



# Institutions, employment insecurity and polarization in support for unemployment benefits

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## Abstract

Research has shown that workers' support for public unemployment benefits (UB) depends on their level of employment insecurity: the insecure workers are more supportive of benefits than the secure workers. It can also be hypothesized that this polarization in support for UB is increased or decreased by the institutional settings of a country. We are particularly interested in two types of institutional conditions: the level of employment protection and the generosity of unemployment benefits. We discuss how public provision of social protection in terms of job security and income might motivate the subjectively secure and insecure workers in different ways and thereby polarize or unite support for unemployment benefits. We find that protection of temporary job contracts and generous unemployment benefits bring the attitudes of the secure and insecure closer together. We argue that the convergence of attitudes can be explained by the distribution of underlying social risks and existing social norms about solidarity.

## Keywords

Labour market policies, perceived employment insecurity, polarization of attitudes, support for unemployment benefits

## Introduction

Having a job means having the possibility of providing for oneself financially (Scheve and Slaughter, 2004); thus, employment insecurity involves considerations beyond the probability of losing one's job (Anderson and Pontusson, 2007). Indeed, research has shown that there are a number of consequences of employment insecurity, ranging from negative impacts on health (Meltzer et al., 2009) and life

satisfaction (Carr and Chung, 2014). Employment insecurity, however, is positively related to support

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for governmental redistribution of resources and collective social insurance. Workers in an insecure employment position, compared to secure workers, have been shown to be more supportive of welfare arrangements and unemployment benefits (UB), in particular (Anderson and Pontusson, 2007; Burgoon and Dekker, 2010; Margalit, 2013; Marx, 2014). The relationship between employment insecurity and support for UB is the central theme of this article. Employment insecurity has often been captured in terms of objective measures, such as skill specificity, occupational sector, atypical employment, and so forth (Boeri and Van Ours, 2008; Rehm, 2009; Rueda, 2008). In this article, we focus on *perceived employment insecurity*. Risk perceptions can be assumed to constitute an intermediating factor in the relationship between risk group membership and welfare state attitudes (Blomberg et al., 2012). Thus, instead of making assumptions about workers security and insecurity based on objective employment conditions, we take into account that individual perceptions of security can differ and that those in an objectively secure position can also experience insecurity.

The fact that the insecure workers are, in general, more motivated to support public UB while the secure workers are less in favour of such arrangements reflects polarization of preferences and conflict of interests between the two groups. While this conflict of interests has been demonstrated in the literature, it has not been fully acknowledged as, to date, research either focused on the direct effect of the labour market insecurity on preferences for UB (Anderson and Pontusson, 2007; Rueda, 2008) or on how the institutional settings affect employment insecurity and the preferences for UB (Anderson and Pontusson, 2007; Chung and Van Oorschot, 2011; Fraile and Ferrer, 2005). The main objective of the present study is to combine these two research perspectives by investigating the relationship between institutional context and polarization of preferences between the secure and insecure workers. We argue that institutional settings may have a different effect on the preferences of the secure and insecure workers, and this ultimately could lead to the polarization in support for UB. We are particularly interested in two institutional conditions that

provide for the social security of workers, namely, employment protection legislation (EPL) and unemployment replacement rate (URR). While the former enhances security by providing protection of jobs, the latter provides income maintenance once people are unemployed. Investigating moderation effects provides information about the combined impact of institutions and employment insecurity on support for UB. First, it provides information about how institutional arrangements affect the preferences of secure and insecure workers separately. It could be, for instance, that institutions have different influences on the secure and insecure workers. Second, it shows whether and how institutional arrangements affect the polarization in support for UB between subjectively secure and insecure workers. A large polarization between the subjectively insecure and secure workers can be interpreted as societal disagreement concerning public UB, while a small gap would indicate that employed people in a society are more in agreement with one another and have a coherent judgment on how to arrange welfare for the unemployed.

Round 4 of the European Social Survey (ESS) conducted in 2008–2009 provides a unique opportunity to answer the research questions developed in this article. In contrast to other international comparative surveys that include general measures of welfare state support (e.g. support for redistribution), this particular round of the ESS includes a variable explicitly asking respondents about their opinion concerning UB, namely, their support for governmental responsibility regarding unemployment assistance. An advantage of this measure is that a specific type of welfare transfer – unemployment benefit – is easier to interpret than, for instance, a general notion of redistribution. This measure explicitly defines to which group the money goes. Moreover, this ESS round provides information about the perceived employment insecurity. We use multilevel modelling to account for the nested structure of the data and to analyse the moderating influence of institutional conditions. Since the questions about UB and perceived employment insecurity have not been simultaneously asked in earlier rounds of the ESS, or in other international comparative surveys, it is for the moment not

possible to take changes over time into account. Therefore, we can only investigate associations and not causal relations.

## **Perceived employment insecurity and support for UB**

Public UB are collective arrangements to ensure that workers have an income in case of unemployment. Generally, these benefits are financed through a state-run social insurance system, meaning that part of the income of the employed is collected via social contribution or taxation and redistributed to the unemployed (Boeri and Van Ours, 2008). Thereby, UB imply financial burdens required to finance the benefits, and any increase in the generosity of UB needs to be financed via statutory payroll contributions. Although unemployment insurance is commonly organized by the state and mandatory for everybody, it would not exist without public support (Boeri and Van Ours, 2008). Therefore, widespread support is necessary for sustaining public welfare arrangements (Rehm et al., 2012). Even though many countries have some sort of collective insurance for unemployment, support for such systems can vary considerably between different groups of workers within those countries.

Since public UB redistribute financial resources in favour of those in need of assistance, workers are likely to develop different attitudes. Secure workers have few reasons to believe that unemployment will affect them personally, making unemployment compensation less appealing for them (Rueda, 2008). Insecure workers, however, are likely to feel that they might need assistance in the future and therefore be more supportive of such benefits. How can we make a distinction between secure and insecure workers, though? The majority of prior studies investigate objective indicators of employment position (e.g. skill specificity, occupational sector, atypical employment, and so forth) to measure employment insecurity (Boeri and van Ours, 2008; Rehm, 2009; Rueda, 2008). While there is some evidence that objective employment conditions affect perceived insecurity (Burgoon and Dekker, 2010), focusing on subjective employment insecurity provides a more direct indicator of how people perceive

their own situation. In this article, subjective employment insecurity is defined as a condition where individuals perceive that they will lose their job and will not be able to find another one relatively easily (Chung and Mau, 2014). Thereby, it includes an individual's estimation of the chances of losing one's job in the near future and a person's anticipation of a significant period of being unemployed. According to Blomberg et al. (2012), perceptions about the future are particularly important for welfare state support since people do not only consider their current position but also their expectations about the future. Based on the work by Burgoon and Dekker (2010) and Dekker (2010), we already know that subjective employment insecurity affects support for social protection, so that workers experiencing higher levels of employment insecurity show stronger support for public welfare arrangements and UB, in particular. The question is, however, whether this holds equally true under different institutional conditions.

## **Institutions and polarization of attitudes towards UB**

While support for UB among the secure and insecure workers should be polarized, the institutional settings could alter the way the insecure and secure workers think about the benefits and the extent to which their interests and preferences are divided. Korpi and Palme (1998) emphasize that institutional settings, which highlight the distinctions between groups in terms of their risks and resources, lead to divergent interests and more polarized attitudes towards social security. Similarly, in societies where it is more obvious who the net contributors and the net beneficiaries of the welfare system are, support for benefits might diverge (Rehm et al., 2012). In contexts where risks are commonly shared or more difficult to calculate and where the distinction between contributors and beneficiaries is less obvious, attitudes towards social security may converge. Next to this, attitudes are also likely to be more united in societies where people are driven by other motives than direct economic interest. For instance, in societies with a strong norm of solidarity, the secure workers may overlook their

economic interest and support welfare arrangements (Mau, 2004; Rothstein, 1998), thereby making attitudes less polarized.

As institutional conditions, we are interested in social policies that provide social protection to workers, captured in terms of existing level of employment protection and the generosity of UB on a national level. A general idea of UB is already discussed in the previous section – it is a form of income protection for workers. We capture UB in terms of unemployment replacement rate (URR). URR captures the generosity of UB, and it should work to reduce fear of the negative consequences of unemployment (Sjöberg, 2010). The second type of social policy is employment protection that is captured in terms of employment protection legislation (EPL), developed by the Organisation for Economic Co-operation and Development (OECD, 2004). EPL refers to regulations governing the ease with which employers can fire workers, and thus, EPL can be seen as a measure of firing costs or dismissal restrictions (Boeri et al., 2004). EPL provides security for one's current job (Chung and Van Oorschot, 2011). A distinction is made between EPL for permanent workers and EPL for temporary workers (OECD, 2004). The former is designed for workers with permanent employment contracts, whereas the latter is designed to regulate fixed-term and temporary work-agency contracts (e.g. the type of work for which these contracts are allowed and their duration).

Despite some differences, EPL and URR have in common that they should affect the overall level of security that workers have in a country by lowering the changes of unemployment (EPL) and by securing income (URR) (Schmid, 1995). In the literature, EPL and UB are often seen as institutional trade-offs (Boeri et al., 2004; Chung and Van Oorschot, 2011; Schmid, 1995): if one policy is underdeveloped, the other one is likely to replace it. At the same time, there is wide discussion concerning which institutions provide greater security for workers. Chung and Van Oorschot (2011) conclude that UB are more influential for contributing to the feeling of security among workers because they provide income during unemployment. Next, we introduce two possible scenarios leading to conflicting hypotheses about

polarization of attitudes under different institutional conditions.

### *EPL and URR divide workers*

First, we suggest that both employment protection and generosity of UB could divide the interests of the subjectively secure and insecure workers, thereby polarizing support for UB. Rueda (2008) suggests that EPL enhances unequal distribution of labour market risks, creating a division between highly protected insiders and non-protected outsiders. EPL policies are rather selective by protecting only a subsegment of the workforce and mainly strengthening the position of already secure workers (Boeri and Van Ours, 2008). These secure workers may calculate that they have little chances of needing UB now or in the future, which also means they have to contribute to an insurance scheme that they are not very likely to use – they would thereby lose from the taxes necessary to finance the UB (Rehm et al., 2012). At the same time, in such protected labour markets, the actual unemployment risk is disproportionately shifted to the insecure outsiders (Rueda, 2008). The position of the insecure workers becomes even more precarious because EPL policies are known to negatively affect the transitions on the labour market, employment protection is associated with less mobility on the labour market and longer unemployment spells (Boeri and Van Ours, 2008). For instance, in rigid labour markets, employers are less willing to hire workers, making it difficult to get back to the labour market and potentially lengthening the time in unemployment (Boeri et al., 2004). As shown by Marx (2014), the effect of employment insecurity on support for redistributive policies is strongest for workers who doubt in their future employability. Taking this into account, the prospect of long-term unemployment in strong EPL context may give the insecure workers additional incentive to support UB, while the secure workers could feel rather secure in their position and have little incentive to support benefits for the unemployed. From this perspective, in strong EPL societies, risks are more unequally divided and it is more obvious who are the beneficiaries and contributors to the welfare state (Rueda, 2008). Given the opposing interests

and needs for income protection, we can expect the attitudes of the subjectively secure and insecure workers to be more polarized in societies with stricter EPL.

Similarly, generous URR can divide the economic interests of the secure and the insecure workers and lead to more attitude polarization. Generous URR implies higher contributions to the financing of the benefits. Generous welfare states and the high taxes associated with them may spark a thermostat reaction, which means that existing institutions may undermine support for the policy (Koster and Kaminska, 2012; Wlezien, 1995). Similarly, ‘critical overload’ theory suggests that overly generous welfare provisions might foster the feeling of being overburdened with the taxes necessary to uphold such extensive and generous programmes (Chung and Meuleman, 2011). Since welfare spending increases the fiscal burden, the secure employed people might be especially eager to contest the existing UB, and thereby, greater opposition towards UB would be spurred. From this, we could expect that attitudes towards UB to be more divided in societies that have more income protection for the unemployed. Overall, both EPL and URR could deepen the divide between workers.

Hypothesis 1. In a context with more protective employment policies and more generous benefits, attitudes towards UB among the subjectively secure and insecure workers are more polarized.

### *EPL and URR unite workers*

According to the literature, workers’ preferences regarding welfare arrangements can be expected to be less polarized in societies where risks are more equally divided (Korpi and Palme, 1998) or where people are driven by other motives than their direct economic interest (Rothstein, 1998). So far, we argued that strong EPL divides risks between workers in secure employment and those who might become unemployed. One could also argue the opposite, however, that risks are more widespread in countries with strict EPL. As already mentioned, while EPL is established to protect jobs, it is also associated with a number of negative consequences,

such as longer unemployment durations and more difficulties of finding (good quality) jobs (Böckerman, 2004). Earlier, we argued that longer unemployment spells may create additional worries for the insecure workers; however, it is also plausible that these worries will concern all workers. Anderson and Pontusson (2007) conclude from their research that EPL does not reduce employment insecurity in terms of future prospects of alternative employment. Thus, while the secure workers in strong EPL societies might feel confident about their current job and the near future, they might feel insecure about the long-term perspectives. It is important to consider that people are not only affected by the chances of losing their job as such but also by the perceived consequences of unemployment – that is, ‘what happens to me and my family if I do lose my job?’ (Anderson and Pontusson, 2007). Boeri and Van Ours (2008) point out that under strict EPL regimes, workers are aware that job loss is more costly. Since people are likely to over-estimate the severity of negative outcomes, even the secure workers may become more ‘loss averse’ and prefer to insure themselves against unemployment. The fear of severe consequences of unemployment may foster more support for UB, also among workers who are currently in a secure employment position. Thereby, protective social policies might alter the meaning associated with being unemployed. From this perspective, protective societies would have less polarized attitudes towards UB, and the preferences of the secure and insecure workers would converge.

Similarly, we could expect attitudes in societies with more generous UB to converge. As we pointed out earlier, support for the welfare arrangements is not only motivated by material interests but also by attitudes and values prevalent in a society. URR could have a feedback effect by affecting the norms about solidarity and public responsibility towards the disadvantaged. Thus, instead of creating worries about the fiscal burden, high spending may be a reflection of a national culture of solidarity towards the needy (Rothstein, 1998). It has been argued that helpful societies contribute to a *we*-feeling and that makes it more justifiable and natural to contribute to the welfare state (Gërkhani and Koster, 2012). Similarly, Mau (2004) points out that institutions

matter for constructing the attitudes of the contributors and beneficiaries of the welfare state. Given the social norms, the subjectively secure and insecure workers may have rather similar attitudes when it comes to taking collective responsibility for the unemployed. Thus, the attitudes of the secure and insecure workers should be less divided in societies with generous UB.

Hypothesis 2. In a context with more protective employment policies and more generous benefits, attitudes towards UB among the subjectively secure and insecure workers are less polarized.

## Methods

### Data

Individual-level data are available through Round 4 of the ESS, conducted in 2008–2009. The sample is restricted to people under the age of 65 years who are engaged in the labour market; individuals who were not employed at the time of the survey are excluded. We focus on employed people, in particular, because they contribute to the UB by paying taxes. People are selected using the following question: ‘Which of these descriptions applies to what you have been doing for the last 7 days?’. Respondents were categorized as ‘employed’ when they indicated the following option: ‘In paid work (or away temporarily) (employee, self-employed, working for your family business)’. Thereby, the item includes all people who were engaged with the labour market in one way or another but also people who were temporarily away. As an indication of the people belonging to the category employed, the majority (75 percent) of them work full time with more than 36 contracted hours a week, 20 percent works part-time and 5 percent have less than 15 hours of contracted work in a week. Furthermore, on average, 77 percent of the employed people have a permanent employment contract. We acknowledge that restricting our sample to employed people might create a selection bias since the employed population differs between countries. To counter this, we discuss additional analysis in the section on ‘Robustness checks’.

Macrodata are retrieved from Eurostat and the OECD. Our sample consists of the following countries: Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Latvia, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and United Kingdom. Note that not all macrovariables are available for all countries; thus, between models the sample of countries will differ to some extent.

### Variables

Our *dependent variable* is support for public UB. We use the following question from the ESS: ‘How much responsibility do you think governments should have to ensure a reasonable standard of living for the unemployed?’. Answer categories range from 0 (‘Should not be governments’ responsibility at all’) to 10 (‘Should be entirely governments’ responsibility’). This question captures support for policies to address the living standard of unemployed people – unemployment insurance or services targeted at those losing their jobs (Burgoon and Dekker, 2010). The question is also suitable for international comparisons, as it does not suggest spending ‘more’ or ‘less’. Thereby, this question should be less biased by existing level of welfare spending across societies. A limitation of our dependent variable is the fact that it only asks about the responsibility for providing for the unemployed, and we cannot say anything about the duration or generosity of coverage. Furthermore, it does not include a budget constraint, nor does it remind people of higher taxes in cases they opt for more state responsibility for UB. These limitations should be kept in mind when interpreting the results.

In the descriptive part of the empirical findings, to give a general overview of support for UB, we decided to divide the dependent variable into three categories: workers who tend to believe that UB are not a public responsibility (score 0–3), the people who fall in between (score 4–6) and workers who tend to believe that UB are a public responsibility (scores 7–10). Note that we divided the scale into three categories to make a distinction between people who tend to support state responsibility, the ones who tend not to support state responsibility, and the

ones who fall in between. This categorization is not intended to capture the strength of the opinion (there is a difference between supporting UB with a 7 or a 10); however, it gives a general indication of which side of the continuum people prefer. In the statistical models, however, we use the full continuum as the dependent variable (ranging from 0 to 10).

Our main *explanatory variable* is perceived employment insecurity. Respondents were asked to indicate ‘How likely it is that during the next 12 months you will be unemployed and looking for work for at least four consecutive weeks?’. The answer categories were as follows: 1 – not at all likely, 2 – not very likely, 3 – likely, 4 – very likely. We believe that the question of probability of becoming unemployed is highly correlated with the estimation of needing UB in the next year. Thereby, people who choose 1 and 2 could be considered the subjectively secure and people who choose 3 and 4 are the subjectively insecure. Note that our measure captures estimates of the probability of losing a job and remaining unemployed for a prolonged period of time. It does not capture the perceptions of the consequences of losing a job, however. We think that perceived employment insecurity works better at capturing the feeling of insecurity, as compared to objective measures of employment position, one reason being that objective employment conditions may have different meanings across countries. Appendix 1 shows differences in average scores of perceived insecurity for permanent and non-permanent workers in different countries. In all countries, people with a permanent contract have a lower score on employment insecurity, while workers with non-permanent contracts score higher on employment insecurity. These differences vary across countries, however. Further analysis demonstrates that the type of employment contract (after controlling for the socio-demographic factors) is in fact not significantly related to the subjective feeling of insecurity in a number of countries, including Turkey, Romania, Latvia, Hungary, Estonia, Czech Republic, Cyprus and Slovenia (results not presented here but available upon request from authors). We conclude that objective indicators of employment insecurity, such as the type of employment contract, might not be an equally reliable indicator of employment insecurity across different countries.

As *moderating variables*, we are interested in institutional settings providing security for workers: EPL and generosity of UB in terms of URRs. As a measure of EPL, we include an index capturing the strictness of employment regulation from the OECD. It is a synthetic measure of the strictness of the employment protection, which takes an average of several components (rigidity of firing regulations for workers with permanent contracts and temporary contracts, the rigidity of collective dismissals) (for details, see Appendix 2). Second, we include URRs, measured as the fraction of current income, which the social unemployment benefit system provides to a person if he or she does not work (Van Vliet and Caminada, 2012). We chose to take the net URR for an average couple with two children.

We also include a number of *control variables* in our analysis. On the microlevel, we account for gender, age, education, religiousness, an ethnic minority status, having experienced unemployment in the past, having a permanent contract and perceived income (subjective evaluation of the level of household income). On the macrolevel, we control for wealth the country by including gross domestic product (GDP) per capita in purchasing power standards (PPS)<sup>1</sup> in our analysis, the data is attained from the Eurostat. For an overview of all macrovariables used in the study, see Appendix 3.

## Methods

We run linear multilevel regression models with a random country-specific coefficient for subjective employment insecurity. Thereby, we consider the fact that individuals are nested in countries and the effect of employment insecurity varies across countries. Our main interest is the cross-level interaction between institutional context (EPL or URR) and subjective employment insecurity, which reflects whether attitudes of the subjectively secure and insecure workers are more polarized or united.

## Results

### Descriptive statistics

First, Table 1 shows the descriptive figures about support for UB among workers. We make a distinction

**Table 1.** Attitudes towards unemployment benefits among the employed people in Europe.

	No state responsibility (0–3)	Middle position (4–6)	State responsibility (7–10)	Total
Secure	1628	6958	10 809	19 395 (N)
	8	36	56	100 (%)
Insecure	489	2044	4457	6990 (N)
	8	29	64	100 (%)

Source: European Social Survey (survey wave 2008).

between two groups of employed people – the subjectively secure (who do not fear unemployment in the near future) and the subjectively insecure (who anticipate a significant period of joblessness in the near future). It appears that over half of all workers think that the government should be responsible for UB. The insecure workers, however, tend to be somewhat more prone to support UB than the secure employed people (64 percent and 56 percent, respectively). Only a small minority of all workers, less than a tenth, tends to be against state provided UB. Therefore, only a very small proportion of workers in Europe think that the living conditions of the unemployed are not the responsibility of the state. A considerable proportion of people fall in the middle (about a third), suggesting that many workers think there should be some sort of public support for the unemployed but the state should not take complete responsibility. Since the proportion of people who are completely against state provision is very small, it is difficult to talk about a strict polarization in a sense of people either being against or in favour of UB. We could talk about a strict polarization when workers would stand at different extremes – the secure would be against and the insecure very much in favour of UB. Instead of contrasting workers who are strongly against UB and workers who are strongly in favour, we can rather talk about a divide between workers that hold a middle position and those that are more strongly in support of UB. Note that the figures presented here apply to the whole sample of European workers under the age of 65; within countries the distributions look different.

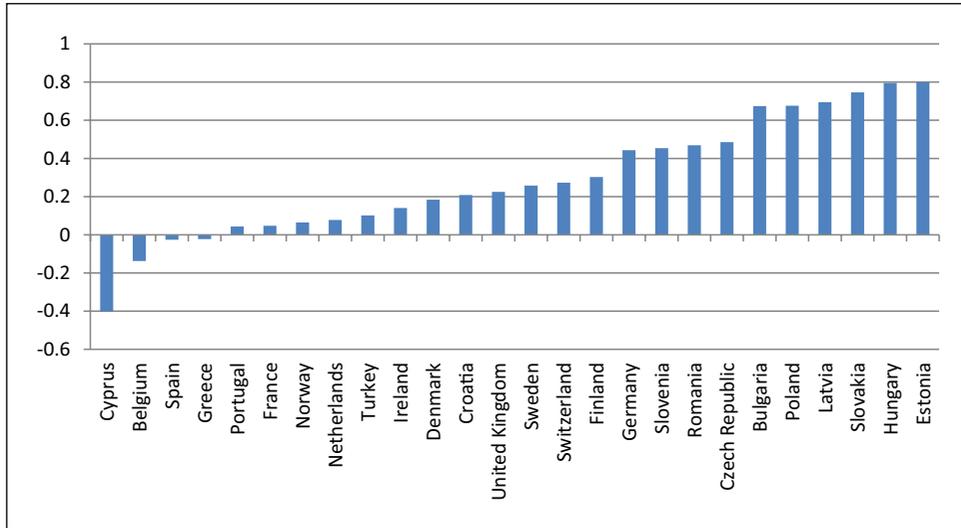
To show the polarization in attitudes among the subjectively secure and the subjectively insecure workers in Europe, we look at the difference in average scores of support for UB among the two groups (Figure 1). Positive scores indicate that the insecure

employed people are on average more in support of government provided UB as compared to the secure employed people; negative scores indicate the opposite. In most countries, the general prediction holds – the average support for governments' responsibility of UB is higher among the subjectively insecure workers than the secure workers. From the figure, however, it also appears that the divide is larger in Estonia, Hungary, Slovakia, Latvia and Poland. The gap is very small in Spain, Greece, Portugal, France and Norway. In contrast to the literature, it appears that in some countries the secure people are more in support of UB than the insecure people – this is the case in Belgium and Cyprus. Note, however, that these are only descriptive statistics and should be observed with caution; the differences between countries (e.g. the wealth of the country) or the socio-demographic composition in these societies are not taken into account.

### *Institutional conditions*

Next, we investigate how attitudes towards UB among the subjectively secure and insecure workers differ depending on the institutional conditions, measured as employment protection (EPL) and generosity of UB (URR). Before analysing the influence of these particular moderator variables, we run an empty hierarchical model to find out whether variance in supporting UB can at all be explained by societal conditions. It appears that quite a substantial part, 11 percent of the variance, is explained by societal conditions.

Table 2 shows the full models, where we include institutional conditions and a number of individual-level variables. A preliminary analysis showed that it makes a difference for our findings whether we look



**Figure 1.** Difference in mean support for public unemployment insurance among insecure and secure employed people.

Source: European Social Survey (survey wave 2008).

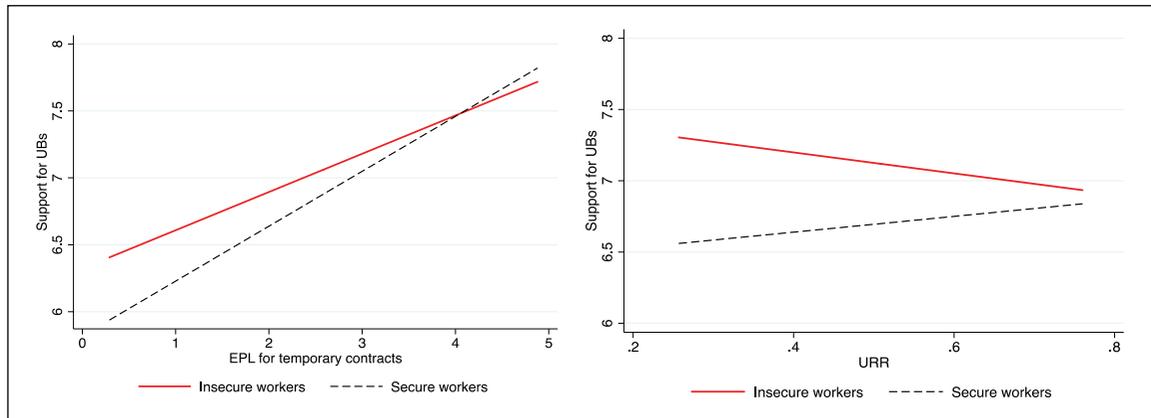
**Table 2.** Support for unemployment benefits in Europe, multilevel analysis.

	Model 1 (B/SE)	Model 2 (B/SE)	Model 3 (B/SE)
Male	-0.131*** (0.032)	-0.131*** (0.032)	-0.148*** (0.031)
Age	0.009*** (0.001)	0.009*** (0.001)	0.007*** (0.001)
Religious	0.009 (0.006)	0.009 (0.006)	0.011* (0.006)
Ethnic minority	0.264*** (0.076)	0.265*** (0.076)	0.231*** (0.069)
Permanent contract	-0.123*** (0.043)	-0.122*** (0.043)	-0.097** (0.041)
Unemployment experience	0.247*** (0.036)	0.247*** (0.036)	0.250*** (0.035)
Perceived income	0.153*** (0.024)	0.154*** (0.024)	0.175*** (0.023)
Employment insecurity	0.072 (0.130)	0.184*** (0.064)	0.512*** (0.141)
GDP per capita	0 (0.005)	0.004 (0.004)	0 (0.005)
EPL (permanent)	0.248 (0.311)		
EPL (permanent) × Employment insecurity	-0.001 (0.055)		
EPL (temporary)		0.481*** (0.129)	
EPL (temporary) × Employment insecurity		-0.052** (0.025)	
URR			1.932 (1.308)
URR × Employment insecurity			-0.736*** (0.238)
Constant	5.404*** (0.881)	4.473*** (0.555)	4.851*** (0.743)
Log-likelihood	-35336	-35331	-40622
N observations	16580	16580	18871
N countries	21	21	24

Source: European Social Survey (survey wave 2008).

GDP: gross domestic product; EPL: employment protection legislation; URR: unemployment replacement rate.

Significance levels (+0.1, \*0.05, \*\*0.01, \*\*\*0.001).



**Figure 2.** Illustration of cross-level interactions with EPL (for temporary contracts) and URR. Source: European Social Survey (survey wave 2008).

at employment protection for regular or temporary contracts. Therefore, we decided to present the findings separately for the two items. First, we see that EPL for regular workers is not at all related to support for UB, and it also does not affect the relationship between employment insecurity and support for UB (Model 1). EPL for temporary workers is positively related to public support for UB, however – in societies with higher level of employment protection for temporary workers, people are on average more supportive of UB (Model 2). Furthermore, there is a negative cross-level interaction effect between EPL for temporary workers and subjective employment insecurity. This suggests that while EPL for temporary workers increases support for UB among both the secure and the insecure workers, the positive effect is somewhat stronger for the secure workers. This further implies that EPL for temporary workers brings the subjectively secure and insecure workers closer together in terms of their support for UB, and their attitudes converge. This convergence is illustrated on the left-hand side of Figure 2.

Thus, we can reject the idea that EPL is associated with greater division of interests and stronger polarization of attitudes between the subjectively secure and insecure workers. Instead, EPL for temporary contracts is associated with more support for UB, and the attitudes between risk groups are less polarized. One possible explanation for this is that EPL for temporary workers is an indicator of the

rigidity of the labour market. When temporary contracts are more regulated, employers are less likely to hire new people, resulting in less flow from unemployment to employment (Boeri et al., 2004). The latter, however, might create insecurity about the future among both the secure and insecure workers, as getting back to the labour market is more difficult. The coherence in support for UB may suggest that unemployment is universally interpreted as a severe consequence, which requires more state involvement. Another explanation, protection of temporary contracts could also be seen as a reflection of a national culture of solidarity towards the weaker members of the labor market. This culture of solidarity might reflect in stronger norms of public responsibility and make it more likely for people to support unemployment benefits.

At first sight, the URR is not associated with support for UB; the main effect of URRs is non-significant (Model 3). There is a significant negative cross-level interaction effect between URR and employment insecurity, however. The negative interaction effect indicates that with generous benefits, the attitudes of the subjectively secure and insecure workers are less polarized. An illustration of this convergence of attitudes is presented on the right-hand side of Figure 2. Further analysis shows that while not significant, the coefficient of URR is positive for the subjectively secure workers and negative for the insecure workers (the results are not

presented here but are available upon request from authors). Thereby, the idea that generous URR creates worries about fiscal burden and divides the interests of the secure workers does not seem to hold. In fact, generous benefits do not make the secure workers withdraw from supporting public UB. The latter suggests that notwithstanding their own unemployment risk the secure workers adhere to the idea that social protection is important to sustain. In case of the insecure workers, there is a slight trend towards less support for UB, probably the existing level of benefits is already sufficient for creating a feeling of security. Overall, we have partial support for Hypothesis 2 according to which both EPL and URR bring the attitudes of subjectively secure and insecure workers closer together (we say partial support because EPL for regular workers does not have any effect on support for UB).

### **Robustness checks**

Research has shown that with low numbers of level 2 units, estimates of cross-national multilevel analyses are highly susceptible to influential cases (Van der Meer et al., 2010). We found that the following level 2 units have a Cook's D (standardized average squared difference between the estimates with and without a particular level 2 unit) above the cut-off value: Czech Republic, Sweden, Finland, Hungary, The Netherlands and Estonia. Since there are many countries that exceed the limit, we run fixed-effects analysis to test the robustness of the cross-level interaction effects we demonstrated before. Fixed-effects analysis is done by including dummies of N-1 countries into the model and then interacting EPL or URR with employment insecurity (Möhring, 2012). The additional benefit of the fixed-effects model is that we control for the country-level heterogeneity. It appears that the negative cross-level interaction effects remain the same as we demonstrated in Table 2; this gives us assurance that the cross-level interaction effects that we found earlier are indeed robust (the results are not presented here but are available upon request from authors, the same applies for all the following robustness tests).

One of the crucial problems in our analysis is endogeneity, which means that there could be other

omitted country-level characteristics that drive the effects. We already included wealth of a country in our previous models to account for some societal differences. Without going deeply into a theoretical discussion, we acknowledge that additional societal conditions may drive the effects of labour policies. While it is impossible to completely eliminate the problem of endogeneity, we run models controlling for different societal factors, such as governmental spending on passive UB, labour market flexibility (percentage of total number of dependent employees with a contract of limited duration), KOF globalization index, unemployment rate, long-term unemployment rate and poverty rate among the unemployed. It appears that none of these factors alters our main findings.

Another potentially problematic issue is that we capture the level of UB in a society as an URR for a stylized average production worker (Van Vliet and Caminada, 2012). In order to make sure that the findings also hold with alternative measures of governmental welfare effort, we run models with the following variables: welfare expenditure (as a percentage of GDP), public expenditure on passive UB, spending on passive UB as a proportion of total social spending. We find that in societies where welfare effort aimed at the unemployed is higher, the attitudes of the secure and insecure workers converge. This confirms what we found with our measure of URR for an average production worker.

Finally, one could argue that our decision to focus on employed people results in a biased sample. Especially since the survey took place during the beginning of the economic crisis in 2008, it could be that in some countries the most peripheral workers are already outside the labour market (and thus not in the sample). In countries with more favourable labour market conditions (before massive lay-offs started), this peripheral group might still be working and thus be represented in the sample. As a robustness test, we re-analysed our models with data including not only the people who are currently employed but also people who were not engaged in the labour market at the time of the survey (excluded were people who never worked, no longer worked and were not looking for a job). This action increased the sample size by over 4000 cases.

Since the findings remain the same, we again gain assurance that the results are not biased due to restricting the sample to employed people.

## **Discussion and conclusion**

Studies have shown a strong relationship between employment insecurity and support for welfare arrangements – the insecure workers are generally more supportive of UB than the secure workers. The goal of our article was to investigate whether this relationship is moderated by societal context, namely, whether income and employment protection provided by the institutional level increases or decreases the divide between the secure and insecure workers. So far in the literature, employment insecurity has often been measured via indirect indicators such as skill specificity, occupational unemployment rates, atypical employment, and so forth. For these indicators to translate into social security preferences, people should be aware of the risks. Thus, an important contribution of this article was to study perceived employment insecurity, in particular. We make a distinction between the subjectively secure and the subjectively insecure workers. As moderating societal conditions, we focused on two types of employment policies – EPL and UB reflected in URR.

Regarding the moderating effect of institutional conditions, we could infer conflicting hypotheses from the literature. The first proposition was that both employment protection and generous benefits spur polarization of preferences among the secure and insecure workers. EPL has been argued to contribute to an unequal distribution of labour market risks (some workers are protected and others are very vulnerable), thereby potentially dividing the secure and insecure in their support for UB. Generous benefits, however, could spur concerns about the fiscal burden and foster opposition to the welfare state – especially among the secure workers. Instead, we find support for the alternative hypothesis – in societies with high protection for temporary workers and in societies with generous URR, the polarization of attitudes between subjectively secure and insecure workers is smaller. Where temporary contracts are more regulated, both the secure and insecure workers feel more

supportive of UB, and the effect is stronger for secure workers. As we discussed earlier, protection of temporary contracts is known to contribute to the rigidity of the labour market: there will be less flow on the labour market and the cost of using temporary workers is increased. This is likely to promote long-term unemployment and getting back to the labour market becomes more difficult. Thus, notwithstanding the perceived likelihood of becoming unemployed, worries and anxieties about the consequences of unemployment might increase among a wider population; this could explain why we find more unanimous support for public UB. As an alternative explanation, protection of temporary contracts could also be seen as a reflection of a national culture of solidarity towards the weaker members of the labor market, which could, in turn, promote more unanimous support for UB. Interestingly, EPL for regular workers does not divide nor unite workers. Thus again, the idea that EPL protects the secure and takes away their incentive to contribute to UB is rejected.

Furthermore, we can conclude that generous benefits, instead of fostering conflict between different interest groups about the fiscal burden, bring the secure and insecure closer together. This suggests that the subjectively secure workers are not very much concerned about the fiscal burden that rises from generous UB. The latter could be explained with the national culture of solidarity: in societies where the social benefits are already generous, the secure might adhere more strongly to the idea that social protection plays an important role in a society and is thus worthwhile to sustain. Overall, we can conclude that in societies with more employment and income protection of workers, the attitudes of the secure and insecure workers are more united. A smaller gap in preferences suggests that employed people in a society are more in agreement with one another and have a more coherent judgment on how to arrange welfare for the unemployed.

It has been suggested in the literature that EPL and UB are functional equivalents in terms of proving security for workers either in terms of job protection or income protection. It has already been shown by others that job protection does not necessarily mean that workers feel secure. In this article, we find additional confirmation to this idea. Even if people feel

relatively secure about keeping their current job in the near future, the rigidity of the labour market probably makes workers cautious about the long-term perspective. Protection of temporary work arrangements, which reduces the likelihood of employers to hire people with flexible contracts, appears to be particularly influential in triggering higher levels of support for UB, also among workers who feel secure about their employment position in the near future. Marx (2014) shows that negative expectations about future employment prospects are particularly important in explaining why workers support redistribution. We believe that employability perceptions, more difficulties in finding a job, might be an important underlying reason to why workers in more stringent EPL societies feel more supportive of UB, despite their level of employment insecurity. Thereby, policies that secure income might be more important for providing security for workers than institutions that only secure current jobs, such as employment protection. Thus, policymakers who think that employment protection can be used as an equivalent of unemployment insurance may witness that by protecting jobs, demand for passive UB will rise.

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### Note

1. The volume index of gross domestic product (GDP) per capita in purchasing power standards (PPS) is expressed in relation to the European Union (EU-27) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa. Basic figures are expressed in PPS, that is, a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries. The index, calculated from PPS figures and expressed with respect to EU27 = 100, is intended for cross-country comparisons rather than for temporal comparison.

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## Appendix I

**Table 3.** Mean score on perceived employment insecurity among workers with permanent and temporary contracts.

	Workers with permanent contract	Workers with non-permanent contract	Difference
Cyprus	1.69	1.78	0.09
Estonia	2.36	2.46	0.10
Latvia	2.74	2.87	0.13
United Kingdom	1.74	1.92	0.18
Denmark	1.55	1.75	0.20
Norway	1.46	1.74	0.28
Romania	1.94	2.25	0.31
Slovenia	1.83	2.15	0.32
Czech Republic	2.16	2.49	0.33
Switzerland	1.65	2.01	0.37
Turkey	2.35	2.74	0.39
Hungary	2.05	2.45	0.40
Netherlands	1.50	1.90	0.40
Ireland	1.91	2.37	0.46
Belgium	1.72	2.19	0.47
Germany	1.78	2.25	0.47
Slovakia	1.94	2.42	0.48
Finland	1.61	2.15	0.53
Portugal	1.97	2.50	0.53
Poland	1.97	2.51	0.54
Bulgaria	2.23	2.87	0.65
Croatia	1.91	2.59	0.68
Greece	1.83	2.61	0.78
France	1.88	2.70	0.82
Spain	1.72	2.53	0.82
Sweden	1.51	2.40	0.88

## Appendix 2

### *Definition of the OECD employment protection index*

The OECD employment protection indicators are compiled from 21 items covering three different aspects of employment protection:

- Individual dismissal of workers with regular contracts: incorporates three aspects of dismissal protection: (1) procedural inconveniences that employers face when starting the dismissal process, such as notification and consultation requirements; (2) notice periods and severance pay, which typically vary by tenure of the employee; and (3) difficulty of dismissal, as determined by the circumstances in which it is possible to dismiss workers, as well as the repercussions for the employer if a dismissal is found to be unfair (such as compensation and reinstatement).
- Additional costs for collective dismissals: most countries impose additional delays, costs or notification procedures when an employer dismisses a large number of workers at one time. This measure

includes only additional costs which go beyond those applicable for individual dismissal. It does not reflect the overall strictness of regulation of collective dismissals, which is the sum of costs for individual dismissals and any additional cost of collective dismissals.

- Regulation of temporary contracts: quantifies regulation of fixed-term and temporary work-agency contracts with respect to the types of work for which these contracts are allowed and their duration. This measure also includes regulation governing the establishment and operation of temporary work agencies and requirements for agency workers to receive the same pay and/or conditions as equivalent workers in the user firm, which can increase the cost of using temporary agency workers relative to hiring workers on permanent contracts.

## Appendix 3

**Table 4.** Overview of macrolevel variables for each country.

Country	GDP	EPL	EPL permanent	EPL temporary	URR
Belgium	116	2.61	1.94	2.67	0.56
Bulgaria	44				0.52
Cyprus	98				0.75
Czech Republic	81	2.32	3	1.71	0.50
Denmark	125	1.91	1.53	1.79	0.63
Estonia	69	2.39	2.27	2.17	0.49
Finland	119	2.29	2.38	2.17	0.60
France	107	3	2.6	3.75	0.70
Germany	116	2.63	2.85	1.96	0.71
Greece	93	2.97	2.28	3.54	0.42
Hungary	64	2.11	1.82	2.08	0.43
Ireland	132	1.39	1.67	0.71	0.55
Latvia	58				0.48
Netherlands	134	2.23	2.73	1.42	0.72
Norway	192	2.65	2.2	3	0.71
Poland	56	2.41	2.01	2.33	0.26
Portugal	78	2.84	3.51	2.54	0.76
Romania	47				0.48
Slovakia	73	2.13	2.45	1.17	0.58
Slovenia	91	2.76	2.98	2.5	0.64
Spain	104	3.11	2.38	3.83	0.68
Sweden	124	2.06	2.72	0.71	0.55
Switzerland	63	1.77	1.19	1.5	0.76
Turkey	47	3.46	2.48	4.88	
United Kingdom	113	1.09	1.17	0.29	0.39

GDP: gross domestic product; EPL: employment protection legislation; URR: unemployment replacement rate.