

Assessing the Extent of Dualization: Differences in Pension Coverage between Insiders and Outsiders in Britain, Switzerland and Sweden

Hanna Schwander
Institute for Political Science, University of Zurich, Switzerland
Email: schwander@ipz.uzh.ch

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Abstract

The literature on postindustrial welfare state and labor markets claims that there is an increasing divide between people in stable employment and people with non-standard work biographies (Rueda 2006, 2007, Emmenegger 2009, Thelen and Palier 2008, Häusermann and Schwander 2009). Even though this dualization of the labor force is considered to be particularly strong in continental Europe, its extent has never been measured. But measuring dualization is crucial especially if we want to assess the political consequences of the dualization. Dualization becomes politically relevant only if outsiders face significant disadvantages regarding welfare state entitlement.

This paper attempts to measure the extent of dualization by showing the variation of pension coverage between insiders and outsiders. The variation in pension coverage is particularly interesting because pensions are one of the central institutions of welfare states. I argue that the extent of the dualization depends on two dimensions. First, I consider the number of persons affected by atypical employment biographies. Secondly, I focus on how strongly these atypical employment biographies lead to actual disadvantages regarding welfare state entitlements. I expect the extent of dualization to vary across countries for two reasons. On the one hand, not the same number of persons experience atypical employment and, on the other hand, not all outsiders face the same disadvantages in all countries. The extent of dualization, therefore, depends on how strongly atypical employment biographies are punished by national welfare and labor market institutions. More specifically, if the access to the welfare state depends on labor market participation, the discriminatory effect is greater. I use data from the British, Swedish and Swiss household panels to show the variation of pension coverage in the UK, Sweden and Switzerland.

1 Introduction

Family structures, welfare markets and labor markets have changed since the 70s. Instead of the two-parents-and-kids-family-model we find often patchwork families or single-parents, lifelong employment is replaced with less stable employment relationships. In the same time postindustrialization was a major trend in all OECD countries as a result of technological change and productivity gains in the industry, the saturation of product markets, the rise of the welfare state and the expansion of female employment. While continental Europe remained predominantly industrial until the 1990s, service sector employment was already more important than the industrial sector in the UK and Sweden in the 1970s. After 2000, service sector employment outdid industrial employment throughout the OECD by a factor of 2 to 3 (Oesch 2006: 31). Deindustrialization and globalization demanded a more flexible labor force. Welfare states began reform in order to meet this increased request of a flexible labor force. Yet, the pressure for increased flexibility did not affect all employees equally (Clegg 2007). The reforms that were implemented to enhance labor force flexibility resulted in the creation of non-standard jobs with reduced employment security and created a “new type of contingent worker” (Muffels 2008: 10). This is reflected by the share of part time and fixed-term employment of new created jobs in the 90s: Part time employment has increased significantly – close to 80 percent of the net job creation in the EU since 1994 has been part time. The same holds for temporary employment, which increased from early 90s, representing 40 percent of all job increases in the 90s (Plougmann 2003).

There is an increasing divide between people in stable employment and people with non-standard work biographies. A segmentation of the labor market itself poses no problem. The dualization becomes (politically) relevant if the atypicality of employment biographies brings political, economic and social disadvantages with it. Various studies have shown that insiders and outsiders have different political preferences regarding employment protection and labor market policies (Rueda 2006, 2007, Emmenegger 2009, Thelen and Palier 2008) and the model of welfare state in general (Häusermann and Schwander, 2009a). Furthermore, outsiders participate less in the political life and are less often represented by unions (Häusermann and Schwander 2009b) and political parties (Rueda 2005).

Consequently, the important question is not only if postindustrial societies are dualized but also how much there are dualized. Even though the dualization is considered to be particularly strong in continental Europe (Palier and Thelen 2008), it has never been measured. In this pa-

per, I argue that the extent of dualization depends on two dimensions. The first dimension relates to the social groups that are affected by atypical employment. It seems intuitive that the share of outsiders affects the extent of dualization. Countries can counterbalance the segmentation of labor markets by ensuring rights of atypically employed at the workplace, by preventing income inequalities and by providing effective welfare provision to outsiders. Therefore, we have to include a second, institutional dimension of dualization. Dualization depends also on how much the outsiders are punished by the welfare state, i.e. how much their atypical employment biographies lead to a reduction in welfare state access. By multiplying the two dimensions, we obtain a measure for the extent of dualization.

Thus, in order to measure the extent of dualization, I first consider the share of persons affected by atypical employment biographies. Second, I focus on how strongly these atypical employment biographies lead to actual disadvantages regarding welfare state entitlements. I attempt to measure the institutional dimension of dualization by comparing pension coverage rates of insiders and outsiders. The variations in pension coverage is particularly interesting because pensions are one of the central institutions of welfare states and because the analysis of pension coverage shows how current labor market positions are translated in the time after gainful employment.

The paper is organized in the following way: In the theoretical part, I develop first the argument how the extent of dualization depends on the socio-structural and the institutional dimension. I discuss the conceptualization of outsiders based on atypical employment biographies and then the consequences of outsidersness for welfare state entitlement before presenting the pension systems in Britain, Switzerland and Sweden. The empirical part examines first the socio-structural dimension of dualization by developing a map of dualization for the three countries and then the institutional dimension of the dualization by comparing pension coverage rates of insiders and outsiders. Finally, the extent of dualization is evaluated. The paper ends with the conclusions which summarizes the results and lay out some implications.

2 The extent of dualization

To evaluate the extent of dualization we have to disaggregate the dualization into a socio-structural and an institutional dimension. For the socio-structural dimension, it seems intuitive that the number of outsiders is decisive while the institutional dimension displays how strongly the access to the welfare state is reduced if someone has an atypical employment bi-

ographie. The extent of dualization, therefore, depends on how many persons have atypical employment biographies and how strongly atypical employment biographies are punished by national welfare institutions. For a society to be dualized it needs to have both a high number of outsiders and these outsiders have to face pronounced institutional disadvantages regarding the welfare state access in the same time. Both dimensions are thus necessary conditions for a strong dualization as figure 1 displays graphically.

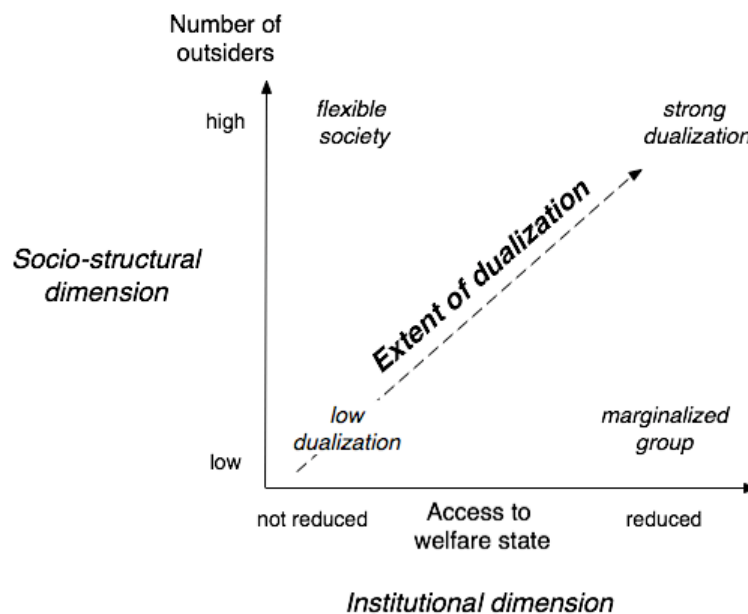


Figure 1: The two dimensions of dualization

If a high number of persons have atypical employment biographies, a society is strongly dualized. But a high number of persons that are affected by atypical employment alone does not imply a strong dualization. If atypical employment does not imply actual disadvantages, dualization cannot be considered to be strong. For example, a society where most of the people change their jobs often, enter and re-enter the labor market for education, child rearing etc, but labor market institutions are highly flexible and the welfare state institutions allow such mobility, is not dualized but flexible. This is where the institutional dimension comes into play. If, in contrast, atypical employment leads to strong disadvantages, atypical employment is related with a reduced access to the welfare state, a society is strongly dualized on the institutional dimension. But, a strong institutional discrimination alone is also not sufficient for a strong dualization. Even when the institutional discrimination of atypical employment biographies by the welfare state is pronounced we cannot consider a society as dualized when only few people are affected. In this case, we rather have a small marginalized group than a dual-

ized society.

Since both dimensions are necessary conditions for a strong dualization, I will multiply the two dimensions for an index of dualization. In the following sections, I discuss first the socio-structural dimension and then the institutional dimension of dualization.

2.1 The socio-structural dimension: Who are the outsiders?

In the traditional literature about labor market dualization, insiders are considered as workers in stable labor contracts while outsiders are “the unemployed, the involuntary fixed-term employed and the involuntary part time employed” (Rueda 2007: 14–15, see also Lindbeck and Snower 2001 and Saint Paul 2002). As discussed in previous work (see Häusermann und Schwander 2009b) this conceptualization may be useful when we are interested in the dualization of the labor markets but has two disadvantages: one may ignore relevant groups and include irrelevant ones. For example, there may be outsiders who are in stable employment during one period of their life, but have generally highly volatile employment biographies across their life course. Many women e.g. may be employed full time at young age, but most of them will experience periods of career interruption or atypical employment later on, and they are generally well aware of this. Conversely, one may include individuals who are at a very low risk of experiencing outsider-disadvantages. The unemployed in thriving economic sectors e.g. know quite well that a short period of unemployment will not affect their overall earnings-capacity in the long run. They should not be categorized as outsiders. Hence, unemployment has not the same implication to everybody. By relying on the current employment status as the criterion for insider-outsider conceptualization, we are not capable to take these different implications of the labor market status into account.

If we are interested in the extent of dualization, we need a conceptualization of outsiders, which identifies those individuals that are “typically atypical” over the span of their whole work biography because are the people who are at the risk of finding themselves at “*permanent disadvantage*” (Davidsson and Naczyk 2009: 1). Therefore we focus on the *individual risk to be atypical employed*. Outsiders have a greater risk to be atypical employed than insiders. Atypical employment, then, denotes all employment-relations that deviate from the standard industrial model of full time, stable, fully protected and insured employment, i.e. unemployment, part time and fixed term employment.¹ That means we have to identify those indi-

¹ Here, the aspect of voluntariness is left aside because the consequences of the atypical employment are equal whether someone works voluntary part time or with fixed term contract or not. More general, the notation of

viduals who are at greater risk to be atypically employed than others.

2.2 The institutional dimension: How strongly are outsiders disadvantaged?

Being an outsider has not the same consequences in all countries and welfare state regimes but depends on the particular social policy and labor market institutions. Atypical employment is not equally disadvantaged everywhere but depends how much welfare states reproduce labor market stratification. Countries can counterbalance the segmentation of labor markets by ensuring rights of atypically employed at the workplace, by preventing income inequalities and by providing effective welfare provision to outsiders or can perpetuate or even accentuate them.

We can expect that different welfare regimes have different effects on this translation of segmentation into outcomes. The liberal welfare states generally have flexible and liberal labor markets and relatively high levels of income inequality. Their welfare states are means-tested and focused on poverty prevention. Hence, the welfare state is residual and compensates labor market disadvantages only for the lowest strata of the labor market. Nordic welfare states are quite the opposite: Despite a strongly gendered labor market segmentation (Estévez-Abe 2006) they have generally low levels of wage inequality and an egalitarian, universal welfare state policies. We thus expect a low level of dualization, since the institutions of the Nordic countries countervail segmentation and are entitlement is based on residency. Finally, we expect continental societies to be highly dualized because social insurance welfare states are typical of the continental welfare regimes. Where welfare state entitlement is strongly related to employment records, atypical employment is particularly disadvantaged. Continental welfare state institutions preserve the labor market stratification or even accentuate them.

Of all welfare state institutions the pension system is of particular importance. It shows how actual employment patterns are translated into welfare entitlements in the future transferring thereby the structure of the labor market in the time after gainful employment. Additionally, the analysis of old age pension coverage is useful because pensions are one of the most important schemes of the welfare state – if not the most important one – in terms of coverage and social spending: Old age is one of the social risks everyone is affected with regardless of employment sector or occupations.² Accordingly, pension coverage is higher than the coverage

voluntary part time is not unproblematic because it is hard to distinguish between someone works truly voluntary in part time employment and or if the structures do not allow for another form of employment.

² Because early retirement rates vary strongly according to occupation, sectors and skills it is excluded from the analysis.

of other social programs like unemployment insurance and, consequently, the largest share of social expenditure are caused by old age pensions (Bonoli 2000: 1).

Pensions are the cornerstones of welfare state and fully developed in all postindustrial societies. In their origins, however, pension schemes were introduced with two different groups in mind and also with different goals (Bonoli 1997, 2000). So-called Beveridge-systems were targeted at the poor. Their means tested and taxed financed programs aimed at “freedom from want” in old age and not at guaranteeing the living standard to the whole population (Bonoli 2000: 11). In contrast, Bismarckian systems provided income guarantee for older worker related to their former income, financed by contributions with state subsidies. They took the form of social insurance for older worker, more or less explicitly with the aim of guaranteeing “social stability” (Bonoli 2000: 11). Coverage rates have extended subsequently to other occupational groups after World War II but both regimes had in mind the typical blue collar worker in industrial production (Esping-Andersen 1999: 33) Consequently, they provided optimal coverage for those working full time during their whole working life. The exclusive coverage of insiders was no problem as long as fulltime employment, continuous work careers and stable family structures were the norm because most of the population was covered through the coverage of the male breadwinner (Bonoli 2005). But when atypical employment biographies became more widespread and family structure less stable, pension coverage become insufficient for those with non-standard career patterns (Bonoli 2005, 2006, Häusermann forthcoming).

Oesch (2008) follows that insufficient welfare coverage is thus both gendered and class biased. Insufficient welfare coverage is class biased because people in routine occupations in low skilled production, sales or service jobs are more likely to receive low incomes and to experience precarious employment stability (Oesch 2008: 535). Depending on the connection of the welfare state entitlements with labor market participation this may results in lower entitlements rates or benefits levels. Reduced pension coverage is also gendered, especially in continental welfare states. Before the structural changes of raising divorce rates and non-traditional family structures, women's social rights were deduced from the social rights of their husbands. But today, this pattern of insurance has become increasingly dysfunctional, not only regarding structural changes but also due to changing values regarding gender equality (Häusermann forthcoming: 42). In systems where entitlement is related to employment through contributions like in occupational pension schemes or in social insurance systems in general, women are disadvantaged (Orloff 1993, Häusermann forthcoming). Two factors con-

tribute to this disadvantage: low income and atypical employment biographies are both more common among women, especially in sales and service occupations (Oesch 2006, 2008). In this regard, labor market disadvantages are translated more or less directly into welfare state disadvantages, depending on how much welfare state entitlement depends on work performance.

3 Pension systems in Britain, Switzerland and Sweden

In the following section I present the case selection for the analysis of the extent of dualization before describing the pensions systems of Britain, Switzerland and Sweden.

We have seen that welfare regimes are important for the extent of dualization. Britain, Switzerland and Sweden differ in their classification to a specific welfare regime. The British welfare state is the typical example of a liberal welfare state where much of the social provision is purchased on the market from private insurance companies. Switzerland may not be the typical case of a continental welfare state for its low levels of employment protection and social spending but is nevertheless usually classified as an continental welfare state (for example: Esping-Andersen 1999a, Ferrera 1996) for showing some of its typical features like the principles of subsidiarity, the low labor market participation rate of women, which work mostly part time, and the predominance of mandatory social insurance with high replacement rates.³ As it is usual in continental welfare state the Swiss pension regime is financed by contributions. Rather unusual for a continental welfare state is the redistributive character of its first pillar due to a benefit ceiling but the low levels of the first pillar reduce the redistributive effect. Sweden, in contrast, is *the* example of a social democratic or universal welfare state (see Art and Gelissen 2004 for an overview of welfare state classifications). Social rights are based on citizenship and therefore not dependent on individual contributions, what makes the social democratic welfare state inclusive. Individual differences in welfare state entitlement are therefore minimal (Oesch 2008). Because welfare state entitlements are not coupled with the position in the labor market or employment in general and benefit levels are generous, the social democratic welfare state is also highly redistributive. The effect was a crowding out the market as a provider of welfare insurance (Esping-Andersen 1990). In the same time, women

³ According to Obinger, the Swiss welfare model is not a conservative welfare state, but rather a mixed type consisting mainly of liberal, conservative, and – to a lesser extent – socialist elements, reflecting thereby the distribution of power in the Swiss associational democracy. In other terms, the Swiss welfare state is a hybrid, with elements from Bismarck and Beveridge mixed together (Obinger 1999: 32).

are encouraged to participate in the labor market and unemployment was kept low.

Britain, Switzerland and Sweden have also different pension system. The Swiss public pay-as-you-go pension was modeled to be universal and earning-related. In contrast, the British Basic State Pension was a flat rate for all residents in old age but also insurance based. In both countries occupational pension systems emerged, partly because of the relative low levels of the state pension. In Sweden, in contrast, the access to the pension system is largely detached from labor market status and employment. In the following section I present the pension system in Britain, Switzerland and Sweden in more detail regarding their inclusion of part time employed, self-employed and low wage earners.

The British pension system is a typical case of Beveridge-pension system where the state pension is aimed at preventing poverty in old age (Bonoli 2003) and the additional pension plans have to be set up either privately or with the employer. Until 1986, the British pension system contained two pillars: The public pillar consists of a Basic State Pension with earning-related contributions and flat rate benefits. The second pillar consists of an occupational pension scheme with earning related benefits, which is provided either by the state through the State Earnings-Related Pension Scheme (SERPS) or the employer through the employers occupational scheme (Schulze and Moran 2007).

In 1986, the Thatcher government introduced the Social Security Act, which added a third pillar to the pensions system (Schulze and Moran 2007: 76). Employees have the possibility to opt out from the SERPS or their occupational pension scheme in order to make individual provisions and set up a personal pension plan (Bonoli 2000: 79), a possibility that the population used with more enthusiasm than the government ever thought: More than 5 million persons set up a personal plan until 1992 (Bonoli 2000: 80).⁴ The main losers of the 1986 reform were people with low income and atypical employment patterns, mainly women. “Many workers bought private pensions and found afterwards that this sort of pension coverage was not suitable for their low earnings. Additionally, the high administrative charges of a private pension can swallow a good proportion of the contributions paid by a low income individual” (Bonoli 2003: 410).

The improvement of their situation was the main topic of the pension debate in the 90s

⁴ This reform is considered to be one of the most substantial social policy reforms in Western Europe and is explained largely by the strong power of the Conservative party due to the majoritarian election system and the climax of the neoliberalism ideology in that time (Bonoli 2000).

(Bonoli 2000). In a series of reforms in the late 90s and the beginning of 2000, the Labor government replaced the SERPS with the Second State Pension (SSP), a flat rate pension designed to cover workers with very low earnings and interrupted careers, introduced stronger controls on the private pension funds and obliged the employees to guarantee the access to an occupational scheme either through the inclusion in the company's occupational scheme or through contributions in a so called stakeholder pension scheme whose costs are especially low (Bonoli 2000, 2003; Schulze and Moran 2007). If a company does not offer an occupational pension scheme, the employer has to make sure that their employees are covered by the State Second Pension but benefits levels are often more generous in occupational pension schemes provided by the companies (Meyer and Bridgen 2008: 53).

The Swiss pension system is often praised for its ability to combine high income levels of pensioners and solid financial grounds due to its multi-pillar structure: the first pillar (AHV/ASV) is universal and provides all retirees with a minimum income above the poverty line (Bonoli 2000, 2007). It is partly earning-related but strongly redistributive because contributions are earnings related, but the benefits are nearly flat rated. The scheme is universal, so that students pay a flat rate contribution, caregivers receive contribution credits and unemployed pay benefits from their unemployment benefit. The AHV/AVS is financed by contributions from both the employers and employees on a pay-as-you-go basis.⁵

The second pillar (BVG/LPP) is an earning-related occupational pensions system, which is compulsory for most employees and fully funded. Its main goal is to provide a standard of living close the one that employees had during their work life. Since 1985 contributions to an occupational scheme are compulsory for employees with a minimal annual earning and the age of 24. Nevertheless, many part time employed were excluded from occupational pension coverage because they did not exceed the earning threshold for compulsory occupational pension. Their situation improved when the access threshold was lowered in the 1st BVG/LPP Revision in 2003.⁶ The situation for atypical employed was further corrected with the 10th AVH/AVS revision. A contribution sharing system between spouses and credits for care givers was introduced so that women are able to profit from the contributions of their husbands and care giving is not associated with incomplete contribution records.

The third pillar aims at tailoring the pension income to the individuals need and consists of

⁵ In addition, 1 percent of the value-added tax is assigned to the AHV since 1999.

⁶ From 24 000 to 18 990 CHF.

voluntary private saving schemes, which benefits from generous tax deductions. These tax deductions are most substantial for those who are not covered by an occupational scheme like self-employed, temporary or part time employed (up to 20 percent of their income) but regular employed can also call on a reduced tax deduction. But private saving play a relatively minor role in the Swiss pension systems and the main income of pensioners is provided though occupational pension schemes (Bonoli 2007: 220).

Also the Swedish pension system has undergone a major transformation since the late 90s. With the aim to restore financial sustainability a major pension reform was introduced in 1994 (Anderson and Immergut 2007). The old Swedish Social Security System (SSS) provided a universal flat-rate pension (AFP) to ensure income security in old age and a supplementary earning-related old age pension (ATP) to guarantee the standard of living in old age.⁷ Due to increased real wages, the ATP would gradually have become a flat rate and would have lost its income replacing function and was therefore replaced by the income pension (Sunden 2000). The new Swedish pension system operates largely on a PAYG basis including in 2000 all labor force participants earning more than 36'000 SK (about 1'000 Euros). The income pension will be a defined contribution scheme with a contribution rate of 18.5 percent. An individual will earn pension rights from labor income as well as from income from transfers, such as unemployment insurance and disability insurance. In addition, individuals will earn pension rights for years spent in the military service and at home caring for small children. Retirement is possible any time after 61. The income threshold to be included in the pension scheme is rather low: 16'800 SEK annually in 2008 in order to qualify for earnings-related pensions and for the premium pension. Additionally there is a means-tested, tax-financed guarantee pension for those not qualifying for the earning-related and premium pensions or with very low pension income. The new pension system has entered into force gradually and applies fully as from January 2003 (RFV, 2003).

In addition to the income pension, 2.5 percent of the contributions will go to funded individual account. A new government agency will administer the funded pillar, but individuals will decide where and how they want to invest their money (Anderson and Immergut 2007).

Britain

Switzerland

Sweden

⁷ Individuals with no or very low ATP received an additional benefit, the pension supplement which was about 50 percent of the AFP benefit.

first pillar	inclusive access	inclusive access	inclusive access
second pillar	occupational pension: exclusive access	occupational pension: between inclusive and exclusive access	occupational pension: inclusive access

Table 2: Inclusiveness of pension schemes in Britain, Switzerland and Sweden

4 Assessing the extent of dualization

I use data from the British, Swiss and Swedish household panel to show the variation of pension coverage between insiders and outsiders. Using micro survey data instead of macro databases of pension coverage has several advantages: Because the degree of compulsory of occupational pension systems varies, that the estimation of coverage for occupational pension is harder to assess as for state provided pension. If only the compulsory part is included, we miss the coverage by non-compulsory part, which is often essential for the maintenance of the living standard of pensioners. For example, it would mean to exclude the occupational schemes in Britain and Switzerland. Additionally, non-compulsory pension schemes could be essential for outsiders, especially for high skilled outsiders because they allow more flexibility.

Database	British Household Panel Survey (BHPS)	Swiss Household Panel Survey (SHPS)	The Swedish Level-of-Living Survey (LNU)
Year	2007	2007	2000
Total N	N=14'910	N=11'002	N=5'142
N targeted (persons with an ISCO- (resp. NYK-) code and in working age)	N=10'144	N=7'891	N=3'462

Table 3: Overview of the databases

In the previous section I have argued that the extent of dualization depends on two dimensions: the socio-structural dimension comprises the number of outsiders and the institutional dimension displays the disadvantages of atypical employment regarding welfare state access. By multiplication of the two dimensions we derive an exact number of the extent of dualization. In the following section, I argue how these dimensions can be measured and show the positioning of the three countries on both dimensions.

The socio-structural dimension of the extent of dualization is operationalized by share of outsider in the work force.

But how do we operationalize outsiders? We have to identify these persons who have an overproportional risk to experience atypical employment. Based on previous work (Häusermann and Schwander 2009b discusses the operationalization in more detail) we propose to measure socio-structural outsider-groups based on class, gender and age.

Class schemes are usually based on occupational profiles (Erikson and Goldthorpe 1993, Wright 1997, Oesch 2006), because people in similar professions tend to share similar work experiences and to have similar employment biographies, i.e. they share permanent, structural commonalities, meaning that classes are characterized by “social closure”. Postindustrial class schemes capture the transformation that the labor market underwent due to postindustrialization, raising education levels and feminization of the labor force by allowing differentiating the middle class. The scheme developed by Oesch (2006) is constructed along two dimensions: the extent of marketable *skills* (vertical class differentiation) and the *type of work* being done (horizontal differentiation). The vertical axis has four levels of marketable skills: the higher the skill-volume, the more advantages an occupation presents in terms of income and work autonomy. The horizontal dimension represents people’s “work logic”, i.e. whether a job relies mainly on technical competences (technical work logic), managerial power (organizational work logic), face-to-face interaction with clients (interpersonal work logic), or self-employment (independent work logic). Technical occupations can be found mostly in the first and second sectors, whereas the interpersonal work logic is generally concentrated in service employment. Table 2.1 depicts the class scheme, which contains 15 classes, graphically. Following Kitschelt and Rehm (2005) they can be summarized into five post-industrial class groups: capital accumulators (CA), mixed service functionaries (MSF), low service functionaries (LSF), blue collar workers (BC) and socio-cultural (semi-) professionals (SCP).

Andersen 1999a, Kitschelt and Rehm 2006, Chauval 2006, 2007, 2009). Gender is important because women are more often affected by atypical employment than men, especially in countries with a strong male breadwinner model. For women in continental Europe, atypical employment is generally the norm rather than the exception (Esping-Andersen 1999b, Oesch 2006, Häusermann forthcoming). Therefore, the classes are disaggregated by gender and age into 16 new social groups. For each group I have compared the group average rate of unemployment and atypical employment with the regime average and tested whether the group average exceed significantly the regime average. If the group average exceeds the regime average significantly either in the atypical employment rate or the unemployment rate (or both), all individuals of this groups are classified as outsiders.⁸ (see appendix 1 for details, results in appendix 2). This means that young female socio-cultural professionals, for instance, are considered outsiders if they have a significantly higher chance of being unemployed or atypically employed or part time employed than the average member of the workforce in a particular country. The resulting “map of dualization” is displayed in table 4.

⁸ Except for capital accumulators, which are clearly the most privileged group in the work force and therefore considered insiders by definition.

	Britain	N	%	Switzerland	N	%	Sweden	N	%
	Young women LSF	1,085	10.4	Young women LSF	181	2.3	Young women LSF	247	7.5
	Young Men LSF	442	4.2						
	Old women LSF	927	8.9	Old women LSF	932	11.8	Old women LSF	189	8.8
				SCP young women	404	5.1	SCP young women	145	4.4
Outsider	SCP old women	528	5.1	SCP old women	1,121	14.2			
	BC young women	111	1.1						
	BC young men	782	7.5						
	BC old women	167	1.6	BC old women	269	4.7			
	MSF young women	662	6.4	MSF young women	245	3.1	MSF young women	115	3.5
	MSF old women	708	6.8	MSF old women	1,088	13.8			
	Total outsider	5,412	52.0		4,340	55.0		825	25.2
				LSF young men	96	1.2	LSF young men	113	3.5
	LSF old men	272	2.6	LSF old men	194	2.5	LSF old men	86	2.6
	SCP young women	629	6.0						
	SCP young men	279	2.7	SCP young men	172	2.2	SCP young men	62	1.9
Insider							SCP old women	174	5.3
	SCP old men	276	2.7	SCP old men	597	7.6	SCP old men	86	2.6
				BS young women	50	0.6	BS young women	37	1.1
				BC young men	235	3.0	BC young men	264	8.1
							BC old women	17	0.5
	BC old men	789	7.6	BC old men	650	8.2	BC old men	159	4.9
	MSF young men	445	4.3	MSF young men	152	1.9	MSF young men	81	2.5
							MSF old women	131	4.0
	MSF old men	524	5.0				MSF old men	88	2.7
	CA	1,788	17.2	CA	924	11.7	CA	1,176	35.9
	Total insider	5,002	48.0		3,551	45.0		2,449	74.8
	% of female outsiders		77.4			100			100
	% of young outsiders		57.0			19.1			43.9
	% of low skilled outsiders		88.4			47.5			78.0
	Total work force	10,414			7,891			3,274	

Table 4: The map of dualization in Britain, Switzerland and Sweden

The map of dualization shows first, that the composition of outsiders varies, although young and female low service functionaries are the most disadvantaged groups in all three countries. The second insight is that both insiders and outsiders are heterogeneous in terms of skills. Dualization does not only affect low skilled workers. There are both high- and low skilled insiders and high- and low skilled outsiders.

We see as well that unemployment is strongly linked to skill levels, while atypical employment depends less on skills and more on gender, particularly in Switzerland and Sweden, where the outsider groups is entirely female (see appendix 2) and that the importance of this structuring criteria varies: In Britain skill levels are important for structuring the outsider-insider divide while in Switzerland and Sweden it are mostly women affected by outsidersness. This may partly be related to the operationalization: The unemployment levels in the Swiss

and Swedish survey are very low (0.47 percent, respectively 0.61 percent). Together with the lower case numbers in the surveys, this makes a significant exceed of the average more difficult to obtain. The results, however, are in line with a more comprehensive analysis of outsider differences across regimes, which shows that in continental Europe and Nordic Europe the insider-outsider divide is strongly gendered (Häusermann and Schwander 2009b and forthcoming). Similarly, Esping-Andersen (1999) and Huber and Stephens (2006) argue that the new divide differs across welfare regimes: Low skilled workers and employees in the low-end service labor market are worst off in the liberal countries (see also Duncan et al. 1995), whereas women and the young are particularly at risk in continental Europe, and the new divide is most evident when looking at the gender segregated employment structure in Scandinavia (Esping-Andersen 1993).

I have argued that the extent of dualization has to be captured by two dimensions. The analysis of the socio-structural dimension shows the number of outsiders varies, as expected. In Sweden the number of groups classified as outsiders is lower. With 22.5 percent also fewer individuals are considered outsiders, while about 52 percent respective 55 percent of the work force are affected in Britain and Switzerland. Considering the socio-structural dimension of the extent of dualization, we see that dualization is stronger in Britain and Switzerland than in Sweden.

Britain			Switzerland			Sweden		
	N	%		N	%		N	%
Insider	5002.0	48.0	Insider	3551.0	45.0	Insider	2449.0	74.8
Outsider	5412.0	52.0	Outsider	4340.0	55.0	Outsider	825.0	25.2
Total	10414.0	100.0	Total	7891.0	100.0	Total	3274.0	100.0

Table 5: Socio-structural dimension: The share of outsiders in Britain, Switzerland and Sweden

The institutional dimension is operationalized by the difference in pension coverage rates of insiders and outsiders.

Which pension schemes are included in the analysis? The analysis in Britain takes only the occupational and private pensions into account, because the Basic State Pension is nearly universal but has very limited benefit levels. It covers everyone with a minimum income of £ 87 a week (in 2007/08) that makes 96.2 percent of the respondents in working age qualify for Basic State Pension. In the same time the benefit levels are lower than the minimum income threshold – people who receive only the Basic State Pension receive additionally income sup-

port. The Basic State Pension therefore is not essential for securing old age income in Britain. The operationalization of pension coverage for Britain is straightforward as the British Household panel contains a direct question whether the respondent is integrated in their employer's occupational pension scheme or if they have set up a personal pension plan.

For Sweden and Switzerland direct questions do not exist. The operationalization is thus based on eligibility to the public and occupational pensions in Switzerland and inclusion in the public system in Sweden. Individuals with an income below the respective earnings threshold do not qualify for the first- and second-tier pension in Switzerland and for the public pension system in Sweden. However, the qualifying income thresholds differ substantially: in Switzerland, the minimal annual personal income for the first pillar is 8'220 Euros in 2007, for mandatory inclusion in an occupational scheme the minimal annual income is 12'320 Euros. In Sweden, however, the income threshold is only 1'000 Euro in 2000. Table 6 shows the survey-specific operationalization of pension coverage.

For the extent of dualization it is decisive if an individual is covered either with an occupational pension scheme or has set up a personal pension plan because in Britain, these two institutions allow for a standard of living in old age above the poverty level. Consequently the difference in pension coverage with any pension scheme is used for evaluating the extent of dualization. In Switzerland as well we use the coverage with any of the two pension schemes. All individuals, who qualify for the inclusion in the second pillar, are automatically included in the first pillar. Unfortunately, the data did not allow operationalizing coverage of the third pillar consisting of private tax-deducted savings. Therefore, the coverage with any pension scheme corresponds to the coverage with the occupational pension scheme.

Operationalization	UK	Switzerland	Sweden
First pillar	Annual personal income 2007: £ 4524 (6700 Euros)	Annual personal income 2007: 13'260 CHF (8'220 Euros)	Annual personal income: 2000: 36'600 SK (ca. 1'000 Euro)
Second pillar	Direct question	Annual personal income: 2007/8: 19'890 CHF (12'320 Euros)	Annual personal income: 2000: 36'600 SK (ca.1'000 Euro)
Third pillar	Direct question		Annual personal income: 2000: 36'600 SK (ca.1'000 Euro)
Extent of institu-	Difference between in-	Difference between in-	Difference between in-

tional dimension	sider and outsider coverage rates for any relevant pension scheme (either second or third pillar)	sider and outsider coverage rates for any relevant pension scheme (either first or second pillar)	sider and outsider coverage rates for the pension system
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Table 6: Operationalization of pension coverage

We begin with the pension coverage rates in Britain. Remember that the analysis in Britain includes only occupational and private pensions because of the low levels of the public and universal Basic State Pension. The pension coverage rates for insiders and outsider regarding occupational pension schemes, a personal pension plan and the coverage with either an occupational pension scheme or a personal pension are depicted in table 7.

UK	Occupational pension coverage	Private pension coverage	Coverage with any pension scheme
LSF old women	63.8	4.1	65.1
LSF young men	42.4	3.7	45.9
LSF young women	42.0	2.2	44.6
SCP old women	87.6	12.0	90.3
BC young women	60.7	2.7	67.9
BC young men	54.9	9.2	59.8
BC old women	58.5	3.0	61.0
MSF young women	69.0	5.3	70.4
MSF old women	81.1	11.1	83.8
Total outsider	65.4	6.2	68.1
LSF old men	70.2	10.0	76.2
SCP young women	78.6	6.9	79.9
SCP young men	76.6	12.4	78.1
SCP old men	90.8	19.0	93.9
BC old men	69.9	16.0	78.1
MSF young men	70.9	14.1	71.5
MSF old men	83.4	25.0	86.8
CA	76.9	20.1	81.8
Total insider	76.8	16.7	80.9
Total work force	71.6	8.3	75.11
Difference between insiders and outsider	11.4	10.5	12.8

Table 7: Pension coverage differences in Britain

Three observations can be made: first, pension coverage is generally not particularly high in Britain. Just about 70 percent will receive an occupational pension when retired and in spite of the promotion of personal pension plans during the Thatcher government (Bonoli 2007), only 8.3 percent of the respondents have set up a personal pension plan. Second, we see substantial

differences in pension coverage between insiders and outsiders: 65.4 percent of outsiders are included in an occupational pension scheme compared to 76.8 percent of insiders. The differences are even more remarkable when it comes to private pension plans. 6.2 percent of outsiders have set up private pensions plans while 16.7 percent of insiders pay into a private pension plan. There is, however, a substantial variance between the outsider and insider groups: Only 55 percent of young male blue collar workers are covered by an occupational pension scheme, while 88 percent of old female socio-cultural professionals can expect to receive an occupational pension. Age is an important factor explaining pension coverage: older workers better covered than younger employees: the young outsider groups are even below the average of the outsiders in general. This may be related to the nature of pensions: young people are not concerned with pension because retirement seems to be far away but also to the structural insecurities of younger employees. Another important criterion is education respective skill levels. High skilled outsiders are better off than lower skilled outsiders.

68 percent of outsiders are included in either an occupational scheme or contribute to a private scheme, while the coverage rate of insiders for any pension scheme that allows for a living above a poverty level than insiders is 80.9 percent. That makes a difference of 12.8 percentage points for the institutional dimension of the extent of dualization. Accordingly, the consequences of being an outsider regarding pension coverage are pronounced in Britain.

Let's now look at the different pension coverage rates between insiders and outsiders in Switzerland. Table 8 shows the pension coverage rates for the public pension, the occupational pension schemes and the coverage with any of the two pension schemes for insiders and outsiders in Switzerland.

Switzerland	Public pension coverage	Occupational pension coverage	Coverage with any pension scheme
LSF old women	87.3	83.2	87.3
LSF young women	63.9	54.7	63.9
SCP old women	93.8	91.2	93.8
SCP young women	84.2	76.2	84.2
BC old women	93.5	91.6	93.5
MSF young women	82.7	74.7	82.7
MSF old women	93.2	90.3	93.2
Total outsider	89.5	85.4	89.5
LSF old men	89.1	88.1	89.1
LSF young men	86.5	80.2	86.5
SCP old men	98.5	97.8	98.5
SCP young men	90.1	86.1	90.1
BC young women	76.0	70.0	76.0

BC old men	92.6	91.7	92.6
BC young men	81.2	74.9	81.2
MSF old men	80.3	75.7	80.3
MSF young men	94.4	93.4	94.4
CA	96.8	95.8	96.8
Total insider	92.9	91.1	92.9
Total work force	91.0	88.0	91.0
Difference between insiders and outsider	3.4	5.7	3.4

Table 8: Pension coverage differences in Switzerland

The first finding is that pension coverage rates in Switzerland are high in general, as it was expected from the description of the Swiss pension system in section 2. The vast majority of the Swiss working force (91 percent) is covered by the public first pillar AHV and the occupational pillar: 91 percent of the work force is entitled to the first pillar AHV in old age, and 88 percent will receive an occupational pension. Employees, whose incomes are high enough to be included in an occupational pension, are automatic entitled to the public pension. Therefore the number of those who are entitled to both pensions is equal to the one included occupational pension schemes. However, there is a small number of persons (3.3 percent) which are entitled to the first pillar but not included in a occupational pension system, but most of them are under the age of 24 which is the age where inclusion into an occupational pension scheme becomes mandatory for incomes above the threshold.

As a second finding we see that the coverage rate of outsiders for the public pension is only marginally below the coverage rate of insiders: 89.5 percent of entitled outsiders compared to 92.9 percent of entitled insiders. Differences in occupational pension coverage rates are more notable: 91 percent of the insiders have access to an occupational pension scheme, while only 85 percent of the outsiders do so. Differences within the outsider groups are decided: only 54.7 percent of young female low service functionaries are included in an occupational pension scheme while more than 91 percent of old female blue collar workers do so. Pension coverage varies also in the insider groups but less strongly. Young female blue collar workers are least covered with 70 percent.

It follows that the Swiss pension system is rather inclusive. The difference in pension coverage rates for insiders and outsiders is 3.8 percent. As outsiders do have only a slightly lower chance to be covered by the pensions system, the institutional dimension of the extent of dualization is evaluated to be rather low.

In contrast to Switzerland, where the earning threshold constitutes a real handicap to be included in a pension system, the income someone has to earn in order to be included in the Swedish pension system is very low. With the threshold of an annual personal income of 1'000 Euros, virtually every person is included in the pension system. In the LNU Survey less than 0.1 percent of the respondents earn not enough to be included in the pension system.

But not only coverage is universal in Sweden. Even though the decommodifying character of the Swedish pension system was reduced since the new pension system (Andersen and Immergut 2007: 385)⁹, the overall levels of benefits are still generous. This combination of high benefits, entitlements rights based on residence and extensive coverage makes the Swedish pension system still a social democratic program (Oesch 2008: 538). Consequently, the consequences of being an outsider are minimal in Sweden.

Table 9 displays the institutional dimension of dualization in Britain, Switzerland and Sweden.

	Britain, %	Switzerland, %	Sweden, %
Pension coverage rate of insiders	80.9	92.9	100.0
Pension coverage rate of outsiders	68.1	89.5	100.0
Difference in Pension coverage	12.8	3.4	0.0

Table 9: Institutional dimension: Difference in pension coverage rates

We see that the differences in pension coverage are most pronounced in Britain with 12.8 percent. In Switzerland, the difference in pension coverage between insiders and outsiders of 3.4 percent makes the institutional disadvantages of atypical employment not striking. In Sweden, finally, the welfare state does not punish atypical employment. If someone has a typical or atypical employment biography has no consequences for the chances of inclusion in the pension system.

After having evaluated both dimension of dualization of each country, we can estimate the exact extent of dualization. By multiplication of the two dimensions, we obtain the extent of dualization. The scores of the three countries are shown in table 10.

	Britain	Switzerland	Sweden
Socio-structural dimension: Share of outsiders	0.52	0.55	0.25

⁹ Low skilled women fare the best, while high skilled women with fewer contribution years lose the most – about 17 percent (Anderson and Immergut 2007: 385)

Institutional dimension: Differences in pension coverage	12.8	3.4	0.0
Extent of dualization	6.7	1.9	0.0

Table 10: The extent of dualization

We see that the extent of dualization clearly varies: With 6.7 points the dualization is highest in Britain. A dualization of 1.9 point makes Switzerland weakly dualized, while Sweden is not dualized at all. The high level of dualization in Britain is explained by the high share of outsiders and the differences in pension coverage between insiders and outsiders. In Switzerland, dualization is pronounced regarding the socio-structural dimension of dualization but being an outsider does not reduce the chance for pension coverage. Finally, Sweden is not dualized at all: dualization is low on both dimensions. The share of outsiders is low and because inclusion into the pension system is largely decoupled from employment, the consequences of atypical employment are minimal. Figure 2 displays the extent of dualization and the scoring of the countries in both dimensions graphically.

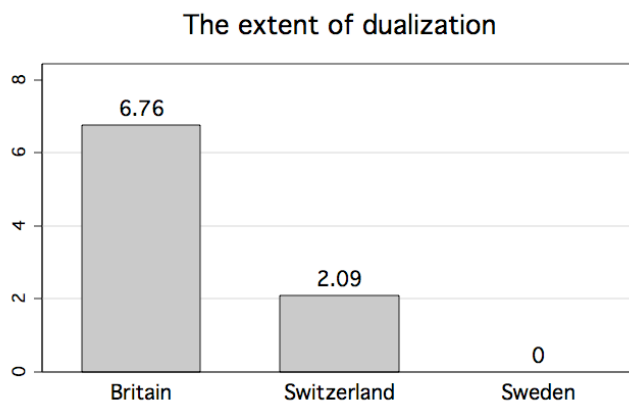


Figure 2: the extent of dualization

5 Conclusions

In this paper I have argued that a measure of the extent of dualization has to include both the socio-structural dimension of dualization and the institutional dimension of the extent because we can only speak of a dualized country if a) a share of the working force is affected by atypical employment and b) if these atypical employment biographies leads to a reduced access to the welfare state.

Further, I expected the extent of dualization to differ because different numbers of persons are affected in different countries and the consequences of being an outsider differ according to the national welfare institutions. I have shown that dualization is strongest in Britain, followed

by Switzerland and lowest in Sweden. The high level of dualization in Britain is explained by both the high share of outsiders and the differences in pension coverage between insiders and outsiders. In Switzerland, dualization is pronounced regarding the socio-structural dimension of dualization but being an outsider does not reduce pension coverage. Finally, in Sweden, the dualization is low for both dimensions. The share of outsiders is low and because inclusion into the pension system is largely decoupled from employment, the consequences of atypical employment are minimal.

Dualization is said to be highest in continental Europe. Unfortunately, no conclusion can be made about this claim as Switzerland with its multi-pillar pension system is not a typical continental welfare state. Also the flexible Swiss labor market with low unemployment level does not correspond to the typical continental labor markets, which are characterized by high level of employment protection. Because data is not available to operationalize pension coverage it was not possible to include a more typical continental welfare like Germany or France (cf. Oesch 2008).

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

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

Two-digit numbers in front of job description are SICO88-2d codes

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

Appendix 2 – Operationalization of outsider and insider

Table A1: Distribution of atypical employment and unemployment in Britain

UK					
Atypical	N	%	Unemployed	N	%
LSF young women	711	76.78 ***	LSF young women	49	4.52 **
LSF young men	176	48.75 ***	LSF young men	29	6.56 ***
LSF old women	588	78.4 ***	LSF old women	14	1.51
LSF old men	59	27.19	LSF old men	5	1.84
SCP young women	248	42.76 *	SCP young women	4	0.64
SCP young men	47	18.01	SCP young men	3	1.08
SCP old women	244	51.8 ***	SCP old women	2	0.38
SCP old men	45	18.07	SCP old men	2	0.72
BC young women	52	61.9 ***	BC young women	11	9.91 *
BC young men	69	10.13	BC young men	61	7.8 ***
BC old women	65	58.04 ***	BC old women	5	2.99
BC old men	53	8.73	BC old men	24	3.04
CA	228	16.68	CA	24	1.34
MSF young women	297	52.85 ***	MSF young women	17	2.57
MSF young men	56	23.63	MSF young men	13	2.92
MSF old women	305	56.9 ***	MSF old women	10	1.41
MSF old men	61	29.76	MSF old men	4	0.76
Total	3304	40.26	Total	227	2.66
		8,206			10,414

Table A2: Distribution of atypical employment and unemployment in Switzerland

Switzerland					
Atypical	N	%	Unemployed	N	%
LSF young women	98	67.12 ***	LSF young women	3	1.66
LSF young men	21	25	LSF young men	1	1.04
LSF old women	256	90.14 ***	LSF old women	3	0.63
LSF old men	24	27.27	LSF old men	0	0
SCP young women	224	63.46 ***	SCP young women	0	0
SCP young men	46	29.3	SCP young men	0	0
SCP old women	386	76.74 ***	SCP old women	4	0.56
SCP old men	57	19	SCP old men	1	0.25
BC young women	17	44.74	BC young women	0	0
BC young men	14	8.81	BC young men	2	0.85
BC old women	44	68.75 ***	BC old women	1	0.65
BC old men	25	12.14	BC old men	0	0
CA	179	28.32	CA	4	0.54
MSF young women	143	67.14 ***	MSF young women	2	0.82
MSF young men	23	18.11	MSF young men	1	0.66
MSF old women	361	82.23 ***	MSF old women	3	0.44
MSF old men	64	20.51	MSF old men	1	0.27
Total	1982	48.28	Total	26	0.47
		4,105			5560

Table A3: Distribution of atypical employment and unemployment in Sweden

Sweden					
Atypical	N	%	Unemployment	N	%
LSF young women	113	46.89 ***	LSF young women	3	1.21
LSF young men	28	25.69	LSF young men	0	0
LSF old women	93	32.4 ***	LSF old women	3	1.04
LSF old men	18	20.22	LSF old men	0	0
SCP young women	48	34.04 **	SCP young women	0	0
SCP young men	18	30	SCP young men	0	0
SCP old women	34	20	SCP old women	1	0.57
SCP old men	9	10.84	SCP old men	2	2.33
BC young women	11	30.56	BC young women	0	0
BC young men	46	17.62	BC young men	0	0
BC old women	1	5.88	BC old women	0	0
BC old men	15	9.62	BC old men	0	0
CA	112	13.56	CA	10	0.85
MSF young women	36	32.14 **	MSF young women	1	0.87
MSF young men	7	8.97	MSF young men	0	0
MSF old women	30	23.81	MSF old women	0	0
MSF old men	3	3.57	MSF old men	0	0
Total	622	21.63	Total	20	0.61
		2,876			3274