



New forms of economic risk and political attitudes

Analyzing the influence of technological change and financialization in housing on political attitudes. Examining the effect of personality on the prevalence and persistence of atypical employment.

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1. Introduction

Economic inequality is rising. This is evident both in the distribution of income and wealth, but also in terms of economic risk defined as uncertainty about future income (Rehm 2009; Hacker 2004). Simultaneously, there's a notable and widely discussed shift within Western democracies: far right or populist parties are gaining vote shares, populist candidates have been elected as president or participate in multi-party governments. This deterioration, however, is gradual, not abrupt, with populists elected to office posing a significant threat to democracy (Levitsky and Ziblatt 2018) and political elites deliberately tapping into voter potential and destabilizing institutions (Bartels 2023). The crisis in democracy is often linked to economic uncertainty and rising economic inequalities, which is contributing to increase in potential for populist elites (Rodrik 2021; Levitsky and Ziblatt 2018).

In the Social Sciences, the impact of economic disadvantage on political behavior and attitudes is a long-standing research agenda. Initially, the experience of stark disadvantage such as (mass) unemployment and the question if this leads to major communist uprising were the focus of research (Jahoda et al. 1933). Recently, the study of economic risk has received renewed interest (Rehm 2009; Rehm et al. 2012; Hacker et al. 2013), highlighting the uncertainty of future income over current disparities in employment or income. The uncertainty spreads into a previously well-protected middle-class, which is now concerned about job security, whose pension plans are exposed to financial markets instead of company pension plans, or who find themselves wondering if their children will have a better life than they do (Hacker 2019). In sum, economic risk increases for individuals, who bear more and more of this risk individually. Additionally, welfare states are increasingly less able to buffer the manifold economic risks and provide security on a broad basis through collective agreements (Hacker and Rehm 2022).

Empirical evidence supporting the claim that economic insecurity contributes to the current threat to democracy is, however, scarce. Empirically substantiating that link has always been difficult: A seminal study on sudden mass unemployment found that the unemployed went into apathy rather than dedicating their free time after becoming unemployed to organize communist revolutionary uprising (Jahoda et al. 1933).

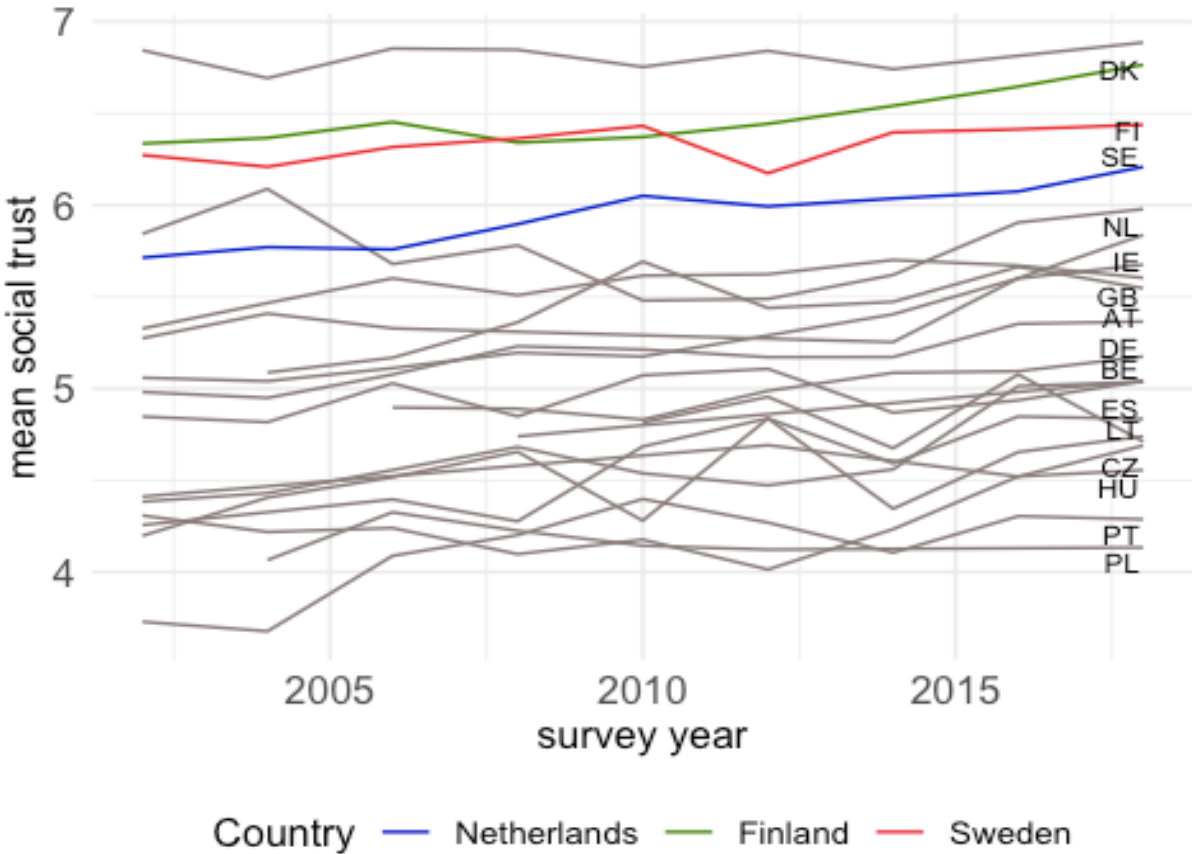
There are two main observations concerning the effect of economic risk on individuals that can be summarized from the literature: First, economic risk is unevenly distributed across the working population in Western capitalist democracies and as such economic inequality often

leads to a more problematic inequality of opportunity (Hacker et al. 2013; Hacker 2019; Putnam 2016). Second, this uncertainty and reduced opportunity fosters negative sentiments toward public institutions, perceived as favoring certain segments of the population while overlooking others. This frustration and uncertainty translates to diminished levels of social and political trust (Hochschild 2016; Margalit 2019b; Uslaner 2002). Much of this literature is motivated by the desire to explain populist voting as a specific threat to democracy, which is rising in part because of a crisis of low political trust (Norris and Inglehart 2019). Voting for populist, in this argument, is motivated by the offer of seemingly easy solutions to growing economic risk, such as trade protectionism or isolationism (ranging from building a wall to Mexico to 'Brexit') (Margalit 2019a).

Empirically establishing the link between low levels of political trust and voting for populists proves to be challenging. First, there is limited evidence to suggest that low levels of political trust directly cause populist voting. Populist voters do not necessarily exhibit low levels of political trust (Rooduijn 2018), and low levels of trust may only influence populist voting through complex pathways, such as moderating the impact of low income on vote choice (Stoetzer et al. 2021). Second, countries where populists are elected or participate in government are not countries that necessarily show comparatively low aggregate levels of trust or are particularly affected by economic inequality – to the contrary. For example, Scandinavian countries, despite having some of the highest trust levels globally, exhibit a consistent pattern of populist voting and even includes populist parties in multi-party governments. In Finland, the deputy prime minister represents a right-wing party, while in Sweden, the governing coalition forming a minority government is tolerated by the right-wing populist *Sweden Democrats*. Recently, in November 2023, the far-right candidate Geert Wilders and his *Party for Freedom* triumphed in the Dutch election after enjoying strong election results in previous elections. These anecdotal observations suggest that the often-assumed connection between declining trust levels and the rise in populist voting—or the threat to democracy—is more nuanced. Adding to the complexity, populist rhetoric itself may also contribute to lowering political trust (Rooduijn et al. 2016). Aggregating trust values for European countries over time from the European Social Survey for the working population show that on an aggregate level, trust levels are not connected to the rise of populist voting (figure 1.1 and figure 1.2). Neither are trust levels in countries with high vote shares for populist parties particularly high, nor are they in decline over roughly the last two decades.

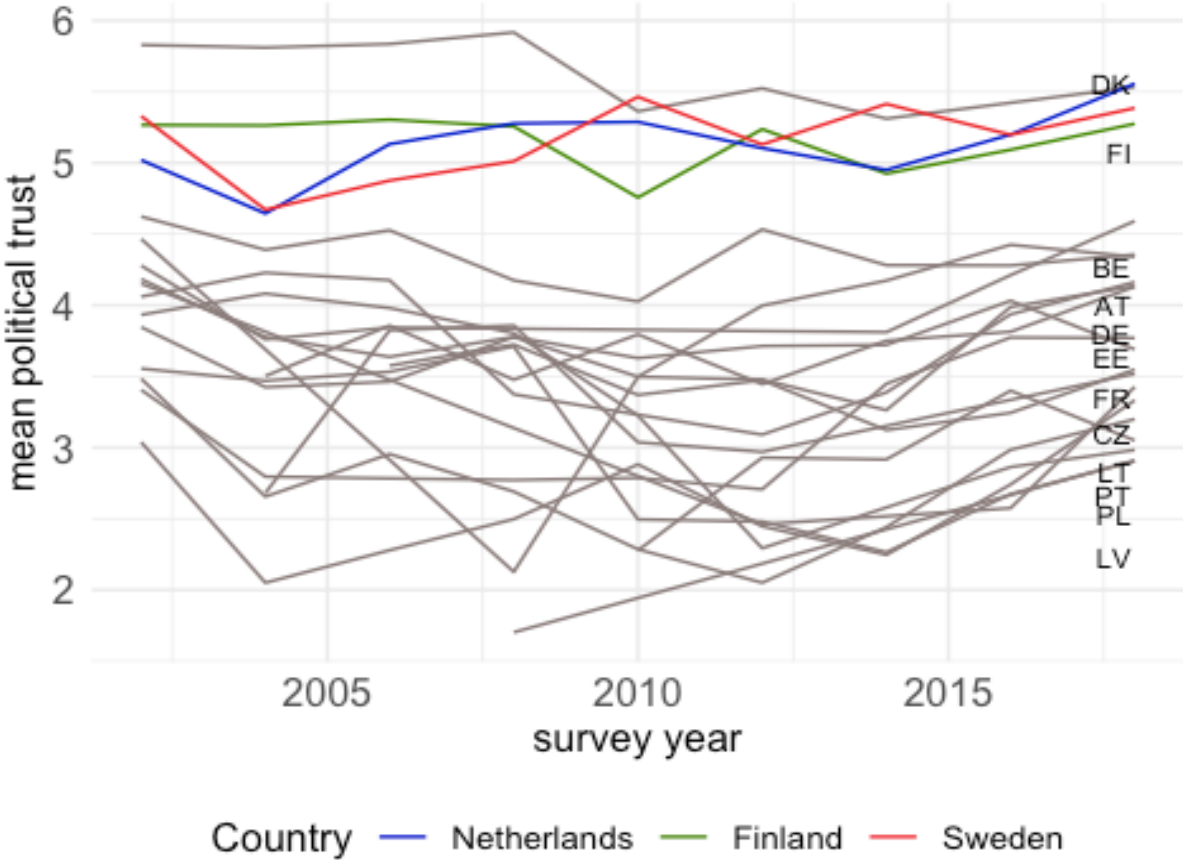
Nevertheless, researchers have tried to connect new economic risks to populist voting behavior, either through egotropic considerations (Im et al. 2019; Frey et al. 2018; Häusermann et al. 2020; Adler and Ansell 2020; Ansell et al. 2021; Margalit 2019a) or sociotropic worries about the general economy (Colantone and Stanig 2018a, 2018b; Rodrik 2021).

Figure 1.1 mean social trust over time



Source: European Social Survey, 2002-2018, own calculations.

Figure 1.2 political trust over time



Source: European Social Survey, 2002-2018, own calculations.

I argue that to better understand the effect of economic risk for political behavior, it is worthwhile to understand how exactly different kinds of economic risk affect political attitudes, such as trust, egotropic and sociotropic economic worries, or political interest. Therefore, the overarching question of this dissertation is: how do new forms of economic risk affect political attitudes?

The literature agrees that economic risk for individuals across countries is growing through a multitude of wider trends. As the world is reshaped by forces such as globalization (Scheve and Slaughter 2006), liberalization contributing to deregulation of working standards, gig-work, and increasingly insecure employment contracts (Streeck 2009; Eichhorst and Marx 2011; Kalleberg 2009), or financialization (van der Zwan 2014), uncertainty increases for individuals. Economic risk is more and more burdened onto individuals and less absorbed by institutions of collective social protection against risks, such as the welfare state (Hacker 2004; Hacker et al. 2013). The recent advances into the research on economic risk allows for the study of more complex

economic reasons for the formation of political attitudes and behavior. To shed light on the complex formation of political attitudes, I study new forms of economic risk and how they affect attitudes.

The study on trust has received considerable attention in the recent past by investigating how adverse labor market experiences, such as unemployment (Giustozzi and Gangl 2021) or inferior employment contracts (Schraff 2018; Kevins 2019; Nguyen 2017) shape attitudes and behavior. Not only does the research show how disadvantage in the labor market influences social and political trust, but also that there is a complex interaction with the welfare state. Yet most of these studies focus on traditional labor market risks such as atypical employment, unemployment or outsidership. Newer forms of labor market risks such as automation, which expose occupations especially in the middle of the skill distribution to unemployment, challenge the welfare state in different ways.

Before summarizing the three essays that form this dissertation, I will provide an overview of the existing literature. My focus will be particularly on the three forms of economic risk that are central to my dissertation: technological change through automation, financialization, and atypical employment. Despite the extent of the literature on both social and political trust, there is limited empirical evidence on how economic risk impacts trust. I will, therefore, also examine the importance of studying trust. Furthermore, the mechanisms through which trust influences subsequent political behavior are not yet fully understood. I focus on what a more nuanced understanding of complex economic risks and their influence on political attitudes can offer as insights into safeguarding democracy. To that end, the literature review will conclude with an examination of the broader context of the welfare state.

1.1. Economic Risk

Growing pressures of liberalization and globalization on the labor market and the welfare state have fueled research into the drivers of social policy preferences of individuals. Early research has investigated preferences influenced by the current socioeconomic status, either based on actual income, on educational attainment, or on the replaceability of their skills (Emmenegger 2009; Iversen and Soskice 2001). Other approaches focus on class instead of status to better capture cultural differences between individuals not relying on a single quantitative factor such as income. Class, however, is operationalized as the current labor market relationship status (Chan and Goldthorpe 2007). What unites most approaches on the effect of economic

differences on the formation of social policy preferences is the underlying assumption that individuals seek to maximize their gains either through redistribution or as a form of public insurance. In economic terms voters who have an income above the mean will oppose redistribution, while those with an income below will be in favor of redistribution (Meltzer and Richard 1981). However, there are two main objections: First, the current socioeconomic status might not suffice in explaining preferences, as the risk of experiencing a decline in income or experience of job loss is not evenly distributed. Second, individuals might not only be interested in maximizing their material self-interest, highlighted by research investigating the role of altruism and solidarity in the formation of social policy preferences (Rueda 2017; Cavaillé and Trumo 2015).

As these pressures were initially seen to affect certain industries more than others, early scholarship on this topic has focused on the explanatory powers of industry-specific risk related to the exposure to international trade. For instance, high-skilled workers exposed to international trade demand more conservative social policy, probably to retain their competitive advantage as they are in international competition (Wren and Rehm 2014). However, since the seminal work of Rehm (2009) the focus has since shifted onto occupational risk. Risk is understood as 'uncertainty of future income' (Rehm 2009, 858). He further argues that occupations, defined as jobs with the same task profiles across different sectors, shape preferences. At the center of the analysis is the task individuals perform rather than the sector with its possible exposure to pressures such as globalization. The main theoretical reason for this is that it is easier to find a new job within an occupation across industries, as it is for finding a new job across occupation within any given industry. The investment individuals make in their skills is specified for an occupation and not an industry. The occupation, thus, is an important predictor for political preference formation (Kitschelt and Rehm 2014).

Most of the uncertainty about future income stems from the possibility of job loss and the literature differentiates different threats. A significant portion of the literature focuses on the risk of unemployment (Rehm 2009; Rehm et al. 2012), highlighting that, even in contemporary labor markets, job loss remains the primary economic shock (Margalit 2019b). Among the growing pressures of global economic liberalization, several trends are considered in the literature: Globalization (Scheve and Slaughter 2006; Walter 2017), the liberalization of employment relationships (Emmenegger et al. 2012), occupational unemployment risk (Rehm

2009; Rehm et al. 2012), automation risk (Gallego and Kurer 2022), and financialization (van der Zwan 2014).

As uncertainty of future income is difficult to grasp, the literature has also advanced into the realm of subjective perceptions of economic insecurity (Chung and Mau 2014; Erlinghagen 2008). As most of the uncertainty of future income stems from the risk of a job loss, the potential for individuals to be able to find a new job is an important mediator of economic risk. For instance, analyzing perceived risk of unemployment, Marx finds that the higher individuals assess their personal risk of unemployment, the more they support redistribution. Perceived employability can moderate this effect (Marx 2014b).

1.1.1. Technological Change

Technological change presents a significant challenge to the labor market. It can replace human labor, transform occupations, and drive productivity improvements. It can take various forms, including automation, digitalization, and artificial intelligence. Over the last fifty years the introduction of personal computers and information technique, and, more recently, robots and artificial intelligence have significantly impacted the labor market (Gallego and Kurer 2022). Labor market economists have produced a vast body of research to understand how exactly technological change in the labor market affects the income and employment distribution and leads to inequality.

The influence of technological change on the relationship between labor and capital, as well as wages and education, predates the era of computerization and automation. New technologies and innovations have consistently altered the demands of jobs (Acemoglu 2002). The rise of computer and information technology introduced significant shifts in the labor market, heightening interest in the link between technological change and inequality. The accelerating of these processes through developments in Information and Communication Technology (ICT), followed by the internet, robotization, automation, and potential future impacts of artificial intelligence, continue to shape the labor market.

Technological change's impact on inequality can be explained in several ways. One explanation focuses on skills. It suggests that, given the observed wage premium for college-educated workers, technological advancements enhance the productivity of highly skilled individuals more than their less-skilled counterparts (Goldin and Katz 1998). As technology advances, it

further complements the abilities of skilled workers, widening the wage gap between them and low-skilled individuals. This phenomenon is often termed skill-biased technological change. Essentially, this approach accounts for the rising demand and productivity of skilled workers. The consistent wage premium for college-educated workers, despite increasing supply of highly skilled workers, is attributed to the persistent demands of technological evolution. As a result, the wage disparity between skilled and unskilled workers continues to grow, contributing significantly to economic inequality (Autor 2014). In this context, technological change is viewed as a continuous, incremental process.

The skill-biased technological change argument focusing on education is too simplistic to explain why technological change benefits high-skilled workers (Autor 2022). Two fundamental observations have led to the development of a refined approach to understanding how technological change in the labor market influences inequality: the earning as well as the employment distribution. While earnings for low-skilled individuals are declining and those for high-skilled individuals are rising, both low-skilled and high-skilled workers are occupying an increasing share of the employment distribution. This growth comes at the expense of middling-skilled occupations (Acemoglu and Autor 2011; Autor and Dorn 2013). This presents a paradox: if the skill bias is solely based on education and technological change, the low-skilled sector should not have expanded.

To address this, researchers have begun to dissect occupations based on the specific tasks they involve. This task-based logic of occupation reveals that many occupations entail tasks that can either be automated or not. High-skilled roles often involve complex tasks resisting automation, while on the low end the productivity gains are not enough. In essence, automation substitutes labor with capital. Occupations in the middle of the skill distribution are most vulnerable to automation due to the routine nature of many of their tasks (Autor et al. 2003). Many low-skilled workers are reallocated to service sector jobs. Job polarization refers to the phenomenon of employment opportunities growing predominantly in high-skilled and low-skilled occupations while diminishing in middling-skilled jobs. Job polarization also leads to wage polarization, as the high end of the skill distribution experiences wage growth.

This trend is not exclusive to the United States but has also been documented for the United Kingdom (Goos and Manning 2007) and across European countries (Goos et al. 2009, 2014). The effects of skill-biased technological change outweigh those of off-shoring, which similarly

aims to reduce labor costs for routine tasks. Notably, many women have transitioned out of routine-based roles and into occupations that embrace technological change, a shift that significantly contributes to narrowing the gender wage gap (Black and Spitz-Oener 2010).

The current debate is questioning if tasks within an occupation are not conceptualized too static and thus overestimate the potential future effects of technological change. Especially studies like Frey and Osborne (2017), who quantify the share of occupations threatened to vanish due to automation, are widely cited. This overlooks the potential, however, for tasks to change and new profession to develop, like professionals dealing with or programming AI tools. Artificial intelligence tools are now able to even substitute non-routine tasks and thus cause a high degree of uncertainty (Autor 2022). While automation will substitute some tasks thought previously of as human tasks, there is also the possibility that the labor market will adapt to technological change. First, a job always entails several tasks and while some might become substituted by automation, others become more important such as supervisory, planning, or creative tasks. Second, there might be new tasks created by the emergence of new technology. Think, for instance, of prompt writing, which is the task to write a task for artificial intelligence that gives the desired output.

Automation is studied in Political Science as a labor market risk. This is fueled by a concern about the labor market's ability to supply jobs for everyone, as well as the heightened pressure on workers to keep up with their skill profile to the demands of a rapidly changing labor market (Gallego and Kurer 2022). Due to the pressure on the middle-skill occupations, the risk of an occupation becoming automated or of broad parts of the labor market being without work, shapes political preferences and threatens the political consensus as well as the welfare support coalition in affluent democracies. Although the predictions of mass unemployment (Frey and Osborne 2017; Ford 2015) do not stand up to critical review (Bonin et al. 2015), they start to increasingly enter the political arena and shape preferences and attitudes, as well as political behavior.

Technological change has influenced the introduction of the modern welfare state and indeed the development of the modern state was 'was only possible because of technological changes associated with the Industrial Revolution' (Ansell and Lindvall 2020, 29). Consequently, the current wave of industrial revolution is investigated as to how much it affects the modern welfare state through its influence on the formation of preferences. Since automation risk is a

specific risk affecting the previously well-protected middle skill occupations, many studies investigate if the demand towards social protection is changing. In the public discourse the Universal Basic Income has often been heralded as a solution to an automated labor market which is not supplying enough jobs. However, there is no evidence that workers threatened by automation want UBI (Dermont and Weisstanner 2020; Busemeyer et al. 2022). Studies rather point towards a preference for redistributive policies at the expense of active labor market policies (Busemeyer and Tober 2022). When disaggregating active labor market policies, workers threatened by automation prefer demanding active labor market policies, which place conditions on the receipt of benefits, to control for welfare competition over more generous and inclusive active labor market policies (Im 2021). However, using survey experiments in Spain, a study shows that workers who are concerned about the impact of technological change demand state intervention designed to slow down technological change instead of redistributive policies (Gallego et al. 2022), highlighting the importance to distinguish between objective and subjective automation risk.

1.1.2. Financialization

Financialization evades a clear definition (much like globalization) but is often referring to complex economic processes emerging after the decline of the Fordist model of production and emphasizing the role of financial markets at the expense of production of goods (Boyer 2000). The concept of financialization tries to capture an economic system that prioritizes the needs of financial markets and increasingly focuses business models to shareholder values, all while leveraging assets to support domestic demand and welfare (van der Zwan 2014). It is constituted by two main forces: First, financial markets have moved beyond their role of provider of capital for productive industries, but financial services become tradeable assets themselves (ibid.). Even for the producing industry, therefore, shareholder value becomes an important aspect, which is driving business models and corporate strategies. With this comes an increased focus on the stock market. Business strategies involve outsourcing, deregulation, demand on the state to reduce intervention (Davis and Kim 2015). And second, financialization shapes inequality in society as financial markets become the most important factor in distributing capital rather than banks or institutions (ibid.). For instance, consumer debt becomes a marketable financial asset further fueling the financialization. In essence, businesses, states, as well as private households now rely on the capital market to sustain their economic model.

As a result of the growth in financial markets outpacing both wage growth and real productivity, inequality is growing, particularly between those who possess assets and those who depend on working income. This widening gap is driven by the increasing importance of assets, held to generate income rather than sold as commodities, which fosters inequality. The role of debt in maintaining consumer demand has been frequently emphasized, and its growth heightens economic risk for individuals. This trend coincides with a rise in economic risk, as social policy, although resisting substantial cutbacks, fails to keep pace with the increased economic uncertainty (Hacker 2004). The connection between individual behavior and financial market developments has become more immediate due to the privileged status of financial markets and the stock market's growth outstripping wage increases. Private spending is stimulated through credit, the housing market is increasingly tied to finance, and pension funds are linked to stock market performance (Boyer 2000). Financialization is thus reshaping citizens' economic risk, exposing them to both the benefits and pitfalls of the financial market. This shift emphasizes individual decision-making and diminishes the role of collective risk-sharing. Therefore, individuals may resort to private debt more frequently during crises, especially if social policy protection is weaker (Wiedemann 2022). However, access to private credit and the terms under which it is granted can vary, creating a new form of inequality (Iversen and Rehm 2022). In financialized economies, in which private debt compensates for public debt to drive consumption (Crouch 2009), the conditions under which households can finance their debt add further risk to individuals.

Differences in the extent of financialization exist both within and across nations. While some countries actively embrace financialization as a growth strategy, others approach it with caution (Hassel and Palier 2021, 2023). Nevertheless, certain sectors, such as housing, experience financialization across affluent democracies. Housing has increasingly been viewed as an asset, and house price inflation has become a widespread phenomenon. Many see housing as a safeguard against economic risk, which in turn diminishes the demand for redistributive policies (Ansell 2014). The financialization of the housing market has created a dichotomy, boosting wealth for some while making housing less affordable for others, thereby contributing to inequality. In many countries, housing is the primary source of wealth disparity (Pfeffer and Waitkus 2021). House price inflation exemplifies the risks and rewards of financialization for households. The ability to insure against financial risks is increasingly tied to the financial markets, leading to wealth inequality, and restricting access for others. This, in

turn, fuels the demand for private credit (Crouch 2009). The housing market exemplifies the impact of the broader financialized economy on households. It presents opportunities for wealth accumulation but also exposes individuals to significant debt, often tied to a single asset. This concentration of resources can result in a high risk of financial hardship and together with financialization, encourages individuals to adopt an entrepreneurial mindset regarding their personal finances (van der Zwan 2014), to not risk missing out on opportunities to build wealth. Thereby the structure of the political economy changes attitudes and behavior of citizens.

1.1.3. Atypical Employment

Together with financialization and the emphasis on shareholder value, there has been mounting pressure for political reform to liberalize both regulation and the labor market. This process of liberalization has had varied effects in different countries. In some, it has led to the erosion of institutions, while in others, the institutional balance has been maintained, albeit often at the expense of workers in fringe occupations (Thelen 2014). A common trend in labor market liberalization across various regimes is the increasing pressure on workers, with the labor market becoming more attuned to the needs of employers rather than employees (Kalleberg 2009). Liberalization has served different purposes across production models. In some cases, it has fostered a flexible labor market to support a service-oriented economy. In others, it has aimed to protect high-skilled, export-oriented industries by liberalizing fringe workers in service sectors, thereby preserving competitive advantages (Hassel 2014).

The question of how to operationalize atypical employment remains a topic of ongoing debate (Busemeyer and Kemmerling 2020; Marx and Picot 2020). One approach is to measure the risk of becoming atypically employed. While Schwander and Häusermann aim to adopt this method, their approach is somewhat indirect. They measure the occupational level of the share of atypical employees and then assign this value back to individuals, asserting this represents an occupational risk of outsidership (Schwander and Häusermann 2013). They include all different sorts of non-standard employment into crude occupational categories, thereby lumping together many occupational differences and concealing differences within their groups. Another approach centers on evaluating an individual's current labor market status. Yet, defining this status isn't straightforward. It encompasses a range of conditions: from part-time and involuntary part-time work to more marginal employment scenarios. Examples of the latter include mini-jobs in Germany or zero-hour contracts in the UK. Other approaches include

employees without career advancement or income growth (Tomlinson and Walker 2012) or even graduate students (Rueda 2005). There is also a growing trend on the periphery of atypical employment with the rise of multiple job holding across Europe (Jerg et al. 2021).

Atypical employment is more than just a disadvantage; it is also a risk. While atypical employees are arguably in an inferior position in the labor market, they are not merely employees with low wages. Atypical employment is cross-class cutting, albeit more common in service-sector jobs. What unites these employment relationships is the absence of open-end full-time working contract. This entails the risk for uneven and unstable employment relationships, less options for planning the future, which affects especially family planning negatively, and employment biographies are marked by phases of unemployment, as well as worse health (Kim and von dem Knesebeck 2015; De Cuyper and De Witte 2007), and a feeling of less social integration at the workplace (Gundert and Hohendanner 2015). The latter is especially detrimental, given the crucial role that workplaces play in forming political opinions and nurturing democratic values (Kitschelt and Rehm 2014). Thereby atypical employees differ from low-paid workers, as they are not only individuals with low socio-economic status. Especially fixed-term and involuntary part-time work for example is cutting through classes (Häusermann, Kurer, and Schwander 2015) especially affecting young adults and high-skilled women (Schwander 2020). Further, atypical employment increases subjective economic insecurity (Burgoon and Dekker 2010).

By treating atypical employment as an economic risk, the analysis has revealed that employees in inferior employment relationships have distinct political preferences (Burgoon and Dekker 2010), confirming that it is a specific labor market risk. The initial assumption was that outsiders (people without employment or in atypical employment) prefer active labor market policies bringing them into (full) work, which insiders view less favorably as they need to finance that system with their taxes and rather prefer passive unemployment benefits (Rueda 2005; Schwander and Häusermann 2013). Atypical employees keep their specific political preferences, even if living with someone with a standard labor market relationship (Schwander 2020), albeit differently so for gender (Häusermann et al. 2016), as women are more likely to adopt the preferences of their partner than men. The literature has soon moved away from analyzing the unemployed and atypical employees such as temporary workers as a homogenous group (Guillaud and Marx 2014). Subsequent research has often focused on the preferences and behavior of distinct groups of atypical employees, such as temporary employees. This has revealed, for instance, a preference for parties of the 'new left' instead of

the traditional social democratic parties which are often seen as supporters of insiders (Marx 2014a; Marx and Picot 2013). Temporary employees also differ in their voting behavior. They tend to punish the incumbents as they make them responsible for their dismal situation compared to standard employees (Marx 2016, Emmenegger et al. 2015).

1.2. Trust

1.2.1. Definition

The research on trust has seen a remarkable renaissance in the Social Sciences. What unites them is the power attributed to trust, especially high values of trust, for a healthy democracy.

Trust is foremost a relational construct between someone who trusts, and someone who is to be trusted. This relationship between the trustee and the trustor is based on the assumptions that trusting entails a risk for those who trust and that trusting can only happen voluntarily (Levi and Stoker 2000). The direction of this trust is distinguished in the literature by the object it is directed to. This leaves us with three kinds of trust: social trust, particularized trust, and institutional or political trust (Herreros 2023; Newton and Zmerli 2011).

In social theory, trust is part of the exchange of goods (material or immaterial) between individuals. Transactions often are not perfect in the sense that they happen immediately or without risk, particularly if transactions involve time asymmetries in the exchange, they become riskier. Contracts may alleviate some part of this risk (and enforcing contracts is part of the state function in fostering social trusts), but ‘the incorporation of risk into the decision’ (Coleman 1990, 91) is simply trust. Every material transaction requires trust: Every interaction in a restaurant builds on the idea that you pay your bill before you leave but have already consumed the goods without cheating the bill. There are, however, degrees of this trust illustrating how tedious it becomes to make up for lost trust in economic interactions: In the United States in bars, it is common to give the waiter your credit card which you will only regain after the bill is covered. Also, the United States is experiencing a steady increase in petty crime, especially stealing, in big cities. Stores have begun to lock many items, which drives up the price of goods. On the other hand, in Scandinavian countries it is commonplace to just hang your coats in museums on open racks, or in Iceland when you enter a public swimming pool, you take off your shoes and place them in a shoe rack which is accessible for everyone upon entering the changing area. All these examples illustrate how higher levels of social trust reduce

costs or how lower levels drive up costs (Coleman 1990). Especially non-economic transaction, which do not hold a material value, are even more dependent on trust, because contracts and the enforcement through law less able to alleviate the risk. Most transactions between individuals, however, involve some kind of expectation that the other party adheres to the implicit or explicit expectation (Coleman 1990).

1.2.2. Types of Trust

First, we can survey how much individuals trust strangers. That is, how much do individuals believe that in interaction with people they do not know they will be treated fairly, and others mean generally well. This means that the risk of everyday interactions is reduced through the belief that strangers will behave in the way individuals anticipate. This is also the basis for capitalist everyday interactions, which would not be possible without social trust.

Second, there is trust in institutions. Most generally, trust in parliament, politicians or the government is surveyed. Sometimes, however, this is also extended to specific branches of the executive like police or the armed forces, to the judiciary, or to the rule of law in general. Trust in institutions is ultimately tied to democracy, as trust can only be voluntarily and not coerced, and institutions are built on the participation of individuals. Without democratic participation in elections, local politics, parties, and the democratic public in general, democracies get into trouble.

Third, trust can also be directed towards only a particular group, that is people within their social network, ethnicity, village, or family, among others. 'Particularized trust' (Herrerros 2023, 118) within close communities helps to overcome information asymmetries, work with social cues, and facilitates the sanctioning of behavior threatening trustworthiness (Coleman 1990). As trust is a way to mediate risk in transactions, social closeness may substitute for social trust. But this is only possible if social closeness and control reduce the insecurity of interactions between humans. This shows that trust can also have a divisive character, if it is limited to certain networks or a delineated group of people. For instance, this is tied to anti-immigrant sentiments or attitudes such as welfare chauvinism, which separates the populace into deserving and less deserving individuals (Schumacher and Kersbergen 2016) where trusting others to be deserving of welfare state benefits is limited to a (national) community.

1.2.3. Social Trust

When analyzing the development of social trust, the state, and the institutional set-up, functioning of the institutions, and the fairness of the institutions are often seen as central factors responsible for levels of trust across countries.

Concerning the *set-up* of the institutions it is generally argued that more encompassing and generous institutions enhance social trust (Kumlin and Rothstein 2005). This is - at least probably from the viewpoint of researchers from the United States - a paradox. Generally, it was argued that encompassing and generous institutions of the welfare state crowd-out social trust. The need to rely on each other in absence of a generous safety net was assumed to enhance social trust in absence of the state. The experience of reciprocity and mutual aid builds social trust, so the assumption (Coleman 1990). However, as Scandinavian countries show, there is ample evidence for generous welfare state institutions and high levels of social trust. The argument put forward to solve this paradox is about the service delivery and the experience of citizens with these institutions, or procedural fairness (Rothstein and Stolle 2008). Studying interactions of citizens with government agencies in Sweden providing both universalistic as well as selective services, Kumlin and Rothstein (2005) show, that the more citizens interact with universalistic institutions, the higher their social trust. This, they argue, is due to the positive experience of being trusted in the deservingness and, conversely, the detrimental effect of selective, needs-based provision of public service is due to having to justify the deservingness, which is a negative interaction with public services.

A similar argument is made in studies using migration as a natural experiment. In essence they assume that immigrants differ from members of their community of origin only in the exposure to more encompassing institutions. Surveying different migrant populations in Scandinavia and their peers in the countries of origins, studies seek to identify the causal effect of institutions and procedural fairness on individuals. They conclude that it is the exposure to institutions, which shapes trust (Nannestad et al. 2014) or both, cultural as well as institutional factors (Dinesen 2013).

The relationship between democracy and social trust is complex, and the assumption that democratic governance inherently enhances social trust is often debated, with evidence providing mixed results. How social trust furthers democracy is another question (see below). Generally, the state punishes free-riding behavior and thus enables social trust (Herreros 2023).

Analyzing the transition to democracy in the former German Democratic Republic (GDR) in East Germany, a study finds that the experience of democracy after reunification did not lead to an increase in social trust (Rainer and Siedler 2009). While the transition to democracy did foster political trust, this did not extend to social trust. The study suggests that the persistence of economic disadvantage, even after the establishment of democracy, may be a key factor in this outcome, hinting at the significant role of economic considerations in shaping social trust.

Rothstein and Uslaner further argue that democracies may positively affect social trust by enabling economic equality and equality of opportunity (Rothstein and Uslaner 2005). Reduced inequality in a society can diminish the social distance between citizens, thereby fostering social trust (Bjornskov 2007). A study conducted in the United States supports this view, showing that belonging to a group that has experienced disadvantage, whether racially or based on gender, diminishes social trust. The experience of economic inequality in the community further adds to the erosion of trust (Alesina and La Ferrara 2002). The most fundamental role of institutions in relation to social trust is their capacity to guarantee private interactions among citizens through the rule of law, something an efficient state can accomplish more effectively (Herrerros and Criado 2008). Conversely, one of the reasons why corruption is so dangerous is exactly its detrimental effect on social trust, negatively influencing even private interactions between citizens (Richey 2010). Since these everyday interactions form the basis of capitalism, it follows that corruption, by undermining social trust, can also hinder economic growth (Serritzlew et al. 2014).

The provision of economic equality and its connection to social trust has received significant scholarly interest, leading to a substantial understanding of how economic inequality affects trust and how the state can use social policies to reduce this inequality (Uslaner 2002). Research has shown that greater income inequality negatively impacts social trust across US states, but this effect does not intensify over time as inequality increases (Fairbrother and Martin 2013). This suggests that although evidence supports the idea that greater inequality leads to lower levels of social trust, this change occurs gradually over extended periods of time. Many researchers focus on specific experiences of economic disadvantage. For example, adverse experiences in the labor market, such as unemployment, can leave lasting scars on social trust that persist throughout adulthood (Laurence 2015; Mewes et al. 2021; Azzollini 2023). The primary mechanism behind this is the detrimental effect of unemployment on psychological well-being. Other studies extend this idea by considering economic risk. Kevins hypothesizes

that outsiders are more likely to experience economic disadvantages like unemployment, and he demonstrates that this outsidership subsequently decreases social trust (Kevins 2019). Similarly, Nguyen investigates labor market insecurity, including past unemployment experience, current labor market status, and occupational unemployment rates, showing that adverse labor market situations decrease social trust (Nguyen 2017). Nguyen further finds that unemployment support can moderate this effect, while Kevins argues that access to more generous active labor market policies can alleviate the negative impact of labor market risk on social trust.

The relationship between economic disadvantage and the influence of social policies on social trust is further complicated by findings from Lee (2012), who argues that only active labor market policies foster social trust. The reason for this is that these policies, by focusing on training while still being generous, can provide welfare while at the same time reduce free-riding and enable control. Active labor market policies can promote social trust, whereas passive transfer policies may diminish social trust due to the perceived risk of free riding (Lee 2012).

1.2.4. Political Trust

Based on the relational definition of trust, political trust refers to the relationship between citizens and political institutions as well as elites. It captures how much citizens trust voluntarily that institutions or elites are acting in their interest, i.e., are trustworthy. Naturally, this is a central component of research on democracy, as it entails the element of voluntariness. If citizens revoke trust to democratic institutions or politicians, this could pose a problem for the survival of democracies. Another definition mainly applies in the context of the United States, contrasting with the European perspective on political trust. This contrast arises from the United States' smaller government, characterized by fewer policies and less intervention. Therefore, this definition places significant emphasis on the evaluation aspect. In this context, political trust is defined as individuals' assessments of how well the government is fulfilling its role in comparison to the citizens' expectations of its performance (Hetherington and Rudolph 2008, 499). In this interpretation political trust becomes a measure of support for the political system, which has been argued since system analysis by David Easton (Easton 1975; Hooghe 2011): Specific support for a political system stems from the evaluations of the actions of 'political authorities' (Easton 1975, 437).

Standard survey measures vary in how they operationalize political trust, reflecting a trend in the literature towards a more nuanced understanding of this concept. In the United States, surveys like the American National Election Studies (ANES) ask respondents about the trust they have in the 'government in Washington' to do what is right, concealing differences between different actors. Individuals might associate government with the president and evaluate it more negatively, especially if the president belongs to the party they have not voted for. The General Social Survey explores 'confidence in the people running' the Supreme Court, Congress, and the Executive (Citrin and Stoker 2018), allowing for a more nuanced view. In contrast, the European Social Survey takes a more differentiated approach to political trust, querying citizens about their trust in various institutions such as the national or European parliament, police, or the legal system. Trust towards elites, such as politicians or scientists, is also surveyed.

However, there is disagreement in the literature about whether these measures capture different dimensions of trust. Some researchers distinguish between trust in parliament and trust in politicians, finding that particularly trust in parliament increases voter turnout (Grönlund and Setälä 2007). Despite efforts to theoretically argue for various forms of political trust (Fisher et al. 2010), the prevailing consensus in the literature emphasizes that 'political trust can be considered as a comprehensive assessment of the political culture that is prevalent within a political system' (Hooghe 2011, 275). The argument is that rarely, for instance, some part of the government will be corrupt while others are completely law-abiding. Also, a distinction between governing parties and the opposition cannot be inferred from questions about government and parliament.

Much of the research into trust is driven by the observation or assumption of declining political trust over time within and across established democracies (Hetherington 1999; Levi and Stoker 2000; Citrin and Stoker 2018). This decline is often seen as a threat to democracy itself. Consequently, most research on political trust treats it as a dependent variable, focusing on how it is affected by government performance. This can either be through economic performance or through the process of government itself, that is the adherence to rules and process (Citrin and Stoker 2018).

Regarding the economic performance of governments, scholars have argued for an approach where political trust is linked to the economic performance of governments through a process

of evaluation (Van Der Meer 2013), echoing Easton's theoretical perspective (Easton 1975). If citizens evaluate the macroeconomic performance positively, subsequently they form political trust. This relationship is evident in studies that find that especially economic downturns have a pronounced negative effect on political trust, whereas economic recovery does not positively influence political trust to the same extent (Hetherington and Rudolph 2008). Evaluation becomes significant when citizens are directly affected, as they are during economic crises. Similarly, during international crises, trust can also be affected, though often positively (ibid.). This suggests that the impact of performance on trust is also dependent on the salience of the issue to citizens.

Moving beyond the traditional assumption, which emphasizes the importance of macroeconomic performance for citizens' evaluations of economic performance, recent advances into economic risk (Hacker et al. 2013) or theoretical accounts of relative deprivation of adverse labor market contracts (Marx 2014a), have opened new research avenues for the effect of economic risk on the individual level on political trust (Wroe 2016). For a long term, individual experience of economic deprivation has been associated with disenfranchisement from politics, lower participation (Jahoda et al. 1933), and social exclusion (Gallie et al. 2003). Moreover, financial insecurity stemming from temporary employment has been shown to decrease political trust (Schraff 2018). Another study shows that unemployment experience is negatively associated with political trust and additionally uncovers a complex relationship with unemployment benefit generosity (Giustozzi and Gangl 2021). Wroe (2016) further investigates the relationship between economic risk and political trust in the United States by asking respondents about their economic worries concerning employment, wealth, health, and family. The findings indicate that citizens who report high levels of subjective economic insecurity also report lower political trust across all dimensions. Similar results have been observed in European countries concerning employment insecurity, as evidenced across two time points in the European Social Survey (Wroe 2014).

Recent developments in the literature have expanded on these insights, indicating that both the levels of inequality and changes in inequality influence how political evaluations relate to political trust. These studies reveal differences between various social strata in society, as well as between more and less equal societies (Goubin 2020; Goubin and Hooghe 2020). Another innovative approach connects the actual levels of inequality to the preferred level of inequality.

This research posits that the greater the deviation between the actual degree of inequality and the preferred degree of inequality in society, the lower the political trust (Bobzien 2023).

A second major way in which government can influence trust is through the process of governance. This can encompass various aspects such as procedural justice of police and courts, the efficiency of achieving policies, the impact of scandals (Keele 2007; Dancey 2012), and electoral integrity (Mauk 2022; Hooghe and Stiers 2016). These factors are united by the effect that good governance processes have on building trust between citizens and institutions. This can either be through results, such as Brexit for Leave voters (Hansen 2023) or through process. For example, electoral integrity fosters trust by enabling the losers of elections to accept the results and still perceive institutions as legitimate, especially in proportional electoral systems that protect minority votes (Hooghe and Stiers 2016). However, trust is not simply induced by the introduction of democracy, as seen in Eastern Europe. Sometimes, the history of one-party rule, combined with complex and tough party competition, can reduce trust even after a transition to democracy (Ceka 2013; Catterberg and Morena 2006). Scandals can lower political trust by shattering the belief in the good process of government. Recent studies have expanded the methodological scope by exploring natural experiments, such as scandals occurring before municipal elections in Belgium, revealing that trust in local government is lower in the presence of a scandal compared to municipalities free from scandal (Close et al. 2023). Opportunistic political behavior, such as the calling of snap elections in the United Kingdom, can also affect political trust. For instance, the last two snap elections in the United Kingdom increased political trust, particularly among voters who agreed with the government's course (Turnbull-Dugarte 2023). Additionally, the effect of social media on political trust has become a focus in political science, raising profound questions about the potential erosion of political trust (Ceron 2015).

Trust is also connected to personality, which is recently starting to receive more scholarly attention. Personality, measurable through the big five factors of personality traits (McCrae and Costa 1985; 1997) helps to unravel questions if attitudes such as political trust are acquired throughout life or vary across individuals based on predisposition. Generally, personality traits are considered stable over time (Cobb-Clark and Schurer 2012) and have been found to influence political attitudes (Gerber et al. 2010; Gerber et al. 2011b; Bakker 2017) as well as political participation (Gerber et al. 2011a; Bakker et al. 2016). Studies often find that agreeable individuals report higher levels of political trust, while those who score high on Openness and

Extraversion tend to report lower levels (Citrin and Stoker 2018; Mondak and Halperin 2008). For social trust, Agreeableness, Openness, and Conscientiousness have been found to increase trust (Freitag and Bauer 2016).

Some researchers even suggest that personality determines political trust, using twin studies to demonstrate the influence of hereditary factors on persistent differences in political trust studying the effect of increased political trust in the aftermath of events like 9/11 (Ojeda 2016). A recent study has picked up this question and explored the stability of political trust using six different panel studies (Devine and Valgarðsson 2023). The findings indicate that although political trust is relatively stable in the long run, there is short-term variation. This reflects an emerging consensus in the literature: Personality and inherited factors may set a baseline for trust, but there can still be variation over time in response to events or changes in circumstances. Similar results have been observed for other attitudinal variables, such as political interest (Prior 2010).

1.2.5. Importance of Trust

The growing body of research on trust, both social and political, is driven by its critical importance for democracy. Political trust is linked to social capital, social cohesion, political participation, and particularly to populism. Some recent studies also explore its connection to the capacity for policy reforms.

Social trust is a key component of social capital, alongside participation in civic organizations and norms of reciprocity (Coleman 1990; Rothstein and Stolle 2008; Putnam 2000). It facilitates cooperation between citizens and reduces transaction costs, particularly by minimizing opportunistic behavior and helping to solve collective action problems. As societies become more complex and personal networks less significant, the importance of social capital grows (Putnam et al. 1993). The recognition of social capital as a vital condition for a functioning democracy continues to resonate in research on the effects of variations in trust levels. Eroding political trust can lead to increased dissatisfaction with government, which in turn may severely complicate the implementation of policies (Hetherington 1999). Social cohesion can be understood as an umbrella term for social capital as well as political trust. On a horizontal level between citizens, we can survey attitudinal aspects such as social trust, and behavior such as membership in associations. On a vertical level we can investigate political trust and behavior in the form of political participation (Chan et al. 2006).

The relationship between political trust and social trust is complex. Recent research shows that trust in institutions seems to foster social trust (Sønderskov and Dinesen 2016), which is also reflected in the studies of the positive influence of good governance and inclusive institutions on social trust, especially opposed to the cultural hypothesis (Kumlin and Rothstein 2005). However, the direction of the influence might also work in reverse: A study based on data of Greek citizens shows that high levels of political trust in institutions seem to crowd out trust in strangers (Daskalopoulou 2019). This finding might suggest a more complex societal composition in which the functioning of institutions is judged primarily by specific groups of citizens, while trust in strangers erodes.

Research on the effects of political trust on political participation focuses on two main aspects: the influence on political participation itself, and the study of alienation from traditional engagement in politics. First, the assumption is that political trust is the necessary condition for individuals to engage in politics. The basic claim is that participation is based on positive evaluations of the political system to participate. Conversely, low political trust leads to lower conventional political behavior and the decline of democracies (Hooghe and Marien 2013) and less compliance with law (Marien and Hooghe 2011). On the other hand, low levels of political trust could also enhance political participation outside of the institutional form of participation and lead to non-conventional forms of political participation challenging the elite (Levi and Stoker 2000; Kaase 1999). These forms include forms of civil disobedience like protests, sit-ins, or traffic blockades, but can also include political riots. Non-conventional forms of political participation are, however, especially in their peaceful form not necessarily detrimental for democracy but might be a core component for change in liberal democracies (Hooghe and Marien 2013). Interestingly the debate around political trust and participation mirrors to some extent the discussion around the effects of economic disadvantage and participation: does economic disadvantage lead to activation in a way that challenges the system (Emmenegger et al. 2015) or does it quell political participation (Jahoda et al. 1933; Marx 2016).

When it comes to political participation in the form of voter turnout, studies have demonstrated that a decline in political trust correlates with lower voter turnout (Hooghe and Marien 2013). Specifically, trust in parliament, as opposed to trust in individual politicians, has been found to increase turnout (Grönlund and Setälä 2007). In the realm of non-electoral participation, research indicates that low political trust is linked to forms of political engagement that extend beyond voting (Kaase 1999). Conversely, high levels of political trust

may decrease non-electoral political participation (Hooghe and Marien 2013). The role of political trust as a predictor for non-electoral political participation has been confirmed especially in political system that are institutionally (e.g., referendum, power-sharing) and culturally (e.g., statist vs. non-statist) open for mobilization (Braun and Hutter 2016). This also extends to participation in direct democracy (Christensen 2018). Political trust carries some moderating value as well. For example, early exposure to democracy in school has been shown to increase the likelihood of both voting and non-conventional participation. In this context, political trust acts as a moderating variable, increasing the likelihood of voting but not affecting non-traditional forms of participation (Kiehl 2022). Furthermore, alongside internal political efficacy and satisfaction with democracy, the marked differences in levels of political trust have been instrumental in understanding two structurally different types of protesters in Germany. This research has enhanced previous knowledge, which typically categorized protesters based on issues or left-right orientation. Interestingly, some protesters engage in demonstrations even though their levels of political trust exceed that of the general population (Daphi et al. 2023). This observation points to diverse motivations for protest and a more nuanced understanding of who participates in demonstrations. Recent studies are also exploring this phenomenon in different contexts, such as online participation (Arshad and Khurram 2020).

One of the most pressing questions stemming from the research on trust and political participation is the question surrounding populism. The main definition of populism states that it is a 'thin-centered ideology that considers society to be ultimately separated into two homogeneous and antagonistic groups, 'the pure people' versus the 'corrupt elite,' and which argues that politics should be an expression of the *volonté générale* (general will) of the people' (Mudde 2007, 23). Nevertheless, populist attitudes are not the same as low levels of political trust but constitute a 'breeding ground for populism' (Akkerman et al. 2014, 1324). However, across European democracies we can observe a paradox: populism thrives also for instance in Scandinavia, where social as well as political trust is and remains high. Overall, Bartels (2023) argues that across Europe most values of public opinion especially political trust have remained virtually unchanged over the same time frame which has seen the rise of populist parties. He maintains that the rise of populism and the threat to democracy is rather manufactured by political elites tapping into voter potential and destabilizing institutions (Bartels 2023). Spurred also by the hypothesis that economic risk, which leads to lower political trust, would turn citizens to vote for populist parties (Margalit 2019b), several studies have investigated this

relationship. The current literature around populism and trust reflects the difficult relationship of trust with populism (Margalit 2019a).

In a sample across 15 European populist parties from right-wing as well as left-wing parties, the electorate of these parties does not share low levels of political trust compared to voters of other parties (Rooduijn 2018). To unravel the relationship between income inequality and populist voting, a recent study comes to inconclusive results regarding political trust. While low levels of political trust increase support for populist parties, there is less clear evidence that income inequality works through political trust in influencing the vote for populist parties. Nevertheless, the authors identify political trust as an important mediating variable between economic inequality and support for populist parties (Stoetzer et al. 2021).

The importance of social trust for local networks and broader networks through a rise in social capital, however, has been found to increase the vote share of radical right-wing populist parties. For example, local neighborhood networks decrease the vote-share of radical right-wing parties (Berning and Ziller 2017). A recent study has argued that the historical remnants of catholic civil society organizations in previously Prussian territories have helped establish a dense network of civil associations in light of Prussian oppression against Catholics, which explains lower vote shares for the AfD in present elections in Germany compared to non-Prussian territories in which Catholicism was state religion (e.g. Bavaria, or the historical Bavarian part of modern day Rhineland-Palatine) (Haffert 2022; critical: Manow and Flügel 2023). Another string of research emphasizes the subjective feeling of social marginalization, measured as relative self-placement in societal strata, are more likely to vote for radical right or left-wing parties (Gidron and Hall 2020). They feel socially marginalized due to low levels of social trust, next to low social respect and little social activities. This feeling of being socially marginalized has been uncovered as well in ethnographic studies, for instance, in the United States where specifically old white working-class males in poor Southern States feel marginalized in society compared to immigrants or other racial groups (Hochschild 2016). More broadly, the effect of social trust on political participation across different forms of participation depends on the level of social trust in the broader community. For instance, individuals with high levels of social trust are more likely to participate in elections, and the effect is greater if the aggregate level of social trust in society is higher and lower if there is less social trust in society (Bäck and Christensen 2016).

The recent international crisis of the COVID-19 pandemic has emphasized the importance of state capacity for crises response or generally the reform capacity of democracies. Political trust has in several studies been found to be an important predictor in this relationship. Generally, during crisis events that citizens attribute high salience to, there is more political trust. This can happen in times of international crisis like after 9/11, if issues are perceived as salient (Hetherington and Husser 2012) or an emotionally driven effect during the COVID-19 pandemic (Schraff 2021). There is extensive research on the interplay of the COVID-19 pandemic and political trust (Devine et al. 2023 for a meta-analysis) resulting in an infinite amount of studies investigating how much the crisis has led to a *rally effect* resulting in higher political trust (Dietz et al. 2021; Kritzinger et al. 2021; Meer et al. 2023; Gustavsson and Taghizadeh 2023; Hegewald and Schraff 2022; Nielsen and Lindvall 2021; Johansson et al. 2021) or about state capacity during the crisis (Toshkov et al. 2022; Cairney and Wellstead 2021; Jennings et al. 2021).

Reform capacity depends often on solidarity to overcome economic self-interest to enable reforms that benefit broader parts of the population or have an insurance effect, which benefits citizens only in the long-run and runs against short-term material interests, for instance preferences for policies directed towards future generations (Busemeyer 2023; Busemeyer and Lober 2020). The argument is that trust helps to overcome material costs or ideological costs with citizens and is therefore a valuable resource for policy reforms, especially for long-term policy making (Garritzmann et al. 2021; different: Christensen and Rapeli 2021). Experimental evidence from a survey on environmental tax demonstrates that political trust is causal for enabling long-term policy change (Fairbrother 2019). However, support for progressive policies in general, especially redistributive preferences of citizens does not seem to be dependent on political trust, as evidence points towards no influence of political trust for redistribution (Peyton 2020). This is illustrative of the fact that, although there are some claims as to how dangerous low levels of political trust are for progressive policies especially in the United States (Hetherington 2005) and warnings of increased cynicism (Citrin and Stoker 2018), there are only few studies on preferences for redistribution and political trust (Rudolph and Evans 2005).

Generally, higher values for political trust are found to be associated with the expansion of public policy (Hetherington 2005). This relationship has mostly been studied for welfare state reforms. Analyzing Germany after the massive structural social policy reforms in the early 2000s, a study finds that political trust does increase approval to reforms (Gabriel and Trudinger 2011). Similarly, even during extreme crises like the global COVID-19 pandemic, political trust

positively impacts trust in health care and performance evaluation towards the health care system (Busemeyer 2022), concluding that ‘political trust turns into an important resource from the perspective of policymakers, mitigating societal and political conflict about the performance of the healthcare system’ (ibid, 403). Performance perceptions and political trust also determine approval of increased spending on health care during the COVID-19 pandemic in Germany (Busemeyer 2021). However, political trust has been found to be in a complex relationship with the evaluation of welfare state performance overall. There is some evidence for reciprocal relationship: especially those with low levels of political trust tend to negatively evaluate the performance of the welfare state, which may result in a ‘downward spiral’ as the negative evaluation leads to even lower political trust (Haugsgjerd and Kumlin 2020). There are two channels proposed through which political trust may affect policy preferences: one is normative support and the other is reform acceptance (Goubin and Kumlin 2022).

1.3. Role of the Welfare State

Political economy literature emphasizes the importance of economic risk for the formation of the welfare state through specialization in the skills workers acquire. More specific skills reduce their employability and thus increase their economic risk (Iversen and Soskice 2001). The welfare state is in this view the outcome of a deliberation (or struggle) between labor and capital, satisfying the workers’ need for insurance as well as employers’ desire to secure specific skills for their production model. This explains the divergence between liberal economies with a residual welfare state as well as the expansive welfare state with generous unemployment benefits focusing on status maintenance during phases of unemployment. Thereby, skills are retained in the labor market and individuals have the means to search for adequate new employment on their skill-level and are insured against income losses. The question remains whether employers actively advocated for social policy, consented to a system, or had to make concessions to organized labor during phases of weakness (Emmenegger and Marx 2011; Korpi 2006). The different preferences between employers and unions are particularly visible in unemployment benefit policies, whereas for active labor market policies there is mostly consensus (Bender 2023). One could infer from this that the large increase in active labor market policies is not only due to ideology like the third way of social democracy (Giddens 1998) or the appearance of new social risks (Taylor-Gooby 2004), but also due to feasibility as power in a financialized, globalized, and liberalized economy has shifted in favor of employers. Actors

in the political economy are looking for flexibility to retain competitive advantage on the one hand and can agree on investment in activation for the labor market as on the other hand. The recent contributions regarding the growth strategies of national economies (Baccaro and Pontusson 2016) identifies the welfare state as the most important area for policy reform to effectively build competitive advantage and a growth strategy for the national economy (Hassel and Palier 2023).

Regarding the role of the welfare state insuring against new economic risk, there are two big trends: First, the welfare state is surprisingly resilient when it comes to its generosity and spending levels as percentage of national budgets. Although research focused on the retrenchment of the welfare state under fiscal pressures and its politics (Huber and Stephens 2001; Pierson 2001), the welfare state turns out to be resilient. There is considerable re-purposing towards the inclusion of new groups into the generosity of the welfare state (Morel et al. 2012; Bonoli and Natali 2012). But overall, generous welfare states remain generous welfare states and there are no major changes to the trajectories of welfare states (Hacker 2004). The macro trend of liberalization appears not to seriously trim the welfare state in size but in scope and additionally we can observe phenomena like asset-based welfare in the wake of financialization (Finlayson 2009), or increasing private debt substituting welfare, especially where unemployment benefit generosity is low (Wiedemann 2022).

In this vein, Hacker argues that although the welfare state has grown, economic risks have grown even faster (Hacker 2004). The core function of the welfare state, to collectively insurance against risk is weakened not so much by the curtailing of welfare spending, but by a fundamental increase in economic risk citizens face nowadays. This shifts the focus from social risks (such as single parenthood) to economic risks stemming from an increasingly complex and challenging economic model, which contains more forms of uncertainty about future income than ever before. However, as Hacker argues, individuals face an increasing amount of these risks on their own. External change is pressuring the system more than policy changes from within or policy preferences by citizens. Not extending existing programs is a valid policy option by policymakers seeking to trim welfare generosity (Hacker 2004), making the increasing risk individuals face on their own a deliberate policy choice. One example, which also illustrates the increasing importance of financialization as an economic risk for citizens, Hacker (2004) refers to pension plans in the United States. Increasingly, private plans for old age which are tax favored replace traditional old age insurance tied to social security. The 401k-plan, which

employees can opt-in is a stock-based savings plan for which during the savings time no tax has to be paid on rewards and dividends. After reaching an age limit, extractions from the plan are only taxed according to income tax. This exemplifies how an expansion of generosity in the tax system crowds-out social insurance and increases individual risk, as pension generosity is now exposed to the financial markets, which increases individual risk, with all rewards and risks associated with it.

This shows that one of the main challenges to welfare states is changing economic risk individuals face. For the welfare state there is also increasingly evidence emerging that individuals' social policy preferences as a reaction to economic risk might be over-interpreted as they are based on overly rationalist assumptions (Ahrens 2023). Other research has therefore focused on the analysis of the experience of economic shocks itself and applying a longitudinal perspective (Margalit 2019b; O'Grady 2019; Emmenegger et al. 2017). There is great variation in how well welfare states are equipped to reduce risk of income loss through the institutional set-up of the welfare state (Hacker and Rehm 2022). Investigating how economic risk affects more basic forms of political attitudes, such as trust, can thus contribute to our understanding of economic risk, as well as how welfare states can moderate this relationship and thus contribute to a society in which economic risks are buffered by welfare institutions.

In the following, I will summarize the contributions of this dissertation towards my main question of how economic risks affect political attitudes followed by a discussion on the implications of the findings for future research and the public discussion.

1.4. Summary of the paper

1.4.1. Paper 1: Eroding foundations: How automation risk affects social and political trust across European welfare states

The rise of technological change in the labor market, particularly through robotization, automation, and artificial intelligence introduces economic risk to the workplace. This risk predominantly impacts a segment of the labor market that was previously well-protected by the welfare state and characterized by high employability. Specifically, individuals positioned in the middle of the skill distribution, who frequently engage in routine-intensive tasks, face the most significant threat of job loss due to technological change as their tasks are routine-intensive and productive enough to justify substitution. In contrast, those at the lower end of the skill spectrum often perform tasks that are either too unproductive for replacement or involve care-related work based on interpersonal interaction, which is hard to substitute. Meanwhile, individuals at the higher end of the skill distribution experience productivity gains, enhancing their success in the labor market. This observation, known as job polarization, leads to a gradual decrease in the proportion of middle-skilled jobs over time (Autor and Dorn 2013).

In the first paper of my dissertation, I analyze if this job polarization and the insecurity it introduces into the labor market lowers social and political trust for individuals. Social trust is the trust individuals place in strangers, while political trust measures their confidence in institutions and politicians. My first question thus is, if employees who experience a higher risk of unemployment due to technological change are reporting lower levels of social and political trust. In a second step, I examine the moderation effect of welfare state generosity and spending on the relationship between automation risk in the labor market and trust. I focus on unemployment benefit generosity and active labor market policy spending.

Research demonstrates that technological change affects preferences, particularly regarding the welfare state (Im and Komp-Leukkunen 2021; Im 2021; Busemeyer and Sahm 2021). Workers threatened by replacement due to technological advancements seek generous unemployment benefit, which they prefer over social investment policies or more progressive proposals, such as universal basic income. In addition to preferences, the literature also examines electoral behavior, suggesting that job polarization creates a cohort of formerly

secure workers who now feel threatened and neglected, leading them to gravitate towards right-wing populist parties (Im et al. 2019). This perceived threat of automation originates from a liberal economic order and globalization. The motivation for voting for right-wing populists among these workers is theorized to be driven by their political offer of simplistic solutions to globalization-related threats. These solutions include nativist and nationalist rhetoric, welfare chauvinism, skepticism towards further intergovernmental and supranational cooperation, and a fundamental opposition to what are perceived as progressive cultural values (Norris and Inglehart 2019).

However, as I argue, our understanding of how the new economic risk of automation—a factor introducing uncertainty about future income due to technological change—affects political attitudes such as social and political trust, is limited. Job polarization specifically impacts workers in the middle of the skill distribution whose roles are characterized by routine-intensive tasks. These workers typically occupy traditional middle-class occupations, including office clerks, customer care roles, as well as industrial workers. While industrial production has been automated for a longer time due to the high costs associated with workers in these specialized industries, roles involving traditional customer contact are currently being automated rapidly. This acceleration is partly due to artificial intelligence, capable of responding to most queries, and apps that facilitate services like offering initial insurance contract offers. It is important to note that routine tasks are not exclusive to the middle of the skill distribution. However, at the lower end, wages are so modest that automating tasks to the same extent as in middle-class occupations does not yield significant cost reductions.

Drawing on the literature that examines the effects of economic deprivation on political attitudes, I argue that the heightened risk of automation, which threatens workers, adversely impacts their political trust (Emmenegger et al. 2015; Marx and Nguyen 2016). Research on the psychological value of work and the recognition associated with employment contracts suggests that job loss, or even the threat of it, breaks an implicit societal contract (Nguyen 2017). This breach, I argue, leads to a decrease in social trust. Additionally, research shows that only marginally participating in the labor market can induce feelings of exclusion (Gundert and Hohendanner 2015). Thus, the increasing economic risk posed by automation is likely to have a detrimental effect on social trust.

I employ two distinct measures of automation risk that are commonly used in the literature but rarely compared. The first is the routine-task-index, assessing the quantity of routine tasks in an occupation (Thewissen and Rueda 2019). The second measure, developed by Frey and Osborne (Frey and Osborne 2017), quantifies the proportion of tasks in an occupation that are susceptible to future automation potential through expert judgements.

Analyzing European Social Survey data across 21 European countries over nine waves from 2002 until 2018, I apply multilevel models to demonstrate that higher risk of automation adversely affects both social and political trust. This correlation remains robust even when controlling for the variables widely employed in the literature. Further, I analyze the impact of welfare state policies on automation risk. The study yields two results, first regarding the impact of unemployment benefit versus active labor market policy spending and second, the difference between social and political trust. More generous unemployment benefits are moderating the negative effect of automation risk on social trust: a more generous replacement rate in case of unemployment reduces the negative effect on social trust. However, this is not the case for political trust. For active labor market policy spending, there is no clear moderation effect for the relationship between automation risk and either social or political trust.

This research adds to findings in the literature on social policy preferences of workers threatened by automation. These workers show a preference for unemployment benefits as a safeguard against potential future job loss. Specifically, they favor traditional unemployment benefits over more progressive alternatives like universal basic income (Busemeyer and Sahn 2021). As automation-threatened workers are currently employed, this might explain why they have less preference for active labor market policies, in part also due to fears of competition by migrant workers (Im and Komp-Leukkunen 2021). In conclusion, these findings illustrate how new economic risks, particularly those that disproportionately impact a stable electorate traditionally supportive of the current welfare coalition, can give rise to new lines of conflict within the electorate.

1.4.2. Paper 2: The ownership divide in times of financialization: how homeownership shapes economic worries and political interest in Germany

Germany's housing market is unique in two key aspects. Firstly, it has a notably low homeownership rate compared to other OECD countries, with less than half of its population

owning their homes. This rate is not only low but has also been declining, a trend only comparable to Austria and Switzerland. Secondly, the German housing market is characterized by stability and modest returns for homeowners. This is partly due to policies that protect tenants and discourage speculative investments in housing, along with imposing high transaction costs.

Financialization has introduced a significant shift in the housing market, aligning it more closely with financial markets and transforming homes into assets. Historically, owning a home in Germany was more of a cultural choice than an economic one, given the low return rates (Voigtländer 2014). However, after the financial crisis, low-interest rates have spurred a catch-up effect in home prices in Germany, which had previously lagged in the financialization trend seen in other OECD countries' housing markets.

Research has shown that housing influences welfare state preferences, as homeownership can provide income through imputed rent, thereby offering an insurance effect against economic risk. This tends to reduce the demand for public insurance and willingness for higher redistribution among homeowners (Ansell 2014). Moreover, variations in house prices have been linked to changes in political behavior, including populist voting and events like the Brexit vote (Ansell and Adler 2019; Adler and Ansell 2020). Nevertheless, homeowners have also been found in other contexts to continue voting for social democratic parties after transitioning into homeownership, contributing to making social democratic parties more conservative (Hadziabdic and Kohl 2021). As the existing literature presents mixed findings regarding the precise impact of housing on political behavior, in our paper we propose to explore more fundamental political attitudes, such as economic worries and political interest, in the context of rising house prices, to gain a clearer understanding of this relationship.

Financialization exposes individuals to the fluctuations of financial markets in their wealth, securities and exposes them to economic risk. This is transforming traditional protective measures like pension plans and residential properties into market assets, thereby introducing economic risk by generating uncertainty regarding future wealth and potential income derived from assets. It also creates perceived wealth, enabling individuals to leverage these assets for loans and expenditures, or use them as a safety net. Nonetheless, financialization can yield benefits; the German housing market exemplifies this, where homeowners have reaped windfall profits, albeit contributing to escalating inequalities, where rents are rising for tenants.

In the second paper of my dissertation, co-authored with Licia Bobzien and Anke Hassel, we exploit this change in house prices to analyze the effect of transitioning into homeownership on economic concerns and political interest. Housing constitutes the most important source of wealth for most households (Pfeffer and Waitkus 2021; Hadziabdic and Kohl 2021). We analyze the German Socio-Economic Panel to employ a longitudinal analysis. To calculate household wealth, we use the wealth survey in the GSOEP to account for all assets households possess, including their mortgages and debt. Our analysis introduces two critical distinctions: First, we classify individuals based on housing wealth functions (Fessler and Schürz 2022) into three categories: (i) renters, possessing minimal wealth for social protection, (ii) owner-occupiers, whose wealth is tied to their residence and benefits from imputed rent, and (iii) capitalists, who additionally to owning property also receive income through renting or business assets. Second, we differentiate between egotropic and sociotropic economic worries, recognizing these concerns as subjective risk assessment measures influencing political behavior.

In a first step we show descriptively that renters, owners, and capitalists exhibit similar levels of concern regarding their sociotropic worries (concerns about the broader economy). These concerns remain relatively constant over time. When turning to egotropic worries (concerns about individual financial circumstances), renters express higher levels of concern compared to owners, who in turn display greater values of egotropic worries than capitalists. We can observe these differences steadily increasing since the 1990s. We observe a similar pattern for political interest, which polarizes over time as well. Applying two-way fixed-effects estimation we can show that after transitioning into homeownership we find that homeownership lowers egotropic worries and increases political interest. These effects are stronger for moving into homeownership after 2009, when financialization has increased the value of housing and strengthened the insurance effect.

In conclusion we can show how the late financialization of the housing markets affects worries and political interest. It shows that there is an economic risk, which together with rapidly rising rents is redistributing wealth. We conclude that it is important to consider the intersection of homeownership, financialization, and political attitudes. Differences in economic worries and political attitudes could lead to varied political preferences, gradually leading to some polarization. Therefore, the distinction between homeowners and non-homeowners might suggest a developing class difference in modern societies, as homeowners become richer while at the same time many tenants face rising rent burdens.

1.4.3. Paper 3: The influence of personality traits on the prevalence and persistence of atypical employment

The third paper of my dissertation examines who is affected by economic risk. It investigates the determinants that may increase the likelihood of engaging in precarious employment. To study this question, I focus on atypical employment, operationalized as involuntary part-time, fixed-term and marginal employment. These employment types have become increasingly prevalent and are recognized as harmful labor market arrangements. They contribute to economic insecurity through unstable employment histories and periods of unemployment, as well as reduced social protection benefits (Emmenegger et al. 2012; Marx and Picot 2013, 2020). Germany exemplifies the labor market's dualization, where 'insiders' enjoy comprehensive welfare state protections—often associated with employment in export-oriented industries—while 'outsiders' face marginalization and disadvantages in access to welfare state protection and employment security, often in service-sector industries (Eichhorst and Marx 2011; Palier and Thelen 2010; Hassel 2014).

Psychological studies consistently show that personality plays an important role in determining labor market outcomes. However, we do know little about who finds themselves in adverse labor market contracts. Personality traits are stable traits predicting behavior over the life course of individuals. There is especially ample research concerning career success. Individuals who score higher on traits beneficial for performance, such as Conscientiousness (e.g., efficient, organized) and Extraversion (e.g., outgoing and energetic) are more likely to be successful in the labor market. Further, a good match between personality traits and occupation chosen by individuals furthers their success.

There are two ways to look to atypical employment: On the one hand it might be a bridge to full employment or catering towards the needs of a new generation of employees, who values flexibility over stable life-long employment. On the other hand, there is ample evidence showing how atypical employment has detrimental effects on the employment careers (Emmenegger et al. 2012), social life (Gundert and Hohendanner 2015), and health of those affected, which also translates into different political behavior (Marx and Picot 2013; Marx 2016) and attitudes (Nguyen 2014; Kevins 2019). Drawing on social cognitive theory (Kraus et al. 2012), I develop hypotheses on how personality traits affect the probability to be in and

duration of atypical employment. Further, I examine the literature on job success and personality (Barrick and Mount 2005; Leckelt et al. 2019).

To study if personality sorts individuals into atypical employment as an economic risk, I study the impact of the big five personality traits on the probability of being in atypical employment. In my analysis I focus on Germany and use the Socio-Economic-Panel (GSOEP) to shed light on this connection. Germany has seen a particularly rise in atypical employment as a result of weakening of institutions of the welfare state (Palier and Thelen 2010) to protect the export-oriented industry (Hassel 2014). I examine if personality traits affect the probability of being in atypical employment, which I define as involuntary part-time, fixed-term employment, and marginal employment. Further, I investigate if personality traits have an impact on the time spent in atypical employment. To do so, I count the number of years the respondents spent in atypical employment over the years they are surveyed in the GSOEP and thus exploit the panel structure.

The study shows that higher levels of Conscientiousness and Extraversion significantly reduce the likelihood of being in atypical employment, with a 17% decrease for each additional point in Conscientiousness and a 5% decrease for Extraversion. Conversely, higher levels of Agreeableness and Neuroticism increase these odds by about 10% for each point. These findings align with the social cognitive theory of social class, suggesting that traits associated with higher social class and career success inversely affect the probability of being in atypical employment. Openness to Experience does not impact the likelihood of being in such employment, challenging assumptions about the appeal of atypical employment even to those not seeking life-long employment.

As a robustness check, including the occupational unemployment rate as a control variable, confirms these findings. The observed differences are not due to specific occupations but are linked to personality traits. As a second step, I count the time spent in atypical employment over the entire observation period of the GSOEP and find that Openness to Experience, Conscientiousness, and Neuroticism are associated with shorter duration, while Extraversion and Agreeableness correlate with longer periods of time in atypical employment. Conscientiousness shows a strong impact. My conclusion is that individuals with high values for this trait tend to minimize their time in atypical employment, recognizing its disadvantages in their career paths.

The study implies that there is further potential for studying personality to understand the experience of inequality in the labor market. It emphasizes the subjective nature of labor market vulnerability and suggests that linking individual assessments of labor market risk to personality traits could illuminate how economic risks are subjectively perceived. This is particularly relevant given the increasing importance of emotional states and rhetoric in political behavior, as seen in the rise of populism and right-wing politics in Europe.

1.5. Discussion and Outlook

The central focus of this dissertation is the evolving nature of economic risks impacting individual attitudes in society. These risks are increasingly affecting parts of the working population that were previously well protected. Risk in the labor market spreads from more sources and thus affects attitudes in more ways as before.

This dissertation also examines the role of the welfare state in its role in moderating the economic risks faced by individuals in the labor market. As labor markets evolve, so do the economic risks that threaten income derived from labor market participation. New forms of economic risks demonstrate that even individuals who fully engage in the labor market can face threats to their income security. These threats may arise from changing work structures, such as atypical employment, or from job insecurity due to technological advancements replacing human labor. Economic risks that are beyond their control. Additionally, economic risks are increasingly infiltrating areas like housing, which are becoming more exposed to market forces.

This dissertation argues that the evolving nature of economic risk significantly influences crucial attitudes such as social and political trust, economic concerns, and political engagement, all of which form the basis of democracy by enabling citizens to participate in democracy. The complexity of addressing these challenges is intensified by the changing structure of economic risk. A key question that remains open is the extent to which the generosity and structure of the welfare state can mitigate the negative impact of economic risk on the political attitudes essential to democracy.

As demonstrated in the analysis of automation in the labor market, the solution is not as straightforward as merely expanding social policies. The relationship between economic risk and the erosion of trust through automation in the labor market illustrates a more complex scenario. It is not just any social policy that can effectively counteract this loss of trust; the

dynamics are more nuanced and require a detailed examination of the specific types of policies that can effectively address these emerging economic risks.

It is further crucial to recognize that the individuals impacted by adverse labor market conditions are not randomly selected or able to freely choose their circumstances. The increased flexibility often associated with less secure employment relationships is not a deliberate choice for many. This is evident when considering that personality traits linked negatively associated with career success are positively correlated with being in atypical employment. The capacity to navigate an increasingly risky labor market is diminishing, particularly for segments of the population whose personality traits are less suited to the demands of these challenging labor markets.

Furthermore, the decline in stable and secure employment, exacerbated by factors such as technological change, poses the risk of stratifying society along personality lines. This stratification means that those who can adapt to and cope with these challenges are rewarded, while others are disproportionately disadvantaged. This dynamic is associated with the growing inequality in labor market outcomes based on individual personality traits, which can have profound implications for social cohesion and economic stability.

Risk, however, can also be rewarded: while higher risk can lead to greater vulnerability, it can also offer the potential for higher returns. This is evident in the housing market, where the risk associated with capital investment can yield substantial rewards for homeowners. This dynamic contributes to increasing polarization, particularly between homeowners who gain wealth and tenants burdened with rising rents. These rents not only burden households but often flow to corporations or affluent individuals, further exacerbating economic inequality.

Based on the findings of this research I identify three areas of further research avenues:

Examining the Impact of Economic Risk Sources on Attitudes: To study how various sources of economic risk influence attitudes that are critical for understanding how citizens react to the increasing inequality of risk could be useful. This includes investigating the ways in which different economic risks, whether from labor market changes, housing market fluctuations, or other factors, shape public opinion and attitudes towards democracy, social trust, and political engagement. Different risk may impact different parts of the population and affect different risks. For example, the housing market impacts perception of economic worries in individuals.

Further, how different forms of risk affect individuals' behavior is dependent on their perception of threats and abilities to cope with increasing risk. A better understanding of the interplay of different forms of risks with the perception of the risks or the personality traits to deal with risk could be useful.

Effect of increasingly complex risk on political discourse: Our understanding of the effectiveness of different social policies in mitigating the influence of economic risk on political attitudes remains limited. Expanding the welfare state is neither feasible nor sufficiently specific to counter modern economic risks' adverse effects. Surprisingly, the political debate in Germany remains polarized between increasing basic aid and debating its appropriate level. It seems neither of these solutions presented in political discussions are appealing or constitute a robust strategy for addressing complex economic risks. Additionally, there are opportunistic approaches like welfare chauvinism. Such tactics, as seen in movements like Sahra Wagenknecht's party in Germany (Wagner et al. 2023), may fall short in resolving core problems. Therefore, research exploring how social policies precisely mediate specific economic risks could enhance public discourse.

Furthermore, the absence of an obvious connection between social trust levels and populist voting highlights a need for deeper understanding of this connection. Progress in better capturing survey respondents' understanding of trust in strangers and its relation to the policy issue of migration could offer more insights into the function of trust in democracy. Some research is already highlighting the complexities in surveying trust (Bauer and Freitag 2017). In countries where social trust is high, individuals who hold anti-migration attitudes could be especially drawn towards far-right parties in an attempt to protect high social trust from migration, which they view as a threat to social trust. This would mean that social trust is not too different from particularized trust under certain circumstances. It could also lead to more frictions in society between an in- and an out-group, and thus not only be the glue that binds society together as it is often theorized. In essence, trust is often uncritically assumed to have positive effects, while the downsides are under-researched. High trust levels could, for example, also lead to an effect where a populist candidate receives the benefit of the doubt due to high social trust in society, next to an effect of strong in-group association especially in small countries like the Scandinavian countries or the Netherlands.

Researching Responsibility Attribution: Technological change, for example, is a complex process and unlike, for instance, foreign trade it is impossible to shield off from technological progress. Moreover, the free movement of capital opened, for example, the German housing market for foreign investment into a market which used to be still shielded off for investment. Global trade agreements as well as European integration massively reduce the policy options to deal with global trends. Fiscal constraints limit the options for social policy, although social policy reforms are still one of the main playing fields of national governments, also often directed towards furthering a growth regime (Baccaro and Pontusson 2016). This again calls for a better understanding of the effects of social policies for democracy, especially in an environment of restricted policy options for governments.

In essence, this research calls for a deeper, more nuanced understanding of the relationship between economic risk and individual political attitudes, as well as a critical examination of the strategies to deal with these risks. It highlights the importance of developing comprehensive strategies that effectively address the multifaceted nature of economic risk and its far-reaching implications.

2. Paper 1: Eroding foundations: How automation risk affects social and political trust across European welfare states

This study examines the impact of automation risk on social and political trust, focusing on the working population across 21 European countries from 2002 to 2018. Utilizing the European Social Survey and multilevel models, the study employs two measures of automation risk — Routine Task Intensity (RTI) and the Frey-Osborne index — to show a negative relationship with both social and political trust which holds for both measures of automation risk. The study also explores the moderating effects of welfare state policies, revealing that passive unemployment benefits, measured as the net replacement rate, can buffer the negative impact of automation risk on social trust. However, this effect is not observed for political trust. Higher spending on active labor market policies, on the other hand, shows no significant effect on the relationship between automation risk and social or political trust. The findings contribute to the literature by highlighting how economic risk through technological change influences trust and interacts with the welfare state. It suggests that while welfare policies can alleviate some of the negative impacts on social trust, they are less effective in addressing the erosion of political trust. This research adds to our understanding of how technological change, as a form of economic risk, can erode social and political trust, thereby affecting the stability and cohesion of democratic societies.

2.1. Introduction

Technological change in the labor market represents the latest industrial revolution, generating both winners and losers in this process of economic transformation (Palier 2019). This shift is altering the nature of occupations (Spitz-Oener 2006) and introducing a new major economic risk, heightening insecurity about future income (Frey and Osborne 2017). One of the most notable impacts observed is job polarization, which has a more pronounced effect than either globalization or competition from labor migration (Goos et al. 2014, 2009). Specifically, technological advancements yield productivity gains in high-skilled occupations while posing a threat to mid-level jobs, such as machine operators and office clerks. These roles often involve routine tasks, making them particularly vulnerable to automation (Acemoglu and Autor 2011; Autor and Dorn 2013; Goos et al. 2009). Low-skilled occupations are less threatened by automation, as they are often not productive enough such as service-sector jobs or require skills that cannot be easily replaced like care jobs (Palier 2019). Job polarization creates winners and loser of automation and introduces risk in the form of uncertainty as future income into the middle of the skilled distribution which has been previously well shielded from labor market risks (Rehm 2009; Kurer and Palier 2019; Palier 2019).

Research has established the significance of economic risk in shaping political attitudes, preferences, and behavior, especially as this form of risk continues to escalate (Hacker et al. 2013). Democracies depend on public support and trust serves as ‘the glue that keeps the system together’ (Meer and Zmerli 2017, 1). Some degree of distrust in the form of skepticism towards elites in power is a necessary condition of democracy as critical citizens hold elected officials to account. However, it becomes problematic if skepticism turns into cynicism. In such cases, the functioning of institution or the integrity of politicians are questioned, leading to diminished expectations regarding the problem-solving capabilities of democracy. Surveying trust in institutions measures the expression of citizens of the government’s ability to govern effectively (Hetherington and Rudolph 2008). Additionally, social trust—defined as trust in strangers—enhances social capital, a key element for fostering cooperation among citizens (Putnam 2000). A growing cynicism towards political actors and institutions can have detrimental effects, potentially driving citizens to either vote for populist parties or abstain from voting altogether (Citrin and Stoker 2018; Levi and Stoker 2000). In the context of European democracies, we observe a rise in populism, which is accompanied by growing concerns about the relationship between economic uncertainty and the propensity to vote for populist parties (Margalit 2019). This rise in populism often manifests as distrust towards political elites. Recent studies also indicate that political trust is instrumental in understanding how, for instance, income inequality influences voting behavior for populist parties (Stoetzer et al. 2021).

Occupations are instrumental in understanding how exposure to economic risk in the labor market affects individuals’ preferences, particularly about redistribution (Rehm 2009; Kitschelt and Rehm 2014). Occupations are the decisive factor in making sense of labor market risk as they capture skill profiles which can be used across industries. The argument is that individuals in occupations across industries share more characteristics than individuals within industries. Even if an industry is, for instance, threatened by globalization through offshoring, individuals with certain skills can find employment in any other industry in the same occupation (Rehm 2009). Among various risks, unemployment or the threat of job loss remains the most pressing concern in today’s labor market (Margalit 2019). Existing literature provides evidence that economic risk in the form of unemployment experiences or insecure employment relationships adversely impacts both political (Wroe 2016; Giustozzi and Gangl 2021) and social trust (Nguyen 2017; Kevins 2019).

Technological change serves as a key determinant of occupational risk, thereby shaping individual preferences. Specifically, technological change as a contemporary risk, introducing uncertainty for occupations threatened by automation, influences preferences for redistribution and social policy (Busemeyer et al. 2022; Busemeyer and Tober 2022; Busemeyer and Sahm 2021; Im and Komp-Leukkunen 2021; Im 2021a; Thewissen and Rueda 2019), political attitudes (Gallego and Kurer 2022; Wu 2021). Emerging evidence suggests that technological change even contributes to shaping populist voting preferences (Gallego et al. 2021; Gingrich 2019; Kurer 2020; Im et al. 2019). However, there is no research on the effect of economic risk from technological change, which specifically targets a previously well protected part of the labor market, on social and political trust.

The literature presents two main arguments concerning the distinct impact of automation risk, which predominantly affects individuals in the middle of the income and skill distribution, on social policy preferences. The first argument is the insurance perspective: Workers who perceive a high risk of automation seek to insure themselves against future job loss and, consequently, favor policies that promote greater income redistribution (Thewissen and Rueda 2019). Consistent with this view, individuals facing higher automation risks are more inclined to support redistributive social policies over more universal welfare options like social investment or universal basic income (Busemeyer and Sahm 2021; Busemeyer et al. 2022). Redistributive policies serve as a form of insurance for the currently employed, shielding them from economic risks. In contrast, more generous approaches like universal basic income could be financially burdensome and may not maintain individuals' current socio-economic status in case the economic risk materializes.

The second line of reasoning focuses on the competition between workers at risk of automation and other groups, such as the unemployed or migrants. Active labor market policies aim to facilitate entry into the labor market for the unemployed through various means, such as training programs, job placements, and counseling services. However, these policies can also impose sanctions that restrict access to welfare benefits or require individuals to accept any job offer. Individuals facing a higher economic risk due to automation are more likely to support stricter active labor market policies (Im 2021b). These individuals are concerned about welfare competition from the already unemployed in the future. Specifically, they worry that welfare benefits may become less generous if they themselves become unemployed in the future, particularly during economically challenging times (Im and Komp-Leukkunen 2021).

Several studies indicate that the moderating effect of welfare state generosity on political or social trust is complex and not straightforward. For instance, Nguyen (2017) suggests that the generosity of unemployment benefits can positively offset the negative impact of labor market disadvantages on social trust. Conversely, Kevins (2019) finds that increased spending on labor market policies lowers the negative effect of being a labor market outsider on social trust.

Turning to political trust, the relationship becomes more complex: Giustozzi and Gangl (2021) notes that the experience of unemployment is negatively correlated with political trust, and this correlation is stronger in more generous welfare states. They make sense of this phenomenon through cultural factors such as the stigma and status loss associated with unemployment, which exacerbate the negative impact on political trust in more generous welfare systems (Giustozzi and Gangl 2021). The literature is also inconclusive on how increases in public service spending, access to early retirement schemes, and stricter employment protection legislation influence voting for populist parties for those affected by automation. Economic risk in the form of automation risk increases the likelihood to vote for populist parties, but variation in the generosity of welfare states have little impact on that relationship (Gingrich 2019).

In this study, I initially explore the potential negative impact of heightened automation risk in the labor market on both social and political trust. Recognizing the welfare state's dual role - either as a safety net against life-course risks or as a facilitator of employability - I further examine its capacity to moderate the effects of automation risk on trust levels. To address these questions, I employ two distinct measures of automation risk. The first measure stems from the influential work of Frey and Osborne (2017), utilizing the automation index. The second measure employs the Routine Task Intensity (RTI) index, which has been used in influential studies (Thewissen and Rueda 2019). Leveraging multilevel modeling techniques, I analyze data from nine waves of the European Social Survey, spanning 21 European countries from 2002 to 2018, including the United Kingdom.

I find a consistently strong negative correlation between automation risk and both social and political trust, irrespective of how automation risk is operationalized. However, the relationship becomes more nuanced when considering the interplay between automation risk and various labor market policies, such as unemployment benefits and active labor market policies. For instance, the net replacement rate of unemployment benefits serves as a moderating factor,

mitigating the adverse effects of automation risk on social trust. Specifically, as the net replacement rate rises, the negative impact of automation risk on social trust lessens. On the other hand, political trust doesn't exhibit the same responsiveness to these moderating influences. Notably, more generous active labor market policies appear to exacerbate, rather than alleviate, the decline in political trust.

The remainder of the article is organized as follows: I will initially review the existing literature, focusing on three key areas: the influence of economic risk on trust, the impact of automation risk on preferences, and the moderating role of the welfare state in this context. In the section on data and methods, I explain the two distinct measures of automation risk. This is followed by an analysis of how automation risk impacts social and political trust, and how labor market policies moderate these effects. The study concludes with a discussion of the findings and their implications for research on economic risk, trust, and the welfare state.

2.2. Theory and Literature

2.2.1. Economic risk and trust

Economic risk, defined as uncertainty about future income (Rehm 2009), has been steadily increasing in affluent democracies (Hacker et al. 2013). This rise is attributed to a variety of factors, including liberalization, globalization, and notably, technological change (Gallego and Kurer 2022). In the labor market, this technological change primarily takes the form of routine-biased technological change. This type of change either complements labor, enhancing productivity especially for high-skilled workers, or substitutes labor, particularly affecting those in the middle of the skill distribution. Occupations in this skill range often involve numerous routine tasks, yet they are also productive enough to justify investment in technological advancements, unlike low-skilled service sector occupations.

To understand the impact of labor market risk on trust, two overarching mechanisms are generally considered. First (*top down*), the evaluation of economic performance by citizens affects mainly political trust as trust is formed as feedback to the performance of these institutions. The second mechanism (*bottom up*) is related to the intrinsic value of work beyond remuneration, affecting social trust. Economic risks, particularly from technological change impacts both mechanisms and targets a specific segment of the labor market.

Political trust is generally associated with the economic performance of governments, formed through a process of evaluation (Van Der Meer 2013; Van Der Meer and Hakhverdian 2017). The basic mechanism here is citizens' assessment of the macroeconomic situation. Citizens evaluate the economic performance of the national government and form political trust as feedback. This trust is established when the government's actions meet citizens' economic performance expectations. Particularly macroeconomic downturns have a detrimental effect on political trust (Hetherington and Rudolph 2008). Beyond this basic macroeconomic assessment, citizens' evaluations also extend to issues such as economic inequality and individual economic disadvantage.

First, the rise in economic inequality fosters a perception that institutions are unfair and not designed to serve the majority. A study focusing on European countries substantiates the negative impact of income inequality on political trust (Anderson and Singer 2008). Additionally, while citizens who are better off in terms of social class, education, and employment generally exhibit higher levels of trust in political institutions, an increase in national inequality correlates with a decline in this trust (Goubin and Hooghe 2020). The reasons for this are twofold: On one hand, trust levels among privileged groups diminish when they witness persistent inequality, possibly due to its wider social consequences such as crime and poverty. On the other hand, the political system is often blamed for perpetuating social exclusion and inequality. Moreover, the degree of inequality influences the importance citizens place on government performance assessments. In more equal societies, citizens are more politically active and discerning, making their evaluations of political responsiveness crucial in shaping their trust. In contrast, in more unequal societies, citizens are less politically engaged, possibly due to a lack of information or interest, thereby diminishing the role of perceived responsiveness in forming trust (Goubin 2020).

The evaluation of economic performance is not limited, however, to macroeconomic performance. Citizens may also hold the government responsible for their own economic situation, especially if they perceive it as comparatively worse than their fellow citizens who they compare themselves to (Marx 2016). Notably, rising economic risk, measured as self-reported insecurity, has a detrimental effect on political trust (Wroe 2016). This form of insecurity exerts a greater influence on political trust than other factors such as future economic performance evaluations and party affiliation. The rationale is that economic insecurity triggers psychological biases, making individuals loss-averse and inclined to preserve

the status quo. Consequently, politicians are blamed for this insecurity, as it violates citizens' expectations that the state should ensure their well-being.

Social trust, often regarded as the cornerstone of rational interactions among citizens, is also negatively influenced by economic risks. Economic inequality, in general, erodes social trust by contradicting established norms of societal fairness (Anderson and Singer 2008). Social trust thrives when citizens engage frequently and equitably, as the expectation of reciprocity forms its foundation (Coleman 1990). However, rising economic inequality widens the social gap between citizens, thereby undermining social trust (Bjornskov 2007). Most studies attribute this effect to psychological theories that posit a breach of an implicit societal contract linking work to social status, which goes beyond only financial compensation. Individuals who face unemployment or precarious labor conditions feel devalued, affecting their sense of purpose. Work serves as a pivotal setting for preference formation (Kitschelt and Rehm 2014), group communication, problem-solving, and the practice of basic democratic principles, such as collective action or co-determination. Consequently, economic disadvantage hampers integration into social circles beyond family and close friends, leading to a feeling of social isolation (Gundert and Hohendanner 2015). The heightened risk of job loss or experiencing unemployment breaches this implicit contract, thereby diminishing social trust (Nguyen 2017; Kevins 2019).

The effects of technological change on the labor market create a persistent risk on specific occupational groups. The initial expectation has been that skill-biased technological change would favor high-skilled jobs and expand their share of all jobs, increasing the wage premium of college educated workers (Katz and Murphy 1992; Autor and Dorn 2013). While the high-skilled sector has continuously expanded its share in the working population as well as the wage premium, the low-skilled sector has been observed to expand its share on the expense of middle-skilled jobs in the labor market, leading to job polarization (Acemoglu and Autor 2011; Autor and Dorn 2013; Goos et al. 2009). This is due to the potential of middle-level jobs for automation as they contain routine tasks. This routine-biased technological change threatens routine intensive occupations and therefore puts pressure on individuals with lower or middle education, for which routine jobs provided an income above the level of low-skilled jobs in the service sector. For example, the use of information and computer techniques replaced office clerks, and robots in manufacturing rendered machine operators superfluous. More recently

the use of artificial intelligence and apps more generally threaten, for instance, customer service employees through smart brokers, insurance apps or banking apps more generally.

The increasing automation risk put additional pressure on workers. For example, the introduction of robots and other automated technologies has not only reduced the overall number of jobs but also exerted downward pressure on wages (Acemoglu and Restrepo 2020). Additionally, the decline in union coverage in the United States has led to reduced earnings, particularly in occupations at higher risk of automation (Parolin 2020). These risks have inter-generational implications: regions with high levels of job automation exhibit less upward mobility (Berger and Engzell 2022). However, there are assumptions how, when the expectation of upward mobility is not met, this can trigger political disruptions (Kurer and van Staalduinen 2022). Adding to the looming threat and creating a persistent risk is the fact that these processes of technological change in the labor market do not create sudden mass unemployment. It is a gradual process of decline for those in low-middle income jobs by 'higher exit rates and lower entry rates' (Kurer 2020, 1800).

I hypothesize that a higher degree of automation risk will result in lower levels of social and political trust (H1).

2.2.2. Pressure on the middle: Suddenly vulnerable

Technological change as a labor market risk exposes the previously rather shielded middle class to economic risk. In general, the theoretical expectations around economic risk exposure and how they affect individual-level preferences and attitudes have emphasized economic self-interest as a determining factor. However, it is not only the current income that determines preferences (Meltzer and Richard 1981), but also risk exposure, i.e., uncertainty about future income (Rehm 2009). Higher automation risk leads to higher unemployment risk only for distinct parts of the working population. It differs starkly from other forms of labor market insecurity which mostly affects lower educated, lower paid service sector jobs due to their high replaceability or high-skilled individuals that are threatened by the specificity of their skills, which offer less options for the transfer of their skill (Iversen and Soskice 2001). Technological change as automation threatens workers in routine intensive occupations. These workers in routine intensive occupations have traditionally not been those who depend on the welfare state or are at high risk. Especially in export-driven production models core workers in the

export-oriented industry have been protected by high wages and employment security (Hassel 2014) thus contributing to an insider-outsider conflict (Schwander and Häusermann 2013).

Automation, hence, introduces insecurity into a group of employees and workers, who were not threatened specifically as a group before. Welfare state benefits and employment protection in combination with comparatively high and stable wages have shielded them so far. Technological change has reduced especially the number of jobs in occupations with either cognitive or manual routine skills, such as office clerks or machine operators (Autor et al. 2003). While most occupations have seen a shift towards more high-skilled job profiles, the numbers of jobs who were previously held by individuals with a middle level of education and exercising a lot of routine work have been replaced by processes of automation (Spitz-Oener 2006). Technological change enhances productivity of highly skilled and educated workers. On the other hand, low-skilled service sector jobs are not productive enough to be automated. However, this has been criticized as many of the jobs not subject to automation also include care work, which contains mainly interpersonal tasks (Palier 2019).

Adding to the rift in society is the fact that technological change is not only producing losers, but also winners. Some parts of the labor force gain from automation and are content with the political system (Gallego et al. 2021). Increasingly the labor market is shaped by those who gain from technological change and the losers of this process. Especially the low-paying service sector has been transformed. Processes of digitalization in the economy and the increasing use of platforms as an economic model (Rahman and Thelen 2019) have created a class of serving jobs in the gig economy which are mainly tasked with low-paying service sector jobs such as food delivery, cleaning, or especially logistics (Hassel and Sieker 2022).

It has been suggested that the process of technological change affects a class, which is fully able to voice political opinions and exercises their political rights, thus making this pressure on the middle of the income and skill distribution very relevant for politics (Kurer and Palier 2019). Technological change threatens a previously rather safe and stable segment of the labor market, which has something to lose (Im et al. 2019). It is repeatedly shown that those with higher incomes react stronger to the threat of automation, arguably because they have more to lose Dermont and Weisstanner (2020). Also, voting intention for the radical right in Western Europe is higher for individuals who just about cope with their income (Im et al. 2019). Automation-threatened workers also support stricter active labor market policies. Studies also

show that susceptible workers are aware of this threat. Individuals who are more likely to be affected by processes of automation are reporting higher fears of job loss due to automation than those less likely affected (Dekker et al. 2017).

2.2.3. The welfare state as a moderator between economic risk and trust

The generosity of labor market policies moderates the link between individual risk in the labor market and trust. However, studies investigating the impact of risk in the labor market on trust have operationalized risk as current adverse experience rather than the risk of becoming unemployed in the future. So far, the focus has been either on the effect of being in adverse employment relationships (Kevins 2019) or having experienced spells of unemployment (Nguyen 2017; Giustozzi and Gangl 2021). Automation risk is different from other risks in the labor market, as its effect on individuals with lower income is less pronounced. This is due to skill-biased technological change: Individuals performing tasks on the lower end of the income and skills scale often perform service sector jobs for which automated solutions to the tasks would exceed the labor costs. Conversely, particularly the protected core workers, such as office clerk jobs or industrial workers, are affected by technological change. This is because they are often paid comparatively high wages due to employment protection and unionization. This skill-biased technological change is observable even when accounting for differences in union coverage (Spitz-Oener 2006).

Social policies by European welfare states have been introduced, maintained, and expanded to buffer adverse effects of risks in the work life. One important and often overlooked aim of the welfare state is also to pacify society and achieve some degree of social and political trust. The argument is that more generous welfare state policies, such as the replacement rates in case of unemployment or spending on active labor market policies buffer the outcome in case the risk of becoming unemployed realizes and thus further trust. However, relationship between different programs of social security and its effect on insecurity perceptions of workers are not straightforward, as some are more apt at reducing insecurity than others (Anderson and Pontusson 2007).

For social trust Kevins (2019) finds that active labor market policies reduce the negative relationship between working in atypical employment and trust. More generosity of active labor market measures reduces differences between insiders and outsiders in the labor market. Another approach investigates labor market risk as occupational unemployment rates and finds

that higher risk reduces social trust (Nguyen 2017). This is, however, moderated by higher unemployment and active labor market policy spending. A more complex picture emerges in the work of Giustozzi and Gangl (2021). They find that for political trust there is a stronger negative relationship with unemployment experience in welfare states with a higher replacement rate in case of unemployment. However, they stress that higher income replacement for unemployed helps mitigate the negative effect of unemployment on political trust. Their analysis, however, is not restricted to Europe and includes the United States, reducing comparability to this study. In their study they also point towards cultural aspects relating to unemployment and political trust, which could explain in parts the stronger impact of unemployment on political trust.

Automation affects preferences for welfare state policies. There seems to be a preference towards classic redistributive policies at the detriment of social investment policies. Especially the introduction of a universal basic income is not preferred by workers threatened by automation. Therefore, I focus on two policies to grasp the dimensions of modern European welfare states. Passive unemployment benefit as a redistributive policy and active labor market policy spending as a policy of the social investment welfare state.

I formulate the following hypotheses:

H2: Higher net replacement rates in case of unemployment raise social and political trust

H3: Higher active labor market policy spending as percentage of GDP raises social and political trust.

2.3. Data & Methods

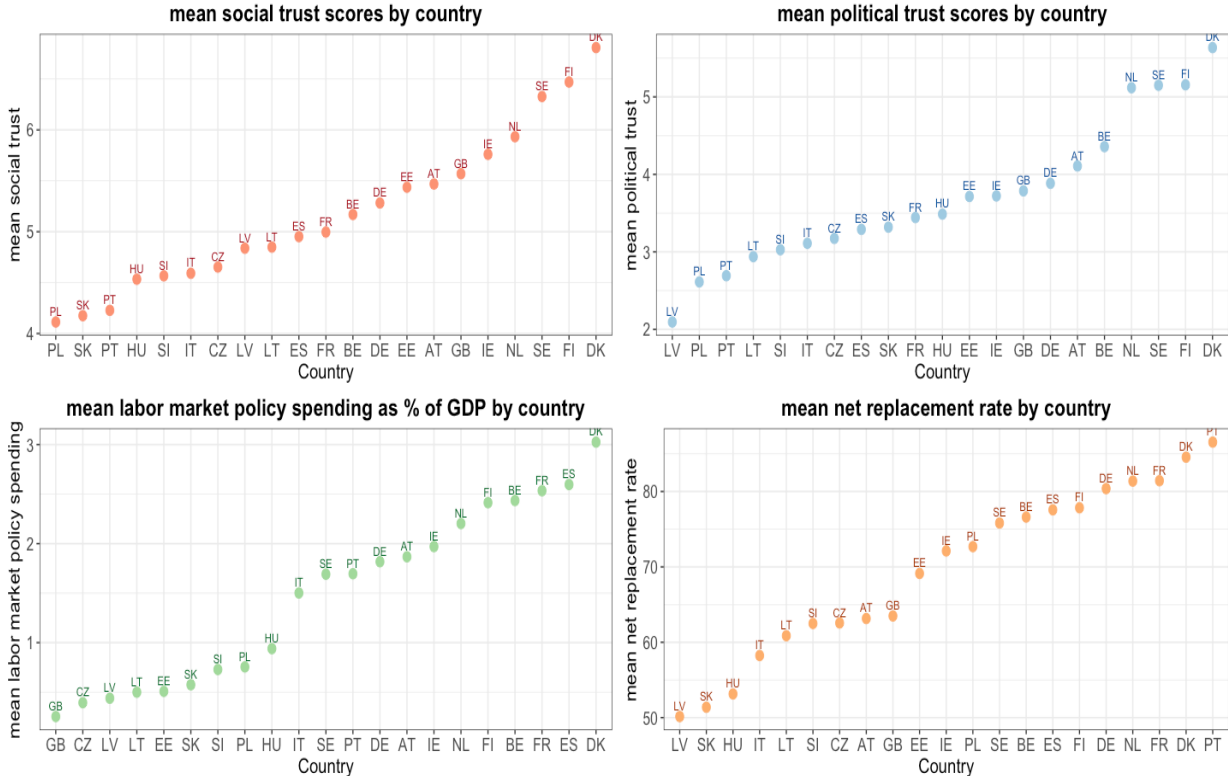
2.3.1. Dependent Variable

To test the hypotheses, I rely on the European Social Survey using the survey 1 to 9. The sample is restricted to the working population and to countries present in all nine waves. The sample consists of 21 countries and nine time points between 2002 and 2018 from Europe, including the United Kingdom and Eastern European States. I weigh the data using the analysis weight (*anweight*) as suggested by the ESS. The cut-off of the data is chosen to avoid confounding by the COVID-pandemic, which has triggered a huge literature on trust (see for a meta-analysis of the COVID-pandemic and trust: Devine et al. 2023).

The dependent variable is constructed by combining three variables in the ESS for political trust and creating an unweighted average index. The survey questionnaire reads: *'Using this card, please tell me on a score of 0-10 how much you personally trust each of the institutions I read out. 0 means you do not trust an institution at all, and 10 means you have complete trust.'* I use the three options national parliament, politicians, and political parties. The study neither includes purely executive branches (the police), the legal system, nor institutions beyond the scope of the national state (European parliament or United Nations) as the welfare state as a moderation variable is a national policy, also the police and the legal system are capturing different concepts beyond political trust, rather a satisfaction with broader institutions which do not react to economic risk the same way political actors / institutions do.

Similarly for the variable for social trust, which is combined from the survey questions that are standard in the literature and often used to construct social trust: trustworthiness, fairness, and helpfulness of strangers. The survey questionnaire for trustworthiness reads: *"Using this card, generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people? Please tell me on a score of 0 to 10, where 0 means you can't be too careful and 10 means that most people can be trusted."*; for fairness: *'most people would try to take advantage of you if they got the chance, or would they try to be fair'* on the same scale with higher values indicating more trust, and lastly for helpfulness: *'Would you say that most of the time people try to be helpful or that they are mostly looking out for themselves?'* (European Social Survey). If an individual only answers one or two of these questions, the index is constructed by only dividing by two responses or taking only the one response value, respectively. This has the advantage of smoothing out potential measurement error when an unintentional response at one value can be smoothed out by the other responses (Bauer and Freitag 2017). Also, the recommendation in the literature calls for using two or three items to construct political trust instead of relying on solely one measure (ibid.). The median value of political trust is 4.0 with a mean value of 3.85. The median value for social trust is 5.33 with a mean of 5.28. Figure 2.1 shows the mean values of social and political trust for each country. The mean values for trust show a great variation between countries ranging from 4.1 to 6.8 for social trust and from 2.1 to 5.6 for political trust.

Figure 2.1 Overview across countries



Mean social and political trust scores across countries (Source: ESS 1-9) and mean scores for net replacement rate of unemployment benefit (Source: OECD, dataset code: NRR) and active labor market policy generosity across countries (Source: OECD, dataset code: LMPEXP)

2.3.2. Automation Measure

The main independent variable, automation risk, is operationalized in two different ways. Both are frequently used in the literature, however very rarely both are used (see for an exception Thewissen and Rueda 2019). *Routine task intensity (RTI)* is a measure to capture routine-biased technological change by quantifying the degree of tasks in any occupation involving routine labor. The share of routine tasks is the RTI value for any occupation. These values are available for ISCO-08 codes and by the ISCO codes merged to the data based on the fine grained 4-digit level for occupations of the ISCO code system.

The second measure of automation is the Frey-Osborne (Frey and Osborne 2017) approach to measure future automation potential in any occupation by assigning a risk percentage to an occupation. The probability of automation is expressed as a percentage, indicating the likelihood that a particular job will be automated in the foreseeable future. The percentages are available for the US classification of occupations (SOC) which is then converted to ISCO-08 values to merge them to the data set. RTI is available for more occupational categories than

the Frey-Osborne measure which is due to losses at the level of conversion from the SOC measure in the US to the ISCO system applied in the ESS data. To include all rounds of the ESS into the analysis ISCO codes are harmonized to ISCO-08 levels.

2.3.3. Other Variables

Data on spending on active labor market policies as percentage of GDP is retrieved from Eurostats. Passive unemployment policy is constructed as the net replacement rate in case of unemployment retrieved from the OECD. The OECD provides the net replacement rate for ten different types of family constellations as well as three different levels of previous earnings before becoming unemployed, and at 60 time points (months) after becoming unemployed. The net replacement rate in this study is taken for the time point of 12 months after becoming unemployed. Further, social policies and housing policies as benefits are included to account for variation across European countries. The value is averaged for all family types and previous earning categories. The social policy macro variables are mean-centered.

The ESS data takes the form of time series cross-sectional data. To test the hypotheses, which include both individual and country-level factors I apply multilevel models to explore the individual level effects of automation risk on trust and the cross-level interaction effect between the macro-level variables of welfare state intervention and the individual level variables. My observations are individuals nested in countries and in survey years. Therefore, I use random intercept models that allow the intercept to vary at the country-year level, country-year being a variable identifying each country in each survey year.

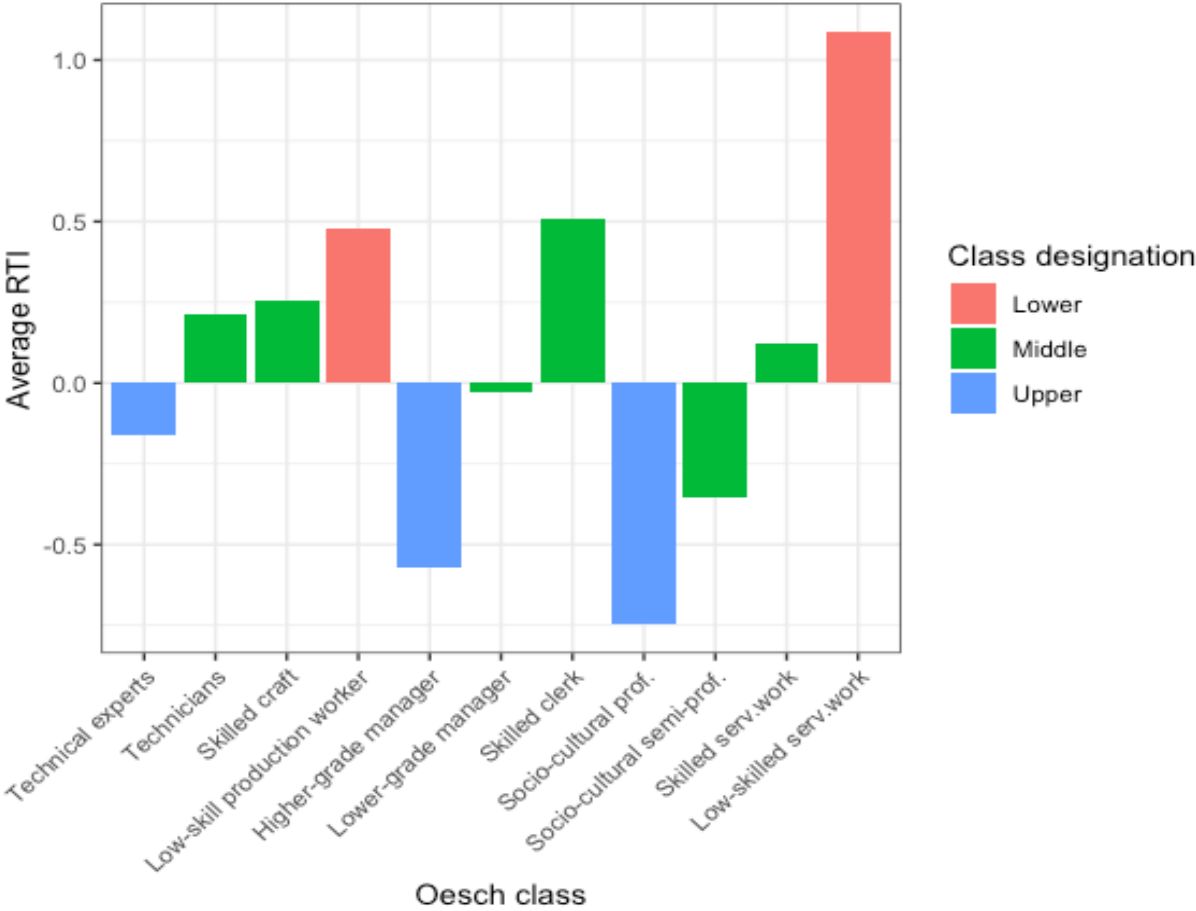
I also conduct robustness tests by using pooled OLS with clustered robust standard errors. The robust standard errors are clustered for countries, and I also include country fixed effects into the model which are not reported in the output. This allows me to account for individual-level effects and control for country-level characteristics, as my analysis focuses on the individual-level effect. The results are reported in the appendix (table A1-A3)

To control for social and economic characteristics on the individual level by adding control variables which are often used in the literature. Age and age squared to account for any non-linear relationship of age with trust. In general, trust has been found to increase with age (Sutter and Kocher 2007), however it could be possible that young as well as old individuals are more vulnerable and trust less, whereas the ones in the middle of working display higher values

of trust (Delhey and Newton 2010). Income and educational attainment as a measure of economic success are included to capture the effect that those who are successful and benefit most from trust in interactions display higher values of trust (Delhey and Newton 2010). The relationship between gender and trust is not straightforward. Women have been found to trust less in the United States which could be the result of gender discrimination (ibid.). Furthermore, levels of political trust vary for urban and rural regions, as individuals outside of urban agglomerations trust less (Mitsch et al. 2021). I follow Nguyen (2017) and include two additional measures into the models for social trust. First, belonging to a discriminated minority is associated with lower levels of social trust and having been the victim of a crime in the past has the same effect. For models on political trust, I include the left-right self-placement of individuals as studies have pointed towards different trust levels based on ideology (Anderson and Singer 2008).

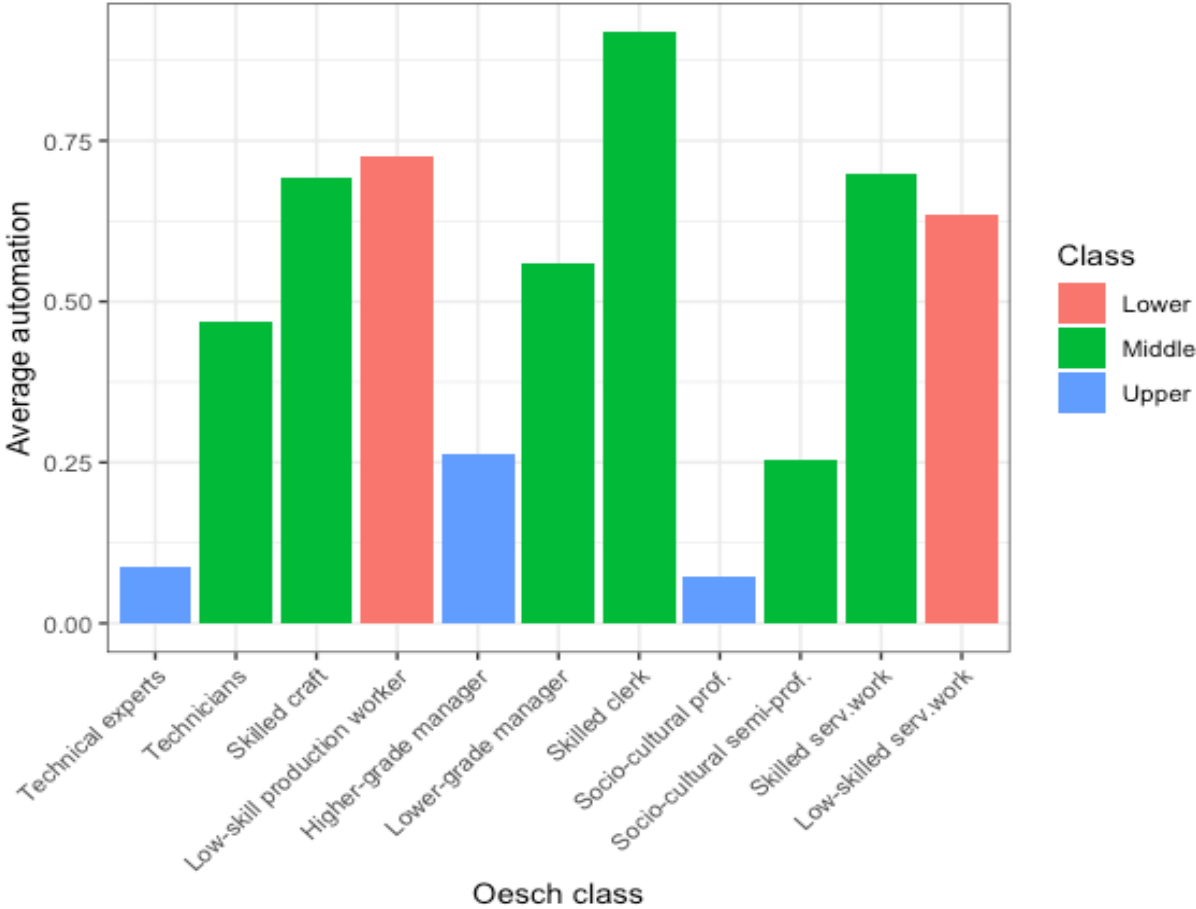
2.4. Results and Discussion

Figure 2.2 Routine-Task-Intensity (RTI) scores across occupational classes



Source: ESS rounds 1-9

Figure 2.3 Automation scores (Frey/Osborne) across occupational classes



Source: ESS rounds 1-9

To assess the threat of job polarization on the middle class, it's essential to scrutinize the specific risks of automation targeting this group. I employ the class scheme formulated by Oesch (2006), which is particularly effective for differentiating the diverse middle class. This scheme transcends the conventional blue-collar and white-collar occupational classifications (Oesch 2006; Oesch and Rennwald 2018). Figure 2.2 and figure 2.3 present the average automation risk according to both the Frey-Osborne and the Routine Task Intensity (RTI) measures.

Two key patterns emerge from these graphs. First, automation risk does indeed impact the middle class, although the degree varies depending on how automation risk is defined, as elaborated in the preceding section. Second, the RTI measure, which focuses more on routine tasks within occupations, is less sensitive to the economic feasibility of replacing human labor. This is because many low-skilled or unskilled service sector jobs, despite involving a high degree of routine work, are not easily automated due to the low wages. This accounts for the relatively

high values observed for the low class (depicted in red) in Figure 2.2. However, even with this nuanced operationalization, there remains a significant risk for skilled clerks. This risk is manifesting through the application of apps and artificial intelligence in the workplace, for example in sectors like banking and insurance.

Figure 2.3 adopts the more forward-looking assessment of automation risk, as proposed by Frey and Osborne (2017). In this depiction, the pressure on the middle class becomes more evident. The middle-class occupational categories are either on par with or exceed the lower class in terms of automation risk, with skilled clerks being a notable example. The class system by Oesch (2006) aggregates a wide range of occupations into its schema. What becomes clear, however, is that the pressure is mounting on occupational classes that were previously less exposed to economic risk. The automation risk is higher for skilled service workers than for their low-skilled counterparts. Socio-cultural and managerial classes are less vulnerable to automation, with technical experts facing the lowest economic risk from technological change.

Table 2.1 presents four multilevel models estimating the relationship between automation risk and individuals' levels of social and political trust. These models include all individual-level control variables related to socio-economic characteristics and account for macro-level differences across countries and years through random intercepts. The findings support the first hypothesis, indicating a negative relationship between occupational automation risk and both types of trust.

Models 1 and 2 examine the impact of automation risk on social trust. Notably, the effect is similar regardless of the operationalization of automation risk: both the Frey/Osborne and the RTI measures show a significant negative effect. These models also control for crime victim experience and minority discrimination, both of which strongly affect social trust. Lower educational attainment compared to the highest category is associated with reduced social trust, while higher income and urban living are linked to increased social trust.

Models 3 and 4 focus on the effect of automation risk on political trust and yield results consistent with those for social trust, albeit with smaller effect sizes. Lower educational levels are associated with decreased political trust, using the highest educational category as a reference. These models also account for individuals' left-right political orientation, finding that more conservative self-placement is associated with higher political trust. Interestingly, having

a migrant background positively impacts political trust, while its effect on social trust is negative.

Both models confirm that either measure of automation risk—whether it's the Frey/Osborne measure or the RTI measure— has a significant effect on either social or political trust. Moreover, the models show the robustness of the negative relationship between economic risk from technological change and social as well as political trust.

Table 2.1 *Automation Risk on General and Political Trust, Multilevel Models with random intercept at country-year level*

	Social Trust		Political Trust	
	Model 1	Model 2	Model 3	Model 4
Automation Risk (Frey/Osborne)	-0.18 *** (0.01)		-0.08 *** (0.02)	
Automation as RTI		-0.14 *** (0.01)		-0.08 *** (0.01)
Male	-0.08 *** (0.01)	-0.08 *** (0.01)	0.03 * (0.01)	0.03 ** (0.01)
Age	-0.02 *** (0.00)	-0.01 *** (0.00)	-0.04 *** (0.00)	-0.04 *** (0.00)
Age squared	0.00 *** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)
Migration Background	-0.06 *** (0.01)	-0.05 *** (0.01)	0.34 *** (0.01)	0.33 *** (0.01)
Lower educ. (ISCED <=2)	-0.67 *** (0.01)	-0.64 *** (0.01)	-0.60 *** (0.02)	-0.59 *** (0.02)
Medium educ. (ISCED 3-4)	-0.43 *** (0.01)	-0.43 *** (0.01)	-0.52 *** (0.02)	-0.52 *** (0.02)
Medium-High Educ. (ISCED 5) (ref: Higher educ. ISCED >= 6)	-0.25 *** (0.02)	-0.24 *** (0.02)	-0.33 *** (0.02)	-0.32 *** (0.02)
Income Decile	0.06 *** (0.00)	0.06 *** (0.00)	0.06 *** (0.00)	0.06 *** (0.00)
Urban	0.03 ** (0.01)	0.02 ** (0.01)	0.13 *** (0.01)	0.12 *** (0.01)
Crime Victim	-0.21 *** (0.01)	-0.21 *** (0.01)		
Discriminated Minority	-0.51 *** (0.02)	-0.48 *** (0.02)		
Left-Right Placement			0.06 *** (0.00)	0.06 *** (0.00)
Experience of Unemployment	-0.13 *** (0.01)	-0.14 *** (0.01)	-0.22 *** (0.01)	-0.22 *** (0.01)
Num. obs.	157157	160643	144543	147757
Num. groups: country_year	153	153	153	153
Var: country_year (Intercept)	0.54	0.54	0.80	0.79

*p < 0.001; **p < 0.01; ***p < 0.05

Moving from the individual level analysis of automation risk to the impact of the interaction effect of welfare state generosity with automation risk for social and political trust. To

investigate the effect of social policies I add interactions between the measure for unemployment benefit (net replacement rate) and automation risk as well as active labor market policy spending as percentage of GDP and automation risk. The results are shown in table 2.2 for social trust and table 2.3 for political trust, respectively.

The cross-level interaction term is only significant for the interaction term of the net replacement rate (passive unemployment benefit) and automation risk for the models investigating social trust. This is suggesting that a relationship between a change in the net replacement rate on the negative effect of automation on trust is only present for social trust and thus lending support for the hypothesis 2, that more generous unemployment benefit moderates the negative relationship between automation risk in the labor market and social trust.

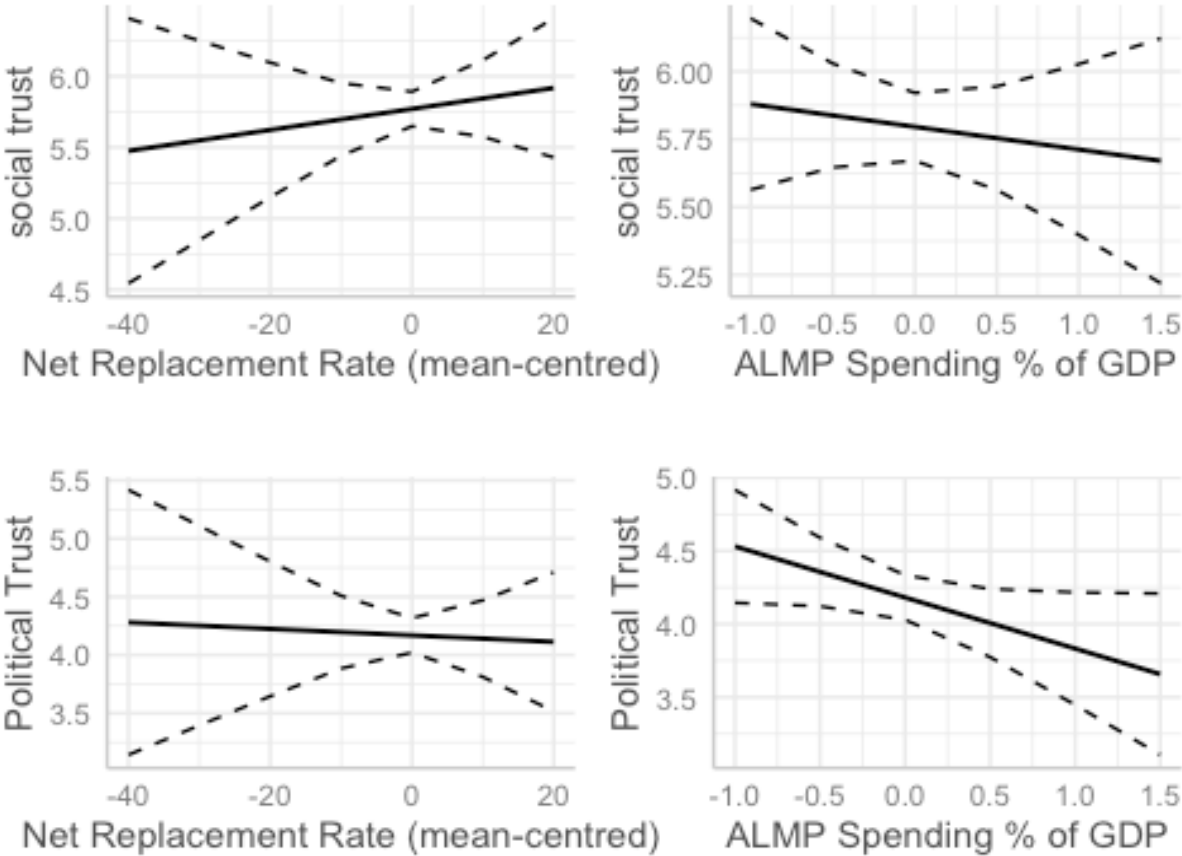
The interaction between spending on active labor market policies, however, is not significant. This is suggesting an increase in active labor market policy spending as percentage of GDP is not impacting the negative relationship of automation risk on social trust.

For political trust the results are more mixed. The models show only one statistically significant interaction term for the net replacement rate and automation risk. Higher spending on active labor market policies has no significant interaction effect with automation risk, indicating that it does not influence the negative relationship between automation risk and political trust. When visualizing the results, it shows that the interaction term is a slightly negative relationship, with higher levels of the net replacement rate leading to lower predicted levels of political trust as automation increases.

For readability I limit myself to plotting the graphs for automation operationalized as routine task intensity (figure 2.4). The graph for automation operationalized after Frey/Osborne is available in the appendix (figure A1).

The graph shows that an increase in the net replacement rate is associated with an increase in social trust but has little effect on political trust. For active labor market policy spending the relationship is even negative on both social and political trust. The findings are similar for automation operationalized after Frey/Osborne and only differ in their magnitude (figure A1 in the appendix).

Figure 2.4: Average marginal effects of macro variables



Average marginal effects of welfare state macro variables on trust from multilevel models with cross-level interactions, automation as RTI (package ggpredict in R), Source: ESS rounds 1-9, own calculations.

Table 2.2 cross-level interaction: social trust, multilevel models with random intercept

	Social Trust			
	Model 1	Model 2	Model 3	Model 4
Automation Risk (Frey/Osborne)	-0.17 *** (0.01)	-0.18 *** (0.01)		
Automation as RTI			-0.14 *** (0.01)	-0.14 *** (0.01)
Age	-0.02 *** (0.00)	-0.01 *** (0.00)	-0.01 *** (0.00)	-0.01 *** (0.00)
Age Squared	0.00 *** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)
Migration Background	-0.06 *** (0.01)	-0.06 *** (0.01)	-0.05 *** (0.01)	-0.05 *** (0.01)
Lower educ. (ISCED <=2)	-0.67 *** (0.01)	-0.67 *** (0.02)	-0.64 *** (0.02)	-0.64 *** (0.02)
Medium educ. (ISCED 3-4)	-0.43 *** (0.01)	-0.43 *** (0.01)	-0.42 *** (0.01)	-0.42 *** (0.01)
Medium-High Educ. (ISCED 5) (ref: Higher educ. ISCED >= 6)	-0.25 *** (0.02)	-0.23 *** (0.02)	-0.24 *** (0.02)	-0.23 *** (0.02)
Income Decile	0.06 *** (0.00)	0.06 *** (0.00)	0.06 *** (0.00)	0.06 *** (0.00)
Urban	0.03 ** (0.01)	0.03 ** (0.01)	0.02 ** (0.01)	0.02 * (0.01)
Crime Victim	-0.21 *** (0.01)	-0.21 *** (0.01)	-0.21 *** (0.01)	-0.21 *** (0.01)
Discriminated Minority	-0.51 *** (0.02)	-0.50 *** (0.02)	-0.48 *** (0.02)	-0.49 *** (0.02)
Experience of Unemployment	-0.13 *** (0.01)	-0.14 *** (0.01)	-0.14 *** (0.01)	-0.15 *** (0.01)
auto x NRR	0.02 *** (0.00)			
rTI x NRR			0.00 ** (0.00)	
auto x ALMP		0.03 (0.03)		
rTI x ALMP				-0.01(0.01)
Num. obs.	156318	147074	159677	150508
Num. groups: country_year	151	142	151	142
Var: country_year (Intercept)	0.54	0.54	0.54	0.54

*p < 0.001; **p < 0.01; ***p < 0.05

Table 2.3 cross-level interaction: political trust, multilevel models with random intercept

	Political Trust			
	Model 1	Model 2	Model 3	Model 4
Automation Risk (Frey/Osborne)	-0.08 *** (0.02)	-0.08 *** (0.02)		
Automation as RTI			-0.08 *** (0.01)	-0.08 *** (0.01)
Age	-0.04 *** (0.00)	-0.04 *** (0.00)	-0.04 *** (0.00)	-0.04 *** (0.00)
Age squared	0.00 *** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)
Migration Background	0.34 *** (0.01)	0.31 *** (0.01)	0.33 *** (0.01)	0.32 *** (0.01)
Lower educ. (ISCED <=2)	-0.60 *** (0.02)	-0.57 *** (0.02)	-0.59 *** (0.02)	-0.57 *** (0.02)
Medium educ. (ISCED 3-4)	-0.53 *** (0.02)	-0.51 *** (0.02)	-0.52 *** (0.02)	-0.51 *** (0.02)
Medium-High Educ. (ISCED 5) (ref: Higher educ. ISCED >= 6)	-0.33 *** (0.02)	-0.30 *** (0.02)	-0.32 *** (0.02)	-0.31 *** (0.02)
Income Decile	0.06 *** (0.00)	0.06 *** (0.00)	0.06 *** (0.00)	0.06 *** (0.00)
Urban	0.13 *** (0.01)	0.14 *** (0.01)	0.12 *** (0.01)	0.12 *** (0.01)
Left-Right Placement	0.06 *** (0.00)	0.06 *** (0.00)	0.06 *** (0.00)	0.06 *** (0.00)
Experience of Unemployment	-0.22 *** (0.01)	-0.22 *** (0.01)	-0.22 *** (0.01)	-0.23 *** (0.01)
auto x NRR	0.01 *** (0.00)			
rti x NRR			0.01 *** (0.00)	
auto x ALMP		0.05 (0.03)		
rti x ALMP				0.03 (0.02)
Num. obs.	143392	135206	146427	138287
Num. groups: country_year	151	142	151	142
Var: country_year (Intercept)	0.82	0.82	0.81	0.81

*p < 0.001; **p < 0.01; ***p < 0.05, standard error in parentheses

2.5. Conclusion

In this study I show that the risk of automation is significantly linked to reduced levels of social and political trust among individuals employed in occupations vulnerable to technological displacement. Specifically, the threat of job loss affects the middle class, primarily those in middle-income and middle-skill occupations, resulting in a labor market polarization that extends to society at large by eroding social and political trust.

The possibility of future unemployment is a crucial factor that negatively impacts cohesion in society and decreases both social and political trust levels in individuals. This finding supports previous research on the damaging effects of unemployment threats on social trust, which can arise from unfulfilled expectations about the societal contract regarding employment. Furthermore, citizens evaluate political outcomes based on their individual circumstances, and if they view the outcome negatively, this can lower their political trust.

Regarding the moderation of welfare state spending on social and political trust, this study contains two aspects. First, it assesses the impact of unemployment benefits compared to active labor market policy spending. The findings reveal that the level of generosity in unemployment benefits across different countries plays a moderating role in the negative effects of automation risk on social trust. Specifically, a more generous unemployment replacement rate mitigates the adverse impact on social trust. However, this moderating effect does not extend to political trust. Second, when it comes to spending on active labor market policies, the study finds no clear moderation effect on the relationship between automation risk and both social and political trust. This suggests that while unemployment benefits can cushion the blow of automation risk on social trust, this is different for political trust. Active labor market policies do not appear to significantly influence trust levels in relation to automation risk.

This reflects two findings in the literature. First, economic risk affects social trust and political trust. However, identifying the effect how much the welfare state can insure against this risk and thus moderate the adverse relationship is difficult. For social trust, this effect has been observed for disadvantage in the labor market like unemployment experience (Nguyen 2017) or outsidership (Kevins 2019). For political trust the picture is more complex, which other authors explain by cultural factors overlaying economic ones (Giustozzi and Gangl 2021). This could point towards a more complex relationship about the evaluation of economic risk and

who citizens attribute this to. The influence of national governments on the spread, adoption, and speed of technological change in the labor market is restricted. Nevertheless, workers seem to prefer a slowdown of technological progress over compensatory policies (Gallego et al. 2022). Better understanding how the discrepancy between ongoing technological change, only fueled by the recent publicly discussed developments of AI expanding technological change to high paying jobs like coders, translators or editors, and the demand for a slowdown of technological change would be important. Analyzing how an increase in automation risk within individuals over time would be a further interesting avenue as the automation measures commonly applied in the literature are static, while technological change is progressing.

The findings on the welfare state's moderating effect align with existing research on the preferences of workers at risk of automation. Such workers tend to favor unemployment benefits over social investment or even universal basic income, as recent studies have shown (Busemeyer and Sahm 2021). These workers also view active labor market policies with skepticism, often due to concerns about increased competition through immigration (Im and Komp-Leukkunen 2021). To deepen our understanding of how social policies impact trust, future research could focus on the effects of major policy reforms over time (Devine and Valgarðsson 2023).

The implications of automation for the political landscape provide further grounds for research. If automation disproportionately affects a populace that has traditionally been well-paid and well-protected across European welfare states, it could disrupt the post-war political consensus. Existing research indicates a growing openness to populist parties, suggesting that technological change could undermine the support coalition for the redistributive welfare state by exposing the middle class to a substantial risk and leading to tougher demands for skills required to retain their status.

3. Paper 2: The ownership divide in times of financialization: how homeownership shapes economic worries and political interest in Germany

Abstract

Homeownership provides individuals with insurance against financial risks and with financial resources, which translates into financial security. We study the effects of homeownership on egotropic and sociotropic economic worries and political interest—as crucial factors shaping political attitudes and behavior—in the context of rapid house price inflation (financialization). We empirically show, using the German Socio-Economic Panel (GSOEP) from 1991 to 2020, that levels of egotropic worries and political interest between renters (individuals renting their home), owners (individuals owning their home), and capitalists (owners with additional business or rental income) polarize over time. We argue that this is a consequence of an increasing, financialization-induced, insurance function of homeownership. We further show that transitioning into homeownership reduces egotropic worries and increases political interest, with more pronounced effects after 2009. We suggest that the housing market is a potentially dividing force contributing to increased polarization in economic and political attitudes.

3.1. Introduction

The study of how economic risks influence political attitudes, preferences and behavior in high-income societies has become an important focus of social science research (Hacker et al. 2013; Melcher 2023; Wroe 2016). This includes the role of wealth for understanding how individuals respond to economic uncertainties and how these responses shape political attitudes, preferences, and behavior (Ahlquist et al. 2020; Ansell and Adler 2019; Hacker et al. 2013).

Housing, as a form of wealth, is particularly important because it acts as a safety net against economic risks and contributes especially to the financial well-being of the middle deciles of the wealth distribution (Pfeffer and Waitkus 2021). The recent financialization of the housing market has further amplified this effect as substantial increases in house prices have boosted the assets of homeowners. However, the role the housing market plays in the relationship between economic risks and political behavior has only received limited attention in the literature. There are two main ways that link the housing market to political behavior via wealth. First, in the welfare state literature, housing is often considered as a substitute for strong welfare state provisions by having an insurance function and thus reducing the demand for redistributive policies for homeowners (Ansell and Adler 2019; Ansell and Cansunar 2021;

Kemeny 1981). Second, homeownership can have a resource function, enabling individuals to participate in politics (André et al. 2017; McCabe 2013).

Due to increasing financialization, housing costs and assets outpace wage growth in many capitalist democracies (Adkins et al. 2020; van der Zwan 2014; Golka 2023). House price inflation therefore affects how wealth is distributed within societies. However, housing markets vary across OECD countries, for instance with respect to homeownership rates and access to credit. This is driven by distinct historical trajectories of social housing policies, tax structures, and the accessibility of housing as an asset for global investors (Blackwell and Kohl 2018). As a result, the significance of housing for welfare states and the broader political economy varies as well (Ansell 2014; Ansell and Adler 2019; Hassel and Palier 2021; Kholodilin et al. 2023; Reisenbichler 2021b; Schelkle 2012; Schwartz and Seabrooke 2009). In all countries, however, homeownership represents for the majority of households the most important financial decision in their lifetime (Hadziabdic and Kohl 2022). The effects of changing housing markets for economic and political attitudes, and the heterogeneity of such effects across countries, are therefore an increasingly important question.

By focusing on Germany, we study a country where recent house price inflation is not only very pronounced, but the share of households benefitting from it is also smaller. Germany has one of the lowest rates of homeownership in Europe with less than half of the population owning a home. Historically, Germany has maintained a prolonged trajectory of low house price inflation until the financial crisis in 2007. For most of the post-war period, house prices were stagnant (Knoll et al. 2017). Following the financial crisis, however, Germany experienced an unprecedented surge in house prices, which challenges the stability of the housing sector and influences the distribution of wealth for households. The rapid increase in house price inflation after the financial crisis has led to windfall gains for homeowners and rising rents for tenants.

Due to the very different nature of housing markets, it is likely that the ways in which housing markets affect economic and political attitudes is context dependent. The existing literature has primarily focused on Anglo-Saxon countries and has established that homeownership affects voting behavior, especially through local differences in house prices (Adler and Ansell 2020; Ansell et al. 2022). For Europe, evidence from Scandinavia points towards the significance of housing markets for voting behavior and populism (Ansell and Adler 2019). Nevertheless, the outcomes remain inconclusive, revealing different dynamics between longitudinal and cross-

sectional analyses: Cross-sectional data indicate a correlation between housing tenure and an increased vote share for conservative parties (Beckmann et al. 2020), while longitudinal data suggest that homeownership tends to align individuals more with social democratic parties (Hadziabdic and Kohl 2022). We therefore ask the question of how homeownership links to economic worries and political interest, both central dimensions for political behavior (Brady et al. 1995; Hacker et al. 2013; Kraft 2023; Verba et al. 1997). We study the insurance- and resource-function of housing in the context of rapid financialization in the case of Germany. The argument for the insurance function of the housing market is tied to its effect on economic worries, while the resource function of wealth furthers political interest. Therefore, we assume that owners have lower economic worries and stronger political interest compared to renters.

We make two key distinctions in our analysis of the effects of housing financialization in Germany. First, we differentiate between distinct functions of housing wealth. Given the different forms of wealth individuals hold across wealth deciles, we assume that wealth fulfils different functions for individuals across the wealth distribution. Fessler and Schürz (2022) emphasize the significance of the type of wealth that individuals hold. We follow their approach and adopt their framework of wealth classes, corresponding to different wealth functions. We categorize individuals into three wealth classes: (i) renters, who hold limited wealth for social protection, (ii) owner(-occupiers), who hold wealth in the home they occupy and derive imputed rent and (iii) capitalists, who, along with owning a home, receive income from their wealth either through the rental market or business assets. The development of housing markets has far-reaching distributional effects, delineating varying degrees of economic (in)security among these distinct wealth classes. Second, we distinguish between egotropic and sociotropic economic worries. Worries serve as a subjective measure for self-assessment of risk and are equally influential as objectively defined risk categories (Hacker et al. 2013; Melcher 2023; Wroe 2016). Building upon prior literature, we distinguish between egotropic worries, which reflect individuals' self-oriented perceptions of economic vulnerability, and sociotropic worries, capturing expectations about the broader economic situation. We argue that the insurance or 'buffer' function of household wealth affects egotropic worries without influencing sociotropic worries.

In doing so, this study contributes both theoretically and empirically to research focusing on the relationship between housing and political attitudes. Our main contribution is to specify the link between homeownership and political attitudes (economic worries and political interest).

We introduce the differentiation of wealth classes for studying the effects of homeownership. Thereby, we suggest that differentiating between different wealth classes beyond wealth levels is crucial to understand the ways in which housing tenure affects political attitudes and behavior. We also contribute to the question how the transition into homeownership affects economic worries and political interests. Finally, by studying the effects of homeownership for different time periods, we argue that there is heterogeneity across time in the effects of homeownership on political attitudes: Financialization increases the insurance function of homeownership.

Empirically, applying within-individual effects using 2FE-models, we show that transitioning into homeownership reduces egotropic economic worries and increases political interest. These effects are particularly pronounced for moving into homeownership from 2009 onwards in the context of accelerated financialization.

This paper is structured as follows: Section 2 starts by reviewing existing literature, introduces the German context, and develops our theoretical argument on the role of housing for economic worries and political interest. In section 3, we outline the data and methods employed to test our theoretical argument. Section 4 presents our analysis, which examines economic worries and political interest across different wealth classes and studies the transition into homeownership from a longitudinal perspective in Germany. Section 5 concludes.

3.2. Background and Theory

Although increasing housing prices have been one of the most profound economic trends, researchers only recently started to study the ways in which (changes in) housing tenure and (changes in) house prices affect political attitudes, preferences, and behavior. There is a much longer research tradition to study the effects of other macro-economic developments and other individual economic conditions on individuals' political attitudes and preferences. Social scientists study the effects of trade openness (Colantone and Stanig 2018), technological change (Gingrich 2019), labor market insecurities (Nguyen 2017), the great recession (Margalit 2019), the COVID-19 pandemic and the policy measures associated with such macroeconomic developments, such as austerity policies (Galofré-vilà et al. 2017). The role of the housing market is less frequently examined even though 'for most, [homeownership] constitutes their largest asset (and debt) item and housing-related expenses are their biggest budget item.'

(Hadziabdic and Kohl 2022, 2). Thereby housing, in the form of homeownership, constitutes an essential part of wealth accumulation and wealth inequality (Pfeffer and Waitkus 2021).

Most studies analyzing how homeownership influences preferences and political behavior focus on the Anglo-Saxon context. Ansell (2014) finds that citizens respond to the volatility in house prices and adapt their individual-level preferences for redistribution and their demand for public welfare. Focusing on housing as provider of permanent income as well as the private insurance function of wealth, he argues that increases in house prices and subsequently household wealth crowd out demand for public insurance and redistribution. Either by selling their home or borrowing against it, housing can provide additional income to maintain a standard of living independently from labor market income. This enables individuals to self-insure against potential losses of income. In times of house price booms, the interests of homeowners and right-wing parties align and the latter exploit this by lowering social security spending. In times of declining house prices, however, homeowners demand more state intervention. Consequently, this explains the preference for less government intervention, which would be associated with higher taxes. In countries with a highly financialized housing market, the investment in a home crowds out the demand for public welfare. Ansell further argues that the housing market structures the demand for redistribution together with consumer spending and credit (Ansell 2019).

Homeownership may thus be tied to incumbent support and anti-welfare preferences due to the increased financial independence it provides. Ansell and Adler even argue that increasing housing wealth inequality and low levels of social housing have divided 'regions, tenures and generations in a new housing cleavage' (2019, 105) in the United Kingdom. Aiming at explaining vote patterns of the Brexit referendum, they find that higher regional house prices are associated with greater support for not leaving the EU (Remain) and that increases over time in house prices are also associated with greater support for Remain. They subsequently show that house prices predict voting patterns post-Brexit (Ansell and Adler 2019). Even in generous welfare states, variations in housing prices can impact preferences and political behavior. Ansell et al. (2022), who studied Denmark, Sweden, Norway, and Finland using difference-in-difference estimates, found that support for populist parties tends to increase in areas where housing prices were relatively lower, and this relationship became stronger over time (Ansell et al. 2022). Additionally, Larsen et al. (2019) show, by linking Danish public registry data to individual-level panel data, that the effect of local housing market developments on incumbent

support is more pronounced for voters who interacted with the housing market in Denmark recently.

The provision of welfare and homeownership can be seen as substitutes. This is particularly true for countries in which homeownership is high and credit is readily available (Wiedemann 2023). Through high rates of homeownership, a large share of the population benefits directly from market mechanisms in the housing market and thus lowers their demand for redistribution as it reduces their tolerance for taxation and public spending. Especially the easy access to credit in liberal market economies such as the United Kingdom or the United States have enabled broad parts of the population to access homeownership independently from inheritance. In less competitive credit markets such as Germany, banks place higher restrictions on private credit and focus more on the provision of credit for firms. Konrad Adenauer, the German chancellor from 1949 to 1963, heralded the single-family house as a 'bulwark against Bolshevism' (Sußebach 2020) suggesting that homeownership is associated with political stability and specific political values as in the Anglo-Saxon context. Empirically, however, there is no such clear evidence how homeownership or variation in house prices help to explain preferences and political behavior for Germany. Voting turnout is generally high where homeownership and prices are high. Homeowners seem to be more likely to vote for conservative parties, go to polls more often (Beckmann et al. 2020) and are more conservative, even in Germany (Hadziabdic and Kohl 2022). Focusing on the transitioning of becoming a homeowner and adopting a longitudinal approach, however, Hadziabdic and Kohl (2022) confirm the finding that people become more politically active when transitioning into homeownership, not only in the German context but also in the Swiss and British context. Moreover, they show that homeowners are more likely to vote for social democratic parties as they transition into homeownership (Hadziabdic and Kohl 2022). How the housing market affects political behavior and preferences in the German context of low ownership rates is therefore still an open question.

Housing financialization has become an important source for economic growth in some high-income countries as increasing house prices give homeowners more spending powers (Hassel and Palier 2021). Private wealth creation through rising house prices contributes to 'privatized Keynesianism' maintaining the stability of capitalist societies under low growth conditions (Crouch 2009). Increasing house price inflation, however, restricts the possibility to buy a home and has therefore polarizing effects for different societal groups. Borrowing to cope with

increased economic risk has been found to be a general trend, which has, however been limited in restrictive credit regimes, such as Germany (Wiedemann 2023). Increasing financialization of the German housing market thereby widens the wealth gap in the population.

In this paper, we seek to combine the observation of accelerated house price inflation with the literature studying political preferences and attitudes. The literature has mostly focused on countries with high homeownership rates, in which the insurance function of wealth has been actively promoted by government policies. We know much less about the effects of variation in household wealth stemming from house price inflation in countries where homeowners represent a smaller fraction of society. While the literature on housing tenure and political attitudes has made important contributions, the specific mechanisms in which housing tenure links to political preferences and behavior have not been fully understood. This can be seen in inconsistencies between cross-sectional and longitudinal findings. Focusing on political behavior, the literature so far primarily studied voting behavior, voting intention, or political involvement. We study economic worries and political interest to better understand the specific mechanisms in which homeownership affects political behavior. With this we seek to contribute to the literature on political behavior by studying homeownership as determinant (across different wealth classes) for economic worries and political interest.

3.2.1. The German context

House price developments vary across regions, countries, and time (for a long-term overview see Knoll et al. 2017). In Germany, for the entire post-war period until the financial crisis, a comparatively strict credit system and costly public regulation of mortgages for private consumers led to a stable housing market with relatively stable house prices (Voigtländer 2014). Not only has the financial crisis upended this stability, but house price inflation in Germany is now exceeding that in other European countries (see figure 3.1 (right)). Therefore, the German context offers a unique opportunity to examine the transition from a housing market with low financialization to one characterized by accelerated financialization after the financial crisis.

Germany not only differs in the trajectory of house price inflation, but also in the homeownership rate from other countries. Homeownership rates vary hugely across European countries but change little over time (see figure 3.1 (left)). In countries with rapidly rising house price inflation, homeownership rates tend to decrease. One reason for this development could

be that younger cohorts find it difficult to get onto the housing ladder. In the United Kingdom, homeownership increased throughout the 20th century and peaked in 2003. Since then, it declined by almost 10 percentage points. Similarly, home ownership peaked in the US in 2003 and declined until 2016. In Southern Europe, such as France and Italy, homeownership rates have remained stable. Germany not only has the second lowest homeownership rate in Europe, with just above 50%, but has also seen a decline since the onset of housing financialization in 2010 (see figure 3.1 (left)).

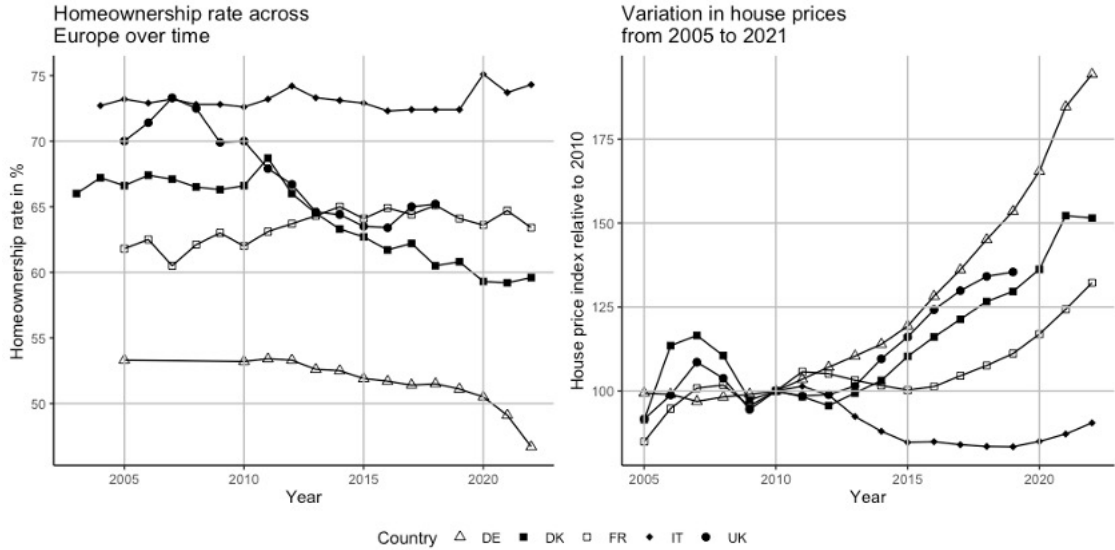
Before the financial crisis, the low homeownership rate together with stable housing prices illustrated how housing markets are tightly coupled with the welfare state, particularly the pension system, the financial market and provision of credit, urban structure, the tax system, and even electoral systems. Germany was characterized by comparatively high pensions and a generous insurance-based welfare state, which made buying a home as private insurance largely redundant. Furthermore, the financial market's structure, shaped by comparatively strict procedures such as high down payments and mostly fixed interest rates led to a 'prudential mortgage system' (Voigtländer 2014, 584), which did not facilitate access to the housing market. The urban structure of most cities was primarily dominated by apartment blocks, which were constructed for rental and terraced housing is scarcely available on a broader scale in urban areas. Meanwhile, the rental housing market is highly regulated, making it difficult to terminate tenancy agreements. Moreover, and in contrast to many other countries, center-right and center-left parties in Germany have not converged on promoting homeownership. Centre-left parties in Germany have only sluggishly and comparatively late taken up private homeownership in their manifestos (Kohl 2020). The reasons for the low homeownership rate in Germany are therefore multifaceted, with various contributing factors including the protection of tenants and the resulting functionality of the rental market, as well as the absence of substantial financial subsidies in the form of tax benefits, high additional costs that occur when buying real estate, and the comparatively generous provision of social housing in the post-war period (Kaas et al. 2021; Voigtländer 2009). In contrast to Anglo-Saxon economies, the hidden welfare state of tax exemptions and subsidies, which is focusing on asset-based welfare and privileging homeowners over tenants, was not as pronounced in Germany as in liberal welfare states (Kholodilin et al. 2023).

Housing markets are related to the welfare state to varying degrees, which complicates the assumed relationship between welfare generosity and the private insurance function of

homeownership. This is due to the design of the housing market as a deliberate decision by governments to boost economic growth via private consumption, wealth gains, and mortgages as part of respective growth regimes (Hassel and Palier 2021; Reisenbichler 2021b). The specific configuration of the German housing market is therefore not only the consequence of historical factors (Kohl and Sorvoll 2021), but also the result of an economy that prioritizes export-led growth over internal demand-led growth, for which stimulating wage growth could be detrimental to a price-sensitive export-led growth model such as Germany (Baccaro and Pontusson 2016; Crouch 2009; Hassel and Palier 2021; Reisenbichler 2021b).

The low homeownership rate in Germany stands in contrast to many other economies that have broadened access to the housing market. As a result, the gains from rising house prices only benefit a smaller segment of the population. Germany therefore combines rapidly rising prices with the fact that the wealth gains from such house price inflation are limited to a much smaller share of the population, unlike in more liberal market economies.

Figure 3.1 Homeownership rates relative to 2010 across selected European countries (left) and house price change relative to 2010 (right) across selected European countries



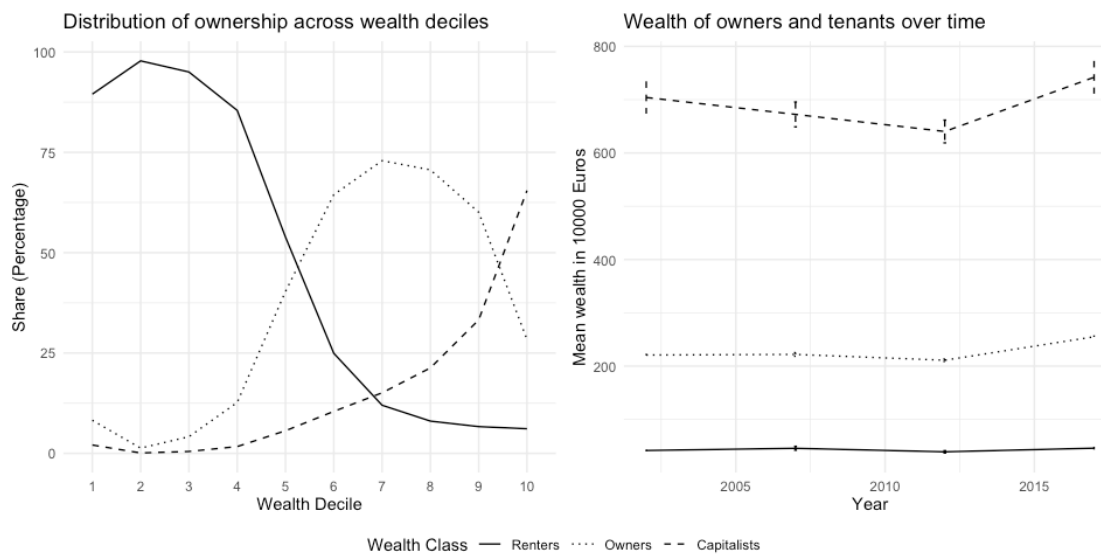
Source: Eurostat (2023a; 2023b), (dataset code: ILC_LVHO02 (left) and PRC_HPI_A (with index I10_A_AVG) (right)).

Until the onset of housing financialization which coincides with the financial crisis after 2007, the German housing market was in an equilibrium of stagnating house prices, low rates of homeownership and a set of policies supporting the social housing, tenants' protection, and

conservative housing policies. Housing financialization has upset this equilibrium by turning housing into an asset particularly for middle class wealth.

Differentiating between renters, owners, and capitalists (see section 3 for the operationalization), figure 3.2 (left) shows the representation of each of these wealth classes by wealth decile. The lower wealth deciles are largely composed of renters with the second decile even almost up to 100%. Middle deciles, especially the sixth and seventh deciles are dominated by owners, indicating that most households across the middle of the wealth distribution derive their wealth mostly from the value of their residence. The highest decile is dominated by capitalists, individuals owning their home and additionally receiving rental and/or business income. Generally, the distribution of renters, owners and capitalists across the wealth distribution shows the distinct character of these groups indicating that wealth serves different functions for different groups. Figure 3.2 (right) shows the subjective net wealth of renters, owners, and capitalists over time: After a very stable phase in their wealth resulting from price stability in the housing market, average wealth rises. Capitalist, who hold their wealth not only in the form of their primary residency are experiencing much more fluctuation in wealth.

Figure 3.2 Distribution of wealth classes across wealth deciles in Germany (left) and over time in Germany (right).



Source: GSOEP 1991-2020.

3.2.2. Our argument: Housing tenure matters for economic and political attitudes

Given the different natures of housing markets in high-income countries and the resulting findings in the literature regarding the political behavior of homeowners and renters, our study aims to empirically examine the potential mechanisms that connect homeownership with economic worries and political involvement. To achieve this, we employ a dynamic approach to explore two main aspects.

Theoretically, transitioning into homeownership is often conceptualized as a self-insurance mechanism substituting social welfare (Ansell and Adler 2019). This is supported by empirical evidence showing a negative relationship between homeownership rates and the size of the government (Conley and Gifford 2006; Kemeny 1981) and between being a homeowner and preferences for redistribution (Ahlquist et al. 2020). Furthermore, this implies that homeowners tend to express a greater preference for increased government spending on social security in periods of declining house prices (Ansell 2014). Following these arguments, the core assumption of this paper is that economic context shapes individual decisions and feelings: Individuals react rationally to their economic context and adapt their economic worries accordingly. Homeownership is a central concept in this context as it constitutes an important dimension of individuals' economic positions and is the major asset of wealth for large parts of the wealth distribution (Pfeffer and Waitkus 2021). Further, it is theoretically far

less well understood how people react to changes in homeownership status compared to, for instance, transitioning into unemployment. Housing wealth can influence behavior by inducing more consumption due to feeling increasingly wealthy or reducing barriers to taking up more credit (Reisenbichler 2021a). If this hypothesis holds, homeowners should feel richer and less insecure which should translate into fewer economic worries among owners and capitalists compared to renters, as it shields them from risk through the self-insurance function of wealth.

Housing wealth also provides resources which could enhance political participation. It is a longstanding finding in social science research that economic hardship is, in some contexts, associated with lower political participation suggesting that economically less well-off individuals lack the resources to participate politically (Jahoda et al. 1933; Rosenstone 1982). Beyond analyzing economic worries as a proxy for subjectively perceived economic hardship, we further investigate political interest. We base our assumptions on previous empirical evidence in favor of 'resource model' explanations, finding that homeowners have higher voter turn-out and show more political activity compared to tenants (André et al. 2017). In the context of homeownership, the argument is that additionally to material well-being a local involvement in the community increases political participation (André et al. 2017; McCabe 2013). Homeowners invest most of their wealth in a locally bounded asset, and therefore have high stakes in especially local politics, which can increase political involvement. Their interest lies in maintaining the value of their investment (Fischel 2001). We therefore argue that homeownership should increase political interest besides lowering economic worries.

We investigate how reported egotropic and sociotropic worries, along with political interest, differ among renters, owners, and capitalists over time. In line with insurance- and resource model-explanations, we hypothesize that renters report more egotropic economic worries than owners, who in turn report more egotropic worries than capitalists. For political interest, we expect the relationship to be the opposite. Greater overall wealth, particularly through homeownership, serves as a protective buffer for individuals against risks, such as those encountered in the labor market, through an insurance mechanism. Simultaneously, as a resource, it empowers individuals to engage more actively in politics, thereby alleviating egotropic economic concerns and increasing political interest. However, we do not expect sociotropic worries to differ between the wealth classes, as homeowners as well as tenants are subject to the general economic development albeit for different reasons.

Hypothesis 1a: $\text{sociotr. worries}_{\text{renter}} = \text{sociotr. worries}_{\text{owner}} = \text{sociotr. worries}_{\text{capitalist}}$

Hypothesis 1b: $\text{egotr. worries}_{\text{renter}} > \text{egotr. worries}_{\text{owner}} > \text{egotr. worries}_{\text{capitalist}}$

Hypothesis 1c: $\text{political interest}_{\text{renter}} < \text{political interest}_{\text{owner}} < \text{political interest}_{\text{capitalist}}$

Considering the rapid financialization that has economically benefited distinct wealth deciles and wealth functions differently, we assume that these differences have widened over time in Germany.

Hypothesis 1d: Differences in economic worries and political involvement between renters, owners and capitalists increase over time.

Homeownership is often endogenous, meaning it typically is a product of a decision-making and anticipation process. This suggests that individuals are likely to adjust their preferences and attitudes towards the idea of homeownership even before transitioning (Hadziabdic and Kohl 2022; Wolbring 2017). Therefore, transitioning into homeownership is likely to affect individuals before, during, and after they move into homeownership. By studying this transition time frame, we aim to shed light on the consequences of becoming a homeowner and how it influences economic worries and political interest. Following resource function and insurance function explanations, we further hypothesize that transitioning into homeownership lowers egotropic worries—before, during, and after transitioning—and increases political interest. We expect these effects to become increasingly pronounced in times of financialization¹.

Hypothesis 2a: Transitioning into homeownership lowers egotropic economic worries and increases political interest.

Hypothesis 2b: Transitioning into homeownership lowers egotropic economic worries and increases political interest more as financialization increases².

¹ We conceptualize this by comparing observations before and after the financial crisis. The financial crisis was followed by a period of accelerated house price inflation.

² Political interest is rather stable over the life course of adults (Prior, 2010) and reacts only to important events in the life of individuals (Emmenegger et al., 2017). We therefore consider already small changes as substantially meaningful.

3.3. Method and Data

To study the effects of homeownership on individuals' worries and political interest, we use GSOEP data sampling German household respondents since 1991-2020 annually (Socio-Economic Panel 2023). Variables on household wealth are sampled every five years starting in 2002.

Outcomes: Egotropic and sociotropic worries. As dependent variables, we focus on two economic worries: Worries about the economy in general economy (= sociotropic worries) and worries about the individual financial situation (= egotropic worries). We use the following items to operationalize such worries: 'How concerned are you about the following issues?' 'the economy in general' and 'your own economic situation' with answer categories 'very concerned', 'somewhat concerned', 'not concerned at all'. We use these worries as they are surveyed on a yearly base from 1984 onward. These variables can be seen as a proxy for preferences for redistribution as past research has shown that individuals are highly responsive to economic worries and adjust their political preferences and attitudes accordingly (Blekesaune 2007; Rehm et al. 2012).

Outcomes: Political interest. We further focus on the frequently examined variable of political interest. We operationalize political interest using a question asking respondents whether they are politically interested with answer categories ranging from 1-not at all, to 4-very interested. To render our graphical visualizations more accessible, we recode it to a range of 0.25 to one.

Independent Variable: Wealth classes. Following Fessler and Schürz (2022), we identify three specific wealth classes according to their key functions of wealth, namely precaution, use, and income generation. (i) renters do not own their homes and mainly hold wealth for precautionary reasons. We classify being the main tenant, sub-tenant, living in a nursing home, or being a usual tenant as renter. (ii) owners own their homes and use their wealth by living in it and (iii) capitalists who own their home and, in contrast to owners, receive additional income from real estate and/or a business. In the second part of our analysis, we are mainly interested in studying the transition into homeownership. We define this as becoming a homeowner, independently of whether individuals have additional rental and business income.

Controls: We add several control variables that are likely to be connected to housing tenure as well as to economic and political attitudes. To measure net wealth in 1000 Euros, we follow Bartels and Schröder (2020) in constructing a measure of household wealth which includes real

estate for homeowners. The measure for wealth includes the value of all real estate owned by the respondent, value of financial assets, and the value of home savings contracts as well as private retirement plans / life insurance policies, and business assets. This sum is reduced by housing debt and consumer debt (Bartels and Schröder 2020). The variables for household wealth are sampled every five years starting in 2002. We further control for the income decile. As household income, we use the annual post-redistribution household income (i11102 in the pequiv dataset) and calculate deciles from this variable. We further include a dummy variable indicating whether a respondent lives in one of the federal states formerly part of the German Democratic Republic. We do so since the ownership structure is significantly different in the East following re-unification. We further control for education in years, age (<25, 26-35, 36-45, 46-55, 56-65, >65), whether a respondent lives in an urban or rural area, whether the respondent has at least one child and whether the respondent lives in a relationship.

3.4. Analytical Strategy

Our analysis consists of two parts. In the first part, we assess in a longitudinal perspective, how renters, owners, and capitalists vary in their economic worries and their political interest. We study the question of polarization in economic worries and political interest over time by examining the absolute differences in the dependent variables between renters, owners, and capitalists at each point in time and graphically illustrate these differences. In the second part, we go beyond the longitudinal descriptive perspective and study within-individual effects of transitioning into homeownership. Acknowledging the endogenous character of moving into homeownership, we estimate two-way fixed effects models with leads and lags following the functional form of Hadziabdic and Kohl (2022): We generate a count variable that tracks the years before and after transitioning into homeownership in two-year intervals. We opt for these two-year steps to ensure a sufficiently large sample size for each group. This count variable enables us to study both the potential anticipation and long-term effects of becoming a homeowner. In our models, we include this count variable as a binary variable, where each binary variable represents a specific number of years before or after the transition into homeownership. Additionally, we include control variables for education, income, age, region (rural vs. urban and east vs. west), presence of at least one child in the household, and partnership status along with time fixed effects. We then calculate 2FE-models to eliminate time-constant heterogeneity.

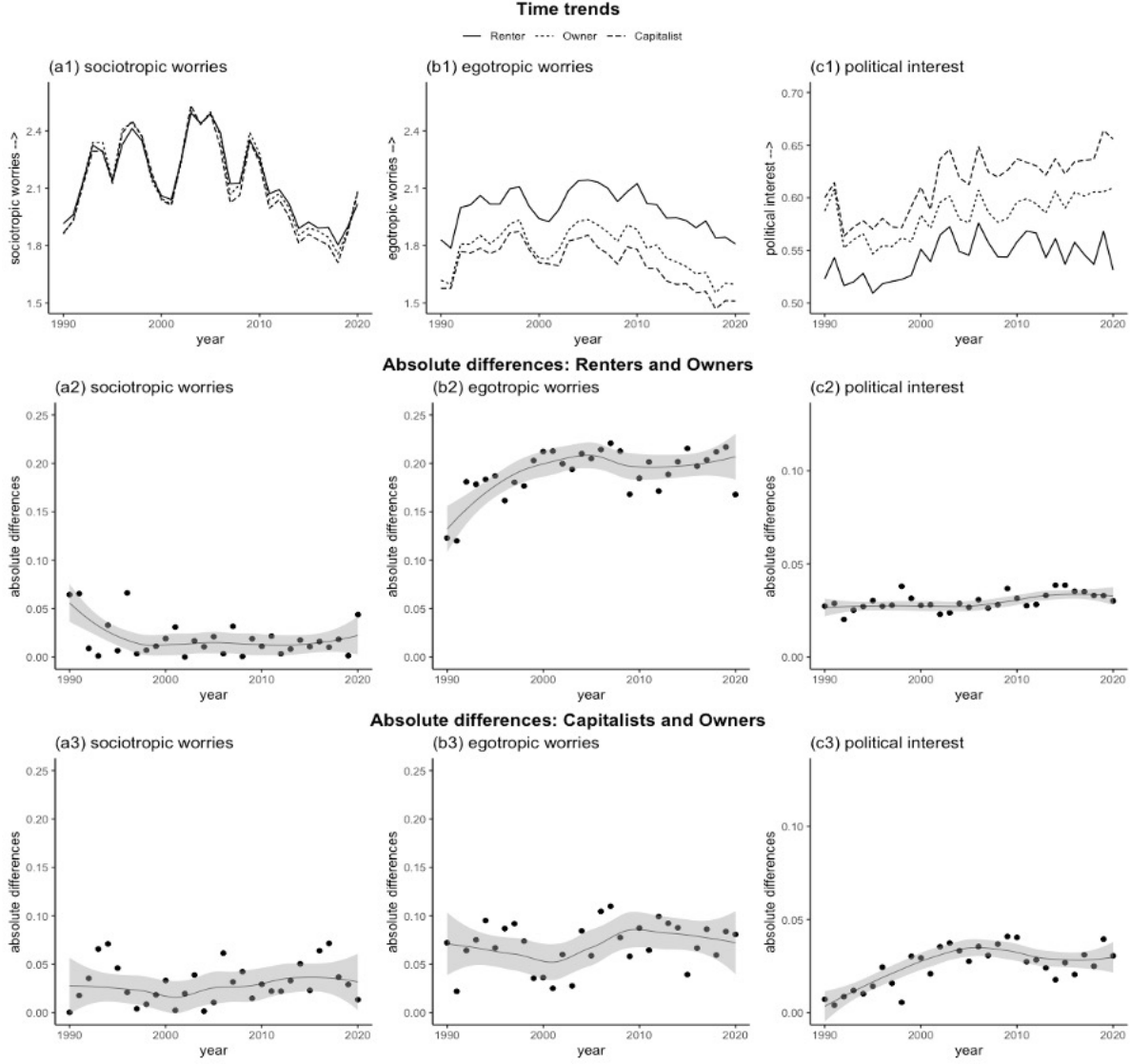
3.4.1. Economic and political attitudes of renters, owners, and capitalists in a longitudinal perspective

Through our descriptive longitudinal analysis, we explore the differences in egotropic and sociotropic worries, as well as variations in political interest across the three wealth classes. We observe renters, owners, and capitalists over time. Illustrated in the first row of figure 3.3 are the mean values for sociotropic economic worries (figure 3.3: a1), egotropic worries (figure 3.3: b1), and political interest (figure 3.3: c1), categorized by these groups. We find that renters, owners, and capitalists exhibit similar levels of concern regarding their sociotropic worries (concerns about the broader economy). These concerns remain relatively constant over time. We expected to find this pattern since the insurance function of homeownership does not shield individuals from worries about the overall economic situation. However, the underlying reasons for this can differ: For instance, housing financed through mortgages with variable interest rates or refinancing conditions could still leave households vulnerable to central bank interest rate hikes during periods of inflation. Furthermore, economic downturns are reflected in house prices, impacting owners and renters in different ways. Owners feel the impact through their home's valuation and its diminished insurance function directly, while tenants face increased labor market risks, potentially affecting their ability to pay rent.

In contrast, a clear trend emerges when we focus on egotropic worries (concerns about individual financial circumstances). Renters express higher levels of concern compared to owners, who in turn display greater values of egotropic worries than capitalists. Notably, we can observe these differences steadily increasing since the 1990s (figure 3: b2 and b3). This suggests that individuals perceive varying degrees of vulnerability based on their wealth class. Similar patterns emerge when examining political interest. Renters consistently report lower levels of political interest compared to owners and capitalists. These discrepancies accentuate over time, particularly after the financialization of the German housing market, as they further diverge from 2009 onwards (figure 3: c2 and c3).

Our descriptive findings show not only differences but also polarization of these differences in economic worries and political interest over time, albeit to varying degrees. While the divergence in egotropic worries between owners and renters increases over time, there are almost no difference in sociotropic worries over time. Discrepancies in political interest between owners and renters, as well as between owners and capitalists, increase over time, although these changes remain relatively small.

Figure 3.3 Trends and absolute differences in (a) sociotropic, (b) egotropic worries, and (c) political interest between wealth classes over time.



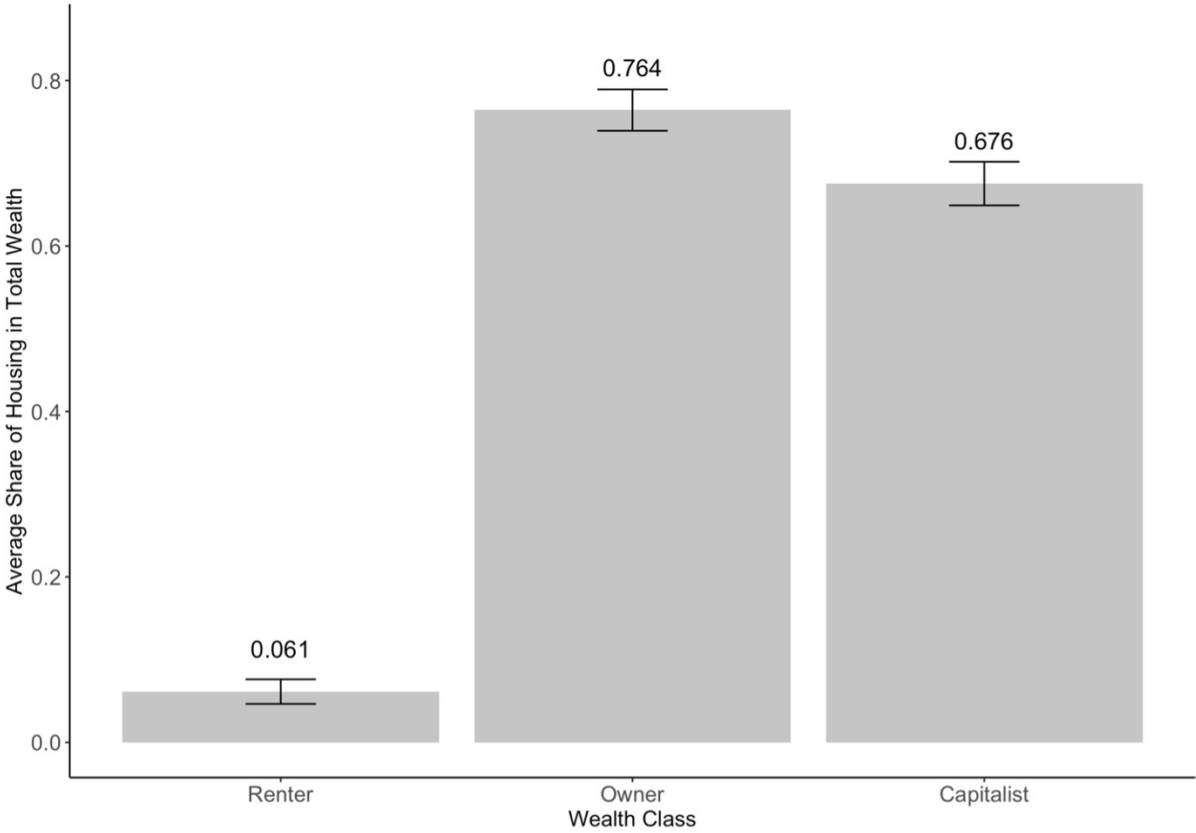
Source: GSOEP 1991-2020.

3.4.2. Transitioning into homeownership and its effects on economic worries and political involvement

Adopting a descriptive perspective enables us to understand longitudinal dynamics, yet it falls short in understanding the specific mechanisms through which individuals adjust their economic worries and political interest once they transition to another wealth class. Therefore, in the following our focus shifts to the transition into homeownership, given that this shift brings about the most substantial change in the composition of household wealth. Figure 3.4 highlights this and shows the share of housing in the overall composition of wealth for each

wealth class. Among those renting their primary residence, as expected, merely 6% of the overall wealth is held in the form of housing. In contrast, owners hold about 76% of their wealth in housing; for capitalists this again decreases to 68%. Evidently, there is a huge difference not only in the amount of wealth renters, owners, and capitalists hold but also in the composition of this wealth. Transitioning into homeownership therefore also implies a change in the wealth composition.

Figure 3.4 Average share of net value of housing in net wealth by wealth class.



Source: GSOEP 1991-2020.

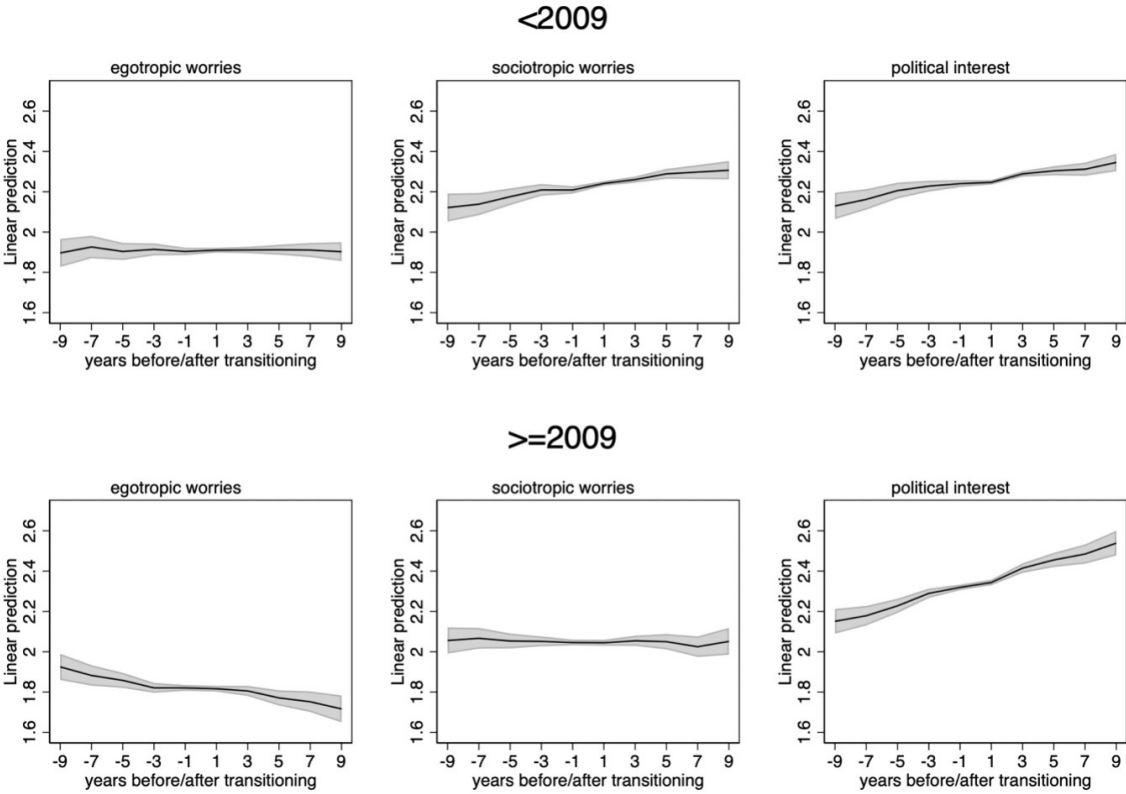
Acknowledging the endogenous nature of homeownership, we go beyond a descriptive longitudinal analysis and explore whether, and if so, how (the anticipation of) moving into homeownership influences economic worries over time. To accomplish this, we examine a period of ten years both before and after an individual’s transition into homeownership, focusing solely on individuals who transition. We also restrict the dataset and exclude individuals with missing data in the year preceding the move, as we cannot exactly determine

the time of transition. In the appendix we show the results for different cut off points as robustness checks.

In figure 3.5 we show the predicted value of each year preceding or following the transition on corresponding economic worries or for political interest. Each graph employs two-way fixed effects models with leads and lags accounting for time-constant heterogeneity and general time trends. Control variables include age group, gender, education in years, income in 1000 Euros, urban or rural residency, geographic location of the household in East or West Germany, and time dummies.

In figure 3.5 we examine our dependent variables 10 years prior to transitioning into homeownership and the 10 years after the transition in 2-year steps separated by the year 2009. The cut-off point illustrates the effects before and after the financial crisis separately. We chose the year of 2009 as cut-off point even though the global financial crisis started in 2007, as the fall-out of the crisis in the form of a global recession was fully materialized after 2008 (see Appendix, figures D1-D3 for a replication of the analysis using different cut-off points). The results show that prior to 2009, transitioning into homeownership did not result in a decrease in egotropic or sociotropic economic worries. Egotropic worries remained stable both before and after the transition, while sociotropic worries increased following a minor dip around the time of transition. In contrast, after 2009, there is a notable decline of egotropic worries suggesting an increasing insurance function associated with transitioning into homeownership. This effect shows as an anticipation effect before transitioning into homeownership and persists after the transition. Regarding sociotropic worries, the trend remains relatively consistent in the years preceding and following the transition. Finally, the increase in political interest in anticipation of and following the transition into homeownership becomes markedly more pronounced after the financial crisis.

Figure 3.5 Two-way fixed regression: predicted values of dependent variables



Two-way fixed effects regressions with leads and lags before/after transitioning into homeownership 10 years before / after transition. Separate graphs for transitioning before and after 2009. Controls and time-dummies not shown. See Appendix tables B1 and B2 for full regression table.

Source: GSOEP 1991-2020.

3.5. Conclusion

As housing markets continue to financialize in most OECD countries, the financialization of housing increasingly impacts government policies and politics. Rapidly rising house prices contribute to wealth inequality between renters, owners, and capitalists and are likely to have political consequences. House price inflation and housing financialization has spread to countries with previously stable housing markets such as Germany.

Our analysis of Germany, particularly in the context of accelerated financialization following the financial crisis, reveals notable differences and an increasing polarization among renters, owners, and capitalists concerning their egotropic worries (concerns about their personal economic position) and political interest. Capitalists show higher political interest and lower egotropic worries than owners who themselves have higher political interest and lower

egotropic worries than renters. This is, at least partially, in line with expectations based on the insurance hypothesis of housing. For sociotropic worries about the general economic development these differences are not as pronounced, which could be attributed to different reasons for the same degree of worries about the general economic development for owners and renters alike: While owners worry about the value of their property and / or interest rates, tenants might be worried about their job prospects amid rising rents (H1a-d). These differences between renters, owners, and capitalists may be partly due to the heterogeneity of these groups caused by underlying factors such as differences in risk aversion. Studying the transition into homeownership, and thus within-individual change, we find that homeownership lowers egotropic worries and increases political interest with more pronounced effects for moving into homeownership after 2009. We interpret this as an indication that with increasing financialization of the German housing market the self-insurance and resource function of homeownership have become more pronounced (H2a-b). This highlights the importance of considering the intersection of homeownership, financialization, and political attitudes in contemporary societies. These findings are consistent across different subgroup analyses by East/West Germany or urban vs. rural areas (see Appendix, C 1-3).

This study comes with limitations. We study longitudinal trends from both a between-individual and a within-individual perspective. Although studying within-individual change allows us to better understand the underlying causal mechanisms that lead homeowners to experience different economic worries and different levels of political interest, this methodological approach still comes with the drawback that there is self-selection into whether individuals transition into homeownership over their lifetime or within the observation period. Using (quasi-)experimental designs to study the effects of homeownership on political attitudes would be one promising way to overcome the problem of self-selection. Further, one motivation for this analysis was the specific case of Germany, a low-homeownership society that experiences rapid financialization. Replicating the analysis for countries with different housing market characteristics would allow to better understand the generalizability of our results. Future research is further needed to better understand potential heterogeneity in the effects of homeownership on political attitudes. We were, for instance, surprised to find only little variation in the transitioning effects between urban and rural areas. One potential explanation is that, due to the high level of decentralization of Germany, there are comparatively small differences in house price inflation across different regions. This might be

different in more centralized countries with higher variation in house prices such as the United Kingdom.

Our study mainly focused on the distinction between renters, owners, and capitalists. While these different wealth classes represent distinct parts of the wealth distribution (see figure 3.2), a more nuanced analysis on whether and, if so, how different forms of wealth affect individuals differently would be a promising path for future research. For instance, Brännlund and Szulkin (2023) show for the Swedish case that relative house wealth has stronger effects on voting than any other form of wealth. Understanding the specificities of house wealth, in contrast to other forms of wealth, for political attitudes and behavior would thus be an interesting endeavor for future research.

Differences between wealth classes with respect to economic worries and political interest not only exist but they increase over time. We argue that this is a consequence of an increasing, financialization-induced, insurance function of homeownership: Rising house prices not only imply increasing wealth for homeowners but also higher costs for renters. The resulting economic inequality, in turn, affects egotropic worries and political interest. While we study Germany as a specific case, we believe the findings also have implications for other contexts. Particularly in Anglo-Saxon countries, we see decreasing homeownership rates contributing to an increasing divide in society between homeowners and renters. As access to homeownership is becoming increasingly difficult for large parts of the population while it contributes to rising wealth for the other part, the divide between these groups may have significant consequences for democratic participation and representation. Following insurance- and resource-model arguments, capitalists and owners show more political interest and are less worried about the economy; these differences in economic worries and political attitudes can lead to differences in political preferences, contributing to a polarization in political preferences over time. The gap between homeowners- and non-homeowners might, thus, indicate a new class divide within modern societies.

4. Paper 3: The influence of personality traits on the prevalence and persistence of atypical employment

This study investigates the impact of personality traits on atypical employment, focusing on the question if certain personality traits are associated with a higher probability to be in atypical employment as well as the duration of atypical employment relationships of individuals. Atypical employment, such as temporary, involuntary part-time, or marginal employment, is an economic risk associated with unstable employment careers and insecurity. This study draws on research on personality traits, particularly how they relate to career success and social class to investigate this question. The research utilizes data from the German Socio-Economic Panel, which links employment biographies with self-reported personality traits, to analyze the association between personality and atypical employment. The findings reveal that personality can predict the occurrence of atypical employment, with lower values for personality traits linked to greater career success increasing the probability to be in atypical employment. The research demonstrates that the traits of Conscientiousness and Extraversion reduce the likelihood to be in atypical employment, while Agreeableness and Neuroticism increase it. The duration of atypical employment also correlates with personality traits, showing the subjective nature of atypical employment and its implications for political behavior.

4.1. Introduction

Atypical employment, which includes temporary, involuntary part-time or marginal employment is often discussed as a detrimental form of employment relationship. It shifts more economic risks onto the employee while catering towards the needs of employers (Kalleberg 2009). Research on the experience of economic risk is increasingly placing emphasis on how individuals perceive these risks or economic disadvantages. Despite this focus, there is limited understanding of the psychological predisposition of individuals who experience atypical employment. In this study I draw on research in personality psychology to investigate who is affected by atypical employment. So far, this topic is discussed in the literature as employees being pushed into atypical employment due to the needs for flexibilization and liberalization in post-industrialized democracies. This trend toward more atypical employment is further amplified by recent developments such as the rise of the platform economy (Rahman and Thelen 2019; Hassel and Sieker 2022) and gig work (Vallas and Schor 2020). Such trends raise concerns about workers being stuck in segmented labor markets (Reich et al. 1973), where they

move from one atypical employment to the next but cannot move into full-time open-end employment relationships marked by stability. Does workers' personality influence who is in atypical employment and how long they remain in atypical employment?

Atypical employment is part of the broader question of the emergence or existence of labor market dualization between insiders and outsiders (Busemeyer and Kemmerling 2020; Emmenegger et al. 2012; Rueda 2005). Some scholars argue that a coalition of insiders in standard employment and employers in core manufacturing industries have actively shaped policies to exacerbate this labor market polarization. This dualization is considered one of the defining features of contemporary labor markets in affluent democracies. However, questions remain about whether there exists a stable class of outsiders in the labor market or if this is more of a transitional phase in increasingly flexible and dynamic labor markets.

What unites the research on atypical employment is its focus on the various factors that push employees into atypical employment. These factors include the flexibilization of the labor market due to the broader trend of liberalization (Streeck 2009), the growing emphasis on employers' needs (Kalleberg 2009), and external influences like globalization (Walter 2017). Implicit in these approaches is a shared diagnosis of a declining quality of work in contemporary labor markets, which is seen as part of a larger trend toward increased liberalization in the global economy (Simmons and Elkins 2004). Explanations for the prevalence of atypical employment focus on the skills of workers, especially drawing on the idea of specific vs. replaceable skills (Iversen and Soskice 2001). Individuals with easily replaceable skills are more likely to find themselves in adverse labor market relationships (Busemeyer and Thelen 2015). On the other hand, those with specific skills—acquired either through vocational training or on-the-job training—are less likely to be in atypical employment due to their demand in the labor market. However, even in coordinated market economies with sophisticated vocational training systems, the incidence of atypical employment has risen, primarily at the margins of the labor market (Eichhorst and Marx 2011).

The literature focuses increasingly on the question how individuals perceive and experience economic risk, aiming to better understand its increase and impact. The way economic risk is perceived can vary depending on the context; for example, individuals may view general economic risk differently from their own personal risk of economic hardship (Hacker et al. 2013). Further studies investigate the difference between the subjective risk of unemployment

and the subjective assessment of employability (Marx 2014), as well as the distinction between cognitive and affective dimensions of risk (Anderson and Pontusson 2007). Building on these insights that economic risk is not purely objective, this study aims to contribute to our understanding of individuals in atypical employment by examining the role of personality traits. Classified into five broad dimensions known as the 'Big Five,' these stable adult characteristics significantly affect a range of life outcomes (McCrae and Costa 1985; 1997). The study specifically examines how these personality traits impact both the likelihood of individuals entering atypical employment and the duration of their stay in such employment situations.

Building on research that explores the experience and perception of economic risk, it's plausible to argue that individuals also have varying views on the disadvantages of atypical employment. This is particularly relevant given the changing attitudes toward work, especially among younger generations who may prioritize work-life balance, flexibility, and long-term life goals differently than previous generations. For some, the instability that comes with flexible employment contracts may be less concerning, especially if they value personal development, are not tied to a specific location, and do not seek lifelong employment with a single employer. In some cases, atypical employment can even serve as a steppingstone to more traditional forms of employment (Gash 2008; Hipp et al. 2015). These assumptions about a flexible, opportunity-seeking workforce form the basis for the construction of highly mobile and adaptable labor markets, as seen in countries like the United Kingdom. To explore this further, examining personality traits offers a valuable lens through which to understand how individuals' psychological predispositions manifest in the labor market.

Personality traits influence a range of behaviors and outcomes, from political and economic ideology (Bakker 2017) to voting patterns (Schoen and Schumann 2007). They also play a role in labor market outcomes such as job performance and career success (Semeijn et al. 2020; Almlund et al. 2011), and affect income levels either directly, through promotions and salary, or indirectly, by enhancing employability in less secure labor markets (Wille et al. 2013). Personality traits have also been linked to health outcomes (Almlund et al. 2011). Much of the existing research on the role of personality in the labor market has focused on successful outcomes, often examining the fit between individuals and their chosen careers. This study, however, takes a different approach by examining sub-optimal career outcomes and investigating the relationship between atypical employment and personality traits.

To analyze this research question, I make use of the 'Big Five' personality traits, which are well-established in psychological research. I draw data from the German Socio-Economic Panel, which provides detailed employment biographies along with items on these personality traits. In my analysis, I employ generalized linear models to examine the likelihood of individuals being in atypical employment. Additionally, I apply standard regression analysis to investigate the correlation between personality traits and the duration of time spent in such employment relationships.

Drawing on social cognitive theory of social class, as well as research on job performance, career success, and employability, this study argues that examining self-reported personality traits in atypical employees can offer insights into whether a stable class of outsiders exists and whether these individuals share characteristics beyond their current labor market status. The study finds that personality traits can indeed predict the likelihood of being in atypical employment. Interestingly, the traits that emerge as predictors are generally those associated with lower social class rather than career success. This finding contributes to existing research by reinforcing the notion that atypical employment is a form of economic disadvantage and meaningful economic risk. Traits that could potentially offer a more positive interpretation of atypical employment experiences, such as curiosity reflected in the trait of Openness to Experience, do not influence the likelihood of being in atypical employment. Conversely, traits that are positively associated with economic success are found to negatively influence the probability of being in atypical employment, thereby perpetuating existing inequalities.

With this study I seek to contribute to our understanding of atypical employment as a distinct form of economic risk. I argue that the findings suggest that accepting risky, atypical employment contracts does not lead to career advancement. Moreover, there is no evidence to support the notion that certain personality traits equip individuals to better navigate the challenges of atypical employment in a demanding labor market. Instead, those in atypical employment tend to share characteristics associated with lower social class and less career success.

The remainder of the article is structured as follows: First, I will discuss who is atypically employed before reviewing the literature on personality, with a focus on its application in the Social Sciences. I will then explore the potential mechanisms through which personality may influence both the prevalence and persistence of atypical employment. Subsequently, I will

describe how atypical employment is conceptualized in this study using the German Socio-Economic Panel (GSOEP), before turning to the discussion of the logit regression models. I will conclude with an outlook on what the results might indicate for our understanding of the economic risk of atypical employment.

4.2. Theory

4.2.1. Risk of Atypical Employment

The conceptualization and operationalization of labor market risks are subjects of ongoing debate (Busemeyer and Kemmerling 2020; Marx and Picot 2020; Vlandas 2020). Approaches to measuring these risks vary, ranging from assessing current labor market status to evaluating the likelihood to be in an adverse labor market relationship. The dualization perspective centers on how risk is distributed between insiders and outsiders, mediated by labor market institutions or welfare state mechanisms. Despite the differences in these approaches, there is a shared understanding that the post-industrial labor market has become increasingly complex, shifting a greater burden of economic risk onto individuals (Rehm 2009; Hacker et al. 2013).

Atypical employment in the context of research on inequality is investigated as an objective manifestation of economic risk. Such employment relationships inherently carry economic insecurity due to their limited access to welfare state protections. For example, fixed-term employees often face periods of unemployment and uncertainty regarding subsequent employment opportunities. Likewise, part-time employment can be especially problematic when it is involuntary, and individuals are seeking full-time work but are unable to secure it. This is particularly true in insurance-based social security systems, where part-time employment can lead to inadequate pension protection. Additionally, marginal employment is often poorly integrated into the welfare state, further intensifying the vulnerabilities of those engaged in such work arrangements, in Germany for example through exclusion from unemployment insurance and very low pension entitlements.

Dualization views atypical employment as part of a division within the working population. On one end of the spectrum are insiders, who enjoy stable, full-time employment with a single firm, have access to career development opportunities, and benefit from comprehensive welfare state protections. On the opposite end are outsiders, who work under non-standard employment contracts that expose them to more economic risk in the labor market and limit

their access to welfare state benefits. While the original insider-outsider theory primarily focused on the differences between those who are employed and those who are unemployed (Lindbeck and Snower 2001; Rueda 2005), the perspective has since evolved. It now encompasses a more nuanced understanding of outsiders, recognizing that this category can include various forms of atypical employment (Emmenegger et al. 2012). Some researchers have even expanded the definition of outsiders to include individuals in permanent, full-time positions if their contracts lack features like automatic pay raises or self-reported opportunities for career advancement (Tomlinson and Walker 2012).

Dualization theory carries significant political implications. It suggests that insiders, who have stable employment and comprehensive protections, may advocate for policies that insulate them from outsiders to maintain their privileged status. This poses a challenge for social democratic parties and unions, whose traditional focus on the working class is complicated by the increasing fragmentation brought about by dualization (Rueda 2005). The role of social democratic parties and unions in driving these changes, as opposed to merely responding to reform pressures, remains a point of contention (Thelen 2014). From a political economy standpoint, some argue that competitive advantages are maintained by safeguarding export-oriented industries, often to the detriment of peripheral workers in service sector roles (Hassel 2014). Others point to the restructuring of welfare state institutions as a factor that perpetuates dualization (Palier and Thelen 2010). However, recent trends indicate that unions are adopting more inclusive strategies, incorporating gig workers and other atypical employees into their advocacy efforts (Cini et al. 2022). This shift is likely a response to the growing challenges posed by the expansion of the gig economy, which has further complicated the issues associated with atypical employment (Rahman and Thelen 2019; Hassel and Sieker 2022).

To tackle the challenges of specifying individual-level characteristics, some researchers opt for aggregate-level analyses, using occupational rates of atypical employment as indicators of outsidership. However, this approach has its drawbacks. It can obscure variations within broad occupational categories, present methodological challenges, and lack overall persuasiveness. Additionally, this method tends to produce a broad and ambiguous definition of atypical employment, which can include a range of scenarios, such as counting individuals who assist family members as atypically employed (Schwander and Häusermann 2013). An alternative strategy employs survey items designed to capture subjective feelings of job insecurity (Marx

2014). While this can offer insights into the relationship with atypical employment, it's important to note that these measures can be influenced by a variety of factors. These may include occupational risks, technological shifts, globalization, or the broader economic climate. The diversity of these approaches shows the complexity involved in defining and measuring atypical employment.

Determining who is atypically employed is a complex issue. The multitude of ways the concept of atypical employment is operationalized and used highlights the importance of understanding how individuals come to find themselves in such employment situations. I suggest studying if individuals in atypical employment share specific personality traits that might explain why they opt for such work arrangements. In the sections that follow, I will explore how research on personality can enrich our understanding of labor market disadvantage. Specifically, I will review the literature on how personality traits influence the perception of risk and how they are connected to political behavior.

4.2.2. Personality Traits

The research on personality traits has enriched research on political behavior and attitudes (Gerber et al. 2011; Mondak and Halperin 2008), labor market outcomes and educational attainment (Almlund et al. 2011), as well as public health factors such as alcohol or tobacco use and life expectancy (Gerber et al. 2011). The Five-Factor Model of personality has been instrumental in enhancing the understanding of how individual traits influence responses to different environments. These traits are generally stable over time, with only minor variations within individuals (Cobb-Clark and Schurer 2012). They are widely recognized as a valid tool for measuring personality differences and predicting behavior (Penney et al. 2011). Among the various models of personality, the Five-Factor Model stands out as the most widely accepted. It has been regularly surveyed in recent years, including in the German Socio-Economic Panel Study.

From an economic perspective, personality traits can be viewed as a 'strategy function' that captures how individuals respond to various life situations (Almlund et al. 2011, 5). These traits not only vary among individuals but also meaningfully shape behavior and attitudes. Much like IQ or cognitive ability, personality traits play a causal role in determining life outcomes by highlighting individual strengths and weaknesses. Unlike cognitive ability, however, personality traits are susceptible to influences from parenting or policy interventions, particularly in early

life. Overall, personality has been shown to exert a significant impact on social and economic outcomes (Almlund et al. 2011). Despite their importance, personality traits have been largely overlooked in research on atypical employment or outsiders.

The Five-Factor Model identifies five key personality traits: Openness to Experience, Conscientiousness, Extraversion, Agreeableness, and Neuroticism, which is sometimes referred to in its inverse form as Emotional Stability. Each of these dimensions exists on a continuum, ranging from low to high levels of the trait in question. *Openness to Experience* captures an individual’s tendency toward curiosity, imagination, and a preference for new experiences. *Conscientiousness* includes traits such as self-discipline, goal-oriented behavior, and a sense of responsibility. *Extraversion* is characterized by sociability, assertiveness, and a propensity for positive emotions. *Agreeableness* encompasses qualities like trust, empathy, and a cooperative nature. Lastly, *Neuroticism* evaluates emotional stability and gauges levels of anxiety and susceptibility to negative emotions (see Table 4.1).

Table 4.1 Personality traits and the facets captured by each trait

Personality Trait	Facets
Openness to Experience	Imagination - Artistic Interests - Emotionality - Adventurousness - Intellect
Conscientiousness	Competence - Orderliness - Dutifulness - Achievement Striving - Self-Discipline
Extraversion	Warmth - Gregariousness - Assertiveness - Activity Level - Excitement-Seeking - Positive Emotions
Agreeableness	Trust - Straightforwardness - Altruism - Compliance - Modesty - Tender-Mindedness
Neuroticism	Anxiety - Angry Hostility - Depression - Self-Consciousness - Impulsiveness - Vulnerability

4.2.3. Research on Personality and its Relevance for Political Science

Research is increasingly drawing on psychological concepts, which may be fueled by the increasing role of emotionalism in politics. Emotional states have become a key factor in political analysis. For example, in the United States, political polarization has been described as

'affective' (Iyengar et al. 2019), and the political climate is often characterized by 'cynicism' (Citrin and Stoker 2018). Moral and altruistic considerations have also become subjects of research (Rueda 2017). Furthermore, research has also been analyzing perceptions of economic conditions to explain preferences (Bobzien 2020). These research trends may be closely associated with efforts to understand the rise of populism in Western capitalist societies. Populist rhetoric frequently relies on eliciting emotional responses, such as anger, and employs exclusionary messaging. Some recent studies have even begun to explore affective reactions to populist rhetoric, using experiments to measure physiological responses when individuals are exposed to such discourse (Schumacher et al. 2022).

When trying to understand individual behavior within complex political landscapes, personality theory offers insights into how people assess politics and position themselves within a political context. One primary focus in the research on personality traits has been their role in shaping political ideology, particularly in explaining the disposition towards liberalism or conservatism in the United States. A second area of interest is partisanship and political participation (Gerber et al. 2011). For example, in the U.S., research on personality explores how specific traits can explain individuals' tendencies to be more empathetic and open to change, as opposed to those who prioritize existing norms and individual achievement (Gerber et al. 2011). Conscientiousness, as a personality trait, is linked to a focus on achievement and adherence to norms. On the other hand, individuals scoring high in Openness to Experience tend to be more sympathetic towards the needs of others and as such more open to interventions in the economy.

More recently, research is interested in understanding populist voting and affinity for right-wing ideology. One key finding is the link between low scores in Agreeableness and openness to populist and anti-establishment messages (Bakker et al. 2021). This trait is particularly relevant for analyzing susceptibility to populist rhetoric. Less agreeable individuals tend to have lower levels of trust in politics and in others. They are also less inclined toward cooperation and more open to conflict, making them more likely to engage in political discussion and confrontation. This tendency also motivates less agreeable individuals to vote for populist candidates, whereas more agreeable individuals are generally less likely to vote (Bakker et al. 2021). Personality traits have also been found to influence economic ideology. Much like their impact on political ideology, high levels of Agreeableness and Neuroticism are associated with lower support for economic conservatism. In contrast, Conscientiousness is positively

correlated with economically conservative attitudes (Bakker 2017). Interestingly, Openness to Experience has less influence on economic ideology compared to its impact on political ideology. The traits most strongly correlated with economic ideology are Conscientiousness, Extraversion, and Agreeableness, especially among low-income individuals [ibid.]. Recent studies have further emphasized the role of personality traits in shaping attitudes toward EU integration (Bakker and Vreese 2016), party identification (Bakker et al. 2015), and even electoral turnout (Denny and Doyle 2008; Gallego and Oberski 2012).

4.2.4. How can Personality Traits Influence Prevalence and Persistence of Atypical Employment for Individuals

Atypical employment carries two main disadvantages, as identified in the existing literature. First, structural disadvantages arise from welfare state institutions, leading to increased uncertainty. In conservative welfare states like Germany, atypical employment often results in lower social security entitlements. This is due to factors such as lower earnings, lack of full-time work, or periods of unemployment for those on fixed-term contracts (Eichhorst and Marx 2011; Palier and Thelen 2010). Second, at the personal level, there are negative factors that contribute to disadvantages. These include a diminished sense of integration into the workplace and a feeling of being undervalued by society, which can lead to lower levels of trust (Nguyen 2017) or feelings of exclusion (Gundert and Hohendanner 2015).

While it may seem straightforward that traits like Conscientiousness would be beneficial for job performance, the relationship between specific traits and career success is more complex. For instance, high levels of Conscientiousness suggest that individuals approach tasks in a planned and self-disciplined manner. However, this can come at the cost of spontaneity and flexibility—traits that are increasingly important in modern labor markets with high density of tasks. The same complexity applies to Extraversion. While it might seem obvious that extroverted individuals would be more successful, those who are more independent and have less need for external stimulation can also achieve success.

It's crucial to differentiate between personality traits and types when discussing their impact on labor market outcomes. Personality traits, particularly those identified in the Big Five typology, have proven useful in explaining objective outcomes like career success and income (Semeijn et al. 2020). In contrast, combining traits into clusters to form personality types—such as a 'resilient' or 'distressed' type—has shown limited utility in predicting labor market

outcomes. Such categorizations are only somewhat insightful when it comes to the subjective assessment of career success (ibid.). Given this, in this study I will focus on the explanatory value of individual personality traits rather than attempting to construct personality types.

4.2.5. Psychology of Social Class

Personality traits are connected to social class, which is conceptualized as a combination of various resources, such as educational attainment, income, and occupational status, as well as the perception of social rank (Kraus et al. 2012). Atypical employment is also discussed under the question if employees in such relationships form a stable class of outsiders. The concept of class is fuzzy and complex: In democratic capitalist societies, most individuals prefer to identify themselves as middle class, in the cultural context of the United Kingdom as ‘working class’ (Evans et al. 2022; Sosnaud et al. 2013) irrespective of individuals’ objective belonging to different classes. The term ‘working class’ as an analytical category has been criticized for its inability to accurately capture the complexities of modern labor markets (Oesch 2006). Not only is the term working class very broad, but there is also ongoing discussion if atypical employees are a stable class, as suggested by the dualization literature, or whether it is just a transitory state. Some scholars adopt a more optimistic view, suggesting that atypical employment can serve as a steppingstone to full-time employment (Gash 2008), particularly for women to enter the labor market (Bachmann et al. 2018). Others, however, emphasize the enduring disadvantages that manifest in individuals’ working life biographies, particularly in welfare states like Germany that are based on social insurance entitlements. Complicating these debates are methodological issues. Many studies rely on annual cross-sectional surveys, capturing only a snapshot of individual labor market conditions (Schwander and Häusermann 2013). As a result, what is considered fixed-term employment one year could transition into standard employment the next, or part-time work could evolve into full-time employment.

Class continues to be a relevant factor in the analysis of political behavior and politics (Evans 2000; Oesch and Rennwald 2018; Sachweh 2018) and especially the potentially marginalized working class has received considerable attention in research, especially concerning their representation in politics (Elsässer and Schäfer 2022; Rennwald and Pontusson 2022; Pontusson 2015). Beyond the tangible issues of declining living conditions and rising inequality, the perception of marginalization within the working class has been associated with the surge in populism (Hochschild 2016; Gidron and Hall 2017).

Psychological research aims to identify variations in personality traits across different social classes, linking these traits to economic outcomes and cognitive disparities between the rich and the poor (Kraus et al. 2012; Leckelt et al. 2019). Two key insights from social cognitive theory are particularly relevant for understanding how personality may influence the occurrence of atypical employment. First, upper-class individuals, profiting off of positive feedback from their own actions materializing as economic success, tend to display higher levels of a sense of control and personal agency. They prioritize themselves, often displaying traits associated with agency, such as higher levels of Extraversion and Conscientiousness, and lower levels of Neuroticism (Leckelt et al. 2019). Second, lower-class individuals, faced with greater vulnerability and material insecurity, develop coping strategies that make them more vigilant to environmental threats compared to their upper-class counterparts (Kraus et al. 2012). This heightened vigilance can manifest as more neurotic personality traits.

The traits commonly associated with higher social class, such as elevated levels of Extraversion and Conscientiousness, serve to help upper-class individuals maintain their class advantage. Given that atypical employment is linked with greater economic insecurity and hardship, it is reasonable to hypothesize that individuals scoring higher on the scales for Extraversion and Conscientiousness would be less likely to be in atypical employment contracts (Hypothesis 1a). Conversely, higher levels of neuroticism, which are more prevalent among lower-class individuals, could increase the likelihood of being in atypical employment (Hypothesis 1b).

4.2.6. External Selection, Self-selection and Job Performance

Job performance and career success are influenced not only by cognitive ability but also by the level of effort employees invest in their work (Bowles et al. 2001). This effort extends beyond the number of hours worked to include dedication and intrinsic motivation. Factors such as perseverance, dedication, and intrinsic motivation serve as proxies for an individual's commitment and effort in the workplace. Employers often consider these traits alongside skills during the hiring process, as they seek candidates whose personality aligns with the organization's work ethic and values. As a result, certain personality traits supplement educational attainment and cognitive ability as predictors of job performance and career success. External selection effects also contribute to the relationship between personality and labor market outcomes. Traits such as high levels of Extraversion, Conscientiousness, or Emotional Stability are positively associated with success in job interviews (Barrick and Mount

2005). Therefore, individuals scoring high on these traits are more likely to be selected for leadership positions, leading to more successful careers or higher incomes.

Both external selection for a job and self-selection into a career that aligns with individual personality traits are crucial for career success. The extent to which a chosen profession matches one's personality can significantly impact career outcomes. Research indicates a relationship between professional success and personality traits, with individuals in leadership or high-status positions often scoring higher on scales of Extraversion and Conscientiousness, while exhibiting lower levels of Neuroticism (Leckelt et al. 2019). Thus, career success and performance are optimized when there is a strong alignment between an individual's career choice and their personality traits.

However, the five personality traits differ significantly in their ability to explain job performance. Conscientiousness and Emotional Stability stand out as valid predictors of professional performance across various occupations (Barrick and Mount 2005). These traits are highly generalizable, as they relate to work dedication and effective resource utilization for task completion (Almlund et al. 2011). Individuals scoring lower on Emotional Stability tend to resist change and are more susceptible to stress. In contrast, the roles of Openness to Experience, Extraversion, and Agreeableness are more nuanced. These traits pertain to softer skills like creativity, social interaction, and interpersonal skills. As such, they are more relevant for predicting career success in occupations that specifically require these skill sets.

Considering these theoretical and empirical insights in relation to atypical employment, I anticipate the following outcomes. In the German labor market, individuals who prefer occupations that align with their traits of Openness to Experience, Extraversion, and Agreeableness have had, at least in recent times, a wide range of job options, particularly in interpersonal and care professions. Such jobs often come with standard employment contracts. Consequently, the softer traits of Openness to Experience, Extraversion and Agreeableness should reduce the likelihood of being in atypical employment (H2a). Additionally, Conscientiousness, a strong predictor of job performance, should correlate with a lower probability of being in atypical employment (H2b). Higher levels of Neuroticism, however, should increase the likelihood of being in atypical employment (H2c).

4.2.7. Employability and Duration of Atypical Employment

The duration of time individuals spend in atypical employment could also be influenced by their personality traits. Research on the subjective evaluation of individuals' employability finds that certain personality traits can help individuals adjust to an increasingly complex labor market. The shift away from lifetime employment toward more fixed-term contracts and the increased risk of involuntary job loss or career disruptions place greater pressure on individuals to cope. The need to acquire marketable skills and knowledge gives an advantage to those with specific psychological traits in navigating this new labor market reality. Career success is becoming increasingly tied to one's ability to enhance personal employability (Wille et al. 2013).

Studies on personality traits that equip individuals for the modern labor market through increased employability yield findings similar to those on job performance. Two traits primarily influence individuals' self-assessment of career prospects and, consequently, their subjective evaluation of employability. First, Neuroticism is linked to self-esteem and anxiety; higher levels of Neuroticism correlate with experiencing more negative emotions and a reduced capacity for positive evaluation of situations. On the other hand, individuals who score higher on the Extraversion trait tend to make more positive evaluations, which makes them more decisive and confident. This enables them to take proactive steps to improve their employability (Wille et al. 2013).

The trait of Conscientiousness is closely linked to job success; individuals with higher scores in this trait are more motivated to set challenging goals, thereby advancing in their careers. This motivation also encourages them to pursue training opportunities, enhancing their employability. Similarly, those scoring higher in Openness to Experience are intrinsically motivated to acquire new skills, thereby boosting their employability—a finding that aligns with research on personality and educational attainment (Almlund et al. 2011). Agreeableness, which correlates with networking ability, is also found to improve employability (Wille et al. 2013).

Based on these findings, I hypothesize that personality traits linked to employability will reduce the duration of time spent in atypical employment. Individuals with advantageous psychological traits, such as higher levels of Conscientiousness and Openness to Experience, are more likely to adapt to the labor market's increasing insecurity and navigate fixed-term employment and job disruptions successfully. The intrinsic motivation, dedication, and proactive approach to

enhancing employability, as seen in individuals with higher Extraversion scores, may also contribute to better career prospects in the face of changing job requirements. Furthermore, those scoring higher in Agreeableness are likely to possess robust networking skills, which can further improve their employability and overall career progression.

4.3. Data and Methods

To analyze the probability of being in atypical I use data from the German Socio-Economic Panel (GSOEP) to analyze the probability of being in atypical employment. I use the last available wave containing both variables on personality traits and atypical employment sampled in 2017. The survey includes 15 questions that capture the facets of the Big Five personality traits, and completing these items takes approximately two minutes (Gerlitz and Schupp 2005). These survey items have been part of the GSOEP since 2005, initially administered every fourth year but more recently every second year. The sample contains 28905 individuals for 2017, which is reduced to 16712 when only including atypically or standard employed. 9598 are in standard employment relationship, whereas 7114 individuals are in atypical employment. See table 4.A in the appendix for more details on the sample and variables used.

I construct composite measures for the Big Five personality traits—Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism—each derived from three distinct questions. I process the data in a way to address missing values. For each trait, individual scores from relevant questions were averaged, ensuring a robust measurement even when some data points were missing. If two or three questions were answered for a trait, their average was used. When only a single question was answered, its score represents the trait. This method accommodates incomplete responses, maximizing the use of available data while preserving the integrity of the personality trait measurement.

To assess the probability of being in atypical employment, which is a binary variable, I employ logistic regression analysis. For the second research question, which examines the duration of time spent in atypical employment, I leverage the longitudinal design of the SOEP. I count the years each individual in the sample has spent in atypical employment throughout their employment history. Using Ordinary Least Squares (OLS) regression, I then determine the correlation between the duration of time spent in atypical employment and personality traits.

I stick to the labor market status operationalization of atypical employment for conceptual clarity (Marx and Picot 2020). Labor market status represents a tangible manifestation of vulnerability in the labor market. I restrict the dataset to current employees and classify those as atypically employed who are working in fixed-term contracts, or marginal (former 450€-jobs) employment, or involuntarily working in part-time jobs. Regarding part-time employees, their involuntary part-time status is determined by calculating the difference between their desired and contracted working hours. Those whose desired hours exceed their contractual hours are classified as involuntarily part-time employed.

I add the occupational unemployment rates as a control variable to add a measure that 'captures the balance of supply and demand for a certain skill set' (Marx and Picot 2020, 359). Thereby the model controls for the unemployment risk as well as the employability within an occupation. For Germany the Federal Employment Agency (BA) publishes detailed and fine-grained occupational unemployment rates which can be matched to individuals, in the GSOEP according to German Job Classification Codes (Klassifikation der Berufe) similar to ISCO-08 codes. I use the occupational unemployment rate on the three-digit level, leaving me with 140 occupational groups, whereas the two-digit code is only 37 occupational main groups and the four-digit code already 700 occupational sub-groups. Further controls include age, education, migration background, income after government intervention, and union membership.

One main concern about the methodology is about reverse causality. So far, the personality traits have been found to be stable throughout adult life. One recent study is pointing towards the possibility that personality traits are also influenced by politics. Survey experiments show self-reported personality traits react to political primers (Bakker et al. 2021). This is questioning the often-assumed causality of personality on attitudes, preferences, and life outcomes. However, since I view this article as an exploratory study into the personality of atypical employees, I accept the long-held assumption of stable personality traits that are not much affected by life and political events. Especially since my analysis is restricted to adults in working life and not adolescents or youth. To tackle the issue of 'conceptual overstretching' (Busemeyer and Kemmerling 2020) regarding outsiders in the labor market, I will focus on atypical employment as a labor market status in Germany, a country that has seen a notable increase in atypical employment.

4.4. Discussion

Table 4.2 presents the results from five general linear models that calculate the odds ratios for being in atypical employment based on cross-sectional data from the SOEP for 2017. The model shows that the personality trait of Conscientiousness significantly reduces the odds of being in atypical employment. An additional point on the scale for Conscientiousness decreases the odds by 17 %, while Extraversion decreases it by 5 %. On the other hand, Agreeableness and Neuroticism increase the odds by approximately 10 % for each additional point on their respective scales. As such, Table 4.2 demonstrates that the personality traits beneficial for career success and good job performance also influence the probability of being in atypical employment, but in the opposite direction. Lower levels of Conscientiousness and Extraversion increase the odds of being in atypical employment.

The findings align with the social cognitive theory of social class, which suggests that individuals with higher values for Conscientiousness and Extraversion, and lower values for Neuroticism, are more likely to belong to the upper class. This is consistent with the results in table 4.2: Higher values for Conscientiousness and Extraversion reduce the odds of being in atypical employment, while lower values for Neuroticism have the same effect (the inverse of the effect depicted in table 4.2).

The lack of impact from Openness to Experience on the odds of being in atypical employment is noteworthy. It calls into question the idea that a flexible labor market, designed to appeal to those who are open to new experiences, mobile, and seeking challenges, would result in a higher incidence of atypical employment. However, the data suggest that individuals who score higher on Openness to Experience are not more likely to opt for atypical employment. This shows the economic risks and disadvantages inherent in such employment arrangements.

Table 4.2 maximum likelihood estimation of personality traits and atypical employment

General linear model for prob. for being in atypical employment					
	Openness	Conscientiousness	Extraversion	Agreeableness	Neuroticism
<i>Predictors</i>	<i>Odds Ratios</i>	<i>Odds Ratios</i>	<i>Odds Ratios</i>	<i>Odds Ratios</i>	<i>Odds Ratios</i>
Intercept	186.63 ***	493.27 ***	226.03 ***	105.58 ***	111.58 ***
Openness	0.98				
Conscientiousness		0.83 ***			
Extraversion			0.95 **		
Agreeableness				1.09 ***	
Neuroticism					1.11 ***
Male Gender	0.12 ***	0.12 ***	0.12 ***	0.13 ***	0.13 ***
Age	0.83 ***	0.83 ***	0.83 ***	0.83 ***	0.83 ***
Age (squared)	1.00 ***	1.00 ***	1.00 ***	1.00 ***	1.00 ***
Migration Background	1.16 **	1.18 **	1.16 **	1.14 **	1.14 **
Income	1.00 ***	1.00 ***	1.00 ***	1.00 ***	1.00 ***
Years in Education	0.97 ***	0.96 ***	0.97 ***	0.97 ***	0.97 ***
Union Member	0.61 ***	0.60 ***	0.61 ***	0.61 ***	0.61 ***
Observations	12410	12436	12433	12423	12431
R ² Tjur	0.230	0.234	0.231	0.231	0.233

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

Incorporating the occupational unemployment rate as a control variable in table 4.3 allows for accounting for variations in skill set demands and employability across different occupations. The findings from table 4.2 remain consistent, even though the occupational unemployment rate is generally considered a strong predictor. This suggests that the observed differences are not primarily due to selection into specific occupations that may have a higher prevalence of atypical contracts, such as academia, interpersonal roles, or project-based work. Additionally, years of education and income do not significantly influence the odds in these models. As expected, older age is associated with reduced odds of being in atypical employment.

Table 4.3 maximum likelihood estimation for atypical employment and personality traits, including occupational unemployment rates

General linear model for prob. for being in atypical employment

<i>Predictors</i>	Openness <i>Odds Ratios</i>	Conscientiousness <i>Odds Ratios</i>	Extraversion <i>Odds Ratios</i>	Agreeableness <i>Odds Ratios</i>	Neuroticism <i>Odds Ratios</i>
Intercept	66.51 ***	179.74 ***	80.39 ***	36.34 ***	40.88 ***
Openness	0.99				
Conscientiousness		0.83 ***			
Extraversion			0.96 *		
Agreeableness				1.10 ***	
Neuroticism					1.11 ***
Male Gender	0.12 ***	0.11 ***	0.12 ***	0.12 ***	0.12 ***
Age	0.84 ***	0.84 ***	0.84 ***	0.84 ***	0.84 ***
Age (squared)	1.00 ***	1.00 ***	1.00 ***	1.00 ***	1.00 ***
Migration Background	1.09	1.11 *	1.09	1.08	1.08
Income	1.00 ***	1.00 ***	1.00 ***	1.00 ***	1.00 ***
Years in Education	1.00	0.99	1.00	1.00	1.00
Union Member	0.63 ***	0.61 ***	0.63 ***	0.63 ***	0.62 ***
Occupational Unemp. Rate	1.07 ***	1.07 ***	1.07 ***	1.07 ***	1.07 ***
Observations	12275	12299	12298	12288	12294
R ² Tjur	0.241	0.246	0.242	0.243	0.244

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

Table 4.4 presents the outcomes of ordinary least squares models examining the duration of time individuals spend in atypical employment throughout their employment history. The traits of Openness to Experience, Conscientiousness, and Neuroticism are associated with reduced time in atypical employment, while Extraversion and Agreeableness are linked to increased duration in such employment. Notably, the impact of Conscientiousness has the biggest effect size, with a one unit increase in Conscientiousness associated with almost one third of a year less time spent in atypical employment. Individuals scoring high on Conscientiousness tend to be organized and strive for achievement. As a result, they are likely to minimize their time in atypical employment, recognizing it as a disadvantage in their employment trajectory.

Table 4.4 OLS models for personality traits and time spent in atypical employment

Multivariate OLS models for time in atypical employment					
	Openness	Conscientiousness	Extraversion	Agreeableness	Neuroticism
<i>Predictors</i>	<i>Estimates</i>	<i>Estimates</i>	<i>Estimates</i>	<i>Estimates</i>	<i>Estimates</i>
Intercept	4.48 ***	5.55 ***	3.11 ***	3.39 ***	4.57 ***
Openness	-0.10 **				
Conscientiousness		-0.28 ***			
Extraversion			0.21 ***		
Agreeableness				0.11 **	
Neuroticism					-0.10 **
Male Gender	-4.88 ***	-4.91 ***	-4.77 ***	-4.84 ***	-4.89 ***
Age	0.03	0.04	0.03	0.03	0.03
Age (squared)	0.00 *	0.00	0.00 *	0.00 *	0.00 *
Migration Background	-0.98 ***	-0.98 ***	-1.03 ***	-1.03 ***	-1.00 ***
Income	-0.00	-0.00	-0.00	-0.00	-0.00
Years in Education	0.02	0.00	0.02	0.01	0.01
Union Member	-0.53 ***	-0.55 ***	-0.54 ***	-0.52 ***	-0.53 ***
Occupational Unempl. Rate	0.05 ***	0.05 ***	0.05 ***	0.05 ***	0.05 ***
Observations	12275	12299	12294	12288	12298
R ² / R ² adjusted	0.264 / 0.263	0.265 / 0.265	0.266 / 0.265	0.264 / 0.263	0.264 / 0.263

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

4.5. Conclusion

This study explores the role of personality traits in determining the likelihood to be in and duration of atypical employment contracts for individuals. Drawing from social cognitive theory and existing literature on career success, the study finds that personality traits commonly linked to lower social class are positively associated with the likelihood of being in atypical employment. Furthermore, traits associated with career success reduce this likelihood. In essence, personality traits that positively correlate with job success negatively correlate with the probability of being in atypical employment.

These results suggest that atypical employment serves as a trap of economic risk, leading to unstable career paths and increased job insecurity, rather than a steppingstone to stable employment. Therefore, there is no reason to believe that individuals with personality traits

associated with success can make up for the disadvantages associated with atypical employment.

Personality research offers interesting opportunities to advance the growing research on experience of inequality. Labor market vulnerability is also subjective, and it matters who is and who feels at risk (Hacker et al. 2013). Linking individual-level assessment of labor market risk to personality traits could shed light on mechanisms of translation of actual economic risk on subjective assessment of risk. Recent research has pointed out the importance of perceptions of economic situations on the formation of preference. However, this requires data on the subjective assessment of labor market status as well as the big five survey. This research provides a first hint at the importance of personality on labor market vulnerability. Understanding how predispositions such as personality affect the perception of economic risk could prove useful to understand political behavior. Especially since emotional states and rhetoric appealing to emotions, for instance by populists but also increasingly by mainstream right parties across European countries, are becoming more prominent.

Moreover, the research on trust has received considerable renewed attention in the Social Sciences, most likely due to its assumed connection to the rise of populist or far-right voting in modern capitalist societies and its fundamental importance for democracy. Conscientious and Openness to Experience have been found to be related to trust in friends as well as in strangers, whereas Agreeableness is influencing only trust in strangers (Freitag and Bauer 2016). How the experience of economic risk and self-reported trust levels are moderated by personality could provide a fruitful avenue for further research. Personality and politics could interact with each other and subsequently influence attitudes, preferences, and political behavior (Mondak et al. 2010).

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6. Appendix

6.1 Appendix for Paper 1

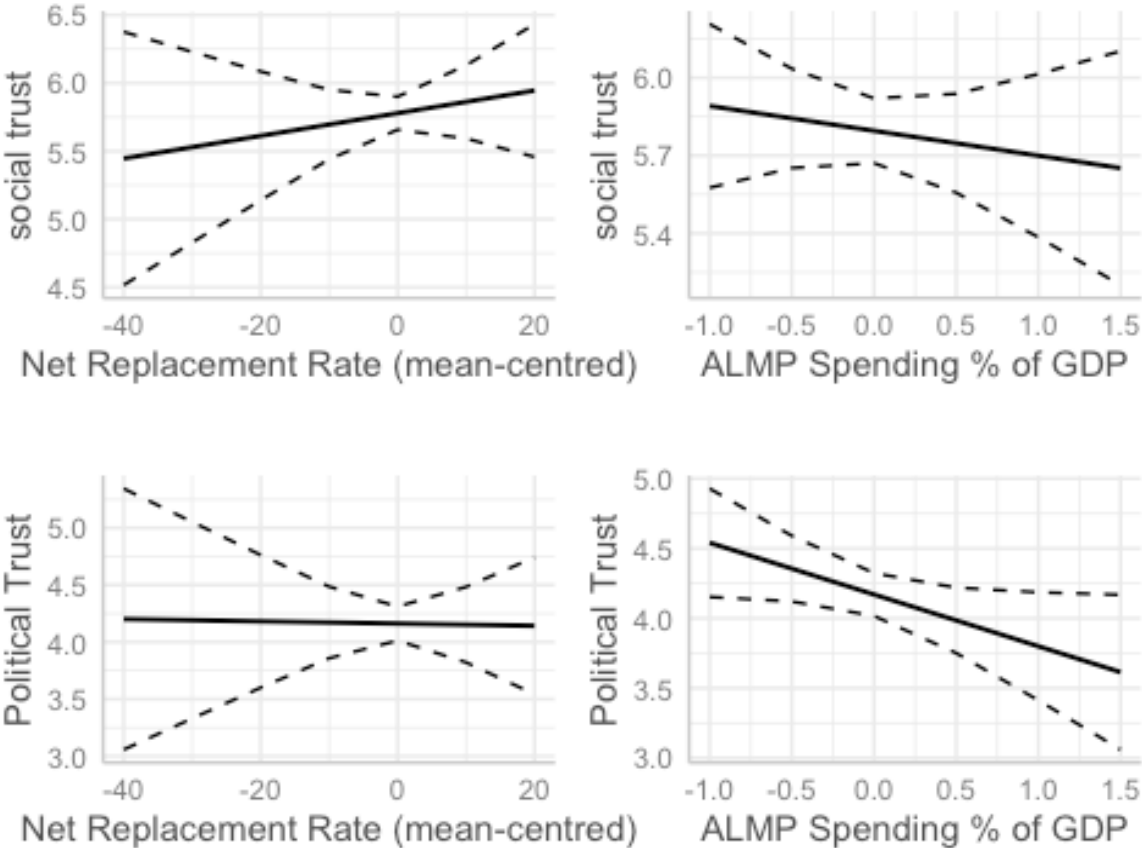


Figure A1: Average marginal effects of welfare state macro variables on trust from multilevel models with cross-level interactions, automation risk operationalized after Frey/Osborne

Table A.1 Robustness test: Models with OLS, clustered standard errors (country)

	Social Trust		Political Trust	
	Model 1	Model 2	Model 3	Model 4
Automation risk (Frey/Osborne)	-0.20 *** (0.02)		-0.08 * (0.04)	
Automation as RTI		-0.16 *** (0.01)		-0.10 *** (0.02)
Age	-0.02 ** (0.01)	-0.02 ** (0.01)	-0.05 *** (0.01)	-0.05 *** (0.01)
Age squared	0.00 *** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)
Migration Background	-0.06 * (0.02)	-0.04 (0.02)	0.32 *** (0.04)	0.31 *** (0.04)
Lower Education (ISCED 2 or lower)	-0.64 *** (0.04)	-0.61 *** (0.04)	-0.52 *** (0.06)	-0.50 *** (0.06)
Medium Education (ISCED 3-4)	-0.44 *** (0.03)	-0.43 *** (0.04)	-0.53 *** (0.07)	-0.52 *** (0.06)
Medium High Education (ISCED 5)	-0.24 *** (0.04)	-0.24 *** (0.04)	-0.32 *** (0.05)	-0.30 *** (0.03)
Income Decile	0.07 *** (0.01)	0.07 *** (0.01)	0.07 *** (0.01)	0.07 *** (0.01)
Urban	0.03 (0.03)	0.02 (0.03)	0.14 ** (0.04)	0.12 ** (0.04)
Crime Victim	-0.21 *** (0.02)	-0.22 *** (0.02)		
Discriminated Minority	-0.51 *** (0.05)	-0.49 *** (0.06)		
Left-Right Placement			0.06 *** (0.02)	0.06 *** (0.01)
R ²	0.15	0.15	0.13	0.13
Adj. R ²	0.15	0.15	0.13	0.13
Num. obs.	157446	160923	144791	147998
N Clusters	21	21	21	21

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$, country fixed effects included, nor reported in output

Table A.2 Robustness test: Models with OLS, clustered standard errors (country), interaction with **net replacement rate**

	Social Trust		Political Trust	
	Model 1	Model 2	Model 3	Model 4
Automation risk (Frey/Osborne)	-0.19 *** (0.02)		-0.08 * (0.03)	
Automation as RTI		-0.16 *** (0.01)		-0.10 ** (0.03)
Age	-0.02 ** (0.01)	-0.02 ** (0.01)	-0.05 *** (0.01)	-0.05 *** (0.01)
Age squared	0.00 *** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)
Migration Background	-0.06 * (0.02)	-0.05 (0.02)	0.34 *** (0.05)	0.33 *** (0.05)
Lower Education (ISCED 2 or lower)	-0.64 *** (0.04)	-0.61 *** (0.04)	-0.53 *** (0.06)	-0.51 *** (0.06)
Medium Education (ISCED 3-4)	-0.44 *** (0.03)	-0.43 *** (0.04)	-0.53 *** (0.06)	-0.52 *** (0.05)
Medium High Education (ISCED 5)	-0.24 *** (0.04)	-0.24 *** (0.04)	-0.32 *** (0.04)	-0.30 *** (0.03)
Income Decile	0.07 *** (0.01)	0.07 *** (0.01)	0.07 *** (0.01)	0.07 *** (0.01)
Urban	0.03 (0.03)	0.02 (0.03)	0.13 * (0.05)	0.12 * (0.05)
Crime Victim	-0.21 *** (0.02)	-0.22 *** (0.02)		
Discriminated Minority	-0.51 *** (0.05)	-0.49 *** (0.06)		
Automation (Frey/Osborne) x NRR	0.02 * (0.01)		0.01 (0.01)	
RTI x NRR		0.00 * (0.00)		0.00 (0.00)
R ²	0.15	0.15	0.13	0.13
Adj. R ²	0.15	0.15	0.13	0.13
Num. obs.	156603	159952	157017	160398
N Clusters	21	21	21	21

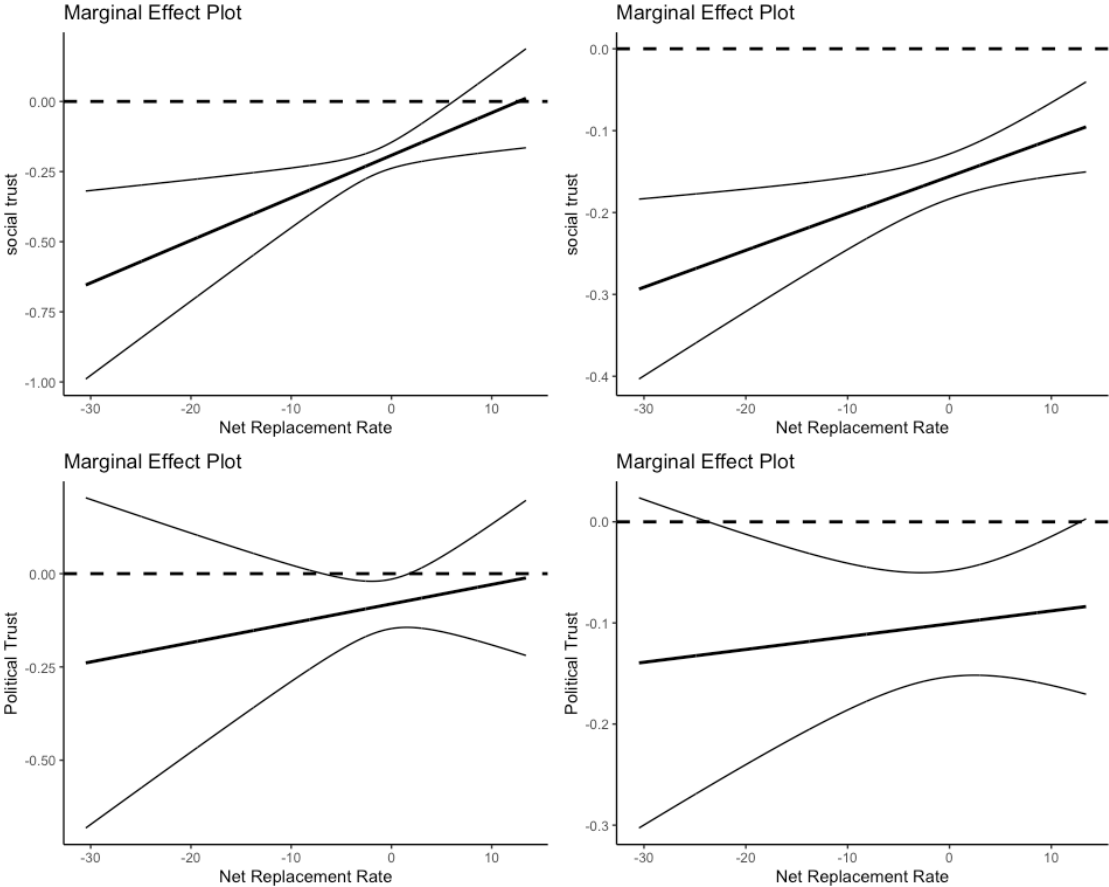
*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$, country fixed effects included, nor reported in output

Table A3 Robustness test: Models with OLS, clustered standard errors (country), interaction with **active labor market policy spending**

	Social Trust		Political Trust	
	Model 1	Model 2	Model 3	Model 4
Automation Risk (Frey/Osborne)	-0.20 *** (0.02)		-0.06 (0.04)	
Automation as RTI		-0.15 *** (0.01)		-0.08 ** (0.02)
Age	-0.02 ** (0.01)	-0.01 * (0.01)	-0.05 *** (0.01)	-0.04 *** (0.01)
Age squared	0.00 ** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)	0.00 *** (0.00)
Migration Background	-0.06 * (0.03)	-0.05 (0.03)	0.30 *** (0.05)	0.30 *** (0.05)
Lower Education (ISCED 2 or lower)	-0.65 *** (0.04)	-0.62 *** (0.04)	-0.53 *** (0.07)	-0.52 *** (0.06)
Medium Education (ISCED 3-4)	-0.43 *** (0.04)	-0.42 *** (0.04)	-0.51 *** (0.07)	-0.51 *** (0.06)
Medium High Education (ISCED 5)	-0.23 *** (0.03)	-0.23 *** (0.03)	-0.30 *** (0.03)	-0.31 *** (0.02)
Income Decile	0.07 *** (0.01)	0.07 *** (0.01)	0.07 *** (0.01)	0.07 *** (0.01)
Urban	0.03 (0.03)	0.02 (0.03)	0.15 ** (0.05)	0.13 * (0.05)
Crime Victim	-0.21 *** (0.03)	-0.22 *** (0.03)		
Discriminated Minority	-0.51 *** (0.07)	-0.50 *** (0.07)		
Automation (Frey/Osborne) x ALMP	0.03 (0.06)		0.09 (0.06)	
RTI x ALMP		0.00 (0.05)		0.03 (0.02)
R ²	0.15	0.15	0.14	0.14
Adj. R ²	0.15	0.15	0.14	0.14
Num. obs.	147348	150773	147742	151195
N Clusters	21	21	21	21

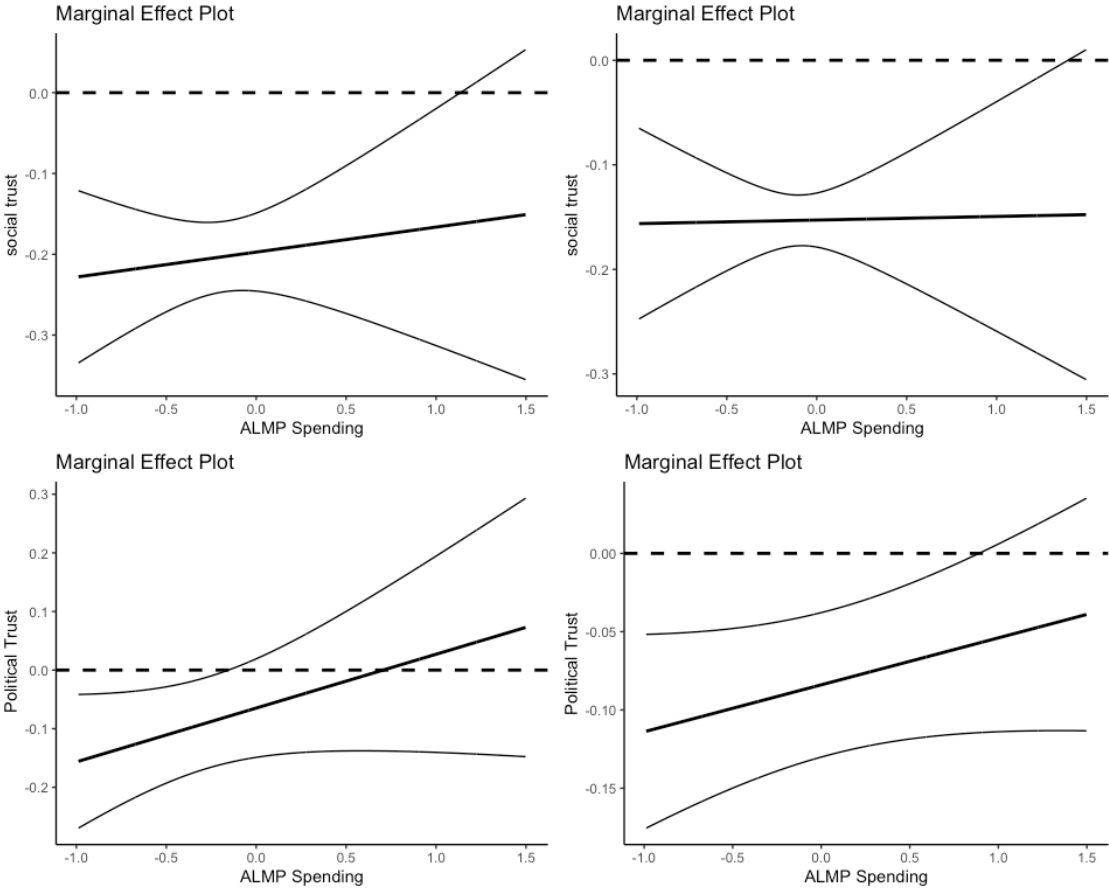
*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$, country fixed effects included, nor reported in output

Figure A2: Marginal effect plot net replacement rate interacting with automation risk, based on pooled OLS



Source: ESS rounds 1-9, own calculations

Figure A3 Marginal effect plot of active labor market spending as percentage of GDP interacting with automation risk, based on pooled OLS

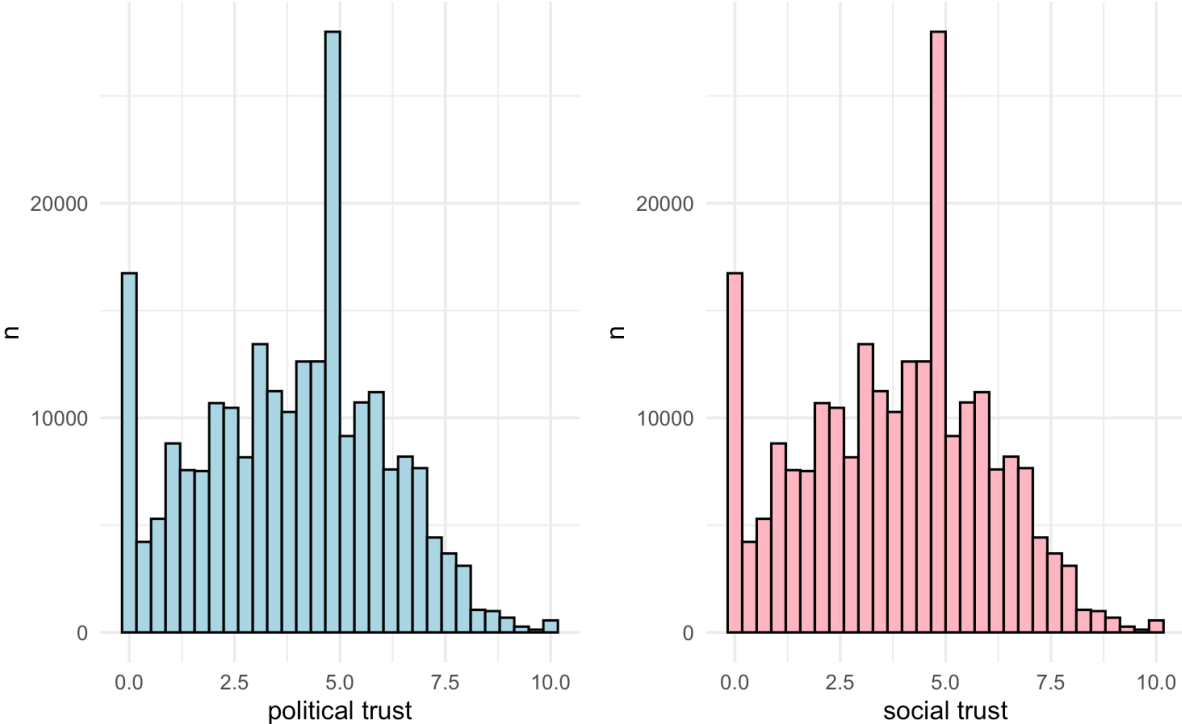


Source: ESS rounds 1-9, own calculations

Table A.4 descriptive statistics

Variable	n	Mean	Std. Dev.	Min	1.st Quartile	3.rd Quartile	Max
Net replacement rate as % of last income (12 months)	235080	72	11	28	64	80	91
Labor market policy spending as % of gdp	221590	1.6	0.94	0.13	0.68	2.3	4
Political trust	237061	3.9	2.2	0	2	5.5	10
Social trust	238617	5.3	1.9	0	4	6.7	10
Automation risk (Frey/Osborne)	201202	0.57	0.34	0.0039	0.25	0.89	0.99
Routine-Task-Intensity Index (RTI)	209353	0.11	0.61	-2.1	-0.39	0.46	2.5
Left right placement	211560	5	2.2	0	4	6	10
age	237993	49	18	14	35	63	114
male	108099			0			1
Migration background	36289			0			1
urban	74965			0			1
Educational categories:	237947						
Share of High (>= ISCED 6)	44021	19 %					
Share of Low (<= ISCED 2)	88232	37 %					
Share of Medium high (ISCED 5)	23263	10 %					
Share of Medium low (ISCED 3 - 4)	82431	35 %					
Union membership	114753	0.49		0	0	1	1
Unemployment experience	72094	0.3		0	0	1	1
Belonging to a discriminated minority (n = 1)	15955			0			1
Crime victim in the past (n = 1)	41639			0			1

Figure A4 Distribution of trust across the sample



6.2 Appendix for Paper 2

6.2.1 Appendix A: Descriptives

Year	Tenant- Homeowner
1991	237
1992	313
1993	254
1994	339
1995	336
1996	345
1997	326
1998	412
1999	400
2000	572
2001	497
2002	534
2003	555
2004	468
2005	468
2006	460
2007	422
2008	400
2009	340
2010	571
2011	582
2012	524
2013	686
2014	578
2015	506
2016	450
2017	467
2018	516
2019	470
2020	457

Table A2.1 Transitions into homeownership (includes renters who become capitalists as well as renters who become owners) for the first time by year. Source: GSPOEP 1991-2020.

Variables	n	n (pid)	mean	sd	min	max	range
homeowner (ref: tenant)	112217	8143	0.64				
political interest	112217	8143	0.58	0.19	0.25	1	0.75
sociotropic worries	112217	8143	2.16	0.63	1	3	2
egotropic worries	112217	8143	1.86	0.67	1	3	2
male (ref: female)	112217	8143	0.48				
age	112217	8143	44.21	14.72	16	103	87
education in years	112217	8143	12.57	2.75	7	18	11
east (ref: west)	112217	8143	0.25				
urban residence (ref: rural)	112217	8143	0.62				
>= 1 child (ref: no child)	112217	8143	0.64				
Couple (ref: single)	112217	8143	0.80				
disp. hh income (tsd.€)	112217	8143	41.97	31.03	0.01	1499.70	1499.69
net wealth (tsd. €)	16722	7091	220.21	546.37	-1452.00	22740.00	24192.00

Table A2.2 Descriptive statistics. Source: GSOEP 1991-2020.

Appendix 2.2 Full regression tables

	(1) egotropic worries b/se	(2) sociotropic worries b/se	(3) political interest b/se
years after/before (ref. -9)			
8/7 years before	0.03 (0.02)	0.02 (0.02)	0.03 (0.02)
6/5 years before	0.01 (0.02)	0.05* (0.02)	0.08*** (0.02)
4/3 years before	0.02 (0.03)	0.09*** (0.03)	0.10*** (0.02)
2/1 years before	0.01 (0.03)	0.09** (0.03)	0.11*** (0.03)
0/1 years after	0.01 (0.04)	0.12*** (0.04)	0.12*** (0.03)
2/3 years after	0.01 (0.04)	0.14*** (0.04)	0.16*** (0.04)
4/5 years after	0.02 (0.05)	0.17*** (0.05)	0.17*** (0.04)
6/7 years after	0.01 (0.05)	0.18*** (0.05)	0.18*** (0.05)
8/9 years after	0.01 (0.06)	0.19** (0.06)	0.22*** (0.05)
Education in years	-0.01* (0.01)	-0.00 (0.01)	-0.00 (0.01)
Income decile	-0.02*** (0.00)	-0.00* (0.00)	-0.00 (0.00)
Age (ref. <25)			
26-35	0.00 (0.02)	0.05** (0.02)	0.05** (0.02)
36-45	0.02 (0.02)	0.06** (0.02)	0.07** (0.02)
46-55	0.02 (0.03)	0.06* (0.03)	0.05* (0.03)
56-65	-0.05 (0.04)	-0.01 (0.04)	0.05 (0.03)
>65	-0.13** (0.05)	-0.02 (0.05)	0.06 (0.04)
Urban (ref. rural)	0.03 (0.02)	0.02 (0.02)	0.03 (0.02)
>=1 child (ref. no child)	0.02* (0.01)	-0.02 (0.01)	-0.01 (0.01)
Couple (ref. no couple)	-0.04* (0.02)	0.03* (0.01)	0.03* (0.01)
East (ref. West)	0.03 (0.04)	0.10* (0.04)	-0.03 (0.04)
Constant	2.04*** (0.08)	2.00*** (0.07)	2.24*** (0.08)
N	48945	48945	48945
N (individual)	4307	4307	4307

Coefficients for twoyear-dummies not shown. Source: GSOEP 1991-2020, own calculations.

* $p < .05$, ** $p < .01$, *** $p < .001$

Table B1. 2FE-Regression: years before/after transitioning into homeownership on (1) egotropic

worries, (2) sociotropic worries, and (3) political interest <2009.

	(1) egotropic worries b/se	(2) sociotropic worries b/se	(3) political interest b/se
years after/before (ref. -9)			
8/7 years before	-0.04* (0.02)	0.01 (0.02)	0.03 (0.02)
6/5 years before	-0.07** (0.02)	-0.00 (0.02)	0.08*** (0.02)
4/3 years before	-0.10*** (0.03)	-0.00 (0.03)	0.14*** (0.03)
2/1 years before	-0.10** (0.03)	-0.01 (0.03)	0.17*** (0.03)
0/1 years after	-0.11** (0.04)	-0.01 (0.04)	0.19*** (0.04)
2/3 years after	-0.12** (0.04)	-0.00 (0.04)	0.26*** (0.04)
4/5 years after	-0.15** (0.05)	-0.01 (0.05)	0.30*** (0.05)
6/7 years after	-0.17** (0.06)	-0.03 (0.06)	0.33*** (0.05)
8/9 years after	-0.21** (0.06)	-0.00 (0.06)	0.39*** (0.06)
Education in years	-0.00 (0.01)	-0.00 (0.01)	0.00 (0.01)
Income decile	-0.02*** (0.00)	-0.00 (0.00)	-0.00 (0.00)
Age (ref. <25)			
26-35	-0.03 (0.02)	0.03 (0.02)	0.00 (0.02)
36-45	-0.04 (0.03)	0.04 (0.03)	-0.02 (0.03)
46-55	-0.06 (0.04)	0.03 (0.03)	-0.03 (0.03)
56-65	-0.15*** (0.04)	0.01 (0.04)	-0.02 (0.04)
>65	-0.19*** (0.05)	-0.05 (0.05)	-0.01 (0.05)
Urban (ref. rural)	-0.03 (0.03)	0.03 (0.02)	-0.01 (0.02)
>=1 child (ref. no child)	0.04** (0.01)	-0.01 (0.01)	0.00 (0.01)
Couple (ref. no couple)	-0.00 (0.02)	0.03* (0.02)	0.03* (0.02)
East (ref. West)	0.08 (0.05)	-0.01 (0.05)	-0.02 (0.04)
Constant	1.80*** (0.12)	1.90*** (0.10)	2.54*** (0.11)
N	35650	35650	35650
N (individual)	3836	3836	3836

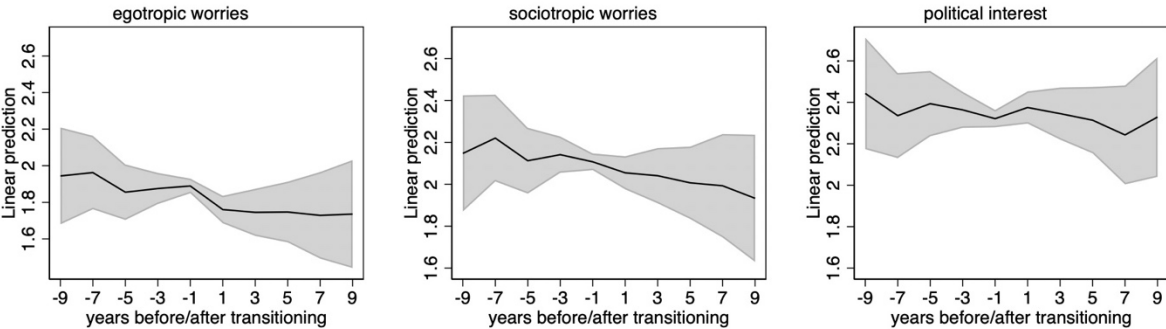
Coefficients for twoyear-dummies not shown. Source: GSOEP 1991-2020, own calculations.

* $p < .05$, ** $p < .01$, *** $p < .001$

Table B2. 2FE-Regression: years before/after transitioning into homeownership on (1) egotropic worries, (2) sociotropic worries, and (3) political interest ≥ 2009 .

6.2.2 Appendix B Transitioning into homeownership by different subgroups

no mortgage or mortgage lower than lowest decile



mortgage higher than lowest decile

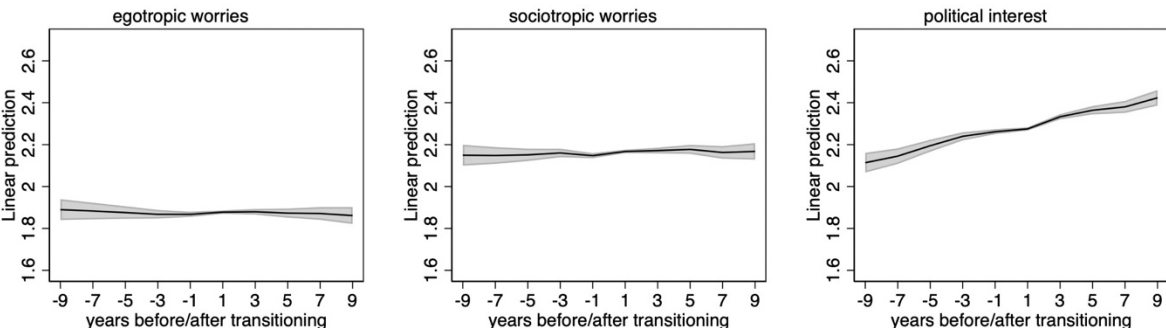


Figure C1. Two-way fixed effects regressions with leads and lags before/after transitioning into homeownership 10 years before / after transition. Separate graphs for mortgage status (upper row: no mortgage or among the 10% with the lowest mortgage in the sample; lower row: holding a mortgage > lowest decile). Controls and time-dummies not shown.

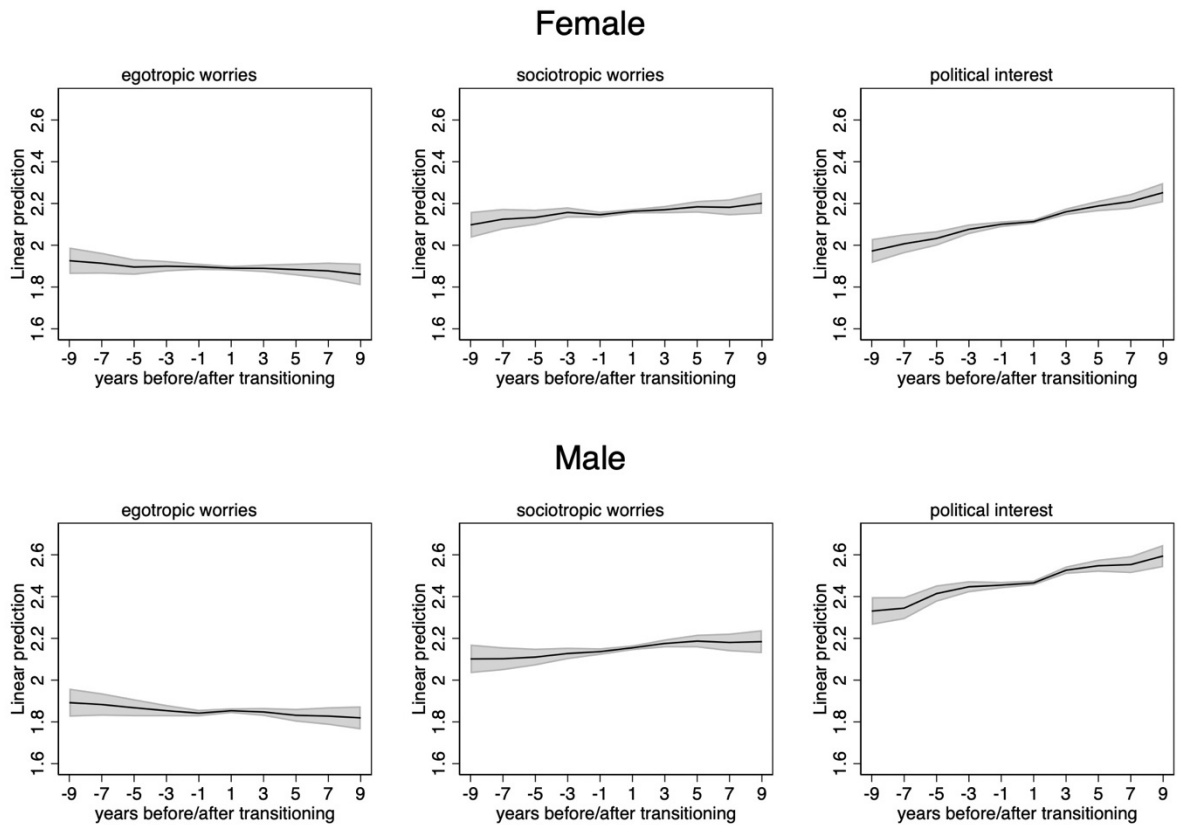


Figure C2. Two-way fixed effects regressions with leads and lags before/after transitioning into homeownership 10 years before / after transition. Separate graphs for gender (upper row: female; lower row: male). Controls and time-dummies not shown.

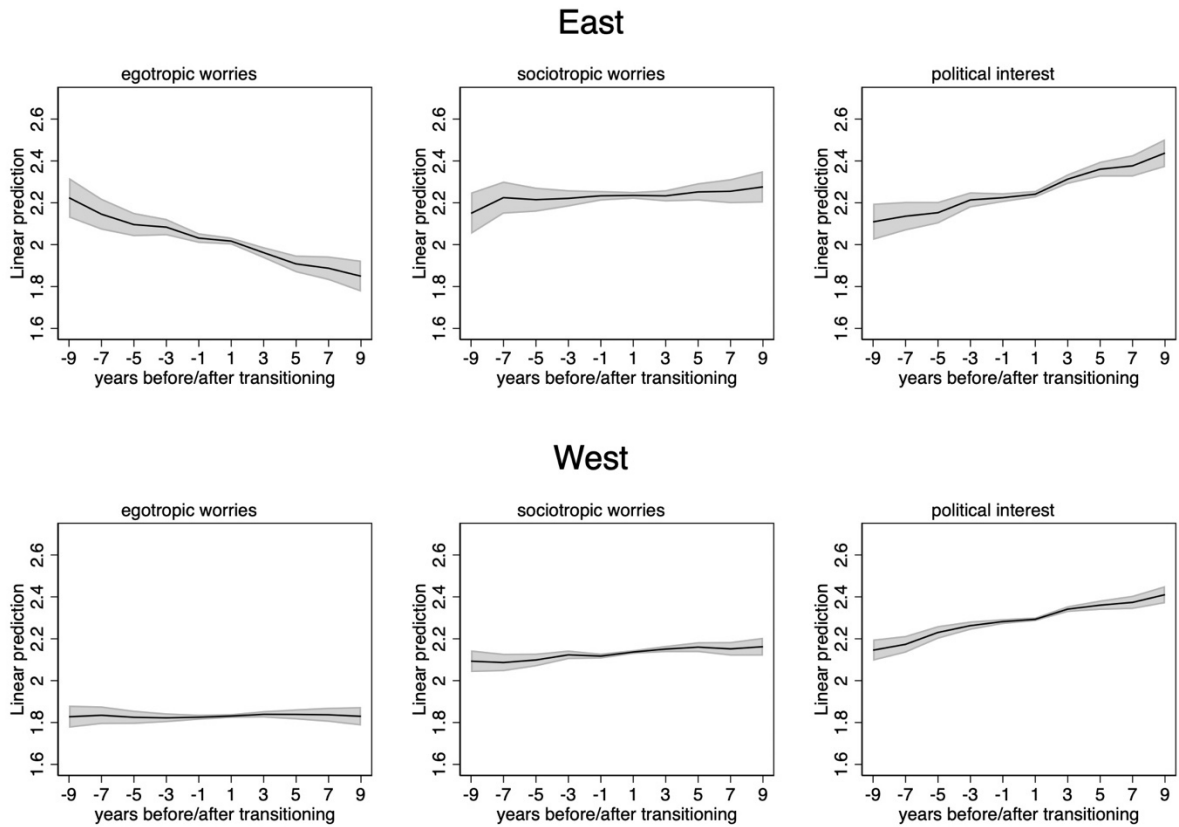


Figure C3. Two-way fixed effects regressions with leads and lags before/after transitioning into homeownership 10 years before / after transition. Separate graphs for former Eastern vs. Western part of Germany (upper row: East; lower row: West). Controls and time-dummies not shown.

Appendix D: Transitioning into homeownership by different years as cut-off

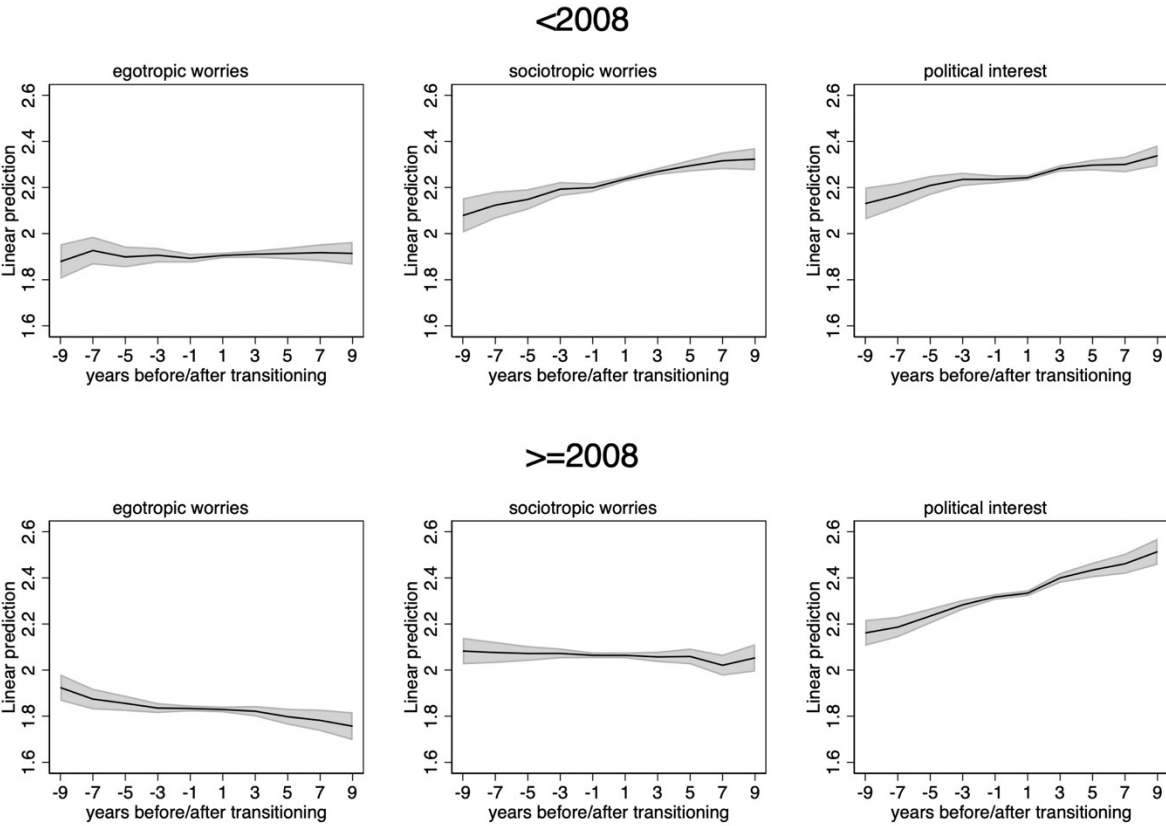


Figure D1. Two-way fixed effects regressions with leads and lags before/after transitioning into homeownership 10 years before / after transition. Separate graphs for transitioning before and after 2008. Controls and time-dummies not shown. Source: GSOEP 1991-2020.

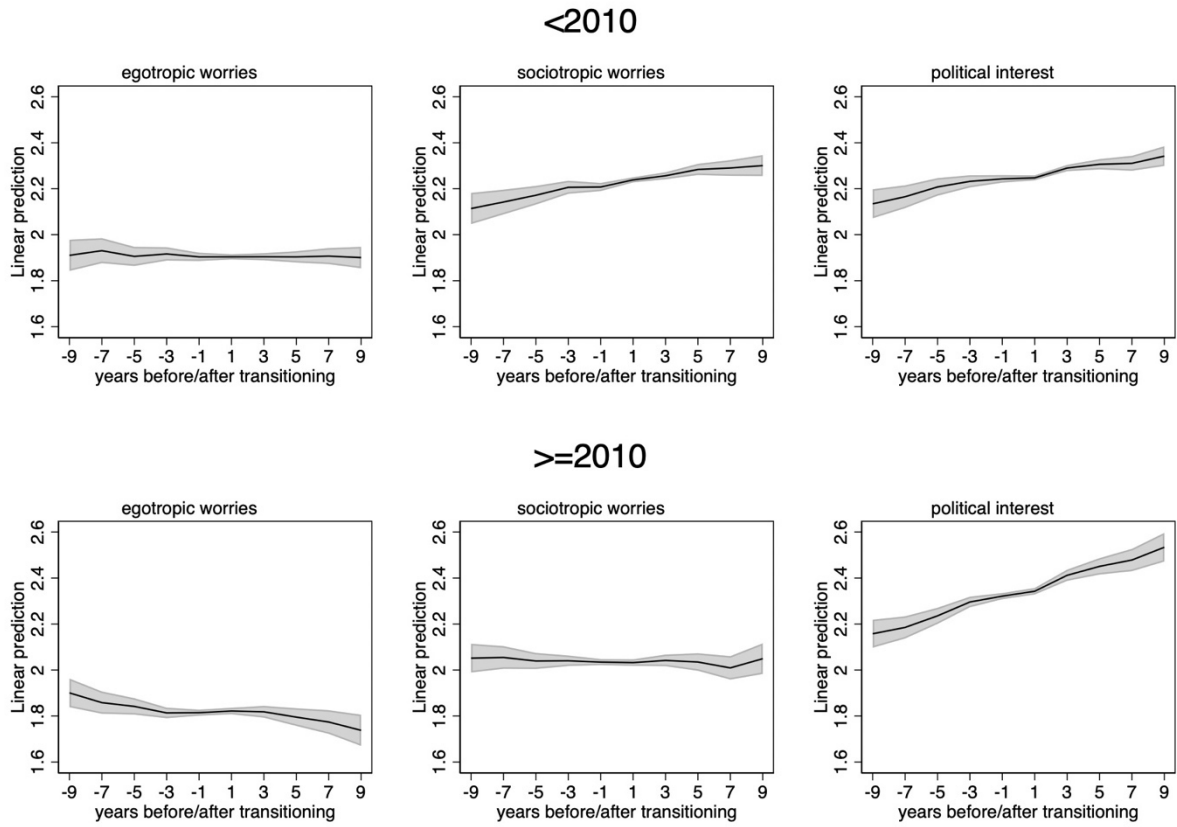


Figure D2. Two-way fixed effects regressions with leads and lags before/after transitioning into homeownership 10 years before / after transition. Separate graphs for transitioning before and after 2010. Controls and time-dummies not shown. Source: GSOEP 1991-2020.

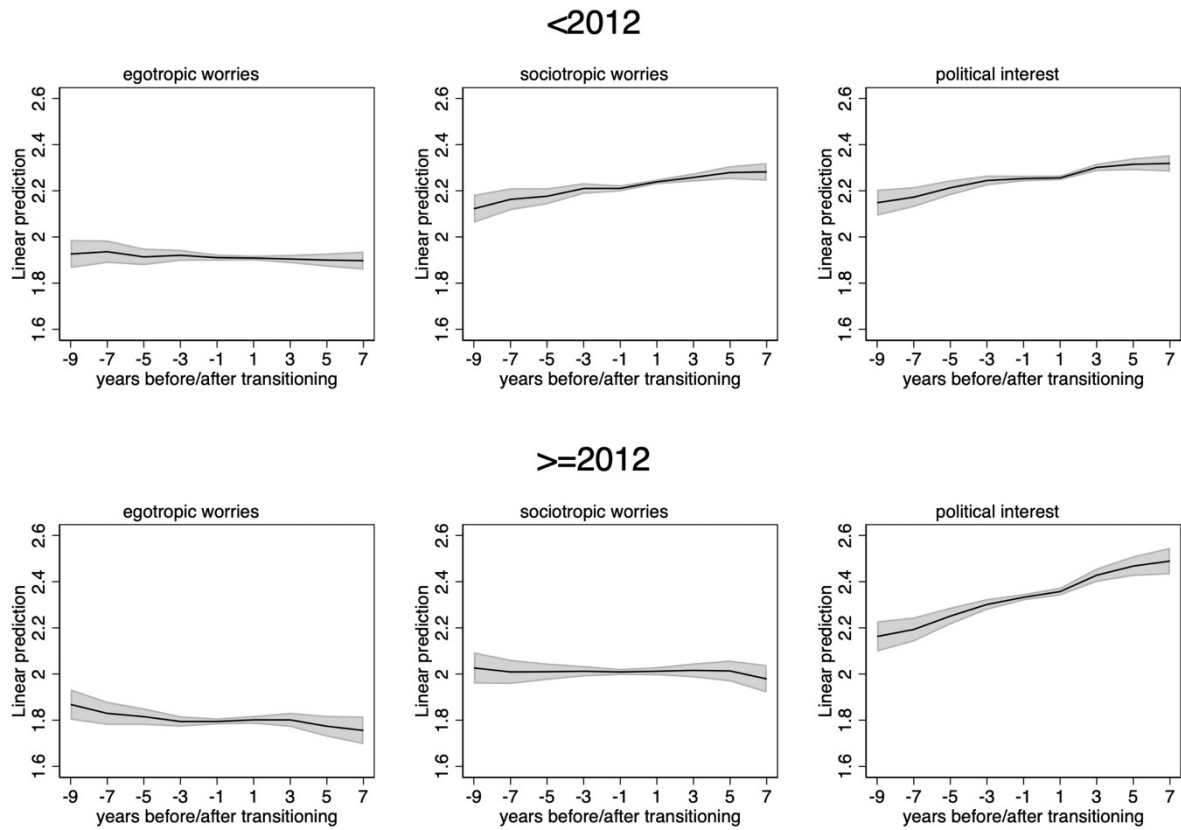


Figure D3. Two-way fixed effects regressions with leads and lags before/after transitioning into homeownership 10 years before / after transition. Separate graphs for transitioning before and after 2012. Controls and time-dummies not shown. Source: GSOEP 1991-2020.

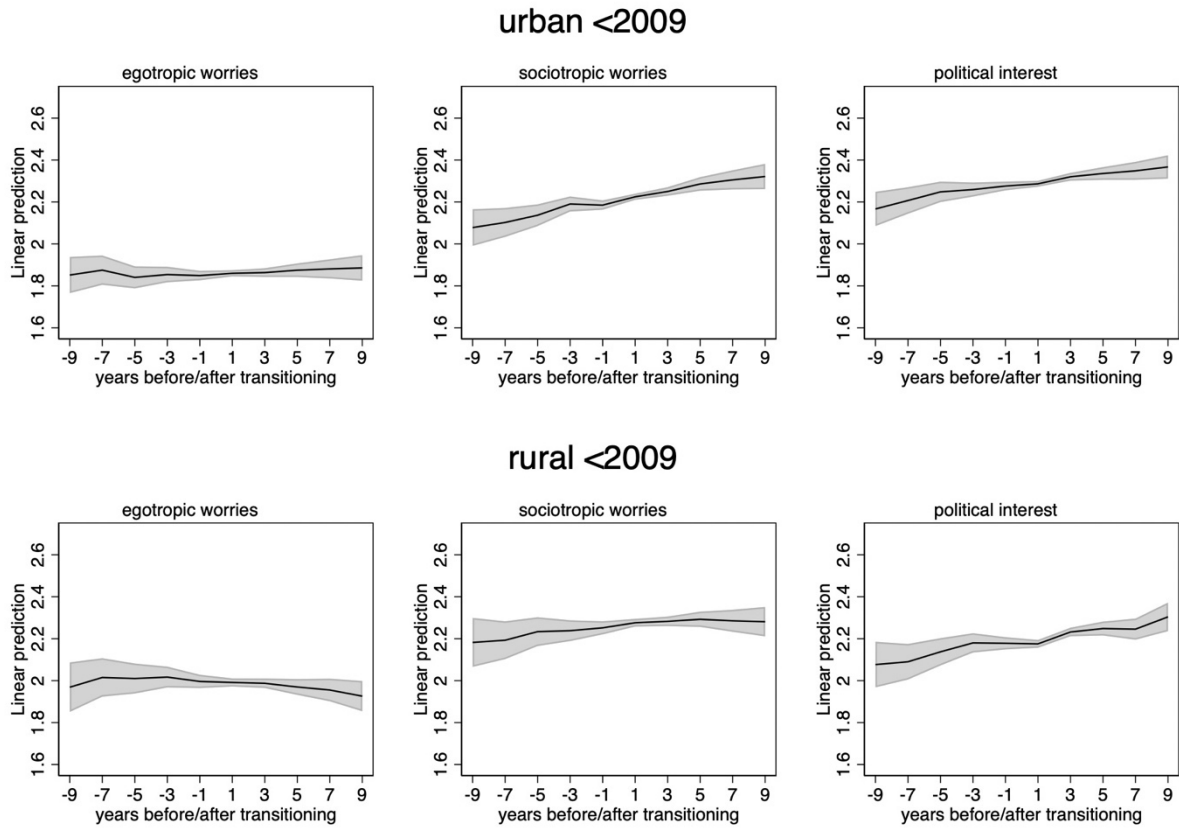


Figure D4. Two-way fixed effects regressions with leads and lags before/after transitioning into homeownership 10 years before / after transition in urban regions before 2009. Separate graphs for urban and rural regions. Controls and time-dummies not shown.

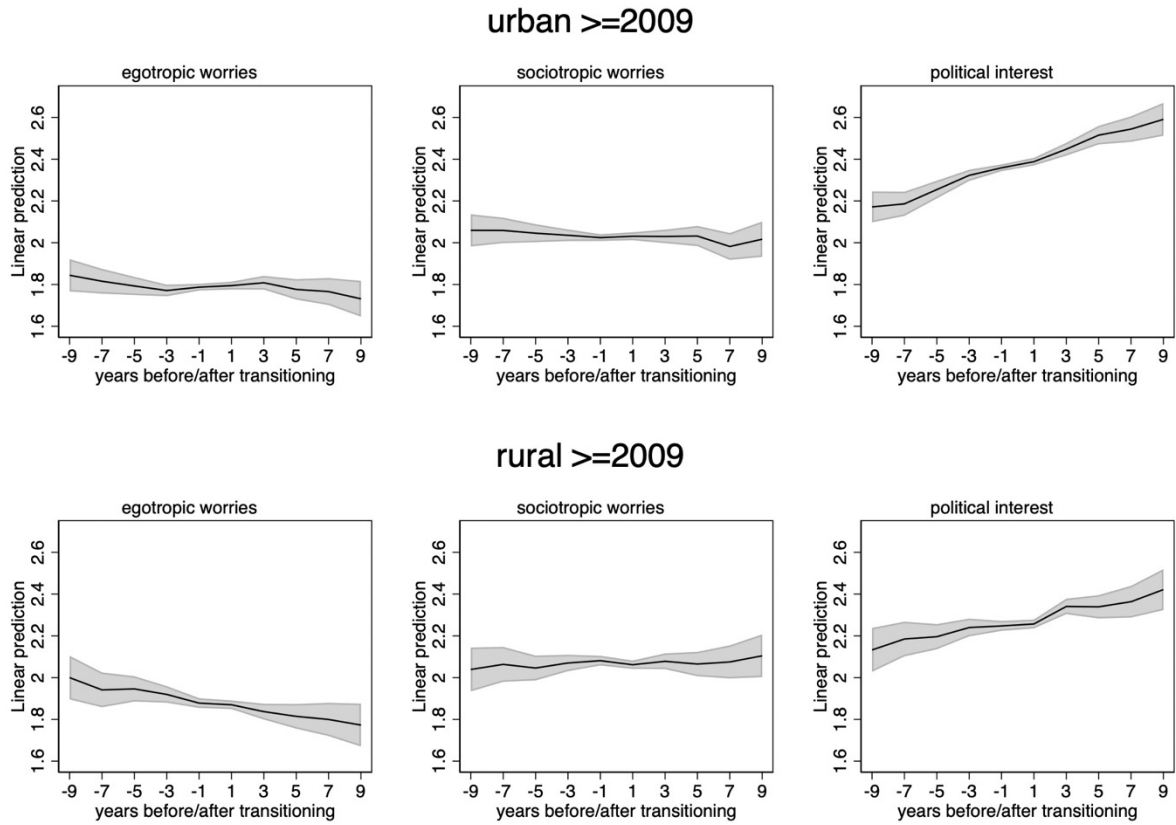


Figure D5. Two-way fixed effects regressions with leads and lags before/after transitioning into homeownership 10 years before / after transition in urban regions after 2009. Separate graphs for urban and rural regions. Controls and time-dummies not shown.

6.3 Appendix for paper 3

Table A3.1 descriptive statistics

Variable	N	Mean	Std. Dev.	Min	1st Quartile	3rd Quartile	Max
neuroticism	16695	3.7	1.2	1	3	4.7	7
agreeableness	16680	5.4	0.96	1.7	4.7	6	7
extraversion	16698	5	1.1	1	4.3	5.7	7
conscientiousness	16699	5.8	0.89	1.3	5.3	6.7	7
openness to experience	16662	4.7	1.2	1	4	5.7	7
atypical employment (n = 1)	7114			0			1
years in atypical employment	16712	3.5	4.7	0	0	5	37
male	16712	0.49	0.5	0			1
age	16712	45	12	18	36	53	89
Dummy variable migration background (n = 1)	4400		0	0			1
Household income after government intervention	16712	49004	36347	109	29933	59824	947279
Years in education	16158	13	2.8	7	10	14	18
Union membership (n = 1)	1596			0			1
Occupational unemployment rate	16459	5.1	4.4	0	1.9	6.6	33

Figure A3.1: Distribution of big five factors in the sample.

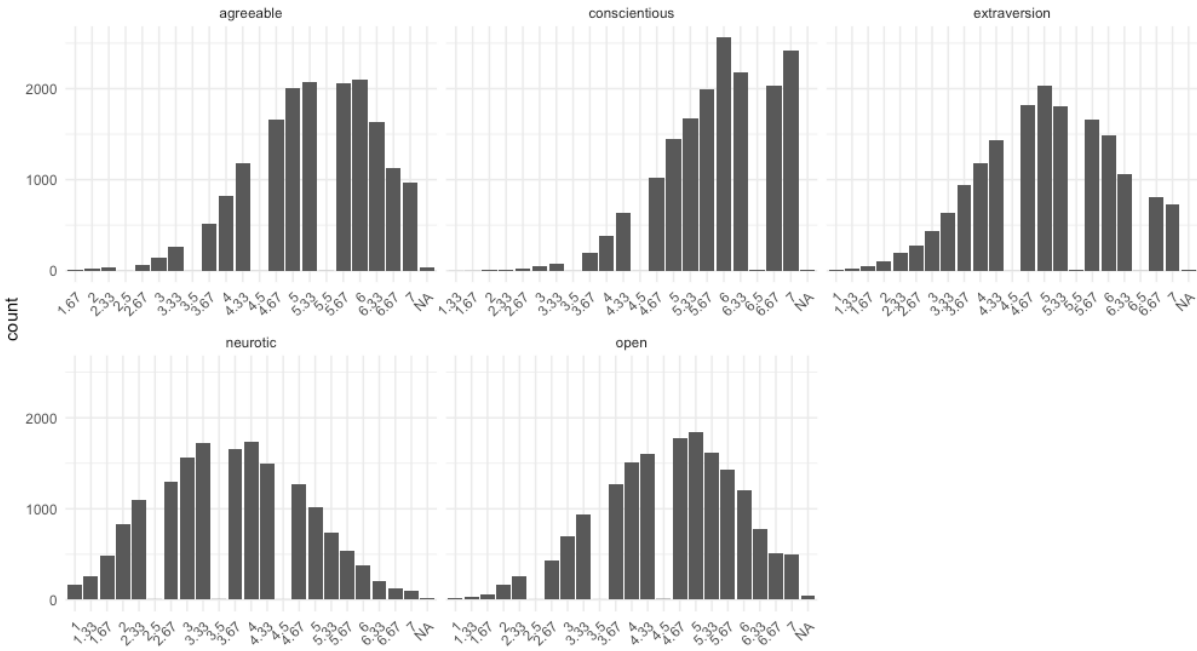
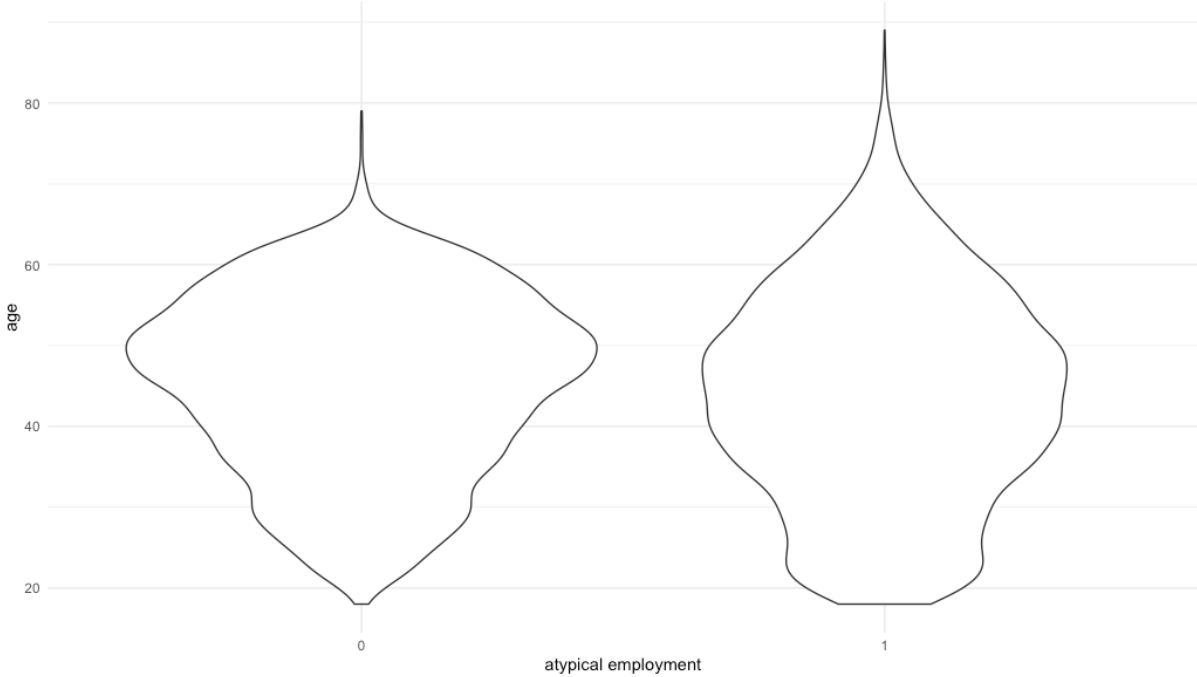


Figure A3.2 distribution of age for atypical employment



7. Summary of the dissertation

This dissertation explores the relationship between economic risk and political attitudes, focusing on three dimensions of economic risk: automation, homeownership in the context of financialization, and atypical employment influenced by personality traits. The central aim is to understand how new forms of economic risk affect political attitudes, particularly in Western democracies experiencing threats to democracy and economic inequalities.

The first paper examines job polarization due to technological changes like automation and its impact on social and political trust. It finds that automation risk, particularly for middle-skilled jobs, lowers social and political trust. This effect is moderated by generous unemployment benefits, which help mitigate the impact on social trust but not on political trust. The study employs the European Social Survey and analyzes data using multilevel models, integrating two measures of automation risk: the routine-task-index and a measure developed by Frey and Osborne quantifying automation potential.

The second paper analyzes Germany's unique housing market, focusing on the consequences of financialization, which aligns housing with financial markets, thereby transforming homes into assets. It investigates how transitioning into homeownership affects economic worries and political interest. Using the Socio-Economic Panel for longitudinal analysis, it categorizes individuals into renters, owner-occupiers, and capitalists. The findings suggest that homeownership lowers egotrophic worries and increases political interest, with stronger effects after financialization of the housing market. This shift in homeownership and financialization influences political attitudes and potentially contributes to societal polarization.

The third paper explores the influence of personality traits on the prevalence and persistence of atypical employment. Using the German Socio-Economic Panel, it demonstrates that traits like Conscientiousness and Extraversion reduce the likelihood of engaging in atypical employment, while Agreeableness and Neuroticism increase it. The duration in atypical employment also varies with personality traits, highlighting the subjective nature of labor market vulnerability and its implications for political behavior.

Overall, the dissertation shows the complex interplay between economic risks and political attitudes, emphasizing the role of automation, homeownership, and personality traits in

shaping these dynamics. It contributes to the broader understanding of how economic uncertainties influence political behavior in an era marked by rising populism and economic challenges.

Pre-publications:

Paper 1: under review at the Journal of European Social Policy

Paper 2: under review at the European Journal for Political Research

Paper 3: not pre-published