Replaced Rates

-A comparative study on Union Density in Sweden and Denmark

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Abstract

The following essay discusses the policy changes the Ghent countries Sweden and Denmark have had in the last fifteen years that possibly affected the union density. Furthermore the essay has a statistical approach and aim to investigate and discuss the factors that affects union density as well as being a contribution to the field of political science. By applying power resource theory the ambition of the essay have been to highlight reforms that have concerned and lead to conflicts between different socio-economic groups in society. This kind of conflicts occurs in all levels of society, in this essay the conflicts on a governmental level is emphasized. Moreover, the analyses continues with discussing the different governmental parties view on labor unions and they position on the labor market and from that conclude which type of reforms typically lead to a change in unionization.

Key words: Labor union, power resource theory, Ghent system, class conflict, membership
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# Table of contents

1 Introduction ......................................................................................................................... 4
   1.1 Outline and disposition ................................................................................................. 6

2 Litterateur review ............................................................................................................... 1

3 Method ................................................................................................................................. 2
   3.1 Methodological choices ................................................................................................. 2
   3.2 Limitations .................................................................................................................... 3

4 Material ............................................................................................................................... 4

5 Data ..................................................................................................................................... 5
   5.1 The price off the membership fee ................................................................................... 5
   5.2 Net replacement rate ...................................................................................................... 5

6 Background ........................................................................................................................ 8
   6.1 Sweden ............................................................................................................................ 8
   6.2 Denmark .......................................................................................................................... 9

7 Theoretical framework ..................................................................................................... 10
   7.1 Parties in parliament and their view on labor unions ..................................................... 10
   7.2 Power resource theory .................................................................................................. 11

8 Analysis ............................................................................................................................... 13
   8.1 Identifying the labor unions power resources ............................................................... 13
   8.2 The price development of the unemployment funds .................................................... 14
   8.3 The unemployment funds replacement rates as a factor ............................................. 17

9 Conclusion .......................................................................................................................... 21

10 Suggestions on future research ....................................................................................... 23

11 References ......................................................................................................................... 24
With the background of a decreasing degree of unionization in many countries, it is somewhat remarkable that four countries have a relatively high degree of members in the labor unions. These countries are Sweden, Finland, Denmark and Belgium (Van Daele 2006: 647). Similar for these countries is that they have non-mandatory unemployment insurance funds. The funds are subsidized by the state but are administrated by the labor unions. This system is called Ghent system and is built on the principle of unemployment insurance not being mandatory regulated by the state (Lind 2007: 52). The Ghent system depends on administration from the labor unions within each country but is regulated by the state and co-funded by tax deductions and subsidies (Lind 2007: 50). Even though the funds are administrated by the labor unions, membership in an unemployment fund does not mean membership within a union. The access of the unemployment funds are not directly connected to the membership fee the worker pays for membership and representation by the union. The unemployment funds are in many cases separated from the part of the union that represents the workers. This system makes it possible to be member in one union and have unemployment insurance with another union. Even though the union does not control the unemployment fund, workers tend to become members and have their unemployment funds within the same union (Lind 2007: 53).

 Labor unions are interest groups for individuals in the labor force that wish to be represented by a union in relations to the employers. Historically the unions have mostly been seen together with the working class (Rothstein 1992: 33), e.g. in production and manufacturing. However, that has certainly changed. Today the unions represent not only the working class but there are also white-collar unions as well as blue-collar ones. One of the fundamentals for the labor unions and their political power is a rather high level of members. The possibility of the unions utilizing their power is by members of the labor force becoming members of the union. A high degree of unionization is of great importance for the unions to remain as a powerful actor in the labor market. Especially when the labor market is subjected to phenomenon such as globalization, transformation on the labor market, and economic

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1 Blue-collar unions typically organize workers within manufacturing and production. White-collar unions on the other side organize workers with higher education and that hold job in more formal settings (Kjellberg 2011: 73).
recession, it will be a necessity for the union to attract members (Sverke & Hellgren 2002: 12-13). The unemployment funds have typically been strongly related. Those who have become members of unemployment funds have also become members in a labor union as well. The reason for this is partly solidarism and political reason but as well as that many workers do not know about the possibility of only being a member of an unemployment fund (Clasen & Viebrock 2008: 442, 445). However, this bond between unemployment funds and labor unions is getting weaker by time (Lind 2009: 510). Some of the potential reasons are going to be investigated further in the essay.

Figure 1.
The graph presents the degree of union density within the four Ghent countries. As illustrated Sweden has the highest levels on unionization of the four countries, with Denmark and Finland close behind. The Scandinavian countries have some of the world’s highest levels of union density² (Kjellberg 2002: 44).

On one hand the purpose of this essay is to investigate factors that can explain the declining degree of unionization in Denmark and Sweden. However, there is another purpose as well, contributing to political science. The aim of this essay is to use power resource theory and quantitative material to analyze and discuss the different degree of unionization in two countries with the Ghent system.

² Union density is defined as the proportion of the labor force having membership within the labor unions (Codebook: Comparative political data set I 1960-2011). The term unionization is used to describe the procedure of workers becoming members in the labor unions.
Furthermore the essay aims to investigate and discuss possible underlying factors that affect unionization in countries with an applied Ghent system. The focus in the essay is on the last ten to fifteen years and especially focuses in policy changes in the welfare state. This leads to the research question of this essay:

*How come governmental policy changes affect the degree of unionization and can the adaptation of the policies be explained by power recourse theory?*

The hypothesis for this research is that governmental policy changes affect the labor union density (Van Rie et al. 2011: 126). Different political parties have diverse views on labor unions and their position on the labor market, i.e. which position and how much power they should have on the labor market. The way different parties reform the welfare state in general, but the unemployment insurance in particular has an impact on the levels of members in the labor unions (Huber & Stephens 2000: 336-338). Power resource theory implicates that with a center-right wing government a class conflict appear. Hence, it is reasonable to assume that center-right wing parties, when in government, tend to decrease the funding to unemployment funds and in that way try to decrease the power resource of the labor unions. (SOURCE)

### 1.1 Outline and disposition

The essay starts with a short introduction to inform the reader about the subject of labor union density and the Ghent system. The following segments discuss the methodological choices and obstacles as well as the limitations of the essay. After the methodological discussions follow the presentation of material, both literature and statistical data set. The statistical parts include a short introduction to the two variables and how these are calculated, and illustrated in different graphs. The presentation of the two cases, Denmark and Sweden is brief to be able to swiftly move on to the theoretical framework where power resource theory is presented and discussed. Putting together the material and theory leads to the analysis. Parted in two to be easy to follow and understand. The conclusion summarizes the analysis and discusses whether or not the hypothesis is valid for this case or not. Lastly there is a short section on ideas for future research.
2 Literature review

In this essay I primarily used authors that write about labor unions and their impact on the labor market. What is mutual for many of the authors is that they believe that the unemployment funds have a strong correlation with the degree of unionization (Van Rie et al 2011: 127; Lind 2007: 53). My essay therefore starts in the same idea. How come the unemployment funds affect the membership levels of the labor unions? Some of the literature for this essay discusses the countries with a Ghent system and how the voluntary unemployment funds affect the membership levels (Lind 2007, 2009; Van Rie et al 2011); others discuss the reforms that the unemployment funds have been subjected to (Huber & Stephens 2000; Kjellberg 2002, 2010). Finally some of the literature discusses the power resource theory as a model of explanation for the declining membership in the labor unions (Korpi 1998; Korpi & Palme 2003; Rothstein 1992).
3 Method

In this section the methodological choices for the essay will be presented. This segment includes both the basis of the selection as well as presenting and discussing the limitations.

3.1 Methodological choices

To highlight and emphasize the problems and results in the essay I have used comparative case study. Even though the Ghent countries are only four I have chosen to compare only two of them (Van Rie et al. 2011: 125), The reason for this is being able to analyze Sweden and Denmark deeper and more thoroughly.

By choosing only two cases I hope to bring awareness and understanding to the case of unemployment insurances as a factor that affects the degree of unionization. I am using the following Ghent countries in the comparative analysis: Sweden and Denmark. The reason for not using Finland and Belgium as well is that; in the case if Belgium their system varies quite a bit although it is regarded as a country with partial Ghent system (Van Daele 2006: 647). In regards to Finland the country was chosen not to be a part of this essay because the union density between Sweden and Finland are more similar then Denmark and Sweden, and Denmark and Finland also have very similar development the last fifteen years (Figure 1). As a result Denmark and Sweden were chosen for the analysis of this essay.

The method I am using is hypothetical deductive; by trying the hypothesis to the empirical material and from there analyze it further the hypothesis will either be proven accurate or not. For this method it is important to have a hypothesis that is based on proving either the theory or the consequences derived from the empirical material. The ability to draw general conclusions will therefore be difficult (Teorell & Svensson 2007: 49-51). The purpose of using this method is to try the potential outcome to the empirical material and from there be able to come to a decision whether it should be dismissed or not.

The selection of countries for this research is done by so called method of difference. All of the cases are similar to begin with but have differentiated outcomes (Teorell & Svensson 2007: 226). The cases of Sweden and Denmark have common factors such as population, membership in the European Union, OECD countries, and the way they organize their unemployment funds (Comparative political data set I 1960-2011). Even though the countries have similarities the one difference that I aim to investigate is why the union density
varies. So, the cases have, from these factors basically the same starting point. However, what is interesting is how they have ended up with different degree of union density. As Teorell and Svensson (2007: 226) writes, the factors A, B, C, and D are all similar but not the factor that is determined as variable X. Thus, population, EU, OECD, and how they organize their unemployment funds are regarded the same. The variable X will be two different potential factors, the price of membership in the unemployment fund and the second, how high the unemployment funds replacement rates are. This would in some ways indicate how strong the welfare state is. These two X variables will be tested against the cases to determine which one or both possibly affects the union density in the way the statistical material presents it.

By using quantitative data I have aimed to increase the validity of the essay with precise operationalization (Teorell & Svensson 2007: 55). When using statistical data variable becomes more distinct and the numbers can help us comprehend the effects of the variable.

3.2 Limitations

In every research and essay there are limitations. For this assignment I have been forced to make decisions for it to be realistically manageable. Deciding on only investigating deeper in two cases has its consequences. While I will manage to have a deeper analysis on Denmark and Sweden, additional countries would lead to a more general analysis. The choice of only focusing on how the unemployment insurance affects the unionization degree as dependent on that the selection is made out of the four Ghent countries which varies with different countries unemployment system in how the unemployment insurance is administrated and regulated.

Furthermore, limitation in the selection there are also restrictions in regard of time and space. With only so much time the amount of data and material how to be realistic to analyze. The other issue is the one of space, with restrictions and how long the essay should be, limitations was a necessity.

The research performed is of nature hard to keep objective. The author’s personal views and values will inevitably affect the research. However, being aware of this opens up the possibility to be able to eliminate the personal view of off the research (Teorell & Svensson 2007: 17).
4 Material

Primarily, for this essay I have used secondary sources such as literature and the statistical data sets. Firsthand sources would have been deeply interesting to use as way to highlight some of the upcoming sections of the essay. However, the primary sources I would want to use do not seem manageable to come up with for this essay, i.e. interviews with individuals working in the Swedish and Danish labor unions and their view on the matter of governmental reforms affecting unionization.

For the statistical parts in the essay I have used Comparative Political Data Set I 1960-2011 (2013). The data set contains different socio-economic and political variables for 23 OECD countries. Besides that I have used: Unemployment replacement rates dataset among 34 welfare states, 1971-2009 (2012). The latter dataset is an update and extension of Scruggs’s Welfare state entitlements data set. The usage of these datasets motivates partially by the trouble finding other datasets and comparing which ones would meet the requirement for this essay. However, both the datasets have shown to meet the requirements and are suitable for the statistical analyses that are being done.

In the graphs presenting in upcoming sections there have been a couple of times data have been an issue. When this has occurred it has been solved by either leaving the said year with a gap or to calculate an average for several years and solves it with that technique. Nevertheless these minor problems should not affect the general outcome of the graphs or disturb the result in any major whey.

Two authors that the essay relies heavily on are Korpi and Kjellberg. This is not seen as a negative aspect instead in is viewed in the light of them being great contributors to their respective subject. Either way there is a somewhat consensus between many of the authors used in the essay regarding political policies and their effect on labor unions (Lind 2007, 2009; Huber & Stephens 2000; Clasen & Viebrock 2009 etc.).
5 Data

The focus of the essay is on how the unemployment insurance funds have an effect on union density and therefore the variables are circled around the unemployment funds. In the following section the two variables will be presented and in short manner discussed. Thereafter three graphs are presented with a short description.

5.1 The price off the membership fee

In the case of Sweden I will use data from Inspektionen för arbetslöshetsförsäkringen (IAF 2014). Figure 3 is calculated as an average fee for the unemployment insurance funds and then divided for the whole year.

For the case of Denmark I am using statistics from the OECD (2001-2012) and the report they have continuously published since 2001 for all of the years but 2008. The reports present numbers for the total amount per year a person pays for being member of insurance funds. To be able to compare the price of the fee I calculated from a yearly rate to a monthly rate and then as a safety precaution, compared them to current numbers from Ak-Samvirke (2014). The monthly rate is calculated for an average worker.

Moreover, there is a slight difference between Swedish kronor and Danish ones in their value but in this essay this will be regarded as negligible.

5.2 Net replacement rate

The second variable is on what level are the unemployment replacement rates. Net replacement rates will indicate how high the income received will be when unemployed. Depending whether of the individual has a family, spouse or is single the percentage of the income will depend. For the replacement rates statistics are used from the Unemployment replacement rates dataset among 34 welfare states, 1971-2009 (2012).

For the purpose of this essay I have used statistics for a single person household. The income is counted as an average 40-year old worker. The calculations for the average workers wage are from OECD (Van Vliet &
Net replacement rate is the amount left after taxes and social contributions (Korpi & Palme 2003: 433).

**Figure 2.**
Presented in Figure 2 is the price development of the Danish unemployment funds. From 2002 the prices have dramatically gone up. The price is calculated in DKK. The gap year of 2008 is because problems finding data (see section 3 earlier in the essay).

**Figure 3.**
The graph illustrates the price per month for an average unemployment insurance fund. The price is calculated in SEK. The development differs from the development of Denmark.
Figure 4.
In figure 4 the net replacement rates for Denmark and Sweden are shown. While the Swedish rates varies and goes up and down, Denmark’s have a more steady decline.
6 Background

A short background centered on the countries labor union history and the unemployment insurance conditions will follow as an introduction to the two cases of Sweden and Denmark.

6.1 Sweden

As presented in Figure 1, Sweden has a history of a high degree of unionization even though there have been a constant decreasing degree since the middle of the 1990’s. Traditionally memberships in the labor unions and the unemployment insurance funds have been high. After a reform the unemployment funds have been separated from the unions and a membership in the union is not necessary for being a member of the unemployment fund (Lind 2007: 53). The unemployment funds according to the Ghent system were introduced in the 1935, some years later then Denmark. But just like Denmark the Swedish system was subjected for large changes during a period in the 1970’s. One of the reforms, which helped the unions in their pursuit of members, was the quite high level of benefits. Raising the benefit level helped the labor unions recruiting new members (Lind 2007: 58).

In Sweden all unemployment funds but one is connected to the unions by administration, the one that is standing free is the so-called Alfa-fund. According to Kjellberg all of the unemployment funds lost members during the recession 2007-2008, regardless if it was union-run or not (Kjellberg 2010: 42). The Alfa-fund was established 1998 by the Federation of Unemployment Insurance. When Alfa-fund was founded it leads to additional labor workers joining the unemployment funds but not joining the unions. However, the Alfa-fund also had to dramatically increase their funding and as a result many members left the unemployment fund (Kjellberg 2011: 69).

The conditions that a Swedish worker in need of unemployment benefits must fulfill are for instance: being a member of a unemployment fund for no less than 12 months, have worked at least 80 hours a month for 6 month or more during the 12 months right before the unemployment (Sjöberg 2011: 212).
6.2 Denmark

Like Sweden, Denmark has had a quite similar development in union density. The difference is that while Sweden had a membership peak in the middle of the 1990’s, Denmark peaked right after 1980 (Figure 1). Denmark never reached those high numbers as Sweden did; nevertheless they have had a relatively high degree of unionization. As Figure 1 illustrates, Sweden and Denmark are in the same situation today with decreasing numbers of workers organizing in the unions.

The unemployment funds were established in the beginning of the 20th century. The Ghent system was chosen because at the time the relatively larger cost was put on the individual worker and the state paid minimum for the funds. In the middle of the 1960’s this however changed, the state took on a bigger part of the funding and the smaller bits were left to the employers and the fees of the fund to cover (Lind 2007: 54).

For a worker to be eligible for unemployment funds he or she must fulfill conditions like have been a member in a unemployment fund and paid the fees for at least 12 months, had a fulltime job for no less than 52 weeks the latest three years and when unemployed register at the unemployment office and look for new jobs (Lind 2007: 54). Lind (2007: 54) writes that since 1979 the conditions have only grown tighter. At the same time the replacement rates have considering the development of the wages, progressively grown smaller since the 1980’s (Lind 2007: 54).

In 2001 when the liberal-conservative won the election and formed government they proposed to set up a new form of unemployment funds. These funds would not have any ties to the labor unions and workers could join no matter what profession. Thus, they wanted to remove the already existing Ghent system. However, the government did not succeed, majority in parliament voted the proposition down and the Ghent system is still applied (Lind 2007: 56).
7 Theoretical framework

Theoretical framework will present the tools for which the analysis will build on. Concepts as “power resource” will be defined and power relationships as “class conflict” will be explained.

7.1 Parties in parliament and their view on labor unions

Power resource theory examines the power resources between labor and parties with different ideological background with a political approach. By identifying the different ways of right, center, and left winged parties and by the difference of how, and in which extent the welfare state is constructed and what is should include (Huber & Stephens 2000: 325). The composition of parties in parliament affects the outcome of the political policies and the budgets for the state economics and how strong the welfare state is.

Depending on different parties’ ideology and values, their politics and ideas are different. While some parties aim to strengthen the welfare state, others aim to strengthen the individual’s right. The politics depends on the ideology standing behind the party, whether it is liberalism, socialism or conservatism. While some parties support the involvement of the labor unions some strive to limit their participation. For instance, in liberal welfare states there is a common idea of low involvement for the unions in the labor market, and decreasing the centralized collective agreements (Huber & Stephens 2000: 338). According to Huber and Stephens (2000: 334) the rule of social democratic parties are on of the strongest factor for determining the public funds for the welfare state.

The conflicts between different socio-economical classes that are highlighted in power resource theory show not only in society but also in the parliament and by elections. Different parties represent different kind of politics that attract voters with similar background, economy and in other ways are homogenous (Korpi & Palme 2003: 427). Liberal-conservative parties typically stand for weak labor unions, individual work agreements and large private sector. In general socialist parties aim towards strong welfare ruled by the state, and strong unions as a counterpart to the employers on the labor market (Huber & Stephens 2000: 337-338). Since labor unions have a historical background in socialist and leftist moments over all this is not surprising. Neoliberal ideas on the other hand believe that the relationship between an employer and employee are equal (Korpi 1998: 51).
For this essay it is primarily the conflicts between the government and the actors of the labor market that is going to be analyzed. The class concept that exists in society is present in all levels, including parliamentary and governmental level. Class conflicts have gone from being based solely on social class and politics to differences and cleavages in quality of life and cultural differences (Korpi & Palme 2003: 425).

Since unemployment insurance affects the worker in many ways, the acceptance of the lowest wage when presented with a work offer as well as livelihood when unemployed tends to be the part of the welfare system that suffers from a lot of different changes. When the conditions for unemployment insurance changes the time for them to set in action is not that far. Therefore it is an easy reform to count on in the budget. Especially when governments plan in short periods of time the welfare states insurances are easy to restrict on (Korpi & Palme 2003: 433-434).

7.2 Power resource theory

As the name suggests power resource theory has been created based on the relationship of power between actors. These relations make it possible to see power structure in society a longer period of time (Korpi 1998: 38).

According to Korpi the theory started to develop during the late 1960’s, with its origin in neo-Marxist theory. Power resource theory has a distinct angle toward socio-economical class and class conflicts (Korpi 1998: vii, Olsen & O’Connor 1998: 6). In this research I am using the power resource conflict between employers and employees and what part the unions have in the conflict. Because the theory is based on power relationships the definition of power and power resources becomes crucial for the subject. For this research “power resource” will be defined by Walter Korpi’s definition in Power Resources Approach vs Action and Conflict (1998: 42).

“[...] define power resources as the attributes (capacities or means) of actors (individuals or collectives) which enable them to reward or to punish other actors.”

Hence, a resource that an actor holds, e.g. money or property that allows the possessor of the resource to either pressure or reward another actor is defined as a power resource.

In power resource theory the conflicts between different socio-economic classes are important. These differences are clearly visible in the labor market. Often the socio-economical class is defined by where the individual works and what kind of higher educations the person has (Korpi & Palme 2003: 425, 427).
The labor unions hold their power through politics (Olsen & O’Connor 1998: 6). By engaging and winning the voices of the labor force they are representing the unions are able to gain power and therefore effect the power relation involving the employer and the employee. Power resource theory base its argument on the assets, the resources is power that the actors have. The owner of the resource can modify these assets if the interest conflict should need it (Korpi & Palme 2003: 427). The prime power resource the union holds is that of the organized labor force (Rothstein 1992: 37). If the unions would not have an unemployment fund and be able to ensure those members who do not hold a job that they will manage with the help of the fund administrated by the unions, the workers will start to underbid the wage that the unions and employers have decide together upon (Rothstein 1992: 37). This would inevitably lead to decreasing wages and the union’s not obtaining their prime power resource. In addition it would lead to a labor market based on the employer’s condition. Even though power resource theory states that there is an ongoing conflict between classes the theory also says that power is fluid and can therefore be transferred between different actors on the capitalist market (Olsen & O’Connor 1998: 6).

The most typical and basic power resources in the developed part of the world are among others: threat and use of violence, owning property, and labor force. Owning property means that the owner possesses control over the production, which means control over people’s means of living (Korpi 1998: 44). Power resources can roughly be divided into: physical capital, as the above-mentioned example of property owning, money and human capital. The different types of power resources fulfill the categories mentioned before differently. For example human capital (e.g. knowledge, education, and the labor force), unlike money and physical capital it is not a resource that is short in supply. The mobilization of human capital include high costs since it is difficult to organize and mobilize people, besides knowledge can never be taken away from the person, it can only be rented as Korpi states (1998: 44-45). Furthermore Korpi writes that since the difference between capital (owning property or money) and human capital power resources are very different from one and other. Korpi (Korpi 1998: 51; Korpi & Palme 2003: 427) therefore states that it is reasonable to think in capitalist democracies since there is power resource difference between employers and company owners have the greater power resources while employees have the lesser of power resources.

Additionally, Korpi writes that states and governments have seen this unequal share of power and therefore, by law to some extent regulated and institutionalized power resources of the employers. Through laws that controls how workers can get hired or fired and the employers’ entitlements to rule over the worker by giving them orders that must be followed during time on the work. The workers obligation to follow these orders are yet another way to institutionalize the different power resources and even giving the upper hand to the employer (Korpi 1998: 51).
8 Analysis

The analysis starts with a more general discussion and analysis of the identified power resources in labor unions. The two latter sections are directed to the two variables presented earlier in the essay.

8.1 Identifying the labor unions power resources

In the analysis I will use the theory applied to the case of labor unions and the two different factors that may or may not affect the degree of unionization the last decade.

Power resource theory is easily applied to onto labor unions and their roll and relation to the labor market and the actors on the labor market e.g. employers, business owners and other capital holders. One elemental thought in liberal economy and liberal view of the labor market is that the unions disturb the balance between the labor force and the amount of job opportunities. The liberal view is of the idea the union’s only work in favor of those who are members and benefit from the wage agreements they agree on (Fregert & Jonung 2010: 203). With this point of view in mind there is an obvious conflict of interest between the two actors on the labor market, employers and labor unions.

Labor unions and employers have different types of power resources. The unions have in particularly the control over the labor force. Since the union density is high in both Sweden and Denmark the power of the unions are stronger. The more members the unions have from the labor force, the stronger power resource they have. Countries where the degree of unionization is low, the unions do not have the power resource that the unions in Sweden and Denmark have. Since the unions biggest and strongest power resource is the control of the supply of labor force they are eager to not lose members and instead gain the new individuals entering into the labor force. Should workers start underbidding the union set wage level it would change the power relationship between employers and labor unions. Therefore it is somewhat crucial for labor unions to have collective agreements. This of course also benefits the individual worker (Rothstein 1992: 40). Individual employees have in notion no power against the employer. This is because of the demand for workers are lower than the supply of workers. For that reason individual workers benefit from joining the labor unions. It gives them a possibility to be a power resourse against the employer. Business interests are one of the strongest power resources, according to Korpi and Palme (2003: 428). They often contain capital in both means of money and in owning property. Employers are not interested in low unemployment rates since it would
lead to a balance in demand and supply in the labor force. When the unemployment rates are high it gives the employer the possibility to pick and choose from the labor force, which include dropping wages and hiring only those who accepts a lower wage than decided between the unions and the employers in collective agreements i.e. undermining the labor unions.

For labor unions to obtain their power resource it is imperative that they do not lose members and that they instead gain new ones. However, as Figure 1 illustrates this is not the case. Unions in both Sweden and Denmark are losing members and have done so since the middle of the 1990’s.

8.2 The price development of the unemployment funds

In Sweden the last ten to fifteen years the price of the unemployment funds membership fees have varied a lot. In Denmark the monthly rate paid to the unemployment funds varies, from 408 DKK to 524 DKK (Ak-Samvirke 2014). Even though Kjellberg (2010: 39) states that Sweden is the only country with differentiated fees.

In Sweden there is a distinct link between which kinds of unemployment fund and how much the price increased. While the fees for the white-collar funds only was raised significantly, the fees for workers in the blue-collar funds where raised far more. It is possible to link this to the fact that it was a right-wing government in power at the time (Kjellberg). According to Kjellberg the increased fees was made for filling budgetary wholes and for the government to be able to finance the tax reduction they promised the voters. As mentioned before the fees increase a lot more for blue-collar workers then white-collar workers (Kjellberg 2010: 19). By raising the fees, it can be argued that the government at the time tried to decrease the membership levels of the unions (Kjellberg 2010: 11). Therefore a class conflict according to power resource theory can be detected in the way the fees increased. The white-collar workers i.e. individuals with higher education, their fees were not as high as the blue-collar workers, e.g. jobs in production and other places where higher education is not needed.

Workplaces that hire manual and production worker are more often subjected for unemployment and tend to be sensitive for the economical fluctuations (Van Rie et al. 2011: 134). The same work places also have a tendency to classify as low on the socio-economic ladder. With the fees rising as much as they did workers were situated in a place where they had to assess whether the benefit of being a member was higher or lower to the actual benefits earned of a membership (Kjellberg 2010: 37). Furthermore, the workers still had to decide if they would like to pay both the fees, one for the membership is the unemployment funds and one fee for the membership in the labor union. Choosing to disregard
the latter is what happened in several cases. The government used their power resources in the form of policy changes that lead to increased unemployment fund fees that lead to a decline in member both the unemployment funds and the unions. This increase of fees affected the working class in a higher degree than the other socio-economic classes. Unions organizing under LO, Landsorganisationen, that gathers the production workers and other unskilled professions had the highest fees for the unemployment funds (Kjellberg 2010: 19).

Before 2007 the membership fee to the union governed unemployment fund was about 90-100 SEK, although the fee differs from fund to fund. Typically the funds were at one level for all of the unemployment funds administrated by the labor unions but since the changes that the right wing government declared in January 2007 this changed. The membership fees were increased dramatically; also the system that regulated that the fees and other resources would be shared equally was abolished. The system worked in a way that funds with higher degree of unemployed members received a higher share of the funds (Kjellberg 2010: 5). The latter lead to high differences in membership fees, members in labor unions representing workers in hotel and restaurant business paid a fee of 430 SEK while unions organizing academics only paid 90 SEK (Kjellberg 2010: 52).

Raising the fees for the working class can be identified as a way of trying to decrease the tendencies to join the labor unions. With declining membership levels in the unions it would lead to their power resource i.e. the control of the labor supply getting weaker and the employers instead growing stronger and controlling the labor market. Should this happen, workers that are not members in labor unions have the possibility to underbid the collective agreement, i.e. employers will decrease the wages and workers will start underbidding one another. As stated before, the labor unions only have one strong power resource, the control of the labor force. Liberal politics, as the right-wing coalition had in Sweden from 2006 onwards of course affects the labor market politics. Labor unions have a history of emerging from the working class (Rothstein 1992: 33), and the unions directly collide with the liberal politics driven by the Alliance (coalition of the center- and right wing parties in Sweden) since 2006.

Right before the two big recessions in Sweden the degree of unionization has declined. In times of good economical wealth and low degree of unemployment workers step out of the funds. Before the recession in the begging of the 1990’s union’s memberships were low, when the labor force understood what was happening and the risk of unemployment got higher, more people joined the labor unions as a way of risk averting. After the recession was over and the economy turned once again there was a decline of membership levels. During the recession in 2007-2008 however, this did not happen. Ever since the levels of mid 1990 are the union density levels have steadily declined. Therefore it is possible that to some degree discard Lind’s (2009: 528) idea of increasing memberships in times of higher risk of unemployment since the argument is only valid for one of the big recessions. The unemployment rates for both Denmark and Sweden have only recently started to decline (Comparative political data set). Even though the unemployment numbers were not as high as during the big recession in the 1990’s
there is no sign of union memberships increasing as a result of the higher risk of unemployment. The above-explained phenomenon, that workers do not become members even though the risk for unemployment is higher, can be derived from the idea that workers no longer can afford the memberships. The recession hit Sweden between 2007-2008, at the same time that the prices for the unemployment fees were increased. The perceived benefit of the membership is not seen as high to be prioritized before other expenses in the household.

Regarding the Danish fees for unemployment funds they have increased as well. However, the Danish fees have gotten higher since the beginning of the 2000's and have steadily increased after that. In 2012 the price had increased with almost 20% since 2001 (OECD 2001-2012). The graph showing the price development for fees for being a member in an unemployment funds in Denmark follows the union density graph but in the reverse direction. Since the 1960's the Danish state have subsidized the unemployment funds and paid large portions of it. However, with the increased fees this can be a way to decrease the state funding and force the workers to pay a larger amount for the taxes. The state subsidies are crucial for the union's membership levels (Kjellberg 2000: 40-41). Again, there are policy changes that directly affect the worker and how much they have to pay. By increasing the fees the membership levels will inevitably decrease which in turn lead to weaker unions. In 2001 the Danish Liberal-conservative government proposed a policy that aimed to abolish the system. However, the proposal did not have majority so they instead passed legislation that changed unemployment funds in a way that it would be possible for them to have members working in different professions and having different education. Before the policy changes were only the Christian unemployment fund that had the possibility of recruiting all of the members from the labor force. This change has led to unemployment funds now competing with each other for members (Lind 2009: 515). According to Lind (2000: 515) political policy changes like the ones mentioned above, forcing the unions to compete with each other affect the willingness to join both the unemployment fund and the labor unions. The change in 2001 was led by the Liberal-conservative party. There is a difference between Sweden and Denmark in this case. While Denmark's labor unions have to compete against each other for members, Sweden have a system where blue-collar and white-collar unions are separated from each other (Kjellberg 2011: 13).
passing the new reform the government referred to reduce taxes for those who work. However, this tax reduction would not impact the new labor force e.g. young adults and immigrants and they would therefore only consider the price at the moment if and when they become members (Kjellberg 2000: 58). Governments that are elected for a period of 4 year have greater power then many realize. By this kind of policy changes the labor unions are affected for more than the time period the government are elected.

The policies that the Swedish and Danish governments have implemented the last ten years will affect the labor market a lot longer than the government’s rule. With higher fees for unemployment funds, workers are forced to take a stand, which is based on a financial ground. As the statistics have shown, workers have made their choice; more and more people choose to stand outside of the unemployment funds and put their livelihood at risk.

A reason for why, even though both Denmark and Sweden have high unionization degree maybe that the price of the unemployment insurance fund differ quite a bit (Clasen & Vibrock 2008: 444). The reason for this is primarily the differences in state funding. Before the Swedish government reformed the unemployment insurance system in 2007 the cost was only around 100 SEK, while at the same period the price in Denmark was around 400- 500 DKK (Goul Andersen 2011: 193).

To summarize this section of the analysis: the price of the unemployment funds has been discussed as reason for the degree of unionization to decline. When raising the price can be connected to a center- right wing government you can possibly draw conclusions to a class conflict on a governmental level. The center- right winged government does not have the same view of the labor unions and their roll on the labor market as a left- social democratic one would. The funding of the insurance funds is made up partially by the state and partially by the actual fee that members have to pay (Clasen & Vibrock 2008: 442). When a state then increases the benefits it is a way for them to decrease their own funding. This goes hand in hand with the idea of center- right wing governments decreasing the funds for the welfare state and instead demonstrates their politics for the labor market.

8.3 The unemployment funds replacement rates as a factor

Replacement rate is the percentage of the former wage a worker receives when unemployed; hereafter the amount given is also called unemployment benefit. Illustrated in Figure 3 earlier in this essay were the net replacement rates for Sweden and Denmark. In Denmark’s case there is constant decline since many
years. However, in Sweden’s case there is a disturbance in the otherwise quite similar graph to Denmark.

Even though the official number for replacement rates have been high in some cases the amount earned by the receiver at the end tends not be as high. The replacement rate in Sweden in 1990 was 90 %, same year in Denmark it was the same percentage. However, the maximum amount that an unemployed worker can acquire is much lower than 90 % of his or her salary because of the maximum ceiling. The amount that the ceiling is set for is decided by politicians and is to some extent varied by the government’s ideology. Both Sweden and Denmark have in recent years changed their labor market politics in such a way that unemployment benefits are lowered so that incitement for finding a job will increase. The benefits are at a level that mainly work as a temporarily solution. (Goul Andersen 2011: 202; Sjöberg 2011: 222). In 2010 the replacement rate in Denmark was 90 % up to the maximum ceiling which was 195 528 DKK (Goul Andersen 2011: 192-193). The equivalent numbers in Sweden for the same year was from day 1 to 200: 80 %, 201 until 300: 70 %. The ceiling was stated at 63 € per day (Sjöberg 2011: 212).

The maximum amount that a worker can receive mostly affects those who have middle to high income since they reach the maximum level sooner than low income earners. Nevertheless, the biggest concern is not with the white-collar funds that have some of the lowest replacement rates but with the funds that have workers with a higher risk of unemployment. The unemployment benefits have tendency to become a flat rate everyone is qualified the same amount of money (Goul Andersen 2011: 188). According to both Goul Andersen (2011: 188) and Sjöberg (2011: 223), the amount of the unemployment benefit has declined relatively to the workers’ wages. When politicians decide on the size of the benefits, whether it should increase or decrease they do not consider that the prices and wages increases for every year and therefore the benefits actually decline.

With lower replacement rates a part of the incentives to become member of an unemployment funds and hence, a labor union declines. By 2010 the rates were so low that many workers turned to other forms of insurance to cover their potential needs. In the Swedish collective agreements there are many times a special clause which entitles the worker to higher replacement rates. The collective agreement is ruled by the labor unions; those who are members can only use the benefit (Sjöberg 2011: 233). However, in some cases these kind of extra insurances have been too expensive for the unions, especially in those who have a higher risk of member in unemployment e.g. constructors and builders (Kjellberg 2010: 16; Sjöberg 2011: 224). The further insurances are mainly used by the middle class and above to be able to cover for the standard of life they have grown accustomed to. The working class is more inclined to use the public funds and only pay the fees for the unemployment fund. The fact that there is a possibility to sign additional insurance will only increase the divide between the different socio-economical classes (Korpi & Palme 2003: 431-432).

The fact that the Danish workers when unemployed receive maximum benefits of 2187 € a month while the Swedish equivalent is almost half of that amount,
1260 €. This might explain the rapid decline of unionization in Sweden but the more leveled decline in Denmark (Figure 1). The ceiling of the unemployment benefits, and the unemployment insurance over all have a tendency of being subjected for cuts when the governmental budgets are strained (Huber & Stephens).

As Sjöberg writes (2011: 211), one of the promises of the Alliance (center-right wing parties in cooperation) in Sweden for the election of 2006 was to reform the labor market in a way that would make having a job more beneficial. By introducing tax reductions for income and by reforming the unemployment benefits. As discussed before, raising the price of the unemployment insurance funds was one way. There has been somewhat consensus between the Swedish Social Democrats and the Alliance in decreasing the amount of the benefits and instead more effort on activities that can help the individual with finding a job. Raising the taxes, as a way of funding is not a way the alliance would chose in the first hand. While typically representing the middle class that have the possibility to afford private unemployment insurances the reforms increases the split between different socio- economical classes (Korpi & Palme 2003: 431). Changing the possibility to reduce tax for memberships in unions and unemployment funds have led to declining membership levels in both. This applies for both Sweden and Denmark (Van Rie et al. 2011: 128-129).

The Danish unemployment insurance system has changed from being one of the most inclusive to continual reforms making the insurance more and more restricted and exclusive. (Goul Andersen 2011: 191). Goul Andersen writes that the declines in memberships for unemployment funds cannot be linked to conditions that have to be fulfilled have been changed and more regulated. However, statistical data shows differently. Higher prices as well as lower replacement rates have in impact on membership in both unemployment funds and labor unions.

In both Sweden and Denmark the reforms that aim to tighten the possibility to receive, and lower the unemployment benefits mostly affects the working class. While unemployment and poverty is more common with employees in production and manufacturing (Korpi & Palme 2003: 431-432). Since the reforms in a higher degree have a negative outcome on the working class the rifts between the different classes will inevitably increase. The risks of large cuts from the welfare state have been bigger with right- center winged government, and lowest with a left government. Especially during times of high unemployment does the above mentioned apply (Korpi & Palme 2003: 436, 439).

The governments in respective country use policy changes and reforms to the labor market to control the labor force. By using their legislative power they decide without discussing with the labor unions and other actors on the labor market (Goul Andersen 2011: 200). Through that the government in power can be seen as dictating the labor market. In a way they are deciding the rules in the game that is the labor market. Depending on what party is in government and what ideology they represent the outcome of the rules will differentiate. As mentioned earlier, liberal and center governments have higher tendencies to inform cuts to the welfare system as a way of means to increase the job
opportunities and push people into work. Left or social democratic governments on the other hand are more inclined to funding the welfare system and have a relatively higher benefit system to secure the worker when unemployed, sick or when staying at home with children.

Within the Swedish social democrats their have since the 1980’s been a dived, one part thinks that the economic incentives are effective on the labor market and the other side defending the system that was until the mid-2000’s. During the election in 2010, the green, left party, and the social democrats were in coalition together. One of the promises if elected was that they would increase the replacement rates that the government at the time had lowered. However, the left party had intensions of raising the replacement rates back to 90% while the green party actually wanted to abolish the Ghent system and instead establish a mandatory system of unemployment insurance.

The incitements behind enhancing the divide between classes by cutting funds for the unemployment funds can potentially be an idea of concurrence between workers and low incomes leading to people in the labor force standing without job actually searching for jobs and job opportunities. However, these kinds of policy changes also lead to poverty as mentioned before. The security aspects of the benefits are not at all considered.
Even though the unemployment funds are strongly interlinked with the labor unions there are potential other factors that might in some degree also affect the declining levels of union density. The globalized market where outsourcing of production and manufacturing is happening is one of possible factors. The restructuring of the labor market as a consequence of globalization, when typical blue-collar job are being outsourced and the labor market tends to become more dependent on knowledge and service. Nevertheless, unemployment funds and labor union in countries with the Ghent system continues to be strongly associated with each other (Lind 2007: 52-53).

Governmental policy changes have a clear impact on the workers degree on joining the labor unions. Governments that primarily have belonged on the center, and right side of politics, have reformed the unemployment insurance system which has led to decreasing number in both the unemployment funds and the labor unions. In Sweden as well as Denmark propositions from the center- right wing parties have been proposed to eradicate the voluntary insurance funds and instead apply a mandatory one. However, neither proposition had a majority in parliament. Their try to directly get in the way of the labor union’s power resource were stopped. Instead they used indirect ways, by shock raising the fees, and lowering the net replacement rates the right winged governments have in some senses destabilized the labor unions.

What has been pin pointed in the analysis is that center- right wing government have a higher inclination of cutting down funds for the welfare state. This is a way to finance other posts in the countries budget and at the same time lowering the incitement for worker to join unemployment funds and labor unions (Rothstein 1992: 51). Since liberal politics have a fundamental idea of a free market, labor union are seen as obstacles and in the way of a more effective labor market, this is not surprising. In power resource conflicts on governmental stage outcome concerning the welfare state is common (Korpi 2003: 590, 605).

A conclusion that can be drawn based on the analysis is that social democratic parties that throughout history have had a close relationship with the labor unions have adopted political reforms that have previously been linked to the liberal parties. Some of the reforms that have included cutbacks in the unemployment insurance that have been discussed have been agreed upon in political consensus.

The hypothesis that was presented in the beginning of the essay can thus be argued as correct. The reforms discussed in the analysis and by whom they have been proposed seems to prove the hypothesis. Since there is a socio- economical class conflict between labor unions and center-right winged governments as proven by the different reforms these kinds of governments have proposed in Denmark and Sweden it strengthens the hypothesis.
Moreover, since the level of unionization does not show signs of changing in the trend it has had for the last fifteen years it is crucial for the labor unions to find other ways to recruit new members if they will continue as a power factor on the labor market. The unemployment insurances have changed and so has the labor unions, by modernizing and offering new services for the workers and challenge the employers I would say that there is a chance for the labor unions to become the strong power factor that they once were.
10 Suggestions on future research

As mentioned before, for an even deeper analysis, a potential strategy for another essay or similar is to use primary sources to obtain another dimension to the essay. Other topics that also would be interesting to follow up on would be: why have the unemployment funds fee declined to former price levels in Sweden? Can this change be lined to the upcoming election for parliament or are there other incentives to decrease the cost.
11 References


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