

## **New trajectories of unionization in the Nordic Ghent countries**

*Changing labour market and welfare institutions*

Høgedahl, Laust Kristian; Kongshøj, Kristian

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# New trajectories of unionization in the Nordic Ghent countries: Changing labour market and welfare institutions

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**Laust Høgedahl**

Aalborg Universitet, Denmark

**Kristian Kongshøj**

Aalborg Universitet, Denmark

## Abstract

Unemployment insurance funds (the 'Ghent system'), subsidized by the state and controlled by the labour movement, have contributed to high trade union densities in the Nordic countries. However, dependence on these funds as a recruiting mechanism makes trade union membership sensitive to institutional changes to unemployment insurance benefits and the institutional set-up surrounding and regulating them. In this article, we investigate recent institutional changes in the three Nordic countries following the Ghent model, Finland, Sweden and Denmark, and analyse the consequences for union and fund membership. These countries have witnessed different combinations of two types of reform, less attractive unemployment benefits plus new institutional alternatives to the traditional union-run funds, and this has led to different outcomes in each country. Benefit retrenchment and increased contributions led to a sharp decline in fund membership in Sweden, whereas this trend is less pronounced in Finland and Denmark. Instead, the main trend here has been a shift from union-led to alternative forms of fund membership, but in different ways.

## Keywords

Denmark, Finland, Ghent system, institutional change, Nordic labour markets, Sweden, unemployment insurance funds, unionization, welfare state

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## Corresponding author:

Laust Høgedahl, Center for Arbejdsmarkedsforskning (CARMA), Aalborg Universitet, 9220 Aalborg Ø, Denmark.

Email: [hogedahl@dps.aau.dk](mailto:hogedahl@dps.aau.dk)

## **Introduction: institutional change and new trajectories for unionization**

Denmark, Finland, Sweden and Iceland have the world's highest trade union densities. Research has linked this to the Nordic unemployment insurance system based on voluntary membership in an unemployment insurance fund (UIF) controlled by trade unions and subsidized by the state (Høgedahl, 2014; Lind, 2004, 2009). Cross-national studies have documented the contribution of UIFs to a high union density (Rothstein, 1992; Scruggs, 2002; Western, 1994). More recent research has described the deterioration of the unemployment benefits provided by the UIFs in terms of coverage, eligibility and the right of entitlement, making membership less attractive and eroding the UIFs as a recruiting mechanism for the trade unions (Kjellberg, 2006, 2009; Lind, 2004, 2009; Böckerman & Uusitalo, 2006). It is evident that 'institutions matter' when it comes to unionization and that political and institutional changes made to the system are connected to declining trade union densities in the Nordic Ghent countries.

However, as we argue in this article, different types of institutional changes to the Ghent system in the Nordic countries lead to different outcomes. We offer an account of the Nordic Ghent systems in terms of both the welfare and labour market institutions underpinning the system, a cross-national overview absent in the literature. We find a variation in institutional changes between Denmark, Sweden and Finland, creating different trajectories away from the 'classic' Ghent system based on a dual membership of a UIF and a trade union. Declining union density is a common trend, but the severity of this decline varies across the Ghent countries. We also find nationally distinct patterns in new combinations of UIF and trade union membership. We trace these patterns back to combinations of different reforms. Broadly, some changes concern the unemployment benefit systems while others have created new alternatives to the traditional dual membership of a union and a UIF. The research question guiding our investigation is, 'Are the Nordic Ghent countries following different trajectories away from the classic dual membership?'

We begin by presenting the data and method applied in our study. We then present the analytic framework illustrated by different trajectories away from classic Ghent systems, in which we connect two types of policy changes. We next turn to an analysis of the specific changes made to unemployment benefits and the institutional set-up surrounding the Ghent systems, and link the institutional changes to different outcomes, outlining how each country takes a different trajectory away from the classic Ghent constellation based on dual membership. Finally, we summarize our concluding remarks.

## **The Nordic Ghent systems: an institutionalist approach**

While institutional characteristics always differ to some degree across any country cases, Denmark, Sweden and Finland are usually grouped within the same 'regime' or 'model' in both welfare and labour market research (Andersen et al., 2014; Arts and Gelissen, 2010; Dølvik et al., 2015; Kongsbøj, 2014). To some extent, we adopt the causal reasoning behind the classic 'most-similar' case design, in which differences among similar cases are attributed to more specific differences. However, there is a world of case

designs beyond the standard most-similar/most-different designs (Gerring and Cojocaru, 2016). It is often forgotten that Mill outlined three other logics of causality in comparative case studies. Among these, his ‘concomitant variation’ also captures our aim: it describes how a central outcome may vary by degrees across cases, which can be traced back to some explanatory factor varying according to the same pattern. In this case, we are interested in how the general decline in fund membership and unionization rates has varied across the three countries, and we aim to connect this to a corresponding pattern of reforms of benefits and new alternatives to the ‘classic’ package of fund and union membership in the Ghent countries.

Despite broad similarities and ‘concomitant’ variations in unionization and institutional reform, there are also other possible explanations for union decline. Economic cycles, structural changes in labour market composition and ‘individualization’ are factors commonly discussed in the literature (Schnabel, 2013; Visser, 2002). Macroeconomic developments have certainly been different in the three countries in the period covered here. However, trends in unionization do not match these potential ‘concomitant variations’. While economic growth in Denmark and Finland has been among the worst in the OECD, particularly after the crisis, Sweden has been among the better performers (OECD, 2016a). While employment increased somewhat in Sweden in the new millennium, it has declined in Denmark and in Finland after the crisis years (OECD, 2016b). If it is assumed that the labour force responds to labour market risks, this could be seen as a reason why union density has declined most in Sweden. Yet densities have stabilized in all three countries in the post-crisis years. This does not seem to match the economic divergence between Sweden on the one hand and Denmark and Finland on the other, which has been more pronounced after the crisis.

In terms of ‘de-industrialization’, trends are roughly similar across the three countries, with a decline in industrial employment from around 25 percent of total employment in 2000 to about 20 percent today (Eurostat, 2016). ‘Individualization’ as a driver of declining unionization is difficult to operationalize convincingly (Caraker et al., 2015); suffice it to say that in most descriptive cross-country assessments of cultural values (as based on the World Value Survey), all Nordic countries have shown high levels of ‘individualism’ (Bonikowski, 2010; Inglehart and Baker, 2000).

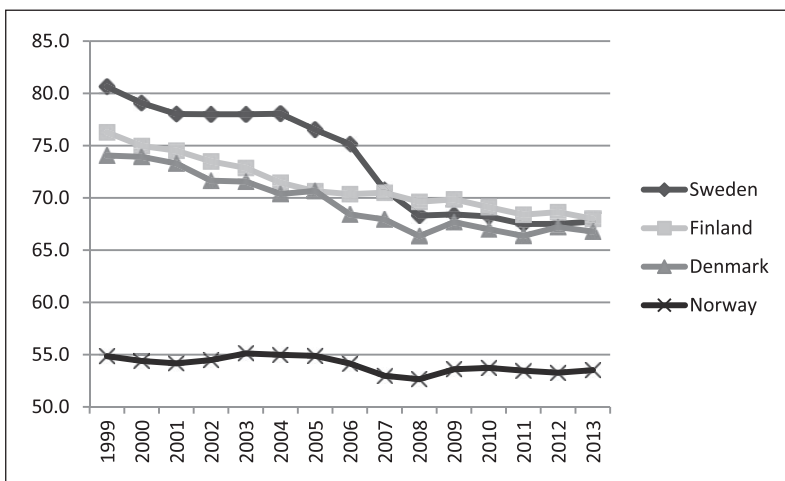
Of course such explanations may be important factors behind the general and incremental decline in union membership rates. Yet, as we show below, they can be difficult to match with the intra-Nordic differences. This is one reason why we emphasize the differences in institutional reforms, as well as the fact that the institutions underpinning the Ghent system have long been recognized as very important for fund membership. Therefore, it should be clear that approach reflects the ‘new’ institutionalist approach in which (policy) institutions partly determine the preferences or values of actors (Fioretos et al., 2016), although neo-institutionalists differ on how this process takes place.

With the data available, the causality between institutional reforms and changes in unionization is difficult to isolate. In the absence of directly comparable cross-country data sets, the best that can be done is to give an updated cross-national account of institutional reforms in the Ghent systems and to show comparable data for fund membership both with and without the new alternatives that do not combine the classic Ghent package of fund and union membership (which has not been shown in previous literature).

Our data stem from various sources. First, the analysis of institutional changes is based on desk research of relevant policy documents in the three countries. Second, UIF membership data have been collected from the Danish Agency for Labour Market and Recruitment (*Styrelsen for Arbejdsmarked og Rekruttering*, STAR), the Swedish Unemployment Insurance Board (*Inspektionen för arbetslöshetsförsäkringen*, IAF), and the Finnish Financial Supervisory Authority (*Finanssivalvonta*, Fiva). OECD labour force data are used to calculate UIF densities. While the account of institutional reforms includes changes from the 1990s and onwards, the data on UIF density cover a more recent timespan, from the early 2000s, because of constraints on comparable data distinguishing between different forms of UIF membership. However, it is also in this period that clear intra-Nordic differences in trajectories away from the classic Ghent package of double membership emerge.

### The link between UIFs, trade unions and the new trajectories

A number of multivariate cross-sectional studies have shown that the Ghent system countries enjoy a substantial advantage in unionization (Brandl, 2009; Ebbinghaus and Visser, 1999; Wallerstein and Western, 2000). As Rothstein (1992: 39) put it, *‘while the choice of whether or not to join a union is a free choice, the rationality in the decision can be severely affected by the operation of government labour-market institutions’*. Schnabel (2013) has shown that the decline in union density between 1980 and 2010 was 27 percentage points lower in countries with a Ghent system; indeed densities actually climbed until the 1990s in the Nordic countries, as Figure 1 shows.



**Figure 1.** Union density in the Nordic countries (%).<sup>a</sup>

Source: OECD.Stat.

<sup>a</sup>'Alternative' unions included in the Danish case.

**Table 1.** Combinations of trade union and UIF membership in the Nordic Ghent countries.

	Trade union membership		
	Recognized	Independent	None
Recognized union UIF	1	2	3
Independent UIF	4	5	6
None	7	8	9

UIF: unemployment insurance fund.

Fewer than 10 percent of employees choose options (7) and (8); the main exceptions are civil servants with high employment protection. Options (2) and (4) are also uncommon.

All Nordic countries except Norway, which since 1938 has operated a compulsory system (Nergaard and Stokke, 2007), still maintain a Ghent system where insurance against unemployment is based on voluntary UIF membership. It is worth noting that union density in Norway has been steady at round 55 percent for the past 15 years, which is consistent with the argument that declining trade union density in the Nordic Ghent countries is related to institutional changes to unemployment insurance benefits and the institutional arrangements governing the UIFs.

It is important to emphasize that in general there are no legal obligations for wage-earners to join a trade union in order to access a UIF in any of the three Nordic Ghent countries (Kjellberg, 2006; Lind, 2009; Uusitalo and Bockerman, 2005). However, research shows that workers often associate trade union and UIF membership: surveys show that many indicate ‘in order to become [a] member of a UIF’ as an important reason for joining their present trade union (Caraker et al., 2015; Ibsen et al., 2011). This strong institutional link between the trade union and the associated UIF is often referred to as a ‘Ghent effect’ (Clasen and Viebrock, 2008; Høgedahl, 2014).

Most wage-earners in the Nordic Ghent countries are therefore dual members of both a trade union and a union-controlled UIF. Table 1 illustrates the possible combinations among membership of a recognized or ‘official’ union which negotiates one or more national collective agreements with employer organizations, membership of an alternative or independent union, and non-membership; and membership of an ‘official’ UIF, an alternative UIF, or non-membership. Cell 1 can be described as the ‘classic’ membership constellation of the Ghent system. However, one of the trajectories away from the classic membership constellation is the rise of alternative or independent trade unions, and a second is the introduction of independent or alternative UIFs.

Hence, there is now a variety of alternative combinations in the Nordic Ghent countries besides the ‘classic’ dual membership in an ‘official’ trade union and its associated UIF. Employees could always choose to join a UIF without joining a trade union (cell 3) in Table 1. But institutional changes have also opened up new alternatives by introducing independent UIFs or by allowing alternative UIFs to join the market. In Sweden, *Alfa-kassan* is an example of an independent UIF with no trade union associated (Kjellberg, 2006, 2014); the same goes for *Yleinen Työttömyyskassa* (YTK) in Finland (Uusitalo and Bockerman, 2005). In Denmark, however, alternative UIFs (or ‘yellow UIFs’) have

associated alternative trade unions. However, their characteristic feature is that they are not, or are only in very few instances, parties to collective agreements and can therefore only offer a package consisting of a UIF and individual services, yet at a significantly lower price than the official organizations (Ibsen et al., 2013). The alternative UIFs, like the independent ones, are not restricted by any occupational or sectoral demarcation lines and therefore are open for all workers.

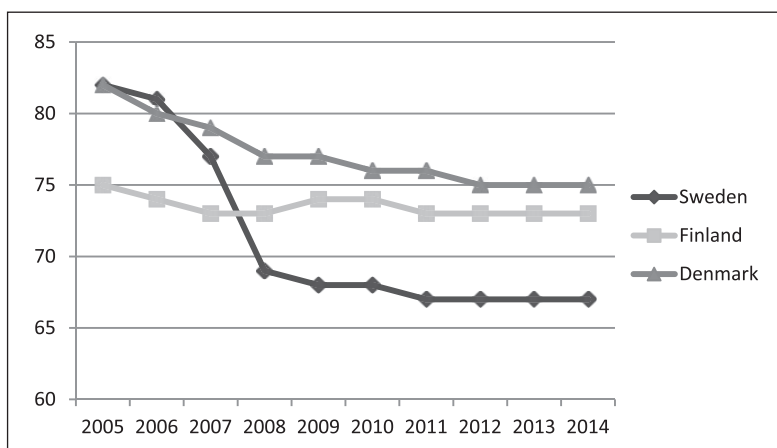
Since trade unions in the Nordic countries are very much dependent on their associated UIF, they are also very sensitive towards any institutional changes made to the system. We focus on two different types of change. The first comprises *political reforms of unemployment insurance benefits* in terms of compensation rate, duration, eligibility and the level of state financing; and also the relationship between unemployment insurance benefits and alternative social assistance. In theory, such changes can make a UIF less attractive and consequently erode its role as a recruiting mechanism for their associated trade unions, leaving more workers to choose the option in cell 9. Second, *reforming the institutional arrangements regulating the UIFs*. These types of institutional change include policies allowing new UIFs to enter the 'market' for UIFs. The consequences of such changes are more diverse, ranging from sole membership of new UIFs (cell 6) and dual membership of alternative unions and their associated UIF (cell 5).

## The erosion of unemployment insurance benefits

The unemployment benefit systems of Denmark and Sweden had had distinct core traits (Goul Andersen, 2012; Torp, 1999), whereas Finland was more of a Nordic outlier (Arts and Gelissen, 2010; Kongshøj, 2014). First, unemployment insurance benefits in Denmark and Sweden were relatively generous but also de facto at a flat rate for most employees (with generous formal replacement rates combined with low ceilings for maximum benefits). Second, these benefits were overwhelmingly tax-financed, with very limited contributions by fund members themselves. Third, they had very high coverage among the total number of unemployed: at least 75 percent, but usually more. Fourth, social assistance played a more marginal role for the unemployed (given high unemployment insurance coverage), but these benefits were also relatively generous. Below we examine how each of these traits has eroded or changed over time.

### Benefit generosity

The generosity of unemployment benefits has declined in all three countries since the 1990s, especially in Sweden; like Denmark, it had a replacement rate of 90 percent up to the benefit ceiling, but in 1993 this was lowered to 80 percent (Goul Andersen, 2012; Sjöberg, 2011). In 2007, this was further reduced to 70 percent after 200 days of unemployment and 65 percent after 300 days. In addition, the indexation of the ceiling was abolished in 1993, and up to 2015 it was adjusted upwards only twice (though the new Social Democratic government then raised it from 18,800 to 25,000 SEK a year). Whereas Sweden previously had the most generous benefits in the Nordic countries because of its relatively high ceiling, they became the least generous until the 2015 increase (OECD, 2016c; Van Vliet and Caminada, 2012). For instance, the net



**Figure 2.** UIF membership in the Nordic countries (%).

UIF: unemployment insurance fund.

replacement rate for the average production worker was below 60 percent in 2012, as against some 90 percent in the early 1990s.

Denmark did not see a similar reduction in generosity, although the benefit ceiling has also declined somewhat in real terms (Kongshøj, 2014). The effects of a benefit freeze in the mid-1980s were more instantly noticeable. For the average production worker, net replacement rates fell by some 12 percentage points from the early 1990s.

Benefits in Finland are much more earnings-related, since there is no benefit ceiling (only a reduced benefit formula for incomes above a level close to the average wage) (Kela, 2015). Benefit levels declined markedly in the 1990s as price indexation was suspended until 2002, following a severe economic crisis (Ervasti, 2002; Lilja and Savaja, 1999). Benefits have largely kept pace in the new millennium and were even raised for initial unemployment spells (dependent on work history) or participation in active labour market measures (Kela, 2015; Uusitalo and Verho, 2010).

## Financing

Until the 1990s, employee contributions constituted only around 5 percent of expenditures in Sweden and Finland, and around 20 percent in Denmark (Jørgensen, 2007; Torp, 1999). However, they have risen particularly significantly in Sweden, where a 2007 reform sharply increased and differentiated contributions. The same reform completely abolished the previous 40-percent tax deduction for UIF contributions (alongside the 25% deduction for union membership). Previously, state financing was weighted towards occupations and sectors with higher unemployment; now this was largely eliminated. Thus on average, contributions were increased by about a third, but for funds with high unemployment levels the increase was up to 59 percent (Berglund and Esser, 2013; Goul Andersen, 2012; Sjöberg, 2011). This coincided with the lowering of the benefit ceiling, and there was a sharp decline in fund membership, as Figure 2 indicates.



In Denmark, the process has been less abrupt. Contributions were raised somewhat in the 1980s and less visibly in a 1998 reform which separated contributions to early retirement from contributions towards unemployment insurance, and in subsequent tightening of the provisions for early retirement (Goul Andersen, 2012). Subsequently, contributions have constituted about 40 percent of paid benefits (Beskæftigelsesministeriet, 2015). Contributions have remained tax deductible, but the deduction has been lowered as an indirect incentive to leave official trade unions.

In Finland, contributions have remained stable at around 5 percent of paid benefits (Kela, 2015). However, employees have also paid contributions since 1993 as an earmarked tax contribution (0.8% in 2015), and this is set to increase following recent tripartite negotiations (Kela, 2015; Lilja and Savaja, 1999; Yle, 2016).

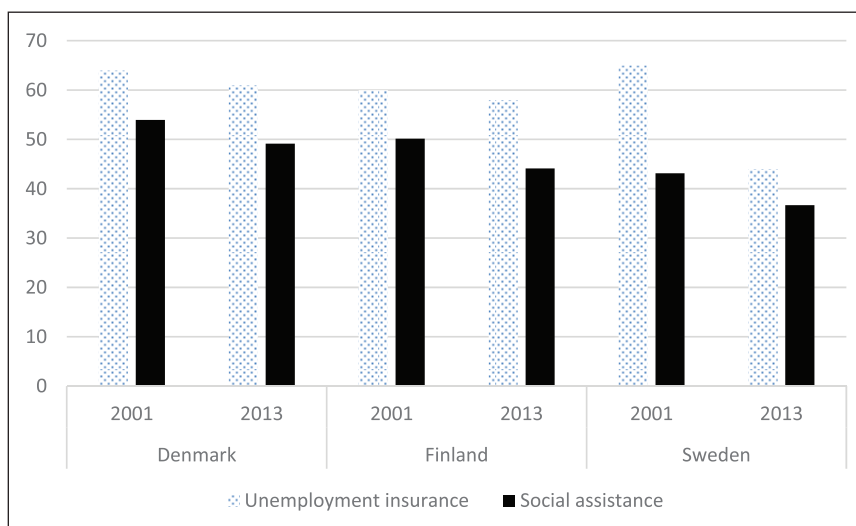
### **Coverage**

Coverage used to be relatively high, at least 70–75 percent of the unemployed in the three Scandinavian countries until the 1990s, and around 50 percent in Finland (Lilja and Savaja, 1999; Torp, 1999). But since 2000, there has been a steep decline in Sweden (Berglund and Esser 2013; Sjöberg 2011). By 2012, it was just below 30 percent of the total number of unemployed individuals. In tandem with the increasing number of people choosing to opt out of the funds, declining coverage reflects that access for new entrants into the labour market (such as students) has been restricted. The eligibility requirement for benefits has also been strengthened in Sweden, although Denmark by now has the strictest requirement among the Nordic Ghent countries. (In Denmark it is 52 weeks of 37 hours, in Finland 34 weeks of 18 hours and in Sweden 26 weeks of on average 80 hour per month.)

In Denmark, the work requirement was doubled from 26 to 52 weeks of employment over the last 3 years in 1995, and a 2010 reform also doubled the requalification requirement to 52 weeks (from 26). This also cut benefit duration from 4 to 2 years. Three labour market reforms in 1993–1998 had already cut maximum duration from 9 to 4 years. However, the reforms of the 1990s occurred when unemployment was falling, and the impact on benefit coverage was minor (Goul Andersen, 2011). By contrast, the recent changes (from 4 to 2 years coupled with a doubling of the requalification criteria) will have more significant long-term effects.

In Finland, the work requirement was raised in 1997, but reduced again to the present 34 weeks of work within the past 48 weeks. Coverage has remained around 50 percent of the unemployed on benefits (Kela, 2015; Lilja and Savaja, 1999). In contrast to Denmark, neither Finland nor Sweden has cut maximum duration, retaining limits of 100 and 60 weeks respectively.

However, all three countries have either abolished or shortened special duration extensions for elderly unemployed. Furthermore, in all three countries, benefit duration could in practice be nearly unlimited before the 1990s, since participation in various active labour market measures counted as ‘work’ when fulfilling the work requirements. Both Denmark and Sweden have eliminated this possibility (Kongshøj, 2014). Finland has not completely removed such measures from the work criterion, and half of the hours worked in a publicly subsidized job are counted as work.



**Figure 3.** Net replacement rates for unemployment insurance and social assistance (average wage), 2001 and 2013.

Data sources: The Social Assistance and Minimum Income Protection Dataset (SAMIP) (2016); OECD (2016c, 2016d).

### *Unemployment benefits and social assistance*

Here, we provide a brief comparison of unemployment benefits and social assistance; for a more detailed account, see Kuivalainen and Nelson (2012) or Bahle et al. (2011). Social assistance in the Nordic Ghent countries has become less generous over time, as Figure 3 shows. There are various technical reasons in each country for this development, mainly indexation (Kongshøj, 2014; Kuivalainen and Nelson, 2012).

Sweden stands out in several respects: in 2013, it generally had the lowest net replacement rates for both social assistance and unemployment insurance. Furthermore, the difference between the two benefits had declined markedly. Where Sweden previously had the best incentives for people to enrol in unemployment funds, the difference between the two benefits in 2013 is slightly smaller than in the two other countries. Changes were less dramatic in Denmark and Finland. The general picture is that the difference between unemployment insurance and social assistance remains about the same in the two other countries, but also that net replacement rates have declined for both benefit types. Denmark has larger incentives for low-paid wage-earners to enrol in unemployment insurance, given the high replacement rate below the benefit ceiling.

In short, we have seen how some of the traits that have set Nordic unemployment insurance apart have eroded, particularly in Sweden: a frontrunner in terms of reducing generosity and coverage of unemployment insurance and also increasing member financing of benefits. However, some of these quite radical steps have been offset slightly within the past 2 years. In Denmark, the decline in generosity and coverage has been less dramatic, although there have been drastic cuts in benefit duration (whereas Denmark

used to be very generous as part of its ‘flexicurity model’) and benefit eligibility has become less inclusive. Finland has mainly retained a system that already set it apart from the other Nordic countries (much more earnings-related benefits with lower coverage). Generosity has declined somewhat, although there have also been a few steps in the other direction for unemployment insurance.

It is worth noting that these developments have encouraged a market for supplementary unemployment insurance. Especially in Sweden, but also Denmark in recent years, declining benefit generosity has induced unions to extend and finance supplementary insurance through collective agreements. These collective, supplementary insurances typically raise total benefits to a certain (maximum) replacement level of around 80 percent. In Sweden, these new collectively agreed, supplementary insurance schemes covered around 40 percent of the labour force in 2014, whereas the share in Denmark was a more marginal (7%–8% of the labour force, including individual/private insurance) (Beskæftigelsesministeriet, 2015; Rasmussen, 2014). This corresponds to the pattern outlined below of more radical benefit retrenchment in Sweden. This has not been a significant tendency in Finland, probably because, unlike in Sweden and Denmark, there is no ceiling on benefits in the publicly financed system.

### *Introducing independent and alternative UIFs*

The introduction of UIFs independent of the main trade unions is a second type of policy change affecting union membership. In Finland, the introduction in 1992 of an independent UIF, YTK, had a severe effect on trade density: Böckerman and Uusitalo (2006) demonstrate that this explains around 75 percent of the decline in density from 1993 to 2002 (11 percentage points). They argue that the right-wing government was not actively involved in the creation of the YTK, but the fact that the right-wing parties were in power may have made it easier for the fund to be approved by the Ministry of Social Affairs. In 2006, YTK introduced individual services similar to those of trade unions, such as legal aid, at a higher membership fee; this strengthened their position on the Finnish labour market as an alternative to the classic dual membership (Asplund, 2007).

In Sweden, the government introduced the *Alfa-kassan* in 1998 in competition with the existing UIF system. *Alfa-kassan*, like YTK, is an independent fund open to all employees and not associated with any trade union. Initially, it was not as successful as its Finnish counterpart (Kjellberg, 2006), though in recent years it seems to have become more attractive. A compulsory unemployment insurance system, as in Norway, has been on the political agenda on several occasions but has never been realized (Kjellberg, 2009, 2014).

In Denmark, a key policy change came in 2002 when the newly elected liberal–conservative government adopted ‘the liberation package for the labour market’ (*Frihedspakken for Arbejdsmarkedet*). Part of the original policy rationale was to prevent ‘forced membership’ in trade unions, and one potential solution was to establish an alternative, state-run UIF. However, the government could not find majority support for this proposed legislation in the Parliament (*Folketinget*) (Høgedahl, 2014). The negotiated compromise was therefore a somewhat less drastic but nevertheless pivotal change for the official trade unions. The old delineation of the UIFs, organized along sectoral and occupational lines and a central

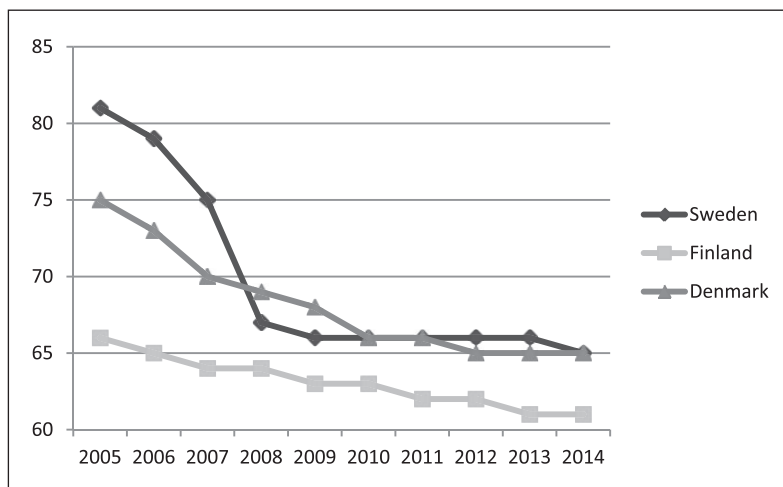
element in the Danish Ghent system since its creation in 1907, was eliminated. Since 2002, all UIFs have been able to become *interdisciplinary* and recruit members from outside their own traditional territory (Due and Madsen, 2007; Ibsen et al., 2013; Lind, 2009). This broke the de facto monopoly of the official trade unions by opening the market for the interdisciplinary UIFs and their associated alternative unions. This institutional change is fundamental to the success of the alternative unions, since it transformed the nature of the Ghent system (Høgedahl 2014b). The 2010 reform also strengthened the incentive to leave a recognized trade union in favour of an alternative union by applying a ceiling of DKK 3000 (€400) to the annual tax deduction for union membership dues; the figure was set precisely so that members of the official unions would no longer receive a full tax deduction, whereas the cheaper alternative unions could continue to do so (Ibsen et al., 2011). Survey research shows clearly that this was the main rationale for switching to an alternative trade union and UIF (Ibsen et al., 2013). The ceiling was later raised by the social democratic-led government in 2014, taking effect in January 2015.

### *Declining UIF densities*

Above, we have outlined the changes made to unemployment insurance benefits and the institutional set-up surrounding the Ghent systems in Denmark, Sweden and Finland in recent years. We now turn to the outcome of these policy changes in terms of UIF membership levels. First of all, as Figure 2 shows, Sweden has seen the most severe decline especially from 2006 to 2009. This is consistent with the policy changes described. Sweden has been a frontrunner in terms of reducing the generosity and coverage of unemployment insurance and also increasing employee contributions. The net replacement rates for unemployment insurance and social assistance have also diminished. Kjellberg (2009) demonstrates how the reform of unemployment benefits is directly linked to declining UIF density. The policy changes have an evident effect on UIF membership and thereby erode UIFs as a trade union recruitment channel. Especially, the dramatic increase in contributions (differentiated across funds according to unemployment levels) in the 2007 reform introduced a very tangible disincentive to UIF membership. It is also worth noting that Swedish UIF density has stabilized since 2011.

In Denmark, UIF density has also fallen continuously. However, the decline is less severe than in Sweden. Whereas UIF membership in Sweden became less attractive because of less generous benefits and increased contributions, reforms in Denmark entailed stricter eligibility criteria and shorter benefit duration. In spite of these changes, Denmark still has relatively large incentives for those with low wages to enrol in a UIF because of the high replacement rate up to the benefit ceiling. Previous research shows that especially younger workers have a lower UIF density compared to their older colleagues in Denmark (Due et al., 2010). The reason for this variation is not clear; however, some studies indicate that ignorance may play a key role and that many young workers do not distinguish between unemployment benefits and social assistance (Kolstrup, 2006).

Since the independent and alternative UIFs do not contribute to trade union density, it is relevant to exclude them from the density statistics, as Figure 4 shows. This changes the numbers significantly, and the densities in the three countries from 2010 are much closer. The relatively large gap between Sweden and Denmark seen in Figure 2 can thus



**Figure 4.** Membership density in UIFs linked to recognized unions (%).  
UIFs: unemployment insurance funds.

be explained by the small membership of *Alfa-kassan* as against the success of the alternative UIFs in Denmark. *Alfa-kassan* increased its membership from 66,598 in 2005 to 98,717 in 2016. Nevertheless, only 5.7 percent of the total UIF membership consists of members of *Alfa-kassan*. In comparison, the alternatives in Denmark make up 13.7 percent of the total.

In Finland, the density of union-run funds is also declining, because of the continuing success of the YTK: from 2004 to 2014, its membership grew from 239,293 to 345,706, a 44-percent increase. By comparison, the total UIF density (including YTK members) dropped marginally from 75 to 73 percent; or if YTK members are excluded from the total, from 66 percent in 2004 to 60 percent in 2014.

We can offer some tentative explanations why the *Alfa-kassan* has not been as successful as its counterpart in Finland, YTK (or the roughly similar institutional equivalents in Denmark). First of all, the more radical retrenchment of public benefits in Sweden has been a disincentive to enrol in UIFs in general (and therefore, an incentive to opt out of the system rather than changing to an alternative UIF). Second, the expansion of supplementary insurance in Sweden (as mentioned above), driven forward by the unions themselves, constitutes a further disincentive against the state-run *Alfa-kassan* since supplementary insurance is not offered here.

## Conclusion: new trajectories from the classic Ghent model of membership

Our aim has been to provide a comparative analysis of the policy changes made to the Nordic Ghent systems in recent years and assess how these institutional changes have affected UIF and trade union densities. Our research question has been: ‘Are the

Nordic Ghent countries following different trajectories away from the classic dual membership?’

We find a variation in institutional changes between Denmark, Sweden and Finland, creating different trajectories away from the ‘classic’ Ghent system. Declining trade union density is a common trend, but the severity of this decline varies across the countries. We find two types of policy change: reforms aimed at reducing the generosity of unemployment benefits in terms of compensation levels, duration, eligibility and the degree of state subsidy, and reforms allowing new actors to enter the market for UIFs.

In Sweden, the reform of unemployment benefits has created a dual exit from both UIFs and trade unions. The independent UIF *Alfa-kassan* has not been a major success, although membership has increased somewhat in recent years. In terms of the combinations illustrated in Table 1, there has been a shift towards cell 9.

In Finland, on the other hand, unemployment benefits have not been retrenched to the same extent, but the independent YTK fund introduced in 1992 continues to grow, while the membership of the traditional UIFs associated with the labour movement is declining. Here, the trajectory away from the classic Ghent model points to more single members of an independent UIF, as in cell 6.

In Denmark, the policy reform from 2002 allowing UIFs to recruit members from outside of their own traditional sectoral or occupational territory has created a market for new UIFs and their alternative trade unions, as in cell 5.

In sum, the three Nordic Ghent systems have seen different combinations of two types of reform, namely less attractive benefit regimes and new institutional alternatives to the union-run funds. In Finland, the independent YTK fund is still the most important factor behind the decline in membership rates of UIFs associated with recognized trade unions. Total fund membership (including YTK) has been quite stable, and benefits have not been retrenched to the same extent as in Denmark and particularly in Sweden. In Denmark, the introduction of alternative, cross-sectoral funds is also the most important factor, although benefit eligibility and duration also became significantly less ‘generous’ in the period. In Sweden, by contrast, declining benefit levels and increased member contributions were very significant, and here we have seen a more dramatic decline in fund and union membership. Interestingly, the independent UIF *Alfa-kassan* has not been as successful as YTK in Finland and the alternative UIFs in Denmark. Our findings indicate that these differences reflect the variations in the nature of the reforms. The increase in employee contributions adversely affected not only the union-linked UIFs but also *Alfa-kassan*. Furthermore, a specific disincentive to join *Alfa* is that unlike the union-linked funds it does not offer supplementary insurance. As we have noted, supplementary insurance now covers nearly half the labour force in Sweden.

Future research based on cross-national surveys would be able to shed more light on the new trajectories in unionization in the Nordic Ghent countries in a comparative setting and the dynamics behind these changes. Survey-based research in Denmark indicates that the double opt-out from the classic Ghent system is dominated by blue-collar workers between 30 and 40 years old (Høgedahl, 2014). Is this also the case in the other Nordic countries? One thing is certain: the Nordic models of industrial relations are based on high collective bargaining coverage voluntarily negotiated by the social partners. If the decline in trade union density continues, the labour movements will gradually

lose representativeness, legitimacy and eventually power in relation to both their employer counterparts and political decision-makers.

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## Author biographies

Laust Høgedahl is a postdoctoral researcher associated with the Centre for Labour Market Studies (Center for Arbejdsmarkedsforskning (CARMA)) at the Department of Political Science, Aalborg University.

Kristian Kongshøj is a postdoctoral researcher associated with the Centre for Comparative Welfare Studies (CCWS) at the Department of Political Science, Aalborg University.