Individual experience of labor market risks and political preferences: a longitudinal approach

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Abstract
The enduring popularity of the welfare state is assumed to be one of the main reasons why welfare states persist even in economically hard times. The literature proposes self-interest as the main motivation of individuals to support the welfare state. Consequently it is a common finding that, for example, exposure to labour market risks is related to labour market preferences. Previous findings relied mainly on cross sectional data and miss a dynamic, causal component – both theoretically and empirically. In this paper we investigate changes of individual attitudes using two waves of the Dutch LISS panel for 2008 and 2013. This time span covers the period of international economic crisis and allows the investigation of attitude change in times of economic hardship. We focus on attitudes towards unemployment benefits and test how increased individual labor market risks, i.e. experiences of unemployment or temporary employment, affect support for the welfare state.

Keywords: Attitudes, longitudinal, social policy, labor market, unemployment, temporary employment

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Introduction
The enduring and stable popularity of the welfare state is assumed to be one of the main reasons why welfare states persist even in hard times. Between 2008 and 2013, the unemployment rate in the EU increased from 7.2% to 10.8%, putting more than 8 million employees out of work (Eurostat). As a reaction, reforms of the labor market rank high on the political agenda in several countries. Public opinion can be a major obstacle for these policy reforms. However, because of the often unpopular consequences of reforms politicians are confronted with demonstrations and widespread resistance within European societies. In this article we are interested how the financial and economic crisis has influenced individual preferences for labor market policies in the Netherlands. Past research found a strong impact of unemployment on individual happiness (Frey and Stutzer, 2000), voting behavior (Faas, 2010) and political participation (Muñoz et al., 2014). The effect of unemployment on political preferences, in contrast, has not been studies in detail so far. We look both at those directly affected by unemployment and those with stable employment after 2008. In this way, this article contributes to our understanding of support for social policy reform in times of economic crisis.

Several studies in the past investigated how individual circumstances shape our view on the welfare state (Andreß and Heien, 2001; Blekesaune and Quedagno, 2003). The literature proposes self-interest as one major motivation for individuals to support certain social policies. This argument suggests that those dependent on state benefits are more in favor of these policies (Meltzer and Richard, 1981; Iversen and Soskice, 2001). Past studies based on cross-sectional analysis lend support to this assumption. Scholars often find a correlation between the economic standing of the survey respondent and his or her view on social policy. The unemployed as well as those particularly affected by unemployment risks are strong supporters of social benefits and job creation (Kim, 2007; Rehm, 2009; Blomberg et al., 2012; Schwander and Häusermann, 2013; Fraile and Ferrer, 2005).

These studies based on cross-sectional data at one point of time have two important drawbacks. First, cross-sectional research cannot establish a causal relationship between the incident of unemployment and social policy preferences. It might well be that job loss is the cause for an increased support for these policies. Another plausible explanation, however, would be that other unobservable characteristics influence both preferences on social policy and the position on the labor market. For example, an upbringing that emphasizes the importance of individual achievement in life could influence the success on the labor market as well as preferences for a reduced role of the state.
Second, with cross-sectional data it is difficult to estimate how those with a stable employment react to an increasing unemployment rate. While not directly affected by unemployment, they might be confronted with job loss of relatives and friends as well as reports on rising unemployment in the media. Previous research indicates that the population is more in favor of support for the unemployed in times of high unemployment (Blekesaune, 2007; Jeene et al., 2013). It is unclear if only the unemployed become more in favor of social policies or if this also applies to the employed population.

In contrast to previous studies we use panel data from the Dutch LISS survey for the period 2008 to 2013. This data allows us to establish a causal relationship between changes of individual circumstances and attitudes towards employment benefits (Brüderl, 2010). Because data on attitudes over time was not available until recently, only few recent studies use longitudinal data to investigate welfare state attitudes in the United States (Margalit, 2013; Owens and Pedulla, 2014; Hacker et al., 2013). Our analysis is the first with a focus on social policy attitudes from a longitudinal perspective in Europe.

This article contributes to the literature by investigating attitude change in the deepest economic crisis in decades and sheds some light on attitude dynamics in times of societal change. Furthermore, this analysis gives indication how attitudes towards social policy, depending on own experiences of unemployment, are affected by increasing unemployment rates.

On the aggregate level we find growing support for state intervention in the labor market. Interestingly, support for health care policies and pensions decreased throughout the crisis. We find a significant positive effect of becoming unemployed on attitudes towards government’s responsibility for unemployment benefits. Those losing their job seem to adapt their view on the state accordingly to their advantage. Furthermore, longer periods of unemployment lead to an even more positive view on the role of the state. Those who do not lose their job also become more positive regarding unemployment benefits.

We proceed as following. First, we summarize the state of research and formulate our expectations based on theoretical considerations. Next, we present our data source and method. We proceed with our empirical findings and conclude with a discussion of our results.
Theory
In this paper we are interested in the micro foundations of political attitudes. In recent years, micro-level determinants of social policy attitudes and preferences for labor market policies came into focus of scholarly interest. Building on influential work by Meltzer–Richard (1981), the political economy perspective emphasizes the interests of actors when explaining policy preferences (Iversen and Soskice, 2001; Cusack et al., 2006). In accordance with the theory of ‘subjective expected utility’ this approach follows the logic that welfare state measures are judged by individuals primarily on the basis of self-interest determinants.

From this perspective, individuals who directly (or potentially) benefit from unemployment benefits or expect to do so in the near future should be more in favor of those kinds of policies. In the context of this article the employment status of the respondent is the most important aspect that influences individual cost and benefit calculation. Respondents with a stable job pay taxes but cannot expect to profit from unemployment benefits and for this reason might be more skeptical about extensive state intervention in this policy field.

Past research confirms this assumption and generally finds higher support for labor market policies among vulnerable groups such as the unemployed (Andreß and Heien, 2001; Blekesaune and Quedagno, 2003; Fraile and Ferrer, 2005; Pfeifer, 2009). Blomberg et al. (2012) find social risk groups to be more in favor of government responsibility than the residual population. Groups with a difficult standing in the labor market tend to be more in favor of state responsibility than those with a strong labor market attachment (Linos and West, 2003; Jaeger, 2009). While cross-sectional data can be used to investigate differences in levels of attitudes between social groups such, it is not possible to investigate the mechanisms behind these differences. Exactly why is it, that the unemployed hold the state more responsible for the unemployment situation in the country. We do not know if unemployment really changes attitudes or if people anticipate their risk to become unemployed.

The advantage of panel data is that it contains information for individuals for several time points. This data structure allows for an investigation of attitude change over time, providing an edge on cross-sectional research (Wooldridge, 2010). Svallfors (2012: 235) calls for an explanatory approach that utilizes panel data in order to develop “evolutionary stories” of attitude dynamics both on the national and individual level. However, due to limited data availability, only very few studies have approached this field with a longitudinal perspective. Comparative longitudinal data simply does not exist and
national panel data seldom includes questions on welfare state attitudes. Only few studies are concerned with individual welfare state attitudes from a dynamic perspective and results concerning the effect of unemployment are inconclusive.

Recent findings for attitudes in the financial crisis in the United States indicate that while overall support for redistribution declined during the crisis, those losing their job indeed changed their attitudes. Margalit (2013) shows that the personal experience of economic hardship, particularly the loss of a job, had a major effect on support for welfare spending in the crisis. His findings indicate that this change was not persistent as support decreased immediately after the individual regained employment. Owens and Pedulla (2014), using fixed-effect regressions, show that individuals become stronger supporters of redistribution when they lose their job or a substantive parts of their income. In contrast, they do not find this effect for attitudes towards government spending on social security. Hacker et al. (2013) argue that economic shocks such as losing one’s job increases individual worries about the future and in turn increase support for policies that buffer against this risk. Their results show that those individuals experiencing one or more shocks between the two waves in 2009 became more worried and in turn more on favor of redistributive labor market policies.

These recent results stand in contrast to previous findings from other countries. Jaeger (2006) uses Canadian longitudinal data and does not find a positive effect of unemployment on attitudes towards redistribution. A drawback of his study is that dependent attitude variables are binary and therefore only capturing a part of the change in attitude. Stegmueller (2014), uses British data and observes a surprising stability of attitudes towards redistribution over a 18 year period. He finds only a limited effect of unemployment that is statistically indistinguishable from zero. In another study using the same data, Stegmueller (2013) finds that individuals form redistribution preferences based rather on their expected future income than on the current income. He does not find substantive effects of income shocks such as unemployment.

In contrast to cross-sectional research which unanimously finds differences between the employed and the unemployed population, findings of longitudinal studies point in different directions. It is not clear at all whether the experience of unemployment indeed changes our view on social policies or if other underlying factors are accountable for the differences observed for the two groups. It might be the diversity of countries, methods and dependent variables applied in these studies that lead to diverging results. Attitudes towards redistribution might be more stable because the general position on the societal stratum, and therefore the self-interest calculation, does not significantly change after job loss.
When looking at specific attitudes towards unemployment policy we expect an impact of unemployment of attitudes. We assume that when an individual becomes unemployed, his or her attitudes towards government’s responsibility for the unemployed become more positive (H1).

**Data**

The study analyzes data from the Dutch “Longitudinal Internet Studies for the Social Sciences” (LISS) panel for the time between December 2008 and August 2013. The LISS panel offers a true probability sample consisting of 5000 Dutch households that in turn comprise 8000 individual respondents. While the actual studies are completed online by the respondents, the panel recruitment was performed using traditional offline methods. In the course of recruitment, households without the necessary technological infrastructure were provided with loan equipment in order to enable their participation. This ensures that the panel is representative for the Dutch population in working age.

In 2008 the LISS panel administered a survey with the core questions of the European Social Survey (ESS) that included a widely used segment on the welfare state (Staerklé et al., 2008). This segment was administered again in 2013 and provides us with the repeated measure of the respondent’s attitude towards the responsibility of the (welfare) state to provide unemployment benefits, our main dependent variable. For our aim it is unfortunate that only two waves are available with a relatively long time span of 4 ½ years in between. On the one hand, it is possible that a change in the employment status has its biggest impact on attitudes in the brief term shortly after they occur, whereas the effect of such changes would be more difficult to detect with two more distant waves. On the other hand, values and attitudes seem to be quite stable over time and change only at a very slow pace if at all (Taylor-Gooby, 2011; Quadagno and Pederson, 2012; Naumann, 2014). From this perspective, a long period between the waves might be an advantage because we can observe if unemployment has a long-term effect on attitudes (Jaeger, 2006: 324)

The individual socio-demographic variables stem from the monthly updated LISS background module that enables us to reconstruct the respondent’s employment history for the time span between the two ESS modules. The main independent variable is the employment status of the respondent. We distinguish between permanent employed, self-employed and the unemployed. To account for the length of unemployment periods, we cumulate the employment status for 57 months. Political ideology is measured on a standard 11 point left to right scale on which higher values indicate the political right. Household income measures the disposable post tax, post-transfer household income from all sources
and is divided by the number of household members. This income is adjusted to inflation in 2013 and by the OECD equivalence scales. This scale accounts for the fact that the needs of a household increase not proportional with each additional member. The first adult person is assigned a weight of 1.0, while each further adult is weighted by 0.5. Children are assigned weights of 0.3. The continuous variables ideology, household income and age are standardized to make them comparable. We exclude persons from our sample for which we do not have attitudinal information for the whole period and those who are not of working age.

**Method**

In contrast to cross-sectional data, panel data provides information not only differences *between* persons but also *within* persons, the change of an individual characteristic over time. The main advantage of panel data is to be able to distinguish the individual time constant error term \( \alpha_i \) and an unobservable remaining error term \( \varepsilon_{it} \) that differs between individuals and over time. This leads us to the error component model \( y_{it} = x'_{it} \beta + \alpha_i + \varepsilon_{it} \).

There are mainly two research strategies to analyze panel data. Random effect (RE) estimates use both the between variance and the within variance. This approach assumes a (normal) distribution of \( \alpha_i \) and is based on the assumption that the unobserved individual effect \( \alpha_i \) is not correlated with any of the explanatory variables in the model. As in every ordinary least squares (OLS) regression, the estimates will be biased in case of unobserved heterogeneity between individuals. In our case it is very likely that unobserved characteristics such as unemployment risks are correlated with the dependent variable. For this reason RE estimates are likely to be biased and do not use the advantages of the panel structure to the full extent (Halaby, 2004; Brüderl, 2010).

The fixed effects (FE) approach in contrast relies solely on the within variance. By subtracting the individual means the between variance is removed from the data. This way, only individuals with a change of the independent variable directly contribute to the regression coefficient. Remaining individuals with a stable employment status serve as a control group. As the calculation is based on less individuals, estimates are less efficient but unbiased even with unobserved time constant heterogeneity.

Similar to OLS the FE estimates are threatened by endogeneity, for example in case of reversed causality. In our case it is not reasonable to assume that a change of attitudes leads to a change of the
employment status. Additionally, FE assumes parallel trends of treated and untreated group in case no treatment would have been made.

Standard errors are potentially serially correlated in panel data. For this reason, we use panel-robust standard errors. Furthermore, we control for possible period effects by including period dummies in our regressions.

**Results**

While the economic situation in the Netherlands is more robust than in many other European countries, still the country was affected considerably by the economic crisis. The unemployment rate in the Netherlands more than doubled from 3% to 7% and the GDP shrank by approximately 5.5% from 2008 to 2013 (Eurostat). Concerning labor market policies, unemployment benefits are comparatively generous - 75% of the earning base is paid to the unemployed and reduced to 70% after 2 months. These unemployment benefits are paid up to 38 months but a new law enacted in 2013 reduces this time span to 24 months until 2019 (Wind, 2014). Viebrock and Clasen (2008: 315) name the Netherlands as an example of a so called flexicurity approach, providing social security rights to atypically employed that are similar to those for persons in standard employment thereby decreasing the negative effects of short-time unemployment.

<table>
<thead>
<tr>
<th>2008</th>
<th>Employed</th>
<th>Self-empl.</th>
<th>Unemployed</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>85.3%</td>
<td>2.4%</td>
<td>3.5%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Self-employed</td>
<td>11.9%</td>
<td>73.1%</td>
<td>3.0%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>20.8%</td>
<td>12.5%</td>
<td>50.0%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Others</td>
<td>13.5%</td>
<td>1.5%</td>
<td>2.6%</td>
<td>82.4%</td>
</tr>
<tr>
<td>Total</td>
<td>63.7%</td>
<td>6.4%</td>
<td>4.2%</td>
<td>25.7%</td>
</tr>
</tbody>
</table>

*Table 1: Occupational change 2008-2013*

We begin with descriptive statistics for our main independent variable of interest, the labor market status of the respondents. In line with the official figures the number of unemployed in our sample doubled from 2008 to 2013. 4.2% of the persons in the sample became unemployed while half of the unemployed stayed in unemployment in 2013 (Table 1). Respondents were on average unemployed for 2.2 months between 2008 and 2013 but the overwhelming majority of the respondents had no experience with unemployment at all. Only 6% of the individuals experienced more than one year of unemployment.
On the aggregate level, the support for state responsibility for the unemployed increased from 6.20 to 6.43 on an 0 to 10 scale. At the same time, respondents were asked about the responsibility of the government to provide adequate health care for the sick and a reasonable standard of living for the old. Support decreased for the target groups of the sick (8.40 to 8.09) and the old (7.85 to 7.55). Nevertheless, government responsibility for the unemployed is still less popular than for the universal policy fields of health care and pensions. While providing only anecdotal evidence, these results are in line with findings by Jeene et al. (2013). They showed for the Dutch case that when unemployment rises, the unemployed are more likely to be seen as deserving of more support. They assume that in times of high unemployment rates, the jobless are seen as less responsible for their situation and the public can more easily identify with these individuals (Jeene et al., 2013: 747). In contrast, a decrease in GDP led to less perceived deservingness of the disabled and the elderly. The authors assume that when people are facing higher risks of losing their job and income, they may focus more on their own self-interest instead of on the support for needy groups (Jeene et al., 2013: 735).

![Figure 1: Change of attitudes towards unemployment benefits 2008-2013](image)

We will now turn to attitude change on the individual level (Figure 1). The left graph displays the individual change of attitudes towards unemployment benefits in points on the 11-point scale. High values indicate a more positive attitude towards government responsibility for the unemployed. 0 indicates that the respondent gave exactly the same answer in 2013 as in 2008 which applies to about one quarter. We observe only slight changes of 1 point for another 35% of the population, meaning that more than half of the respondents show a strong stability of attitudes, even though we cannot observe possible fluctuation of attitudes between these years.
We start our multivariate analysis with an OLS regression (Table 5). Model 1 is similar to previous studies and shows the expected effects. Unemployment has a significant and positive effect on attitudes towards unemployment benefits, even when controlled for socio-demographic variables and the ideological position of the individual. Consistent with previous studies, high income and a right ideological position have a significant negative effect.

In the next step we are interested in how past experiences of unemployment shape individual views on social policy. Our data set includes monthly updated information on the occupational status of the respondents, giving us complete information on their career trajectory between 2008 and 2013.

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment status</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-employed</td>
<td>-0.170 (-1.23)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployed</td>
<td>0.590*** (3.63)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (retired, student)</td>
<td>0.127 (1.54)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment month</td>
<td></td>
<td>0.311*** (3.35)</td>
<td>0.399*** (3.39)</td>
</tr>
<tr>
<td>Unemployment month²</td>
<td>-0.0487** (-3.06)</td>
<td>-0.0629** (-3.27)</td>
<td></td>
</tr>
<tr>
<td>Attitudes 2008</td>
<td></td>
<td></td>
<td>0.570*** (12.54)</td>
</tr>
<tr>
<td>Female</td>
<td>-0.0143 (-0.24)</td>
<td>0.0378 (0.54)</td>
<td>0.0696 (0.79)</td>
</tr>
<tr>
<td>Age</td>
<td>0.0596 (1.50)</td>
<td>0.118** (3.14)</td>
<td>0.140*** (2.98)</td>
</tr>
<tr>
<td>HH income per person</td>
<td>-0.0972** (-3.11)</td>
<td>-0.155*** (-4.10)</td>
<td>-0.126** (-2.68)</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.194** (3.00)</td>
<td>0.246** (3.20)</td>
<td>0.212* (2.20)</td>
</tr>
<tr>
<td>Right political ideology</td>
<td>-0.409*** (-13.72)</td>
<td>-0.350*** (-9.95)</td>
<td>-0.180*** (-3.91)</td>
</tr>
<tr>
<td>Constant</td>
<td>6.316*** (61.44)</td>
<td>6.355*** (54.64)</td>
<td>6.294*** (42.89)</td>
</tr>
<tr>
<td>N</td>
<td>3403</td>
<td>2372</td>
<td>1336</td>
</tr>
<tr>
<td>R²</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 2*: OLS regression for 2013. Dependent variable: Provide a decent standard of living for the unemployed

In this step we have to limit our sample to those individuals providing information on their employment status for every month in the five year period. We find a positive effect of unemployment periods on attitudes. The quadratic term is negative, indicating a decreasing effect of unemployment over time. There seems to be a saturation point at which further months of unemployed do not increase support any further.

Until now, we have considered attitudes at only one point of time. Since it might well be that those with some unemployment experience in 2013 were initially more supportive for unemployment benefits than their counterparts, we control for initial differences in attitudes in Model 3. The effect for the number of
unemployment periods remains highly significant, indicating that it was indeed the experience of unemployment that lead to more positive attitudes of those experiencing job loss.

To further validate these results we now turn to the results of our longitudinal analysis. Figure 2 shows the change of attitudes for those employed in both years and those becoming unemployed between the two waves. In the initial year there is no difference between these groups but in 2013 the unemployed are significantly more in favor of state responsibility (for $p < 0.05$).

![Figure 2: Change of attitudes depending on employment status](image)

We now turn to the results of the FE regression. In this model, all time constant variables such as gender, race and personality are implicitly controlled for by the nature of the FE model and do not have to be included. We can observe quite few changes for some time-varying variables such as education and social because only few people receive an additional degree or change their social class in the meantime. For this reason, we do not include these variables as they would not influence our results. If the labor market status of a person changes from permanent employed to unemployed or vice versa, his or her attitude response increases on average by about 0.7 points.

When controlling for the labor market status of the population, general support for unemployed benefits increased by approximately 0.2 points in the financial crisis. While the model controls for time constant variables, it might be that time-varying variables influence our results. For this reason, we control for a change of income and left-right ideology in model 2. The effect of unemployment is reduced but remains significant.
Provide a decent standard of living to the unemployed

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Permanent employed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>→ Self-employed</td>
<td>0.349 (1.05)</td>
<td>0.0280 (0.08)</td>
</tr>
<tr>
<td>→ Unemployed</td>
<td>0.684** (2.26)</td>
<td>0.663* (1.86)</td>
</tr>
<tr>
<td>→ Other (Housework, retired etc.)</td>
<td>0.262* (1.71)</td>
<td>0.204 (1.17)</td>
</tr>
<tr>
<td><strong>Right political ideology</strong></td>
<td>-0.0184 (-0.44)</td>
<td></td>
</tr>
<tr>
<td><strong>HH income</strong></td>
<td>-0.271*** (-2.65)</td>
<td></td>
</tr>
<tr>
<td><strong>Year 2013</strong></td>
<td>0.194*** (3.88)</td>
<td>0.217*** (3.84)</td>
</tr>
<tr>
<td><strong>Constant</strong></td>
<td>6.381*** (-3.35)</td>
<td>6.500*** (22.86)</td>
</tr>
<tr>
<td><strong>Observations</strong></td>
<td>1187</td>
<td>1187</td>
</tr>
</tbody>
</table>

Table 3: FE models for attitudes towards labor market policies
* p<0.10, ** p<0.05, *** p<0.01

Summary and discussion

In this article we investigated attitudes towards social policy in a time of economic crisis and increasing unemployment rates. The main research question of this article was how the experience of unemployment changes individual attitudes towards labor market policies. We know from cross-sectional research that the unemployed hold more positive views about the welfare state than the employed population. However, so far it was not clear if losing a job indeed causes a change of attitudes.

We contribute to the literature by applying a research strategy that relies on longitudinal data to investigate the self-interest argument from a dynamic point of view. We used Dutch panel data for the period from 2008 to 2013. We found a significant positive effect of becoming unemployed on attitudes towards government’s responsibility for unemployment benefits. This result supports previous findings from cross-sectional research. Those losing their job or finding a new one seem to adapt their view of the state accordingly to their personal advantage. The effect was stronger for those with long periods of unemployment.

On the aggregate level we find a growing support for the unemployed and a decreasing support for the sick and the old between 2008 and 2013. Also the part of the population that was not directly affected by job loss became more supportive for unemployment benefits. Our data set provided us with a unique opportunity to investigate attitude change in these times of economic decline. Future research research should show if our results hold in ‘normal’ times.
Our analysis was restricted to a Dutch sample and it is not clear to what extent these findings can be generalized on to other European welfare states. Another limitation of our study is the low number of cases and the relatively long period of time between the two waves under consideration. When panel data with more data points becomes available, the effect of individual characteristics on attitudes should be studied in more detail. Studying the dynamics of attitude change will contribute to our understanding of policy persistence and change.
References


