Risks, Costs and Labour Markets: Explaining Cross-National Patterns of Far Right Party Success in European Parliament Elections*

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Abstract

Does the economy affect patterns of far-right party support across countries? This article reconceptualizes micro-level analyses that focus on the effect of unemployment through a framework of costs, risks and the mediating role of labour market institutions. It then derives several hypotheses and tests them on the results of the previous three EP elections in all EU Member States. Findings from multiple regression analyses indicate that unemployment, real GDP growth, debt and deficits have no statistically significant effect on far-right party support at the national level. By contrast, labour market institutions influence costs and risks: where unemployment benefits and dismissal regulations are high, unemployment has no effect, but where either one of them is low, unemployment leads to higher far-right party support. This explains why unemployment has not led to far-right party support in some European countries that experienced the severity of the 2008 eurozone crisis.

What is the effect of the economy on far-right party support? On the one hand, economic factors are often seen to be shifting the attitudes and preferences of voters towards such parties (Lipset, 1960; Betz, 1994). These explanations differ in scope and in particular in whether the preference for the far right is the product of objective characteristics or subjective attitudes. But all these theories suggest that indicators such as unemployment, low income and, more generally, deprivation and expectation of deprivation create conditions favourable to the rise of far-right parties. This framework has been used to explain both the rise of the fascist parties that emerged during the inter-war period and the radical right variants that have re-emerged in Europe since the 1990s. On the other hand, other work has shown that economic stress is not necessarily causally linked to far-right party support (Mudde, 2010). An increasing number of studies have found that ethnic threats have a greater impact than economic threats (Ivarsflaten, 2008; Lucassen and Lubbers, 2012), indicating that national identity is more of a driving force of far-right party support than economic interest (Sniderman and Hagendoorn, 2007).

Most of these studies, however, either employ small-N methods, focusing on one or few cases and thereby limiting the potential for generalizability, or large-N methods, focusing on individual-level voting patterns. But what is the impact of the economy on cross-national patterns of far-right party support in the EU? While much attention has

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been given to the effect of unemployment in previous literature, few studies have addressed the question of variation at the country level. An exception is Arzheimer (2009). This study investigates cross-national variation in western Europe before eastern enlargement, combining system-level variables with individual sociodemographic and attitudinal data in the period between 1980 and 2002 and including in the analysis cases where the far right performed poorly.

In this article, we test the effect of the economy on macro-level patterns of far-right party support in European Parliament (EP) elections. The latter may be described as 'second-order national contests' (Reif and Schmitt, 1980; Van der Eijk and Franklin, 1996), i.e. secondary to national elections, but still national rather than European contests (Hix and Marsh, 2007). While we may expect the second-order effect to inflate support for smaller parties, this does not explain the significant variations we observe in terms of support for far-right parties across the EU. Given standardization in terms of time and electoral system, EP elections offer a good platform from which to explore these macro-level patterns of far-right party support from a comparative perspective: how may we explain cross-national variations, and do existing explanations apply at the EP level?

EP elections show interesting cross-national variation in far-right party support that is not prima facie consistent with a simple demand-side model, which therefore calls for a systematic comparative study. In the 2014 'earthquake' EP elections, the peripheral countries that experienced the most severe economic crises, such as Portugal, Ireland, Italy, Greece and Spain, clearly displayed varying far-right party success: while the far-right Golden Dawn (GD) experienced a significant rise in Greece, National Democracy (ND) and Spain 2000 in Spain and the National Renovator Party (PNR) in Portugal did not; in Ireland there is no far-right party; and in Italy the Northern League's (LN's) popularity declined. There are also significant variations within and between countries that did not experience comparable crisis conditions, including France, the UK, Sweden, Denmark and Finland. Unemployment levels vary across Europe (see Figure 1), showing again no: countries with the highest unemployment rates, including Spain, did not witness a rise in far-right party support, while countries with low unemployment levels did. Economic malaise is not necessarily present in all cases where we observe the rise of the far right (although it is correlated in some cases, such as Greece). The correlation between unemployment and far-right party support for the 2014 election is low and not statistically significant.

This calls for a more thorough test of the impact of economic factors on far-right party support. Building on existing demand-side literature that focuses on the economy (Swank and Betz, 2003; Kitschelt and McGann, 1995; Kriesi *et al.*, 2006), this paper conceptualizes the effect of labour market insecurity created by unemployment in terms of costs and risks. Costs refer to the material penalty that unemployment entails while risks capture the greater fear of unemployment that may arise in the employed population when national unemployment rises. Both costs and risks are determined partly by the national unemployment rate and partly by labour market institutions. Cost depends most obviously on the economic condition – the national unemployment – but also on the extent to which unemployment is 'compensated' by labour market institutions. Similarly, unemployment risks determine the likelihood of bearing that cost and are therefore dependent on labour market regulations. Thus, we expect unemployment to be associated with higher far-right support only in countries where unemployment is very costly because of low

Figure 1: Far-right Parties in 2014 EP Elections and 2013 Unemployment
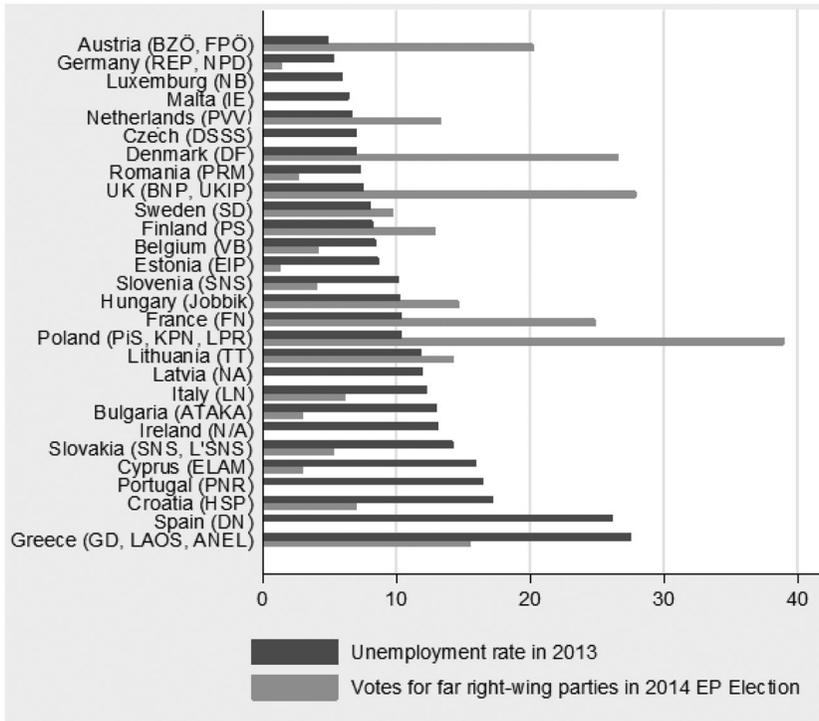
unemployment benefits or in countries where unemployment increases the risk of employed workers becoming unemployed because of low dismissal regulations.

We test these expectations using panel data regression analysis on a dataset comprising three EP elections covering 28 European countries and capturing three time periods: before, during and after the financial crisis. Our results confirm that unemployment by itself is not statistically significant when controlling for all other relevant factors. However, demand-side economic factors do matter, but in a more complex way: where unemployment benefits and dismissal regulations are high, unemployment has no effect, but where either one of them is low, unemployment leads to higher far-right support.

This article contributes to the existing literature in two ways. First, empirically, this paper provides a macro-level test of the expectations from the demand-side economic literature and explains the variation in EP election results. Second, we show that far-right party support is fuelled less strongly by national unemployment levels in case of specific welfare state institutional arrangements.

This article unfolds as follows. In the next section, we classify far-right parties and review previous literature on demand-side explanations of far-right party support. We then derive a number of hypotheses concerning the impact of unemployment on far right party support. Using statistical analysis, we then test these hypotheses and present our results. The final section concludes with some implications for future research avenues.

I. Classifying and Explaining the Success of Far-right Parties

Classification

The 'extreme' (Ignazi, 1995), 'radical' (Rydgren, 2007), 'populist-radical' (Mudde, 2007; Immerzeel *et al.*, 2015) or 'far' (Lucassen and Lubbers, 2012; Vasilopoulou and Halikiopoulou, 2015) -right party family has been characterized as one of the least homogenous party families (Ennser, 2012). Part of the problem in generating a broad theory of patterns of far-right party support is precisely this question of classification: which parties should we compare? Do these parties belong to the same party family, and are therefore comparable groups, or are the variations between them so fundamental that a comparison is not possible? Sharp distinctions may be identified in terms of the social groups these parties attract, the extent to which their voters have right-authoritarian attitudes, the relationship of the parties themselves with democracy, their association with fascism, the harshness of their stance towards the EU (European Union) and the extent to which they employ violence to materialize their goals.

Any attempt at classification faces methodological as well as theoretical problems. Classifying these parties in terms of who votes for them can result in circular reasoning. If these parties have a different voting base because they are different types of parties, then the causal logic is skewed. Classifying these parties in terms of their ideology poses a problem for theorizing insofar as ideology may not create clearly defined categories. Another problem refers to the government–opposition dynamics: as a party moves closer to power it may moderate its position, shifting between categories; or a party may radicalize in order to compete with other parties in the system. Nonetheless, and despite these problems, a classification remains useful as it creates a starting point for any comparative study that seeks to understand the varied success of these parties.

The key is that, while diverse, these parties also share a number of core common features that permit them to be grouped together. First and foremost, this refers to a harsh stance on immigration, driven by nationalism (Eatwell, 2000; Hainsworth, 2008; Halikiopoulou *et al.*, 2012). This has been conceptualized by Mudde (2010) as *nativism*, a concept that describes the ethnic variant of nationalism, i.e. the definition of the nation in accordance to ascriptive criteria, leading to calls for maintenance of the homogeneity of the nation (Halikiopoulou *et al.*, 2012). These parties also share authoritarianism and populism (Mudde, 2007).

This article favours the overarching term 'far right', and within it a distinction between 'extreme' and 'radical' variants which captures both the commonalities and variations within this party family. The term 'far' allows the inclusion of all parties that share a nationalist anti-immigrant agenda, authoritarianism and populism. The distinction between 'extreme' and 'radical' captures the parties' relationship with procedural and substantive democracy (Mudde, 2010) as well as a past association with fascist groups and the use of violence. This paper therefore adopts the term 'far right' to describe parties that: (a) belong to the same party family; (b) are characterized by nationalism, authoritarianism and populism; and (c) differ in terms of their relationship with democracy, the extent to which they have a fascist past and the extent to which violence forms part of their agenda. This means including some of the borderline cases, but in a way that clearly captures their specificities. In line with Immerzeel *et al.* (2015), we include extreme right variants such as the BNP, PNR and Jobbik, as well as more radical variants such as the DF, PVV and

UKIP. We add GD, ANEL (Independent Greeks; Vasilopoulou and Halikiopoulou, 2015) and ELAM (the Cypriot National Popular Front; Katsourides, 2013), as well as the Polish populist radical PiS (Law and Justice Party), which has moved progressively to the nationalist right of the political spectrum since the mid-2000s (Pankowski, 2010, p. 152; Harrison and Bruter, 2011; Pankowski and Kormak, 2013). Overall we examine 36 parties in 28 EU Member States (see Appendix 2).

State of the Art: What Explains Demand for Far-right Parties?

How may we conceptualize support for the far right? In the vast majority of accounts, support for the far right is theorized on the basis of a demand-and-supply framework examined at the micro level. The former refers to bottom-up theories capturing any factors that increase the 'demand' for far-right parties, while the latter refers to top-down institutional factors. The demand framework is governed by an overarching rationale that rests on the premise that societal conditions determine party success. Most demand-side explanations emphasize the importance of economic factors. The key is some type of trigger factor – for example economic crisis, globalization, internationalization – that impacts negatively on either the socio-economic status of voters or their expectations. Economic interests may underline far-right party support through several causal mechanisms, which are either objective or subjective; about levels or change; and current or future/expected. While some emphasize the level of the problem, others focus on perceptions of the problem or on the change in the problem. The 'modernization losers' thesis contends that those more likely to support far-right parties are the losers in socio-economic change. It is consistent with the notion that globalization has led to the formation of a new structural conflict in western European countries. The socio-demographic model focuses on the objective current socio-economic conditions of voters (Lipset, 1960; Betz, 1994; Rydgren, 2007). The relative deprivation thesis merges economics with subjective characteristics of voters, focusing on the extent to which a deteriorating economic condition will worsen an individual's position, understood in comparison either with one's own past or with another social group (see, e.g., Lubbers and Scheepers, 2002). Realistic conflict theory posits that people are in competition over scarce resources, understanding the rise of the far right in terms of a struggle for access to the collective goods of the state (Wimmer, 1997; Lucassen and Lubbers, 2012).

These theories expect certain types of social groups who are either experiencing deprivation in their present situation or who expect deprivation in the future to be the likely supporters for the far right. Within this context, both high levels of unemployment and/or sharp increases in the levels of unemployment are expected to be associated with far-right party support (Lubbers and Scheepers, 2002). Those who are unemployed, low-educated, involved in manual employment and more generally have low incomes are expected to be the key electoral constituency of far-right parties. Studies rarely distinguish between the likelihood of opting for the far right vis-à-vis the far left among certain groups such as the unemployed. But overall, theories that focus on the economy tend to associate unemployment with far-right party support because of protest and anti-systemic attitudes, linkage with unfavourable out-group attitudes and authoritarian attitudes (Lubbers and Scheepers, 2002, p. 134). Another reason is competition with immigrants

and outsiders for jobs, welfare and, more broadly, access to the collective goods of the state (Wimmer, 1997).

Recent studies, however, have found that cultural factors matter more for far-right party support than economic factors (Sniderman and Hagendoorn, 2007; Ivarsflaten, 2008; Lucassen and Lubbers, 2012), and that when economic factors do matter, they do so in different ways across cases (Lubbers and Scheepers, 2002; Vasilopoulou and Halikiopoulou, 2015). These different conclusions drawn in various studies, both within and across cases, have prompted scholars to note that demand-side economic factors in themselves may be poor predictors of far-right party support (Mudde, 2010; Lucassen and Lubbers, 2012).

The EP election results provide a good platform for testing the impact of the economy on far-right party support at the national level across Europe. EP elections are 'second-order national contests' (Hix and Marsh, 2007) that favour smaller parties. It could therefore be possible that the relationship between far-right party support and the economy, as identified in literature focusing on national elections and micro-level analyses, is different in EP elections. Does the second-order effect, which entails that EP elections are more likely platforms for the expression of discontent with the national government, affect our theories about the relationship between unemployment and far-right party support? In addition, given that most studies tend to assume that the political reactions to economic and cultural globalization are bound to manifest themselves above all at the national level (Kriesi *et al.*, 2006, pp. 921–2), the examination of EP electoral results is a contribution to existing literature. But it is also a methodologically sound choice because EP elections allow us to sidestep endogeneity, timing and comparability issues. In contrast to national elections, where the economy and far-right party support are endogenous, EP election results are unlikely to affect the economy. They offer a 'snapshot' of 28 different elections with standardized results at a particular point in time using a similar electoral rule. EP elections also provide a good reference point for understanding the rise of both radical-right variants, which have been the most popular types of far-right parties since the 1990s, and the most extreme variants, such as Jobbik and Golden Dawn. These extreme variants have experienced a dramatic increase since 2010, contrary to most theories that have postulated that 'old' far-right parties (Golder, 2003) with clear links to fascism are unlikely to experience much support in post-war Europe. Finally, EP elections provide a platform on which to test a model of far-right party support across western and eastern Europe, which are rarely examined together.

II. Risks, Costs and Labour Markets: Theorizing the Impact of the Economy on Far-right Party Support

This section develops our expectations concerning the effect of unemployment in two steps. In the first step, we build on the demand-side literature reviewed in the previous section to conceptualize the effect of unemployment on far-right party support through a framework that emphasizes societal risks and costs. In a second step, we build on welfare state literature to stress the role of labour market institutions in moderating these risks and costs.

Economic Factors Affect Demand through Risks and Costs

As discussed in the previous section, unemployment is shown to be related to far-right party support in most of the demand-side literature. Theorizing how economic factors may lead to support requires reconceptualizing how unemployment may affect insecurity (Kitschelt and McGann, 1995; Swank and Betz, 2003; Anderson and Pontusson, 2007). Economic problems may affect demand for the far right through two empirically related – but conceptually distinct – channels. We term these two channels 'risk' and 'cost': economic factors may mean higher far-right support because of higher cost or higher risk, or both. In the case of labour market problems, the first – cost – channel is that unemployment may increase support because more people are unemployed and the unemployed are more likely to vote for extreme right parties (Lubbers and Scheepers, 2002; Rydgren, 2007) for the various reasons explained above, including protest voting, authoritarian attitudes, negative attitudes towards out-groups and competition with outsiders for state goods (Wimmer, 1997).

That unemployment imposes a cost on someone is not contested, whether in terms of well-being, life satisfaction or other metrics (e.g. Jahoda, 1988; Gerlach and Stephan, 1996). There is also widespread evidence in the labour market literature that unemployed and atypical workers have different policy preferences from those in employment because they face much higher risks (Rueda, 2005; Rueda, 2007; Emmenegger, 2012; Vlandas, 2013; Marx and Picot, 2013; Marx, 2014). Labour markets have become increasingly dualized, with insiders in permanent contracts and those in non-standard jobs and unemployment seeing their risks, entitlements and policy preferences diverge (Emmenegger *et al.*, 2012).

But labour market problems may also have an effect through a second – risk – channel, via the effects of higher unemployment on the perceived risk of unemployment of those currently in jobs. Indeed, as unemployment increases, this also affects the well-being of those currently in jobs (Hartley *et al.*, 1991; De Witte, 1999; Böckerman, 2004). This is because when general market conditions deteriorate, this also affects employed workers' perceptions of insecurity (Chung and Carr, 2014; Chung and Van Oorschot, 2011; Mau *et al.*, 2012). In addition, workers who were previously unemployed continue to feel more insecure even after returning to work (Böckerman, 2004; Erlinghagen, 2008).

Thus, unemployment may affect electoral choice through its effect on economic insecurity (cf. Mughan and Lacy, 2002). Higher unemployment should ceteris paribus increase national support for far-right parties among both unemployed and employed. As a result, we expect unemployment to be significantly associated with higher far-right support:

Hypothesis 1: Unemployment is positively associated with far-right party support.

Costs Can Be Compensated

Losing one's employment has a direct income effect through the loss of wages. However, in most European countries, unemployed workers are entitled to some replacement of their previous income in the form of unemployment benefits (Van Vliet and Caminada, 2012). The cost of being unemployed therefore depends on the generosity of unemployment benefits: in countries with generous benefits, the cost of unemployment relative to

employment is lower. As a result, the extent to which we should expect higher unemployment to lead to more far-right support is crucially contingent on labour market institutions. Consistent with this, various studies find that workers report lower levels of job insecurity in European countries where unemployment benefits are more generous (OECD, 2004; Clark and Postel Vinay, 2005; Mau *et al.*, 2012). Using the European Social Survey, Chung and Van Oorschot (2011) confirm that generous unemployment benefits provide a sense of security by partly replacing lost income. Labour market policies can also mediate the effect of unemployment on other potentially relevant facets of welfare. Chung and Carr (2014) analyse employment insecurity and life satisfaction in 22 countries and highlight that labour market policies may mitigate the adverse effects of unemployment on life satisfaction. In sum, there is significant evidence that unemployment affects individuals' welfare at the micro level and that institutions mediate this impact.

Moreover, globalization 'increases social dislocations and economic insecurity, as the distribution of incomes and jobs across firms and industries becomes increasingly unstable' (Garrett, 1998, p. 7). However, our theoretical framework would suggest that globalization does not by itself lead to far-right support but is instead mediated by welfare state institutions. This is precisely what Swank and Betz (2003) find: countries with generous systems of social protection are less likely to exhibit significant 'radical-right populist parties' – i.e. the new far-right parties that have experienced increasing support since the 1990s on platforms that emphasize an ideological and organizational disassociation from fascism. This is because – as we discuss above – generous welfare state policies may compensate and mitigate economic insecurities brought about by globalization.

Do these dynamics apply at the level? While our conceptual framework is consistent with Swank and Betz's (2003) findings, we test this logic on a different and broader phenomenon to identify cross-national patterns in EP elections. In addition, while Swank and Betz (2003) focus on parties that 'typically embrace neoliberal economic programmes, xenophobia and strident anti-establishment positions' (2003, p. 218), we want to test this framework on all far-right parties. Our sample includes extreme-right variants such as GD that have experienced a significant rise since the onset of economic crisis and have centred their rhetoric on welfare provision, reminiscent of the Nazi *winterhilfswerk* (Vasilopoulou and Halikiopoulou, 2015). While they focus on globalization and the welfare state, we focus on unemployment and labour market institutions. We expect unemployment benefits to lower the cost of unemployment to the unemployed and therefore to reduce the cost of unemployment. If this is true, unemployment benefits should have both an independent effect and a mediating effect on national-level far-right party support:

Hypothesis 2: More generous unemployment benefits lower far-right support.

Hypothesis 3: More generous unemployment benefits mitigate the impact of unemployment on far-right support.

Risks Can Be Mitigated

Costs are only one of the two key mechanisms through which unemployment could affect far-right party support. The unemployed are only one casualty of rising unemployment.

Those in employment may also be adversely affected by rising unemployment because they consider the risk that they will incur those costs and a higher risk negatively affects them. While this risk is influenced by unemployment, it is also determined by EPL (employment protection legislation): where EPL is high, dismissal costs are also high, and an employer is ceteris paribus less likely to dismiss a particular employee in response to a downturn because the cost–benefit calculation shifts in favour of keeping the employee. As a result, objective and perceived risks in society are crucially determined by the level of EPL. For instance, workers in permanent contracts that are protected by EPL and those in temporary contracts that are not exhibit different degrees of insecurities and different policy preferences (Clark and Postel Vinay, 2005; Rueda, 2007; Vlandas, 2013). Where it is easy to dismiss them, permanent workers will respond much more fearfully to a given rise in unemployment (for more on the effect of EPL on permanent workers, see Rueda, 2005, 2007; Emmenegger *et al*., 2012; Vlandas, 2013). The crisis is a good example of this dynamic. Governments' social policy efforts in response to higher unemployment during the crisis were lower in countries where workers in permanent contracts were highly protected from redundancy, because these workers were less concerned about losing their jobs and therefore did not push their governments to expand social policy initiatives (Rueda, 2014).

In sum, welfare is likely to have a protective effect (cf. Arzheimer, 2009; Swank and Betz, 2003). Where EPL is high, permanent workers have less to fear from unemployment since they are unlikely to be made redundant. An increase in unemployment should only lead to higher far-right party support in countries with low EPL. By contrast, our expectations concerning the relationship between the level of EPL itself and far-right party support are more indeterminate. As the labour economics literature suggests, EPL not only reduces flows into unemployment but also reduces the probability of finding a job for the unemployed (OECD, 1994; Bassanini and Duval, 2006, 2009). This would mean that the two effects may cancel each other out, and indeed there is mixed evidence concerning the impact of EPL on unemployment (Baccaro and Rei, 2007). Consequently, a higher EPL may make the employed more secure while making the unemployed more insecure. The average effect of EPL is therefore uncertain: if the effect on workers dominates, unemployment should have a negative effect on far-right support; if the effect on the unemployed dominates, the reverse should be true; and if both effects are equivalent, the association should be insignificant. We derive two hypotheses from this discussion:

> *Hypothesis* 4: more stringent job security regulation is not significantly associated with far-right party support.

> *Hypothesis* 5: more stringent job security regulation lowers the impact of unemployment on far-right party support.

III. Data, Estimation Strategy and Results

Data

We collect data on several variables that allow us to test these hypotheses while controlling for other demand-and-supply factors that have been identified in previous literature

discussed earlier. Note that all independent variables are – where data is available – from the year *before* the election takes place (e.g. 2013 unemployment rate for May 2014 election). In some cases, data is not available for 2013, and we therefore have to rely on 2012 data or – in very few cases – on 2011 data, but this is never the case for fast-moving economic variables. Descriptive statistics, definitions and sources of all variables are discussed in Table A1 in the appendix.

To test the economic impact of the labour market, we rely on the overall unemployment rate (as percentage of total) both because it captures the biggest problem in the labour market and because it receives the most attention from the public. Since people vote on the basis of their situation prior to the election, we use data on the unemployment rate for the year prior to the EP election (e.g. 2013 for the 2014 election). We also test the effect of alternative measures of labour market problems (e.g. youth unemployment rate and long-term unemployment rate).

Next, we want to measure the risk and cost of unemployment. To capture risk, in addition to the national unemployment rate, we rely on the index of EPL for regular workers developed by the OECD. The higher the EPL index, the less likely it is that workers in permanent contracts will fear losing their job in the face of increasing unemployment. To capture cost, we rely on the unemployment benefit replacement rate, which captures the size of the income loss upon becoming unemployed. We expect EPL and unemployment benefits to mediate the effect of unemployment on the far right, and unemployment benefits to lower far-right party support, but have no expectations concerning the independent effect of EPL (i.e. when it is not interacted).

We include a number of controls for demand-side factors. The first set of controls we include is real GDP growth. We also test for the effect of budgetary stress (debt and deficit as a percentage of GDP). A second control concerns the impact of de-industrialization, which has received some attention in the literature on the far right (e.g. Kitschelt, 2007). The third set of controls concerns the role of internationalization, upon which previous literature has focused. Kriesi (2014) argues that the populist right is more likely to mobilize in defence of the national identity and the nation-state that internationalization may be undermining. Lucassen and Lubbers (2012) argue that perceived cultural ethnic threats appear to be a stronger predictor of far-right preferences than perceived economic ethnic threats. Thus, any international forces that threaten the state (e.g. globalization) or national identity (e.g. immigration) could be expected to lead to greater far-right support. We include three measures to test these expectations. First, we include total trade (sum of exports and imports) as a share of GDP. Second, we investigate whether immigration affects far-right support. Third, as a robustness check, we construct a variable that captures anti-immigrant feeling. The European Social Survey asks respondents to position themselves on the following statement: 'Country's cultural life undermined or enriched by immigrants'. They choose a number between 0 (Cultural life undermined) and 10 (Cultural life enriched). Our variable sums the share of respondents that have responded with 0 to 4 (since 5 is a neutral position, it is not included in our 'immigration is bad for culture' variable).

To account for supply-side dynamics, we consider the role of several factors. First, to capture the extent to which national electoral systems give space to far-right votes in national elections, we rely on whether there is a proportional electoral system in the country. We expect proportional systems to exhibit lower far-right support in EP elections because

dissatisfied voters can voice their discontent in national elections. Second, we consider the extent to which the party system is open. Our baseline indicator is an index of electoral fractionalization,[1] but we also test the effect of the effective number of political parties[2] in each country.

Finally, we test two contextual factors. The first contextual factor is whether countries have a post-communist past, because there are variations between eastern and western Europe (Mudde, 2007; Halikiopoulou *et al.*, 2012). The second contextual factor is whether the last election was significantly different from the other two, even when controlling for all relevant economic factors (for instance because of a qualitatively different effect of the crisis). Both are captured by including a dummy variable coded 1 where the condition is present, and 0 otherwise.

Because we are interested in explaining variation across countries, the inclusion of country fixed effects would 'explain away' what we are trying to explain. Indeed, as Plümper *et al.* (2005, p. 331) argue, 'unit dummies completely absorb differences in the level of independent variables across units'. Thus, the 'level effect' of our key independent variables (e.g. unemployment benefits) is suppressed when including fixed country effects (Plümper *et al.*, 2005, p. 333). While the effect of a change in unemployment and unemployment benefits is also theoretically relevant, our main concern here is about the effect of the level of these variables on far-right support. That being said, we do run one model with fixed effects, and our results. We are similarly reluctant to neutralize time effects that affect all countries homogenously, and thus favour not including time effects (though we do run one model with time effects and the results are similar).

Test and Results

We run a series of panel data regression analyses on 28 EU countries in the last three EP elections. Given missing data, this results in 74 country–election year data points for most regressions. We focus on the last three elections because European far-right parties have changed over longer periods of time and because our primary interest is to compare pre-crisis, early crisis and end-of-crisis times (i.e. 2004, 2009 and 2014). Our regressions include robust errors clustered by country to neutralize the effect of autocorrelation and heteroscedasticity.

Table 1 shows the results for our baseline model. Note that all independent variables are standardized around mean 0 with a standard deviation of 1, which means the coefficients are directly comparable: they show the effect on far-right support of a one-standard-deviation change in the independent variable. The unemployment rate has no statistically significant effect in all columns, so we find no evidence for hypothesis 1. Real GDP growth and total trade are similarly statistically insignificant. Other regressions (not shown, see Table A2 in Appendix) suggest that long-term unemployment, youth unemployment, debt and deficit and exports and imports do not exhibit a statistically significant association with far-right party support.

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[1] Index of *legislative* fractionalization of the party system according to the formula [F] proposed by Rae (1968).
[2] Effective number of parties on the *votes* level according to the formula [N2] proposed by Laakso and Taagepera (1979). The effective number of parties uses the same information as the Rae index and is calculated from this index as follows: $effpar\_ele = 1 / (1 - rae\_ele)$.

Table 1: Baseline Results for the Determinants of Far-right Support

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Unemployment rate	0.37	0.19	0.67	0.52	0.27	0.38	0.29	-0.15	-0.42	-0.63
	(0.628)	(0.831)	(1.097)	(0.586)	(0.662)	(0.662)	(0.671)	(0.751)	(0.689)	(0.857)
Real GDP	-0.45	0.46	0.25	-0.15	-0.63	-0.68	-0.61	-0.39	0.30	-1.22
	(0.554)	(0.485)	(0.735)	(0.668)	(0.769)	(0.800)	(0.770)	(0.747)	(0.645)	(1.162)
Unemployment benefits	-4.19**	-3.62*	-4.13*	-5.41***	-4.32**	-3.88*	-4.33**	-4.66**	-5.25**	-6.80***
	(1.564)	(1.539)	(2.034)	(1.635)	(1.595)	(1.618)	(1.596)	(1.608)	(1.602)	(1.982)
Electoral fractionalization	2.46*	2.32**	4.73*	2.99**	2.62**		2.65**	2.59**	2.74**	2.27^t
	(0.999)	(0.932)	(2.012)	(1.090)	(0.909)		(0.923)	(0.864)	(0.896)	(1.307)
Immigration			4.83^t						1.84	2.08^t
			(2.819)						(1.128)	(1.160)
Post-communist dummy				-6.15^t						
				(3.280)						
Proportional representation					-11.63***	-11.89***	-11.75***	-9.36***	-7.01*	-7.42*
					(2.025)	(2.147)	(2.155)	(2.515)	(3.392)	(3.769)
Effective number of parties						1.60				
						(0.988)				
Total trade (% GDP)							0.11	-0.62	-0.50	0.67
							(0.735)	(0.876)	(0.977)	(1.558)
Share of industry								-1.83^t	-2.41*	-2.63*
								(1.047)	(1.054)	(1.309)
EPL										0.80
										(1.288)
Constant	7.47***	5.23***	18.79***	9.50***	18.61***	18.79***	18.72***	16.46***	14.45***	14.98***
Year effects	No	Yes	No	No	No	No	No	No	No	No
Country effects	No	No	Yes	No	No	No	No	No	No	No
Observations	76	76	72	76	73	73	73	73	69	56
Number of countries	27	27	27	27	26	26	26	26	26	21

(Continues)

Table 1. (Continued)

Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
R-squared within model	0.17	0.29	0.25	0.17	0.17	0.12	0.17	0.16	0.23	0.31
R-squared overall model	0.19	0.19	0.85	0.25	0.35	0.32	0.35	0.40	0.41	0.44
R-squared between model	0.21	0.19	1.00	0.29	0.42	0.39	0.42	0.48	0.49	0.45

Note: Robust standard errors clustered by country in parentheses, *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$; ^{t} $p < 0.1$. All independent variables are standardised around mean 0 with standard deviation of 1.

The coefficients for immigration and industrialization are both statistically significant but only at the 10 per cent level. We test alternative measures and find that immigration both from non-EU and from EU countries is indeed positively associated with higher far-right support (Table A2 in the Appendix, columns 2 and 3). However, these results are not stable when including additional controls during our robustness checks (see columns 12 to 14 in table A2 in the Appendix): these were spending on active labour market policies, OECD unemployment benefit replacement rate, inequality ratio between top and bottom quintile and Gini coefficient.

Unemployment benefits have a strongly negative and statistically significant association with far-right support (consistent with hypothesis 2): one standard deviation change in the replacement rate of unemployment benefit (about 14 percentage points change) is associated with a 6.8–3.6-point increase in the voting share of the far right, depending on the specifications. For reference, two standard deviations amounts to the difference between the UK and Germany in 2011. Because our unemployment benefits data stops in 2011, we also carry out the same test with an OECD index of unemployment benefit replacement rate which stops in 2012, but has less country coverage (Table A2 in Appendix). The results are the same. Passive or active labour market spending itself does not matter, suggesting it is entitlements, not spending, that matters. EPL has no statistically significant effect (consistent with hypothesis 4).

We find that electoral fractionalization and a proportional electoral system are negatively associated with far-right party support but the number of parties does not seem to matter (column 6). While the effect of the PR system is mostly robust to alternative specifications, this is not the case for electoral fractionalization (see table A2 in Appendix). The dummy variable for post-communist countries is only statistically significant at the 10 per cent level.

We also test the effect of additional factors in table A2 in the Appendix. Inequality between the top and bottom 20 per cent of the income distribution and the Gini coefficient have no statistically significant association with far-right party support. The immigrant population and the crisis (dummy variable equal to 1 for 2014 election and 0 otherwise) have no effect. The share of the population that believes immigration is bad for the country's culture has no statistically significant effect (see column 15 in table A2). Finally, using the standard Eurobarometer number 80 (autumn 2013), we can calculate the bivariate correlation between far-right party support and the percentage of respondents in each country that 'feel like a citizen of the EU' to check whether euroscepticism is a likely omitted variable of our analysis. The correlation coefficient is low (-0.14) and clearly statistically insignificant (0.46).

Hypotheses 3 and 5 are about interactions between labour market institutions and unemployment. This requires running a regression with an interaction term between unemployment and unemployment benefits, as well as between unemployment and EPL. The interaction effects' magnitude and significance cannot be evaluated from the table results (see Brambor *et al.*, 2006). We therefore run two separate models and plot the average marginal effects of unemployment conditional on unemployment benefits and EPL, respectively. The top left panel of Figure 2 shows that unemployment does have a positive association with far-right party support in countries where unemployment benefits replace strictly less than 50 per cent of previous income while working; beyond this level, unemployment is no longer significantly different from 0. The top-right panel of

Figure 2: Effect of Unemployment Rate on Far-right Support Conditional on Unemployment Benefit Generosity and EPL
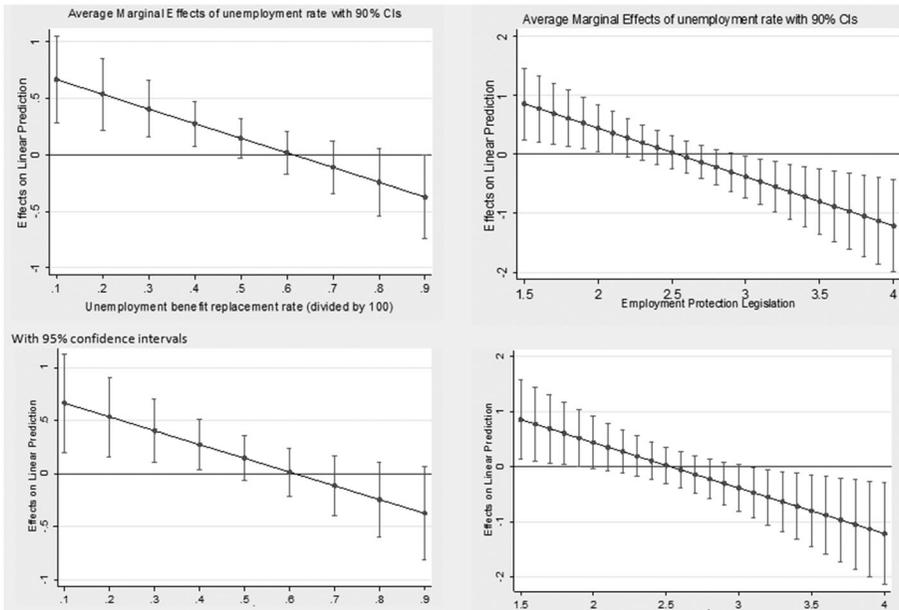

Figure 2 shows that unemployment does have a positive association with far-right support in countries where the OECD EPL index is lower than slightly above 2; beyond this level, unemployment is no longer significantly different from 0.[3] Since we use the 10 per cent significance level as our maximum threshold for statistical significance, both panels plot 90 per cent confidence intervals. In the bottom two panels, we show the results for more demanding (95 per cent) confidence intervals: the results are substantively the same but the impact of unemployment is only positive for slightly lower values of EPL than before.

In other words, and consistent with hypotheses 3 and 5, unemployment does not increase costs and risks sufficiently in countries with high EPL and high unemployment benefits. This finding captures what has happened in Spain, Portugal and Italy, where unemployment has increased but the replacement is higher than 60 per cent and EPL higher than 2, so that the far right has either remained stable and low (Spain and Portugal), or has fallen (Italy). By contrast, Greece, the UK,[4] Hungary and Poland all have unemployment benefit replacement rates that are lower than 0.5 and have seen their far-right party support increase. France is an interesting outlier, having high unemployment benefits but also a high score of far-right party support. This could be because of other case-specific, micro-level or supply-side dynamics, having for example to do with the discourse of Marine Le Pen, the activity of the party at the local level and party system dynamics.

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[3] The full regression results are shown in Table A3 in the Appendix and suggest that immigration and electoral fractionalization continues to be statistically significant and positive.

[4] The UK has both a very low unemployment benefit replacement rate and fairly high far-right party support, which may be driving the results. We therefore rerun the results without the UK as a robustness check: the results are the same (see table A4 and figures A1 and A2 in the Appendix).

Our macro-level findings are consistent with Arzheimer's (2009, p. 274) findings using Eurobarometer survey data in Western Europe and analysing both individual and contextual-level effects. It is particularly important to compare our findings to this study, not only because it is one of few cross-national studies on the topic but, more importantly, because some of his analysis investigates macro–micro interactions. Using a different proxy, Arzheimer (2009, p. 269) also finds that the amount of immigration in a country has a positive effect on the probability that an individual will vote far right.[5] Also similarly to our results, his results suggest a statistically significant effect of unemployment benefits in reducing far-right party support, though he suggests this effect is overall not particularly strong (2009, p. 271). While he does not investigate the effect of employment protection legislation, some of his findings concerning the interaction between unemployment benefit systems and unemployment rate in shaping the probability that an individual will vote for the far right are relevant to our analysis and worth quoting at length. Like us, he finds that 'a positive effect [of unemployment rates] becomes visible but only in contexts when either levels of immigration or benefits are very low' and that 'at high levels of immigration, unemployment benefits reduce the impact of unemployment' (Arzheimer, 2009, p. 272). This corroborates, using micro-level data, that labour market institutions mediate the impact of unemployment on far-right party support.

Conclusion

How may we understand the cross-national variation in the rise of far-right parties in EP elections and what is the role of economic factors? While many theories focus on the effect of the economy, there are conflicting expectations concerning when this happens, and contradictory findings. Previous literature has increasingly contended that the extent to which economic factors matter varies across cases, and that ethnic factors may play a greater role. But these have been primarily examined either in small-N case studies or at the micro level in national election contests. By contrast, there are few systematic studies that test the impact of the economy at the macro level, attempting to address questions of cross-national variation.

To address this issue, this article has reconceptualized micro-level analyses that focus on the effect of unemployment through a framework of costs, risks and the mediating role of labour market institutions. Building on previous work (Arzheimer, 2009; Swank and Betz, 2003), it developed several new hypotheses and tested them at the macro level on the results of the last three EP elections in all EU Member States. We found that unemployment, real GDP growth, debt and deficits have no statistically significant effect on far-right party support at the national level. By contrast, our results confirm that labour market policies and institutions influence costs and risks: where unemployment benefits and dismissal regulations are high, unemployment has no effect, but where either one of them is low, unemployment leads to higher far-right party support. Unemployment benefits – but not dismissal regulations – have a statistically significant negative relationship with far-right support.

Our contribution is two-fold. First, we test the impact of the economy on far-right party support at the macro level through a systematic comparison of far-right parties across the

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[5] Specifically, he finds that 'higher levels of immigration are associated with higher support for [the] extreme right' (p. 272).

EU 28, including both western and eastern European countries. Second, we show that far-right party support is fuelled less strongly by national unemployment levels in countries with regulated labour markets and generous unemployment benefits.

Our finding that labour market institutions mediate the impact of the economy on far-right party support in EP elections is not only interesting in itself, but also opens avenues for future research towards a more general theory of the economy's impact on far-right party support. This article has tested its hypotheses at the macro level as an initial step. A most important second step would be an examination at the individual level, thus offering support for our hypotheses at both the macro and micro levels. Which individuals are more likely to opt for far-right parties, and to what extent do labour market institutions influence their choices by impacting on the risks and costs of employment? Does EPL affect these choices? What happens when people become unemployed? Do fixed or flexible contracts impact far-right party support? Applying this framework to national elections would yield valuable results with broad generalizability potential. We also posit a micro-level mechanism linking insecurity, labour market institutions and voting preferences for far-right parties that could be tested using survey data. Finally, this framework could also be tested on other party families, most notably the far left, given its emphasis on welfare and the labour market. While far-left and far-right parties converge on issues of 'welfare chauvinism' (De Koster *et al.*, 2012) and could be drawing voters from the same pool, they tend to be treated as separate in the literature.

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Supporting Information

Additional supporting information can be found in the online version of this article at the publisher's website:

Appendix

Table A1: Descriptive statistics, definitions and sources for variables
Table A2: Robustness to inclusion of additional variables
Table A3: Regression results for interaction effects
Table A4: Results for regression model of table 1, column 10, without including the UK in the sample
Figure A1: Far right party support, unemployment rate, and EPL (without UK)
Figure A2: Far right party support, unemployment rate, and unemployment benefits (without UK)

Appendix 2 Sources for coding of far right parties in Europe