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Published on: 01 Oct 2012 - Social Science Research Network (Berlin: Deutsches Institut für Wirtschaftsforschung (DIW))

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Working Paper

Job loss fears and (extreme) party identification: First evidence from panel data

cege Discussion Papers, No. 129

Provided in Cooperation with:

Georg August University of Göttingen, cege - Center for European, Governance and Economic Development Research

Suggested Citation: Geishecker, Ingo; Siedler, Thomas (2011) : Job loss fears and (extreme) party identification: First evidence from panel data, cege Discussion Papers, No. 129, University of Göttingen, Center for European, Governance and Economic Development Research (cege), Göttingen

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**Job Loss Fears and (Extreme) Party
Identification: First Evidence from Panel
Data**

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Job Loss Fears and (Extreme) Party Identification: First Evidence from Panel Data

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October 2011

Abstract

There is a large body of literature analyzing the relationship between objective economic conditions and voting behavior, but there is very little evidence of how perceived economic insecurity impacts on political preferences. Using seventeen years of household panel data from the German Socio-Economic Panel, we examine whether job loss fears impact on individuals' party identification. Consistent with rational choice theory, we find strong and robust evidence that job loss fears foster affinity for parties at the far right-wing of the political spectrum. However, our empirical estimates do not suggest that job loss fears result in people withdrawing their support from political parties altogether.

Keywords: Job insecurity, party identification, prospective voting, economic worries

JEL Classification: J01, C23

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“When you think economics, think elections; When you think elections, think economics”

Tufte, E. R. *American Political Science Review*, 1978

1 Introduction

Are people’s political preferences influenced by their economic worries, and are individuals’ job loss fears important for their pro-democracy attitudes? In particular, do job loss fears steer people away from the mainstream democratic parties and towards parties at the extremes of the political spectrum?

In the wake of what has now been labelled the Great Recession, in both the United States and Europe, people’s job loss fears increased considerably. According to the Washington Post from September 2009, nearly sixty percent of Americans were concerned about job or pay losses (Cohen and Agiesta, 2009). On January 25, 2010 U.S. President Barack Obama used his State of the Union Address to reassure Americans worried about the economy and their job security: “We [...] need to reverse the overall erosion in middle-class security so that when this economy does come back, working Americans are free to pursue their dreams again”.¹ Similarly, many commentators in Europe voiced their concerns about people’s feelings of economic insecurity.²

To date, there is scant evidence in the academic literature of potential political consequences of individuals’ perceived economic insecurities in general, and of their job loss fears in particular. The economic and political science literature mainly focuses on the relationship between objective microeconomic and macroeconomic variables (e.g., income, education, unemployment, family structures, GDP, inflation, unemployment rates) and an individual’s party identification,

¹See, for example, <http://www.reuters.com/article/idUSTRE60K03H20100125> for further information.

²See, for example, Meyer-Timpe (2010).

political participation, and voting.³ First suggestive empirical evidence that people’s economic worries might impact on economic and political outcomes comes from historical voting behavior research. Falter (1983) and King, Rosen, Tanner and Wagner (2008) examine how free democratic elections in the Weimar Republic resulted in electoral successes for the antidemocratic Nazi Party in Germany. Falter (1983) argues that it was mainly those Germans who feared the loss of their economic status that supported the Nazis, rather than the unemployed. In a similar vein, King and his co-authors conclude that professionals, self-employed shopkeepers, domestic workers and the family members assisting them, i.e., those who “feared that they would lose the independence that their self-owned businesses provided” (King et al., 2008: 961)— supported the Nazi party. Clearly, while the events of the Weimar Republic that resulted in the end of democracy and the rise of the Nazis cannot be compared directly with the political and economic circumstances of today’s Germany, the empirical studies by Falter (1983) and King et al. (2008), nevertheless, point out that economic fears might indeed have important social, economic, and political consequences.

The present paper is the first to study how self-reported job loss fears impact on party identification among employed people⁴, using rich individual-level longitudinal data. The previous economic voting literature has relied mainly on cross-sectional or aggregate time series data.⁵ Analysis of individual panel data offers the key advantages of enabling us to estimate causal effects by controlling for individual unobserved heterogeneity. Second, this study analyzes whether economic worries reduce people’s propensity to feel close to mainstream democratic parties, and increases

³See, for example, the recent studies by Schneider (1984), Lewis-Beck (1986), Lewis-Beck (1988), Powell and Whitten (1993), Anderson (2000), Edlund and Pande (2002), Weisberg and Smith (1991), Brunner, Ross and Washington (2011), Washington (2008), Alesina and Giuliano (forthcoming), Siedler (2010) and Oswald and Powdthavee (2010).

⁴In line with the literature, the terms party identification, party support, party attachment, and leanings are used interchangeably.

⁵Notable exceptions are the studies by Weatherford (1978) who uses three waves (1856, 1958, and 1960) of panel data from the SRC American panel survey and the recent study by Brunner et al. (2011), which draw on a panel of neighborhoods to examine the impact of economic conditions on voting behavior in the United States.

the risk of support for parties at the extreme left and particularly the extreme right of the political spectrum. In this respect our empirical analysis relates to recent theoretical contributions on the formation of nationalism and xenophobia (see e.g., Corneo, 2010, Corneo and Jeanne, 2009). Moreover, this paper examines how economic worries impact on whether citizens actually do not feel close to any political party. This is important because many western democracies experience a decline in party identification and associated voter turnout over time (see, for example, Abramson, 1976, Dalton, 2002).

This study exploits the longitudinal nature of the German Socio-Economic Panel Study (SOEP), which contains detailed questions about individuals' job loss fears and their party identification. The panel estimations suggest that job loss fears foster affinity for right-wing extremist parties. For the West German sample, the estimates accounting for unobserved personality traits suggest that individuals who are very concerned about their own job security have a 48 percent higher risk of expressing an affinity to a far right-wing party than those without job loss fears. In the East German sample, the effects are stronger in magnitude, suggesting that employees who are very concerned about their own job security have a 64 percent higher relative risk of identifying with right-wing extremist parties. Overall, these findings indicate that individual economic worries and job loss fears are important for people's political party identification.

2 Background

2.1 Related Literature

Our paper is interdisciplinary in nature and contributes to the economic and political science literature. Previous studies with a similar approach include individual-level analyses of the economic voting literature examining associations between individuals' economic perceptions and their political preferences. Seminal work by Lewis-Beck (1988) examines the relationship between economic

conditions and voting behavior in the United States and Western European democracies. Among many other important findings, his work suggests that if economic circumstances worsen, citizens are more likely to vote against the incumbent party (and vice versa), and that individuals' economic perceptions of the near future appear to be as important as their assessments of the recent past. Malhotra and Krosnick (2007) report a positive and statistically significant relationship between presidential vote choice and candidates' prospective performance assessments (on Iraq, the economy, and terrorism) in the 2004 U.S. election campaign. Similarly, Sheafer (2008) finds a positive significant correlation, in Israel, between individuals' perceived future economic performance of the incumbent party and whether or not they intend to vote for the Prime Minister's party.

Of relevance to our paper are also the various economic and psychological studies investigating the consequences of individuals' beliefs about their own job security. Blanchflower (1991) reports that fears of plant closures or redundancy are significantly related to lower pay. Stephens (2004) finds that workers' fears of job displacement predicted actual displacements later on. Recent studies by Nolan and Burchell (2000), Wichert (2002) and Rätzel and Knabe (2009) report a strong negative relationship between higher levels of job loss fears and individual job satisfaction and overall life satisfaction. Campbell, Carruth, Dickerson and Green (2007) uses longitudinal data from the British Household Panel Survey (BHPS) to examine whether subjective expectations of unemployment are reliable predictors of the actual probability of becoming unemployed. The authors find that workers' perceptions of job insecurity contain useful private information and are good indicators of future unemployment, conditional on observed variables such as previous unemployment experience and type of job contract. Further, they also find that perceptions of job insecurity have substantive economic implications as they are significantly related to lower wage growth for men.

In line with the work of Campbell et al. (2007) and Rätzel and Knabe (2009), our longitudinal

data have the advantage of providing repeated observations on individuals' expectations and job loss fears over time, and they can be linked to individuals' own economic histories and to future events such as subsequent labor market experiences and party identification. Unlike Campbell et al. (2007), whose analysis is confined to measures of unemployment expectations in two waves of the BHPS only, we are able to observe respondents' job loss fears and party identification over nearly two decades.

3 Theory and Hypothesis: The Pocketbook Voter

Our empirical work is inspired by Downs (1957) and his rational voter model. The standard economic voting model assumes that individuals make electoral decisions based on their perceptions about the state of the economy. The economic voter hypothesis suggests that voters support the current administration if the economy is doing well: otherwise, they vote against it. Downs also assigns an important role to individuals' future expectations, arguing that voters not only respond to the past and present national economic performance but also to the economic future. An extensive empirical literature has discussed whether economic voters are retrospective or prospective, with very mixed results to date.⁶ The majority of prospective economic studies measure respondents' expectations regarding the national economy, rather than using individuals' own expected economic circumstances, their subjective economic worries or job loss fears.

Several studies point out that economic voting might be muted in fractionalized party systems, in the presence of multi-party governments, or if opposition parties have a strong influence on political decisions (Anderson, 2000). This might be the case in Germany. Since World War II, the country has mainly be ruled mainly by coalition governments. Further, Bundesländer (federal state) governments often differ from the ruling coalition's position at the national level, which

⁶For a recent survey of the literature see Lewis-Beck and Stegmaier (2000).

regularly results in opposing political majorities in the lower and the upper houses of parliament. Hence, it might be rather difficult for German citizens to assign credit and blame for economic policies and the state of the economy to a particular party, as political power is often shared among several major parties and also influenced by opposition parties.

The present study, therefore, deviates from the standard economic voting literature and investigates the hypothesis that individuals withdraw their support for the mainstream parties and tend instead towards having no party identification or towards supporting parties at the extremes of the political spectrum.

Workers with high job loss fears might express their feelings of resentment towards the mainstream democratic parties by supporting political parties that openly criticize economic modernization and globalization. In Germany, extreme right-wing parties and the far left-wing party (Die Linke) take a rather protectionist and anti-capitalist stance. For example, a statement from the extremist National Democratic Party (NPD) from March 3, 2010, claims: “We create work by protecting the domestic economy from cheap foreign products. Globalization is flooding our markets with textiles and toys, information technology, consumer electronics, and car parts from low-wage countries. On a superficial level, free trade means cheaper goods, but the resulting decline in domestic industrial sectors creates unemployment and reduces purchasing power.” Related to this anti-capitalist rhetoric are the promises made by both the far left and the far right to protect the jobs and employment opportunities of the working class. Moreover, these parties sell themselves as distinguishable alternatives to the mainstream parties. The preamble from a recent draft by the programme commission of Die Linke published on March 20, 2010 begins with the statement: “Die Linke stands for alternatives, for a better future. We are not and will not be like those parties which devoutly submit to the wishes of the powers of the economy and precisely therefore are hardly distinguishable from one another” (Die Linke, 2010). Note that no party identification can

also indirectly give weight to parties at the extremes of the political spectrum as it seems likely that the absence of any party identification also reduces the propensity to vote.

3.1 Data

This study uses annual household panel data from the German Socio-Economic Panel Study (SOEP). The SOEP is a representative longitudinal sample of the German population living in private households. The first wave of the SOEP was conducted in 1984 surveying persons living in private households in the Federal Republic of Germany. In 1990, shortly after German reunification, the survey was extended to the former German Democratic Republic. The SOEP collects repeated information on demographics, labor market outcomes, education, housing, health and political attitudes over time. It is similar to the Panel Study of Income Dynamics (PSID) in the United States and the British Household Panel Study (BHPS) in the United Kingdom. For further information about the SOEP, see Haisken-DeNew and Frick (2005) and Wagner, Frick and Schupp (2007).

A key advantage of the SOEP is that it provides a representative sample of the working population over a relatively long time period. We use the panel years 1993 to 2009, as these are the waves in which respondents' party identification is surveyed, including party identification for parties at the extremes of the political spectrum. We restrict the sample to individuals with German nationality, aged 18 to 60 and who are employed at the time of the interview. Certain types of civil servants (*Beamte*) are excluded from the analysis because the likelihood of them losing their jobs is approximately zero. Previous work reports considerable differences in preferences for redistribution and trust in legal institutions and political authorities between East and West Germans (Alesina and Fuchs-Schndeln, 2007, Rainer and Siedler, 2009). Similar to these studies, we define a person as being from the East if he or she lived in East Germany before reunification, irrespective

of the current place of residence.⁷ Overall, our West German sample consists of 68,531 person-year observations for 10,428 workers. The East German sample comprises roughly 33,673 person-year observations, with 4,673 workers.

3.1.1 Political Party Identification

Our outcome measures for political party identification are derived from answers to the following question: “Many people in Germany are inclined towards a certain political party, although from time to time they vote for a different party. What about you: Are you inclined—generally speaking—toward a particular party?” Those who respond ‘yes’ are then asked to state the party toward which they are inclined.⁸

Our outcome variable distinguishes between four mutually exclusive categories. The first category — *Mainstream party identification* — comprises individuals who answer that they are inclined towards one of the four major German parties, the Christian Democrats (CDU/CSU), the Social Democrats (SPD), the Free Democratic Party (FDP) or the Greens (Alliance90/The Greens). The second category — *No party identification* — includes those who respond that they are not inclined towards a particular party. One of the main reasons for studying the absence of party identification is that an increasing share of the adult German population reports having no party identification. For example, 65 percent of West Germans reported a party affinity in 1984, compared to 43 percent in 2009. A similar declining trend can be observed in voter participation. According to official statistics, 88.4 percent of the electorate cast a vote in the German general election in 1983. In the 2009 general election, voter turnout was only 70.8 percent (Bundeswahlleiter, 2009).⁹

⁷Respondents who are born in East Germany after the collapse of the Berlin Wall are also defined as being from the East.

⁸Party identification therefore refers to an affective attachment of individuals to a particular party. Recent research on political party identification based on the SOEP include Kroh and Selb (2009a, b), Zuckerman, Dasovic and Fitzgerald (2007) and Siedler (2011).

⁹The turnout rate in West Germany (including West Berlin) was 72.2 percent, and in East Germany (including

The third category — *Far left-wing party identification* — includes those individuals who answer that they are inclined towards the far left-wing (post-communist) party Die Linke. This party was formed in June 2007 from a merger of the West German Party of Labour and Social Justice (WASG) and the East German Party of Democratic Socialism (PDS).¹⁰ Since then, the party has recorded electoral successes, not only in East Germany, but also in western federal state elections. Neu (2004), in a comprehensive study on the PDS, examines the party’s understanding of democracy, its ideology, and its extremist tendencies. The author argues that the post-communist party, PDS, can be regarded as being at odds with the German constitution in several respects. However, she also concludes that, in East Germany, the PDS can be regarded as a ‘normal’ party that competes with all the other mainstream parties (Neu, 2004: 254).

The fourth category of the outcome variable — *Far right-wing party identification* — includes respondents who support one of the three extreme right-wing (neo-fascist) parties National Democratic Party (NPD), German People’s Union (DVU), or The Republicans (Die Republikaner). With electoral successes of far right-wing parties in Austria, France, Italy, the Netherlands, and Germany in recent years, few people dispute their relevance and potential dangers. Recent studies on far right-wing parties in Europe include, for example, Arzheimer (2008) and Oesch (2008). Westle and Niedermayer (1992), Lubbers and Scheepers (2000), and Siedler (2011) draw special attention to right-wing extremist parties in Germany.

It is important to point out that our outcome measures of party identification are aimed at measuring an enduring attachment to a political party that is likely to be distinct from current political preferences (see, for example, Campbell et al., 1960, Brynin and Sanders, 1993, and Bartle, 2003). As such, our study draws upon the work of Downs (1957) who argues that individuals are

East Berlin) 64.7 percent.

¹⁰The PDS was the successor party to the Socialist Unity Party (SED), the communist party that ruled the German Democratic Republic from 1949 until the elections of March 1990.

motivated by economic and social considerations and that party identification can be seen as a ‘rational habit’. Thus, party identification can be revised if individuals think that a particular political party no longer acts in accordance with their own interests and values.¹¹

Table 1 displays the proportion of individuals with a mainstream party identification, no party identification, with a far left-wing and those with a far right-wing party identification, for the years 1993 and 2009. The upper panel in Table 1 shows that the overwhelming majority of West Germans who express a party identification display an affinity towards one of the the four mainstream parties. However, the strength of support for these parties declined over time, from 43 percent in 1993 to 39 percent for the year 2009. In contrast, support for the far left-wing party Die Linke increased from a very low level in 1993 to 1.1 percent by the end of the observation period. Party identification for the extreme right fluctuates between 0.3 and 1.68 percent. It is also striking that, over time, an increasing proportion of the West German population does not identify with a political party. Over the seventeen years covered by the study, the proportion of West Germans with no party identification increased from 54 percent to around 57 percent.

The lower panel in Table 1 displays the evolution of party identification among East Germans. The first thing to note is that the proportion of East Germans with a mainstream party identification is much lower than among West Germans, and the proportion with no party identification is considerably higher. Fewer than one in three East Germans support the CDU/CSU, SPD, FDP or the Greens, and more than 70 percent report no party identification. Similar to how the situation developed in West Germany, support for the mainstream parties decreased, and the proportion with no party identification increased over time. In addition, support for the former socialist party, Die Linke, increased considerably from around 3 percent in 1993 to around 6 percent in

¹¹Fiorina (1981) also argues that party identification can adapt quickly to economic and political events. For a detailed overview of and discussion about the various interpretations of party identification in the political science literature see Bartle (2003).

2009. Similarly, the data reveals that support for extreme right-wing parties increased over time.

3.1.2 Job Loss Fears

In each annual wave, the SOEP also elicits respondents' beliefs about their own job security. The question reads: "What is your attitude towards the following areas — are you concerned about them?". Among the items listed is. "If you are employed: your job security". Respondents can answer on a three-point scale, indicating whether they are "very concerned", "somewhat concerned" or "not concerned at all". Based on these answers, we generate three mutually exclusive dummy variables.

Figure 1 illustrates the development of West Germans' feelings of job security between 1993 and 2009. The period saw the proportion of West Germans who are not concerned about their job security decrease from 60 percent to nearly 40 percent. The period also witnessed an increase in the proportion of West German workers who are very concerned about their job security from around 8 to 15 percent. Similarly, 40 percent of West Germans in 2009 express being somewhat concerned about their job security, compared to 31 percent in 1993.

Figure 2 shows that job loss fears are more prevalent among East German workers. For instance, around 50 percent of East Germans express being somewhat concerned about their job security. The proportion increased from 43 percent in 1993 to 50 percent in 2000, and remained stable thereafter. Similarly, high job loss fears are also more prevalent among East Germans, with around 20-30 percent saying that they are very concerned about their job security, compared to 8-20 percent among West German employees.

3.2 Dynamics of Party Identification and Job Loss Fears

To understand the magnitude of changes in people's party identification and their job loss fears, we start by investigating transition matrices. Table 2 displays how individuals' party identification

varies over time, using rolling one-year changes over the period 1993-2009. The upper panel in Table 2 shows that there is substantial change in West Germans' party identification. For example, 21 percent of West Germans who reported affinity toward a mainstream party in on year (t-1) report having no party identification in the next year (t). However, fewer than 1 percent who reported affinity to a mainstream party in the previous year indicate being close to either the far left-wing party or an extreme right-wing party in year t. Table 2 also shows that 78 percent of West German respondents do not change their mainstream party identification between any two survey years. The persistence in mainstream party identification is, therefore, considerably higher than identification with the far left-wing party (48 percent) and far right-wing parties (46 percent). The highest degree of persistence can be found among those who do not feel close to any particular party: 80 percent of West German workers who expressed no party identification in one year also report none in the following year. With regard to outflows from the extremes of the political spectrum, 19 percent of West Germans who reported a far left-wing party identification in year $t - 1$ indicate being close to a mainstream party in year t, and 31 percent of them report no party identification. The corresponding figures for those who report an extreme right-wing party identification in the previous year are 12 percent and 38 percent, respectively.

The lower panel in Table 2 points to some differences in the persistence of party identification between West Germans and East Germans. Among East Germans, the persistence in mainstream party identification between any two years is 69 percent, nearly 10 percentage points lower than among West Germans, whereas the persistence in far left-wing and far right-wing party identification is higher (69 percent and 49 percent, respectively). In addition, with regard to inflow into far left-wing party identification, it is striking that a higher proportion of East Germans who reported either mainstream party identification, no party identification or far right-wing party identification in one year change to support the former socialist party, Die Linke, in the following year.

For example, around 2 percent of individuals who reported having no party identification in one report identifying with Die Linke in the next. The corresponding proportion for West Germans is 0.3 percent. Moreover, fewer East Germans who reported a party identification at the extreme of the political spectrum in the previous year report a mainstream party identification in year t . For instance, 9 percent of East Germans who reported an affinity with an extreme right wing-party in year $t - 1$ support one of the mainstream parties in year t , compared to around 12 percent among West Germans.

Table 3 reports yearly transition matrices for individuals' job loss fears. The table shows that there are also considerable changes in people's job worries from one year to the next. The upper panel in Table 3, for example, shows that 1 in 4 West German workers who were not concerned about their job security in the previous year are somewhat concerned in the following year, and around 3 percent of them express being very concerned. The table also points to some striking differences between East Germans and West Germans. For instance, a considerably higher proportion of East German workers are somewhat concerned (67 percent) or very concerned (57 percent) about their own job security in any two successive survey years. The corresponding figures for West Germans are 61 percent and 46 percent, respectively.

In sum, the transition matrices suggest that there is considerable change in individuals' party identification and job loss fears over time such that we can hope to identify the role of job loss fears for party identification in an econometric model controlling for various explanatory variables and unobserved time-invariant individual effects.

4 Estimation and Results

To account for the categorical character of party identification we estimate multinomial logit models with mainstream party identification constituting the baseline category ($k = 0$). The probability

of individual i to identify with any other particular party $k = 1, \dots, J$ at time t is assumed to follow a logistic distribution:

$$Pr(y_{it} = k) = \frac{\exp(X_{it}\beta_k + \alpha_i)}{1 + \sum_{k=1}^J \exp(X_{it}\beta_k + \alpha_i)} \quad (1)$$

with X_{it} denoting the set of control variables: age (three groups: aged ≤ 27 , 28-45, ≥ 46), a dummy for male gender, marital status, the number of children, individuals' education (two groups: low and high education), maternal and paternal education, item non-response dummies for maternal and paternal education, post government household income, the share of labor income in total household income, a full set of survey year dummy variables (not reported in the tables), and most importantly, two dummy variables taking the value one if individuals are very or somewhat concerned about their job security. To allow for potential heterogeneity in political socialization, we estimate separate models for West and East Germans. Descriptive statistics for the control variables used are reported in Table 7.

In order to compare our findings with the previous literature, we start by estimating simple cross-sectional multinomial logit models, thereby initially ignoring unobserved heterogeneity α_i . We later control for unobserved individual heterogeneity α_i following Mundlak's approach (Mundlak, 1978), i.e., we assume that unobserved individual heterogeneity can be projected by the individual-specific sample means of all control variables.

Table 4 reports the estimated relative risks (odds ratios) for West Germans, and Table 5 for East Germans utilizing the simple descriptive multinomial logit model. To begin with, let us focus on our key estimates on individuals' job loss fears. The cross-sectional estimates in Table 4 suggest that there is indeed a significant relationship between West Germans' perceived job insecurity and their party identification. Compared to individuals who do not fear their job loss, respondents who report being very concerned have a 90 percent higher relative risk of identifying with the extreme

left and a 103 percent higher relative risk of identifying with the extreme right. At the same time, being very concerned and somewhat concerned raises the relative risk of having no party identification by 32 and 19 percent, respectively. In addition to individuals' job loss fears, there are several other explanatory variables that are strongly related to the political outcomes measures. For example, the estimates in Table 4 also point to a significant relationship between individuals' age, marital status, educational attainment, household income, and their party identification. For example, a higher household income significantly reduces the relative risk of identifying with an extreme left-wing (neo-communist) or right-wing (neo-fascist) party or of having no party identification at all. Individuals with high educational attainment have a 50 percent lower relative risk of identifying with extreme right wing parties and a 28 percent lower relative risk of having no party identification at all as compared to individuals with only low education.¹² In addition, individuals whose father has high educational attainment have a 78 percent lower relative risk of identifying with the far right. Moreover, a notable result is that the relative risk of identifying with the far right is about 167 percent larger for men than for women. This is consistent with previous work (Siedler, 2011).

Table 4 reports the results for native East Germans. The relative risk estimates are qualitatively similar to those for West Germans, but with some marked differences. Being very or somewhat concerned about one's own job security raises the relative risk of identifying with an extreme left-wing party by 61 percent and 15 percent, respectively. Thus, while even moderate job loss fears have an effect of extreme left-wing party identification, the magnitude of the effect of high job loss fears is considerably smaller for East Germans than for West Germans. Neu (2004) argues that the extreme left-wing party "Die Linke" can be seen as a 'normal' party in East

¹²The result on the relationship between extreme right-wing party identification and education is in line with Corneo (2010) who theoretically shows that individuals with lower cognitive ability are more likely to have nationalist and xenophobic views.

Germany, which is supported by the fact that from 1998/2001 onwards “Die Linke” was part of a coalition government in Mecklenburg-Western Pomerania and Berlin, respectively, for two successive legislative periods. According to this view, East Germans with high job loss fears may not identify with “Die Linke” as they see the party, despite its protectionist and anti-capitalist rhetoric, as part of the mainstream political spectrum that is not effectively representing their political interests. However, East Germans who are very or somewhat concerned about their job security have a 186 or 59 percent higher relative risk, respectively, of expressing an affinity to an extreme right-wing party than respondents without any job loss concerns, and have a 71 or 41 percent higher relative risk, respectively, of having no party identification. Both effects are much more pronounced than for West Germans, thus, compensating somewhat for the lower extreme left-wing effect of job loss fears.

While the results of the simple multinomial logistic model presented above are interesting, they are merely descriptive, as unobserved individual heterogeneity that may correlate with party identification and job loss fears are not controlled for. To address this issue, we estimate Mundlak specifications of the models that account for time-constant unobserved personality traits as previously explained. Table 6 presents the corresponding estimates of relative risks. For the sake of brevity, we only report the key coefficients of interest.

For West Germans, the estimates in Panel A of Table 6 indicate that after controlling for unobserved heterogeneity, the effect of job loss fears on extreme left-wing party identification cannot be estimated with sufficient precision. However, even after accounting for unobserved personality traits, we find West Germans with high job loss fears to be significantly more likely to identify with extreme right-wing parties: being very concerned about one’s own job security raises the relative risk of expressing an affinity to a far right-wing party by 48 percent. Furthermore, the risk of expressing no party identification is found to be unaffected by job loss fears.

In comparison, for East Germans the estimated relative risks reported in Panel B of Table 6 indicate that after controlling for unobserved personality traits, job loss fears are not related to extreme left-wing party identification. However, high and moderate job loss fears significantly and more distinctly than for West Germans affect identification with extreme right-wing parties. East Germans who are very or somewhat concerned about their job security have a 63 or 49 percent higher relative risk, respectively, of expressing an affinity to the extreme right than respondents with no job loss concerns.¹³

Summarizing, the most important pattern that emerges from Table 6 is that for West and East Germans alike, albeit to different degrees, perceived job insecurities prompt workers to support far right-wing parties. This result is robust to controlling for non-random unobserved personality traits.

5 Conclusion

This study provides new evidence regarding the effect of job loss fears on political party identification. Our panel estimates suggest that increases in individuals' perceived job insecurities significantly increase their risk of supporting extremist right-wing parties. West Germans who report being very concerned about their job security have a 48 percent higher risk of expressing an affinity to an extreme right-wing party than those who report no job loss fears. The panel estimates for the East German sample point to slightly stronger effects: East Germans who are very (somewhat) concerned about losing their job have a 64 (49) percent higher risk of expressing an affinity to a far right-wing party than East German workers without job loss fears. However, we do not find evidence that job loss fears cause people to withdraw their support for political parties

¹³We also checked the robustness of this finding by estimating bivariate conditional logit models for extreme right-wing party identification which yield results that are similar in terms of sign, statistical significance, and magnitude of effects.

altogether. Accordingly, one can hypothesize that extreme parties are not likely to be further strengthened by job loss fears through reduced voter turnout.

The finding that today's perceived economic insecurity pushes individuals towards extreme right-wing parties has an interesting parallel to economic history studies on the elections in the Weimar republic, demonstrating that mainly those who feared losing their jobs or their economic status supported the Nazi party in Germany. Of course Germany's modern democracy is not comparable to the Weimar republic of the 1930s and there is no reason for alarmism regarding the overall stability of democratic institutions. However, our result that perceptions of economic insecurity indeed are an important factor in the success of the extreme right may be seen as particularly relevant against the backdrop of recent electoral successes of far right-wing parties across Europe. In future research, it would be interesting to examine whether perceived job insecurities have similar consequences in other countries and whether job loss fears actually result in stronger anti-capitalist and anti-globalist policy initiatives.

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6 Figures and Tables

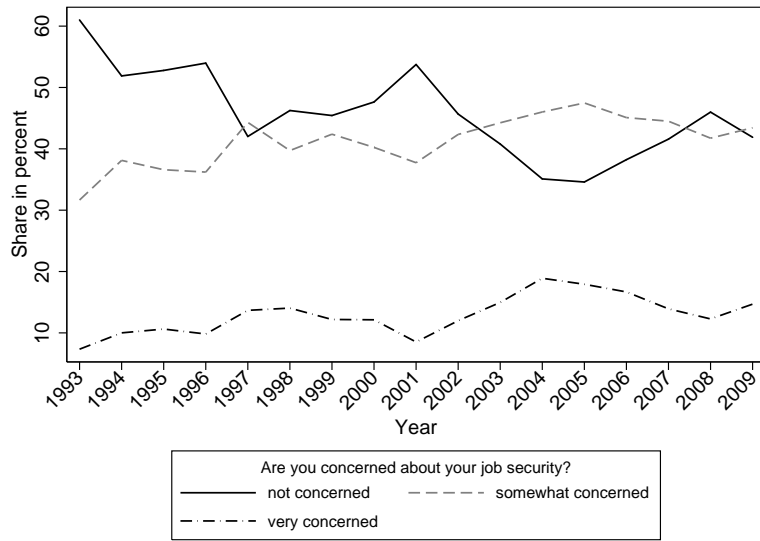


Figure 1: Development of Job Loss Fears, West Germans

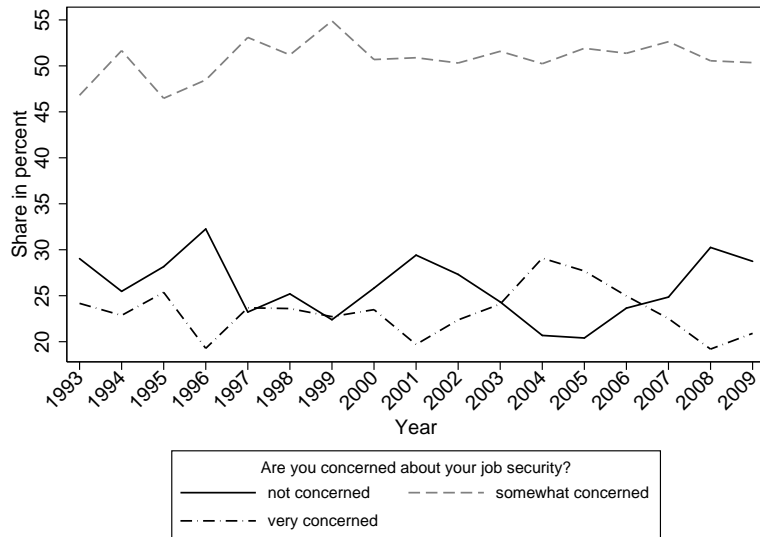


Figure 2: Development of Job Loss Fears, East Germans

Table 1: **Party Identification, 1993 and 2009 in percent**

Year	Mainstream party	Extreme left-wing party	Extreme right-wing party	Other small parties	No party
Panel A: West Germans					
1993	43.16	0.07	1.68	0.38	53.80
2009	39.77	1.10	0.65	0.50	57.25
Panel B: East Germans					
1993	24.33	2.73	0.82	0.33	71.24
2009	20.25	5.82	1.14	0.49	71.80

Notes: Main party identification is defined as being inclined towards one of the four major German parties, the Christian-Democrats (CDU/CSU), the Social Democrats (SPD), the Free Democratic Party (FDP) or the Greens (Alliance90/The Greens). The variable — No party identification — equals one if a person says that he/she does not feel close to any particular party. Extreme left-wing party is defined as feeling close to the party *Die Linke*, and extreme right-wing party affinity is defined as feeling close to one of three extreme right-wing parties in Germany. SOEP, wave 1993 and 2009.

Table 2: **Transitions in Party Identification**

	Mainstream party _t	Extreme left-wing party _t	Extreme right-wing party _t	No party _t identification _t
Panel A: West Germans				
Mainstream party _{t-1}	77.87	0.26	0.19	20.94
Extreme left-wing party _{t-1}	18.65	48.41	0.40	31.35
Extreme right-wing party _{t-1}	11.84	0.53	45.79	38.42
No party identification _{t-1}	17.95	0.31	0.39	80.35
Panel B: East Germans				
Mainstream party _{t-1}	68.81	1.57	0.39	28.63
Extreme left-wing party _{t-1}	6.42	68.62	0.43	23.91
Extreme right-wing party _{t-1}	8.93	2.41	49.14	35.05
No party identification _{t-1}	10.56	2.08	0.50	86.36

Notes: SOEP, waves 1993-2009, rolling 1-year windows. Mainstream party identification is defined as being inclined towards one of the four major German parties, the Christian-Democrats (CDU/CSU), the Social Democrats (SPD), the Free Democratic Party (FDP) or the Greens (Alliance90/The Greens). The variable — No party identification — equals one if a person says that he/she does not feel close to any particular party. Extreme left-wing party is defined as feeling close to the party *Die Linke*, and extreme right-wing party affinity is defined as feeling close to one of three extreme right-wing parties in Germany.

Table 3: **Transitions in Job Loss Fears**

Worries about own job security	Not concerned _t	Somewhat concerned _t	Very concerned _t
West Germans			
Not concerned _{t-1}	70.78	25.78	3.44
Somewhat concerned _{t-1}	25.67	60.79	13.54
Very concerned _{t-1}	12.06	42.16	45.77
East Germans			
Not concerned _{t-1}	60.63	34.85	4.52
Somewhat concerned _{t-1}	16.88	66.81	16.30
Very concerned _{t-1}	6.16	36.76	57.08

Notes: SOEP, waves 1993-2009, rolling 1-year windows.

Table 4: Multinomial Logit Model, West Germans

	Extreme left-wing party	Extreme right-wing party	No party identification
Age 28-45	0.9474 (0.2160)	0.5337 (0.0723)***	0.5215 (0.0154)***
Age \geq 46	1.3449 (0.3146)	0.2221 (0.0390)***	0.3836 (0.0122)***
D: Male	1.0456 (0.1217)	2.6740 (0.3169)***	0.7187 (0.0117)***
D: Married	0.5287 (0.0704)***	0.7057 (0.0842)***	0.9919 (0.0196)
Number of children	0.9849 (0.0700)	0.9837 (0.0556)	0.9990 (0.0094)
D: High education	1.1903 (0.2683)	0.5017 (0.0635)***	0.7168 (0.0192)***
D: Mother high education	0.9237 (0.2637)	0.5725 (0.2434)	0.6898 (0.0328)***
D: Father high education	1.1587 (0.2236)	0.2150 (0.0790)***	0.7226 (0.0224)***
Log HH-income	0.8324 (0.0815)*	0.6416 (0.0513)***	0.7383 (0.0108)***
Share of labor income	1.0202 (0.0092)**	1.0101 (0.0080)	1.0157 (0.0012)***
Job loss fears			
Very concerned about job security	1.8967 (0.2990)***	2.0265 (0.2690)***	1.3167 (0.0337)***
Somewhat concerned about job security	1.1813 (0.1500)	1.1711 (0.1274)	1.1865 (0.0204)***
Observations		68531	
Log-likelihood		-51084.897	

Notes: SOEP, waves 1993-2009. Odds ratios from pooled model. z-statistics in parentheses. The model also controls for survey year fixed effects and dummy variables if mother's or father's education is missing. High education is defined as middle vocational or higher. Reference categories are: age < 28, low education, not concerned about job security. * Statistically significant at the 10-percent level, ** statistically significant at the 5-percent level, *** statistically significant at the 1-percent level.

Table 5: Multinomial Logit Model, East Germans

	Extreme left-wing party	Extreme right-wing party	No party identification
Age 28-45	1.1019 (0.1147)	0.5229 (0.0833)***	0.7087 (0.0354)***
Age \geq 46	1.2188 (0.1323)*	0.2097 (0.0423)***	0.4895 (0.0260)***
D: Male	0.9591 (0.0492)	6.2092 (1.0353)***	0.7544 (0.0197)***
D: Married	0.9567 (0.0624)***	0.7289 (0.1053)**	1.0189 (0.0346)
Number of children	0.9554 (0.0378)	0.9941 (0.0827)	1.0530 (0.0205)***
D: High education	1.8270 (0.3346)***	0.5734 (0.1268)**	0.8041 (0.0587)***
D: Mother high education	1.0035 (0.1120)	0.7782 (0.1910)	0.8604 (0.0530)**
D: Father high education	1.3638 (0.1137)***	0.8227 (0.1706)	0.6933 (0.0332)***
Log HH-income	0.7437 (0.0345)***	0.6692 (0.0631)***	0.6201 (0.0154)***
Share of labor income	1.0074 (0.0046)	1.0037 (0.0086)	1.0215 (0.0025)***
Job loss fears			
Very concerned about job security	1.6082 (0.1166)***	2.8587 (0.4605)***	1.7066 (0.0654)***
Somewhat concerned about job security	1.1525 (0.0705)**	1.5861 (0.2330)***	1.4132 (0.0429)***
Observations		33673	
Log-likelihood		-27190.702	

Notes: SOEP, waves 1993-2009. Odds ratios from pooled model. z-statistics in parentheses. The model also controls for survey year fixed effects and dummy variables if mother's or father's education is missing. High education is defined as middle vocational or higher. Reference categories are: low education, not concerned about job security. * Statistically significant at the 10-percent level, ** statistically significant at the 5-percent level, *** statistically significant at the 1-percent level.

Table 6: Mundlak Specification of Multinomial Logit Model, West and East Germans

	Extreme left-wing party	Extreme right-wing party	No party identification
Panel A: West Germans			
Job loss fears			
Very concerned about job security	1.2713 (0.2893)	1.4779 (0.2791)**	1.0127 (0.0351)
Somewhat concerned about job security	1.0701 (0.1788)	1.1320 (0.1586)	1.0074 (0.0228)
Observations		68531	
Log-likelihood		-50715.91	
Panel B: East Germans			
Job loss fears			
Very concerned about job security	0.9659 (0.1003)	1.6370 (0.3787)**	0.9779 (0.0526)
Somewhat concerned about job security	0.9545 (0.0761)	1.4897 (0.2815)**	1.0439 (0.0414)
Observations		33673	
Log-likelihood		-26916.021	

Notes: SOEP, waves 1993-2009. Odds ratios from conditional fixed effects logit models. z-statistics in parentheses. The models include all time changing control variables from Tables 4-5. * Statistically significant at the 10-percent level, ** statistically significant at the 5-percent level, *** statistically significant at the 1-percent level.

Table 7: **Descriptive Statistics**

	West Germans		East Germans	
	Mean	Standard Deviation	Mean	Standard Deviation
Age 28-45	0.57	0.50	0.53	0.50
Age \geq 46	0.33	0.47	0.35	0.48
D: Male	0.55	0.50	0.50	0.50
D: Married	0.64	0.48	0.65	0.48
Number of children	0.71	0.98	0.62	0.83
D: High education	0.89	0.31	0.96	0.20
D: Mother high education	0.04	0.18	0.05	0.22
D: Mothers education n.k.	0.08	0.26	0.09	0.29
D: Father high education	0.09	0.28	0.09	0.28
D: Fathers education n.k.	0.09	0.28	0.12	0.33
Log HH-income	10.70	0.59	10.47	0.61
Share of labor income	96.94	7.21	98.04	5.04
Very concerned about job security	0.13	0.34	0.23	0.42
Somewhat concerned about job security	0.42	0.49	0.51	0.50

Notes: SOEP, waves 1993-2009.

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