Firms Resistance to Unionism and its Determinants: Evidence from a Field Experiment

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In a nutshell

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- Correspondence experiment about resistance against unionism.

- Results point to the existence of resistance against unionism in Germany.

- Determined by occupations? sectors? contract type? union density? strike activity?

- Preliminary results only

Why care?

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- Union density has fallen for almost every country.

- What are the effects of unions?
  - Improve wages and general working conditions.
  - Reduce inequality (Dustmann et al., 2009; Farber et al. 2018).
  - Little evidence that unionisation harms firms (Freeman and Kleiner, 1999).
  - The are harmful for firms profits (Freeman and Medoff, 1984).

What do we know about resistance against unions?

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- There is a wide range to resist unions.
  - Improve wages and working conditions to avoid unionisation.
  - Spread fear with potential consequences up to firing union members (Kleiner, 2001).
  - Management consultants providing tactics to discourage unionisation (DiNardo and Lee, 2004).
- Past research of resistance against unionism (see for example Servais (1977), Saltzman (1995), Gall (2004), Heery and Simms (2010)) was mainly survey based.

What we recently learned

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- Unfair treatment of union members has been a topic for a while, but there was no causal evidence!
    - Potential bias due to survey demand effects and unobservable heterogeneity.

- Recently Baert and Omey (2015) conduced an experiment to identify union distaste in the Belgium labor market.
    - Union members are 22% less like to be invited for a job interview.

    - Union distaste is increasing with sectors union density.

Institutional setting of Belgium

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Table: Union Provision and Institutions

	Belgium	Germany	Predicted Effect for Germany
Labour Disputes	100	18	−
Labour Court solves conflicts between employer/employee	Yes	Yes	0
Union Legal Support at Labour Court	Yes	Yes	0
Union Density	55%	17.7%	−
Workers Councils	???	Yes[1]	?
Unions Provide Unemployment Benefits	Yes[2]	No	+
Coverage of Collective Agreements	96%	57.6%	+

Note: 1. For firms with at least 5 employees possible, most likely to be implemented in large firms.
2. They provide the unemployment insurance, but also private unemployment insurance is available.

- Union resistance for Belgium should not be representative for Europe as a whole.

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The Experiment

Correspondence Experiments

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- Correspondence experiments are popular for detecting:
  - Racial discrimination (Bertrand and Mullainathan, 2004)
  - Gender discrimination (Carlsson and Rooth, 2008)
  - Unemployment stigmatization (Nüß, 2018)

- The basic idea of correspondence experiments is...
  - Send pairs of fictitious job applications to real vacancies.
  - Monitoring the callback rates of firms.

- This allows a causal interpretation of firms hiring decision.

Design of the Experiment

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- The experiment was carried out between August and October 2017.

- The sample currently consists of 2082 applications.

The Design of the Applications

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- The applications consists of...
    - a cover letter
    - a resume
    - needed certificates

- Two applications were sent to each firm.
- Comparison with real applications.
- Randomized **Union Membership** (0/1)

Measurement of Callbacks

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- Standard callback measures from the literature are used.
  - Category 1 when it is a clear invitation to a job interview.
  - Category 2 when firms asked for further information.

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Experimental Results

First Evidence

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Table: (Un)Equal treatment resulting from the Union Membership

Categories	Number of Applications	Neither (1)	Both (2)	Non Union Only (3)	Union Signal Only (4)	ND	Relative Callback Rates
All	2082	52.4%	28.6%	13.7%	5.3%	17.7	1.25***
Without CA	1682	53.4%	27.6%	14.1%	4.9%	19.7	1.28***
With CA	400	48.0%	33.0%	12.0%	7.0%	9.6	1.13

Note: Callback Category 2. Null hypothesis is both individuals are equally often treated unfavourably.
ND: Net Discrimination
*$p < 0.05$, ** $p < 0.01$, *** $p < 0.001$ Z-test for proportions.*

- 47.6% of firms invited at least one applicant.

- $NetDiscrimination = \frac{3-4}{2+3+4}$

- $RelativeCallbacks = \frac{2+3}{2+4}$

Empirical Strategy

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- Focus on:
  - Linear probability model
  - Callback category 2

- Minimum set of control variables consist of:
  - Occupation
  - Layout (Template A/B)
  - Order (1st and 2nd application)

Introduction
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The Experiment
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Conclusion
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Multivariate Results

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Table: First General Overview

	(1) Baseline	(2) Firm FE	(3) Strict Callbacks
Union	−0.0890***	−0.0887***	−0.0650***
	(0.0226)	(0.0148)	(0.0127)
Union x CA	0.0359	0.0356	0.0240
	(0.0503)	(0.0338)	(0.0315)
Average Callback Rate	38.1	38.1	29.1
N	2082	2082	2082
R^2	0.106	0.609	0.662
Basic Callbacks	X	X	
Strict Callbacks			X
Baseline Controls	X	X	X
Firm Fixed Effect		X	X
Linear Probability Model	X	X	X

Note: Standard errors in parentheses.
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

- Implies a decline in callbacks by 22.2% $\approx$ Belgium.

Potential Determinants

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Table: Determinants of Union Resistance

	(1)	(2)	(3)	(4)
Union	-0.1309^{***}	-0.1333^{***}	-0.1344^{***}	-0.1375^{***}
	(0.0315)	(0.0328)	(0.0344)	(0.0384)
Union x CA	0.0453	0.0463	0.0603	0.0478
	(0.0341)	(0.0343)	(0.0349)	(0.0342)
Union x Temp Contract	0.0583^{*}	0.0577^{*}	0.0557	0.0574^{*}
	(0.0285)	(0.0286)	(0.0286)	(0.0286)
Union x Firms $6 <$ Emp			0.0401	
			(0.0392)	
Union x Firms 51 to 500 Emp			0.0088	
			(0.0317)	
Union x Firms $500 <$ Emp			-0.1332	
			(0.0777)	
Sectoral Strikes and Lockouts 2016				0.0024
				(0.0092)
N	2082	2082	2082	2082
adj. R^2	0.612	0.612	0.613	0.611

Note: Standard errors in parentheses. ▶ Firm Size
$^{*}\ p < 0.05,\ ^{**}\ p < 0.01,\ ^{***}\ p < 0.001.$

Conclusion

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- Union membership decreases invitations to job interviews by 20 to 30%.
- The presents of collective agreements seem to decrease resistance (wage channel?)
- Resistance is lower for temporary employment (uncertainty as a control instrument?)

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THANK YOU FOR YOUR ATTENTION!

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Union Distaste
by Firmsize