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Abstract

While the relationship between trade union (TU) membership and job satisfaction has been extensively documented, evidence of a relationship between TU membership and life satisfaction is scarce. If life satisfaction is a better proxy for individual utility than job satisfaction, the link between union membership and the former indicator of well-being is arguably more relevant. We employ 11 waves of the German Socio-Economic Panel from 1985 to 2019 to analyze the correlation for Germany. In OLS and FE specifications, we find a **negative correlation between trade union membership and life satisfaction**. Subsequently we analyze potential channels. **Job satisfaction, social interactions, worries about job security, one's own financial situation and the economy in general** act as **potential channels**. To follow, that, we examine the **effect heterogeneity** and **channels by gender, survey year, presence or lack of a works council in the company, and individuals' coverage by a collective wage agreement**. Our results suggest that the negative relationship between TU membership and life satisfaction is potentially explained by a variety of channels whose impact differs by subgroup.

Introduction

- **Expectation:** Membership of a trade union improves employees' well-being.
- **But:** Well-established negative correlation between TU membership and job satisfaction.
- **Why life satisfaction?** Employees may trade off a lower utility from a job against a higher non-work utility, or vice versa, such that overall utility and an indicator of job utility are not necessarily positively correlated. Therefore, focusing on life satisfaction may be more appropriate than job satisfaction.
- Accordingly, we **first** study the relationship between individuals' trade union membership and their life satisfaction in Germany, using data from the German Socio-Economic Panel (SOEP) for 1985–2019 and arrive at a negative correlation between trade union membership and life satisfaction.
- **Second**, we discuss various theoretical channels between trade union membership and life satisfaction and provide empirical evidence on the existence of such channels in Germany.
- **Third**, we conduct subgroup analysis and investigate whether the relationship and the effect of channels differ across groups of employees over time.

Estimation Strategy: Correlation Analysis

We initially report OLS estimates. In order to control for time-invariant observable and unobservable factors that might be correlated with union membership and life satisfaction, we also employ FE regressions.

We estimate the following model:

$$LS_{it} = \beta_0 + \beta_1 TU_{it} + \mathbf{X}'_{it} \beta_2 + \lambda_i + \lambda_t + \varepsilon_{it},$$

where LS_{it} is life satisfaction of individual i interviewed in year t and TU_{it} is the union member status of individual i in year t . \mathbf{X}_{it} is a vector of individuals' socio-demographic characteristics, labor market characteristics, and federal state fixed effects. λ_i indicates individual fixed effects (omitted in the OLS specification), while λ_t represents a set of year dummy variables. ε_{it} is the error term. We cluster standard errors at the individual level..

Correlation Results

	(1)	(2)	(3)	(4)
Panel (A): OLS estimates				
TU member	-0.0863*** (0.0188)	-0.0489*** (0.0189)	-0.0758*** (0.0194)	-0.1060*** (0.0194)
Panel (B): FE estimates				
TU member	-0.0579** (0.0252)	-0.0578** (0.0251)	-0.0661*** (0.0251)	-0.0690*** (0.0251)
control variables				
year/state fixed effects	X	X	X	X
demographic controls		X	X	X
labour market controls I			X	X
labour market controls II				X
observations	88,739			
individuals	39,218			

Notes: This table shows the relationship between TU membership and life satisfaction. The observation period is 1985-2019. Demographic characteristics include age (level & quadratic terms), being female, being married, years of schooling (level & quadratic term), and the number of children in the household. As the first set of labor market factors, we include working in the public sector, being a civil servant, being a blue-collar worker, and a set of dummy variables for the firm size and industrial sectors. We also control for the logarithm of the current net labor income, the actual work hours per week, years of tenure (level & quadratic terms), and having a new job (tenure shorter than one year), denoted as the second set of labor market factors. Federal state fixed effects and year-fixed effects are accounted for in all specifications. Standard errors (clustered at individual level) in parentheses: *** p < 0.01, ** p < 0.05, * p < 0.1.

Potential channels

- **Job satisfaction:** Job satisfaction is measured on an 11-point scale and is positively correlated with life satisfaction.
- **Job security:** This variable is measured on a 3-point scale, from very worried about one's job security (1) to not worried at all (3). The literature mentions job security in a positive context, as trade union membership should raise job security. This in turn may increase life satisfaction.
- **One's own economic situation:** This variable measures perceived worries about one's own economic situation on a 3-point scale, with the highest number (3) indicating the least worries.
- **Economy in general:** This variable measures perceived worries about the economy in general and is scaled in the same way as worries about one's own economic situation. Views on economic items may be directly influenced by trade union membership, for example through information provided by unions on the economy or stories from TU members.
- **Intensity of social interactions:** In the literature, TU membership is mentioned as a potential amplifier of social interactions, which should increase life satisfaction. Our variable captures a variety of social interactions and builds an average of these. The variable tests whether TU members actually have a higher intensity of social interactions.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel (A): OLS estimates								
TU member	-0.0877*** (0.021)	-0.0509*** (0.018)	-0.0594*** (0.0203)	-0.0584*** (0.019)	-0.0721*** (0.021)	-0.1098*** (0.021)	-0.0299* (0.017)	-0.0461*** (0.017)
job satisfaction		0.3334*** (0.004)					0.2929*** (0.004)	0.2904*** (0.004)
job security			0.475*** (0.0110)				0.0535*** (0.010)	0.0521*** (0.010)
own economic situation				0.7487*** (0.011)			0.5198*** (0.011)	0.5039*** (0.011)
economy in general					0.3484*** (0.011)		0.0428*** (0.010)	0.0495*** (0.010)
intensity of social interactions						0.4504*** (0.017)		0.3162*** (0.014)
Panel (B): FE estimates								
TU member	-0.0758** (0.030)	-0.0728*** (0.028)	-0.0627** (0.029)	-0.0662** (0.029)	-0.0693** (0.030)	-0.0817*** (0.030)	-0.0605** (0.028)	-0.0655** (0.028)
job satisfaction		0.2100*** (0.005)					0.1896*** (0.005)	0.1887*** (0.005)
job security			0.2911*** (0.013)				0.0967*** (0.013)	0.0972*** (0.013)
own economic situation				0.4592*** (0.013)			0.3374*** (0.014)	0.3371*** (0.014)
economy in general					0.1716*** (0.013)		0.0322** (0.013)	0.0339*** (0.013)
intensity of social interactions						0.2072*** (0.024)		0.1824*** (0.022)
Observations	73,081							
Number of pid	35,890							

Notes: This table shows how job satisfaction, job security, the intensity of social interactions, worries about one's own economic situation and worries about the economy in general act as channels between TU membership and life satisfaction. OLS estimates are depicted in Panel (A) and FE estimates in Panel (B). The covariates are the same as described in the correlation results table. Standard errors (clustered at individual level) in parentheses: *** p < 0.01, ** p < 0.05, * p < 0.1.

Effect Heterogeneity

- **Gender:** FE results only significant for men. Negative effect remains throughout.
- **Survey Year:** Less negative (OLS) / insignificant (FE) effect in recent survey years.
- **Collective Wage Agreement (CWA):** Those who are covered by a CWA do not show significant results. Only those who are not covered show a significant and negative effect (OLS). CWA may lessen the union's impact on results.
- **Works Councils:** Those with a works council show no significant correlation between trade union membership and life satisfaction, while those without maintain a significant and negative correlation (OLS).

Conclusions

- **Correlation Analysis:** Negative correlation between union membership and life satisfaction (OLS and FE). Our analysis suggests that *job satisfaction, intensity of social interactions, worries about job security, one's own economic situation* and the *economy in general* serve as channels. Aside from the intensity of social interactions, all these channels are negatively correlated with TU membership and decrease the qualitative and quantitative significance of the negative correlation of TU membership and life satisfaction.
- **Effect Heterogeneity:** The analysis shows that the negative relationship between TU-membership and life satisfaction differs by gender, survey year and institution.
- **Summary:** The negative correlation may be explained through the existence of various channels that hint towards TU members being more worried and unsatisfied. The negative association is more pronounced among men and those interviewed in the first half of our sample years. A CWA or works council mitigates the significance of the negative correlation.

References

1. Bryson and White, 2016
2. Goerke and Huang, 2022
3. Flavin and Shufeldt, 2016

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