

Ghent revisited. Unemployment insurance and union membership in Belgium and the Nordic countries

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Abstract

The role of Ghent systems in promoting high levels of unionization is well documented. The exceptionally high union density rates in Denmark, Finland and Sweden are attributed to a particular form of voluntary unemployment insurance. Heavily subsidized by the state and administered by trade union funds, the system strongly motivates workers to become union members. Belgium has a partial Ghent system: while unemployment insurance is compulsory, trade unions retain an important role in the provision of benefits. Union density in Belgium is at an intermediate level. In contrast to most other industrialized nations, but similarly to other Ghent countries, its union density is currently higher than in the 1970s. This article traces the incentives for union membership in the different Ghent systems. It argues that the Belgian institutional set-up provides stronger incentives for

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certain categories of workers than for others, accounting for a distinctive pattern of trade union membership. The Belgian system particularly promotes union density among manual workers in industry with lower educational attainment and a past unemployment record. In Denmark, Finland and Sweden, the Ghent system recruits workers across different occupations and educational levels. Its appeal seems to have lessened over recent years, however, particularly among younger workers.

Keywords

Ghent system, trade union, union density, unemployment insurance, Belgium, Denmark, Finland, Sweden

Introduction

To the backdrop of a general decline in unionization across industrialized countries (Visser, 2006), the divergent trajectory of a number of countries has attracted considerable attention. In Belgium, Denmark, Finland, and Sweden the share of union members among wage and salary earners is now larger than in 1970¹. Union density rates in Denmark, Finland and Sweden are significantly higher than in most other OECD countries, despite some decline since the 1990s. The Belgian union density rate is notably lower than in its Nordic² counterparts, but has shown more resilience, even spells of growth over the most recent years (See Table 1).

<Table 1 about here>

The presence of so-called Ghent systems has often been identified as an important explanatory factor for these high unionization rates (See for instance, Scruggs, 2002; Western, 1993). Trade unions in Denmark, Finland, Sweden and (albeit in a different manner) Belgium are strongly involved in the provision of unemployment insurance. It has been argued that this

involvement provides ‘selective incentives’ (Olson, 1965). To the extent that workers perceive trade union membership as a condition for unemployment insurance, the system strongly promotes union density.

This article provides an overview of the Ghent systems in Belgium, Denmark, Finland and Sweden. Its focus is on the ‘selective incentives’ through which these systems favour union density. Evidently, many alternative theoretical approaches exist. The decision to become or remain a union member hinges on a variety of motives, some of which fit uneasily in a personal utility-maximizing rational choice framework. Further explanatory factors include union representation at the workplace; national and sectoral collective bargaining (Ebbinghaus and Visser, 1999); social customs (Visser, 2002). Nevertheless, a rational choice account of union membership, especially as it relates to Ghent-related factors, seems highly consistent with observed patterns of union membership (particularly in Belgium).

This article considers unemployment insurance, the role of trade unions and unemployment risk. Going beyond country-level aggregates, it argues that the institutional set-up and labour market conditions give rise to differentials in trade union density within countries. This hypothesis is tested against micro-data of the European Social Survey, wave 2006. The conclusion provides a summary and elements for discussion.

The Ghent system: origins, characteristics and incentives

The Ghent system is named after the Belgian city where it first emerged at the end of the nineteenth century. A substantial proportion of the manual workers in this industrial city were organized in trade unions, some of which offered voluntary unemployment insurance to their members. Faced with increasing strain, the union funds turned to the local authorities for financial aid. In 1900, the municipality granted this request, setting up a municipal fund to support union activities in the field

of unemployment insurance. Remarkably, the authorities of Ghent confirmed the trade unions in their role as administrators of the insurance. The unemployed continued to apply for benefits through their trade union, which then provided both the union-financed benefit and the city-funded supplement (Vanthemsche, 1990). As a result, the Ghent system refers to a system of voluntary unemployment insurance that is subsidized by public authorities and in which trade unions (or linked funds) provide benefits to the unemployed.

It has been argued that Ghent systems strongly promote union membership. In the framework of Olson (1965), a union seeking to recruit and mobilize members crucially depends on the ability to provide workers with selective incentives. The theory assumes that utility maximizing individuals become or remain union members based on a cost-benefit analysis of private gains. Trade unions produce a host of non-selective public goods, benefiting members and (free-riding) non-members alike. Only where benefits are individualized and reserved to trade union members do they act as a powerful motivation for membership.

The selectivity of incentives within Ghent systems is not always clear-cut. Both the original and contemporary versions feature alternative options for non-unionized workers wishing to acquire unemployment insurance. Still, in many cases workers may consider these alternatives as less favourable. Above all, this would be the case when workers perceive union control over eligibility checks and reemployment prospects (Rothstein, 1992; Scruggs, 2002). Moreover, the public may not always be aware of non-union alternatives.

As prior analyses show, unemployment risk is an important mediating factor. Cross-country analyses by Checchi and Visser (2005) reveal that, contrary to the negative association between unemployment and unionization in most countries, unionization in Ghent countries tends to increase under conditions of rising unemployment. It is particularly under conditions of high unemployment (risk) that Ghent countries record strong increases in union density. The subsequent section investigates the incentives that are produced in the Belgian, Danish, Finnish and Swedish systems.

Ghent systems in Belgium and the Nordic countries³

Voluntary unemployment insurance in the Nordic Ghent countries

Denmark, Finland and Sweden maintained voluntary unemployment insurance, even if they complemented it with other systems, to a varying extent⁴. While insurance is voluntary, a number of features ensure that it has a broad membership base, beyond workers facing imminent redundancy or a high risk of unemployment. First, in all three countries, voluntary unemployment insurance is conditional upon prior membership. The minimum period of contribution to these funds is one year in Sweden and Denmark. The Finnish system requires membership of an unemployment fund during the work requirement period of the obligatory component (typically 43 weeks in the last 28 months).

Second, the membership fees of unemployment insurance funds represent a minor source of funding for unemployment benefits. Insurance fees are partly tax deductible⁵ and the bulk of costs of unemployment insurance in Nordic countries is borne by tax subsidies and/or compulsory contributions by employers and employees⁶. This entails that for a relatively small extra cost, workers can become fully eligible to benefits, the bulk of which is financed through other channels.

Finally, compensation rates of unemployment insurance in Denmark, Finland and Sweden are relatively high, particularly in the initial period for low and average wage earners. Depending on the wage level and family composition, benefits represent up to ninety percent of their previous earnings (OECD, 2007).

It should be noted that a number of reforms have diminished the appeal of unemployment insurance. Benefit ceilings have eroded the replacement rates at the higher end of the pay scale, in some cases to below fifty percent (OECD, 2007). Eligibility conditions have been tightened with regard to the requirement of actively seeking work. In Denmark, a very popular form of early

retirement benefits (efterløn) which was administered through the unemployment insurance has been reformed substantially (Lind, 2009). Reforms to the system of tax deduction of insurance fees have reduced voluntary insurance coverage in Sweden (Lundberg, 2007) and Denmark (Jørgensen, 2010).

Despite a certain decline, the vast majority of workers opt for voluntary insurance. Over eighty percent of wage and salary earners were members of unemployment insurance funds in Finland in 2003 (Böckerman and Uusitalo, 2006) and Denmark and Sweden in 2005 (Clasen and Viebrock, 2008).

Compulsory unemployment insurance in Belgium

Belgium partly abolished its Ghent system, when it made unemployment insurance compulsory in 1944. The current unemployment insurance system is financed mainly through social contributions of employers and employees (with some additional financing from earmarked VAT levies). The administration of these contributions has been entrusted to a public institution, which is however co-governed by the social partners. As the next section will demonstrate, the trade unions have retained an important role in the actual provision of benefits.

Belgium's unemployment insurance system proper is more closely attuned to assumed need for minimum income protection than to past contributions, past wages and work history. In the initial phase of unemployment, replacement rates in Belgium are typically lower than in Denmark or Sweden. Compared to the Nordic countries, however, replacement rates decrease much less over time. Moreover, benefit entitlement in Belgium is in principle unlimited in duration.

Moreover, Belgium's unemployment insurance system provides a much wider range of benefits than is the case in most other countries, making Belgium an outlier in terms of spending on unemployment benefits (especially if compared to its ILO unemployment rate). Apart from unemployment insurance proper, the unemployment insurance system also forms the basis of the

principal early retirement scheme. Career interruption and working time reduction benefits are also part of the system.

In 2008 approximately 1.2 million people received one or another benefit paid provided by the unemployment insurance pillar of the social security system. This number equals close to twenty-five percent per cent of the Belgian workforce. A considerable number of people receiving benefits are employees who have temporarily reduced their working hours (because of economic unemployment or because of their own choice) or who are combining their earned income with a benefit (i.e. when they are part-time unemployed).

Belgian labour legislation strongly discriminates between manual workers and non-manual workers. Without providing an exhaustive overview of the issues, two elements that are in direct relation with the unemployment insurance system merit attention in this article.

First, there is the special provision called 'temporary unemployment'. This arrangement provides unemployment benefits to workers --- as a general rule only manual workers --- who are forced to reduce their working time because of factors like bad weather (especially important for construction), technical failures, severe drops in demand and other such external factors theoretically beyond the control of the employer (including strike under certain conditions). The unemployment contract is not terminated, but suspended on a temporary basis (for more details, see Vandaele, 2009). The system is widely used. In a normal year one in ten manual workers is likely to receive such a benefit, which can also be received through the trade union.

Second, the Belgian labour law applies different notice periods for manual and non-manual workers⁷. Notice periods tend to vary by sectoral agreement. As a general rule, however, notice periods are significantly shorter for manual workers. This distinction has strong implications for the unemployment insurance. A dismissed worker becomes eligible for unemployment benefits only after the end of the notice period. As a result of shorter notice periods, manual workers are far more likely to have to resort to unemployment insurance.

This means that manual workers in Belgium have a much higher probability than non-manual workers of receiving an unemployment benefit, either in work or after redundancy.

Union-linked insurance funds in the Nordic Ghent countries

In Finland, Sweden and Denmark, the main actors in the voluntary unemployment insurance are not the trade unions, but unemployment insurance funds. The majority of these were founded by trade unions, but have become (legally) separate entities over time. Nevertheless, a strong (perceived) link between the funds and the unions remains, as both are structured along the same lines. They typically relate to an economic sector, to a professional group, persons with a particular educational background or a combination of these.⁸ Nordic trade union confederations are organized in confederations that relate to white collar-blue collar divisions (for Denmark, Clasen and Viebrock (2008); for Finland, Jokivuori, (2006); for Sweden, Kjellberg, (2006)).

Over recent decades, adaptations to the traditional system have been introduced. These have had the effect of uncoupling trade union membership and participation in voluntary unemployment funds. In Denmark, four ‘open’ unemployment insurance funds recruit across all sectors, thereby severing the traditional ties between unemployment funds and their equivalent unions. By 2005, the open funds covered approximately fifteen percent of total fund membership (Clasen and Viebrock, 2008).

In Finland, the ‘General Unemployment Fund’ (YTK)⁹ emerged in 1992. In contrast to other unemployment insurance funds, YTK is linked neither to a trade union, nor to a specific sector or profession. In 2003, ten years after its introduction, its membership covered ten percent of wage and salary earners. Several observers have linked the recent decline of union density in Finland to the emergence of the independent fund. This effect would have been particularly strong among younger cohorts (Böckerman and Uusitalo, 2006).

In Sweden, a similar independent unemployment insurance fund has proven far less popular. By 2005, the 'Alfa kassan' covered no more than two percent of total unemployment insurance fund membership. Direct affiliation, the act of joining a union-led insurance fund without becoming member of the equivalent trade union, is far more widespread. Direct affiliates represented approximately fourteen percent of Swedish unemployment insurance fund members at the end of 2005.

In sum, the ties between trade union membership and membership of voluntary unemployment insurance funds in Nordic countries have loosened. By 2005, 'alternative' members (either members of an independent fund or direct affiliates) represent between ten and fifteen percent of membership of all unemployment insurance funds.

The motivations for this 'alternative' membership are manifold, but a few common themes can be identified across the Nordic countries. Financial incentives are often cited, as non-union alternatives may offer less costly membership fees. Besides financial incentives, motivations of a more ideological nature have also been mentioned. Young Danish workers who do not join any fund have voiced scepticism about the role of the funds and their links to trade unions (Jørgensen, 2006). In Finland, where trade unions have been known to endorse left-leaning politicians publicly, some see the non-party political image of YTK as part of its appeal (Jokivuori, 2006). For Sweden, however, Kjellberg (2006) claims that ideological motives are far less important than financial motives for direct affiliation.

Despite new evolutions, the association between unemployment insurance and trade unions remains very strong for large segments of the population. Many workers still believe that trade union membership is a requirement for voluntary unemployment insurance coverage (for Sweden and Denmark: Clasen and Viebrock, 2008; for Sweden: Kjellberg, 2006). In Nordic Ghent countries, unemployment insurance continues to favour union density, albeit less strongly than before.

Trade union confederations and payment bodies in Belgium

In most countries, the introduction of compulsory unemployment insurance led to the creation of a public agency to manage the administration and funds. In Belgium, the transition was partial. The collection of compulsory social contributions from employers and employees was entrusted to such an agency. In the provision of benefits, however, Belgian trade unions continue to play a major role. The bulk of expenditure on unemployment insurance (unemployment benefits, early retirement benefits and administration costs) is administered by the payment bodies of the three trade union confederations, organized along the traditional ideological pillars of Belgian society. These payment bodies are legally distinct from the confederations. By law, they are required to provide their services (information, administration and payment) without charge to any applicant. In practice, however, many are unaware of this option and there is a strong perceived link with union membership. In 2006, the Christian democrat ACV/CSC and socialist ABVV/FGTB each handle approximately forty percent, while the smaller liberal confederation ACLVB/CGSLB accounts some six percent (Rijksdienst voor Arbeidsvoorziening, 2008)¹⁰.

The remaining proportion of expenditure (less than thirteen percent) is managed by a non-union agency, named 'Hulpkas voor Werkloosheidsuitkeringen (HVW)/Caisse auxiliaire de paiement des allocations de chômage (CAPAC)'. In contrast to the Nordic experience, its share in the administration of benefits has waned rather than increased over the last 30 years.

One should overstate neither the weight, nor the independence of HVW/CAPAC in the Belgian system of unemployment insurance. Its board consists of representatives of trade unions and employers. It seems plausible that trade unions can continue to exert a strong influence on the functioning of this 'independent' agency.

There are a number of utilitarian motives for beneficiaries to prefer a trade union to the official independent agency. First, unions have a much stronger local presence than the independent

agency. The unions claim in brochures and on web sites that waiting periods at their offices are shorter and that their approach is more ‘customer- friendly’. In effect, in brochures and on their websites unions communicate with their (potential) members as if they are ‘clients’. The independent agency addresses them as ‘applicants’.

Second, unions provide extra services in terms of personalized advice and administrative support (e.g. filling out forms, compiling dossiers). Again, this is something that is strongly highlighted by the unions themselves in their outside communication. Given the enormous complexity, even opaqueness, of the regulatory framework and the ever evolving nature of the jurisprudence, this is most likely a significant factor. The complexity stems from the fact that Belgium’s social security system is to a large extent codified in so-called Royal and Ministerial Decrees. These are not subject to Parliamentary debate and approval and are therefore easily amendable. The regulatory framework is a complex patchwork of incremental changes accumulated over the past decades.

Third, benefit recipients have the right to be represented by a union representative during procedures and appeals before administrative bodies and labour courts (that also deal with disputes relating to unemployment insurance benefits.) Unions also have seats in the administrative panel hearing and ruling on appeals regarding benefit suspensions and other sanctions. It is fair to state that a perception exists that being represented by a union person during an appeal hearing is more likely to produce a favourable outcome, if only because the union people doing the representation in such cases have great expertise in handling such exactly such cases. Moreover, a perception may exist that union representatives wield additional influence.

In addition, and importantly, unions provide benefits from industry funds providing additional top-ups to unemployment and early retirement benefits¹¹. These industry funds were set up and are administered by the social partners and are funded through employers’ contributions. In principle, these benefits are available to non-union members but there have been court cases against

union charging non-union members for the administration of benefits. These industry funds operate separately from the social security system, but since many of the benefits provided by these funds are top-ups to regular social security benefits, there is a perceived link. It is evidently more convenient to receive both benefits – regular social security benefit and the complementary benefit provided by the sectoral fund – through the same channel.

In sum, the role of the unions in the unemployment insurance is different in Belgium, compared to the Nordic countries. In Denmark, Finland and Sweden, voluntary unemployment insurance is conditional upon prior membership, of typically one year. In Belgium, no such prior membership condition applies for access to the unemployment administration services of trade union. Upon becoming unemployed, one can join a trade union and get access to all the relevant services¹². In terms of incentives, this could have important repercussions both for the level and structure of union membership.

Unemployment risk in Belgium and the Nordic countries

In addition to the structure of unemployment insurance and the role of trade unions, unemployment risk is an important explanatory factor within the context of a Ghent system. The (perceived) prospect of unemployment strongly mediates the expected benefits of membership.

Belgium and the Nordic countries have known markedly different patterns of unemployment over recent decades. The ILO-unemployment rate in Finland, Sweden and Denmark peaked in the early 1990s as a result of a financial crisis. Union density also showed a marked increase over this period, to levels unseen before¹³. Over the next fifteen years, the Nordic Ghent countries succeeded in strongly reducing the unemployment rate (with Sweden being somewhat less successful). Unemployment risk in Belgium has been much less variable over this period, showing neither the dramatic increases of the early 1990s, nor as strong a reduction up to 2008 as the Nordic countries.

<Table 2 about here>

In 2006¹⁴, the unemployment rate in Belgium is somewhat higher than in the Sweden and Finland. Denmark has a markedly lower unemployment rate. The concentration along demographic variables shows a rather similar pattern in all four countries: women typically face higher unemployment risks, as do young people. From a utility maximizing perspective, and *ceteris paribus*, one would expect these groups to have higher union density.

Turning to a number of more ‘structural’ variables, a contrast between Belgium and the Nordic countries is revealed. Seemingly similar rates of unemployment hide strong differences with regard to the length of unemployment. Over half of all the unemployed in Belgium have been so for over a year. In Nordic countries, their share is under one quarter. Unemployment spells tend to be shorter, and possibly affect larger shares of the labour force.

Moreover, the risk of unemployment in Belgium is more strongly concentrated among the population with low educational attainment. In Belgium, the active population with at most lower secondary education are more than three times (3.3) more likely to be unemployed than their counterparts with higher education. In Finland, the ratio is somewhat lower (2.7). In Denmark (1.7) and Sweden (1.8), unemployment risk is clearly more evenly distributed across groups with different educational attainment.

Indeed, the structure of the Belgian labour market differs strongly from the labour markets in the Nordic countries. The protection of the (male) breadwinner in the welfare state/labour market nexus in Belgium has always carried relatively greater importance. This is in contrast with the more encompassing approach of the Nordic countries, with its focus on universal rights, and high rates of (female and public service) employment. In Belgium, internal adjustment mechanisms remain more important to compensate for shocks and business-cycle variations than is generally the case in the Nordic countries. These internal flexibility arrangements are mainly aimed at protecting core workers on long-term contracts. External adjustment in the guise of dismissal or non-renewal of

temporary contracts, in so far as it occurs, affects certain types of workers disproportionately. This implies that the labour market has more insider-periphery characteristics than the Nordic labour markets, and this is evident from the empirical indicators.

Hypotheses

The previous section has established the differences between the Ghent systems of the Nordic countries on the one hand, and the Belgian partial Ghent system on the other hand, both with regard to unemployment insurance, the role of unions and the structure of the labour market. Here, we argue that the systems generate very different incentives for union membership.

In the Nordic Ghent countries, (the earnings-related component of) unemployment insurance is voluntary. Given the fact that the bulk of unemployment insurance is financed through indirect channels (tax subsidies or social contributions), direct private costs are relatively low. Moreover, benefits are relatively generous, at least in the initial period of unemployment, further strengthening the incentive to join an unemployment insurance fund. A prior membership requirement (of typically one year) mitigates adverse selection and could further promote fund membership. The fact that unemployment risk is relatively evenly distributed across groups with different educational levels increases its universal appeal.

Evidently, the systems have been subject to erosion: Unemployment insurance has become more costly and less generous. Alternatives to dual membership of a trade union and its fund have gained in popularity. The risk of unemployment has decreased from the mid 1990s to 2008. Nevertheless, it would appear that the Ghent system continues to favour union density, and to do so for workers across different occupations and educational levels.

By contrast, in view of the particular nature of Belgium's unemployment insurance system, there are sound reasons to expect that workers have strongly varying incentives to join unions for

Ghent related motives. Unemployment insurance in Belgium is compulsory, but trade unions are strongly involved in the provision of benefits. In contrast to the Nordic system, the Belgian system has no prior membership requirements with regard to unemployment benefit services of trade unions. This leaves plenty of space for selection of workers with risk of imminent redundancy. Moreover, given the fact that manual workers have weaker dismissal protection and are at the same time more exposed to unemployment --- regular or temporary --- provides them clearly with a greater incentive to join unions because of Ghent related reasons. One would also expect to observe sectoral variation in union membership because of this, given that (temporary) unemployment is more likely to occur in certain sectors and because they employ higher shares of manual workers.

Survey analysis

These hypotheses are tested using data of the European Social Survey (ESS), wave 2006. The dependent variable is union membership among employees. To select current employees, a double selection was made: firstly with respect to the best description of the respondent's main activity the last seven days, second on the basis of past or current employment relation. Respondents were included in the analysis if they answered 'paid work' to the former question and 'employee' to the latter. To grasp membership, the following question was used: 'Are you or have you ever been a member of a trade union or similar organization? IF YES, is that currently or previously?'. In this paper, members are those who answered 'Yes currently' to these questions¹⁵.

To gauge the extent to which Ghent-related motives can account for union membership, the model includes nine variables relating to the risk of (temporary) unemployment and the likelihood of actually having to resort to unemployment benefits in case of unemployment.

Indirect measures of exposure to unemployment include sex, age and educational attainment. In the case of Belgium, women, young people and particularly the less skilled are

significantly more exposed to unemployment. For the Nordic Ghent countries, the differences are less marked, except for a higher risk among the young, particularly in Sweden and Finland.

The model includes more direct measures of exposure to unemployment. Past experience of unemployment is measured using the question: ‘Have you ever been unemployed and seeking work for a period of more than three months?’. Job insecurity is measured in two ways, by contract type and perceived likelihood to become unemployed¹⁶.

The division between manual and non-manual workers is based on the ISCO-88 (COM) (See: Appendix 1). This distinction is particularly important for Belgium since the labour legislation and collective agreements relating to dismissal and severance payments distinguish between manual and non-manual workers. Temporary unemployment, an important working time reduction compensation mechanism is also restricted to manual workers. Sector is important for related reasons: manufacturing industry harbours relatively higher shares of manual workers, and the use temporary unemployment is also more prevalent there. The division between sectors is based on NACE Rev. 1.1 (See also: Appendix 2).

As a control variable, political orientation is included. It is derived from an 11-point left to right scale (0--10) where the three most extreme values at each side were recoded into ‘left’ (0--2) and ‘right’ (8--10). The remaining were defined as ‘middle’ (3--7).

<Table 3 about here>

Table 3 reveals striking and statistically significant differences in membership composition for Belgium on the one hand and the Nordic Ghent countries on the other. In the case of Belgium, union membership shows strong gradients by such characteristics as level of educational attainment, past unemployment experience, perceived job insecurity, occupation and sector. The observed differences in union membership are largely in line with differential unemployment risk, and particularly with the likelihood of having to resort to unemployment benefits. The relationship with indirect measures of unemployment risk (sex, age) is weak. An exception is educational attainment,

the characteristic to which the strongest unemployment risk differential is attached in the case of Belgium. Union membership rates do differ strongly and significantly with the past unemployment experience variable. As expected, Belgian membership rates are significantly higher for manual and industry workers.

Membership rates do not differ significantly by any of these characteristics in the Nordic countries, except for sector, be it that the variation is not as marked. The differentiation across sectors there is entirely different to the Belgian pattern. In the Nordic Ghent countries, unionization is highest in the administration, health and social services sector. Yet, as in Belgium, industry workers are also heavily unionized. More striking for the Nordic Ghent countries are the marked union membership differentials by age and political orientation. The fact that young workers are less unionized in the Nordic countries stands in contrast to their comparatively higher unemployment risk, at least in Finland and Sweden. Furthermore, marked and statistically significant differences in union membership can be observed across political orientation in the Nordic Ghent countries, but not in Belgium.

<Table 4 about here>

A logistic regression shows how these factors hold in a multivariate setting. (Table 4) The resulting odds ratios largely confirm, even amplify the observations drawn from Table 3. In Belgium, non-tertiary educated, manual industry workers, with actual past unemployment experience, have a significantly higher probability of being a union member. In the Nordic Ghent countries these same variables do not have a strong predictive value if it comes to union membership. In total contrast to Belgium, political orientation and age seem to be the most important predictors, particularly for Denmark and Sweden. That is to say union membership propensity is highest for older, left-oriented workers in administrative, health and social services. For Finland, remarkably, age ceases to be a significant predictor as such, but sector and political orientation remain so. The results for sector fit less easily in a utility maximizing framework. For

age, a possible explanation may be that the erosion of the Ghent system is particularly marked among younger cohorts.

Conclusion

The role of Ghent systems in promoting and sustaining high levels of union density in Nordic countries has been well established. In Denmark, Finland and Sweden, trade unions have traditionally played an important role in the administration of voluntary systems of unemployment insurance. Many authors have identified these Ghent systems as an important explanation for the 'Nordic exception', namely very high union density rates, at a level higher today than in 1970.

Belgium has often been characterized as a partial Ghent system: in as far as unemployment insurance is compulsory rather than voluntary, the Belgian system has become 'non-Ghent'. Because of continued union involvement in the provision of unemployment benefits, however, many consider it as a 'de facto Ghent system' (Scruggs 2002).

Focusing on Belgium in this contribution, the article argues that the partial Ghent system stimulates union membership among particular groups. The analysis conducted on European Social Survey data for 2006 is largely consistent with this account. Workers more likely to have to resort to unemployment benefits and related union-provided provisions have a significantly higher likelihood of being a union member.

The results of the analysis suggest that the Belgian partial Ghent system plays an important role in promoting trade union membership. However, its influence would appear less encompassing than in the Nordic countries. The incentives of the Belgian system seem more restricted to certain tiers of the labour market than is the case in Denmark, Finland or Sweden. The results for the Nordic countries reveal the importance of factors that go beyond directly Ghent related incentives. Age effects are important in all three countries. These can in part be attributed to the erosion of the

system, which may be particularly marked among younger cohorts. The effect of political orientation and the concentration of union membership in the public sector of Nordic countries fit less easily in an analysis driven purely by private financial incentives.

Can the Ghent system be considered as a ‘cure’ against declining union density rates? The level and resilience of union density rates in Belgium and the Nordic Ghent would certainly suggest so. It seems highly unlikely, however, that any third country will be able to obtain this cure in the near future. The majority of former Ghent countries replaced their system with mandatory unemployment many decades ago. Since 1944, Belgium only has a partial Ghent system. In the Nordic countries, recent interventions have eroded rather than strengthened its recruitment capacity (Lind, 2009).

Will the economic recession of the late 2000s provide the existing systems with renewed impetus? For the Nordic countries, a key question is to which extent increasing unemployment will favour union funds as opposed to non-union alternatives. In Belgium, temporary unemployment has been widely used during the crisis. Press reports indicate that union membership is on the rise. The (temporary) introduction of a measure similar to (but distinct from) temporary unemployment for white collar workers has put the harmonization of labour legislation on the agenda once more (Vandaele, 2009). The outcomes of these discussions may well have important implications for unemployment insurance and union membership in Belgium.

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Notes

¹ Whereas the Ghent system also promotes unionization among self-employed (in Nordic countries) and the unemployed, the focus of this article is on wage and salary earners as the more conventional measure of unionization.

² In the text, ‘Nordic countries’ refers to Denmark, Finland and Sweden. Norway, which is also a Nordic country, abolished its Ghent system when it introduced mandatory unemployment insurance in 1938 (Western, 1997). The Norwegian union density rate is currently at a level comparable to Belgium. As a non-Ghent country, it is not treated in further detail in this article. Iceland, although a Nordic country with a Ghent system, is not included on account of limited data availability. For the purpose of this article, the Nordic Ghent countries are grouped, serving as a contrast to the partial system in Belgium. As a result, the differences between the Danish, Finnish and Swedish systems may be understated.

³ Unless specified, the reference year of the system characteristics is 2005. This ensures consistency with the survey data.

⁴ Denmark relies solely on the voluntary unemployment insurance (but features a general social assistance scheme). Finland and Sweden complemented voluntary insurance with a compulsory system of unemployment allowance. In addition, Finland features means-tested unemployment assistance for those not (or no longer) eligible to the basic unemployment allowance

⁵ Belgium has a system (‘prime syndicale’/syndicale premie’) where union dues are partly reimbursed.

⁶ For Sweden, prior to the 2007 reform, the share of taxes in total financing was 90 to 95% (Clasen and Viebrock, 2008). In Finland, membership fees covered no more than 5,5% in total expenditure (Böckerman and Uusitalo, 2006)

⁷ Denmark also applies different notice periods for blue collar and white collar workers. In Finland and Sweden, no such distinction is made (OECD, 2008).

⁸ With the notable exceptions of the cross-sectoral (Christian) funds in Denmark and the independent funds Alfa kassan in Sweden and YTK in Finland. Cfr. *infra*

⁹ Officially ‘Yleinen työttömyyskassa’, also known as ‘Loimaan kassa’

¹⁰ ACV/CSC: Algemeen Christelijk Vakverbond/Confédération des syndicats chrétiens;
ABVV/FGTB: Algemeen Belgisch Vakverbond/Fédération Générale de Travail de Belgique;
ACLVB/CGSLB: Algemene Centrale der Liberale Vakbonden van België/Centrale Générale des Syndicats Libéraux de Belgique.

¹¹ A similar system exists in Sweden (Clasen and Viebrock, 2008).

¹² In a survey sponsored by the Christian democrat confederation (Vendramin 2007) among employees aged under thirty, approximately twenty percent of union members claimed that the start of their membership had coincided with take-up of unemployment insurance. The majority became member on their own initiative, on the request of a workplace representative or family and friends. The survey shows that, compared to non-members, union members more often had experienced unemployment or had parents who experienced unemployment.

¹³ In 1993, the ILO-unemployment rate in Belgium (8,6%) was lower than in Denmark (9,6%), Finland (16,3%) or Sweden (9,1%). (Eurostat)

¹⁴ The year is chosen in order to ensure consistency with the data of the European Social Survey.

¹⁵ Because similar organizations are not further specified, this could mean an upward bias of the membership rate, particularly with regard to insurance funds in the Nordic countries. However, validation with a more restrictive version applied to the 2002/3 wave confirms the results presented in this article.

¹⁶ ‘Yes’ in table 3 means very likely or likely and ‘no’ means not very likely or not at all likely.

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Table 1. Union density rates, 1970--2006

	1970	1980	1990	2000	2006
Belgium	42.1	54.1	53.9	49.3	54.1
Denmark	60.3	78.6	75.3	74.2	69.4
Finland	51.3	69.4	72.5	75.0	71.7
Sweden	67.7	78.0	81.5	80.1	75.0

Source: Visser, 2009, ICTWSS database

Union density rates calculated as the proportion of 'net union membership' in 'wage and salary earners in employment'. Net union membership equals total union membership, minus union members outside the active, dependent and employed labour force (i.e. retired workers, independent workers, students, unemployed).

Table 2. Unemployed as % of the labour force aged 15+, 2006

	Belgium	Denmark	Finland	Sweden
Total	8.2	3.9	7.7	7.1
Sex				
Male	7.4	3.3	7.4	6.9
Female	9.3	4.5	8.1	7.3
Age group				
Aged 15--24	20.5	7.7	18.7	21.5
Aged 25--45	7.4	3.2	6.1	5.5
Aged 50--64	5.6	3.5	6.5	4.3
Educational attainment (age 25--64)				
Low	12.3	5.5	10.1	7.4
Middle	6.7	2.7	7.0	5.1
High	3.7	3.2	3.7	4.2
Long term (>= 12 months)	4.2	0.8	1.9	1.1

Source: Eurostat, based on European Union Labour Force Statistics

Table 3. Net trade union density by various characteristics, 2006

	Belgium (N=735)	Denmark (N=749)	Finland (N=830)	Sweden (N=1046)
Total	51.7	85.8	77.4	78.8
Sex	(*)	*	**	
Male	54.6	83.4	73.2	77.1
Female	48.4	88.4	82.0	80.5
Age group		***	***	***
< 30	54.0	63.0	61.7	56.1
30--50	49.9	85.9	78.6	81.7
> 50	57.0	91.2	84.3	84.5
Educational attainment	***			
Non-tertiary	64.4	86.3	77.8	78.2
Tertiary	34.2	85.1	77.0	79.8
Past unempl > 3m	***		**	
Yes	62.8	84.8	83.5	78.5
No	47.3	86.4	74.3	78.8

Chi²-test: (*) < 0.1; * < 0.05; ** < 0.01; *** < 0.001

Source: Authors' calculations based on European Social Survey, Wave 2006

Table 3. (continued)

	Belgium (N=735)	Denmark (N=749)	Finland (N=830)	Sweden (N=1046)
Contract duration	(*)	(*)	(*)	***
Unlimited	51.7	87.1	78.9	80.7
Limited	57.1	77.4	70.1	67.4
No contract	25.0	81.0	75.0 ^(a)	33.3 ^(a)
Job insecurity	*			*
Yes	63.6	79.1	79.2	70.0
No	50.2	86.3	77.6	79.7
Occupation	***			**
Non-manual	47.2	85.6	77.5	77.0
Manual	70.7	87.5	77.2	86.2
Sector	***	***	***	***
Industry	66.3	85.1	77.4	82.9
Services	43.4	77.0	67.2	67.2
AHS	48.6	93.9	90.5	88.3
Political orientation		**	**	***
Left	52.0	92.4	88.3	83.7
Middle	50.3	85.6	78.3	80.2
Right	58.3	78.2	68.2	60.7

Chi²-test: (*) < 0.1; * < 0.05; ** < 0.01; *** < 0.001

(a) Expected count less than 5

AHS = Administration, health & social services

Source: Authors' calculations based on European Social Survey, Wave 2006

Table 4. Logistic regression on union membership among workers, 2006: Odds Ratios

Exp(B)

	Belgium (N=713)	Denmark (N=680)	Finland (N=781)	Sweden N= 975)
Gender: male	0.890	0.981	0.716	0.810
Age	0.995	1.277***	1.103	1.373***
Age ²	1.000	0.977**	0.999	0.997***
Non-tertiary education	3.114***	1.816*	1.107	0.962
Past unempl > 3m	1.753**	0.571*	1.418	0.809
Limited contract duration	1.124	0.599	0.533*	0.850
No contract	0.141**	0.924	0.697	0.211
Job insecurity (yes)	1.646(*)	0.656	0.961	0.944
Occupation: manual	1.588(*)	1.538	1.143	2.484**
Sector: services	0.419***	0.651	0.675	0.554*
Sector: AHS	0.660(*)	2.906**	3.250***	1.622
Political orientations	0.948	0.816**	0.831***	0.801***
Nagelkerke-pseudo R ²	0.199	0.195	0.174	0.231

Wald-test: (*) < 0.1; * < 0.05; ** < 0.01; *** < 0.001

Reference categories: Female, Tertiary education, No past unemployment > 3m, Unlimited contract duration, Job insecurity (No), Occupation: non-manual and Sector: industry

AHS = Administration, health & social services

Source: Authors' calculations based on European Social Survey, Wave 2006

Appendix 1. Recoding of ISCO-88 (COM)

Non-manual workers

- = 1 Legislators, senior officials and managers
- = 2 Professionals
- = 3 Technicians and associate professionals
- = 4 Clerks
- = 5 Service workers and shop and market sales workers
- = 91 Street vendors and related workers (except 916)

Manual workers

- = 6 Skilled agricultural and fishery workers
- = 7 Craft and related trades workers
- = 8 Plant and machine operators and assemblers
- = 916 Garbage collectors and related workers
- = 92 Agricultural, fishery and related labourers

See also ESS3-2006 Survey Documentation: Appendix 2: Classifications and coding standards.

Appendix 2. Recoding of NACE Rev. 1.1

Industry

- = A: Agriculture, hunting and forestry
- = B: Fishing
- = C: Mining and quarrying
- = D: Manufacturing
- = E: Electricity, gas and water supply
- = F: Construction

Services

- = G: Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
- = H: Hotels and restaurants
- = I: Transport, storage and communication
- = J: Financial intermediation
- = K: Real estate, renting and business activities
- = O: Other community, social and personal service activities

AHS: Administration, health & social services

- = L: Public administration and defence; compulsory social security
- = M: Education
- = N: Health and social work
- = P: Activities of households
- = Q: Extra-territorial organizations and bodies