

Trade Union Membership and Dismissals

Laszlo Goerke

Eberhard Karls Universität Tübingen⁺,

IZA, Bonn and CESifo, München

⁺ Department of Economics

Melanchthonstraße 30

D – 72074 Tübingen, Germany

Phone: ++49(0)7071 29 74912

Fax: ++49(0) 7071 29 5590

Laszlo.Goerke(at)uni-tuebingen.de

Markus Pannenberg

University of Applied Sciences Bielefeld⁺⁺, DIW Berlin

IZA, Bonn

⁺⁺ Department of Business and Economics

Universitätsstraße 25

D-33615 Bielefeld, Germany

Phone: ++49(0)521 106 5076

markus.pannenberg(at)fh-bielefeld.de

27.01.2010

Abstract

In Germany, there is no trade union membership wage premium, while the membership fee amounts to 1% of the gross wage. Therefore, prima facie, there are strong incentives to free-ride on the benefits of trade unionism. We establish empirical evidence for a private gain from trade union membership which has hitherto not been documented: in West Germany, union members are less likely to lose their jobs than non-members. In particular, using data from the German Socio-Economic Panel we can show that roughly 50% of the observed raw differential in individual dismissal rates can be explained by the estimated average partial effect of union membership.

JEL Classification: C 23, H 41, J 51, J 63

Keywords: dismissal, free-riding, trade union membership, survey data