, over time, outsiders appear to have become more concentrated among generally disadvantaged and marginalized groups: the proportion of immigrants and those with very low education levels has increased in comparison with insider groups.

Although these trends are very interesting in themselves, we do not believe that they account for the changes in the behavior of insiders and outsiders over time that we have identified in this paper. First of all, we control for all the variables that are included in Table 8.

Second, and more importantly, even if one could hypothesize interactive effects of outsider-ness and some of the control variables, Table 8 describes *secular* trends in the composition of the outsider group, whereas the behavior of insiders and outsiders in the elections between 1994 and 2006 varied on an election-by-election basis rather than according to some long-term trend. It is more likely, we argue, that the observed variation can be explained by the sorts of party political factors we have identified.

## 6. Conclusions

In this paper, we have shown that the strategies of political parties are greatly influenced by the electoral behavior of insiders and outsiders. Our general point is that the existence of the insider-outsider dilemma makes the electoral choices of left parties very complicated. An analysis of the Swedish case – one we have shown to be critical for testing our hypotheses – leads to the following conclusions.

First, the 1998 election was the only election of the four we have studied where the Social Democrats clearly paid less attention to employment issues than other parties and instead concentrated on winning the votes of middle-class insiders. As a result, 1998 stands out as the election where labor market outsiders were politically alienated, as shown by the large effects of outsider-ness on non-voting and voting for the Left Party. In other words, the Swedish experience suggests that when mainstream left parties choose insiders over outsiders, they are punished by outsiders.

Second, a comparison between the 1998 election and the 2006 election illustrates the insider-outsider dilemma. After the 1998 election, the Social Democrats appear to have made new efforts to reconcile insider and outsider interests. In 2002, this worked, since the macroeconomic circumstances were propitious and unemployment was relatively low. However, in 2006, the risks of this strategy became clear: since economic circumstances were no longer beneficial to such inclusive strategies, center-right parties were able to win over insider voters. Our results suggest that what happened in 2006 was not that the Social Democrats failed to recognize that voters cared about employment; what happened was that the Social Democ-

rats failed to reconcile the opposing interests of insiders and outsiders when they were faced with a center-right opposition that tailored their message to attract labor market insiders.

The resolution of the insider-outsider dilemma in Sweden is far from over. The Swedish Social Democrats appear to be well aware of the costs of their outsider orientation in 2006. A return to a pro-insider strategy seems likely. In a report to the 2009 party congress (Nilsson 2009), the party districts of the three main urban regions argued that it was necessary to win back the support of middle-class voters. This should be accomplished by emphasizing that the Social Democratic welfare state is essentially a form of risk management that is primarily intended for groups who find themselves “*between* the extremes of the socio-economic scale” (11, emphasis in original). The problem for the Social Democrats, the report argued, was that the center-right opposition had managed to portray the Social Democrats as a party for those who need the support of the government. In fact, the report suggests, Social Democratic policies are not primarily intended for those groups, but for what we have categorized as insiders.

There is little doubt that the present economic crisis will have dramatic consequences for unemployment rates in most OECD countries, not only in the short run but also in the medium term. As massive lay-offs are announced in most industrialized democracies, it is important to ask what the political and social effects of mass unemployment will be. Our results emphasize the challenge for mainstream left parties, suggesting that the most important electoral consequences of such dramatic increases in unemployment will involve changing party strategies. The insider-outsider dilemma will not go away. Paradoxically, it may prove to be especially difficult for mainstream left parties if the economic crisis remains a Great Recession (affecting mainly vulnerable groups in the labor market), as opposed to another Depression (which would increase the economic insecurity of insiders as well).

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Table 1. The Distribution of the Dependent Variable

Party	1994	1998	2002	2006
Left Party	6.0	10.3	7.8	5.2
Social Democratic Party	41.4	31.7	33.9	29.7
Green Party	4.7	3.8	5.8	5.8
Centre Party	7.6	4.3	5.2	7.5
Liberal Party	7.2	4.5	13.8	7.2
Christian Democrats	3.7	9.7	8.2	6.4
Moderate Party	18.5	20.2	10.9	22.9
Other party	1.3	1.9	1.3	4.6
No vote	9.7	13.5	13.1	10.8
Sum	100.0	100.0	100.0	100.0
N	2,472	2,073	2,260	2,306

Table 2. Swedish Election Results, 1994–2006 (Percent of the Vote)

Party	1994	1998	2002	2006
Left Party	6.2	12.0	8.4	5.9
Green Party	5.0	4.5	4.6	5.2
Social Democratic Party	45.2	36.4	39.9	35.0
Centre Party	7.7	5.1	6.2	7.9
Liberal Party	7.2	4.7	13.4	7.6
Christian Democrats	4.1	11.8	9.1	6.6
Moderate Party	22.4	22.9	15.3	26.2
Other parties (below threshold)	2.2	2.6	3.1	5.7
Sum	100.0	100.0	100.0	100.0
Total left-wing bloc	56.4	52.9	52.9	46.1
Total right-wing bloc	41.4	44.5	44.0	48.3
Turnout	86.8	81.4	80.1	82.0

Table 3. The Proportion of Insiders, Outsiders, and Others in the Four Samples  
(Percent)

	1994		1998		2002		2006	
	<i>Outsider definition</i>		<i>Outsider definition</i>		<i>Outsider definition</i>		<i>Outsider definition</i>	
	Narrow	Broad	Narrow	Broad	Narrow	Broad	Narrow	Broad
Insiders	51.5	49.3	53.2	51.3	55.9	49.3	54.9	48.9
Outsiders	9.5	12.2	7.3	9.8	4.9	15.4	5.4	14.7
Others	38.9	38.5	39.5	38.9	39.2	35.3	39.7	36.4
Total	100	100	100	100	100	100	100	100
N	2468		2067		2256		2281	

Table 4. Predicted Probabilities, 1994 Election

	Broad Outsider Definition			Narrow Outsider Definition		
	Outsiders	Insiders	Diff.	Outsiders	Insiders	Diff.
Left Party	4.4	3.1	1.3	6.0	3.9	2.2
Social Democrats	52.5	45.9	6.6	44.3	40.1	4.2
Green Party	3.0	2.7	0.3	6.0	4.3	1.7
Centre Party	2.3	4.7	-3.4 **	2.1	5.3	-3.2**
Liberal Party	8.2	7.1	1.1	9.5	7.7	1.8
Christian Democrats	1.0	1.1	-0.1	1.4	1.8	-0.3
Moderate Party	18.6	29.3	-10.7 **	17.7	29.4	-11.7**
Other Party	3.0	1.7	1.3	4.2	2.5	1.7
No vote	7.2	4.4	2.8	8.7	5.0	3.6**

Table 5. Predicted Probabilities, 1998 Election

	Broad Outsider Definition			Narrow Outsider Definition		
	Outsiders	Insiders	Diff.	Outsiders	Insiders	Diff.
Left Party	10.7	5.9	4.9 **	12.0	6.3	5.7**
Social Democrats	34.2	37.4	-3.2	30.6	32.7	-2.1
Green Party	3.2	2.8	0.3	2.4	4.6	-2.2
Centre Party	1.0	2.4	-1.4	0.6	3.5	-2.9**
Liberal Party	6.2	5.4	0.8	7.9	5.5	2.4
Christian Democrats	8.0	6.3	1.7	9.0	7.5	1.5
Moderate Party	19.5	30.6	-11.1 **	18.2	31.3	-13.1**
Other Party	1.3	0.6	0.7	1.2	0.4	0.9
No vote	16.0	8.7	7.3 **	18.1	8.3	9.8**

Table 6. Predicted Probabilities, 2002 Election

	Broad Outsider Definition			Narrow Outsider Definition		
	Outsiders	Insiders	Diff.	Outsiders	Insiders	Diff.
Left Party	7.0	6.5	0.6	7.6	5.6	2.0
Social Democrats	38.0	38.1	0.0	36.9	38.0	-1.1
Green Party	8.3	4.9	3.4	11.5	6.7	4.8
Centre Party	2.7	4.4	-1.7	5.7	3.8	1.9
Liberal Party	11.7	14.4	-2.7	7.6	17.4	-9.9**
Christian Democrats	7.2	7.2	0.1	4.4	7.0	-2.6
Moderate Party	13.6	12.7	0.9	15.8	12.4	3.4
Other Party	1.3	0.9	0.3	1.5	0.6	1.0
No vote	10.2	10.9	-0.7	9.1	8.5	0.6

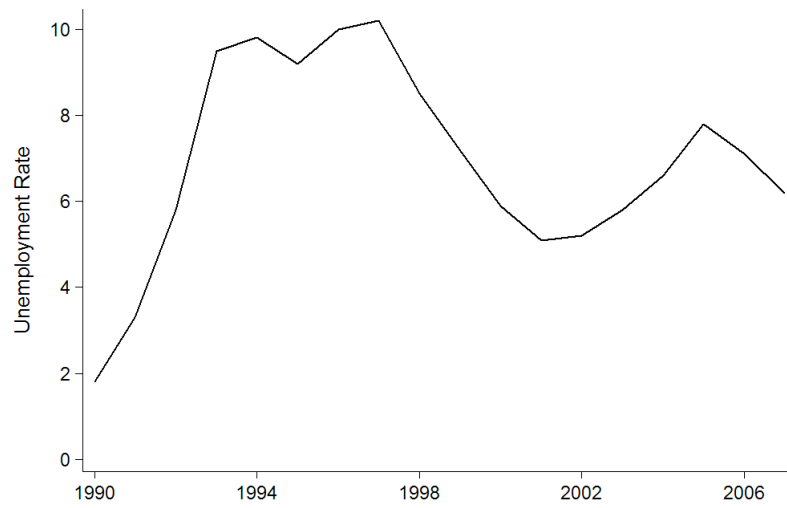
Table 7. Predicted Probabilities, 2006 Election

	Broad Outsider Definition			Narrow Outsider Definition		
	Outsiders	Insiders	Diff.	Outsiders	Insiders	Diff.
Left Party	7.3	5.4	1.9	10.4	5.8	4.7
Social Democrats	39.7	32.3	7.5 **	38.0	32.3	5.7
Green Party	4.5	5.4	-1.0	4.7	4.7	0.0
Centre Party	3.6	5.0	-1.4	5.8	7.0	-1.2
Liberal Party	7.0	9.3	-2.3	5.1	9.7	-4.6*
Christian Democrats	3.0	4.2	-1.2	3.3	4.1	-0.8
Moderate Party	18.2	25.6	-7.4 **	14.4	24.1	-9.6**
Other Party	5.2	3.2	2.0	4.9	3.5	1.4
No vote	11.5	9.6	1.9	13.4	9.0	4.4

Table 8. The Composition of the Insider and Outsider Samples (Narrow Definitions)

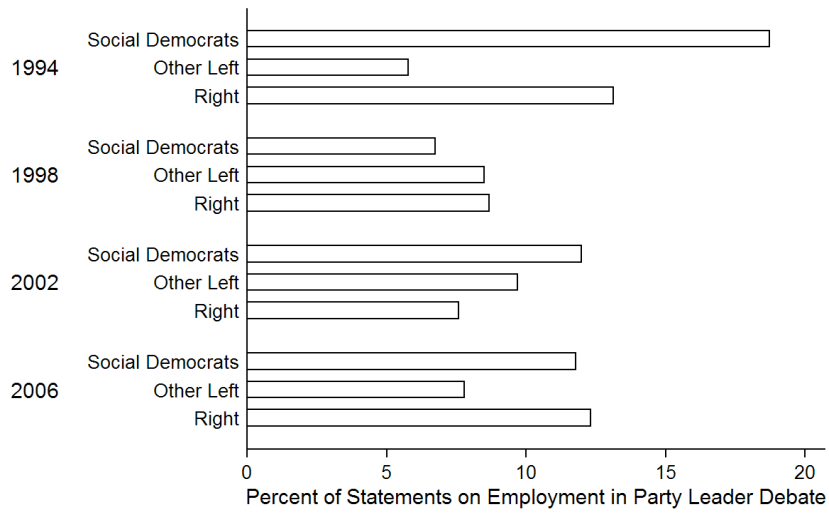
	1994		1998		2002		2006	
	Outsiders	Insiders	Outsiders	Insiders	Outsiders	Insiders	Outsiders	Insiders
Age (mean)	34	40	37	41	38	42	37	43
Women (percent)	41	48	44	48	47	49	52	49
Immigrants (percent)	6	6	9	6	9	8	14	7
Union members (percent)	71	86	68	84	75	81	64	78
Public sector (percent)	32	43	32	45	23	44	33	46
Education (percent)								
Primary school	20	18	17	15	14	12	15	9
Vocational school	14	10	10	9	10	7	9	4
Secondary 1	34	27	32	25	19	22	12	15
Secondary 2	21	16	28	19	45	24	44	32
University	11	29	13	32	12	35	20	40
Class (percent)								
Industrial workers	26	13	27	15	19	11	11	11
Other workers	34	28	26	24	35	23	28	19
Lower white collar	2	12	7	14	11	13	16	13
Medium white collar	10	29	14	29	14	33	16	38
Upper white collar	9	17	11	17	10	20	7	17
Small business	6	1	4	1	4	0	4	1

Figure 1. Open Unemployment in Sweden



Source: OECD

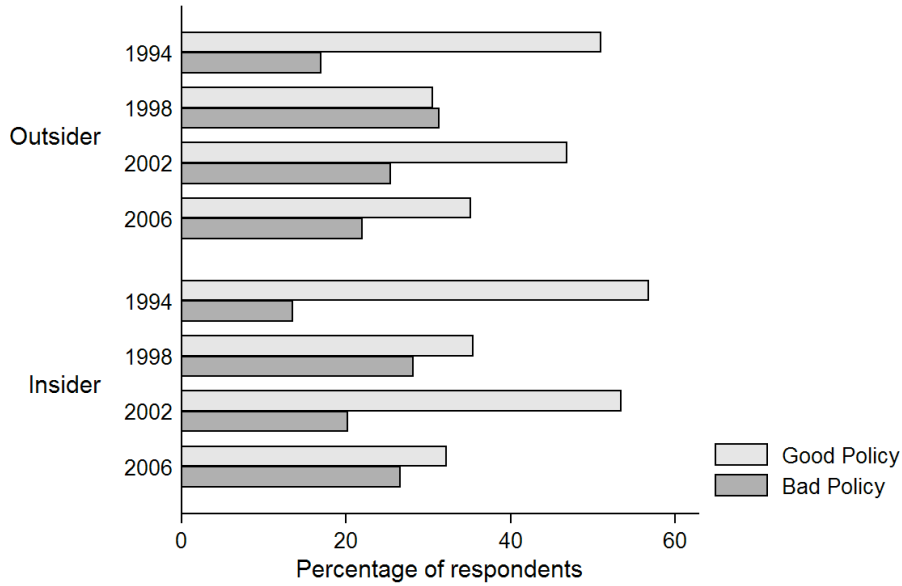
Figure 2. The Salience of Employment in Election Campaigns



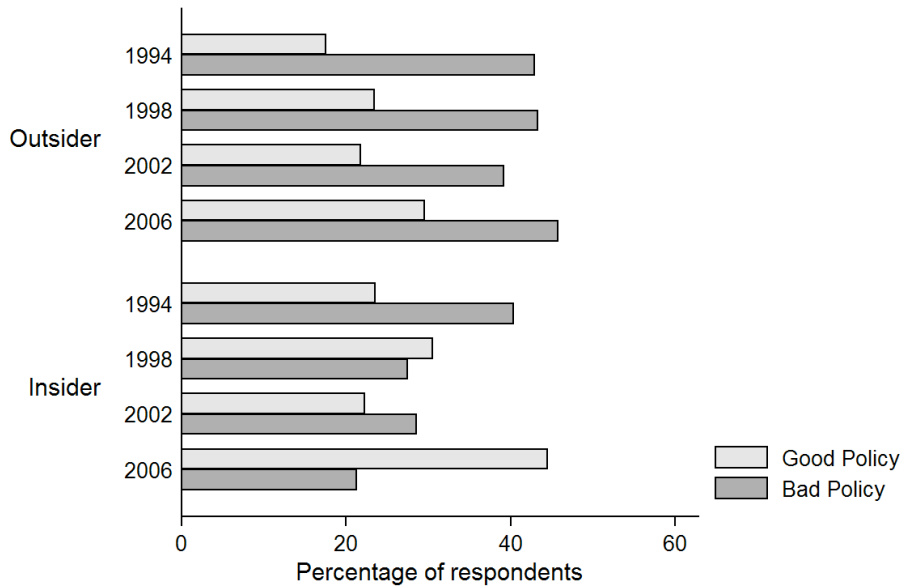
*Source:* POP data set (Brandorf et al. 1996). *Note:* The bars represent the percentage of statements in the final, televised election debates between party leaders that were mainly concerned with the issue of employment (including unemployment).

Figure 3. Attitudes to Employment Policies

3a. Attitudes to Social Democratic Employment Policies



3b. Attitudes to the Moderate Party's Employment Policies



*Source:* Swedish National Election Studies. *Note:* Lighter bars represent the percentage of respondents (within each of the two labor market groups) who believed that the Social Democratic Party (panel 2a) or the Moderate Party (panel 2b) had a good policy on employment. The darker bars represent the number of respondents who believed that the party had a bad policy on employment.

## *Appendix 1: Variables*

### *Party Choice*

Party choice, with non-voting and empty ballots included in the choice set, can take the following values: (1) Left Party, (2) Social Democrats, (3) Green Party, (4) Centre Party, (5) Liberals, (6) Moderate Party, (7) Christian Democrats, (8) another party, and (9) did not vote (or left an empty ballot).

### *Insiders and Outsiders*

“Insider” status is a dummy variable. Those gainfully employed are insiders (unless they are managers, businessmen or farmers). “Outsider” status, also a dummy variable, codes the openly unemployed as outsiders, along with respondents who are enrolled in active labor market training programs or subsidized employment programs. In some specifications, we also count involuntary part-time employees (1994 and 1998) and temporary workers (2002 and 2006) as outsiders.

### *Gender and Age*

Gender is a dummy variable (coded 1 for women, 0 for men). Age is given in years. The coding of these two variables is based on public records.

### *Education*

The education variables we use are dummy variables based on an ordinal-scale categorization of the highest level of education attended by the respondents. The dummies are “Vocational School,” “Secondary 1,” “Secondary 2,” and “University” (“Primary School Only” is the reference category).

### *Immigration Status*

“Immigrant” is a dummy variable (coded 1 for immigrants, 0 for non-immigrants). In 1994 and 1998, we code respondents who have become Swedish citizens some time after birth as immigrants. In 2002 and 2006, we code respondents who were born outside Sweden as immigrants. The coding of this variable is based on public records.

### *Union Membership*

Union membership is a dummy variable (coded 1 for union members, 0 for others). The coding is based on a survey question asking whether respondents are members of a trade union, professional association, or an organization for the self-employed.

### *Class*

We use a set of dummy variables that identify members of the following eight groups: industrial workers, other workers, lower-level white-collar workers, mid-level white-collar workers, senior white collar workers and businessmen, self-employed, and farmers (the reference category is students). The coding of this variable is based on an analysis of answers to an open-ended question about which job respondents have (or used to have).

### *Religiosity*

This is a dummy variable (coded 1 for respondents who say that they attend a religious service at least once a month, 0 for others).

### *Sector*

Sector is a dummy variable (coded 1 for respondents who work in the public sector, 0 for others).