

# Seeking Shelter?

## Perceived Job Insecurity and Union Membership

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*Extended Abstract:*

Trade union membership has declined in many countries in recent decades. Consequently, unions place increased emphasis on retaining current and acquiring new members. Many such recruitment campaigns focus on important aspects of employment relations, such as wages, working conditions or job stability. While receiving concrete protection against the actual threat of job loss is a potential reason for becoming a trade union member, arguably, it might already be enough to just have the perception of job insecurity and a corresponding belief that unions are capable of providing shelter against job loss. Subjective data allows to comprehensively investigate the implications of job insecurity perceptions. In particular, we analyse the impact of perceived job security on union membership in Germany, a country in which trade union membership has declined considerably in the last two decades.

Using data from the German Socio-economic panel (SOEP) for the years 1998 to 2011, we find that individuals who perceive their own job to be less secure are more likely to be a member of a trade union than comparable individuals who are more confident with respect to the stability of their job. We establish this result employing instrumental variable estimations and consider individual fixed-effects in order to analyse changes in union membership status. This ensures that our findings are not affected by time-invariant characteristics, which may differ across individuals and thereby affect the likelihood of being in a union. Most importantly, our empirical set-up allows us to consider changes in the regional unemployment rates as a plausibly exogenous trigger of differences in perceived job insecurity.

Our analysis has important implications: First, it suggests that trade unions can incite employees to become members by emphasising their role in enhancing job stability. Second, if higher levels of job security are tantamount to lower incentives to join a trade union, this implies that successful trade unions will face increasingly greater obstacles to recruit new members. Put differently, our findings indicate that the very success of trade unions could become the cause of their decline. Third, if long-term trends, such as globalization and digitalization, make employment relations less stable and more insecure, the attractiveness of trade unions and, hence, of becoming a member may increase again.

By examining a determinant of union membership which has so far not found much attention, we contribute to ongoing research and the discussion of trade unions in today's labour market. We provide an additional explanation for the attractiveness and, thus, the existence of trade unions within an institutional set-up that does not give rise to a union membership wage premium. Accordingly, we document another determinant of individual union membership, complementing previous research focusing, inter alia, on sex, age, firm size, nationality, industry, working time, social norms and risk aversion. As we show how the perception of employment instability is a relevant determinant of decision-making in the labour market, we underline the importance of research on such subjective variables. In fact, the evidence shows that such data is informative about changes in relevant aspects of the labour market, as in our case, individual union membership.