

ORIGINAL ARTICLE

Explaining the rise of populism in European democracies 1980–2018: The role of labor market institutions and inequality

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Abstract

Objectives: This article aims to find country-level factors that explain the rise of populist parties in European democracies. While populism is often connected to inequality, we note that right-wing populist parties tend to thrive on fear, including fear of job loss. If flexible labor markets mean that unemployment is de-dramatized because finding a new job is easier, labor market flexibility could dampen populism and inequality may be less important.

Methods: We run country-level fixed effects regressions on populist party vote shares in 26 European countries from 1980 to 2018. We use two different classifications of right-wing and left-wing populist parties and control for employment protection strictness as measured by OECD, Gini coefficients of disposable income, and a large set of control variables.

Results: Unemployment is positively associated with left-wing populism. Strict employment protection is positively associated with right-wing populism. Gini inequality of income is unrelated to (both types of) populism.

Conclusion: Strong employment protection and low-income inequality may not be the most efficient way to combat right-wing populism. A strategy that promotes flexible labor markets, and job upgrading may be an alternative. More research on the link between labor market institutions and (in particular, right-wing) populism is needed.

KEYWORDS

Employment protection, inequality, populism, social spending, the welfare state

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The rise of populism in Western democracies has spawned a large body of literature seeking patterns and explanations for (in particular) the success of right-wing populist parties. Among the proposed explanations, rising inequality has a prominent role (Fukuyama 2019; Hoffmann, Lee, and Lemieux 2020; Kopczuk and Zwick 2020; Pastor and Veronesi 2018), often combined with structural economic changes and labor market insecurity (Colantone and Stanig 2018a; Dehdari 2022; Dippel, Gold, and Heblich 2015; Kurer and van Staaldin 2022). As documented by Guriev and Papaioannou (2022), the literature is large and contains both consistent patterns and some conflicting findings. For example, Gozgor (2022) finds a link between the World Uncertainty Index (Baker, Bloom, and Davis 2016) and populism in European democracies, and several studies using individual-level data have concluded that trade with China has polarizing political effects and seem to breed populism (Autor et al. 2020; Colantone and Stanig 2018b; Dippel, Gold, and Heblich 2015). On the other hand, cross-country evidence presented by Fang, Gozgor, and Yan (2021) suggests that economic globalization may actually alleviate polarization, and Bergh and Kärnä (2021) find no cross-country association between economic globalization and (right-wing or left-wing) populism in European democracies since 1980.

Regarding the role of unemployment and economic crises, it is worth noting that Algan et al. (2017) document a strong relationship between within-region changes in unemployment and voting for populist parties during the European economic crisis of 2008–2012. Also studying the economic crisis in Europe, Stockemer (2017) finds that (with the exception of regions in Greece and France), the radical right had the strongest electoral gains in regions and countries that were relatively spared from the gust of the crisis. Discussing the case of France, Hankla (2019) provides a hint that labor market institutions might matter. According to Hankla, France seems to be “stuck in a conundrum” where rigid labor markets provide stability to the majority but also create a substantial underclass-denied permanent employment. While the conundrum alluded to is well-documented as labor market dualism (Barbieri and Cutuli 2015), Hankla’s observation underscores that high levels of employment protection and the resulting labor market rigidity have not stopped populism from growing in France.

The present article suggests that labor market institutions matter and notes that there are theoretical reasons why labor market flexibility might even alleviate some types of populism. It departs from the fact that fear plays a crucial role in the rhetoric of right-wing populist parties—both fear in general and fear of losing one’s job due to, for example, trade, migration, or automatization (D’Ambrosio, Leombruni, and Razzolini 2021; Wodak 2015, 2020). Conceptually, populism thriving on fear of job loss is different from populist parties benefiting from people actually losing their jobs. The distinction is illustrated by the findings of Kurer (2020), who used empirical evidence from Germany, the United Kingdom, and Switzerland to show that right-wing populist parties tend to be successful among routine workers who manage to cling to their jobs until (early) retirement, but less so among voters who have actually lost their job. The latter group is more prone to left-wing voting (if unemployed) or to economically liberal voting (if they find a new and better job). If these findings generalize to cross-country patterns, they suggest that left-wing populism is associated with higher unemployment, while right-wing populism is associated with labor market rigidity, and neither type of populism is strongly associated with inequality.

This article tests the implied cross-country associations using data from 26 European democracies for the period after 1980. We use two different compilations of election results for populist parties in Europe, The Organisation for Economic Co-operation and Development’s (OECD) data on employment protection strictness, cross-country comparable Gini coefficients from the Standardized World Income Inequality Database (SWIID; Solt 2020), and a large set of other control variables. Running fixed-effects regressions over the 1980–2018 period with votes shares for populist parties as the dependent variable, we uncover the following patterns:

- Unemployment predicts left-wing populism.
- Strictness of employment protection predicts right-wing populism.
- Gini inequality of disposable income is unrelated to (both types of) populism.

In addition, we find some weak evidence that social expenditure is weakly negatively related to (both types of) populism. These patterns appear in both fixed effect and random effect regressions and survive a number of robustness tests. Together, they provide some support for the idea that populist parties have grown more where labor markets are more rigid and speak against the idea that rising income inequality is a major factor explaining populism.

The article proceeds as follows: The next section describes related theoretical and empirical research in more detail. After that we describe our data, present the main empirical analysis and robustness tests. We conclude with some suggestions for future research. An Online Appendix contains a set of additional regressions that test the robustness of our results.

THEORETICAL BACKGROUND AND RELATED STUDIES

This section briefly discusses how to define populism and how it relates to structural change, labor market institutions, and inequality.

Populism

We agree with Huber and Schimpf (2017) that a consensus has emerged in which populism can be defined using three basic characteristics: an appeal to “the people,” a denunciation of the elite, and the idea that politics should be an expression of the “general will.”¹ While most, if not all, populist parties share the three characteristics just mentioned, several scholars have emphasized differences between left-wing and right-wing populism. Left-wing populist parties are considered more heterogeneous than their right-wing counterparts, and they highlight different societal cleavages and behave differently in parliaments (Otjes and Louwerse 2015; Rodrik 2018).¹

To measure and quantify populism, some scholars prefer approaches based on content analysis of official party documents such as election manifestos (Rooduijn, de Lange, and van der Brug 2014). A potential problem with that approach is that parties may be de facto populist without or with only minimal traces of populism in official documents. The data sources used in this article (described further in the Data and Empirical Analysis section) therefore instead rely on expert classifications of political parties as discussed by Norris (2020).

Labor market insecurity and fear

Kurer (2020) studies political reactions to labor market insecurity and notes that “routine workers’ situation in an increasingly automated world of work ... provides an ideal case to disentangle the political consequences of *fearing* as opposed to *experiencing* economic adversity” (p. 1800, italics in original). Using individual-level panel data from Germany, Switzerland, and the United Kingdom (the countries that offer the longest panel surveys suitable for the research), Kurer concludes that “a perception of relative societal decline” and “concerns about one’s position in the social hierarchy,” rather than unemployment or material hardship, drives support for right-wing populist parties (p. 1800).

Kurer’s results suggest that more flexible labor markets can dampen the growth of right-wing populism for several (interconnected) reasons. Note first that empirically, labor market flexibility is unrelated

¹ See also, for example, Mudde and Kaltwasser (2017).

to the average unemployment rate but does affect employment variability over time and the composition of unemployment (Skedinger 2010). When workers in routine jobs exit unemployment and find new jobs at a faster pace, relatively fewer workers will cling to their routine jobs for a long time, thus decreasing the potential growth of right-wing populist parties. Second, the process of actually losing a job may well lead to lower subsequent fear of job loss, especially if social protection is adequate and the chances of finding a new job are high. These hypotheses are supported by Kurer's findings that those who transition from routine jobs to unemployment tend toward abstention or left-wing voting. Kurer's (in our view reasonable) interpretation is that unemployment means that actual scarcity of material resources rather than status anxiety becomes the most salient problem. On the other hand, those whose job is upgraded to a non-routine job are less likely to vote for right-wing populists and more likely to vote for liberal, social-democratic, or conservative parties.

Kurer's findings are also useful for interpreting the results of other studies, such as Dehdari (2022), who demonstrate a strong association between layoff notices and support for the Swedish right-wing populist party (*Sweden Democrats*). Based on survey evidence, Dehdari shows that self-reported unemployment risk is positively associated with voting for the Sweden Democrats among low-skilled respondents. The findings are interpreted as support for the theory that economically distressed voters oppose immigration, as they fear increased labor market competition.² On the other hand, studies by Foged and Peri (2016) and D'Amuri and Peri (2014) have shown that if labor markets are flexible, immigration can lead to exactly the type of job upgrading that decreases support for right-wing populism. Using longitudinal data on workers in Denmark during the period 1991–2008, Foged and Peri (2016) show that an increase in the supply of refugee-country immigrants pushed less educated native-born workers (especially young and low-tenure workers) to pursue less manually intensive occupations. Similar results for 15 Western European countries during the 1996–2010 period are presented in D'Amuri and Peri (2014), who also note that such job upgrading was larger in countries with more flexible labor markets. Along the same lines, Cortes (2016) uses panel data from the United States over three decades to show that wage growth over long-run horizons is faster for workers switching out of routine jobs than for those who stay.

Finally, it is worth noting that people who feel more socially marginal are more likely to be alienated from mainstream politics and to support radical parties (Gidron and Hall 2020). Strong employment protection laws should theoretically induce employers to go for safe options when hiring, at the expense of marginal groups, a theory with some empirical support, according to the survey by Skedinger (2010).

Trade, migration, and automatization

While there are obvious differences between trade, migration, and automatization, there are also similarities in how labor markets are affected. The commonalities lie in how these phenomena simultaneously disrupt labor markets and foster economic development. When some tasks can be done more efficiently in other countries, with migrant labor or with previously unavailable technology, some workers lose while other groups (including workers, capital owners, and consumers) benefit. Complementarities and specialization create gains that (at least in the long run) can be used to compensate those who initially lose out. To some extent, the nature of these gains is similar under automatization, trade, or migration and can be described in terms of comparative advantage.³ The size of the gains and the speed with which they materialize differ across countries (as noted above for gains caused by migration), partly because countries differ in their ability to agree on how such gains can be used to compensate losers, what Lindvall (2017) calls reform capacity.

Several studies have linked some aspects of economic globalization to populist voting (Autor et al. 2020; Colantone and Stanig 2018b; Rodrik 2020). On the other hand, Rommel and Walter (2018) find,

² As noted by Guriev and Papaioannou (2022) a similar logic applies to the interpretation of the results in Algan et al. (2017) where it is regional rather than individual unemployment that affects the populist vote.

using individual-level data from five waves of the European Social Survey for 18 advanced democracies, that offshoring does not affect the propensity to vote for right-wing populist parties, and Fang, Gozgor, and Yan (2021) find that globalization decreases political polarization. Similarly, Bergh and Kärnä (2021) fail to find a significant association between various measures of economic globalization and (right or left) populism in 33 European democracies.³

Inequality

In an ambitious theoretical model of an economy where populism emerges endogenously, Pastor and Veronesi (2018) assume that individuals are inequality averse in the sense made popular by Fehr and Schmidt (1999), which means that people dislike having less (and, to a lesser extent, having more) than others. As discussed by, for example, Shaked (2005) and Levitt and List (2007), it is questionable if the Fehr–Schmidt model is a useful explanation or description of attitudes toward inequality. An implicit assumption in inequality aversion models is that people’s conception of a fair distribution is consequentialistic. The model assumes that people care about monetary outcomes in a way that is independent of the procedures that led to those outcomes. Such a model of attitudes toward inequality is arguably an oversimplification. At least since the seminal contributions by Nozick (1974) and Dworkin (1981), the field of distributive justice has moved away from simple outcome-based models to instead emphasize procedures, responsibility, and the distinction between effort and brute luck (for an overview, see Roemer 1996). More importantly, overwhelming empirical and experimental evidence suggests that procedures matter for fairness perceptions and that people are more prone to accept inequality of material outcomes when they are the result of fair procedures such as work effort (Cherry, Frykblom, and Shogren 2002; Hoffman et al. 1994; Konow 1996, 2000). The summary by Starmans et al. (2017) concludes that people in general are not bothered by economic inequality itself but by economic unfairness, which is often confounded by inequality.

Summary

As described above, flexible labor markets that may well serve to dampen the growth of (at least) right-wing populism. Regardless of whether people lose their jobs due to trade/outsourcing, automatization, or migration, populism could be mitigated if people are able to quickly find new better jobs. Importantly, some of the aspects of labor market flexibility (e.g., job upgrading) may also increase income inequality (at least in the short run), which may or may not be perceived as fair by the voters. We, therefore, proceed to examine the relationships empirically.

DATA AND EMPIRICAL ANALYSIS

The main data source for this article is an updated version of the data introduced by Heinö (2016), who uses scientific literature examining the European party system and the Chapel Hill Expert Survey to separate right- and left-wing populist parties. The data set includes vote shares for 267 parties in 33 countries (the 28 E.U. countries plus Iceland, Norway, Switzerland, Serbia, and Montenegro) from 1980 until 2020. The data set allows parties to switch between being populist and being nonpopulist depending on, for example, changes in party leadership. For example, Hungary’s Fidesz is classified as populist for the period starting in 2002 but not for years before that. Countries are included in the index when they are free according to the Freedom House index. Hence, with the collapse of the Soviet Union, most post-communist

³ For an empirical application on how trade can induce productivity gains through improved labor market matching, see Davidson et al. (2014). See also the discussion of skill-biased technological change regarding the effects of automatization (Card and DiNardo 2002).

TABLE 1 Summary statistics

| | Observations | Mean | Median | Std. dev. |
|---|--------------|--------|--------|-----------|
| Total vote share populist parties | 944 | 14.6 | 12 | 12.5 |
| Share right-wing votes | 944 | 8.54 | 4.6 | 11.3 |
| Share left-wing votes | 944 | 6.03 | 2.8 | 7.88 |
| Total populism, PopuList data | 782 | 15.1 | 12.2 | 12.6 |
| Right-wing populist, PopuList data | 782 | 8.87 | 5.63 | 11.7 |
| Left-wing populist, PopuList data | 782 | 6.21 | 5.2 | 6.32 |
| Share of population between 15 and 64 years old | 944 | 66.6 | 66.7 | 2.05 |
| Dummy for E.U. membership | 944 | 0.71 | 1 | 0.454 |
| Total social spending, percent of GDP | 868 | 20.8 | 20.8 | 4.94 |
| Gini, disposable income | 891 | 0.283 | 0.278 | 0.0394 |
| Years of schooling, 25–64 | 944 | 10.9 | 11.2 | 1.84 |
| Employment protection index | 735 | 2.4 | 2.36 | 0.779 |
| EFW Labor subindex i, ii, and v | 561 | 6.08 | 6.1 | 1.5 |
| Real GDP per capita | 944 | 33,695 | 31,038 | 15,935 |
| KOF Economic Globalization Index, de facto | 944 | 65.1 | 67.5 | 16.2 |

Note: Summary statistics for main variables. Observations are country-year.

countries are included since 1990, Serbia since 2000, and Croatia since 2001. Figure A2 in the Appendix plots the time series data for each country.

To avoid relying on only one index, we verify our main results using Populist 2.0 (as updated in January 2020), a project initiated by the newspaper *The Guardian*. It consists of a list of European populist parties (based on several experts in each country) from 31 countries starting in 1989. Both indices distinguish between right- and left-wing populism, and our choice to rely mainly on Heinö (2016) is based on the longer and wider scope rather than any difference in methodology. As can be seen in Figure A1, in the Appendix, the two indices are closely correlated.

As a proxy for labor market flexibility, we use OECD's index for employment protection strictness for individual and collective dismissals and regular contracts (OECD 2020). The data range from 0 to 6, with higher scores representing stricter regulation. Our source for data on income inequality is the SWIID. We follow the consensus in the literature to focus on the inequality of disposable income (which includes the effect of taxes and transfers). The distribution of disposable income includes the effect of political efforts to curb inequality and is also a measure of income inequality that captures the lived reality of households as argued by, for example, Brady and Sosnaud (2010).

To control for demographic structure, we use the population share aged 15–64 years old (from the World Development Indicators). Education is the average number of years of education in the population aged 25–64, taken from the International Educational Attainment Database introduced by Cohen and Soto (2007). For countries with missing education data, values were imputed using gross domestic product (GDP) per capita and globalization index score (Gygli et al. 2019). The remaining variables are standard controls from the Penn World Tables and the World Development Indicators. We also include a dummy for members of the European Union, found to matter for populism by Bergh and Kärnä (2021). While we have election data until 2020, our control variables are available only up until 2018, forcing us to limit our analysis to the period up to that date. Our effective sample is limited by the availability of the social spending variable, which exists for 26 countries. Table 1 contains summary statistics.

TABLE 2 Right-wing populism

| Dependent var: Right-wing populism | | | | | | |
|---|------------------|-------------------|------------------|------------------|-------------------|------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Share of population between 15 and 64 years old | −0.47 (0.35) | −0.34 (0.42) | −0.22 (0.41) | −0.26 (0.42) | −0.07 (0.46) | −0.30 (0.42) |
| Dummy for E.U. membership | 5.78** (2.45) | 7.76** (3.66) | 8.34** (3.76) | 7.89** (3.59) | 11.80** (5.57) | 7.76** (3.38) |
| Total social spending, percent of GDP | −0.21 (0.17) | | | | | |
| Gini, disposable income | | −24.19 (39.70) | | | | |
| Years of schooling, 25–64 | | | −0.88 (0.96) | | | |
| Unemployment | | | | −0.04 (0.14) | | |
| Employment protection index | | | | | 3.93* (1.99) | |
| Real GDP per capita | | | | | | −0.00 (27.52) |
| Constant | 33.83 (23.02) | 28.55 (30.53) | 21.69 (26.92) | 16.61 (28.43) | −8.29 (33.82) | 19.10 (27.52) |
| Observations | 868 | 890 | 918 | 903 | 709 | 918 |
| R-squared | 0.36 | 0.35 | 0.37 | 0.37 | 0.39 | 0.36 |
| Number of countries | 26 | 26 | 26 | 26 | 26 | 26 |

Note. Country and time fixed effects included. Robust standard errors.

*** $p < 0.01$;

** $p < 0.05$;

* $p < 0.1$.

Regression analysis

To examine the patterns of populism, we run the following fixed effects ordinary least square (OLS) regression:

$$Y_{it} = X_{it}^0 + \tau_t + \gamma_i + \epsilon_{it}, \quad (1)$$

where Y_{it} is the electoral vote share for right-wing or left-wing populist parties depending on the specification, X_{it}^0 is a vector of control variables, τ_t is a time fixed effect, γ_i is a country fixed effect, and ϵ_{it} is an error term. We begin by checking if the patterns differ for right- and left-wing populism. In Tables 2 and 3, we control for demographic structure and E.U. membership, including remaining control variables one at a time, to avoid over-controlling. For right-wing populism, the only significant variable is the employment protection index and the E.U. dummy, suggesting that a stricter employment protection is associated with higher right-wing populist vote shares. For left-wing populism, the partial correlation with E.U. membership is negative but only weakly significant. Unemployment has the expected positive sign but is not significant.

In Tables 4 and 5, we examine our main variables of interest—employment protection for right-wing populism and unemployment for left-wing populism—in increasingly tightly controlled regressions. For right-wing populism, the employment protection index is consistently positive and significant in all but one regression. For left-wing populism, unemployment is positive and significant in all regressions. These patterns are in line with our expectations regarding the role of labor market institutions. It is also worth noting that while social spending is rarely significant, it is consistently negatively associated with both types

TABLE 3 Left-wing populism

| Dependent var: Left-wing populism | | | | | | |
|---|------------------|------------------|------------------|------------------|-------------------|------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Share of population between 15 and 64 years old | −0.49 (0.48) | −0.53 (0.54) | −0.55 (0.53) | −0.61 (0.69) | −0.81 (0.61) | −0.61 (0.63) |
| Dummy for E.U. membership | −3.45 (2.27) | −3.46* (1.96) | −2.15 (2.23) | −2.76 (2.32) | −5.34* (2.96) | −3.03 (2.37) |
| Total social spending, percent of GDP | −0.05 | | | | | |
| Gini, disposable income | (0.26) | 6.88 | | | | |
| Years of schooling, 25–64 | | (28.59) | −1.18 | | | |
| Unemployment | | | (0.89) | 0.47 | | |
| Employment protection index | | | | (0.32) | −1.47 | |
| Real GDP per capita | | | | | (2.68) | −0.00 (0.00) |
| Constant | 43.05 (31.04) | 42.76 (35.68) | 57.12 (36.16) | 48.23 (44.92) | 67.59* (39.12) | 52.05 (40.14) |
| Observations | 868 | 890 | 918 | 903 | 709 | 918 |
| R-squared | 0.10 | 0.10 | 0.13 | 0.17 | 0.14 | 0.12 |
| Number of countries | 26 | 26 | 26 | 26 | 26 | 26 |
| Robust standard errors in parentheses | | | | | | |

Note: Country and time fixed effects included. Robust standard errors.

*** $p < 0.01$;

** $p < 0.05$;

* $p < 0.1$.

of populism. On the other hand, inequality, as measured by the Gini coefficient for disposable income, is never significant and actually has a consistent negative sign in all regressions explaining right-wing populism.

The pattern that E.U. membership is positively related to right-wing populist vote share and negatively related to left-wing populist vote share confirms a result noted by Bergh and Kärnä (2021). As noted by Rodrik (2018), right-wing populists in Europe often portray the E.U. and the elites in Brussels as their enemies, similar to how populists in the United States speak of China or international trade. Rodrik's observation suggests that right-wing populist parties win votes by scapegoating the E.U., a strategy that presumably works better when the country is an E.U. member. The rise of social media may also be a partial explanation as recent evidence from Fortunato and Pecoraro (2022) shows that exposure to political information online reinforces Eurosceptic preferences among individuals with low levels of education.

Robustness checks

We have run several robustness tests to examine how sensitive our main results are to various methodological choices. Full regression results are in the Online Appendix. First, we change the dependent variable from the index presented by Heinö (2016) to the index known as the PopuList, produced in collaboration between the newspaper *The Guardian* and political scientists. The results remain similar, with Gini inequality being insignificant in all but one left-wing specification, unemployment increasing left-wing populism, and employment protection increasing right-wing populism.

TABLE 4 Right-wing populism with controls

| Dependent var: Right-wing populism | | | | | |
|---|------------------|-------------------|-------------------|-------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) |
| Employment protection index | 2.98 (1.98) | 3.55* (1.91) | 4.20* (2.09) | 4.31** (1.92) | 4.53** (1.98) |
| Share of population between 15 and 64 years old | -0.27 (0.41) | -0.29 (0.43) | -0.43 (0.36) | -0.39 (0.36) | -0.27 (0.38) |
| Dummy for E.U. membership | 8.53** (3.45) | 8.82** (3.59) | 8.67** (3.49) | 8.54** (3.48) | 8.34** (3.36) |
| Total social spending, percent of GDP | -0.14 (0.19) | -0.18 (0.20) | -0.24 (0.18) | -0.27 (0.22) | -0.35 (0.21) |
| Gini, disposable income | | -30.57 (32.48) | -35.53 (33.35) | -35.08 (35.96) | -40.82 (35.28) |
| Years of schooling, 25–64 | | | 1.02 (1.10) | 1.04 (1.12) | 0.88 (1.12) |
| Unemployment | | | | 0.05 (0.22) | 0.02 (0.22) |
| Real GDP per capita | | | | | -0.00 (0.00) |
| Constant | 11.72 (31.56) | 20.54 (34.17) | 20.43 (31.42) | 17.14 (29.70) | 16.02 (29.10) |
| Observations | 692 | 684 | 684 | 682 | 682 |
| R-squared | 0.38 | 0.38 | 0.38 | 0.38 | 0.39 |
| Number of countries | 26 | 26 | 26 | 26 | 26 |
| Robust standard errors in parentheses | | | | | |

Note: Country and time fixed effects included. Robust standard errors.

*** $p < 0.01$;

** $p < 0.05$;

* $p < 0.1$.

Next, we test how results change when we replace the OECD employment protection index and instead use the Fraser Institute Economic Freedom (EFW sub-index for labor market flexibility). The fifth dimension of the Economic freedom index is broader than the OECD, but we removed collective bargaining, hours regulations, and conscription from the index, keeping hiring regulations and minimum wage (from the World Bank's Doing Business), hiring and firing regulations (from the Global Competitiveness Report), and mandated cost of worker dismissal (also from Doing Business Report). The economic freedom index is coded in the opposite way, compared to the OECD index, meaning that a higher score represents a more flexible labor market, and the correlation with the OECD employment protection index is -0.5 . With this alternative indicator of labor market flexibility, rigid labor markets are still consistently associated with more right-wing populism, but the results are just shy of statistical significance. In future research, it is worth probing deeper into the link between labor market institutions and populism using both individual-level data and other country-level indicators.

We also test if our main results depend on the choice of control variables. First, we test different measures of government size instead of social spending as defined by the OECD: the first dimension of the Fraser Institute Economic Freedom index, total taxes, total government consumption, total govern-

TABLE 5 Left-wing populism with controls

| Dependent var: Left-wing populism | | | | | |
|---|------------------|------------------|------------------|-------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) |
| Unemployment | 0.64** (0.30) | 0.64** (0.30) | 0.62* (0.32) | 0.84*** (0.30) | 0.81*** (0.27) |
| Share of population between 15 and 64 years old | -0.33 (0.56) | -0.25 (0.53) | -0.13 (0.49) | 0.14 (0.44) | 0.28 (0.48) |
| Dummy for E.U. membership | -3.49 (2.30) | -3.75* (2.13) | -3.25 (1.99) | -6.66** (2.56) | -6.89** (2.53) |
| Total social spending, percent of GDP | -0.32* (0.17) | -0.33* (0.18) | -0.24 (0.23) | -0.27 (0.26) | -0.37 (0.28) |
| Gini, disposable income | | 5.22 (29.39) | 12.08 (34.44) | 27.32 (39.20) | 20.79 (40.27) |
| Years of schooling, 25–64 | | | -1.00 (1.17) | -1.80 (1.51) | -1.98 (1.44) |
| Employment protection index | | | | -1.09 (1.67) | -0.84 (1.64) |
| Real GDP per capita | | | | | -0.00 (0.00) |
| Constant | 33.81 (36.08) | 27.93 (33.16) | 26.18 (32.78) | 12.74 (38.66) | 11.47 (37.44) |
| Observations | 858 | 842 | 842 | 682 | 682 |
| R-squared | 0.19 | 0.20 | 0.21 | 0.30 | 0.30 |
| Number of countries | 26 | 26 | 26 | 26 | 26 |

Note: Country and time fixed effects included. Robust standard errors.

*** $p < 0.01$;

** $p < 0.05$;

* $p < 0.1$.

ment spending on healthcare, and total government spending on education (all expressed in percentage of GDP). Interestingly, controlling for government spending on education (percent of GDP) increases the size and significance of the employment protection coefficient on right-wing populism, whereas the first dimension of the economic freedom index lowers both. Inequality is still insignificant in all these regressions. Overall, the main results hold for different measures of government size.

We have also interacted with Gini inequality with employment protection and unemployment for right- and left-wing populism, respectively, to see if inequality matters when moderated by these variables. The interactions of labor market flexibility and Gini is insignificant in all regressions for right-wing populism. The interactions with unemployment and Gini are significant in all specifications, suggesting that inequality is associated with left-wing populism when unemployment is high. A possible interpretation is that inequality, when unemployment is high, is less accepted by voters than inequality when unemployment is low.

The next test is to examine the role of economic globalization by including the KOF economic globalization de facto index (Gygli et al. 2019). The main results are unaffected, and economic globalization is insignificant for both types of populism, in line with previous findings (Bergh and Kärnä, 2021; Fang,

Gozgor, and Yan 2021). Furthermore, we test if including a measurement of government ideology changes the results. We used a coding of government ideology from modern socialist to conservative/classical liberal coalition from Berggren and Bjørnskov (2017), based on the method used by Bjørnskov and Potrafke (2012). It turns out that government ideology is insignificant and does not affect the main results.

Our baseline results are derived using regressions with country fixed effects, thus relying on within-country variation over time to estimate coefficients. We have also tried running random effects models, and the main results regarding Gini inequality, unemployment, and employment protection are surprisingly similar to our baseline even when not controlling for country fixed effects.

Finally, we run our main regressions with country-level clustering instead of robust standard errors (noting that the number of countries is just below the optimal number for clustered standard errors, see Abadie et al. 2017; Cameron and Miller 2015). Again, the main results are the same.

In summary, our main result that country-level inequality is unrelated to populism seems to be extremely robust. The results that employment protection is positively related to right-wing populism and that unemployment is positively related to left-wing populism also hold in almost all robustness tests that we have run.

CONCLUSION

Many have examined the factors behind the rise of populism using individual-level data within countries. It is far from obvious that such micro-level results generalize to cross-country patterns, yet such claims are sometimes made (e.g., Fukuyama 2019). This article has therefore examined the cross-country correlates of both right-wing and left-wing populism in 26 European democracies over the 1980–2018 period. Following the suggestion made by Mudde and Rovira Kaltwasser (2018), we have built upon existing research by extracting hypotheses from previous studies regarding the relationship between labor-market flexibility, unemployment, and different types of populism.

Our results show that country-level Gini inequality does not predict (left-wing or right-wing) populist voting. Sweeping claims regarding the link between inequality and the rise of populism should therefore be qualified or avoided. We have also noted that stricter employment protection is associated with larger vote shares for right-wing populists, while unemployment is associated with left-wing populism. While far from conclusive, the pattern supports the idea that right-wing populist parties draw support from voters who cling on to their jobs, whereas left-wing populist parties draw support from people who are unemployed.

Our results regarding right-wing populism have policy implications that should be scrutinized in future research. One such implication seems to be that the so-called flexicurity arrangements, that is, the combination of generous unemployment benefits and labor market flexibility as described by, for example, Viebrock and Clasen (2009), might be a useful policy against right-wing populism. On the other hand, our findings regarding the association between unemployment and left-wing populism are less surprising and confirm previous findings. Nevertheless, the results shed light on the success of left-wing populist parties such as Podemos in Spain and Syriza in Greece, where unemployment soared to extreme levels following the Euro crisis.

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APPENDIX

Comparing Heinö (2016) and The PopuList 2.0

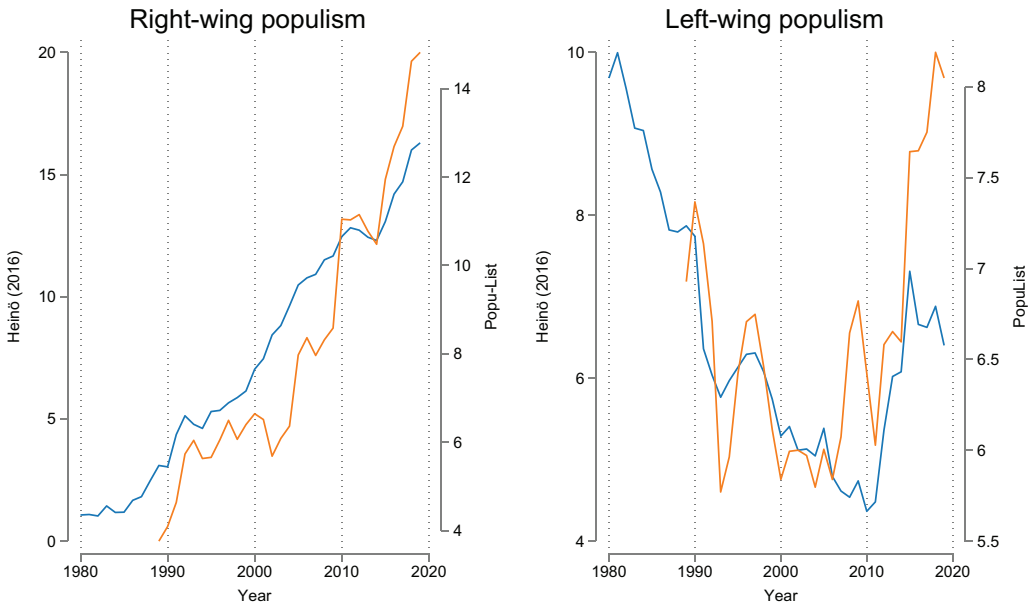


FIGURE A1 Two different indices of populism
 Source: Heinö (2016) (cont) and PopuList (dashed).

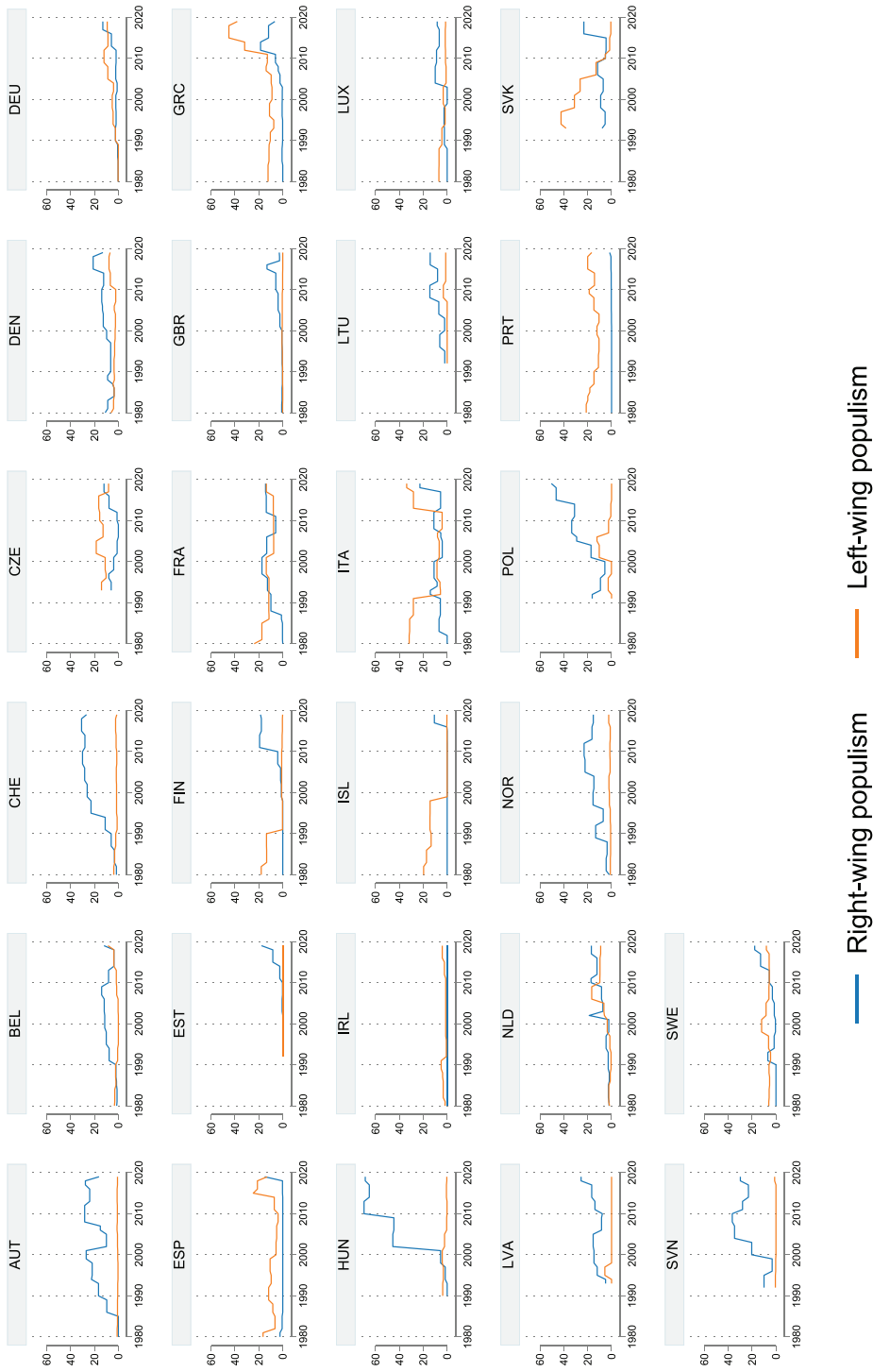


FIGURE A2 Right- and left-wing populism by country