

Varieties of dualization? Labor market segmentation and insider outsider divides across regimes

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Paper prepared for the Conference “The Dualisation of European Societies?”
Green Templeton College, University of Oxford, January 14-16th, 2010

Abstract

All post-industrial labor markets become increasingly segmented between insiders who are in standard employment, and outsiders who incur a greater risk of unemployment and/or atypical employment. In this paper, we analyze to what extent this segmentation translates into actual economic, social and political dualism. We argue that this translation depends on institutional welfare regimes. While some regimes countervail segmentation – thereby preventing actual dualism in outcomes –, others perpetuate or even reinforce insider-outsider divides.

Empirically, we show that structural change towards post-industrial labor markets has produced similar, but not identical sets of insiders and outsiders across regimes. We then examine the distributional consequences of segmentation with regard to three sets of outcomes: a) labor market dualism, i.e. gross earnings power as well as access to job mobility and training; b) social protection dualism, i.e. the effect of taxes and transfers on net income differentials between insiders and outsiders, pension policy and labor market policy coverage; and c) political integration dualism, i.e. the insider outsider gap in terms of trade union membership and political participation.

The chapter demonstrates that the structural trend of labor market segmentation results in different patterns of dualization: continental and southern European regimes perpetuate and even reinforce the insider outsider divide with regard to all three dimensions of dualism. In liberal welfare regimes, outsiders face strong disadvantages in the labor market. However, the liberal welfare state contributes to narrowing the gap between insiders and outsiders in terms of net income. In the Nordic welfare regimes, labor market segmentation is also a reality. However, insiders and outsiders fare more equally with regard to job perspectives, income, welfare rights and political integration.

Introduction

Labor markets, family structures and welfare states in the Western democracies have changed profoundly over the last few decades. Across all countries, there is a general trend towards a dualization of the workforce: ever fewer people's work biographies correspond to the industrial blueprint of protected, stable, full-time and fully insured insider employment, while a growing proportion of the population are outsiders, whose employment status and employment biographies deviate from the insider model. For the outsiders, this deviation from the industrial blueprint may potentially result in specific disadvantages, such as poor job perspectives, poverty, welfare losses and a lack of social and political integration. As we argue and demonstrate in this paper, the extent to which these potential disadvantages become real inequalities depends on the institutional context, i.e. the specific welfare regime. Hence, while labor market segmentation is a fairly universal trend, the appearance of actual dualisms is not: it is contingent on policies and national contextual factors.

We argue that it is crucial to study not only the structural dualization of labor markets in insiders and outsiders, but also its translation in economic, social and political outcomes for two reasons. First, studying the mechanisms that lead from segmentation to inequality helps pinpointing the importance of *policies*. Welfare state research has shown over and over that social policies not always and not necessarily benefit the poorest, and that they may have stratifying, rather than redistributive effects. With regard to the insider-outsider divide, this insight becomes crucial: welfare states may compensate labor market segmentation, but – conversely – they may also perpetuate the structure of advantage and disadvantage in the labor market or even reinforce occupational divides. While a range of recent studies indeed show that welfare states increasingly apply different *policies* to insiders and outsiders (e.g. Palier forthcoming, Häusermann forthcoming), we analyze the *effect* of these policies in a cross-national perspective.

Second, we argue that it is crucial to look not only at labor market segmentation and policies, but also at outcomes, if we want to assess the *political relevance* of the insider-outsider divide. If unemployment or atypical employment is not linked to concrete disadvantage in terms of labor market power, welfare or political integration,

the insider outsider divide may well remain a purely sociological distinction without further political relevance. If, however, labor market segmentation correlates with job market closure, poverty and poor welfare coverage, the insider outsider divide might become the socio-structural basis of a shared political identity and political mobilization. The chances of this divide being politicized depend, of course, on the presence of a political actor drawing on this potential, as well as on the homogeneity or heterogeneity of the category of insiders and outsiders. But the empirical analysis of actual dualism across regimes is a pre-condition for understanding the politics of dualization.

In this paper, we proceed in three steps. In a first step, we develop our theoretical argument according to which the structural trend of post-industrialization and labor market segmentation results in different patterns of dualism in different welfare regimes. In a second step, we conceptualize, define and identify insiders and outsiders across regimes. We define as outsiders individuals who incur a particularly high risk of being unemployed or atypically employed. This risk is measured on the basis of specific rates of unemployment and atypical employment of social groups defined by class, gender and age. In the third step, we compare the earnings power, job perspectives, social rights and political integration of insiders and outsiders across regimes.

Our goals with this paper are both ambitious and modest. They are ambitious, because we would like to study the translation of structural labor market segmentation in economic, social and political outcomes. Thereby, while not explicitly analyzing policies as such, we derive insights on the effects of institutional dualization. At the same time, our goals can only be modest, because we must limit the exploration of dualisms to a descriptive assessment of post-industrial winners and losers across countries. The paper does not trace the causal mechanisms of the translation of segmentation into dualism and it does not study the development of dualism over time, either. But it provides an assessment of the extent of dualism that yields results very much in line with our theoretical expectations.

1. Post-industrialism, labor market segmentation and three forms of social dualism

Over the last 30 years, the industrial economies of the developed world have transitioned to the era of post-industrialism, with ever growing shares of the workforce being employed in the third sector. Much of the literature characterizes the industrial era of Western societies and economies as “the golden age”, since it was characterized by relatively stable families and stable labor markets (Esping-Andersen 1999b). And even though the rhetoric of the golden age may paint a somewhat too rosy picture of the distribution of economic and social opportunities in Western societies, it is certainly true that the exceptional economic growth during the three post-war decades allowed for full employment, the development of the Western welfare states, a relatively high degree of status homogenization (at least in continental and northern Europe) and a high level of generalized social peace between organized labor and capital.

Three structural developments have, however, profoundly altered this “industrial equilibrium”: the tertiarization of the employment structure, the educational revolution and the feminization of the workforce (Oesch 2006, chapter 2). The rise of the service sector - as a result of technological change and productivity gains in the industry, the saturation of product markets, the rise of the welfare state and the expansion of female employment - is a major trend in all OECD countries. While continental Europe remained predominantly industrial until the 1990s, service sector employment was already more important than the industrial sector in the UK and Sweden in the 1970s. After 2000, service sector employment outdid industrial employment throughout the OECD by a factor of 2 to 3 (Oesch 2006: 31). Jobs in the service sector tend to differ from industrial employment, because they are either very low-skilled or highly skilled, and because service sector employment has a lower potential for productivity gains (Iversen and Wren 1998). The educational revolution - as the second structural change of the post-industrial era - denotes the massive expansion of tertiary education throughout the OECD-countries, leading to a broader and more heterogeneous middle class. Finally, the increasing feminization of the

workforce is both a consequence of and a driver for the educational revolution and tertiarization. The massive entry of women into paid labor is also related to the increasing instability of traditional family structures (Esping-Andersen 1999).

What is crucial for the topic of this article is that this shift towards post-industrial employment has led to labor markets that are increasingly *segmented*, which means that they are divided in standard jobs on the one hand, and non-standard, atypical and more precarious jobs on the other hand. With post-industrialization, unemployment and formerly “atypical” employment relations have become more and more widespread. Unemployment has increased in all OECD countries throughout the 1980s and 1990 and has remained on a higher level than in the late 1970s since. Especially in continental Europe, unemployment rates have remained high, around 10 percent in some countries, such as France or Germany. Atypical employment denotes all employment-relations that deviate from the standard industrial model of full-time, stable, fully insured employment. Part-time and temporary employment contracts are among the most prominent types of atypical employment, and they have grown massively over the last two decades. According to Standing (1993: 433), the number of workers on temporary contracts across the entire European Union, for instance, has been growing by 15-20% annually since the 1980s, which is about ten times the overall rate of employment growth (see also Esping-Andersen 1999). Similarly, part-time employment counted for close to 80% of the net job creation in the EU since the mid-1990s (Plougmann 2003). Atypical employment is also clearly gendered in many countries, because female participation in the workforce depends strongly on familial determinants (education, divorce etc.). For women in continental Europe, atypical employment is generally the norm rather than the exception (Esping-Andersen 1999b). Similarly, atypical employment has become more and more widespread among labor market entrants in a range of continental and Southern European countries (e.g. Chauvel 2009).

Hence, the segmentation of labor markets in “inside labor”, i.e. people in stable and standard employment, and “outside labor”, i.e. people in atypical and precarious employment, is a structural trend that affects all advanced post-industrial economies. To what extent, however, can we expect these structural changes to create new forms

of dualism, i.e. of advantage and disadvantage in outcomes? Indeed, the generalized spread of atypical employment must not necessarily create new social divides. If most people repeatedly move back and forth between standard and non-standard employment or between unemployment and employment, i.e. if post-industrial societies are fluid and mobile, new employment patterns must not result in actual new divides. However, research shows that social mobility has *not* increased in post-industrial societies (Erikson and Goldthorpe 1993), that income inequality even went up in most OECD countries since the 1980s (OECD 2008) and that unemployment and atypical employment risks are concentrated in clearly identifiable social groups (Häusermann and Schwander 2009). Therefore, the segmentation of labor markets into insiders and outsiders – based on the unequal distribution of the risk of atypical employment and unemployment – is a socio-structural dividing line that may indeed result in structural disadvantages with regard to economic, social and political outcomes. This is what we explore in this paper.

To analyze outcomes – and in line with the overall project (Emmenegger et al. 2009) - we distinguish between three types of dualism. *Labor market dualism* refers to structural disadvantages of outsiders in terms of earnings possibilities, job mobility and access to training. We will speak of *social protection dualism* if outsiders are structurally disadvantaged with regard to social right coverage and welfare benefits. And we identify *political integration dualism* if labor market outsiders are politically under-represented and alienated from democratic decision-making. None of the three types of dualism are necessary consequences of labor market segmentation. Countries can counterbalance the increasing segmentation of labor markets by ensuring rights of atypically employed at the workplace, by preventing income inequalities and by providing targeted and effective welfare provision to outsiders. If they do, labor market segmentation must not result in dualism. However, if they don't, or if they even accentuate pre-structured dividing lines, segmentation may indeed translate into actual inequality.

We expect that different welfare regimes have different effects on this translation of segmentation into outcomes. The liberal welfare states generally have flexible and

liberal labor markets and relatively high levels of income inequality. Their welfare states are means-tested and focused on poverty prevention. Hence, while we expect labor market dualism, we also expect the welfare state to have a compensating effect on this dualism and to counterbalance the insider outsider divide to some extent, thereby preventing a strong political integration dualism. Nordic welfare states are quite the opposite: they have generally low levels of wage inequality (despite a strongly gendered labor market segmentation (Estevez-Abe 2006)), as well as encompassing trade unions and an egalitarian, universalistic profile of welfare state policies. We thus expect low levels of dualism on all three dimensions, since the institutions of the Nordic countries countervail segmentation. Finally, we expect high levels of dualism in continental and Southern welfare regimes for two reasons. The first reason is the sectoral corporatism that has historically characterized these regimes (as opposed to the encompassing corporatism in the Nordic countries): continental labor market and social policy institutions were strongly marked by industrial trade unions, which tend to represent inside labor. The second – related – reason is the social insurance welfare states that are typical of the continental welfare regimes. Continental and Southern welfare states rely on the equivalence-principle, which means that welfare benefits are proportional to contributions (rather than universal or means-tested). Therefore, unemployment and non-standard work tends to lead to incomplete and insufficient social rights. In that sense, continental and Southern welfare states reproduce market inequalities, rather than correcting them (Bradley et al. 2003). Consequently, we expect comparatively high levels of dualism in these regimes.

2. Who are the outsiders? Identifying insiders and outsiders across regimes

In order to analyze the consequences of labor market segmentation, we first need to define and identify labor market insiders and outsiders. In line with our previous work (Häusermann and Schwander 2009, 2009b; Häusermann and Walter forthcoming), we consider *labor market outsiders* those individuals who incur a particularly high risk of being in atypical employment or unemployment during their work life. The rationale of this definition is that vulnerability in the labor market stems from interrupted, discontinuous work biographies. People differ in their *risk profile*, i.e. in the likelihood that they will be affected by unemployment or atypical employment, and this risk

profile is the basis of our definition of insiders and outsiders. We share this conceptualization of atypical employment and unemployment as determinants of outsidership with the main contributions to the insider outsider literature in political science (e.g. Rueda 2005, 2006; Emmenegger 2009).

The question is, of course, how we can *measure* this risk, i.e. how we decide whether to empirically code an individual as insider or outsider. Here, we depart from most of the literature, which does not measure risk as such, but simply takes the actual labor market status of an individual as basis for measurement. This means that the existing literature (e.g. Lindbeck and Snower 2001, St. Paul 2002, Emmenegger 2009, Rueda 2005) uses a snapshot categorization of outsiders in terms of a particular current labor market status at a particular point in time. This measure has the advantage of straightforwardness, but the disadvantage of various misclassification risks¹. We insist on the notion of *risk*, because it relates the individual to his or her reference group. Individuals are outsiders if they are “typically” affected by atypical work and unemployment throughout their work biography. Hence, they need to be classified as outsiders even when – at the time a particular survey is conducted – they happen to be in full-time employment. This implies that people are categorized based on the characteristics of their occupational reference group, rather than on mere individual-level characteristics. This argument relies on the idea that people form identities and preferences *not* on the basis of a momentary labor market status, but with regard to their occupational reference group and their overall work biography, and this is what we have to capture if we want to talk about the social and political relevance of dualization in terms of labor market chances, social rights and political integration. This conceptualization of insiders and outsiders necessarily adds some complexity to measurement, but it results in a theoretically more solid measure of outsidership that

¹ There may be individuals who are in stable employment during one period of their life, but have generally highly volatile employment biographies across their lifecourse. Many women e.g. may be employed full-time at a young age, but most of them will experience periods of career interruption or atypical employment later on, and they are generally well aware of this. Hence, it would be erroneous to classify them as insiders. Conversely, the unemployed in thriving economic sectors know quite well that a short period of unemployment will not affect their overall earnings-capacity and should therefore not be categorized as outsiders (see Häusermann and Schwander (2009) for a more extensive discussion).

indeed has a greater explanatory power for insider-outsider preferences (see Häusermann and Schwander 2009b).

How then can we measure the *risk* of unemployment or atypical employment? The probability of experiencing these forms of outsidership obviously depends on their frequency - or rate of occurrence - within the relevant occupational category of an individual. Post-industrial societies are still structured in different, relatively stable groups or classes, which share similar employment and risk-profiles. *Classes* are socio-structural groups characterized by a particular situation in the production process (i.e. in the labor market), which shapes their resources, latent interests and preferences². Class schemes are based on occupational profiles (Erikson and Goldthorpe 1993, Wright 1997, Oesch 2006), because people in similar professions tend to have similar employment biographies, i.e. they share permanent, structural commonalities, meaning that classes are characterized by a certain degree of “social closure”. Class is therefore a meaningful starting point for the identification of group-specific risks of unemployment and atypical employment. We rely on the class schema by Oesch (2006), which is explicitly developed to reflect post-industrial societies in two regards: a) it takes into account a heterogeneous middle class, which makes horizontal differentiation of classes necessary (Kriesi 1998), and b) it distinguishes between different types of low-skilled employees who can no longer be reasonably subsumed under a single category of (blue-collar or manual) workers (Oesch 2006: 98ff).

Kitschelt and Rehm (2005) have shown that the Oesch class schema can be regrouped into five classes, which share similar work conditions and rates of precariousness: Capital accumulators are high-skilled managers, self-employed and experts. Socio-cultural professionals are high-skilled professionals in interpersonal professions, most of them in the public and private service sector. The distinction between capital accumulators and socio-cultural professionals reflects the divide within the heterogeneous middle and upper class of post-industrial societies. Lower-skilled workers are differentiated in three groups: blue-collar workers are unskilled and skilled workers mostly in the industry. Low service functionaries are unskilled and

² Oesch (2006) advocates a pragmatic use of the notoriously contested concept of class: „class is simply referred to as a proxy for similarity in the position within the occupational system.“ (2006: 13). We share this definition that eludes the normative discussions and implications of the concept of class .

skilled employees in interpersonal services, and mixed service functionaries are routine and skilled workers in jobs with mostly organizational work logic. Figure 1 represents the location of these five classes in the class schema that is both vertically (by skill levels) and horizontally (by work logic) structured.

Independent work logic	Technical work logic	Organizational work logic	Interpersonal work logic	
Large employers, liberal professionals and petty bourgeoisie with employees (<i>e.g. entrepreneurs, lawyers</i>) Capital accumulators CA	Technical experts (<i>e.g. executive engineers</i>) Capital accumulators CA	Higher-grade and associate managers (<i>e.g. financial and managing executives</i>) Capital accumulators CA	Socio-cultural (semi)-professionals (<i>e.g. teachers, health professionals</i>)	Professional/ managerial
	Technicians (<i>e.g. engineers</i>) Mixed service functionaries MSF		Socio-cultural professionals SCP	
Petty bourgeoisie without employees (<i>e.g. small shopkeepers</i>) Mixed service functionaries MSF	Skilled crafts and routine operatives (<i>e.g. machine operators, laborers in construction</i>) Blue-collar workers BC	Skilled and routine office workers (<i>e.g. office clerks</i>) Mixed service functionaries MSF	Skilled and unskilled service (<i>e.g. salespersons, waiters</i>)	Generally / vocationally skilled and unskilled
			Low service functionaries LSF	

Note: Adapted from Häusermann (forthcoming). Based on Oesch (2006) and Kitschelt and Rehm (2005). For the classification of occupations (ISCO-2d codes), see Appendix 1.

Figure 1: the post-industrial class schema

These five classes are a good starting point to assess group-specific rates of unemployment and atypical employment. Capital accumulators do not need to be differentiated any further, since they are clearly the most privileged members of the workforce. For the other four classes, however, we need to go somewhat more into detail. In addition to class, employment biographies are strongly structured by *gender* and *age*. Post-industrial labor markets are strongly gendered, not least because they are so heavily defined by the massive entry of women in paid employment (Esping-Andersen 1999: 308, Taylor-Gooby 1991 Kitschelt and Rehm 2006). They also tend to hold different occupational prospects for young and older workers, even though the distribution of advantage or disadvantage according to age may vary across regimes (Esping-Andersen 1999, Kitschelt and Rehm 2006).

The combination of 4 classes, 2 sexes and 2 age groups (below/above 40) leaves us with 16 occupational groups, which are the basis of our measurement of unemployment/atypical employment risk³. For each group, we have computed the group-specific rate of unemployment and the rate of atypical employment (including part-time employment as well as temporary or fixed-term employment depending on the data availability in the respective survey), compared it to the average in the workforce and tested whether the difference is significant. Occupational groups that have a significantly higher rate of either unemployment or atypical employment are defined as outsiders. Consequently, all individuals in these groups are then treated as outsiders.

In order to make our measurement robust, we have computed these mean-comparisons throughout the range of those six surveys that are most widely used in this research area (ISSP Role of Government III and IV, ISSP Work orientations III, European social survey 2002 and 2008, Eurobarometer 44.3) as well as three household panel datasets (for the UK, Switzerland and Sweden) which provide particularly high-quality data (see appendix 2 for an overview of the results). Only those occupational groups that had significantly above-average rates of unemployment or atypical employment in a *majority* of the surveys were eventually defined as outsider-groups. Table 1 shows the result of these analyses.

Let us point to a few observations in table 1 that make the rationale of our classification explicit and underline the validity of this approach. First, we see that the definition of outsider-groups varies to some extent across regimes. While female low service functionaries turn out to be outsiders in all regimes, socio-cultural professionals are more strongly concerned by atypical employment biographies in continental regimes than in liberal and Nordic ones. In addition, male blue-collar workers have precarious work conditions in liberal regimes, while this is more the case for female blue-collar workers in Nordic, continental and Southern regimes. The important point that we need to stress here is that these differences are not

³ We want to make it very clear here that our argument is not about class, gender and age as such. We use these socio-structural characteristics as proxies to define groups that can be reasonably expected to share similar types of employment biographies, which are more or less strongly affected by different forms of precariousness.

measurement problems. Quite the contrary, they demonstrate that outsiders are not identical social categories across regimes. For anyone only slightly familiar with welfare state and comparative political economy literature, this does not come as a surprise. Furthermore, what adds to the validity of this measurement is that we see the most strongly dualized labor markets in liberal and continental labor markets (with a higher percentage of outsiders), and that outsidership is structured by gender and age in theoretically expected ways. In continental Europe, outsidership turns out to be completely gendered, while this is much less the case in liberal and Southern countries. Given the male breadwinner tradition of these regimes (Lewis 1992, van Keersbergen 1995), this makes a lot of sense. Similarly, outsidership is more strongly spread among young people in Southern Europe than in the other regimes, which also resonates with what we know about the age-bias of these countries (Esping-Andersen 1999, Prince Cook 2001, Chauvel 2009)

Table 1: Insiders and outsiders in the four welfare regimes

	Liberal regimes	Nordic regimes	Continental regimes	Southern regimes
Outsiders	Young female LSF	Young female LSF	Young female LSF	Young female LSF
Insiders	Young male LSF	Young male LSF	Young male LSF	Young male LSF
	Old female LSF	Old female LSF	Old female LSF	Old female LSF
	Old male LSF	Old male LSF	Old male LSF	Old male LSF
	Young female SCP	Young female SCP	Young female SCP	Young female SCP
	Young male SCP	Young male SCP	Young male SCP	Young male SCP
	Old female SCP	Old female SCP	Old female SCP	Old female SCP
	Old male SCP	Old male SCP	Old male SCP	Old male SCP
	Young female BC	Young female BC	Young female BC	Young female BC
	Young male BC	Young male BC	Young male BC	Young male BC
	Old female BC	Old female BC	Old female BC	Old female BC
	Old male BC	Old male BC	Old male BC	Old male BC
	Young female MSF	Young female MSF	Young female MSF	Young female MSF
	Young male MSF	Young male MSF	Young male MSF	Young male MSF
	Old female MSF	Old female MSF	Old female MSF	Old female MSF
	Old male MSF	Old male MSF	Old male MSF	Old male MSF
	CA	CA	CA	CA
	% outsiders	52.70%	40.15%	43%
% female outsiders	69.70%	96.23%	100%	77.21%
% young outsiders	31%	21.80%	33.80%	59.70%
N	7334	4491	5319	3522

Note: Highlighted groups are significantly more affected by unemployment and/or atypical employment than not highlighted groups; based on the survey evidence in appendix 2; descriptive statistics from ISSP RoG IV 2006.

What also appears most clearly in table 1 is that all post-industrial labor markets are indeed strongly dualized between insiders and outsiders, depending on significantly different levels of risk. What we want to examine now is whether and to what extent this dualization or segmentation translates into actual outcomes, in terms of advantage and disadvantage in the labor market, social welfare state and with regard to political representation.

3. Empirical analysis: the translation of segmentation into dualism

In the following sections, we take the step from structural labor market segmentation to outcomes: we analyze the distribution of earnings power and job perspectives, social rights, and political integration between insiders and outsiders in the 4 regimes.

3.1. Labor market segmentation and labor market dualism across regimes

Labor market dualism, i.e. the distribution of advantage and disadvantage between insiders and outsiders in the labor market has two sides: income and job perspectives. If people in non-standard work receive similar wages to workers with standard contracts, and if non-standard workers have the same access to training and promotion than insiders, then labor market segmentation might not become an actual social divide. In other words, atypical jobs *can* be “good jobs”, i.e. segmentation does not necessarily or automatically imply dualism. However, there is a considerable chance that the two do go together in regimes that are characterized by high levels of inequality (the liberal regimes) and selective insider corporatism (the continental regimes). We examine this question in two ways: by looking at gross wage gaps on the one hand, and by investigating access to training and promotion on the other hand.

Table 2 and Figure 2 show the results of our analyses of gross income inequalities. For those countries in the Luxemburg Income Study Dataset for which data was available, we computed the average gross wage of insiders and outsiders⁴. Thereby, we want to capture the earnings power of insiders and outsiders before the state intervenes by means of taxes and transfers. The highlighted line in Table 2, as well as Figure 2 show the gross income gap, i.e. how much less outsiders earn in comparison

⁴ We did not pool the individual countries in regimes here, because of the small number of countries data is available for, and because within-regime differences are considerable.

to insiders. The higher this number, the bigger the gap between insider and outsider wages.

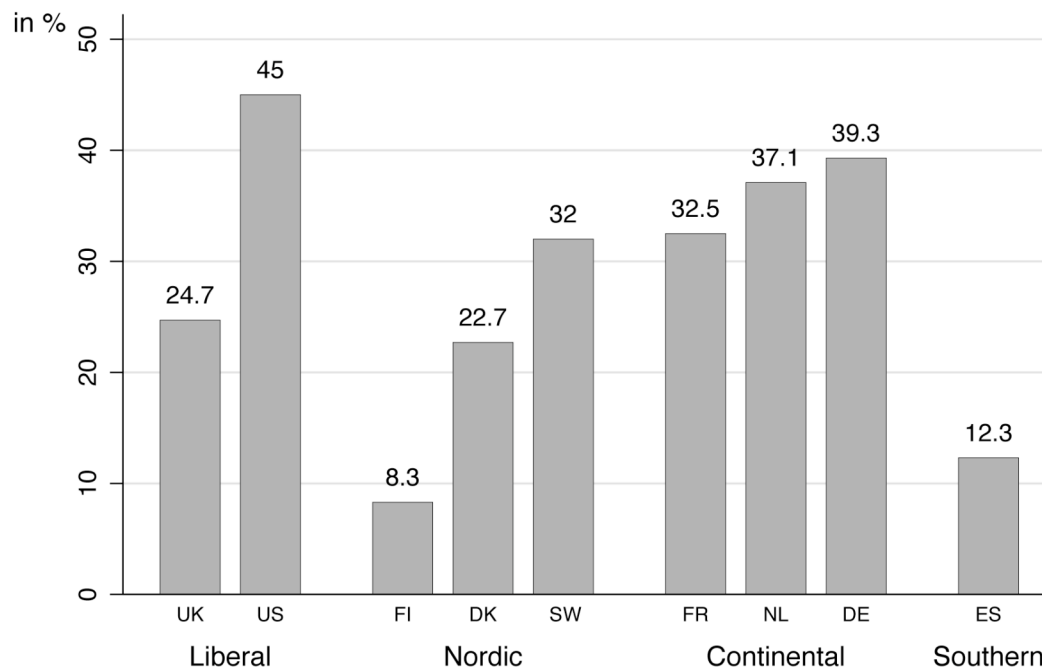
Table 2: Income gap between insiders and outsiders before taxes and transfers

	UK	US	DK	FI	SW	FR	DE	NL	SP
Gross wage insider	17,179	41,875	131,200	97,022	118,074	69,880	50,014	52,995	1,738,164
Gross wage outsider	12,931	23,354	101,378	88,990	80,242	47,143	30,346	33,329	1,523,881
Ratio gross wage	75.3	55.8	77.3	91.7	68.0	67.5	60.7	62.9	87.7
Income gap	24.7	44.2	22.7	8.3	32.0	32.5	39.3	37.1	12.3

Data source: Luxembourg Income Study, 2000; own calculations

Note: Wages are in units of national currency

Average gross wage difference between insiders and outsiders in %



Source: Luxemburg Income Study Data, 2000, own calculations

Note: Reading example: in the UK, outsiders have an average market income that is 24,7% lower than the average market income of insiders.

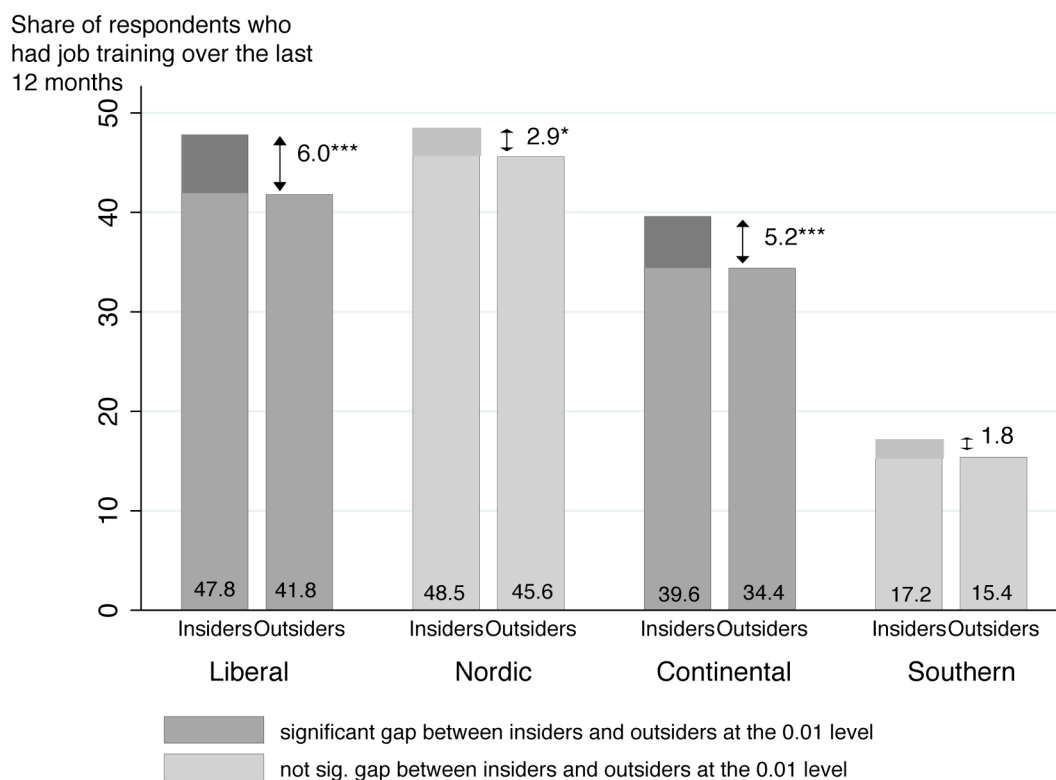
Figure 2: Gross wage gap (before taxes and transfers)

What we see is that wage differentials are on average highest in liberal and continental countries, where outsiders have salaries that lie between 25 and 45 percent below those of insiders. The result is particularly consistent for the three continental

countries in our sample - France, the Netherlands and Germany - where the market income of outsiders is on average more than a third below that of insiders⁵. In the Nordic countries, by contrast, wage differentials are somewhat lower – even though they approach continental levels in Sweden. Finally, the low gross wage gap between insiders and outsiders in Spain may come as a surprise, given that we expected dualism in the Southern regime, too. Rather than indicating “good wages” for outsiders, however, the result merely evidences relatively poor wages for insiders (Spain’s wage levels, not controlled for purchasing power, are the lowest of the countries analyzed). This indeed indicates a low level of dualism, but on the background of a rather precarious level for the whole workforce.

Income is just one side of labor market dualism. For those who might object to our income analysis arguing that wages reflect not only labor market status, but also work volume (see footnote 5), job mobility perspectives and access to vocational training may appear to be more relevant indicators of dualism. Indeed, if outsiders have similar chances than insiders to improve their job situation, wage differentials may be transitory only. The results, however, just add evidence to the pattern that we have detected with regard to gross incomes. Figure 3 shows the percentage of respondents who say that they had some form of job training over the last 12 months. The share of outsiders who actually enjoyed an improvement of their job skills is lower than the share of insiders in all countries. In the liberal and continental countries, this difference is significant at the 0.01 level, which means that the chances of insiders and outsiders for access to training are clearly different. Another striking result is the poor level of training respondents in the Southern regimes (Spain and Portugal) report, both insiders and outsiders. As with gross wage differentials, the picture we get from Southern Europe is one of labor markets which are not dualized, but which imply relatively bad working conditions for all employees.

⁵ One may object that many outsiders are part-time workers, which explains lower market income. This is of course true, but it does not contradict what we want to test here: whether outsiders have lower wages, leading to lower social security contributions and thus higher poverty risk. Whether the lower wages stem from poor wages or from part-time contracts (which could hardly be seen as a voluntary choice for women in continental Europe anyway) does not change anything about the dualism we analyze here.

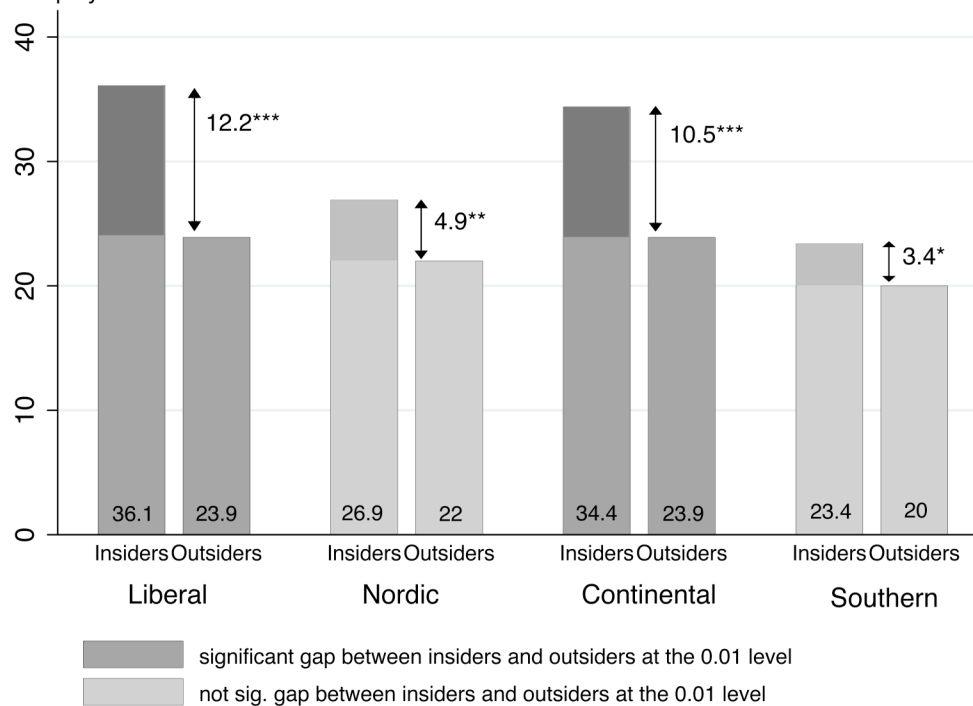


Source: ISSP Work orientations III 2005 (V48/V76: "Over the past 12 months, have you had any training to improve your job skills?"). See appendix 3 for details on case numbers and countries included.

Figure 3: Gap in access to vocational training for insiders and outsiders

Finally, the same pattern appears again when it comes to promotion and upward mobility chances. Figure 4 indicates how many respondents among insiders and outsiders have been promoted while being with their current employer. Again, outsiders fare worse in all countries and again, the difference is significant in the liberal and continental countries. Here, however, the gap is even bigger than with access to training. While more than a third of the insiders have been promoted, this applies to less than a fourth of the outsiders, predominantly low-skilled workers in the liberal and women in the continental countries. The insider-orientation of these regimes is striking, particularly in comparison with the Nordic and Southern countries. In those regimes, outsiders also have lower chances of being promoted, but the difference is more weakly significant and this does not stem from particularly low chances of outsiders, but from overall lower promotion rates. Again, as expected, the liberal and continental regimes appear as being more dualized in terms of labor markets than the Nordic and Southern countries, meaning that insiders and outsiders have not only different kinds of labor contracts, they also have contracts of different quality.

Share of respondents who have been promoted while being with their current employer



Source: Eurobarometer 44.3 1996 (V115: "I have been promoted while I have been with my current employer"). See appendix 3 for details on case numbers and countries included.

Figure 4: Gap in chances of being promoted for insiders and outsiders

The next section analyzes whether and to what extent welfare states compensate labor market dualism.

3.2. Labor market segmentation and welfare state dualism across regimes

Economic disadvantage in the labor market is one source of structural disadvantage for outsiders. A second dimension concerns risks of insufficient social rights. This is a genuinely political source of dualism, because it depends on the politically designed institutions of social security, rather than on market forces. Some social groups may be outsiders and suffer from labor market dualism, but if the welfare state compensates for this, then poor job conditions must not necessarily translate into poverty and welfare losses.

The bulk of analysis we rely on in this section is the calculation of the effect of taxes and transfers on wage differentials between insiders and outsiders. Table 3 shows gross wages (before taxes and transfers) and net wages (after taxes and transfers) for

insiders and outsiders. It also shows the gross and net wage ratios, which indicate the level of outsider wages relative to insider wages (e.g. the net outsider wage in the UK is 84.6% of the net insiders wage). The higher the ratio, the more equal insider and outsider wages. A welfare state that compensates labor market dualism should raise this ratio, thereby lowering actual dualism. The effect of taxes and transfers in the highlighted line in table 3 corresponds to the *reduction in dualism due to taxes and transfers* in percentage points. In the UK, e.g., the wage gap between insiders and outsiders narrows by 9.3 percentage points after taxes and transfers.

Table 3: Effect of taxes and transfers on income ratios between insiders and outsiders

	UK	US	DK	FI	SW	FR	DE	NL	SP
Gross wage insider	17,179	41,875	131,200	97,022	118,074	69,880	50,014	52,995	1,738,164
Gross wage outsider	12,931	23,354	101,378	88,990	80,242	47,143	30,346	33,329	1,523,881
Ratio gross wage	75.3	55.8	77.3	91.7	68.0	67.5	60.7	62.9	87.7
Net wage insider	16,039	35,334	110,613	99,906	108,293	113,742	59,731	39,670	2,684,702
Net wage outsider	13,563	19,660	93,779	82,760	81,377	67,786	33,418	27,074	1,577,510
Ratio net wage	84.6	55.6	84.8	82.8	75.1	59.6	55.9	68.2	58.8
Effect of T&T (gross-net)	-9.3	0.1	-7.5	8.9	-7.2	7.9	4.7	-5.4	28.9

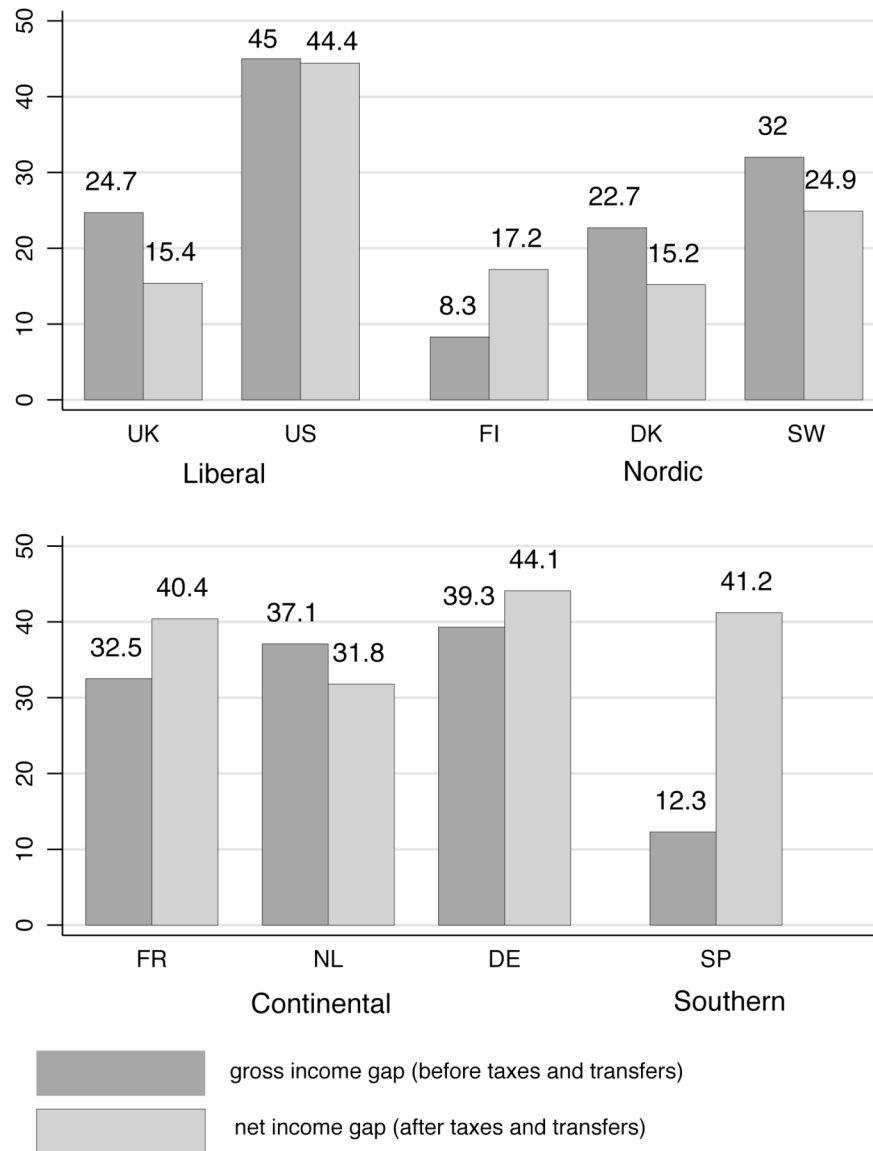
Data source: Luxembourg Income Study, 2000; own calculations

Note: Wages are in units of national currency

Figures 5 and 6 present the results graphically. Figure 5 displays income gaps before and after taxes and transfers (analogous to figure 2 above), indicating how much lower outsiders wages are in comparison to insider wages. The important point in this figure 5 is the overall level of income gaps in the different regimes. In the liberal countries, income gaps start from a relatively high level, but they become considerably lowered by taxes and transfers in the UK, while they remain virtually unchanged in the US. The three Nordic countries start at rather heterogeneous levels of before taxes and transfer-wage gaps, but the welfare state makes this gap much more similar, raising dualism in Finland, while reducing it in Denmark and Sweden. In the continental regimes, wage gaps between insiders and outsiders are comparatively high both before *and* after taxes and transfers in all three countries.

Even after “redistribution” by the welfare state, outsider incomes remain more than 30% below insider incomes. The striking finding here, however, is that the welfare state actually *reinforces* dualism in France and Germany (while slightly reducing it in the Netherlands). Finally, the Spanish welfare state – starting from overall poor wage levels, see table 2 – massively increases dualism between insider and outsiders incomes through taxes and transfers.

Average income difference
between insiders and outsiders
before and after taxes and transfers

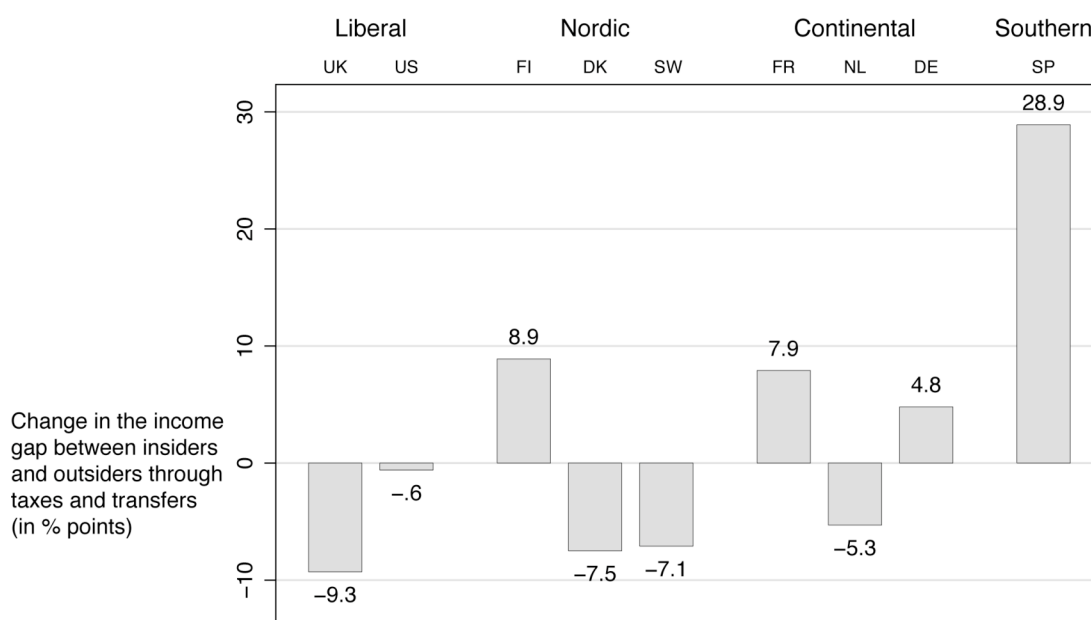


Source: Luxembourg Income Study Data, 2000, own calculations

Note: The number indicates the difference in the average income between insiders and outsider. Reading example: in the UK, before taxes and transfers, outsiders have an average gross income that is 24,7% lower than the average gross income of insiders; after taxes and transfers, outsiders have an average net income that is 15,4% lower than the average net income of insiders.

Figure 5: Income gaps between insiders and outsiders before and after taxes and transfers

To emphasize the differential distributive effects of social and tax policy, we display the effect of welfare states again in figure 6. In the liberal and Nordic countries (except for Finland which has strong gross income equality from the outset), the welfare state *reduces* dualism between insiders and outsiders. In some of the continental and Southern regimes, by contrast – and this is the striking result of this analysis – the welfare state tends to *reinforce* dualism between insiders and outsiders. The exception of the Netherlands seems plausible with regard to the literature (see e.g. Lynch 2006 or Hemerijck et al. 2000 on the increasing outsider-reorientation of the Dutch welfare state), and it points to an interesting variance within continental Europe.



Source: Luxembourg Income Study Data, 2000, own calculations
 Note: The number indicates the change in the income gap due to taxes and transfers. Reading example: in the UK, taxes and transfers *reduce* the income gap between insiders and outsiders by 9.3 percentage points, while taxes and transfers *increase* the income gap by 7.9 percentage points in France.

Figure 6: The effect of welfare states (taxes and transfers) on income differences between insiders and outsiders

The fact that continental and Southern regimes dualize insiders and outsiders much more so than liberal and Nordic regimes comes, of course, not as an utter surprise. Christian Democratic welfare regimes are based on the insurance principle, which distributes benefits on the basis of and proportional to contributions. Social insurance is thus an inadequate instrument to cover outsiders, because outsiders have incomplete contribution records - qua being outsiders. Hence, atypical and interrupted

employment careers “naturally” result in poor social rights. Consequently, outsiders oftentimes have to rely on the general minimum security. Hence, the level of this minimum is crucial for assessing social protection dualism. If the minimum is very low as compared to the average insurance benefits, the welfare state indeed reinforces dualization. We can explore this institutional effect of dualization a little further by looking at the difference between the pension replacement rate of an average production worker and the minimum pension, expressed as a quasi-replacement rate (i.e. a fraction of the net wage of an average production worker). The higher this difference, the more strongly the welfare system stresses the equivalence principle and the more dualized is the pension system of a particular country.

Table 4: Difference between minimum and standard pension, 2004 (in % points)

Liberal	Difference SD-MP	Nordic	Difference SD-MP	Continental	Difference SD-MP
Australia	0	Denmark	7	Austria	36
Canada	13	Finland	33	Belgium	35
Ireland	3	Norway	17	France	10
United Kingdom	18	Sweden	24	Germany	54
United States	21			Netherlands	60
				Switzerland	4
Mean	11		20		33
Standarddev.	9		11		23

Source: Welfare State Entitlement Data Set, 2004

Note: for details on operationalization, see appendix 2. Highlighted are differences over 21 percentage points (the overall mean of the three regimes).

Table 4 clearly shows that dualization is strongest in continental Europe and lowest in the liberal countries. Differences exceed the overall mean in the US, Finland, Sweden, and four continental countries (Austria, Belgium, Germany and the Netherlands⁶). This finding on pension policies is in line with the outcomes presented above, since the continental regimes, Finland and the US appeared to be least redistributive in table 3, too. It adds evidence to the hypothesis that the regressive effect of continental welfare regimes is a result of social insurance policies, and that these policies are particularly insider-biased.

⁶ The low value for Switzerland is partly misleading, because it is based only on the universal first pillar public pension. When taking the second pillar (mandatory occupational pensions) into account, which is the most important sources of income for most middle- and upper class pensioners, Switzerland would be more similar to the other continental countries.

Finally, table 5 confirms this diagnosis with regard to the structure of active and passive labor market policies. We calculate the ratio of expenditure on active and passive labor market measures as an indicator of the extent of welfare state dualism, assuming that active benefits are clearly outsider-oriented, whereas passive benefits follow the logic of insider-insurance. The lower this ratio, the more the structure of the policy is skewed towards passive labor market policies, and thus the more dualizing the institutional setup of the policy⁷.

Table 5: Ratio of public expenditure on active labor market policies / passive labor market policies, 2005

Liberal	Ratio ALMP/PLMP	Nordic	Ratio ALMP/PLMP	Continental	Ratio ALMP/PLMP
Australia	0.74	Denmark	0.69	Austria	0.41
Canada	0.52	Finland	0.47	Belgium	0.46
Ireland	0.76	Norway	0.86	France	0.56
United Kingdom	2.58	Sweden	1.10	Germany	0.41
United States	0.54			Netherlands	0.66
				Switzerland	0.82
Mean	1.15		0.78		0.46
Standarddev.	0.15		0.08		0.17

Source: Auer et al. 2008

Note: Ratio of public expenditure on active labor market policies / passive labor market policies; for details on operationalization, see appendix 2. Highlighted are values that fall below a ratio of 0.64 (the overall mean of the three regimes without the US);

Again, we see that dualization is strongest in continental Europe, where the accent is clearly on passive labor market policies. Switzerland and the Netherlands, by contrast, have invested strongly in active labor market policies over the last two decades (Lynch 2006). Also, Finland again breaks the Nordic pattern, with values closer to the continental than to the Nordic average.

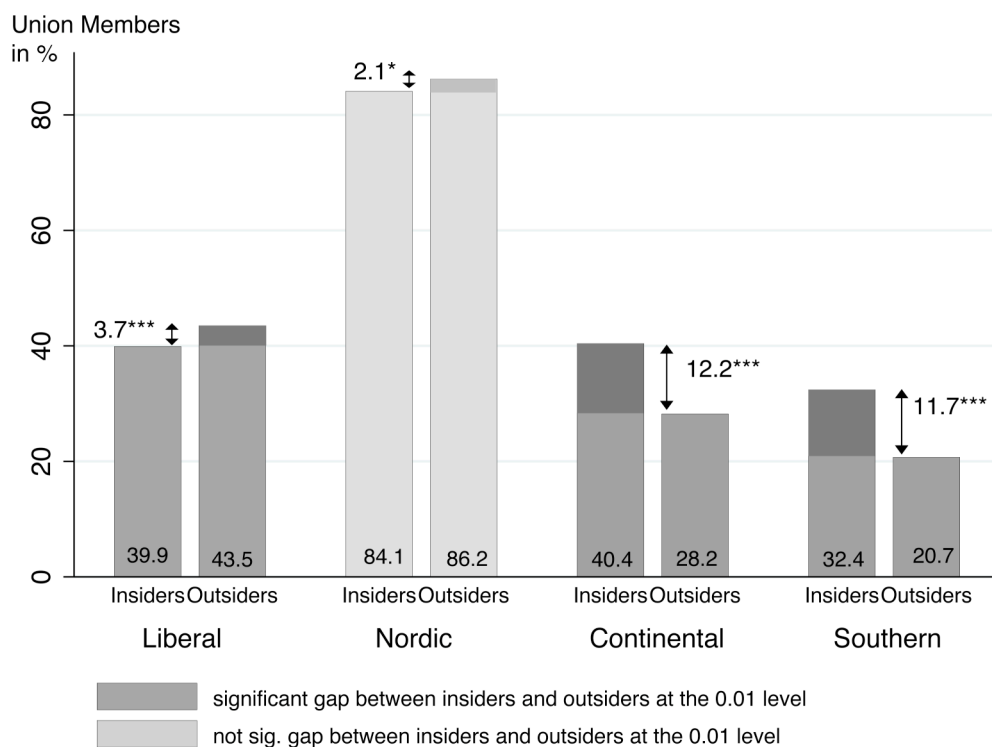
Overall, this section showed that welfare states deal very differently with labor market segmentation and market dualism. Liberal and Nordic welfare states tend to target benefits more strongly towards needs, and they therefore have a relatively strong redistributive effect (with the Nordic states, of course, redistributing on a much higher level). Thereby, they tend to smoothen part of the structural labor market segmentation. Continental regimes, by contrast, have an institutional setup that not

⁷ Of course, this indicator is problematic because it strongly depends on the actual level of unemployment, which differs strongly between the countries (see table 3.3), but it can be used as an indicator of structural differences in the orientation of the policy.

only reproduces structural segmentation, but – more strikingly – even reinforces it, thereby contributing to social protection dualism as an outcome.

3.3. Labor market segmentation and political integration dualism across regimes

In addition to market and social protection dualism, a third dimension of dualism refers to political integration. An insider outsider divide in terms of political power and integration is both a result and a determinant of disadvantages with regard to labor market opportunities and social rights. In that sense, the three forms of dualism are closely intertwined. We start with trade union membership, displayed in Figure 7.



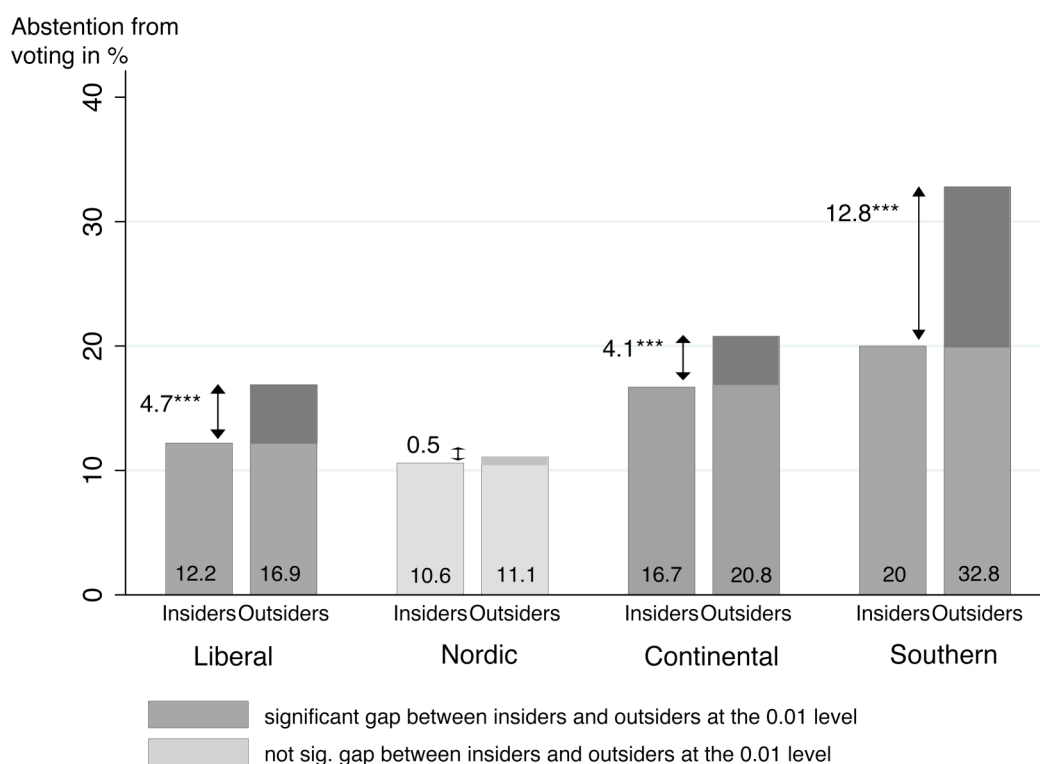
Source: ISSP Role of Government IV 2006 (UNION= current or past union membership). See appendix 3 for details on case numbers and countries included.

Figure 7: Gap in union membership of insiders and outsiders

In some initial conceptualizations of the insider/outsider divide, weak trade union organization was almost a part of the definition of outsiders. Here, however, we adopt a different approach. We want to see whether and to what extent outsiders are actually underrepresented as compared to insiders. Figure 7 demonstrates that there is no direct link between labor market segmentation and trade union representation. Outsiders are not necessarily underrepresented in trade unions. In liberal countries –

where the insider outsider divide is most clearly skill related – outsiders are even significantly more likely to be union members (which may explain some of the redistributive effect of welfare policies). In the Nordic states, there is no significant difference between insider and outsider representation in organized labor, since trade union density is nearly universal among both groups. Again, the continental and Southern regimes provide a very different picture: here, outsiders are clearly, strongly and significantly less represented in organized labor. The labor market segmentation thus translates into a clear power resources dualism.

Finally, we look at abstention from elections as an indicator of political alienation and self-censorship. The picture in figure 8 looks somewhat different, since abstention is indeed stronger among outsiders in all regimes.



Source: ISSP Role of Government IV 2006 (VOTE_LE= abstention from last elections). See appendix 3 for details on case numbers and countries included.

Figure 8: Gap in voting abstention between insiders and outsiders

Again, however, we find interesting differences across the regimes: abstention is generally low in the Nordic countries for both insiders and outsiders, and there clearly is no observable political integration dualism. Participation is dualized, however, in

liberal, continental and Southern regimes. The difference is about 5 percentage points in liberal and continental countries, but it is nearly 13 percentage points in Southern Europe, where abstention is generally higher anyway. The gap in political participation (similarly to trade union organization) raises doubts on whether politics in these countries will steer policies towards narrowing labor market or social protection dualism.

Conclusion

In this paper, we analyzed the extent to which the segmentation of the post-industrial labor markets in insiders and outsiders translates into actual economic, social and political dualism. Thereby, we emphasize the distinction between structural segmentation and outcomes: while the trend towards a structural dualization of employment relationships into *inside labor* - with a low risk of unemployment and atypical employment - and *outside labor* - with a high risk of unemployment and atypical employment - is almost universal across the advanced post-industrial economies, its distributive implications are neither universal nor obvious. Segmentation must not necessarily lead to inequality and dualism. If atypical work is not penalized and if unemployment policy is oriented towards activation, segmentation may remain a purely sociological phenomenon without social and political implications. Whether segmentation leads to dualism is therefore an empirical question, and it depends – as we argue and show in this paper – on the institutional context, i.e. the welfare regime. This analysis stresses the crucial role policies and institutions play in the translation of segmentation into actual patterns of advantage and disadvantage in the labor market, in the welfare state and in the realm of political integration and representation.

Let us summarize the results briefly by comparing them across regimes. In the countries belonging to the liberal regime type, labor market segmentation is more clearly skill-related than in the other regimes, which means that low-skilled people incur a greater risk of unemployment or atypical employment. This segmentation is reflected in a considerable extent of labor market dualism in terms of gross income gaps and poorer access to training and upward mobility among outsiders. The liberal welfare state either reduces these labor market inequalities (in the UK) or is neutral in

its effect (in the US). In the political realm, outsiders abstain from voting more often than insiders, but at the same time, they are more likely to be organized in trade unions. This surprisingly high degree of outsider organization may be both a result and a determinant of a welfare state that is relatively egalitarian and activation-oriented in terms of its institutional design.

The picture looks very different in the Nordic countries, where labor market segmentation is less widespread and more biased towards women. Even though we also observe a considerable gross wage gap between insiders and outsiders in countries such as Denmark and Sweden, the gaps in access to training and promotion prospects are far narrower than in the other regimes, which means that atypical employment is less strongly penalized in the labor market. In addition, the Nordic welfare state tends to counterbalance gross wage inequalities by means of taxes and transfers (except for Finland). The net wage gap between insiders and outsiders in the Nordic regimes is around 15-25%, against 30-40% in continental and Southern European countries. The redistributive effect of taxes and transfers in the Nordic countries seems to be the result of a more universal and egalitarian design of welfare policies, as well as of the strong political integration of outsiders: indeed, there is no significant difference between insiders and outsiders both with regard to union membership and with regard to participation in elections. It seems that the Nordic regimes quite effectively prevents the translation of labor market segmentation into dualism.

The reverse is true for the continental European countries. Here, we observe a highly gendered labor market segmentation that translates directly into strong dualism in the distribution of economic, social and political opportunities and resources: in the realm of the labor market, gross income gaps reach 30-40 percent and outsiders have far lower chances of access to training and promotion. What is even more striking, however, is that the continental welfare regimes in France and Germany *reinforce* labor market dualism by means of taxes and transfers: net wage gaps lie between 5 and 8 percentage points *above* gross wage gaps. This means that the welfare state actively contributes to social protection dualism. This seems to be the result of welfare institutions that are strongly based on the equivalence principle and on passive benefits for male breadwinners. In the Dutch welfare state, by contrast, which is more activation-oriented, taxes and transfers indeed reduce labor market dualism.

Finally, Southern European countries provide a somewhat more complex picture. Labor markets are less dualized than in continental Europe, both with regard to gross wage gaps and training/promotion prospects. However, the low degree of dualism simply reflects poor job conditions *even* for insiders. The welfare state, however, considerably worsens the situation for outsiders, because it strongly widens the net wage gap. After taxes and transfers, we observe a strong social protection dualism. The insiders-bias in the institutional policy design is in line with the poor political integration of outsiders, who are less organized and abstain from elections much more frequently.

In conclusion, we want to stress two implications of our findings that call for further research. First, this paper presents a cross-national analysis, *not* a longitudinal study. We did not analyze whether income gaps, welfare effects, policy coverage or trade union representation have increased or decreased over time in the particular countries, or whether regimes have become more or less heterogeneous in this respect. Intra-regime variation is indeed relatively large and it raises the question whether different countries can embark on different “routes” of dualization or compensation. The fact that the Netherlands seems to defy the diagnosis of a regressive continental welfare states, for instance, seems very much in line with recent analyses pointing to a recent reform of the Dutch welfare state in the direction of activation and outsider protection (Hemerijck et al. 2000, Lynch 2006). The German and French welfare states, by contrast, produce more regressive outcomes. However, even these regressive effects do not allow us to say whether dualism has increased or decreased over the last 20 years or so in France and Germany. Hence, intra-regime variation may be significant, and this should be the subject of further research.

A second, related, implication is that we need to be careful when analyzing policy reforms without at the same time analyzing the *outcomes* of these policies. Welfare states increasingly differentiate the policy instruments they apply to insiders and outsiders, a trend we may call institutional dualization. However, the distributive implications of this trend can go in either direction: they can counterbalance dualism or reinforce it. The more targeted welfare states of liberal regimes, e.g., have less regressive effects on social protection dualism than the social insurance regime of continental Europe. Hence, targeting and means-testing as such does not necessarily

produce dualism as an outcome. This means that we cannot derive conclusions on outcomes and policy effects by simply looking at the institutional design of policies. And since it is outcomes, which feed back into the policy process, we think that the analysis of dualism is important, if we want to assess the consequences for insider outsider politics.

Appendix 1 - Classification of occupations in post-industrial class groups

Classification of occupations in post-industrial class groups, based on Oesch 2006 and Kitschelt and Rehm 2005: 23, (adapted from Häusermann, forthcoming).

Independent work logic	Technical work logic	Organizational work logic	Interpersonal work logic	
Large employers, self-employed professionals and petty bourgeoisie with employees (CA) Self-employed <=24	Technical experts (CA) 21 Physical, mathematical and engineering science professionals	Higher-grade managers (CA) 11 Legislators and Senior officials 12 Corporate Managers	Socio-cultural semi-professionals (SCP) 22 Life science and health professionals 23 Teaching professionals 24 Other professionals 32 Life science and health associate professionals 33 teaching associate professionals 34 Other associate professionals	Professional/managerial
	Technicians (MSF) 31 Physical and engineering science associate professionals	Associate managers (CA) 13 General Managers		Associate professional / managerial
Petty bourgeoisie without employees (MSF) Self-employed >24	Skilled crafts (BC) 71 Extraction and building trades workers 72 Metal, machinery and related trades workers 73 Precision, handicraft, printing and related trades workers 74 Other craft and related trades workers	Skilled office workers and routine office workers (MSF) 41 Office Clerks 42 Customer Service Clerks	Skilled service and routine service (LSF) 51 Personal and protective services workers 52 Models, salespersons and demonstrators 91 Sales and services elementary occupations	Generally / vocationally skilled
	Routine operatives and routine agriculture (BC) 61 Market-oriented skilled agricultural and fishery workers 92 Agricultural, fishery and related laborers 81 Stationary-plant and related operators 82 Machine operators and assemblers 83 Drivers and mobile-plant operators 93 Laborers in mining, construction, manufacturing and transport			Low/ un-skilled

Two-digit numbers in front of job descriptions are ISCO88-2d codes.

Appendix 2 – Group-specific rates of atypical employment and unemployment

Highlighted rates are significantly higher than the average (significance level ≤ 0.1)

Liberal regimes: atypical work	ESS 2002	ESS 2008	ISSP WO 2005	ISSP RoG 2006	ISSP RoG 1996	Eurobarometer 44.3	BHP
Young female LSF	45.61	45.34	54.73	49.13	50.12	66.38	76.78
Young male LSF	39.63	43.61	25.29	33.53	35.08	33.95	48.75
Old female LSF	43.69	49.7	59.35	49.97	65.3	70.35	78.4
Old male LSF	8.91	21.33	16.33	19.08	21.02	6.83	27.19
Young female SCP	12.83	17.65	26.45	25.25	32	49.61	42.76
Young male SCP	6.22	11.7	9.41	8.67	16.91	13.03	18.01
Old female SCP	21.13	29.1	34.34	33.31	41.85	52.24	51.8
Old male SCP	8.53	17.53	11.97	11.94	9.01	9.25	18.07
Young female BC	32.55	56.49	26.12	21.86	35.37	31.38	61.9
Young male BC	5.49	3.73	10.85	7.33	9.27	4.16	10.13
Old female BC	35.37	66.56	22.96	22.45	30.02	31.65	58.04
Old male BC	11.33	33.44	9.11	7.55	10.09	5.74	8.73
Young female MSF	23.5	26.32	36.25	29.75	40.12	37.43	16.68
Young male MSF	3.93	15.85	10.47	9.49	17.41	4.21	52.85
Old female MSF	31.99	31.04	40.61	40.79	42.63	51.7	23.63
Old male MSF	12.85	10.68	16.71	17.48	11.32	10.62	56.9
CA	6.85	17.98	13.28	12.13	13.29	1.89	29.76
Average	21.46	28.31	23.78	21.81	24.42	24.0	40.26

Liberal regimes: unemployment	ESS 2002	ESS 2008	ISSP WO 2005	ISSP RoG 2006	ISSP RoG 1996	Eurobarometer 44.3	BHP
Young female LSF	4.42	7.4	3.65	5.58	n.d.	n.d.	4.52
Young male LSF	10.26	7.14	3.24	6.33	n.d.	n.d.	6.56
Old female LSF	1.25	6.86	4.86	4.47	n.d.	n.d.	1.51
Old male LSF	4.11	7.63	4.34	5.46	n.d.	n.d.	1.84
Young female SCP	2.34	1.9	1.04	1.24	n.d.	n.d.	0.64
Young male SCP	5.1	0	2.31	0.93	n.d.	n.d.	1.08
Old female SCP	0.88	4.39	2.12	2.3	n.d.	n.d.	0.38
Old male SCP	0	3.2	4.88	2.2	n.d.	n.d.	0.72
Young female BC	8.95	5.88	2.6	5.14	n.d.	n.d.	9.91
Young male BC	9.39	10.89	7	4.34	n.d.	n.d.	7.8
Old female BC	3.77	11.54	4.44	1.73	n.d.	n.d.	2.99
Old male BC	12.49	11.43	8.13	5.51	n.d.	n.d.	3.04
Young female MSF	6.49	3.26	3.65	2.24	n.d.	n.d.	1.34
Young male MSF	8.84	4.86	2.83	2.97	n.d.	n.d.	2.57
Old female MSF	4.64	3.84	4.82	2.6	n.d.	n.d.	2.92
Old male MSF	5.31	15.36	1.08	2.27	n.d.	n.d.	1.41
CA	2.93	2.02	1.03	1.22	n.d.	n.d.	0.76
Average	5.21	6.09	3.33	2.89			2.66

Nordic regimes: atypical work	ESS 2002	ESS 2008	ISSP WO 2005	ISSP RoG 2006	ISSP RoG 1996	Eurobarom- eter 44.3	Swedish HP
Young female LSF	46.87	46.05	36.87	31.67	n.d.	26.75	46.89
Young male LSF	40.53	47.87	13.18	15.18	n.d.	13	25.69
Old female LSF	37.63	39.36	35.06	33.25	n.d.	40.26	32.4
Old male LSF	11.2	19.19	8.07	11.24	n.d.	2.29	20.22
Young female SCP	16.28	13.53	16.65	9.42	n.d.	29.49	34.04
Young male SCP	9.57	11.38	5.22	2.65	n.d.	11.02	30
Old female SCP	14.02	12.41	17.13	15.67	n.d.	25.8	20
Old male SCP	8.61	8.12	7.36	7.86	n.d.	8.8	10.84
Young female BC	33.3	27.44	11.56	15.03	n.d.	15.02	30.56
Young male BC	18.46	18.66	3.08	1.22	n.d.	1.17	17.62
Old female BC	24.58	40.57	11.01	19.89	n.d.	12.72	5.88
Old male BC	11.58	14.77	5.16	6.19	n.d.	4.83	9.62
Young female MSF	27.54	22.38	16.71	10.89	n.d.	10.05	13.56
Young male MSF	15.23	16.53	9.07	4.21	n.d.	5.56	32.14
Old female MSF	23.91	21.19	20.85	15.17	n.d.	16.8	8.97
Old male MSF	4.18	8.6	10.86	8.67	n.d.	2.96	23.81
CA	6.36	6.8	6.69	7.25	n.d.	4.67	3.57
Average	20.21	19.96	14.09	12.41		13	21.63

Nordic regimes: Unemployment	ESS 2002	ESS 2008	ISSP WO 2005	ISSP RoG 2006	ISSP RoG 1996	Eurobarom- eter 44.3	Swedish HP
Young female LSF	6.76	4.06	9.49	9.55	n.d.	5.39	n.d.
Young male LSF	10.65	5.02	11.11	2.35	n.d.	6.66	n.d.
Old female LSF	7.98	4.06	5.91	8.18	n.d.	0	n.d.
Old male LSF	6.77	5.97	6.4	4.8	n.d.	0	n.d.
Young female SCP	3.44	2.48	2.98	2.54	n.d.	0	n.d.
Young male SCP	3.99	0.63	4.93	3.57	n.d.	0	n.d.
Old female SCP	2.45	1.68	3.97	2.35	n.d.	0.74	n.d.
Old male SCP	3.97	2.13	2.39	1.44	n.d.	0	n.d.
Young female BC	8.32	8.43	12.09	12.96	n.d.	3.34	n.d.
Young male BC	6.74	7.2	5.06	7.17	n.d.	3.26	n.d.
Old female BC	8.9	13.08	20.29	7.08	n.d.	0	n.d.
Old male BC	7.24	5.32	4.2	5.52	n.d.	0	n.d.
Young female MSF	6.87	5.44	5.46	5.63	n.d.	4.2	n.d.
Young male MSF	2.33	1.72	5.08	7.74	n.d.	1.55	n.d.
Old female MSF	4.21	6.45	3.36	2.64	n.d.	0.77	n.d.
Old male MSF	2.72	0.88	3.41	4.45	n.d.	2.27	n.d.
CA	2.73	1.54	1.53	2.72	n.d.	1.41	n.d.
Average	5.21	3.59	4.53	4.44		2	

Continental reg.: atypical work	ESS 2002	ESS 2008	ISSP WO 2005	ISSP RoG 2006	ISSP RoG 1996	Eurobaro- meter 44.3	Swiss HP
Young female LSF	24.94	35.41	43.21	48	39.6	43.79	67.12
Young male LSF	17.03	29.09	8.77	15.05	3.32	5.59	25
Old female LSF	40.15	38.11	58.22	51.45	60.41	47.14	90.14
Old male LSF	10.82	17.02	4.92	14.97	3.29	10.72	27.27
Young female SCP	16.63	12.04	37.7	40.72	37.41	32.14	63.46
Young male SCP	8.14	7.66	12.12	7.17	13.28	9.79	29.3
Old female SCP	24.6	25.01	45.96	48.62	47.25	31.71	76.74
Old male SCP	12.12	13.28	8.43	10.95	5.06	8.55	19
Young female BC	14.34	22.48	30.35	16.11	29.16	10.19	44.74
Young male BC	5.1	11.22	4.28	5.68	2.25	3.89	8.81
Old female BC	30.45	42.47	34.14	23.8	40.27	25.28	68.75
Old male BC	5.15	12.94	3.32	3.99	2.38	1.38	12.14
Young female MSF	16.06	28.86	30.66	36.31	35.05	30.25	28.32
Young male MSF	4.24	6.47	5.53	11.91	3.91	2.12	67.14
Old female MSF	26.97	27.06	38.67	48.41	50.6	38.85	18.11
Old male MSF	5.42	3.79	7.63	14.77	4.97	1.5	82.23
CA	9.32	8.51	9.86	15.25	9.51	2.88	20.51
Average	16.15	19.09	22.51	25.53	20.43	15.2	48.28

Continental reg.: unemployment	ESS 2002	ESS 2008	ISSP WO 2005	ISSP RoG 2006	ISSP RoG 1996	Eurobaro- meter 44.3	Swiss HP
Young female LSF	19.86	10.1	10.44	7.14	5.3	1.5	n.d.
Young male LSF	8.58	12.73	9.06	5.11	1.58	0	n.d.
Old female LSF	18.06	11.03	8.87	3.6	1.4	0	n.d.
Old male LSF	8.36	11.18	2.39	8.01	0	0	n.d.
Young female SCP	6.21	4.83	1.82	1.28	1.19	1.03	n.d.
Young male SCP	5.4	3.56	5.05	4.33	0.54	0	n.d.
Old female SCP	4.16	2.08	3.85	3.34	1.05	0	n.d.
Old male SCP	1.86	2.18	1.19	2.2	1.01	0	n.d.
Young female BC	24.58	31.75	8.12	23.3	10.34	3.66	n.d.
Young male BC	11.73	12.5	7.59	7.86	1.54	0.64	n.d.
Old female BC	23.86	25.49	21.36	15.79	6.66	0	n.d.
Old male BC	13.92	14.99	9.33	8.67	0.88	0	n.d.
Young female MSF	8.68	8.11	1.34	2.89	5.06	0.83	n.d.
Young male MSF	1.79	6.94	1.63	5.71	1.09	0	n.d.
Old female MSF	8.61	4	5.07	2.53	5.91	0	n.d.
Old male MSF	3.65	3.32	2.66	1.85	0	1.06	n.d.
CA	4.79	2.33	1.32	4.06	0.54	0	n.d.
Average	9.33	7.51	5.28	4.9	2.04	0.45	n.d.

Southern regimes: atypical work	ESS 2002	ESS 2008	ISSP WO 2005	ISSP RoG 2006	ISSP RoG 1996	Eurobarometer 44.3
Young female LSF	26.11	17.84	17.58	20.44	n.d.	27.96
Young male LSF	21.33	13.79	11.69	10.13	n.d.	9.57
Old female LSF	34.57	36.94	21.56	19.53	n.d.	40.42
Old male LSF	11.38	4.97	3.15	0	n.d.	7.82
Young female SCP	11.55	6.09	14.97	16.96	n.d.	14.68
Young male SCP	10.05	3.93	14.1	18.98	n.d.	19.8
Old female SCP	7.62	8.44	7.11	13.68	n.d.	4.01
Old male SCP	8.19	6.15	0	6	n.d.	0
Young female BC	24.52	11.09	9.13	6.12	n.d.	2.85
Young male BC	8.63	3.26	1.09	2.55	n.d.	4.64
Old female BC	60.75	51.46	7.24	4.84	n.d.	13.91
Old male BC	19.96	15.49	3.16	1.28	n.d.	2.05
Young female MSF	8.8	10.65	9.85	13.4	n.d.	10.84
Young male MSF	4.07	5.5	3.97	4.5	n.d.	5.07
Old female MSF	15.75	13.17	17.06	19.99	n.d.	8
Old male MSF	3.49	2.84	3.68	6.34	n.d.	0.56
CA	2.65	2.15	3.45	4.43	n.d.	0
Average	16.63	13.92	8.55	9		8

Southern regimes: unemployment	ESS 2002	ESS 2008	ISSP WO 2005	ISSP RoG 2006	ISSP RoG 1996	Eurobarometer 44.3
Young female LSF	12.89	13.05	14.91	17.03	n.d.	n.d.
Young male LSF	5.23	12.58	12.22	11.41	n.d.	n.d.
Old female LSF	11.57	12.55	12.09	12.33	n.d.	n.d.
Old male LSF	11.62	14.33	7.68	6.36	n.d.	n.d.
Young female SCP	8.8	2.64	11.23	8.09	n.d.	n.d.
Young male SCP	0	11.48	1.58	5.5	n.d.	n.d.
Old female SCP	14.3	9.69	0	5.28	n.d.	n.d.
Old male SCP	2.74	0.52	6.88	4.57	n.d.	n.d.
Young female BC	24.99	27.8	22.27	20.2	n.d.	n.d.
Young male BC	15.09	16.23	10.1	7.76	n.d.	n.d.
Old female BC	25.35	35.91	18.95	30.71	n.d.	n.d.
Old male BC	9.03	11.96	5.93	5.41	n.d.	n.d.
Young female MSF	5.2	5.9	17.43	11.13	n.d.	n.d.
Young male MSF	11.62	2.67	2.94	0.75	n.d.	n.d.
Old female MSF	3.12	5.43	4.62	10.37	n.d.	n.d.
Old male MSF	2.37	0.63	5.78	3.1	n.d.	n.d.
CA	2.29	1.14	5.64	4.86	n.d.	n.d.
Average	9.6	9.87	9.88	9.25		

Appendix 3

Results of tests of over-representation with regard to labor market and political integration dualism

Access to training: had training to improve job skills over the past 12 months

	Liberal		Nordic		Continental		Southern	
	N/%	%	N/%	%	N/%	%	N/%	%
Insiders	3189	47.8	2730	48.46	1701	39.6	1395	17.2
Outsiders	3427	41.8	1809	45.55	1618	34.4	1038	15.4
Difference	6616	6***	4539	2.91*	3319	5.2***	2433	1.8

Source: ISSP Work orientations III 2005

Note: Liberal (Aus, UK, US, Ire, NZ, Ca), Nordic (No, Sw, Dk, Fi), Continental (Ger, F, Swi), Southern (Sp, Po)

Chances of promotion: have been promoted while being with current employer

	Liberal		Nordic		Continental		Southern	
	N/%	%	N/%	%	N/%	%	N/%	%
Insiders	371	36.1	1007	26.91	1731	34.4	937	23.4
Outsiders	573	23.9	501	21.96	1190	23.9	430	20.0
Difference	944	12.21***	1508	4.95**	2921	10.53***	1367	3.4*

Source: Eurobarometer 44.3 1996

Note: Liberal (Ire, UK), Nordic (Dk, Fi, Sw), Continental (F, Be, NI, Ger, Aut), Southern (I, Sp, Po)

Union membership: current or past member

	Liberal		Nordic		Continental		Southern	
	N/%	%	N/%	%	N/%	%	N/%	%
Insiders	3367	39.9	2659	84.05	2429	40.4	2085	32.4
Outsiders	3767	43.5	1779	86.17	2001	28.2	1401	20.7
Difference	7134	3.68***	4438	2.12*	4430	12.15***	3486	11.67***

Source: ISSP Role of Government IV 2006

Note: Liberal (Aus, Ca, Ire, UK, US, NZ), Nordic (Dk, Fin, No, Sw), Continental (F, Ger, NI, Swi), Southern (Sp, Po)

Abstention: Did not vote in the last election

	Liberal		Nordic		Continental		Southern	
	N/%	%	N/%	%	N/%	%	N/%	%
Insiders	3008	12.2	2613	10.56	2891	16.7	1884	20.0
Outsiders	3217	16.9	1748	11.1	2144	20.8	1314	32.7
Difference	6225	4.65***	4361	0.5	5035	4.13***	3198	12.76***

Source: ISSP Role of Government IV 2006

Note: Liberal (Aus, Ca, Ire, UK, US, NZ), Nordic (Dk, Fin, No, Sw), Continental (F, Ger, NI, Swi), Southern (Sp, Po)

Appendix 3 - Table Operationalization

Variable	Operationalization
Insiders / Outsiders	Outsiders are all individuals who belong to social groups (defined by class, gender and age) which are significantly more strongly exposed to the risks of unemployment or atypical employment in a particular regime. Appendix 2 shows the risk distribution for the regimes and different surveys. Table 1 shows the result.
Gross wage of insiders and outsiders	Luxembourg Income Study, 2000 Average gross wage and salaries for insiders and outsiders, PGWAGE: gross wage and salaries
Income gap	100 - ratio of gross wage of outsiders and gross wage of insiders
Net wage insiders and outsiders	Luxembourg Income Study, 2000 Average net income for insiders and outsiders. Gross wage plus welfare transfers, minus taxes: Net wage = PGWAGE + PSELF + PCHBEN + PSTSICK + PFAMLV + PPENSTL + PUNEMPTL - PYTAX - PMEEC
Ratio net wage	Ratio of net income of outsiders and net income of insiders
Effect of taxes and transfers	Difference of gross income gap and net income gap
Training over the last 12 months	ISSP Work Orientations III 2005; Dummy variable measuring whether the respondent had any training to improve job skills over the last 12 months; V48 and V76;
Promotion while with the current employer	Eurobarometer 44.3 1996; Dummy variable measuring whether the respondent has been promoted while with his or her current employer; V115.
Difference of standard and minimum pension	Welfare State Entitlement Data Set, Summary Data, 2004; Difference in standard pension single person replacement rate and minimum pension single person replacement rate 8. MP: ratio of net public pension paid to a person with no work history at retirement to the net wage of a single average production worker 10. SP: ratio of net public pension paid to a person earning the average production worker wage in each year of their working career upon retirement.
Ratio ALMP/PLMP	Auer et al. 2008; Ratio of public expenditure on active labor market policies / passive labor market policies; ALMP: Public expenditure on ALMP as percentage of GDP; PLMP: Public expenditure on PLMP as percentage of GDP
Union membership	ISSP RoGIV 2006; Dummy variable measuring current or past trade union membership; UNION 1,2=1; UNION 3=0;
Abstention	ISSP RoGIV 2006; Dummy variable measuring whether the respondent abstained from the last national elections; VOTE_LE 2=1; VOTE_LE 1=0;

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