

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

## **Membership after the Ghent System Reform: Evidence from Finland**

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### **ABSTRACT**

The literature on the Ghent system has mainly focused on the association between voluntary unemployment insurance and union membership in terms of industrial relations. However, 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 services for workers. Hence, this study examines both which option precarious workers (part-timers, temporary employees and low-skilled service employees) tend to take regarding unemployment insurance membership and the change in union density after the Ghent system reform in Finland by analyzing Finnish Income Distribution Survey data. The results demonstrate first 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, the findings show that the emergence of the independent fund has affected their choices of unemployment insurance membership and that their choices depend on the type of precarious employment they have. In addition, part-timers and temporary workers younger than 35 years of age are much less likely to enroll 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

Most welfare states operate compulsory public unemployment insurance (UI) to provide benefits to unemployed people, but Belgium, Denmark, Finland and Sweden provide UI based on the Ghent system. Above all, in this system, employees may voluntarily decide whether to register for the insurance. Further, it is not a governmental organization but trade unions that administer the UI funds, which are set up with members' contributions and subsidized by the government, and their memberships. Those countries are commonly considered a rare exception nowadays, even though it was employed by many European countries including the Netherlands, France and Switzerland in the 1920s (Clasen & Viebrock, 2008).

A rich literature confirms that the system is one of the most powerful factors for those countries that have maintained high union densities<sup>1</sup> (see Calmfors et al., 2001; Ebbinghaus et al., 2011; Neumann et al., 1991; Rothstein, 1990; Scruggs, 2002; Western, 1993). Recently, however, the Ghent system has been transformed in all Nordic Ghent countries. Finland and Sweden introduced independent UI funds, which 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. Basically, those reforms were driven for the purpose of providing various options for workers regarding UI under the influence of neo-liberalism, which was the dominant ideology around the world at that time, but many researchers predicted that such reforms would have a steady negative impact on union density (see Kjellberg, 2006; Lind, 2009; Timonen, 2003; Van Rie et al., 2011). Böckerman & Uusitalo (2006) show through quantitative analysis that one of main reasons for the decline in union density in Finland during the period from 1993 to 2002 was the emergence and growth of the independent UI fund. In addition, Høgedahl & Kongshøj (2017) demonstrate that the

figures in the Nordic Ghent countries have been gradually decreasing since those changes occurred, even though they implemented different types of policy changes to the Ghent system.

Despite a voluminous literature on the relationship between the Ghent system reform 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 trade 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 Ghent system reforms. To help fill this gap, this study explores precarious workers' choices of UI membership, as atypical employment relationships such as part-time and temporary employment contracts are commonly observed in today's post-industrial societies, and those workers are more likely to become unemployed than workers with standard employment contracts. Scholars such as Kalleberg (2009) label work based on those contracts 'precarious work', and Häusermann & Schwander (2012) show that the trend to post-industrial employment has both increased the number of precarious jobs and segmented the labor market into workers in standard employment and those in atypical and precarious employment. Bonoli (2006) regards the low-skilled workforce increasingly seen in the service industry as a new social risk in the post-industrial age, because these workers are likely not only to have relatively low wages but also higher probabilities of becoming unemployed. As employees can freely decide whether to join a UI fund by paying a membership fee into the Ghent system, precarious employment might affect their decision, 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.

The Finnish government approved the introduction of the independent UI fund in the early 1990s, when the country experienced a severe economic recession and drastic increases in unemployment (Jokivuori, 2006; Lind, 2009; Timonen, 2003); the government relied on the

argument that workers who have difficulty in becoming union members, such as atypical employees, should be able to obtain UI. In addition, despite the substantial literature on changes in the Nordic Ghent model, few studies have been conducted on the impact of the institutional reforms on union density over the first decade of the twenty-first century, which is a critical and contemporary issue in labor policy. This study investigates the Finnish case by analyzing Finnish Income Distribution Survey 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 between 2000 and 2012.

This article begins with a description of the Finnish unemployment security system, including the Ghent system, and proceeds to establish hypotheses, based on a literature review and data about precarious workers in Finland, about the effect of precarious employment on workers' decisions regarding union or UI fund membership. After that, it introduces the data and methodology that were used in this study, and then describes the analysis results. In the last section of the paper, the findings are discussed.

## **2. The Finnish unemployment security system**

The Finnish unemployment security system consists of a three-tier system of unemployment benefits. The first one is an earnings-related unemployment allowance provided through UI funds on the basis of the Ghent system; the second one is a basic unemployment allowance, which is financed by taxes and managed by the Social Insurance Institution (KELA). The last 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 first or second

unemployment benefit. This article focuses only on earnings-related and basic unemployment allowances because it aims to investigate employees' voluntary decision making for possible unemployment benefits while they are employed.

Trade unions have played a pivotal role in the management of the earnings-related unemployment allowance. As of January 2015, there were 81 trade unions in Finland, and 75 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 professional workers who are highly educated.<sup>2</sup> To offer UI services to their members, trade unions jointly administer UI funds generally based on the classification of industrial activity. There are 26 UI funds that employees can join at present. Unions administer 25 of these funds, whereas only one fund, which is called YTK and was introduced in 1992, has been managed independently from unions. Individual employees can voluntarily join a UI fund run by unions without union membership. However, there are very few such employees, because non-union workers who want to have a UI fund membership can simply choose the independent UI fund; trade unions 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, one of the biggest differences 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 for an annual membership, which is around €400 per year, whereas the membership fee for the independent UI fund is only €118 per year as of 2017. Union

membership fees basically include fund membership fees. Individuals workers who are registered in a UI fund can obtain an UI benefit based on the same criteria, regardless of the type of UI funds, if they become unemployed. Therefore, as the independent UI fund membership fee is much lower than any union membership fee, it can be a cost saving for workers to withdraw from a union and join the independent fund, considering the earnings-related unemployment allowances they would receive in case of unemployment. On the other hand, union members can use the services that trade unions generally provide, such as travel insurance, job information and occupational training, in addition to the UI fund services. As mentioned above, the basic unemployment allowance has nothing to do with trade 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 unemployment allowance when they are unemployed. The amount of basic allowance was on average €703 per month in 2016. That allowance was paid for 500 days (100 weeks) until 2016, but the duration has been reduced to 400 days (80 weeks) since 2017. This benefit is considerably lower than the earnings-related unemployment allowance because most UI fund members are eligible to receive more than 50% of their previous wages and salaries (Uusitalo & Verho, 2010).<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 their types. The proportion of part-time workers in Finland has increased steadily, while the share of fixed-term contract employees has remained relatively steady. The ratio of low-skilled service workers, meanwhile, has gradually decreased since 2000. More specifically, the percentage of part-timers grew from 12.0% in 2000 to 14.6% in 2014, and the ratio of temporary workers has stayed around 16.0% (Table 2). By contrast, the proportion of low-skilled service went from 11.6% in 2000 to 6.2% in 2012. This trend appears to have been caused by a consistent reduction in the percentage of low-educated employees from 2000 to 2012, even though the ratio of workers working in the service sector has gradually risen over the same period. 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 work in the country did not increase significantly in the 2000s and early 2010s. Rokkanen & Uusitalo (2013) and Soininen (2015) also demonstrate that job instability has not risen in Finland over the past few decades.

Figure 1 illustrates the average incomes of all employees during the period from 2000 to 2012. The figures concerning average incomes were estimated on the basis of wage and salary information from Finnish Income Distribution Survey data. Weight values provided by the data provider, Statistic Finland, were applied in the calculations. The estimates clearly demonstrate that the incomes of precarious workers are much lower than those 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. It was found that part-time employees received the lowest income on average, which

was below €20,000 every year except in 2010 and 2011. In particular, although the average income of all workers continued to nominally increase over the period, those of low-skilled service and temporary workers dropped 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 1 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 in understanding the decisions precarious workers in Finland make concerning trade union and independent UI fund memberships in terms of the choice of unemployment benefits. It should be noted that the two theories are not exclusive but 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). According to this theory, people evaluate the expected benefits and costs of joining trade 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 rules, they are likely to undergo a loss of reputation within their group. Hence, this theory regards unionizing as a custom that



individuals should 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 to not join a union or the independent UI fund but take the basic unemployment allowance from KELA if they face unemployment. As Figure 1 shows, because the average income of part-time employees is very low, it is hard to guarantee that, when they are unemployed, most part-timers can receive earnings-related unemployment allowances significantly higher than the sum of basic unemployment allowance and union or independent UI fund membership fees they would pay in advance. Calculations using Finnish Income Distribution Survey data also illustrate that the amount of basic allowance unemployed people could receive each year was about 30% to 40% of part-timers' average income between 2002 and 2011 and increased to about 46% in 2012. This means that the earnings-related unemployment allowance is not very attractive to a considerable number of part-time workers. Moreover, it is not probable that part-timers feel the necessity to join a union more strongly so as to gain a good reputation at their workplace than 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. Therefore, the first hypothesis of this study is:

**H1:** Being a part-time employee increases the probability of having no UI membership without 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 at the workplace because they are supposed to leave the workplace once their employment contracts expire. Thus, it can be

expected that temporary workers would be 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 means that for most temporary workers, it would be financially beneficial to choose the earnings-related unemployment allowance option rather than the basic unemployment allowance. On the other hand, their average income is much lower than workers as a whole. This means that 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 the probability of joining the independent UI fund instead of a trade union.

As shown in Figure 1, the average income of low-skilled service workers is considerably higher than those of the other precarious worker groups. Unlike part-time or temporary employees, they are unlikely to give up joining UI, because their earnings-related unemployment allowances in general are expected to be even 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 much lower than workers as a whole. Thus, it is predicted that low-skilled service workers are likely to enroll in UI as frequently as other employees. If this is indeed the case, the question then arises of which option low-skilled service workers prefer: unions or the independent UI fund. There are incentives to join both unions and the independent fund. On the one hand, these workers could favor unions because, first, 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. Next,

Finnish trade unions' strong collective bargaining power and extensive collective bargaining coverage reach of about 90% (ETUI, 2014) are incentives for low-skilled service workers to join a union. Scheuer (2011) and Visser (2002) both report 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 Palvelualojen ammattiliitto (Service Union United) and Tehy (Union of Health and Social Care Services) have been successful in recruiting employees in the service sector. Shin & Ylä-Anttila (2017) show that low-skilled service employees are as likely to have union membership as other workers in Nordic countries, where industrial relations are based on organized corporatism and over half of all employees are union members.

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 can be a very strong incentive for such workers to join the independent UI fund in order to prepare for unemployment, because their incomes are very low compared with non-precarious workers. From the perspective of the social custom theory, they are less likely to have union membership for the purpose of maintaining good relationships with their colleagues, because workers in the service sector tend to have less opportunity for face-to-face contact with many co-workers than those in traditional factory settings. Furthermore, it is unlikely that the 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 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 unions or the independent UI fund. It would be reasonable to assume that both perspectives could

impact their decision making, but in opposite ways. 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.

Multiple empirical studies on trade union membership confirm that today's younger European generations tend to be less unionized (see Ebbinghaus, 2006; Blanchflower, 2007; Ebbinghaus et al., 2011; Scheuer, 2011); Böckerman & Uusitalo (2006) and Schnabel & Wagner (2007) both demonstrate that this is the case in Finland. This tendency can affect young workers' UI membership under the Ghent system, as joining a union 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 a union to be protected by UI. However, existing research indicates that that 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 one, are significantly less likely to buy a UI policy even though they are more likely to be unemployed, because age offers 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 discourage employees from enrolling in UI, as noted above, that kind of age effect could also make young workers with those employment contracts less likely to have UI membership. Thus, the hypotheses associated with the age effect are:

**H4-1:** The younger the age group to which a part-time employee belongs, the less likely he or she is to have UI membership.

**H4-2:** The younger the age group to which a temporary employee belongs, the less likely he or she is to have UI membership.

## **4. Methodology**

To attain the goals of this study, this article first analyzes the Finnish Income Distribution Survey data from 2000 to 2012. The survey is conducted annually based on a rotating-panel design, where each household remains in the data for two to four consecutive years and new households replace some of the respondents each year. As such, it is possible to trace the change in an individual worker's membership status with regard to unions and the independent UI fund. In particular, the survey data contains register-based information on union membership since 2003, although they have the information based on interviews before that time. This improves the validity of this research. By using this feature of the data, it is possible to calculate the proportion every year of workers who newly joined a union or the independent UI fund or who withdrew their membership from such organizations. This is useful in understanding the trends of workers' choices among unions, the independent UI fund and non-membership. In addition, the data provide weight values, which were made considering the sampling probability and the attrition rate. These weight values are applied to all estimates in this research.

Particularly, in order to investigate the effects each year on union density and verify the above-mentioned hypotheses, this study estimates logistic models concentrating on the wage and salary earners aged between 15 and 64 in the data after merging the 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 year effects and test hypotheses 1 through 3, and a binary logistic model, whose

response variable is whether to have UI membership, is used to test H4-1 and H4-2. The total sample consists of 115,452 individuals and the annual sample size is, on average, 8,881 people. The three precarious worker groups are operationally 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), whether there are children (no children = 0, with children = 1), domicile (urban = 0, rural = 1), age groups (five categories), education levels (four categories), industry types (fourteen categories), regions (nineteen categories) and unemployment risk.<sup>4</sup>

## **5. Results**

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

Calculations using Finnish Income Distribution Survey data illustrate that union density has been on the decline, whereas the proportion of workers belonging to a UI fund has remained around 85% (Figure 2). This means that the proportion of Finnish employees who enroll in UI has not been significantly affected by the Ghent system reform. The graph demonstrates that the independent UI fund has become progressively more popular; its share accounted for only about 7% in 2000, but increased to 17.3% in 2011. By contrast, union density has gradually decreased. Three out of four employees had union membership in 2000, but the union membership rate has been below 70% since 2010. As Böckerman & Uusitalo (2006) showed,

it appears that the growth of the independent UI fund still has negative impacts on union density in Finland.

[Insert Figure 2 here]

The change in union density also can be examined by trade union confederations. The union density rate in Finland was estimated to be about 84% in 1993 (Böckerman & Uusitalo, 2006), but it is found that only two thirds of all employees have union membership in recent years. Figure 3 shows that such a large decline resulted from the gradual decrease in the shares of members from SAK- and STTK-affiliated unions over 20 years. The proportions of employees organized by SAK and STTK were about 43% and 25%, respectively, in 1993, but those numbers dropped to about 27% and 18% in 2012. In contrast, the ratio of members belonging to AKAVA-affiliated unions nearly doubled over two decades. It was around 11% in 1991, but steadily increased to more than 20% in 2012. It seems that traditional blue-collar and white-collar workers became less organized than before, while professional workers grew more organized. Moreover, it is probable that the growth of the independent UI fund encouraged traditional blue-collar and with-collar workers rather than professional workers to leave the unions.

[Insert Figure 3 here]

## ***5.2. Multinomial and binary logistic estimates***

The results of the multinomial logistic regression models for union membership and UI fund-only membership are displayed in Table 3, which shows the marginal effects instead of

coefficient estimates to make the table more readable. The first model, which includes only year dummy variables illustrates that every year variable except the one for 2001 significantly had a negative effect on union membership. The year effects on UI fund-only membership kept growing over time, reaching 14.8% in 2012. The second model, which includes explanatory variables for hypotheses 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 verified by using the results of the second model. According to the findings, the first hypothesis (being a part-time employee increases the probability of having no membership regarding UI rather than joining a trade union or the independent UI fund) is supported. Table 3 shows that the marginal effect of being a part-time worker on non-membership of UI is significantly larger than those on union membership and UI fund-only membership. In other words, part-timers are more likely to give up the earnings-related unemployment allowance than full-time workers by declining to join either unions or UI funds. Next, the hypothesis associated with temporary workers (being a temporary employee increases the probability of having no UI membership and the probability of joining the independent UI fund rather than a trade union) is also supported. The multinomial logistic estimates demonstrate that the marginal effect of the temporary worker variable on union membership is significantly negative, whereas those on non-membership and UI fund-only membership are significantly positive. This can be interpreted to mean that, on the one hand, fixed-term contract workers are less likely to have UI membership than permanent employees and, on the other, temporary workers who want to take the earnings-related unemployment allowance option tend to prefer the independent UI fund. In addition, according to the results of the multinomial logistic regression analysis, 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) is also supported, as was predicted. The results in Table 3 also demonstrate that 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 supported in this study.

When it comes to control variables in the multinomial logistic model, some interesting results emerge. To begin with, the results illustrate that female or married workers tend to have UI membership by joining unions, while rural living increases the probability of taking the basic unemployment allowance option rather than UI. As to age, the oldest two groups (aged 45–54 and 55–64) are more likely to have both union and UI membership than other age groups, but the two youngest groups (aged under 25 and 25–34) show a strong tendency not to join UI. In addition, the marginal effects of education level variables reveal that employees with the lowest education level are least likely to have union membership, whereas those with the highest education level are most likely to join a trade union.

The results of the binary logistic model for UI membership are used to test H4-1 and H4-2 regarding age groups of part-timers and temporary workers. Figures 4 and 5 display the probabilities that part-time workers and fix-term contract employees have UI membership by age group. As Figure 4 shows, 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 around 80% membership rates, whereas the probability of those aged 25 to 34 is less than 70% and that of the age group younger than 25 years old is only about 45%. The same trend is also found among temporary workers. The probabilities of all age groups older than 34 years of age are around 85%, but the figure for temporary employees aged 25 to 34 decreases to below 75%, while that of the youngest age group drops to about 55%. Therefore, it can be concluded that H4-1 and H4-2 are partially supported, because age reduces the probability that younger groups of

atypical workers join UI, while it does not make a difference across groups aged 35 and above. In addition, the results reveal that in every age group, part-time employees are less likely to join UI than full-time ones and that temporary workers are less active than permanent ones.

[Insert Table 3 here]

[Insert Figure 4 here]

[Insert Figure 5 here]

## **6. Conclusion**

The descriptive analysis of the findings shows that union density in Finland has steadily declined since 1993, and the results based on multinomial logistic models for union and UI fund membership confirm that the growth of the independent UI fund is still the main reason for that decline. Compared with the year effects on UI fund-only membership that Böckerman & Uusitalo (2006) calculated, it is found in the present study that the year effects in the 2000s were larger than those in the 1990s. 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 of 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 basic unemployment allowance option without joining UI, which offers an earnings-

related unemployment allowance. This decision could place these workers at a relatively high risk of poverty if they were to lose their jobs. On the other hand, when fixed-term contract workers want to have UI membership, they appear to prefer the independent UI fund to trade unions. Low-skilled service workers, meanwhile, do not show significant differences from other workers when it comes to enrolling in UI. 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 in the early 1990s to offer employees multiple ways to have UI membership. In addition, this study demonstrates that young workers with atypical forms of employment contracts have a strong tendency not to join UI; part-timers and temporary employees under 25 years old in particular show a much lower probability of having UI membership than other age groups.

In summary, the reform of the Finnish Ghent system has caused the union membership rate to decrease and has had only limited success in encouraging precarious workers to subscribe to UI. It has also failed to offer young atypical employees an effective incentive to enroll in UI. 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 biggest UI fund with over 350,000 members, which accounts for about 14% of all employees in the country (YTK, 2017b), and membership seems likely to keep increasing for the next few years. 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, unless the independent UI fund begins to actively recruit 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.

Lastly, because this article has analyzed only the Finnish case, it is necessary that future studies further investigate the Danish and Swedish cases in order to draw the relevant cross-national conclusions between Nordic Ghent countries, focusing on what types of decision precarious workers make for 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 vigorously involved in the administration of unemployment insurance, it is mandatory for workers to register for social insurance.

<sup>2</sup> According to Statistics Finland (2016), SAK had about 1,008,000 members, AKAVA around 589,000 and STTK about 556,000 at the beginning of 2015.

<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 (YTK, 2017a)

<sup>4</sup> The variable of unemployment risk was made by estimating separate probit models for each year from 2000 to 2012 with the same data. Individual persons' unemployment risks are defined as the probabilities that they become unemployed in year  $t+1$ . Hence, this research 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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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		
•Palvelualojen ammattiliitto (Service Union United)	1.50%	0.65%
•Julkisten ja hyvinvointialojen liitto (Trade Union for the Public and Welfare Sectors)	1.38%	0.33%
•Metallityöväen liitto (Metal Workers' Union)	1.75%	0.65%
AKAVA-affiliated unions		
•Opetusalan Ammattijärjestö (Trade Union of Education in Finland)	1.20% <sup>†</sup>	€92.4/year
•Tekniikan Akateemiset (Academic Engineers and Architects in Finland)	€378/year	€105/year
•Insinööriliitto (Union of Professional Engineers in Finland)	€385 ~ €483/year	€105/year
STTK-affiliated unions		
•Tehy (Union of Health and Social Care Services)	1.10%	€42/year
•Ammattiliitto Pro (Trade Union Pro)	1.40%	€150/year
•Suomen lähi- ja perushoitajaliitto SuPer (The Finnish Union of Practical Nurses SuPer)	1.20%	€90/year
Independent UI fund		
•YTK (General Unemployment Fund)	n.a.	€118

<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 because 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.

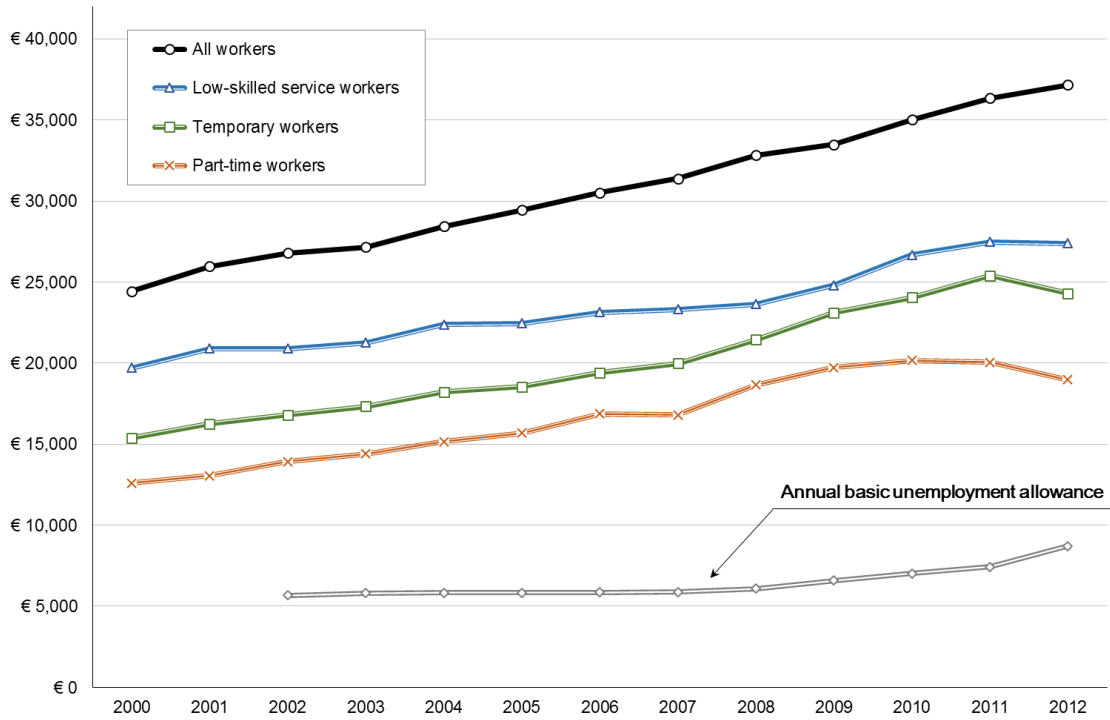
Table 2 Shares of part-time, temporary, low-skilled service employees in Finland (aged 15-74)

	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 Income Distribution Survey data from 2000 to 2012 for low-skilled service employees

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

Figure 1 Estimated average personal wages and salaries of precarious workers and all workers



Source: Authors' calculations from the Finnish Income Distribution Survey 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 2 Shares of wage and salary earners that belong to unions and to only UI funds

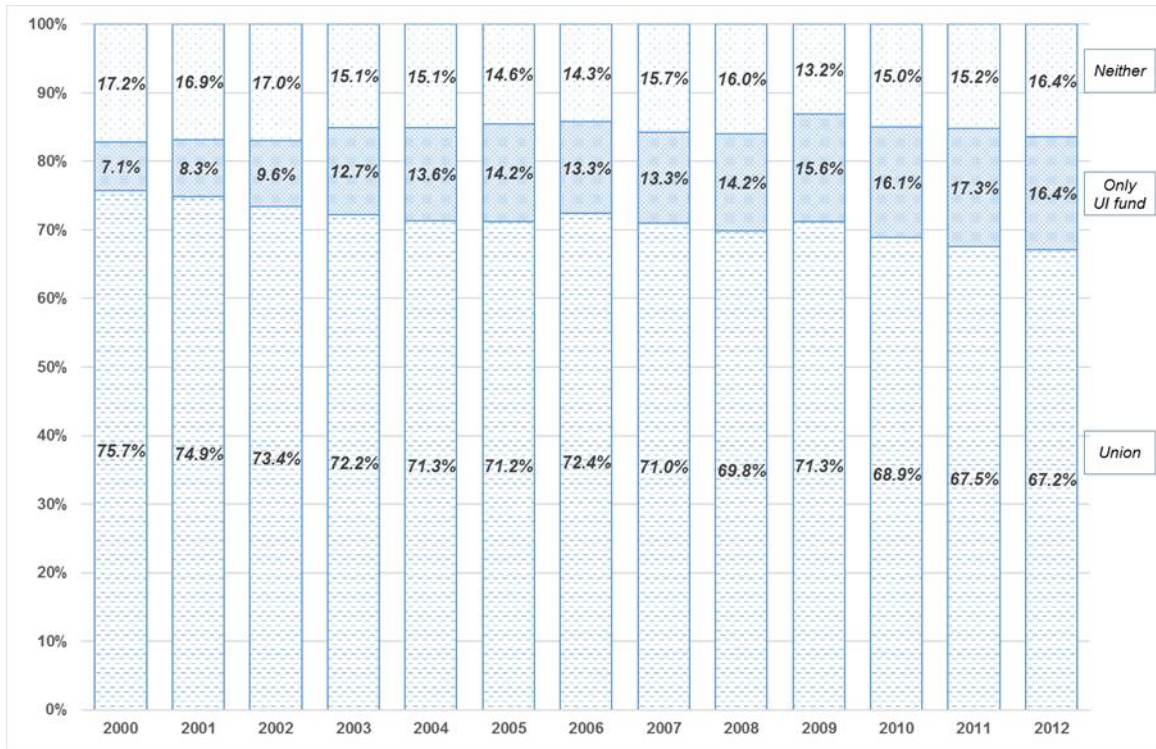
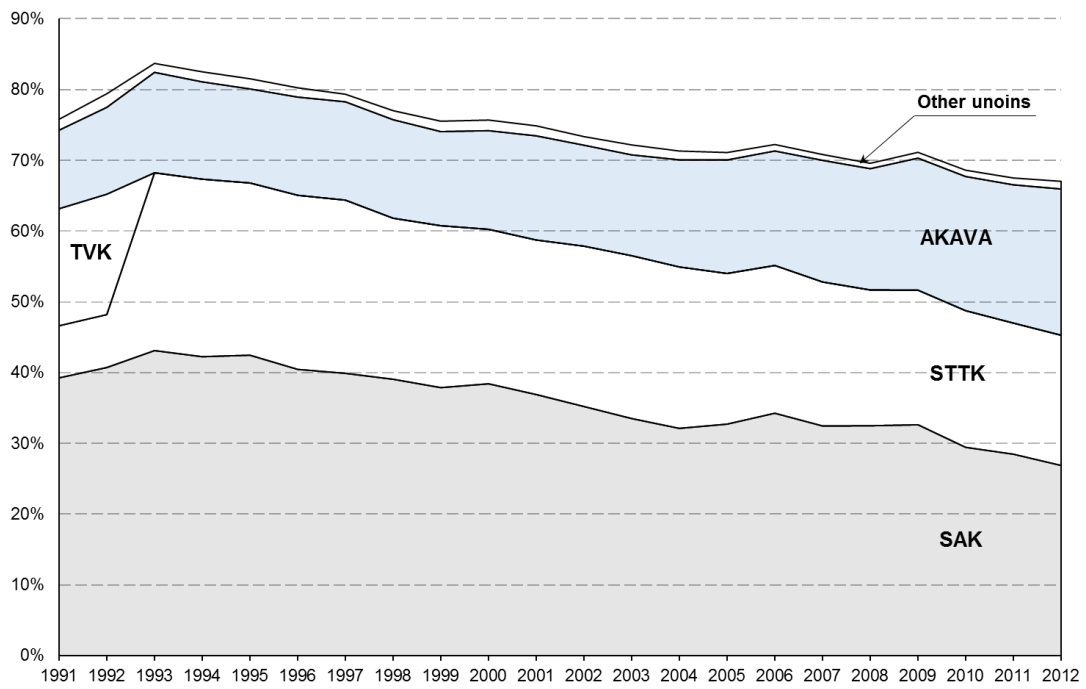


Figure 3 Composition of union density by trade union confederations



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



Figure 4 Predicted probability of joining UI for part-time and full-time employees, depending on age group

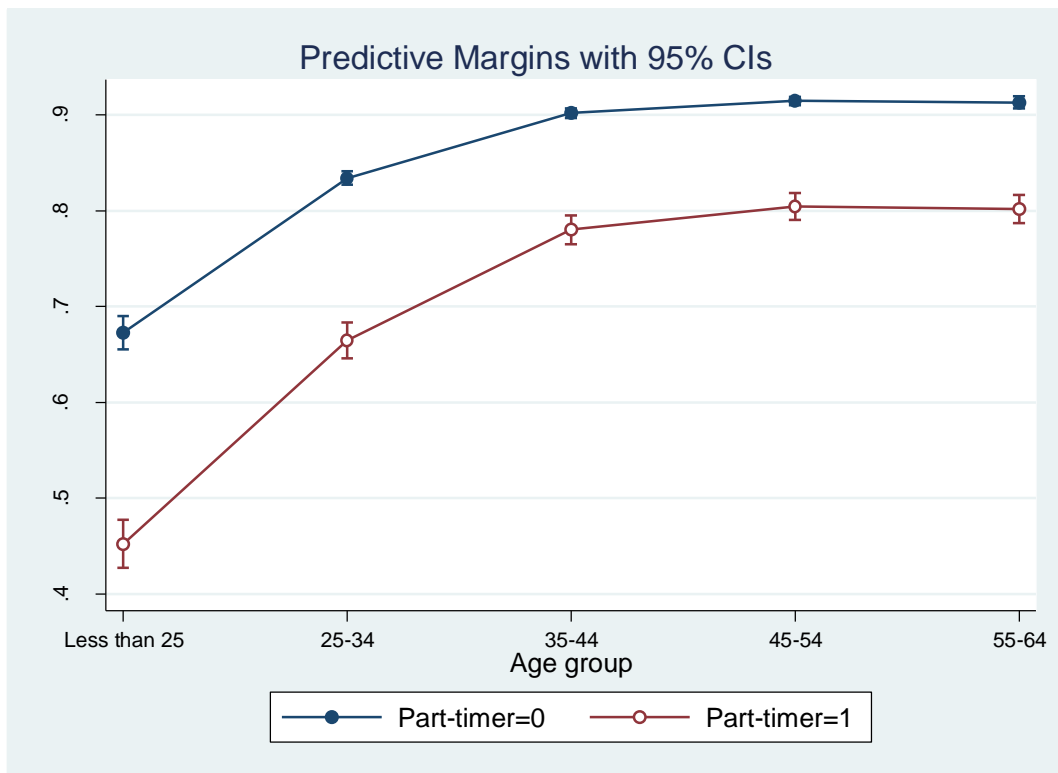


Figure 5 Predicted probability of joining UI for temporary and permanent employees, depending on age group

