

Schlese, Michael; Schramm, Florian

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Tracing the Relationship between Job Insecurity, Individual Expectations and the Satisfaction of German Workers

by Michael Schlese and Florian Schramm

This paper explains the relationship between job insecurity and job satisfaction. We argue that economic reality has an impact on subjective assessments: perceived job insecurity creates a destructive dissatisfaction with the job itself. One consequence is a lack of involvement, where involvement is defined as the degree of identification with an organization and readiness to promote productivity. This in turn feeds back to the economic reality, since a lack of involvement decreases economic efficiency and impedes economic progress. This describes the vicious circle of job insecurity and economic decline that may be taking hold in East Germany. Our subject here is the spread and development of insecure jobs and their effect on work attitudes. (For fuller discussion of this destructive circle see Greenhalgh/Sutton 1991).

Forecasting Employment

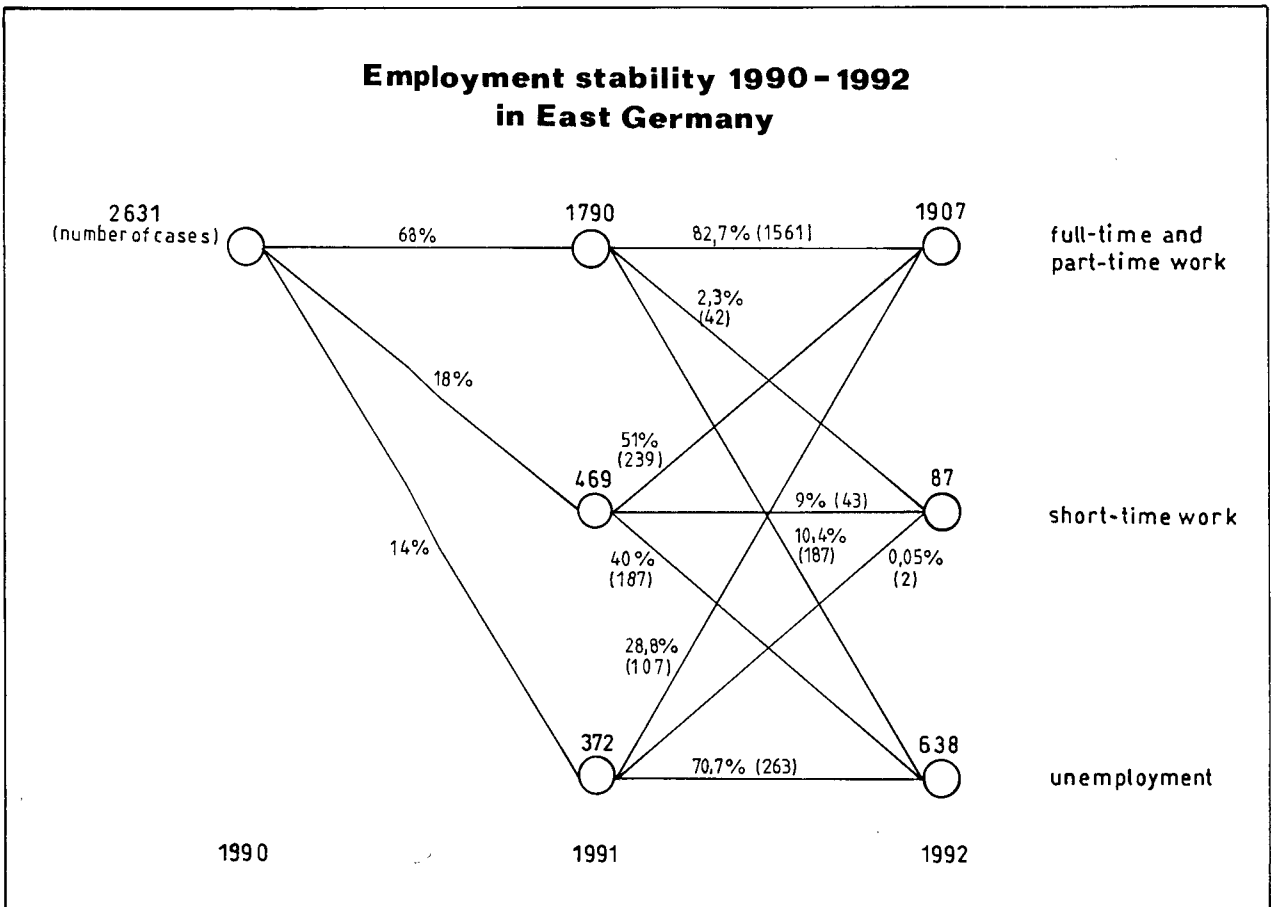
Between 1990 and 1992, the employment rate in East Germany fell from 90% to 70%. The first year, 60% of those

who lost their jobs were women; that figure rose to 66% in the second year. Older people (aged 50 and over) were even more disproportionately affected. About 20% of white-collar workers lost their jobs between 1990 and 1991.

Blue-collar workers were not greatly affected by job loss during this period thanks to government initiated short-term stabilizing measures. But in the next year 20% of all blue collar workers lost their jobs as did 12% of white-collar workers. Most of those who were employed in 1991 still had a job in 1992, but most of those unemployed in 1991 were also unemployed in 1992 (see Figure 1). Given the economic situation in East Germany, it is surprising that any of those who were unemployed in 1991 found a job in 1992. In the GDR of 1990, a period when official unemployment did not exist, East Germans were skeptical about the security of their jobs: 44.3% expected to certainly or at least probably lose their jobs. In the same time period only 4.2% of West German workers expected to certainly or probably lose their jobs.

Of those East Germans who expected to become unemployed in 1990, 37% did in fact lose their jobs, at least temporarily, in the following years, while 19% of those with more positive expectations lost their jobs. Hence, those with negative expectations became unemployed twice as often as those who thought they would probably keep their

Figure 1



jobs. When we differentiated by socio-demographic characteristics, with one exception, we found no difference in the degree of validity of people's assessments. Older workers were much more likely than younger workers to misjudge their employment perspectives in a positive direction.

Job Insecurity and Subjective Welfare 1990—1992

When we looked at job expectations over the period 1990 to 1992, we found that East Germans had more negative expectations for the future than West Germans, but over time an improvement was noticeable. In 1992, 29% of East Germans said that they expected to lose their jobs within the next two years. Women's expectations were slightly more negative than men's. 41.8% of older employees expected to lose their jobs compared to 29% for workers of all ages. Even though older workers were very pessimistic in 1992, it was a slight improvement over 1990 when 49.5% expected to lose their jobs. This improvement was less than the improvement in overall expectation. In 1990, 44.3% of all employees expected to be fired.

Satisfaction with their standard of living is generally lower in East Germany than in West Germany, and is falling in the East, although for employed East Germans satisfaction is more stable. In 1991, East Germans' job satisfaction was distinctly lower than that of West Germans, even lower than the average job satisfaction of comparatively deprived groups in West Germany (compare Landua 1992). This was not the case within the last days of the GDR, when job satisfaction was about as high as in West Germany. Job satisfaction, as is well-known, is generally positively related to age. Yet this is not true for the East Germans in 1991 and 1992.

Satisfaction with one's standard of living is lower than job- and life satisfaction in general, but all three measures

have decreased over time in East Germany. Everybody has a reason to be dissatisfied: the unemployed because of the threat to their economic base, the employees because of job insecurity or disappointingly low wage increases. Accordingly, the degree of life satisfaction has decreased (with a tendency to stabilization).

The LISREL Model

The decline in job satisfaction is mainly caused by the radical increase in job insecurity. This statement is supported by the following facts: Cross-section analyses show that job security and job satisfaction are closely related (see Table 1). Secondly, it can be shown that a change in perceived job security corresponds with a change in job satisfaction (Table 2). Thirdly, there is hardly any difference between East and West Germans' job satisfaction when the comparison refers to jobs of same degree of perceived security.

The distribution of perceived threat to jobs varies distinctly between East and West. The average job satisfaction in East Germany in 1991 amounted to 6.4 (West Germany: 7.3;). That is an enormous difference considering the inertia of that measure.

The *LISREL* model applied here (see Figure 2) is a combination of regression- and factor analysis (cf. Bollen 1989). The model is represented by three different measures: First, the perceived employment situation which includes job security and worries about maintenance of the job questions. Second, we look at subjective welfare which is represented by different indicators: job satisfaction, standard of living and general life satisfaction. The third concept, which we call "expectations concerning control," represents a person's perceptions about their ability to cope and get along given the new living situation in East Germany. These latent variables (concepts) are repre-

Table 1

Job Satisfaction by Expected Loss of Job in East and West Germany in 1991

	West		East	
loss of job ¹⁾	N	Mean of Job Satisfaction ²⁾		N
completely certain	49	6.6	3.9	311
probable	101	5.7	5.7	837
rather improbable	1 545	7.0	7.1	1 139
certainly not	1 955	7.5	7.7	237
All	3 650	7.2	6.4	2 524

¹⁾ Question: What do your professional perspectives look like? How likely is it that you will lose your job within the next two years? — ²⁾ Question: How satisfied are you with your job? (0 completely dissatisfied, 10 completely satisfied).

Table 2

Change in Mean of Job Satisfaction After Changed Probability of Loss of Job
in East Germany Among Persons Who Were Employed in 1990-1992
— N —

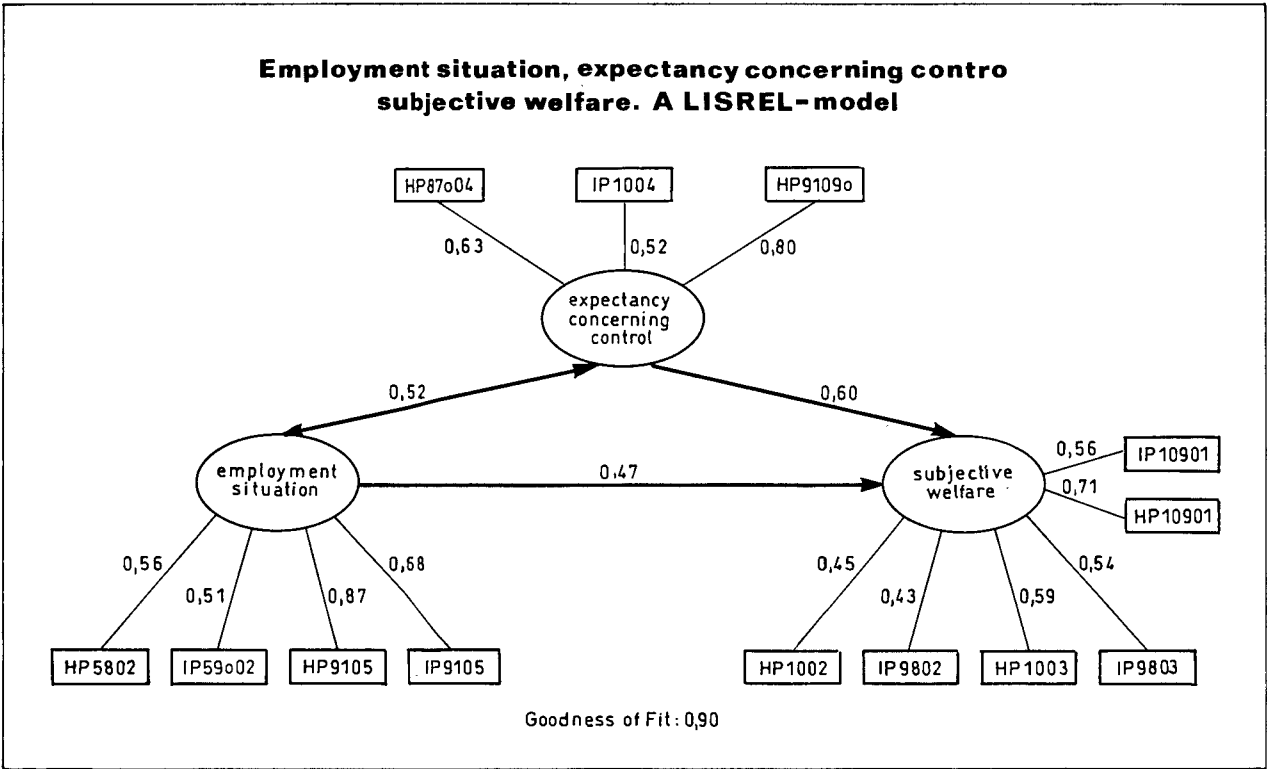
	Loss of Job 1990	
	Probable	Improbable
1992		
Probable	-1.4 (283)	-1.8 (266)
Improbable	+0.4 (444)	-0.2 (944)

sented by several variables which differ with regard to their contents and the time they are asked.

While the perception variables on the GSOEP are useful to measure several expectations about the future, it would be desirable to have questions that allow measurement of concepts such as "locus of control" (Rotter) and "instrumentalities" (Vroom). We regard "expectations concerning control" as a measure of one's ability to cope with future problems. We define instrumentality as a measure of one's ability to influence a certain situation. Lacking other indicators for these two concepts, we treat both aspects as one variable.

We find that employment has a strong impact (0.47) on subjective welfare. We also find a correlation between employment and "expectations concerning control", which has an additional impact on subjective welfare (0.60). A poor employment situation leads to a decrease in subjective welfare. There is also a connection between unfavourable "expectations concerning control" and decreases in welfare. The validity of the applied indicators represented by the coefficients between concept and indicators is sufficient. The adjusted goodness of fit of the model is quite high (0.90).

Figure 2



Economic Effects of Welfare

Job insecurity also affected subjective welfare in the former FRG but seems a minor issue compared to the situation in East Germany (see Schramm 1992). If the situation in West Germany were as bad as it is in the former GDR, however, we expect the same negative effect would occur. Employment not only directly leads to an increase in subjective welfare but may also influence welfare via

changes in income or as the contents of one's job become more important. Islands of productivity with basically secure jobs will arise over time in East Germany. But we expect that overall job security will improve very slowly. Hence it will continue to cause serious dissatisfaction for some time to come. Hence based on our model we predict this climate of insecure jobs will also impede economic progress in the East.

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Appendix:

Notes concerning the LISREL-model

The calculations are based on polychoric correlation coefficients. Not presented in the diagram (Figure 2) are the admitted, specific indicator correlations of a referring concept that exist either in the same survey or the same formulation at both points of time.

Employment situation:

HP5802, IP59002: What do your professional perspectives look like?

How likely is it that you will lose your job within the next two years?

HP9105, IP9105: Are you worried... about the security of your job? (1 serious worries, 2 some worries, 3 no worries)

Subjective welfare:

HP1002, IP9802: How satisfied are you with your job? (0 completely dissatisfied, 10 completely satisfied)

HP1003, IP9803: How satisfied, on the whole, with your standard of living? (0 completely dissatisfied, 10 completely satisfied)

HP10901, IP10901: How satisfied are you, all in all, at the moment with your life? (0 completely dissatisfied, 10 completely satisfied)

Expectancy concerning control:

HP87004, IP1004: Conditions have become so complicated that I can hardly get along. (1 completely true, 4 completely untrue)

HP91090: Are you worried..., about not getting along with the new conditions? (1 serious worries, 2 some worries, 3 no worries)