

**Insider-Outsider Politics:
Party Strategies and Political Behavior in Sweden**

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This chapter is concerned with the relationship between party strategies and the political behavior of insiders and outsiders in the labor market, concentrating on the risk that outsiders may become politically alienated and marginalized. Taking the case of Sweden as our guide, we argue that labor market outsiders who perceive that they are being ignored by social democratic parties become more likely to exit politics or to support more radical political alternatives. We combine an analysis of election campaigns in the 1990s and 2000s with an analysis of survey data from the Swedish National Election Studies.

1. Introduction

The dualization of labor markets is becoming a topic of great importance to students of the advanced capitalist countries: recent work in comparative political economy emphasizes the political and economic relevance of the distinction between workers who enjoy stable and protected employment (insiders) and those who do not (outsiders).¹ Contrary to most of the other chapters in this volume, our contribution does not investigate dualization as such, but its political consequences. This chapter is concerned with the relationship between party strategies and the political behavior of insiders and outsiders in the labor market, concentrating on the risk that outsiders may become politically alienated and marginalized. Taking the case of Sweden as our guide, we argue that labor market outsiders who perceive that they are being ignored by social democratic parties become more likely to exit politics or to support more radical political alternatives. We combine an analysis of election campaigns in the 1990s and 2000s with an analysis of survey data from the Swedish National Election Studies.

[Figure 1 about here]

Until recently, the distinction between insiders and outsiders was not salient in Sweden, as a result of propitious macroeconomic circumstances, a political commitment to full employment, and an encompassing labor union movement that helped to resolve latent conflicts between different categories of wage earners.² However, in the early 1990s Sweden experienced a sudden and rapid increase in unemployment, from less than 2 percent in 1990 to almost 10

¹ See, for example, Mares (2006), Martin and Thelen (2007), Rueda (2007), Iversen and Stephens (2008), Swank, Martin and Thelen (2008), Palier and Thelen (2010), and Iversen (2009).

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

percent in 1993 (see Figure 1), placing the Swedish labor market model under great strain. A case study of Sweden therefore enables us to make a detailed investigation of political competition and mass political behavior in a country that has recently experienced a sudden increase in the number of outsiders. We concentrate on the four elections that have been held since mass unemployment emerged in the Swedish economy: the elections in 1994, 1998, 2002, and 2006.

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

Like Rueda (2007), we argue that the distinction between insiders and outsiders is essential to understanding politics in the industrialized democracies since the 1970s. However, whereas Rueda's work concentrates on the relationship between government partisanship and economic policy, we emphasize another matter of central importance that has not received enough attention: the interaction of party strategies and the political preferences of voters. We seek to answer a simple question: if, as Rueda argues, social democratic parties have incentives to promote the interests of insiders, how do outsiders respond? Our answer, in brief, is that outsiders tend to abandon the political process or vote for more radical political parties when they perceive that social democratic parties or other mainstream left parties are not defending their interests.

Our argument relies on the disaggregation of the working class, broadly defined, into insiders and outsiders. Theoretically, we define insiders as wage-earners with protected jobs and outsiders as individuals who are either unemployed or hold jobs with low levels of protection and employment rights.³ The potential for conflicting interests between insiders and outsiders is related to their vulnerability to unemployment. Insiders are less affected by unemployment and therefore less likely to support parties that dedicate substantial resources to employment promotion or cash benefits for the unemployed. Outsiders are more vulnerable to unemployment, since they are either unemployed already or enjoy little employment protection. They are therefore more concerned with the employment strategies of political parties, and favor generous benefits for the unemployed.

³ There are different ways of conceptualizing insider-outsider differences, emphasizing employment status, access to benefits and protection, political representation, and citizenship (see the chapters by Davidsson and Naczyk and Häusermann and Schwander for more detailed analyses. We are agnostic about the costs and benefits of these definition and defend a more practical approach: in this chapter, we are interested in the interaction between individual political preferences and party strategies, and we consider unemployment and precarious employment to be the politically salient issues, so we regard unemployment vulnerability as the defining characteristic that divides outsiders from insiders.

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

As we will demonstrate, Swedish political developments in the 1990s and 2000s provide evidence that when social democratic parties fail to emphasize the need to deal with unemployment, they push outsiders either to abstain from voting or to consider other options. In the last section of this chapter, we also argue that evidence from the 2006 election suggests that mainstream left parties face a dilemma: by being seen to side with outsiders, the Swedish Social Democrats appear to have antagonized some insiders, allowing the center-right parties to (successfully) target these insider groups.

Like studies of economic voting (Duch and Stevenson 2008), our argument assumes that there is a relationship between an individual's economic interests and her likelihood to reward a party with her vote. Our argument is also strongly related to the literature on class voting, (see, for example Evans 1999), which emphasizes the effects of other socio-economic cleavages on political preferences. Moreover, our approach is related to the recent literature on risks and skills as determinants of political preferences, but whereas this literature associates unemployment vulnerability with particular skill profiles (Cusack, Iversen and Rehm 2006), we highlight the importance of the more general divide between insiders and outsiders (regardless of their skills). Finally, we are indebted to an important tradition of scholarship concerning the relationship between economic and political marginalization, including landmark studies such as Schlozman and Verba (1979) and Bartels (2008). However, in contrast to most of the authors mentioned here -- who are interested in individual preferences and voting choices as such -- our goal is to explain how individual-level preferences are influenced by (and influence) party strategies.⁴

3. Sweden as a Hard Case

The main reason why we have chosen to focus on the Swedish case is that Sweden is a hard case for theories of insiders and outsiders. A number of authors have argued that whereas

⁴ See Evans and Tilley (2009) for a similar approach.

insider-outsider politics has emerged in continental Europe (see, for example, Palier and Thelen 2010, and several of the chapters in this volume), it has not emerged in the Nordic countries (Iversen 2009). In the words of Jonas Pontusson, “the growing gap between labor-market ‘insiders’ and ‘outsiders’ is first and foremost a continental phenomenon” (forthcoming, 4).

Two arguments can be made for the claim that conflicts between insiders and outsiders are likely to be less intense in Sweden than in other European democracies. The first argument emphasizes Sweden’s encompassing and centralized trade unions and employer organizations. As Mancur Olson (1965) has argued, encompassing interest organizations are more likely to take general goals into consideration than organizations representing more narrowly defined groups. Swedish labor market institutions can be expected to promote solidaristic policies that bring together insiders and outsiders. The second argument emphasizes the difference between Christian democracy and social democracy. Iversen and Stephens (2008, 605), for example, see insider-outsider conflicts as the outcome of Christian Democratic rather than Social Democratic politics, arguing that Social Democratic governments have “shored up employment while preventing the development of either deep insider-outsider divisions (as in the continental European countries) or stark wage inequality as in the liberal countries” (2008, 609). For Iversen (2009), the reason for this difference between the continental and Nordic cases is that in countries like Sweden, the party system allows social democratic parties to protect low-wage workers; in countries with strong Christian Democratic parties, Social Democratic parties have to become more centrist, abandoning outsiders.

These arguments clearly demonstrate the importance of Sweden as a hard case. The scholars that we have just cited would not expect the distinction between insiders and outsiders to have any effect on party politics and political behavior in Sweden. In other words, our hypothesis is relatively unlikely to be confirmed, given the weak divide between insiders and outsiders in Sweden, as compared to liberal or continental countries. If we find an effect in Sweden, we will make a general point about the importance of this divide that is not limited to an explanation of Swedish politics. It is possible that insider-outsider divides are weaker in countries with encompassing unions and proportional representation systems without strong Christian democratic parties. Yet, the distinction between insiders and outsiders may still matter. As Iversen and Stephens would expect, our analysis shows that after the election in 1998, when their support among outsiders declined, the Swedish Social Democrats made significant attempts to recover outsider support (unlike mainstream left parties in continental Europe). But our analysis also suggests that they paid a high price for this political choice.

There is an additional reason to concentrate on the Swedish case. Since the transition from near-full employment to mass unemployment was exceptionally sudden in early 1990s Sweden, a close examination of the four elections that have been held since then – in 1994, 1998, 2002, and 2006 – allows us to examine how parties adjust to new social and economic circumstances. The Swedish Model of the 1950s and 1960s ensured that most Swedes were, for all practical purposes, guaranteed a job. High economic growth and employment-oriented economic and social policies ensured reasonable chances for all those who wished to find employment. The active labor market programs that were introduced from the 1950s onwards were meant to assist workers who were stranded on “islands of unemployment” in the economy (Lindvall 2004, 160). Meanwhile, employment protection was relatively weak. Ever since the so-called December Compromise between the union confederation LO and the employer confederation SAF in 1906, employers could “hire and fire workers freely.” The political objective was not to guarantee employment within the same firm, but to make sure that everyone could find a job even if they were to lose their present employment.

In the mid-1970s, new labor market legislation was introduced. Most importantly, employers could no longer choose which workers to lay off (although they had, and have, a right to reduce the overall size of their workforce). The so-called “LAS-rules” (after *Lagen om anställningsskydd*, the “employment protection act”) require of employers to lay off workers in reverse order of employment. The center-right government in 1991–1994 relaxed some of this legislation, but in all essentials, the 1970s legislation still stands. The introduction of employment protection legislation in the 1970s is an important cause of the emergence of insider-outsider cleavages across Europe (Rueda 2007), but during the 1970s and 1980s, employment protection legislation in Sweden did not appear to have created any strong political tensions between insiders and outsiders. A vast majority of wage-earners were employed on regular contracts, the trade unions were encompassing and inclusive, and, most importantly, the economic policies of both social democratic and center-right governments provided for full employment (Lindvall 2006).

However, since about 1990 outsiders have lost ground. Real incomes have increased for people with good jobs while the number of outsiders has increased dramatically. In many cases, outsidership does not only matter to a person’s income, but also to his or her social security rights: Sweden’s core social insurance programs are based on income replacement, so citizens only become eligible for generous benefits once they have worked for a certain period of time. Consequently, during and after the deep economic crisis of the early 1990s much larger groups in the labor market than before – particularly among immigrants and

young people – fell outside the scope of important social insurance programs, such as unemployment insurance. For these reasons, we have chosen to make the appearance of mass unemployment in the Swedish economy in the 1990s the starting point for our analysis of employment policies, party politics, and the political behavior of insiders and outsiders.

4. Data and Methods

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

Our description of party positions in the election campaigns relies on three sources. First, we use Esaiasson and Håkansson's POP dataset (*Partiernas opinionspåverkan*; see Brandorf et al. 1996) on the content of Swedish election campaigns, from which we use data on the saliency of various political issues in the final, televised party leader debates.⁵ Second, we draw on election reports in *Electoral Studies*, *European Journal of Political Research* and *Scandinavian Political Studies* (and on books by the principal investigators of the Swedish National Election Study) in order to provide more detail on the content of the election campaigns (specific references are given throughout the text). Third, we provide our own analysis of survey data from the National Election Studies in order to examine voter perceptions and evaluations of election campaigns and party messages. The quantitative data on election campaigns only allow us to identify the proportion of party leader statements that were concerned with "employment" in general – the data do not provide any more detailed information about the *kinds* of employment policies that different parties favored. However, as we explain in the empirical sections, the qualitative sources that we use show that at least when it comes to the Social Democrats, the pattern that we observe in the quantitative data reflects important differences in the attention that the party paid to issues that mattered to outsiders.

Our individual-level analysis of voting choices relies on data from the Swedish National Election Studies. Sweden's election studies program is one of the oldest in the world – second only to the United States – and the data benefit from very high response rates (in our case, the response rate varied between 82 percent in 1998 and 70 percent in 2002). Our de-

⁵ The final party leader debate is one of the last events of the election campaign and usually sums up the campaign as a whole. It is also one of the most widely watched programs on Swedish television. According to data from the National Election Studies, a remarkably high number of voters claim to have seen at least parts of the final party leader debates: from 65 percent of the respondents in 1994 to 57 percent in 2006 (Oscarsson and Holmberg 2008, 75).

pendent variable, party choice, is based on a survey item that asked voters to name the party they actually voted for.⁶ The dependent variable has nine categories: (1) Left Party, (2) Social Democrats, (3) Green Party, (4) Centre Party, (5) Liberals, (6) Moderate Party, (7) Christian Democrats, (8) another party, and (9) did not vote (or left an empty ballot).⁷ Since electoral participation is a matter of public record in Sweden, we have objective information on non-voting. Respondents who claim to have voted are coded as non-voters if their survey answers are contradicted by official data.

[Tables 1 and 2]

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

Our main explanatory variables are insider and outsider status. The unemployed and those respondents who were enrolled in active labor market programs such as training or subsidized employment count as outsiders in all our models. Two categories of wage earners are usually considered as having precarious employment: fixed-term and involuntary part-time workers. A number of analysts have found that such “atypical” jobs increase job insecurity (see, for example, Näswall and De Witte 2003 and Burgoon and Dekker 2010). Regrettably, we do not have data on fixed-term employment for the 1994 and 1998 elections, nor do we have data on involuntary part-time employment for the 2002 and 2006 elections. In our models for 1994 and 1998, we therefore count respondents who were employed in full time jobs or worked part-time voluntarily as insiders (excluding managers, businessmen, and farmers), whereas we count the unemployed, respondents enrolled in active labor market programs, and involuntary part-time employees as outsiders. In our models for 2002 and 2006, on the other hand, insiders are gainfully employed with permanent contracts (excluding managers, businessmen, and farmers), whereas outsiders are unemployed, enrolled in active labor market programs, or

⁶ Our sample contains respondents whose main interview took place before the election, but these respondents received a brief questionnaire after the election where they were asked for this information.

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

fixed-term employees. The fact that our results are based on two different definitions of outsidership complicates intertemporal comparisons, but almost all of the results that we report here hold if we re-run our analyses on the basis of a “narrow” definition of outsidership (counting only the unemployed and participants in active labor market programs). The only exception is the effect of outsidership on voting for the Social Democrats in the 2006 election (which diminishes and is no longer statistically significant at the 95 percent level). Individuals who are neither insiders nor outsiders are either students, farmers, managers, business owners, self-employed, or retired.

We include a number of control variables that have been shown to influence party choices and electoral participation in the comparative literature, the literature on the Swedish case, or both.⁸ First of all, we control for a set of demographic variables: age, gender, education, and immigrant status. These variables are almost always used as control variables in studies of public opinion and political behavior, but there are also substantive reasons why they should be included in our analysis. In industrialized democracies, new social risks have become increasingly important when analyzing policy preferences and political behavior. As Bonoli (2005) explains, the new social risks that are generated by post-industrial labor markets and family structures tend to concentrate among women, the young, and the low-skilled. We attempt to control for the effect of these new social risks by including variables that capture age, gender and education. Controlling for these variables is particularly important since women, the young, the less educated, and immigrants are overrepresented in the outsider group, and we want to distinguish between the effects of insider-outsider status and the other factors just mentioned. Moreover, age, education, and immigrant status are known to be powerful predictors of electoral participation.

A large literature has emphasized the connection between union membership and left party strength. At the aggregate level, the idea of such a relationship is supported by power-resource theories in comparative political economy (Stephens 1979, Korpi 1983, Huber and Stephens 2001). At the individual level, union members have consistently been found to be more likely to support left parties. This may be because of the role of unions as a channel of communication for shared problems – as in the pioneering work of Lipset (1960) – or as an intermediary organization for specific classes (see, for example, Kumlin and Svallfors 2007).

⁸ Details about the operationalization of all variables can be found in Appendix 1. For detailed information about the empirical relationships between the control variables in our model and the party choices of Swedish voters, we refer to the four books on the 1994–2006 elections that have been produced within the Swedish National Election Studies program: Gilljam and Holmberg (1995), Holmberg (2000), Holmberg and Oscarsson (2004), and Oscarsson and Holmberg (2008).

Union membership is also likely to be a predictor of participation, since it integrates the individual in a social network and makes her a likely target of mobilization efforts (as Allern et al. 2007 document, Sweden's largest union, LO, is affiliated with the Social Democrats and supports them in elections). For all these reasons, we include union membership in the statistical analysis.

We also include social class, religiosity, and public sector employment.⁹ A vast literature has developed about the influence of class on voting (see for example, Lipset 1960, Evans 1999, Svallfors 2006, Brooks and Manza 1997, and, on the Swedish case, Oskarson 1998). We use a set of dummies that corresponds roughly to the most widely used conceptualization of class in the contemporary literature: the Erikson-Goldthorpe schema (Holmberg and Oscarsson 2004, 56).¹⁰

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

Since our dependent variable is a (nominal) choice among parties – plus the option of not voting or leaving an empty ballot – we estimate a multinomial logit model.¹¹ In our case, the reference category is voting for the Social Democrats. Because we run our model on four datasets (one dataset per election), our main results consist of thirty-two sets of estimates of the effects of all the independent variables on the likelihood of choosing a certain category (the Left Party, the Green Party, etc.) rather than the reference category (the Social Democrats).

The raw estimates are complex and – more importantly – do not directly reflect the relationships of interest, so we do not present them in the chapter.¹² Instead, we concentrate on

⁹ We do not add income since it is highly correlated with the class variables in model 3. Furthermore, the Swedish literature has shown that the relationship between income and party choice in Sweden is weak (see Martinsson 2009, chapter 3, for a literature review).

¹⁰ It should be noted that since some classes are more vulnerable to unemployment than others, controlling for class is a tough test for our theory.

¹¹ The main limitation of the multinomial logistic model is that it assumes the independence of irrelevant alternatives (IIA). We perform a Hausman test for the IIA assumption. Our tests do not provide any evidence against the assumption that the odds between any two categories of the dependent variable are independent. The results are available from the authors.

¹² All results are available from the authors.

the marginal effects of insider and outsider status on the probability of choosing a certain party (or not voting) in each of the four elections. Using the estimated coefficients, we calculate the probability that an individual with a particular set of values on the independent variables would vote for a particular party (or not vote). In order to get point estimates for the predicted probabilities and to test whether the differences between insiders and outsiders are significant, we use a procedure proposed by Long and Freese (2006: 249), and which is based on the *SPost* package for Stata. When we calculate the predicted probabilities, we concentrate on the effect of a change from “insider” to “outsider” for a typical member of the broad working class that we concentrate on. In other words, we vary the outsider and insider variables, but assign the modes or means for all individuals that are *either insiders or outsiders* to all other variables in our model. A typical member of this group, in our sample, is a 40-year-old man who was born in Sweden and has three years of secondary-school education.¹³ He is a mid-level white-collar worker and a union member, and does not work in the public sector.¹⁴ He does not go to church regularly.

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

5.1. The 1994 Election

The parliamentary election in 1994 was the first to follow the large increase in unemployment experienced in the early 1990s. However, it resembled past elections, held in the era of full employment, in the sense that the social democrats were able to benefit from their traditionally strong profile in the area of employment policy (Martinsson 2009): unemployment had begun to increase before the Social Democrats lost power in September 1991, but most of the blame for the emergence of mass unemployment fell on the center-right parties that were in power in 1991–1994.

For much of 1994, a Social Democratic victory was seen as a foregone conclusion. Before the summer, some opinion polls even suggested that the Social Democrats would win more than 50 percent of the vote (Widfeldt 1995, 209). As the election drew nearer, the Social Democrats tried to lower expectations. The budget deficit had increased greatly during the deep economic crisis in the early 1990s, and there was broad political agreement that spend-

¹³ Average education levels have increased over time, which complicates matters somewhat. We have chosen to calculate predicted probabilities for respondents who have completed three years of secondary school (and have no university education), since this is the median level of education in the later elections and we wish to make the predicted probabilities comparable between elections.

¹⁴ In 1994, “other worker” is the modal class category, closely followed by mid-level white-collars. In all other years, medium-level white-collars are most common, so we stick to that.

ing cuts and tax increases would become necessary in the 1994–1998 parliament (Gilljam and Holmberg 1995, 21). For this reason, the Social Democrats presented a harsh election manifesto in August, proposing some drastic cuts in the welfare state, as a “precaution against a future opinion backlash” (Widfeldt and Pierre 1995, 481).

[Figure 2]

When it comes to employment, however, there is no doubt that the Social Democrats kept a high profile in 1994.¹⁵ The Social Democrats emphasized employment in the campaign, and in the final televised debate between the party leaders almost 19 percent of the Social Democratic party leader Ingvar Carlsson’s statements concerned employment or unemployment (see Figure 2). National Election Study data reveal that in the minds of the voters, the issue of employment was strongly associated with the Social Democrats – 70 percent of election respondents said that the Social Democrats had emphasized this issue during the campaign. This is an unusually large number. No other party scored higher than 26 percent (Gilljam and Holmberg 1995, 52). Moreover, voters approved of Social Democratic employment policies. As Figure 3a shows, the difference between those who believed the Social Democrats had good employment policies and those who believed that they had bad policies was large, both among outsiders and insiders. Figure 3b, on the other hand, reveals that many voters were critical of the employment policies of the Moderates (the prime minister’s party in 1991–1994).

[Figure 3]

The 1994 election was a big success for the Social Democrats, who won 45.2 percent of the vote. It was also a success for other left parties. With 6.2 percent, the Left Party had its best result since the 1940s, and the Greens, who had lost all their seats in 1991, passed the 4 percent electoral threshold, winning 5 percent of the vote.

In their book on the 1994 election, Gilljam and Holmberg wrote that the Social Democrats won because of a widespread belief that the previous government had failed to deal with the economic crisis (1995, 188). Voters had more confidence in Social Democratic policies on employment, the economy, and the welfare state. The data we have presented so far are consistent with this interpretation, but add important details. The most important features of the 1994 campaign, for our purposes, were: (a) it was an election where employment was salient, (b) voters perceived that they were offered clear alternatives in employment policy, and (c)

¹⁵ When the National Election Study respondents in 1994 were asked an open-ended question about which issues mattered most for their party choice, 41 percent of respondents declared that employment was important – the second highest number for any issue in any election ever since this question was first asked in 1979 (Gilljam and Holmberg 1995, 23–26).

all labor market groups had more confidence in Social Democratic employment policies than in the policies of other parties.

In 1994, then, the Social Democrats were perceived as a party interested in promoting the interests of wage earners in general, and therefore as an attractive alternative for both insiders and outsiders. On the basis of the theoretical ideas that we presented in section 2, we expect that this should lead to relatively small differences between insiders and outsiders when it comes to non-voting. If there are any differences in party choice, we would expect outsiders to vote for left-of-center parties, since the left was identified with employment promotion.

[Table 3]

A detailed analysis of individual-level data shows that these expectations are largely met. Table 3, which is based on our full model of voting behavior, presents the predicted probabilities for the nine voting choices for both insiders and outsiders (holding all other variables constant). The main result is that outsiders were less likely than insiders to vote for two of the center-right parties, the Center Party and the Moderate Party. Overall, the results confirm our expectations for an election where the Social Democrats manage to appeal to both insiders and outsiders: outsiders were less likely than insiders to vote center-right, and more likely to vote center-left. This is also how outsiders behave in existing studies of pre-1990s elections (Holmberg 2000, 99), before the distinction between insiders and outsiders became politically salient in Sweden.

5.2. The 1998 Election

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

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

labor market insiders, who were more concerned with public services. Faced with these competing demands, the Social Democrats concentrated on winning over middle class voters.¹⁶ One of the main events of the election campaign was a late Social Democratic promise to cap public child care user-fees. This policy (*maxtaxan*) benefited medium- and high-income earners with children, who are more likely to be insiders than outsiders.

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

Both insiders and outsiders looked less favorably on Social Democratic employment policies in 1998 than they had in 1994, but the shift is especially noteworthy among outsiders (see Figure 3a). Many outsiders found the Left Party's employment policies more appealing. The number of outsiders believing the Left Party to have good policies on employment significantly outnumbered those who thought that it had bad policies. In the other three elections included in our analysis, no group was ever this supportive of the Left Party's policies on employment.¹⁷

The 1998 election was a disaster for the Social Democrats, who won only 36.4 percent of the vote, almost 9 percentage points less than in 1994. This was the party's worst result since the introduction of general suffrage in the early 1920s. The big winner among the left-wing parties in 1998 was the Left Party, and there was a big flow of voters from the Social Democrats to the left.¹⁸ It also seems clear that many social democratic voters chose to abstain, accounting for some of the big drop in turnout, which reached the lowest level since the 1950s.

¹⁶ In an interview conducted in May 1997 but published only in 2007, the Social Democratic Prime Minister Göran Persson said that he expected the macroeconomic situation to improve before the 1998 election and that this would reduce the salience of employment issues (Fichtelius 2007, 208).

¹⁷ Figure for the Left Party not shown, available from the authors.

¹⁸ Of those who voted for the Social Democrats in 1994, 10 percent voted for the Left Party in 1998 (Holmberg 2000, 20). Considering the fact that the Social Democrats won more than 40 percent of the vote in 1994, this is a very large number.

In spite of the election result, however, the Social Democratic government stayed in power, since most party changes between 1994 and 1998 occurred within the two main ideological blocs.

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

In our view, what happened in 1998 was that the Social Democrats were unable to reconcile the competing claims of two groups that had traditionally supported them. Their failure to address the employment problem when they were in power in 1994–1998, combined with their emphasis on issues with middle class appeal (such as child care user-fees) led to disapproval among outsider groups. This means that the 1998 election offers us an excellent opportunity for evaluating our hypothesis. Do outsiders abandon the political process or vote for more radical political parties when they perceive that mainstream left parties are not promoting their interests? We turn again to a detailed analysis of individual-level data.

As before, Table 3 presents the predicted probabilities for insiders and outsiders (holding all other variables constant, as explained above). This time, we also discuss some differences between the 1998 election and the results for 1994. In 1998, outsiders were still much less likely than insiders to vote for the Moderate Party. The two most important findings, however, relate to non-voting and support for the Left Party. In 1998, outsiders were much more likely than insiders not to vote. The difference in predicted probabilities is much larger than it

was in 1994, and moreover, it is now statistically significant. Among insiders, the probability of not voting increased from 4.4 to 8.7 percent, but among outsiders, it increased from 7.2 to 16.0 percent. The difference between insiders and outsiders, therefore, almost tripled (from 2.8 to 7.3 percentage points). Support for the Left Party also increased dramatically among outsiders. In 1994 the difference in predicted probabilities between insiders and outsiders was small and statistically insignificant, in 1998 it was significant and substantial: the predicted probability of voting for the Left Party for outsiders (10.7 percent) is almost twice as that for insiders (5.9 percent).

5.3. *The 2002 Election*

In contrast to 1998, voters in 2002 looked back on four years of *declining* unemployment under a Social Democratic government. Most voters in 2002 placed the quality and provision of public services on top of the agenda – not economic policy and employment, which traditionally score highly. In fact, compared to the other three elections considered in this chapter, employment mattered very little to voters in 2002: only 7 percent of survey respondents mentioned employment when they were asked if there were any issues that mattered to their party choice (Holmberg and Oscarsson 2004, 123). This is probably a result of the decline in unemployment after the deep economic crisis of the 1990s. After a decade when macroeconomic problems had dominated the political agenda, other issues became more salient.

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

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

Most scholars and political commentators have concentrated on the ability of the Social Democrats to press home their message of spending on public services in the 2002 election campaign. In addition to this, we would argue that an important difference between 1998 and 2002 was economic performance. Sweden's growth, the relatively favorable development of employment and unemployment rates, and the low salience of employment made it possible for the Social Democrats to appeal to a broader range of voters than in the previous election: the Social Democrats attracted both outsiders (by emphasizing employment more than other parties) and the middle class (by suggesting that center-right tax policies would lead to a deterioration of public services). It is true that the support of insiders and outsiders did not return to the high numbers in the 1994 election. Nevertheless, propitious macroeconomic circumstances allowed the Social Democrats to minimize the influence of insider-outsider differences.

The points made in the previous paragraph are confirmed by the detailed analysis of the individual data in Table 3. Probably because employment issues had such low salience, 2002 is different from the two previous elections (and the election in 2006): there were few significant differences between insiders and outsiders, either substantively or statistically. Neither the difference in the probability of non-voting nor the difference in the probability of voting for the Left Party was particularly large in 2002, nor were these differences statistically significant.

5.4. The 2006 Election

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

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

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

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

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

The Social Democrats had their worst election outcome since pre-democratic times, winning only 35.0 percent of the vote. Unlike in 1998, the voters did not go to the Left Party or the Green Party. Instead, many previous Social Democratic voters (remarkably) supported the main ideological opponent of the Social Democrats: the Moderate Party. Unlike in the 1998 and 2002 elections, the center-right parties were able to generate a net flow of voters from left to right.

Our interpretation of the 2006 election is similar to earlier studies in the sense that we believe that the Social Democrats lost the 2006 election since they "were no longer regarded as

the party that offered the best solutions for employment and the economy” (Oscarsson and Holmberg 2008, 184) and were “on the defensive regarding jobs” (Widfeldt 2007a, 1122). However, the successful center-right message on employment was targeted at insiders, not outsiders (and it attracted insiders, as we will show below). The political problem for the Social Democrats in 2006 was that – just as in 1998 – they faced competing claims from outsiders (who wanted to preserve their level of benefits and) and the insiders (who were attracted by the center-right message of lower taxes for people in work, paid for by reducing benefits for the unemployed). In 1998, the Social Democrats chose the insiders, which led to a marginalization of outsiders and increased support for the Left Party. In 2006, the Social Democrats were seen to support outsiders by preserving generous transfers for the unemployed and the inactive, allowing the center-right to target insider groups that had previously voted for the Social Democrats.

The estimates in Table 3 clearly demonstrate the effects of the Moderate Party’s appeal to insider voters. There are only two statistically significant differences between the predicted probabilities for insiders and outsiders: outsiders were more likely to vote for the Social Democrats and less likely to vote for the Moderate Party. Remarkably, these two differences are of almost identical size, but with opposite signs. Judging from our data, the Social Democrats were in fact slightly *more* popular among outsiders than they had been in 2002, but they lost a great deal of their support among insiders. Our interpretation is that by being seen to defend the interests of outsiders, the Social Democrats avoided the effects that we observed in 1998, but they appear to have paid a political price, becoming vulnerable to a targeted attack from the center-right opposition.

6. Conclusions

In this chapter, we have shown that the strategies of political parties influence the electoral behavior of insiders and outsiders. An analysis of the Swedish case -- a hard case for our hypotheses -- leads to the following two conclusions.

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

Second, a comparison between the 1998 election and the 2006 election suggests that social democratic parties – and other mainstream left parties – may face an “insider-outsider dilemma”: tailoring their message to one group may alienate the other. After the 1998 election, the Social Democrats appear to have made new efforts to reconcile insider and outsider interests. In 2002, this strategy worked, since the macroeconomic circumstances were propitious and unemployment was relatively low. However, in 2006, the risks of the strategy became clear: since economic circumstances were no longer beneficial to such “inclusive” strategies, the Swedish center-right parties were able to win over insider voters. Our results suggest that what happened in 2006 was not that the Social Democrats failed to recognize that voters cared about employment; what happened was that the Social Democrats failed to reconcile the interests of insiders and outsiders when they were faced with a center-right opposition that tailored their message to attract labor market insiders.

The main implication of our results is that the strategies of political parties matter greatly to whether the economic marginalization of vulnerable groups in the labor market also leads to their political marginalization.

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Table 1. The Distribution of the Dependent Variable (Percent of Sample)

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

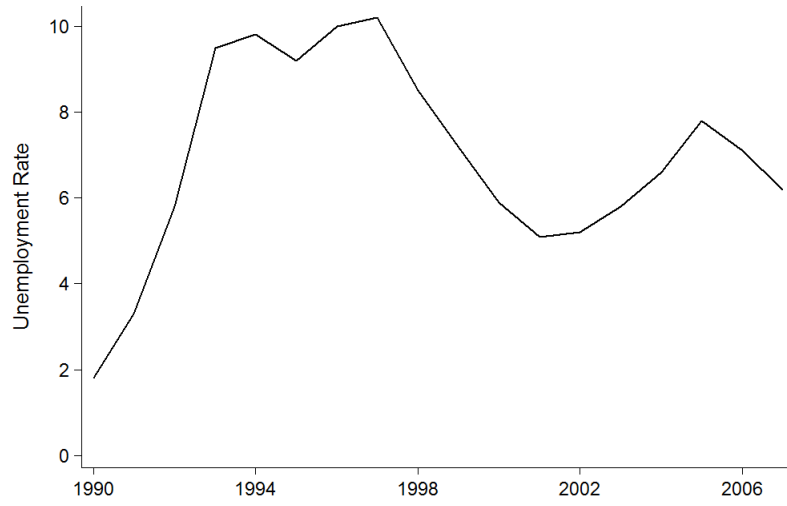
Table 2. Swedish Election Results, 1994–2006 (Percent of the Vote)

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

Table 3. Predicted Probabilities

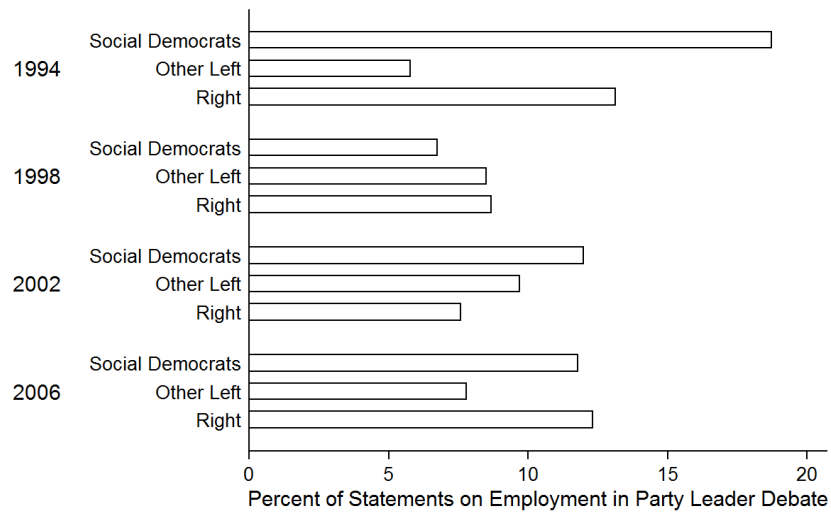
	1994			1998			2002			2006		
	Outsiders	Insiders	Diff.	Outsiders	Insiders	Diff.	Outsiders	Insiders	Diff.	Outsiders	Insiders	Diff.
Left Party	4.4	3.1	1.3	10.7	5.9	4.9 **	7.0	6.5	0.6	7.3	5.4	1.9
Social Democrats	52.5	45.9	6.6	34.2	37.4	-3.2	38.0	38.1	0.0	39.7	32.3	7.5 **
Green Party	3.0	2.7	0.3	3.2	2.8	0.3	8.3	4.9	3.4	4.5	5.4	-1.0
Centre Party	2.3	4.7	-3.4 **	1.0	2.4	-1.4	2.7	4.4	-1.7	3.6	5.0	-1.4
Liberal Party	8.2	7.1	1.1	6.2	5.4	0.8	11.7	14.4	-2.7	7.0	9.3	-2.3
Christian Democrats	1.0	1.1	-0.1	8.0	6.3	1.7	7.2	7.2	0.1	3.0	4.2	-1.2
Moderate Party	18.6	29.3	-10.7 **	19.5	30.6	-11.1 **	13.6	12.7	0.9	18.2	25.6	-7.4 **
Other Party	3.0	1.7	1.3	1.3	0.6	0.7	1.3	0.9	0.3	5.2	3.2	2.0
No vote	7.2	4.4	2.8	16.0	8.7	7.3 **	10.2	10.9	-0.7	11.5	9.6	1.9

Figure 1. Open Unemployment in Sweden



Source: OECD

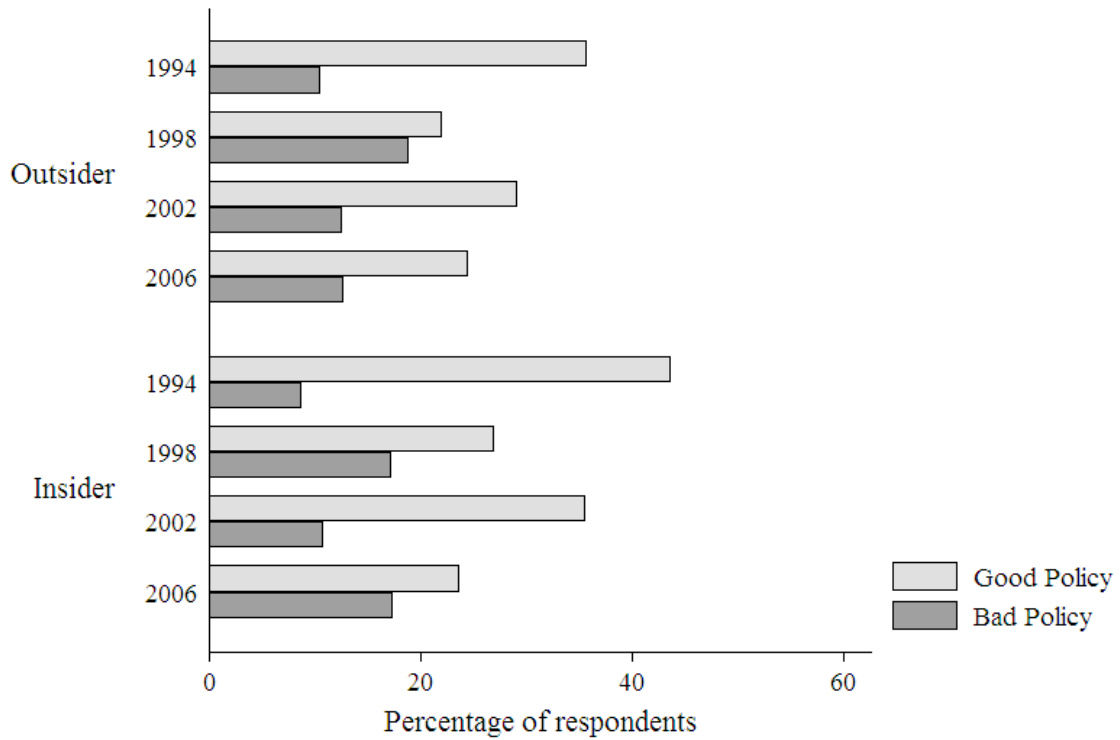
Figure 2. The Salience of Employment in Election Campaigns



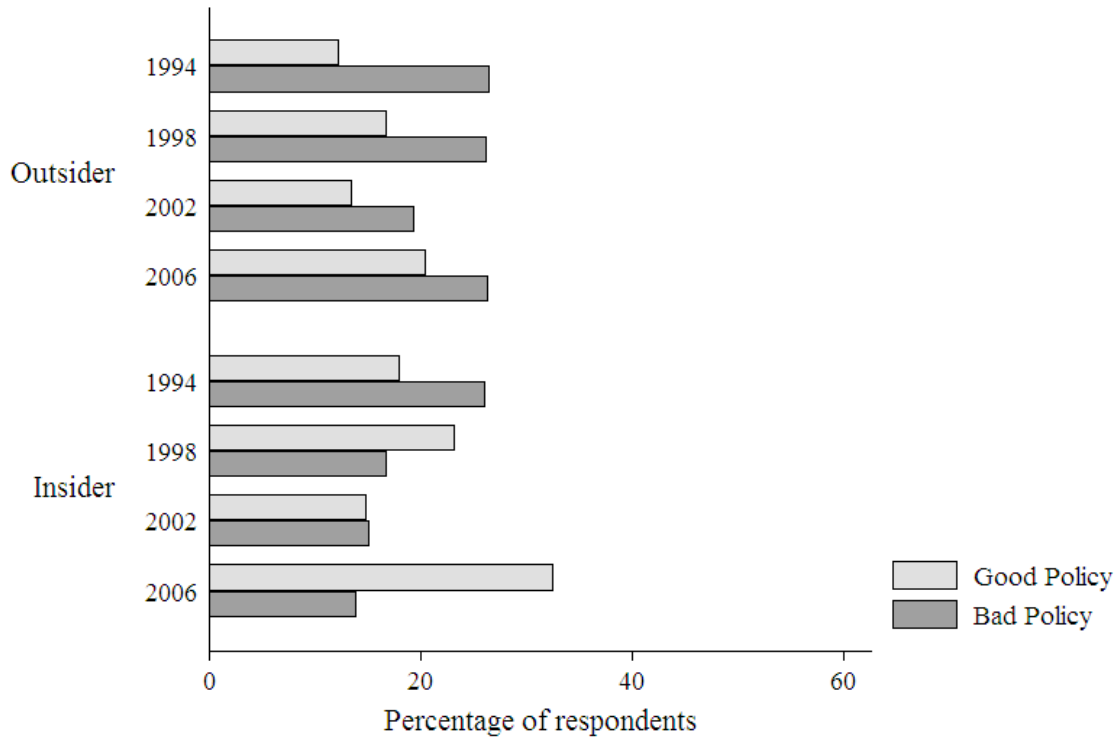
Source: POP data set (Brandorf et al. 1996). *Note:* The bars represent the percentage of statements in the final, televised election debates between party leaders that were mainly concerned with the issue of employment (including unemployment).

Figure 3. Attitudes to Employment Policies

3a. Attitudes to Social Democratic Employment Policies



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



Source: Swedish National Election Studies. *Note:* Lighter bars represent the percentage of respondents (within each of the two labor market groups) who believed that the Social Dem-

ocratic Party (panel 3a) or the Moderate Party (panel 3b) had a good policy on employment. The darker bars represent the number of respondents who believed that the party had a bad policy on employment.

Appendix 1: Variables

Party Choice

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

Insiders and Outsiders

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

Gender and Age

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

Education

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

Immigration Status

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

Union Membership

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

Class

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

Religiosity

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

Sector

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