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Lost job, lost trust? On the effect of involuntary job loss on trust

Tim Friehe, Jan Marcus

February 1, 2021

Abstract

This paper tests the conjecture that involuntary job loss erodes trust. Using the German Socio-Economic Panel and considering how trust evolves over a quinquennial time interval, we find that job loss decreases trust by about 9 percent of a standard deviation.

Keywords: Trust, Job Loss, Unemployment, SOEP

JEL: J24, J64

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1. Introduction

Trust is both a crucial factor for the functioning of societies and an important driver of individual success and well-being. Becker et al. (2012), for example, highlight that trusting individuals attain better life outcomes (e.g., in terms of years of education, life satisfaction, and gross wages) and Falk et al. (2018) present evidence about the influence of trust on economic development. While researchers increasingly understand the implications of trust in different economic domains, little is known about the determinants of trust itself.

Our paper starts from the idea that trusting people make themselves vulnerable to exploitation by others. This concern is particularly valid for the relationship between employer and employee, where trust is important and evidence exists that employees are very concerned about, and strongly respond to, signs of (dis)trustworthiness at the workplace (e.g., Falk and Kosfeld, 2006; Brown et al., 2015).¹ In many circumstances, the employer’s termination of the employment relationship will cause employees to believe that their employer has been taking advantage of them and/or underweights employees’ needs relative to other concerns. Since people trust others if they are used to being treated fairly by others (e.g., Alesina and La Ferrara, 2002; Schwerter and Zimmermann, 2020), we expect that an involuntary job loss tends to create feelings of exploited trustworthiness on behalf of the individual, eroding this individual’s willingness to trust others.

This paper uses data from the nationwide German Socio-Economic Panel (SOEP) and employs its quinquennial trust measurements from 2003 through 2018. The analysis explores the extent to which changes in an individual’s level of trust depend on job loss within the last five years. We find that job loss decreases trust by about 9 percent of a standard deviation. This effect is robust across different empirical specifications and subgroups of the population. Our results provide estimates of a causal effect of job loss on trust under the conditional independence assumption (for details, see, e.g., Everding and Marcus, 2020).²

Our paper relates to findings of Alesina and La Ferrara (2002), who, using data from the US General Social Survey to consider correlates of trust, find a significant association with the aggregate measure “traumatic events in the past year.” The relevant question in the General Social Survey aggregates unemployment, deaths, divorces, and hospitalizations/disabilities into the critical trauma measure. We provide evidence on the effect of an involuntary job loss alone and can condition the trust data on a very large number of covariates. With respect

¹Livne-Ofer et al. (2019), for example, provide an interesting study of employees’ perceived exploitation using construction workers and medical residents.

²As we combine matching and difference-in-difference, the identification assumption can also be framed as a (conditional) common trends assumption.

to divorce (i.e., one item from the trauma list of Alesina and La Ferrara (2002)), Vitanen (2014) consider the implication of a parental instead of an own divorce on interpersonal trust using data from the Household, Income and Labour Dynamics in Australia Survey (HILDA). The adverse impact of “traumatic events” in Alesina and La Ferrara (2002), parental divorce in Vitanen (2014), and of job loss in our paper may also be related to the argument that the perception of being in control supports trust (e.g., Uslaner, 2015). In addition, Alesina and La Ferrara (2002), for example, refer to the importance of education for the level of generalized trust and also report a positive correlation between trust and own income, a relationship that is revisited by Ananyev and Guriev (2018) using a natural experiment involving the 2008-9 financial crisis in Russia. With regard to causal determinants of trust, for example, Kosfeld et al. (2005) present data about biological determinants and Kosse et al. (2020) show that children’s social environment causally influences trust. While trust is considered to be a cultural trait passed from parents to their children (e.g., Alesina and Giuliano, 2015), it is clear that trust evolves over a lifespan (e.g., Bellemare and Kroeger, 2007; Greiner and Zednik, 2019).

At the societal level, trust is influenced by prevailing cultural norms (e.g., Becker et al., 2016; Ermisch and Gambetta, 2010), income equality (e.g., Barone and Mocetti, 2016; Gustavsson and Jordahl, 2008), climatic conditions (e.g., Toya and Skidmore, 2014), and ethnic homogeneity (e.g., Alesina and La Ferrara, 2002), *inter alia*.

This article contributes to the literature by identifying how job loss affects the level of generalized trust. Thereby, our study also complements previous studies examining various consequences of job loss, for example, with respect to risk-taking (Hetschko and Preuss, 2019), smoking behavior (Everding and Marcus, 2020), and personality traits (Anger et al., 2017; Preuss and Hennecke, 2018).

2. Data

We use German Socio-Economic Panel (SOEP) data. The SOEP is a nationally representative longitudinal study of private households across Germany that was launched in 1984. Every year, about 11,000 households and more than 25,000 individuals are surveyed, making the SOEP one of the largest panel surveys worldwide (Goebel et al., 2019).

Our measure of trust depends on the respondents’ extent of (dis)agreement with three statements: “In general, one can trust people,” “These days you cannot rely on anybody else,” and “When dealing with strangers it is better to be careful before you trust them,” on 4-point Likert scales. Experimentally validated by Fehr et al. (2003), these questions were included in the years 2003, 2008, 2013, and 2018. Dohmen et al. (2008) explore distribution

and correlates of the trust measure in the SOEP. We use their approach of aggregating the answers to the three statements into a single standardized trust index via principal component analysis.

Our choice of control variables is informed by SOEP-based studies on the effect of involuntary job loss on personality traits and risk-taking (Anger et al., 2017; Preuss and Hennecke, 2018; Hetschko and Preuss, 2019). Our control variables make up three subsets: the first subset relates to *demographics* (containing the individual variables age, gender, marital status, number of children, urban location, federal state [16 categories], SOEP subsample [13 categories], and treatment period [3 categories]), the second subset relates to *labor market* characteristics (including tenure, firm size [5 categories], industry [10 categories], individual net monthly income, full-time employed, previous time in unemployment, and previous time in full-time employment), and the last subset refers to information about the respondent’s *education* (including school degree [5 categories], vocational degree, and university degree). Table A.1 in the appendix provides descriptive statistics.

Excluding the self-employed and civil servants, we restrict the sample to full-time and part-time working individuals aged between 18 and 57 in the baseline survey year with non-missing information regarding the aforementioned control variables. Against the background of our quinquennial time intervals, the upper age boundary 57 avoids any potential issues stemming from early retirement decisions whereas the lower bound originates from the threshold at which individuals attain the age of majority in Germany.

The treatment group comprises individuals who experienced a job loss due to plant closure or dismissal between the baseline survey year (year t , with $t \in \{2003, 2008, 2013\}$) and the next survey year including the trust measure (i.e., year $t+5$), while the control group consists of individuals without any voluntary or involuntary job loss in this period. In our analysis, we pool the observations across the three treatment periods 2003-2008, 2008-2013, and 2013-2018. This leaves us with 12,956 observations; 1,602 in the treatment group and 11,354 in the control group. We can follow 4,738 individuals over the 2003-2008 treatment period, 3,526 over the 2008-2013 treatment period, and 4,692 over the 2013-2018 period. For 2,948 individuals of the 2008-2013 group, we have a valid trust measure in 2003, meaning that we can follow these individuals over the 2003-2013 period. Similarly, for 2,170 individuals of the 2013-2018 group, we have a valid trust measure for the year 2008. So overall, 5,118 individuals are observed over 10 years and deliver three trust measures.

3. Empirical strategy

We apply a combination of matching and difference-in-difference (DiD): We compare how the individual trust measure changes differently between individuals in the treatment group and similar individuals in the control group.³ We estimate the following equation:

$$\Delta Y_{i,t+5} = \alpha + \beta \cdot jobloss_{it} + \gamma Y_{it} + \mathbf{X}_{it}' \delta + \varepsilon_{it}, \quad (1)$$

where $\Delta Y_{i,t+5} = Y_{i,t+5} - Y_{it}$ denotes the change in the level of trust of individual i between two adjacent SOEP survey years including the trust measure. The time span between two adjacent SOEP survey years including the trust measure is constant at five years. β is the coefficient of interest, denoting the effect of job loss on changes in trust. $jobloss_{it}$ is an indicator variable that takes on the value one if an individual experienced a job loss due to plant closure or dismissal between t and $t + 5$. \mathbf{X}_{it} is a vector of control variables. Our empirical analysis successively adds the three aforementioned subsets of control variables (i.e., demographics, labor market characteristics, and education). In our preferred specification, \mathbf{X}_{it} includes all three subsets.⁴ All control variables are elicited in the baseline survey year t . ε_{it} is the error term in Equation 1. In the main specification, we work with robust standard errors, while Table A.2 in the Appendix shows that our conclusion does not change when clustering the standard errors at different levels (e.g., federal state, primary sampling unit, and industry) and performing wild cluster bootstrap procedures.

We estimate Equation 1 with weighted OLS, where the weights are provided by entropy balancing (Hainmueller, 2012). Entropy balancing reweights the observations in the control group so that they have the same control variable means (\mathbf{X}_{it}) as the treatment group. It balances the treatment and control groups more effectively than propensity score methods and is applied in several other studies examining the consequences of job loss (Marcus, 2013; Anger et al., 2017; Preuss and Hennecke, 2018; Hetschko and Preuss, 2019; Everding and Marcus, 2020). Balancing the characteristics of the treatment and control groups is strongly recommended for the question at hand because the average individual who experiences a job loss features different characteristics than the average individual who does not experience a

³Note that our approach is about identifying the potential effect of an exogenous shock on the evolution of trust, trying to remove the role of any potential intra-individual variability that may occur for both *untreated* and *treated* individuals. See Schildberg-Hoerisch (2018) for a full description of an adequate framework for studying trait stability.

⁴While some aspects at the community level (e.g., ethnic heterogeneity) are relevant for trust *levels* (see Section 1), we focus on *changes* in trust. Furthermore, our empirical approach addresses such aspects by including state fixed effects and an indicator variable for urban areas.

job loss (see Table A.1 in the Appendix). The identification assumption of our matching-DiD procedure is that, in the absence of the job loss, trust in the treatment group would develop in the same way as in the *reweighted* control group.⁵ We identify a causal effect if our model includes all variables that simultaneously affect the probability of job loss and changes in the trust level.

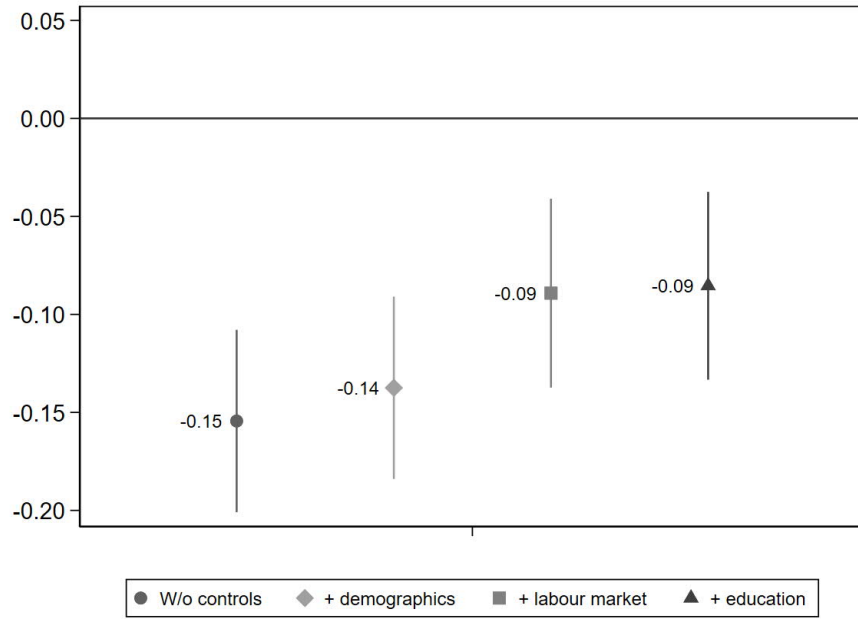
4. Results

4.1. Job loss and trust: Main results

Figure 1 shows how job loss is related to changes in the individual level of trust (i.e., the estimates of β from Equation (1) for four different sets of control variables). These results show a causal effect under the conditional independence assumption. The first estimate relates to a setting without the \mathbf{X}_{it} vector, that is, when controlling only for pre-treatment trust. The models for the other estimates successively include additional control variables in both the reweighting and regression steps. When controlling for demographic and labor market characteristics, we see that job loss decreases the level of trust by about 9% of a standard deviation. This effect changes only marginally when additionally controlling for individuals' education. All estimates are statistically significant at the 5%-level as indicated by the confidence intervals (which are based on robust standard errors). This is also evident from the first row in Table 1, which displays the numerical values of estimated β -coefficients and standard errors for the four coefficients of Figure 1.

⁵Unfortunately, the trust questions are not part of the SOEP in every year, making it impossible to show event study graphs with coefficients for every year before and after the job loss in order to support the identifying assumption (as in, e.g., Marcus and Siedler, 2015). However, for a subset of individuals, we can use three observations for trust, namely in $t - 5$, t , and $t + 5$, to create something like pre-treatment trends. This procedure produces results that are overall consistent with our interpretation.

Figure 1: The effect of job loss on trust

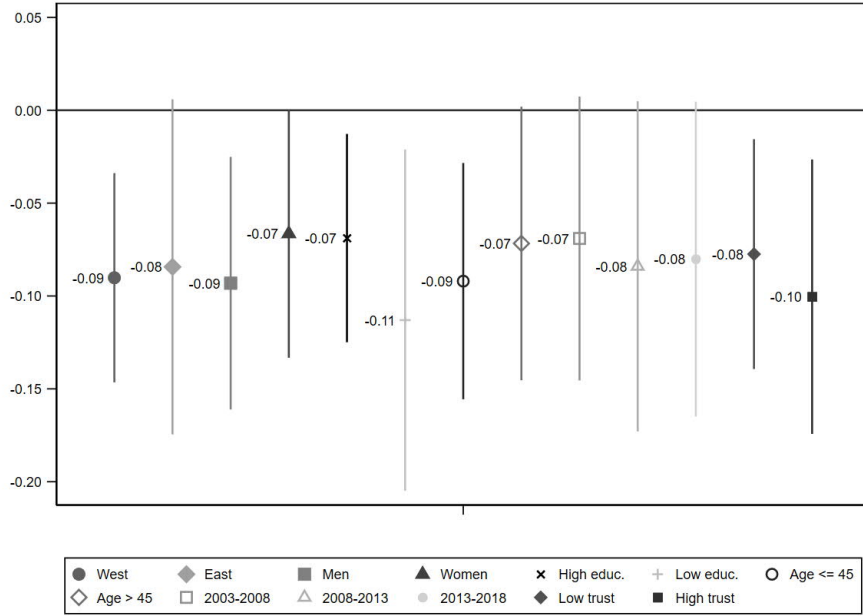


Notes: The graph shows estimates for the effect of job loss on the standardized SOEP trust measure together with its 95% confidence interval based on robust standard errors. The different coefficient estimates relate to different sets of control variables. All estimates are based on $N = 12,956$ observations.

The identified effect of job loss on trust may only be due to specific respondent types. To explore this possibility, we consider different subgroups. Figure 2 shows that the negative trust effect of job loss is, in fact, a rather broad phenomenon that does not differ significantly between subgroups.⁶ The negative coefficient exists for individuals in both West and East Germany, for males and females, for lower and higher educated individuals (where higher education means more education than a basic school degree), for younger and older individuals (older than 45 years), as well as for each of the three treatment periods. In addition, the effect is similar for people starting out with either a high trust level or a low one (where high trust indicates a baseline trust level above the median of the treatment group).

⁶However, for some coefficients the 95% confidence interval includes 0.

Figure 2: The effect of job loss on trust: Subgroup analysis



Notes: The graph shows estimates for the effect of job loss on the standardized SOEP trust measure for various subgroups, based on the full set of controls from Equation (1). The displayed 95% confidence intervals are based on robust standard errors.

To explore whether the negative effect of job loss on trust persists in the long-run, we consider whether somebody who experienced a job loss in one five-year interval (i.e., between t and $t + 5$) shows a significantly lower level of trust in year $t + 10$ (i.e., after five additional years have passed). We no longer find a significant negative impact (see Table 2). This is consistent with the results of Alesina and La Ferrara (2002), as they report a correlation with a traumatic experience in the past year but no relationship between trust and the occurrence of a traumatic experience in the past five years.⁷

⁷Our result that the adverse effect of involuntary job loss is at least partially revised over a long time horizon aligns also with similar observations regarding the implications of job loss for risk-taking behavior and locus of control (Preuss and Hennecke, 2018; Hetschko and Preuss, 2019).

Table 1: Robustness

	N	Without controls (1)	+ demographics (2)	+ labor market (3)	+ education (4)
1. Main	12956	-0.15*** (0.02)	-0.14*** (0.02)	-0.09*** (0.02)	-0.09*** (0.02)
2. Full time	9688	-0.14*** (0.03)	-0.13*** (0.03)	-0.06** (0.03)	-0.06** (0.03)
3. Age 25-55	11975	-0.13*** (0.02)	-0.12*** (0.02)	-0.07*** (0.03)	-0.07*** (0.03)
4. Anger et al.	12631	-0.07*** (0.02)	-0.07*** (0.02)	-0.07*** (0.02)	-0.07*** (0.02)
5. Hetschko/Preuss	12759	-0.08*** (0.02)	-0.08*** (0.02)	-0.08*** (0.02)	-0.08*** (0.02)
6. Preuss/Hennecke	12943	-0.09*** (0.02)	-0.09*** (0.02)	-0.09*** (0.02)	-0.09*** (0.02)
7. Without Y_t	12956	-0.07** (0.03)	-0.07** (0.03)	-0.06* (0.03)	-0.05* (0.03)
8. Big 5	6309	-0.13*** (0.04)	-0.12*** (0.04)	-0.08** (0.04)	-0.07** (0.04)
9. Big 5 sample	6309	-0.14*** (0.04)	-0.12*** (0.04)	-0.08** (0.04)	-0.07** (0.04)
10. Life events	12878	-0.15*** (0.02)	-0.14*** (0.02)	-0.09*** (0.02)	-0.09*** (0.02)
11. Health shock	8218	-0.16*** (0.03)	-0.14*** (0.03)	-0.09*** (0.03)	-0.08** (0.03)
12. Health shock sample	8218	-0.16*** (0.03)	-0.14*** (0.03)	-0.09*** (0.03)	-0.08** (0.03)
13. Unemployed	12511	-0.17*** (0.03)	-0.16*** (0.03)	-0.10*** (0.03)	-0.10*** (0.03)
14. Plant closure	11883	-0.07* (0.04)	-0.06 (0.04)	-0.02 (0.04)	-0.02 (0.04)
15. Unempl. + plant clos.	12195	-0.11** (0.05)	-0.10** (0.05)	-0.05 (0.05)	-0.05 (0.05)
16. Without anticipation	12839	-0.15*** (0.03)	-0.15*** (0.03)	-0.10*** (0.03)	-0.10*** (0.03)
17. PS-Matching	12953	-0.14*** (0.02)	-0.14*** (0.02)	-0.08*** (0.02)	-0.08*** (0.02)
18. OLS	12956	-0.15*** (0.02)	-0.14*** (0.02)	-0.09*** (0.02)	-0.08*** (0.02)
19. Without regression-adjust.	12956	-0.15*** (0.02)	-0.14*** (0.02)	-0.09*** (0.03)	-0.09*** (0.03)
20. Survey weights	12797	-0.13*** (0.04)	-0.12*** (0.03)	-0.08** (0.04)	-0.07** (0.04)

Notes: The table displays the estimated effect of job loss on the standardized SOEP trust measure for different specifications as indicated by the row name, based on different sets of control variables (as indicated by the column header). Robust standard errors in parentheses (* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$).

4.2. Job loss and trust: Robustness

Our result that job loss significantly decreases trust is robust to a wide variety of alternative specifications (see Table 1), including other sample restrictions (focusing only on either individuals with full-time employment [Row 2] or on individuals aged 25-55 [Row 3]), alternative sets of control variables (control variables used in Anger et al. (2017) [Row 4], Hetschko and Preuss (2019) [Row 5], Preuss and Hennecke (2018) [Row 6]; without baseline trust [Row 7]; Big 5 personality traits⁸ [Row 8]), and to additional controls for other major life events between the two SOEP survey years including the trust measurement (marriage, childbirth, divorce, separation from partner, death of spouse, change of house/flat [Row 10]; health shock⁹ [Row 11]).

The job-loss effect on trust is larger when the treatment group consists only of individuals who experienced plant closure/dismissal *and* some unemployment between t and $t + 5$ [Row 13].¹⁰ If we restrict the treatment group to individuals who experienced plant closure, we obtain a smaller coefficient and much larger confidence intervals [Rows 14 and 15].¹¹ Several aspects may explain why results for individuals with employer dismissal may differ from those for individuals with plant closure experience. First, individuals whose job loss is due to plant closure are less likely to experience unemployment subsequent to their job loss (possibly due to the role of “employment promotion companies” (*Transfergesellschaften*)¹² and the reality that the job loss can on average be anticipated much better). In our data, more than 40% of the individuals in the plant closure treatment group did not experience any unemployment in the treatment period, while this was true for only 20% of individuals in the dismissal

⁸The SOEP includes the Big 5 inventory only every four years (starting in 2005). We take the last-pretreatment measure of the personality traits as baseline values. Hence, this robustness check does not include the 2003-2008 treatment period. Due to the substantially reduced sample, we also present the results for this sample without controlling for personality traits [Row 9].

⁹The dummy variable “health shock” is equal to one if an individual reported to have or have had diabetes, asthma, cardiovascular disease, cancer, stroke, migraine, high blood pressure, depression, and/or dementia between t and $t + 5$. This robustness check does not include the 2003-2008 treatment period as the health shock questions were only introduced in 2009. As for personality traits, we also show the results for the reduced sample without controlling for this variable [Row 12], showing that including this variable does not change the point estimate meaningfully.

¹⁰As it is possibly endogenous who becomes unemployed after an involuntary job loss, specifications that condition on unemployment experience have to be interpreted with care.

¹¹Plant closure is often used in the labor literature to identify causal effects. However, employees often leave the firm in anticipation of the plant closure (Browning and Heinesen, 2012) and those employees who stay at the plant until its actual closure may be a selective group (see also the discussion in Everding and Marcus, 2020).

¹²Employment promotion companies are a German labor market instrument in case of imminent mass layoffs. Employees facing mass-layoffs are temporarily assigned to an independent business unit (the employment promotion company), which provides further training and job search assistance for those employees.

treatment group. As highlighted in Row 13, this will tend to weaken the effect of job loss on trust. Second, job loss due to a plant closure is a very *atypical* job-loss reason in Germany, which means that we lose power to estimate the effect.¹³ Third, job loss due to plant closure probably does not create feelings of betrayed trust to the same extent as a job loss due to employer dismissal (because the latter is a much more personal experience).

Our main finding is robust to excluding individuals from the treatment group who lost their job in the year after the baseline survey year (thereby mitigating the possibility of anticipating the job loss) [Row 16], to alternative estimation methods (either ordinary least squares [Row 17] or propensity score-based kernel matching [Row 18]), to considering the control variables only in the matching step but not in the regression step [Row 19], and to applying survey weights [Row 20]. Furthermore, Table A.2 in the Appendix shows that our conclusion is insensitive to different modes of inference (including different levels of clustering the standard errors and wild cluster bootstrap procedures).¹⁴

Table 2: Long-run effects

	Without controls (1)	+ demographics (2)	+ labor market (3)	+ education (4)
Trust in $t + 10$	-0.02 (0.04)	-0.01 (0.04)	0.00 (0.04)	0.00 (0.04)
N	5517	5517	5517	5517
Trust in $t + 5$ ($t + 10$ sample)	-0.07* (0.04)	-0.07* (0.04)	-0.09* (0.04)	-0.09* (0.04)
N	5517	5517	5517	5517

Notes: The table relates to long-run effects of job loss on trust. The first panel shows the effect of job loss between t and $t + 5$ on trust measured in $t + 10$, that is after five additional years have passed. The second panel presents results for our main specification (i.e. trust measured in $t + 5$), but for the same sample as the first panel. Robust standard errors in parentheses (* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$).

5. Discussion and Conclusion

Based on the assumption that our model includes all variables that simultaneously affect the probability of job loss and changes in the trust level, this paper provides evidence that

¹³More than twice as many individuals in the treatment group lost their job due to dismissal rather than to plant closure.

¹⁴When we treat the subjects' answers to the three trust questions as separate outcomes, we find results consistent with those reported for the trust index, that is, a statistically significant negative effect of involuntary job loss of a roughly comparable magnitude (except for the question "When dealing with strangers it is better to be careful before you trust them," where the effect turns insignificant when using all three sets of control variables).

involuntary job loss has a negative effect on trust. This finding is relevant for policy making. First, at the individual level, it suggests that losing a job causes a change in a fundamental characteristic that may, in turn, prolong the period of joblessness, for example. Related to our finding is the discussion of Haushofer and Fehr (2014) regarding the influence of poverty on risk-taking and time-discounting (via negative affect and stress). In the spirit of Haushofer and Fehr (2014), we test whether changes in life satisfaction, mental health, income, or fairness expectations (all clearly related to job loss as we show in Table A.3) are potential drivers of the identified job-loss effect on general trust. However, the significant effect of job loss on trust remains even when controlling for all of these potential channels (see Table A.4), suggesting that additional mechanisms are at work. We hope that our paper provokes future research about further mechanisms. Second, at the societal level, one may be even more concerned about a marked increase in job losses like those triggered globally by the lockdown measures enforced to fight the spread of COVID-19 because the implications for economic development may also run via reduced trust.

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Appendix

Table A.1: Descriptive statistics

	Untreated (1)	Treated (2)	Difference (3)
Trust (standardized)	0.03	−0.14	0.17***
Age	42.61	41.01	1.60***
Female ⁺	0.49	0.46	0.03*
Married ⁺	0.68	0.61	0.07***
Number children	0.82	0.80	0.02
Urban ⁺	0.65	0.63	0.02
Year 2003 ⁺	0.36	0.44	−0.08***
Year 2008 ⁺	0.27	0.26	0.02
Year 2013 ⁺	0.37	0.31	0.06***
Tenure ⁺	11.55	6.97	4.58***
Small firm ⁺	0.20	0.38	−0.18***
Medium-small firm ⁺	0.29	0.33	−0.04***
Medium firm ⁺	0.25	0.16	0.09***
Large firm ⁺	0.26	0.13	0.13***
Net income	1716.06	1357.18	358.87***
Works full-time ⁺	0.75	0.76	−0.01
Years unemployment	0.50	1.08	−0.58***
Years full-time	16.15	14.98	1.17***
No school degree ⁺	0.01	0.01	−0.01***
Basic school degree ⁺	0.24	0.28	−0.05***
Middle school degree ⁺	0.44	0.48	−0.04***
High school degree ⁺	0.31	0.21	0.10***
Missing education info ⁺	0.01	0.01	−0.00
University degree ⁺	0.24	0.16	0.08***
Vocational degree ⁺	0.80	0.81	−0.01
<i>N</i>	11,354	1,602	12,956

Note: This table shows variable means for the treatment and unmatched control groups. All variables originate from year t , i.e. the baseline year. The first column displays the means for individuals who lost their job between two survey years with the trust measure (treatment group), the second column for all individuals without a job loss between the two survey years (control group), and the third column shows the mean differences between the two groups. For sake of brevity, this table does not display summary statistics for industry (10 categories), state (16 categories), and SOEP subsample (13 categories). These variables are also part of X_{it} , the full set of control variables. + denotes binary variables. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table A.2: Different modes of inference

	Without controls (1)	+ demographics (2)	+ labor market (3)	+ education (4)
Cluster: Primary sampling unit				
Point estimate	-0.15	-0.14	-0.09	-0.09
<i>p</i> -value	0.000	0.000	0.000	0.000
Cluster: state				
Point estimate	-0.15	-0.14	-0.09	-0.09
<i>p</i> -value	0.000	0.000	0.002	0.004
Cluster: industry				
Point estimate	-0.15	-0.14	-0.09	-0.09
<i>p</i> -value	0.000	0.000	0.001	0.000
Twoway clustering				
Point estimate	-0.15	-0.14	-0.09	-0.09
<i>p</i> -value	0.000	0.000	0.002	0.003
Wild-cluster: state				
Point estimate	-0.15	-0.14	-0.09	-0.09
<i>p</i> -value	0.000	0.000	0.001	0.002
Wild-cluster: industry				
Point estimate	-0.15	-0.14	-0.09	-0.09
<i>p</i> -value	0.000	0.000	0.003	0.003
Wild-cluster: twoway				
Point estimate	-0.15	-0.14	-0.09	-0.09
<i>p</i> -value	0.011	0.006	0.023	0.015

Notes: The table displays the estimated effect of job loss on the standardized SOEP trust measure together with the *p*-values based on different modes for statistical inference. Wild cluster bootstrap procedures are performed using the user-written program `BOOTTEST` (Roodman et al., 2019), based on 999 replications, testing under the null hypothesis, and Rademacher weights.

Table A.3: Potential mechanisms

	Outcome			
	Life satisfaction (1)	Mental health (2)	Individual income (3)	Fairness (4)
Job loss	-0.37*** (0.05)	-0.56 (0.29)	-420.27*** (21.61)	-0.04** (0.01)
N	12922	10747	12956	12603

Notes: The table displays the estimated effect of job loss on different outcomes as indicated by the column header. All specifications are based on the main sample and the full set of control variables including the value of the outcome at baseline (t). Outcomes are measured in $t + 5$. “Life satisfaction” refers to general life satisfaction and is measured on a scale from 0-10. “Mental health” is based on the mental component summary scale, which is normalized to have mean 50 and a standard deviation of 10. “Individual income” refers to individual monthly labor income measured in Euro. “Fairness” is a dummy variable that takes on the value 1 for individuals that opt for b) in the statement “Do you believe that most people a) would exploit you if they had the opportunity or b) would attempt to be fair towards you?” N differs between specifications as observations with missing outcome values are dropped. Robust standard errors in parentheses (* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$).

Table A.4: Controlling for potential mechanisms

	Controlling for					
	Main (1)	Life satisfaction (2)	Mental health (3)	Individual income (4)	Fairness (5)	All (6)
Job loss	-0.09*** (0.03)	-0.08** (0.03)	-0.09*** (0.03)	-0.09** (0.03)	-0.09*** (0.03)	-0.07** (0.03)
N	10461	10461	10461	10461	10461	10461

Notes: The table displays the estimated effect of job loss on the standardized SOEP trust measure. The different specifications control in the regression step for changes between t and $t + 5$ in the variables indicated by the column header. All specifications are based on the main specification and the main sample, but exclude in both matching and regression step observations with a missing value on at least one of the potential mechanisms. Robust standard errors in parentheses (* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$).