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# **Precarious Workers' Choices About Unemployment Insurance**

## **Membership after the Ghent System Reform: The Finnish Experience**

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## **ABSTRACT**

The literature on the Ghent system has focused on the link between voluntary unemployment insurance and union membership in terms of industrial relations. Less attention has been paid to unemployment benefits and employees' decision-making concerning unemployment insurance, even though the core function of the Ghent system is to provide unemployment insurance. This paper examines both of the options that precarious workers (i.e., part-timers, temporary employees and low-skilled service employees) choose regarding unemployment insurance membership, and the change in union density after the Ghent system reform in Finland. First, the results show that the growth of the independent unemployment insurance fund was the main reason for declining union density in the 2000s and early 2010s. Second, in terms of precarious workers, we find that the emergence of the independent fund has affected their choices about unemployment insurance membership and that their choices depend on the type of precarious employment they have. Moreover, part-timers and temporary employees younger than 35 years of age are much less likely to enrol in unemployment insurance than older employees who have the same types of employment contracts.

**Keywords:** Ghent system, precarious workers, unemployment insurance, unemployment benefits, trade union membership

# 1 INTRODUCTION

Almost all industrialized countries have compulsory unemployment insurance (UI) programs that provide benefits to unemployed people. In compulsory UI schemes, every employee is enrolled in UI by law, and insurance is mainly financed by employees' and employers' contributions. By contrast, Denmark, Finland and Sweden have voluntary UI schemes known as the Ghent system.<sup>1</sup> In this system, employees voluntarily decide whether to register for earnings-related UI, and trade union-linked funds, rather than the government, administer the voluntary UI members' contributions and benefits. The state only plays a regulatory and supervisory role and often provides state subsidies to contribute to the funding of unemployment benefits (Esser et al., 2013).

An extensive literature confirms that the Ghent system has strongly contributed to high union densities since the 1950s (Calmfors et al., 2001; Ebbinghaus et al., 2011; Neumann et al., 1991; Rasmussen and Pontusson, 2018; Scruggs, 2002; Western, 1993). Recently, however, the Ghent system has been transformed in all Nordic Ghent countries. Finland and Sweden introduced independent UI funds that employees can participate in without union membership, in 1992 and 1998 respectively, and Denmark made it possible for workers to join any UI fund regardless of their professions and trades in 2002. The reforms were introduced under the influence of neo-liberalism for the purpose of providing multiple options for workers regarding UI. Many researchers predicted that such reforms would have a steady, negative impact on union density (Kjellberg, 2006; Lind, 2009; Van Rie et al., 2011). Böckerman & Uusitalo (2006) show, using high-quality panel data, that one of the main reasons for the decline in union density in Finland during the period from 1993-2002 was the emergence and growth of the independent UI fund. Moreover, Høgedahl & Kongshøj (2017) demonstrate that union

densities in the Nordic Ghent countries have gradually decreased since those changes occurred, although they implemented different types of policy changes to the Ghent system.

Despite the literature on the relationship between the Ghent system and union density, there is a scarcity of research on specific groups of workers' choices in connection with UI in the transformed Ghent system. As the explicit goal of the Ghent system is not to recruit union members but to provide UI services for employees, it is worth asking which option individual employees have chosen concerning unemployment benefits since the implementation of the reforms. To fill this gap, this paper examines precarious workers' choices about UI membership. Atypical employment, such as part-time and temporary work and low-skilled service jobs, have become widespread in the labor market since the late 20th century (Barbier, 2013; Bonoli, 2007; Kalleberg, 2000; Standing, 2011). Kalleberg (2009) labels those types of work "precarious work" to emphasize that they became more uncertain, unpredictable and risky due to social, economic and political forces over the last several decades, and empirical studies confirm that atypical workers and low-skilled service employees are placed in precarious labor market situations. Part-time and temporary workers tend to suffer from job and income insecurity and confront higher poverty risks than those in standard employment (Burgoon and Dekker, 2010; Giesecke, 2009; Horemans and Marx, 2013; Van Lancker, 2013), and low-skilled service employees have a heightened risk of being unemployed or in atypical employment than other employees (Häusermann et al., 2016; Oesch, 2013; Schwander and Häusermann, 2013). Although there is an argument that part-time employment should not be considered as a type of precarious work as long as it is voluntary, part-time workers' earnings are significantly lower than those of standard employees due to their shorter working hours; they usually have lower hourly wages and shorter job tenure, and their employment opportunities are also more limited compared with full-time workers (Horemans and Marx, 2013). Therefore, we concentrate on those in temporary and part-time employment arrangements and low-skilled service employees.

As employees can freely decide whether to join a UI fund by paying a membership fee in the Ghent system, precarious employment might affect their decision to do so and constitutes a policy-relevant margin of adjustment because workers in such situations are likely to have a higher possibility of requiring unemployment benefits and to have lower incomes than those in standard employment. There are large differences in the composition of members of unions and UI funds by employment type (Figure 1). Standard employees account for approximately 85 percent of union members and over 87 percent of workers who have only UI fund membership, whereas temporary and part-time employees make up the rest. On the other hand, among workers who have neither union nor UI fund membership, those in standard employment cover less than two thirds. Temporary employees and part-time workers account for approximately 20 percent and 15 percent of them, respectively.

In Finland, the introduction of the independent UI fund was driven by employees who had difficulty joining unions because their workplaces were not affiliated with any unions. The independent UI fund had no association with any employers' organization or political group. However, employers and right-wing parties have been in favor of the independent fund and have taken a critical stance on unions' influence in the UI system. In the early 1990s, entrepreneurs raised the issue of creating such an independent fund, arguing that employees should have options other than union-run UI funds, and afterward, some of them worked as board members for the independent UI fund. At that time, the right-wing government expressed positive attitudes about the establishment of the independent fund, and the Ministry of Social Affairs and Health finally allowed the introduction of the independent UI fund in the autumn of 1991 when the country experienced a severe economic depression and drastic increase in unemployment. Trade unions did not consider the new fund a strong rival nor actively responded to the event when it was established. Recently, the Federation of Finnish Enterprises has publicly encouraged its member companies to consider paying UI contributions to the

independent fund rather than union-linked funds by criticizing the alliance between unions and UI funds, and right-wing politicians have claimed that unions are less active in expanding UI membership than the independent UI fund. As a result, intentionally or not, the independent UI fund has politically negative impacts on trade unions in the Ghent system. Although the Nordic Ghent model has changed in this way, few studies have been conducted on the impact of institutional reforms on union density over the first decade of the twenty-first century. This paper investigates the Finnish case by analyzing the Income Distribution Survey (IDS) data to examine the associations between precarious employment and UI membership and to verify whether the growth of the independent UI fund has continued to have a negative impact on union density during the period from 2000-2012.

This article begins with a description of the Finnish unemployment protection system, including the Ghent system, and proceeds to establish hypotheses based on a literature review and describes empirical facts about precarious workers in Finland. Subsequently, the article introduces the data and methodology that were used in this study and then presents our estimation results. In the concluding section of the paper, the findings are discussed.

[Insert Figure 1 here]

## **2 THE FINNISH UNEMPLOYMENT PROTECTION SYSTEM**

The Finnish unemployment protection system consists of three different types of unemployment benefits: contribution-based, flat rate and means-tested. The contribution-based unemployment benefit is an earnings-related unemployment allowance provided through UI funds based on the Ghent system. An unemployed person is entitled to this allowance when he or she meets the following conditions (TYJ, 2017). First, he or she has worked and been a

member of a UI fund for at least 26 calendar weeks within the last 28 months; second, he or she has worked at least 18 hours each week and his or her salary for full-time work has been in accordance with the collective agreement of the relevant industry sector, or not less than €1,187 per month in the year 2017; last, he or she has been registered as an unemployed job-seeker at the public employment service (TE-Office). The flat rate unemployment benefit is a basic unemployment allowance that is financed by taxes and managed by the Social Insurance Institution (KELA). This allowance is granted to the unemployed who are not entitled to the earnings-related allowance. The means-tested unemployment benefit is the labor market subsidy that KELA pays through a means test for long-term unemployed people who have used up their eligibility for the contribution-based or flat rate unemployment benefits. This paper focuses only on earnings-related and basic unemployment allowances because it investigates employees' voluntary decision-making about unemployment benefits.

Trade unions play a pivotal role in the management of the earnings-related unemployment allowance. As of January 2018, there are 79 trade unions in Finland, and 73 of them belong to one of three central employee organizations: SAK (Confederation of Finnish Trade Unions), AKAVA (Confederation of Salaried Employees) and STTK (Finnish Confederation of Salaried Employees). The other trade unions have no association with any confederation. SAK-affiliated unions mainly represent blue-collar workers, while members of unions belonging to STTK are mostly white-collar employees. AKAVA-affiliated unions are organized by highly educated professional workers. To offer UI services to their members, unions jointly administer UI funds, generally based on the classification of industrial activity. There are 24 UI funds that employees can join at present. Unions administer 23 of these funds, whereas only one fund, which is called YTK and was introduced in 1992, is managed independent of unions. Individual employees can voluntarily join a UI fund run by unions without union membership. However, trade unions strongly encourage workers to have both

union and UI fund memberships. Therefore, an absolute majority of employees who have only a UI fund membership without a union membership are members of the independent UI fund.

From an employee's perspective, the key difference between becoming a union member and joining a UI fund only is the membership fee. As Table 1 shows, most union membership fees are between 1% and 2% of gross earnings, and some professional unions charge a flat fee, which is around €400 per year. Those fees basically include union-linked UI fund membership fees. However, the membership fee for the independent UI fund is only €18 per year as of 2017. As mentioned above, because in Finland it is very common that workers join a union and union-linked UI fund, the difference between union and independent UI membership fees can be an important consideration when they decide whether to join a union-linked UI fund or the independent UI fund. Therefore, because the independent UI fund membership fee is much lower than any union membership fee, it can be a cost savings for workers to withdraw from a union and join the independent fund, considering only the earnings-related unemployment allowances they would receive in case of unemployment. On the other hand, union members can use the services that unions provide, such as legal advice, travel insurance, job information and occupational training, in addition to the UI fund services.

The basic unemployment allowance is not linked to unions. People who did not belong to any UI fund during their employment are entitled to receive this benefit from KELA. In other words, employees can take the basic unemployment allowance without paying union or UI fund membership fees instead of the earnings-related one when they are unemployed. The amount of basic allowance was, on average, €703 per month in 2016.<sup>2</sup> That allowance was paid for 500 days (100 weeks) until 2016, but the duration has been cut to 400 days (80 weeks) since 2017. This benefit is considerably lower than the earnings-related unemployment allowance because the replacement rates applying to UI fund members whose monthly wages are lower than €2,000 have been higher than 60% since 2002, and there is no ceiling on the earnings-

related allowance, although the replacement rate decreases sharply with the previous wage rate before unemployment (Kyyrä et al., 2017).<sup>3</sup>

[Insert Table 1 here]

### **3 PRECARIOUS WORKERS IN FINLAND**

#### ***3.1 Proportions and income levels of precarious workers***

Since 2000, the number of precarious workers in Finland has shown different trends depending on the type of worker. The proportion of part-time workers has increased steadily, while the share of fixed-term contract employees has remained relatively stable. Meanwhile, the ratio of low-skilled service workers has gradually decreased since 2000. Thus, the percentage of part-timers grew from 12.0% in 2000 to 14.6% in 2014, and the ratio of temporary workers has stayed at approximately 16.0% (Table 2). By contrast, the proportion of low-skilled service workers went from 11.6% in 2000 to 6.2% in 2012. This trend seems to have been caused by a reduction in the percentage of low-educated employees from 2000 to 2012, despite the increase in the number of workers in the service sector. Considering those trends, it cannot be concluded that precarious employment in general has increased in Finland during recent years. In the same vein, Pyöriä & Ojala (2016) show that the percentage of precarious workers in Finland did not increase significantly in the 2000s and early 2010s.

Figure 2 illustrates the average incomes of all employees over the period from 2000-2012. The average incomes are estimated based on wage and salary information from the Finnish IDS data using survey weights. The income level of precarious workers is much lower than that of other employees. The average income of all Finnish employees was less than

€25,000 in 2000, but it has exceeded €35,000 since 2010. On the other hand, the average incomes for the precarious worker groups are far lower than €30,000, even in 2012. Among them, low-skilled service employees showed the highest average income during the period, followed by temporary workers. Part-time employees received the lowest income on average, which was below €20,000 every year, except in 2010 and 2011. Although the average income of all workers continued to nominally increase over the period, that of low-skilled service and temporary workers decreased between 2011 and 2012, and the average income for part-timers decreased for two years in a row after 2010. This trend widened the income gap between precarious workers and others.

[Insert Table 2 here]

[Insert Figure 2 here]

### ***3.2 Precarious workers' choice of unemployment benefits***

Olson's (1965) theory of collective action and the social custom theory about union membership are useful for understanding the decisions precarious workers in Finland make concerning union and independent UI fund membership in terms of the choice of unemployment benefits. The two theories are not exclusive but rather complement each other in explaining the determinants of union membership. Olson's theory focuses on whether individuals decide to participate in collective action based on their own cost-benefit comparisons (Olson, 1965). Thus, people evaluate the expected benefits and costs of joining unions, and if the benefits are higher than the costs, based on the evaluation, they are likely to be unionized; otherwise, they are not. In contrast, the social custom theory focuses on the

reputations that individuals acquire in the workplace by joining or not joining unions. This theory assumes that the members of a group share customs that can be observed by each member. If someone does not obey the social conventions, they are likely to undergo a loss of reputation within their group. In essence, this theory regards unionizing as a custom that individuals obey to maintain a good reputation in the workplace. It then argues that employees tend to become union members because they do not want to be criticized by their associates (Booth, 1985).

According to the cost-benefit comparison approach, it is reasonable to expect that part-time workers would choose not to join a union or the independent UI fund but rather take the basic unemployment allowance. As Figure 2 shows, because their average income is very low, it is hard to guarantee that, when they become unemployed, most part-timers would receive earnings-related unemployment allowances significantly higher than the sum of the basic unemployment allowance and the union or independent UI fund membership fees they would pay in advance. Calculations using the Finnish IDS data also show that the amount of basic allowance unemployed people could receive each year was approximately 30% to 40% of part-timers' average income between 2002 and 2011 and increased to approximately 46% in 2012. This implies that the earnings-related unemployment allowance is not very economically attractive to a considerable fraction of part-time workers. In some cases, part-timers do not qualify for UI benefits in the first place because their wages are lower than the wage level required to acquire entitlement to them, even if they wish to join UI. That is, part-timers can probably experience welfare loss regarding UI due to their lower level of wages compared with full-time workers. The existing social security schemes often fail to support people in atypical employment relationships because they were established on the premise that most workers are full-time and permanent employees (Bonoli, 2007; Buschoff and Protsch, 2008; Rueda, 2014). Moreover, part-timers most likely do not feel the necessity of joining a union to gain a good

reputation at their workplace to the same extent as other employees. Visser (2002) shows that flexible workers in industries such as retailing, cleaning, hotels and restaurants are likely to experience lower reputation losses from non-membership because they have less constant contact with their co-workers. Hence, the first hypothesis of this study is

**H1:** Being a part-time employee increases the probability of not joining a trade union or the independent UI fund.

From the perspective of the social custom theory, employees on fixed-term contracts are likely to be free from obligatory union membership because they are supposed to leave the workplace once their employment contracts expire. Thus, it can be expected that temporary workers would be as equally unlikely as part-time workers to join a union. However, there is the possibility that they could make a different decision regarding UI membership, considering the advantage obtained by choosing the independent UI fund. The average income level of temporary workers is considerably higher than that of part-time workers. This implies that, for most temporary workers, it would be financially beneficial to choose the earnings-related unemployment allowance option. On the other hand, their average income is much lower than that of workers as a whole. The fact that the independent UI fund membership fee is lower than union membership dues could be a powerful incentive for them to join the independent UI fund rather than a union. Consequently, the hypothesis regarding temporary workers is

**H2:** Being a temporary employee increases the probability of having no UI membership and also the probability of joining the independent UI fund instead of a trade union.

As mentioned above, the average income of low-skilled service workers is considerably higher than that of the other precarious worker groups. There is no reason for them to avoid UI membership because their earnings-related unemployment allowances are generally expected

to be higher than the basic allowance. However, it is not probable that they are more likely to have UI membership than non-precarious workers, as their average income level is still much lower than that of workers as a whole. Therefore, it is predicted that low-skilled service workers are likely to enroll in UI as frequently as other employees. If this is the case, then the question then arises of which option low-skilled service workers prefer: unions or the independent UI fund. Unions and the independent UI fund offer them different types of incentives. On the one hand, these workers could favor unions because they are more likely to be able to afford to take advantage of the other benefits unions provide than temporary workers who would be likely to prefer the independent fund. Additionally, Finnish trade unions' strong collective bargaining power and extensive collective bargaining coverage reach of approximately 90% are incentives for low-skilled service workers to join a union. Scheuer (2011) and Visser (2002) show that a high level of collective bargaining coverage and the centralization of collective bargaining increase the likelihood of union membership in Western European countries, and in fact, the Service Union United (Palvelualojen ammattiliitto) and Union of Health and Social Care Services (Tehy) have been successful in recruiting employees in the service sector. Shin & Ylä-Anttila (2018) show that low-skilled service employees are as likely to have union membership as other workers in the Nordic countries, where industrial relations are based on organized corporatism. On the other hand, there are also grounds for expecting that low-skilled service workers would be inclined to choose the independent UI fund; above all, its membership fee is much lower than union membership dues. This constitutes a strong incentive for such workers to join the independent UI fund to mitigate the economic effects of unemployment because their incomes are very low compared with non-precarious workers. In addition, the high level of collective bargaining coverage may stimulate their free-riding behavior, as this makes it possible for non-union members to receive the benefits achieved by a union's negotiations. The social custom theory predicts that they are less likely to join unions for the purpose of

maintaining good relationships with their colleagues because they tend to have less opportunity for face-to-face contact with many co-workers in low-skilled service workplaces, where workmates are fewer and employee turnover is high compared with traditional factory settings. Furthermore, it is unlikely that job information or occupational training that unions provide are attractive enough to recruit low-skilled workers because the jobs they can perform in the service sector are limited, unless they obtain a formal degree or license. Overall, given the different incentives and disincentives concerning the choice between unions and the independent UI fund, it is hard to predict whether low-skilled workers are inclined to join unions or the independent UI fund. It is reasonable to assume that both perspectives could impact their decision-making but in opposite ways, cancelling each other out. Therefore, the hypothesis in relation to that type of employees is

**H3:** Being a low-skilled service employee does not affect the probability of having UI membership, nor does it affect the probability of joining the independent UI fund instead of a trade union.

Today's younger European generations tend to be less unionized (Blanchflower, 2007; Ebbinghaus et al., 2011; Scheuer, 2011); Böckerman & Uusitalo (2006) demonstrate that this is also the case in Finland. This tendency can affect young workers' UI membership under the Ghent system, as joining unions is a common UI enrolment option. In this situation, it might be the case that young employees would prefer to join the independent UI fund instead of unions to be protected by UI. However, existing research indicates that this does not seem to be the case. Landais et al. (2017) show that young workers in Sweden, where the Ghent system is very similar to the Finnish system, are significantly less likely to buy a UI policy, even though they are more likely to be unemployed, because age offers an advantageous selection regarding what type of unemployment benefit to choose. Maczulskij (2016) shows that

employees belonging to the youngest age group (under 25 years of age) are significantly more likely to forgo UI membership than other age groups in Finland. Because atypical employment, such as part-time and temporary work, discourages employees from enrolling in UI, as noted above, this effect of age could also make young workers with those employment contracts less likely to have UI membership. Thus, the hypothesis for the age effect is

**H4:** The younger the age group to which a part-time or temporary employee belongs, the less likely he or she is to have UI membership.

## **4 METHODOLOGY**

To achieve the goals of this study, we first analyze the Finnish IDS data from 2000 to 2012. The survey is conducted annually based on a rotating-panel design, where each household stays in the data for two to four consecutive years, and new households replace some of the respondents each year. Thus, we can trace the change in an individual worker's membership status regarding unions and the independent UI fund. The survey data contain register-based information on union membership from tax authorities<sup>4</sup> since 2003, although they also have information based on interviews before that time. This improves the validity of the measure for union status. It is possible to calculate the proportion of workers who newly joined a union or the independent UI fund or who withdrew their membership from such organizations every year. This is useful for understanding the trends of workers' choices among unions, the independent UI fund and non-membership. Moreover, the data provide survey weights calibrated by Statistics Finland to account for sampling probability and the attrition rate. These weight values are applied to all estimates.

To examine the year effects in the changes in union density and verify the abovementioned hypotheses, we estimate logistic models concentrating on wage and salary earners aged between 15 and 64 after merging the annual datasets from 2000 to 2012. Multinomial logistic models, whose response variable is union membership status with three values (union member = 1, independent UI fund member = 2 and other = 0), are employed to examine the year effects and test hypotheses 1 through 3; and a binary logistic model, whose response variable is UI membership status, is used to test H4. The total sample consists of 115,452 individuals, and the annual sample size is, on average, 8,881 people.

Using the IDS data, the three precarious worker groups are defined as follows: First, a part-time employee is an employee who works fewer than 30 hours per week. Second, a temporary employee is an employee who has a fixed-term employment contract. Third, a low-skilled service employee is an employee who works in the service industry and whose highest level of education corresponds to ES-ISCED I or II. The statistical model for testing the hypotheses includes the following control variables: gender (male = 0, female = 1), marital status (unmarried = 0, married = 1), family status (no children = 0, with children = 1), urbanization (urban = 0, rural = 1), age group (five categories), education level (four categories), industry type (fourteen categories), regional indicators (nineteen categories) and unemployment risk.<sup>5</sup>

## **5 RESULTS**

### ***5.1 Changes in union density after the introduction of the independent UI fund***

Calculations using the IDS data show that union density has been on the decline, whereas the proportion of workers belonging to a UI fund has remained at approximately 85% (Figure 3).

This means that the proportion of employees who enroll in UI funds has not been significantly affected by the Ghent system reform. The independent UI fund has become progressively more popular; its share accounted for only approximately 7% in 2000 but increased to 17.3% by 2011. By contrast, union density has decreased. Three out of four employees had union membership in 2000, but the union membership rate has been below 70% since 2010.

[Insert Figure 3 here]

The change in union density can also be examined from the perspective of trade union confederations. The union density rate in Finland was estimated to be approximately 84% in 1993 (Böckerman & Uusitalo, 2006), but it has been found that only two thirds of all employees had union membership in recent years. Figure 4 shows that such a large decline resulted from the gradual decrease in the shares of members from SAK- and STTK-affiliated unions over the last 20 years. In contrast, the ratio of members belonging to AKAVA-affiliated unions nearly doubled from 11% in 1991 to 20.7% in 2012. Traditional blue-collar and white-collar workers became less organized than before, while professional workers grew more organized. Moreover, the growth of the independent UI fund encouraged traditional blue-collar and white-collar workers, rather than professional workers, to leave the unions.

[Insert Figure 4 here]

### ***5.2 Individual UI members' choices between unions and the independent UI fund***

To determine whether the growth of the independent UI fund has had a substantial impact on union density, we investigated new and existing UI members' selections between a union fund

and the independent fund each year by tracing the change in every respondent's union or independent UI fund membership status. For new UI members, the proportion of those who chose unions was 83.6% in 2001, but Figure 5 shows a downward tendency for the next eleven years. The rate remained below 80% after 2006 and dropped to 61.8% in 2009. This means that the proportion of new UI members who chose the independent fund instead of unions has increased. Furthermore, among existing UI members, the membership change between unions and the independent UI fund shows that the newly introduced fund has eroded union density. The number of people who withdrew their union membership and joined the independent fund is larger than that of those who changed their membership from the independent fund to unions for nine of the years between 2001 and 2012, whereas the reverse situation took place only in 2002, 2007 and 2011. The findings also show that the switch from unions to the independent fund has been preferred among existing UI members. On average, 0.92 percent of them per year gave up their union membership and joined the independent fund, while 0.68 percent per year moved from the independent fund to unions.

[Insert Figure 5 here]

### ***5.3 Multinomial and binary logistic estimates***

The results of the multinomial logistic regression models for union membership and UI fund-only membership in Table 3 show the marginal effects, instead of coefficient estimates, to make the table more easily readable. The first model, which includes only year variables, illustrates that every year variable except the one for 2001 had a significantly negative effect on union membership. The year effects on UI fund-only membership continued to grow over time. The second model, which includes explanatory variables for the hypothesis tests and control

variables, in addition to year variables, reveals that the year effects on union membership were larger, but those on UI fund-only membership were similar compared with the first model.

Hypotheses 1, 2 and 3 can be evaluated by using the results of the second model. According to the findings, H1 (i.e., being a part-time employee increases the probability of not joining a trade union or the independent UI fund) is supported. The marginal effect of being a part-time worker on non-membership in a UI fund is significantly larger than that on union membership and UI fund-only membership. Thus, part-timers are more likely to give up the earnings-related unemployment allowance than full-time workers by declining to join either a union or a UI fund. Next, H2 (i.e., being a temporary employee increases the probability of having no UI membership and the probability of joining the independent UI fund instead of a trade union) is also supported. The estimates show that the marginal effect of the temporary worker variable on union membership is significantly negative, whereas that on non-membership and UI fund-only membership are significantly positive. This can be interpreted to mean, on the one hand, that fixed-term contract workers are less likely to have UI membership than permanent employees and, on the other hand, that temporary workers who want to take the earnings-related unemployment allowance option tend to prefer the independent UI fund. Moreover, according to the results, H3 (i.e., being a low-skilled service employee does not affect the probability of having UI membership, nor does it affect the probability of joining the independent UI fund instead of a trade union) is also supported. There were no statistically significant differences between the marginal effects of the low-skilled service worker variable. In conclusion, all hypotheses about the associations between precarious employment and union and UI fund membership are empirically supported in the analysis.

In regard to control variables in the logistic model, some interesting patterns emerge. To begin with, the results show that female workers are more likely to join unions, which is

unusual in most European countries. This is probably because a larger number of women are employed in the public sector in Finland. Shin & Ylä-Anttila (2018) show that it is only in Nordic countries that female workers are more unionized than men. The primary and secondary education variables have a significantly negative impact on union membership, despite there being no significant effect of the low-skilled service worker variable. In this regard, Ebbinghaus (2007) highlights that unions tend to be unconcerned with unskilled or low-skilled blue-collar workers because they prefer a high-skill, high-wage strategy. According to the results concerning industry variables, only employees in the trades and other private services are significantly more likely to enroll in the independent UI fund instead of unions than those in primary industries, whereas the other industries have a positive effect on union membership, except for hotels and restaurants and other public and personal services.

The results of the binary logistic model for UI membership are used to test H4 regarding the age groups of part-timers and temporary workers. Figure 6 displays the probabilities that part-time workers and fixed-term contract employees will have UI membership by age group. According to the findings, there is no significant difference in the probability across the three oldest age groups of part-timers (ages 35–44, 45–54 and 55–64), which have approximately 80% membership rates, whereas the probability of those aged 25–34 is less than 70%, and that of the age group younger than 25 years old is only approximately 45%. The same trend is also found among temporary workers. The probabilities of all age groups older than 34 years of age are approximately 85%, but the figure for temporary employees aged 25–34 decreases to below 75%, while that of the youngest age group drops to approximately 55%. Therefore, H4 is partially supported because age reduces the probability that younger groups of atypical workers join UI funds, while it does not make a difference across groups aged 35 and above.

[Insert Table 3 here]

[Insert Figure 6 here]

## **6 CONCLUSION**

The union density in Finland has steadily declined since 1993. The results based on tracking individual workers' union or UI fund membership status confirm that the growth of the independent UI fund has been the main reason for the decline. It is found that the year effects on UI fund-only membership in the 2000s were larger than those in the 1990s calculated by Böckerman & Uusitalo (2006). That is, the erosion of the Finnish Ghent system caused by the growth of the independent fund happened faster in the 2000s than in the 1990s.

The present study also shows that the emergence of the independent UI fund affects precarious workers' choices about unemployment benefits and that their choices depend on the type of precarious employment they have. Both part-time and temporary employees tend to take the flat rate unemployment benefit option without joining a UI fund. On the other hand, when temporary workers want to have UI membership, they appear to prefer the independent UI fund to unions. Low-skilled service workers, meanwhile, do not show significant differences from others in regard to enrolling in UI funds. As a result, the Ghent reform appears to have been ineffective in encouraging part-time employees to have UI membership, even though the independent UI fund was introduced to offer employees multiple and more flexible ways to obtain UI membership. Moreover, we find that young workers in atypical employment arrangements have a strong tendency not to join UI funds; part-timers and temporary

employees under 25 years old in particular show a much lower probability of having UI membership than other age groups.

To conclude, the reform of the Finnish Ghent system has caused union density to decrease, but it has had only limited success in encouraging precarious workers to subscribe to UI. The reform has also failed to offer young atypical employees an effective incentive to join UI funds. Considering these results, it does not appear that the reform has made a positive contribution to strengthening solidarity in the Finnish labor market. Nevertheless, the independent UI fund became the largest UI fund with over 350,000 members, which accounts for approximately 14% of all employees in the country (YTK, 2017), and its membership seems likely to increase for the next few years, as it has actively recruited new members by using various kinds of media outlets, while unions are not active in increasing UI members. Despite the continued growth of the independent UI fund, the UI system could intensify labor market dualization by turning precarious workers into outsiders who are not protected by the comprehensive coverage of UI funds, unless the independent UI fund more actively recruits them. As it is probable that the proportion of precarious workers, particularly part-timers, would increase if Finland were to become a more post-industrial society based on highly advanced technological development, the government and its social partners should consider and prepare policies to encourage part-time and temporary employees to register for UI rather than letting them rely on the basic unemployment allowance. With regard to union membership, our findings show that unions can hardly rely on the Ghent system anymore. To prevent a lasting union density decline, therefore, unions should build up new institutions and strategies to successfully attract young people and precarious workers (Bryson et al., 2011). Finally, because we analyzed only the Finnish setting, it is necessary that future studies further investigate the Danish and Swedish cases to draw the relevant cross-national policy conclusions between the Nordic Ghent countries, focusing on what types of decisions

precarious workers make about their unemployment benefit options under the transformed situation, and on how the impacts of the reforms on union density have evolved.

## Endnotes

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<sup>1</sup> In Belgium, although trade unions are still closely involved in the administration of unemployment insurance, it is mandatory for workers to register for social insurance.

<sup>2</sup> Basically, the basic unemployment allowance is a flat rate benefit. However, the amount is increased if an unemployed person cares for children younger than 18 years of age. In addition, it can be reduced to some extent when he or she do not meet the criteria for employment promoting activities arranged by the public employment service (TE-Office).

<sup>3</sup> The maximum payment period of earnings-related unemployment allowance depends on the length of employment and age. If an unemployed person was employed for over 3 years, he or she is entitled to the allowance for 400 days. Otherwise, the maximum period is 300 days. If the person is aged 58 or over and was employed for more than 5 years, the maximum period is 500 days (TYJ, 2017).

<sup>4</sup> The Finnish tax code has deductions due to union and UI fund fees.

<sup>5</sup> The variable of unemployment risk was constructed by estimating separate probit models for each year from 2000 to 2012 with the IDS data (cf. Böckerman & Uusitalo, 2006). Individual persons' unemployment risks are defined as the probabilities that they become unemployed in year  $t+1$ . Hence, we first estimated the probit models for employment in year  $t+1$  with covariates of gender, 5 age groups, 4 educational levels, 14 industries and 19 regions by using the panel feature of the data. After that, predicted unemployment probabilities for each individual were calculated in the whole sample based on the estimated coefficients.

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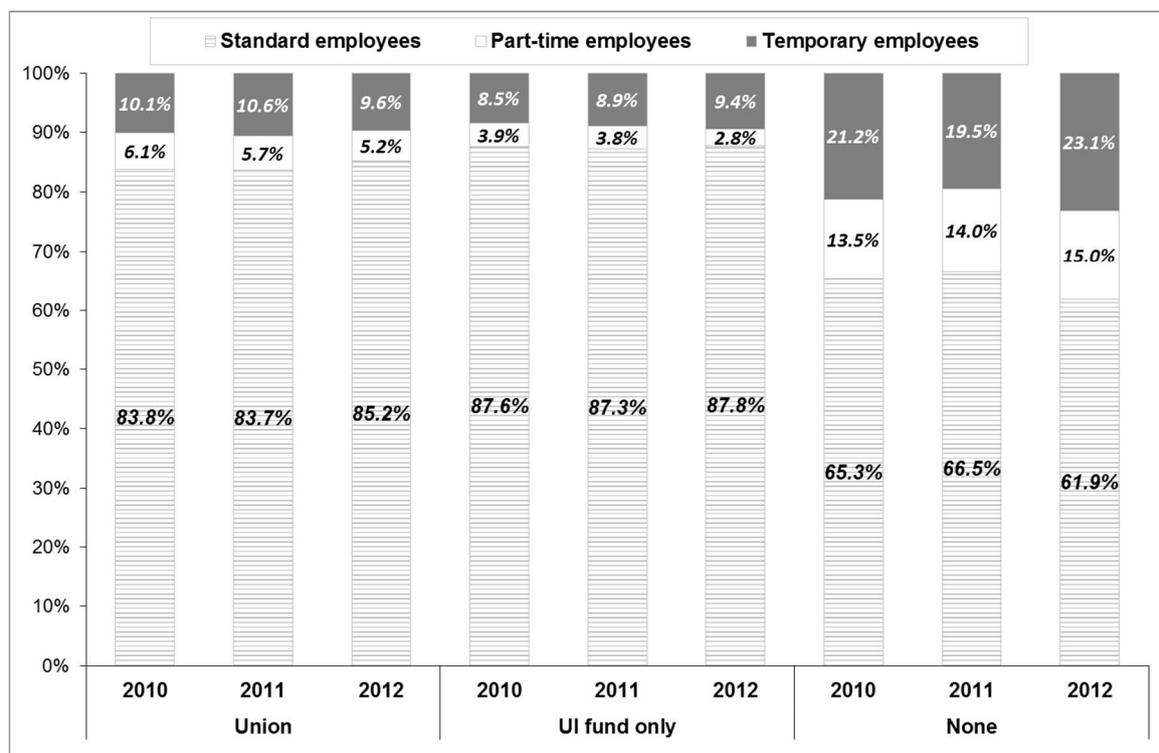
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Figure 1 Proportions of standard, temporary and part-time employees in union and UI fund-only members



Source: Authors' calculations based on the Finnish IDS data from 2010 to 2012

Table 1 Membership fees of major unions and the independent UI fund as a share of gross earnings in 2016

Unions and independent UI fund	Union membership fee	UI fund membership fee <sup>†</sup>
SAK-affiliated unions		
• Service Union United (Palvelualojen ammattiliitto)	1.50%	0.65%
• Trade Union for the Public and Welfare Sectors (Julkisten ja hyvinvointialojen liitto)	1.38%	0.33%
AKAVA-affiliated unions		
• Trade Union of Education in Finland (Opetusalan Ammattijärjestö)	1.20% <sup>†</sup>	€2.4/year
• Academic Engineers and Architects in Finland (Tekniikan Akateemiset)	€78/year	€105/year
• Union of Professional Engineers in Finland (Insinööriliitto)	€85 ~ €83/year	€105/year
STTK-affiliated unions		
• Union of Health and Social Care Services (Tehy)	1.10%	€42/year
• Trade Union Pro (Ammattiliitto Pro)	1.40%	€150/year
• The Finnish Union of Practical Nurses SuPer (Suomen lähi- ja perushoitajaliitto SuPer)	1.20%	€90/year
Independent UI fund		
• General Unemployment Fund YTK (YTK)	n.a.	€18

<sup>†</sup>This figure represents the average of all members.

<sup>††</sup>The reason membership fees for most UI funds managed by trade unions are lower than the YTK membership fee is that unions enrol only workers in their own industries, who are likely to have a relatively lower unemployment risk than average employees, as their members (Böckerman & Uusitalo, 2006).

Source: The web pages of each union and the independent fund.

Notes: Each union membership fee includes its UI fund membership fee.

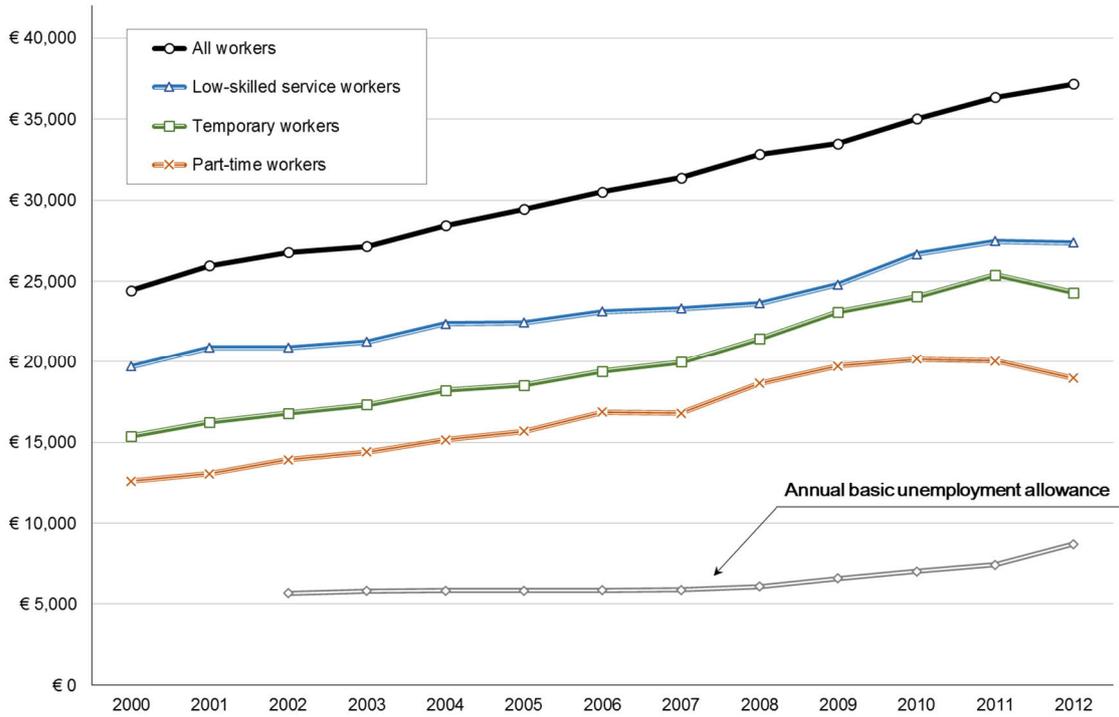
Table 2 Shares of part-time, temporary, and low-skilled service employees in Finland (aged 15-74)

	Part-time employees	Temporary employees	Low-skilled service employees
2000	12.0%	16.4%	11.6%
2001	11.9%	16.5%	9.9%
2002	12.5%	16.1%	9.7%
2003	12.6%	16.4%	9.8%
2004	13.2%	16.2%	8.9%
2005	13.1%	16.5%	8.9%
2006	13.5%	16.4%	8.8%
2007	13.4%	16.0%	8.7%
2008	12.7%	15.1%	8.3%
2009	13.3%	14.6%	7.1%
2010	13.9%	15.6%	6.3%
2011	14.3%	15.7%	6.2%
2012	14.5%	15.7%	6.2%
2013	14.3%	15.5%	n.a.
2014	14.6%	15.6%	n.a.

Source: Official Statistics of Finland (2018a and 2018b) for part-time employees and temporary employees came from and authors' calculations based on the Finnish IDS data from 2000 to 2012 for low-skilled service employees

Note: Low-skilled employees are defined as those whose highest level of education corresponds to ES-ISCED I or II.

Figure 2 Estimated average personal wages and salaries of precarious workers and all workers



Source: Authors' calculations from the Finnish IDS data and the KELA Annual Report for each year from 2002 to 2012.

Note: The wages and salaries are indicated by nominal ones. The average basic unemployment allowances were calculated based on each year's average daily allowance. The numbers for 2000 and 2001 are excluded in this figure because their currency is not in euro but in Finnish markka.

Figure 3 Shares of wage and salary earners that belong to unions and to only UI funds

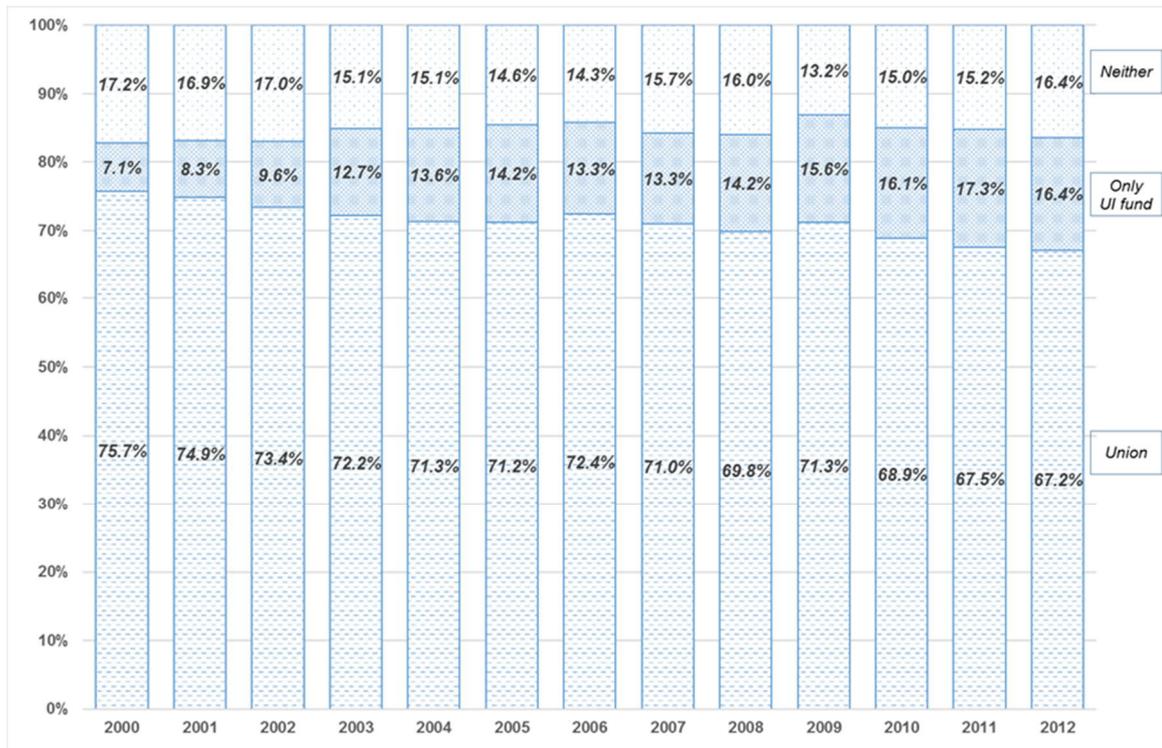
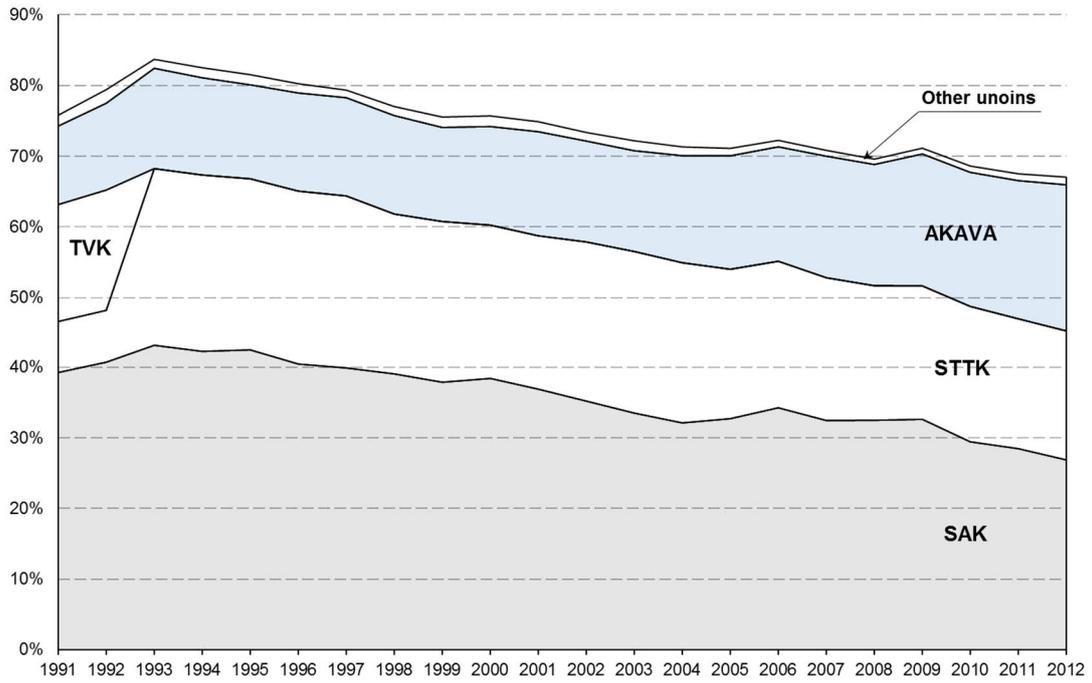


Figure 4 Composition of union density by trade union confederations



Note: The figures for the period from 1992-1999 came from Böckerman & Uusitalo (2006), and those from 2000 to 2012 were estimated by calculating the Finnish IDS data. TVK was merged into STTK in 1992.

Figure 5 New and existing UI members' choices between unions and the independent fund

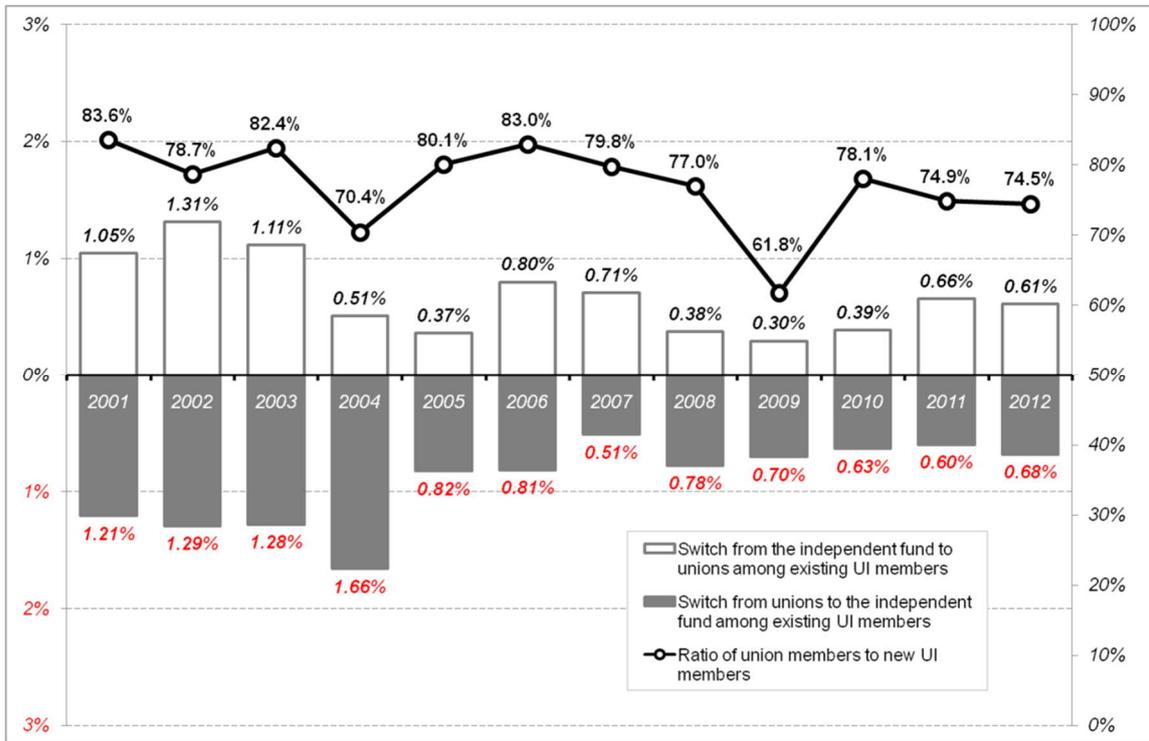




Figure 6 Predicted probability of joining UI for full-time and part-time employees, and permanent and temporary employees, depending on age group

