Trade Union Membership and Sickness Absence: Evidence from a Sick Pay Reform

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Abstract (completed paper attached)

In this paper, we investigate the hypothesis that individual trade union membership raises absenteeism. We focus on Germany because we can exploit a quasi-natural experiment which generates exogenous variations in sick pay and, therefore, the costs of being absent. In particular, we investigate the effects of a reduction in the statutory replacement rate determining sick pay from 100% of wages to 80% in 1996, using data from the German Socio-Economic Panel (SOEP). Since some employees were not affected by the reform, we use a difference-in-differences (DD) approach with treatment heterogeneity to estimate the causal effect of the cut in sick pay. We find that (1) union members are absent more often than non-members, (2) the cut in sick pay raised the proportion of members who were not absent in a given year by more than the proportion of non-members, (3) union members exhibit longer periods of absence, (4) the cut in sick pay had a significantly negative impact on the duration of absence for treated union members and (5) the causal effect of the reform shrinks when one moves up in the distribution of days of sickness-related absence. We supplement our main specifications with a set of robustness tests which strengthen our conclusions. Thus, our evidence contributes to another explanation of why workers belong to a trade union and pay membership fees, given that many of the benefits of unionism, such as higher wages, are akin to public goods in Germany. Furthermore, the study is – to our knowledge – the first to (1) use a quasi-natural experiment to determine the impact of individual union membership on absence behaviour, and (2) establish such a relationship with regard to Germany.