

Exclusionary Backlash to Job Loss: Evidence from Germany

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January 2026

Abstract

This short article uses panel survey data from the decade following German reunification to study how job loss shapes individuals' attitudes toward immigration and multiculturalism. It shows that German workers who lose their jobs become more hostile toward both immigrants and Jews than they had been prior to job loss. They also become more sympathetic toward National Socialism and the radical right. This appears to be true of workers in both eastern and western Germany. The attitudinal effect of job loss is equivalent to at least half of the effect of going to university, but in the opposite direction. These findings are corroborated by more recent evidence showing that German survey respondents who are out of work are more hostile toward immigrants and Jews and are more supportive of the AfD. This paper provides the strongest evidence to date that cultural attitudes are shaped by labor market shocks.

Keywords: economic shocks, job loss, immigration, antisemitism, radical right

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[†]Many thanks to Moritz Bondeli, Isabela Mares, Paul Marx, Bilyana Petrova, Nils Röper, David Rueda, Ken Scheve, and the participants in the Comparative Politics Workshop at Yale and the Comparative Political Economy Seminar at Nuffield College, Oxford for helpful feedback.

Over the last half-century, electoral competition in advanced democracies has become increasingly organized around a ‘cultural’ cleavage that pits advocates of diversity and free immigration against defenders of a more restrictive vision of political belonging (e.g., [Ford and Jennings 2020](#)). A recurring debate in contemporary scholarship is about the extent to which voters’ positions on this cultural dimension of electoral competition are shaped by their economic circumstances and especially by their experiences in the labor market. According to one view, individuals’ views on multiculturalism and immigration are determined primarily by their family background and educational experiences. Consistent with this view, scholars have shown that education exerts a liberalizing effect on immigration attitudes and that most voters’ views on immigration are not directly related to exposure to labor market competition ([Cavallé and Marshall 2019](#); [Hainmueller and Hopkins 2014](#)). These findings suggest that labor market experiences in adulthood have a limited or negligible effect on attitudes toward immigration and multiculturalism.

On the other hand, there now exists a considerable body of evidence connecting labor market adversity to exclusionary nationalist attitudes and support for candidates and parties of the radical right. Recent scholarship has shown that voters in areas affected by adverse economic shocks are more likely to hold xenophobic attitudes and to vote for parties that endorse exclusionary nativism (e.g., [Carreras et al. 2019](#); [Ballard-Rosa et al. 2022](#)). Scholars have also shown that the onset of labor market adversity may drive support for radical right parties ([Kurer 2020](#)). This evidence suggests that voters’ cultural attitudes may indeed be shaped by labor market dislocation, perhaps by driving status anxieties that find expression in hostility toward minority groups ([Gidron and Hall 2017](#)).

Missing from existing scholarship, however, is direct evidence that economic dislocation at the individual level leads to the adoption of exclusionary cultural attitudes. The most credible way to study this link is through panel survey data that measures the same individuals’ attitudes before and after they experience a shock. Yet scholarship using this methodology to study labor market shocks and attitudinal change has focused almost ex-

clusively on redistributive preferences (see review in [Margalit 2019](#)), with the exception of [Hopkins et al. \(2024\)](#), who study the effect of economic shocks on preferences toward unauthorized immigration in the United States. It remains unclear whether broader attitudes on immigration and multiculturalism change in response to shocks like job loss and whether the effects of job loss are substantively important relative to other factors like education.

In this short article, I draw on previously untapped panel survey evidence from Germany in the decade following reunification to study the effect of job loss on exclusionary cultural attitudes. The data come from the Political Attitudes, Political Participation, and Voter Behavior in Reunified Germany survey, which ran from 1994 to 2002 and was a predecessor of the German Longitudinal Election Study (GLES) ([Falter et al. 2012](#)). This survey is distinctive because of its questions about respondents' attitudes toward multiculturalism in combination with its detailed questions about respondents' labor market trajectories. In addition to assessing the effect of job loss on respondents' cultural attitudes, I examine the effect of higher education on the same attitudes, studying individuals before and after they attend university. This allows for a comparison of the relative magnitude of these effects.

The analysis shows that in Germany's post-reunification decade, job loss led to a considerable increase in exclusionary nativist sentiment, including hostility toward both immigrants and Jews. The effect of job loss was equivalent to at least half of the effect of a university education on respondents' attitudes (but in the opposite direction). Furthermore, I show that job loss led to more sympathetic attitudes toward National Socialism and a more favorable assessment of Germany's leading radical right party at the time, *Die Republikaner*. The responses of East and West Germans were statistically indistinguishable from one another on most of these outcomes. I also provide evidence that job loss induced a decline in subjective social status, lending support to the view that labor market dislocation promotes exclusionary sentiments by inducing feelings of status loss. I complement the panel data from the post-reunification decade with more recent evidence from the GLES ([Rattinger et al. 2024](#)) and the German General Social Survey (ALLBUS; [Allerbeck et al. 2024](#)) showing that job

loss predicts anti-immigrant sentiment, hostility toward Jews, sympathy for National Socialism, and support for the far-right *Alternative für Deutschland* (AfD). This suggests that the findings of the panel analysis generalize to the contemporary era.

Data and empirical strategy

To study the relationship between job loss and exclusionary cultural attitudes, this short article uses individual-level panel data collected in Germany during the decade after unification. The advantage of panel data is that respondents are asked the same questions repeatedly over time, allowing the researcher to examine whether respondents who experience shocks like job loss are more likely to change their responses from one wave to the next than are respondents whose labor market status remains unchanged. The first wave of the survey was conducted in 1994, with follow-up waves in 1998 and 2002. Interviews with participants were conducted largely face-to-face. This yielded 2,753 working-age respondents who participated in at least two consecutive rounds. Participant attrition between waves was moderate and comparable to that found in more recent scholarship on responses to economic shocks, such as in [Margalit \(2013\)](#), as discussed in Appendix A. Appendix Tables A1 and A2 show stability across waves in the demographic composition of the sample, ameliorating concerns about differential attrition. Appendix B provides background on the post-reunification period, when Germany slid into recession and became ‘the sick man of Europe.’

The main outcome of interest is respondents’ answer to a survey question that asks whether they agree that “because of all the foreigners, the Federal Republic has been *überfremdet* to a dangerous degree.” This word is commonly used by critics of immigration in Germany and suggests that the country is ‘over-foreignized’ and has become estranged or indeed ‘alienated’ from itself. The second survey item is one that asks respondents whether they agree or disagree that “the Jews simply have something peculiar and distinctive about them that doesn’t fit so well with us.” Affirmative answers indicate respondents’ adherence to an exclusionary ethno-nationalist view of belonging. I also study responses to a question that asks whether “National Socialism also had its good sides.” Although this question is

vague, affirmative responses may indicate sympathy for ethno-nationalism. For all of these questions, responses are measured on a five-point scale. These responses are rescaled from zero to one, with one indicating strong agreement. I also study respondents' answers to a question asking whether they have a favorable or unfavorable view of *Die Republikaner*, the country's leading radical right party in the 1990s. Responses are measured on an eleven-point scale that I rescale from 0 to 1. Appendix Table C1 reports mean responses to each question by year. Appendix D discusses the question of social desirability bias. Appendix G reports the paper's findings when these variables are re-coded as binary indicators.

Existing scholarship on political responses to job loss often counts respondents as treated if they report being employed in one wave and being unemployed in the subsequent wave (e.g., [Margalit 2013](#); [Hopkins et al. 2024](#)). This approach has two limitations. First, respondents may experience job loss between waves but find new work by the time they are surveyed again. This is especially important when panel waves are several years apart. Second, not all respondents who experience job loss enter unemployment. Some may describe themselves as retired, especially in contexts like Germany where early retirement was a widely used pathway out of the labor market for workers who lost their jobs. Others may enter a retraining program, meaning that they may not classify themselves as unemployed.

Accordingly, I code respondents as having experienced job loss if they *(i)* go from being employed in one wave to being unemployed or in retraining in the next wave, *(ii)* report having been unemployed between waves, or *(iii)* go from being employed in one wave to retired in the next wave prior to the standard retirement age. Appendix Table E1 reports the share of respondents who experience job loss and breaks down the treatment group by gender, age, and region, as well as by their status at the time of the subsequent wave (still unemployed, in new work/retraining, or in early retirement). Appendix Table E2 shows that respondents who are coded as having lost their jobs experience large drops in household income between waves, whether they are in new work, are still unemployed, or have entered early retirement. Although it is possible that some respondents voluntarily retire early,

existing scholarship has shown that early retirement in Germany is typically involuntary (e.g., [Dorn and Sousa-Poza 2010](#)). This is consistent with the finding that early retirement typically entails income losses (Appendix Table E2). To ensure that this paper’s results are not driven by the inclusion of early retirees, Appendix P re-estimates all of the findings with a dataset restricted to respondents under 55 for whom early retirement was not an option.

I use three estimators to study the effects of job loss. The first is a standard two-way fixed effects estimator (TWFE), which controls for time-invariant respondent-level characteristics and respondent-invariant differences between survey waves. The second and third estimators are those developed recently by [Callaway and Sant’Anna \(2021\)](#) and [Imai and Kim \(2019\)](#). Both the CS and IK estimators correct for the problem of “forbidden comparisons” between treated units and already-treated units that can arise in standard TWFE. The CS model also allows for a weaker parallel trends assumption (common trends conditional on covariates). I condition on education and gender. The sample is comprised of working-age respondents. The control group consists of respondents whose labor market status does not change between waves, yielding a final sample of 2,445. Time-invariant controls are made redundant through individual fixed effects. Time-variant controls are omitted because they may be downstream from job loss, introducing a risk of post-treatment bias. This paper’s estimation strategy depends on the parallel trends assumption: Appendix F tests for possible violations of this assumption. All models report heteroskedasticity-robust standard errors. The TWFE and CS models cluster standard errors by respondent; this is not possible in the IK model.

Results

The results in the first three columns of **Table 1** below show that job loss is correlated with an increase in hostility to foreigners, as measured by respondents’ agreement with the claim that Germany is dangerously *überfremdet* or ‘over-foreignized.’ The estimates from the TWFE, CS, and IK models are similar and amount to 14-19% of a standard deviation (SD) in the outcome. The results of columns four, five, and six show that job loss is correlated with an increase in agreement with the claim that there is something about Jews that prevents them

from fitting into German society. The result reaches different levels of statistical significance in the three models. The coefficients are 10-15% of a SD in the outcome. The results with a binary dependent variable are similar (Appendix G).

Table 1: The effect of job loss on exclusionary cultural attitudes in Germany, 1994-2002

	<i>Dependent variable:</i>					
	Germany over-foreignized			Jews don't belong		
	TWFE	CS	IK	TWFE	CS	IK
Lost job	0.049** (0.016)	0.058** (0.017)	0.063*** (0.015)	0.041** (0.015)	0.039* (0.016)	0.026+ (0.014)
Observations	5513	5513	5513	5463	5463	5463
N Clusters	2445	2445	2445	2442	2442	2442

+p<0.10; *p<0.05; **p<0.01; ***p<0.001

To put the magnitude of these effects in context, we can compare them to the attitudinal effect of attending university. To be sure, university attendance is a very different kind of experience from job loss and cannot be characterized as an exogenous shock, given that attendance is voluntary. Studying the magnitude of attitudinal change over the course of a university education does, however, provide a useful benchmark, since many scholars see university experiences as a key source of culturally progressive attitudes. Appendix H reports the details of this panel analysis, which studies the extent to which attending university induces a change in respondents' views between the survey waves. University attendance is correlated with a roughly eight percentage point reduction in agreement with the claim that Germany is over-foreignized and a five percentage point reduction in agreement with the claim that Jews don't belong in Germany. The estimated effect of job loss is thus between half and two thirds of the estimated effect of a university education, but in the opposite direction. This is especially notable because the analysis probably over-estimates the effect of university attendance for reasons discussed in Appendix H. The effect of job loss appears to be persistent for a large share of respondents: for example, 67% of respondents who become more supportive of the view that Germany is over-foreignized following job loss between 1994 and 1998 *remain* more supportive of that view in 2002 than they had been originally.

Table 2 presents results regarding the effect of job loss on respondents’ attitudes toward National Socialism and Germany’s leading radical right party at the time, *Die Republikaner*. The first three columns show that job loss is correlated with an increase in agreement with the claim that National Socialism had its good sides (11-16% of a SD). The result is significant in all three models. The significance is attenuated with a binary coding of the outcome (Appendix G). Columns four, five, and six present the results for attitudes toward *Die Republikaner*. The TWFE and IK models show a significant increase in favorability toward the party, but the results of the CS model are insignificant. Job loss also increases favorability toward the radical left in the IK model but not otherwise (Appendix J). We do not see a change in respondents’ vote intentions (Appendix K). Appendix L shows that respondents perceive a decline in their social status following job loss. This provides suggestive evidence regarding the mechanism that might link job loss to changes in exclusionary attitudes.

Table 2: The effect of job loss on radical right attitudes in Germany, 1994-2002

	<i>Dependent variable:</i>					
	National Socialism good sides			Positive attitude <i>Republikaner</i>		
	TWFE	CS	IK	TWFE	CS	IK
Lost job	0.037** (0.014)	0.043** (0.016)	0.028* (0.013)	0.018+ (0.011)	0.003 (0.012)	0.024* (0.010)
Observations	5504	5504	5504	5344	5344	5344
N Clusters	2445	2445	2445	2435	2435	2435

+p<0.10; *p<0.05; **p<0.01; ***p<0.001

It is important to consider possible differences in responses to job loss between Germans in the former East Germany and those in the older states of the Federal Republic, though it should be stressed that the division of Germany was not a natural experiment (Becker et al. 2020). Heterogeneous responses to job loss may also reflect unmeasured heterogeneity in the re-employment prospects of workers who lose their jobs in the eastern and western states, rather than deeper cultural differences. Appendix M reports the results of interaction models testing for heterogeneous effects of job loss between workers in the former GDR and those in the FRG. There is limited evidence of East-West differences: the coefficient on

the interaction term is significant only for responses to the question about Jews. Appendix N conducts similar analysis for heterogeneous effects by gender and finds no evidence of difference here. The absence of heterogeneous effects may be driven by limits in the sample size. Job loss does not exert a significant effect on even more extreme attitudes, such as sympathy for attacks on refugee homes (Appendix O). This paper’s findings hold when restricting the analysis to respondents under 55, meaning that the results are not driven by coding decisions regarding early retirement (Appendix P).

Given the distinctiveness of the post-reunification period, including the severe recession that Germany experienced from 1993 (Appendix B), it is important to assess the generalizability of these findings. To do so, **Table 3** reports the results of analyses of cross-sectional survey data from the ALLBUS (2008, 2018) and GLES (2009, 2013, 2017, and 2021). In the ALLBUS surveys of 2008 and 2018, respondents are asked whether Germany is over-foreignized, whether Jews belong, and whether National Socialism had its good sides. The GLES asks about attitudes toward immigration and (from 2013) the AfD. The explanatory variable takes a 1 if the respondent is out of work in the form of unemployment or early retirement and a 0 otherwise. As in the panel analysis above, the sample is restricted to working-age respondents. The details of these analyses can be found in Appendix Q.

Table 3: Employment status and exclusionary attitudes in Germany, 2008-2021

	<i>Dependent variable:</i>				
	Over-foreignized	Jews don’t belong	Nazism good sides	Anti-immig.	AfD
Out of work	0.072*** (0.018)	0.064*** (0.016)	0.046** (0.016)	0.048*** (0.008)	0.022* (0.010)
Indiv. controls	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Observations	3743	3996	3949	12667	9377
Years (20-)	08,18	08,18	08,18	09,13,17,21	13,17,21

⁺p<0.10; *p<0.05; **p<0.01; ***p<0.001

These findings are consistent with the panel results. Germans who are out of work are more hostile toward immigrants and Jews, more sympathetic toward Nazism, and more supportive the radical right than are other working-age respondents. It is important to note

that respondents who are out of work are also more supportive of the radical left *Die Linke* (Appendix Q). As in the panel analysis, we do not observe significant heterogeneity by region or gender (Appendix Q). The findings of both the panel and cross-sectional analyses suggest that there is no distinctively ‘eastern’ response to job loss: rather, the relatively high levels of exclusionary sentiment and radical-right support in Germany’s eastern states may reflect the greater *incidence* of job loss in these states in recent decades (Appendix R). Other factors are also surely relevant for explaining regional heterogeneity in support for the radical right.

Summary

This short article makes clear that job loss can induce the adoption of exclusionary attitudes, pushing dislocated workers toward political extremism. This is the strongest evidence to date that economic shocks drive attitudinal change on the ‘cultural’ axis of electoral competition. These findings lend support to the view that cultural conflict in advanced democracies partially reflects asymmetric exposure to labor market dislocation.

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