



Trade union membership and sickness absence: Evidence from a sick pay reform[☆]



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HIGHLIGHTS

- In 1996, statutory sick pay was reduced for private sector workers in Germany.
- We show theoretically: trade union members may react more strongly to the drop.
- Empirically, we observe greater reactions among union members than non-members.
- Further, we find a positive relationship between membership and absence.
- Hence, more flexible absence behaviour constitutes a private gain from membership.

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ABSTRACT

In 1996, statutory sick pay was reduced for private sector workers in Germany. Using the empirical observation that trade union members are dismissed less often than non-members, we construct a theoretical model to predict how absence behaviour will respond to the sick pay reform. We show that union members may have stronger incentives (1) to be absent and (2) to react to the cut in sick pay. In the empirical investigation, we observe more pronounced reactions to the statutory reduction in sick pay among union members than among non-members and find a positive relationship between trade union membership and absence due to sickness. These findings suggest that more flexibility in the use of paid absence due to sickness constitutes a private gain from trade union membership.

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1. Introduction

Variations in absence rates over time and across countries suggest that absenteeism from work is not only due to sickness, but may also be a matter of choice. The evidence relating to the impact of sick pay (Johansson and Palme, 2005; Ziebarth and Karlsson, 2010) or income taxes (Dale-Olsen, 2013) on absences provides further support for this idea. While absenteeism tends to harm firms, workers benefit from their voluntary periods of absence. Such a conflict of interests suggests that firms will attempt to reward non-absence (e.g. Hassink and Koning, 2009) and penalise absenteeism. In this case, the expected costs of absence will be lower for workers who are better protected

against sanctions. Since trade unions have traditionally attempted to safeguard members from individual wage cuts, demotions or dismissals, their members face lower expected costs of absence from work. In consequence, union members are likely to be absent from work more often and for longer periods than non-members.

In this paper, we scrutinise this hypothesis and investigate the relationship between individual trade union membership and absenteeism. We focus on a German policy reform that reduced statutory sick pay, which has previously been analysed by [Ziebarth and Karlsson \(2010\)](#) and [Puhani and Sonderhof \(2010\)](#). In both contributions absence is shown to decline. However, these authors do not look at differential effects for union members and non-members.

In our theoretical model, sanctions in the case of absence are less likely for trade union members than non-members. This is because union membership and representation reduce the risk of dismissal (cf. [Freeman, 1980](#); [Knight and Latreille, 2000](#); [Goerke and Pannenberg, 2011](#)) and because unions provide members with legal support. Membership can also lower the gain from absence, as explained below. In consequence, we derive a condition which guarantees that members will be absent more than non-members. Moreover, we show that a cut in sick pay can reduce absence by a greater amount and have a more pronounced impact on the probability of being absent at all for union members than for non-members.

In the empirical part, we use German panel data, SOEP, and investigate the effects of the aforementioned reduction in statutory sick pay, which was lowered from 100% to 80% of foregone wages in 1996. We exploit this reduction as a source of exogenous variation in the costs of being absent. Since only some employees were affected by the reform, we employ a difference-in-differences (DD) approach with group-specific treatment heterogeneity to estimate the causal effect of the cut. In particular, the regression-adjusted DD-specifications allow the treatment effect to vary between union members and non-members. We find that the cut in sick pay raised the proportion of treated union members who were not absent in a given year by more than the proportion of non-members, and reduced the aggregate duration of absence for treated members. Moreover, we observe a positive correlation between union membership and sickness absence. Thus, we provide another explanation of why workers belong to a trade union and pay membership fees, given that many of the benefits of collective bargaining, such as higher wages, do not only accrue to union members but are akin to public goods in Germany. The study is – to our knowledge – the first to (1) use a natural experiment in order to determine the impact of individual union membership on absence behaviour, and (2) establish such a relationship with regard to Germany.

The remainder of the paper is structured as follows. We discuss related contributions in [Section 2](#). In [Section 3](#), we sketch the institutional background and then present a model of absence choices in [Section 4](#). In [Section 5](#), we describe our data. [Section 6](#) outlines the empirical strategy and [Section 7](#) reports the findings. Finally, [Section 8](#) summarises.

2. Previous analyses

In various contributions, absence behaviour has been linked to the strength of trade unions. [García-Serrano and Malo \(2009\)](#) find collective bargaining coverage at the firm level to raise involuntary (that is, mostly illness-related) absences in Spain. [Chaudhury and Ng \(1992\)](#) and [Dionne and Dostie \(2007\)](#) provide evidence from Canada that bargaining coverage raises absence. Finally, [Allen \(1981, 1984\)](#) and [Leigh \(1981, 1985\)](#) establish positive correlations between absence and the union status of an establishment in the United States.

In addition, there are a number of studies which focus on individual union membership, our topic of interest. Using the University of Michigan's Quality of Employment Survey, either no correlation between individual membership and different absence indicators can be established ([Leigh, 1991](#)), or a positive relationship between membership and absence is observed for blue collar workers ([Leigh, 1984](#)) or

male blue collar workers ([Leigh, 1983](#)). Consistent with the last study, [Vistnes \(1997\)](#), using US data from the National Medical Expenditure Survey, finds membership to have a positive impact on absence among men. Looking beyond the United States, there is inconclusive evidence with respect to the relationship between individual trade union membership and sickness absence. [Böckerman and Ilmakunnas \(2008\)](#) and [Böckerman et al. \(2012\)](#) use the Finnish Quality of Work Life Survey and analyse the effects of management practices and working conditions. They also include an indicator of individual union membership and find that absence is lower for union members, although not significantly in [Böckerman et al. \(2012\)](#). Since these two studies focus on the work environment, the findings with respect to union membership are not interpreted further. [Veliziotis \(2013\)](#) bases his study mainly on the UK Labour Force Survey and reports positive effects of individual membership on absence within the last week. This positive correlation can be observed for various subgroups, but not for non-members covered by collective bargaining agreements. Moreover, using a cruder measure of absenteeism from the British Household Panel Survey (BHPS), [Veliziotis \(2013\)](#) also finds covered members to be more absent than non-covered employees. Finally, [Mastekaasa \(2013\)](#) exploits Norwegian register data and observes a positive relationship between individual union membership and various absence indicators. The relationship becomes quantitatively weaker when individual fixed effects are taken into account. However, leaving a trade union only has a relative short-lived effect on absence, whereas joining one is associated with a gradual increase. Additionally, the estimated effects are generally stronger for occupations that require no higher education. All in all, [Mastekaasa's \(2013\)](#) findings suggest a causal impact of individual trade union membership on absence in Norway.

In sum, previous contributions predominantly suggest a positive correlation between an individual's trade union membership and absence behaviour. However, the empirical analyses do not provide evidence concerning responses to alterations of sick pay, i.e. of the cost of being absent. Moreover, none of them contains an explicit theoretical model which generates precise predictions with regard to differential reactions of members and non-members.

3. Institutional background

The key feature of our theoretical model is that union members may be absent more often, for longer periods, and react differently to a reduction in sick pay than non-members because they face lower expected costs of being absent. In particular, we propose that trade union members are dismissed less often than non-members. To link this hypothesis to the institutional background, we initially describe the most important characteristics of the German industrial relations system with respect to union membership, dismissal regulations, and sick pay.

In Germany, individual trade union membership is not tied to collective bargaining. This is because collective contracts are negotiated mainly at the industry level and generally applied to all employees working in covered firms. In the late 1990s, collective bargaining coverage was almost 75% and nearly universal in the public sector ([Visser, 2013a, p. 93](#)). Union density declined from 32% in 1993 to about 25% in 1999 according to the ICTWSS database ([Visser, 2013b](#)). A similar picture emerges when looking at repeated cross-sectional individual-level ALLBUS data (cf. [Biebler and Lesch, 2006](#)). Furthermore, union density in the public sector exceeded its private sector counterpart by more than 30 percentage points ([Visser, 2006](#)). Although there are no consistent time series of sector union density rates for Germany, because unions repeatedly merged and many of them are active across sectors, the scarce empirical evidence for the 1990s does not indicate fundamentally different developments in the private and public sector ([Biebler and Lesch, 2006](#); [Addison et al., 2007](#); [Visser, 2013b](#)).

In addition to union representation by collective bargaining, works councils in the private sector and so called personnel councils in the public sector constitute co-determination bodies at the plant level.

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