

NBER WORKING PAPER SERIES

ON THE DIVERGENCE IN UNIONISM AMONG DEVELOPED COUNTRIES

Richard Freeman

Working Paper No. 2817

NATIONAL BUREAU OF ECONOMIC RESEARCH
1050 Massachusetts Avenue
Cambridge, MA 02138
January 1989

This research is part of NBER's research program in Labor Studies. Any opinions expressed are those of the author not those of the National Bureau of Economic Research.

ON THE DIVERGENCE IN UNIONISM AMONG DEVELOPED COUNTRIES

ABSTRACT

In this paper I explore the evolution of unionism in the 1970s and 1980s, when the post-oil shock world economy created a "crisis of unionism" throughout the western world. I try to explain why union representation of work forces fell in some countries but not in others and contrast union responses to the challenge of the period. I find that:

- Rates of unionisation diverged greatly among developed countries
- The composition of union members shifted from private sector blue collar workers to public sector and white collar workers in all countries, producing increased divisions within union movements by category of worker
- Changes in the industrial composition of employment, changes in public attitudes toward unionism, and the growth of governmental protection of labor do not explain the divergence in density
- Differing rates of inflation contributed to the divergence, with unions doing better in countries with high inflation. In addition, unemployment raised density in settings where unions disperse unemployment benefits
- The primary reason for the divergence are differences in the incentives and opportunities different industrial relations systems give employers to oppose unions. Unions fared best in neo-corporatist settings and worst in settings where decentralised bargaining creates a strong profit incentive for managers to oppose unions and where management is relatively free to act on that incentive
- Union organizations and modes of operating changed significantly in some countries with declining or endangered unionism but not in others

Most strikingly, my analysis indicates that if 1980s trends continue the west will be divided between countries with strong trade union movements operating in a neo-corporatist system, as in Scandinavia, and countries with 'ghetto unionism' limited to special segments of the work force, as in the United States.

On the Divergence of Unionism among Developed Countries

1. INTRODUCTION

In this paper I explore the evolution of unionism in 1970s and 1980s when the post-oil shock world economy created a "crisis of unionism" throughout the western world. I try to explain why union representation of work forces fell in some countries but not in others and contrast union responses to the challenge of the period. I find that:

1) Rates of unionisation diverged greatly among developed countries (Section 2.1)

2) The composition of union members shifted from private sector blue collar workers to public sector and white collar workers in all countries, producing increased divisions within union movements by category of worker. (Section 2.2)

3) Changes in the industrial composition of employment, changes in public attitudes toward unionism, and the growth of governmental protection of labor do not explain the divergence in density (Section 3.1)

4) Differing rates of inflation contributed to the divergence, with unions doing better in countries with high inflation. In addition, unemployment raised density in settings where unions disperse unemployment benefits. (Section 3.2; Section 3.5)

5) The primary reason for the divergence are differences in the incentives and opportunities different industrial relations systems give employers to oppose unions. Unions fared best in neo-corporatist settings and worst in settings where decentralised bargaining creates a strong profit incentive for managers to oppose unions and where management is relatively free to act on that incentive. (Section 3.3; Section 3.5)

6) Union organizations and modes of operating changed significantly in some countries with declining or endangered unionism but not in others. (Section 3.4)

Most strikingly, my analysis indicates that if 1980s trends continue the west will be divided between countries with strong trade union movements operating in a neo-corporatist system, as in Scandinavia, and countries with 'ghetto unionism' limited to special segments of the work force, as in the U.S.

2 CHANGES IN UNIONISM AMONG DEVELOPED COUNTRIES

In contrast to business firms, which behave similarly in all capitalist countries, maximizing profits or something close akin, trade unions have a "national" dimension, operating under distinct institutional arrangements across countries. In the United States unions negotiate detailed collective bargaining contracts with firms; in Sweden they are involved in national wage-setting and neo-corporatist social agreements; in Australia they argue wage cases before arbitration tribunals; in France they negotiate industry or regional minima that are extended to entire sectors; in Japan they represent workers at the company level and organize the Shunto offensive; etc. Separated by national barriers, union movements are like distinct species of animals, developing differently in some dimensions even in similar economic and technological environments. In the 1970s and 1980s the union representation of workers underwent particularly dramatic changes across developed countries, rising in some countries to reach virtually complete organisation of the work force, while falling sharply in other countries. At the same time the composition of unionised labour underwent similar changes across countries, as the white collar and public sector worker share of union members rose while the manual and private sector manufacturing workers share of members fell.

2.1 Divergence in Union Density

The first and seemingly simplest fact to establish is the claimed divergence in union density among countries. Because counts of union membership include large numbers of the unemployed or of pensioners in some

countries but not in others; come from diverse sources -- labor force surveys, reports by unions, employer surveys, union financial records (see Eurostat for a detailed comparison of union data by country); and reflect differences in what unions do in different settings, however, the seemingly simple is fraught with problems. As examples of the difficulties in cross-country comparisons note the following: in Australia unions represent virtually all workers before the tribunals that formally set wages but enlist only half of the work force; in France and Germany unions have a larger role in wage-setting than density figures indicate because agreements between representative employers and unions are legally extended to other employers; in Italy the growth of autonomous union groups in the public sector and of quadri among foremen and lower level management makes membership data from the major confederations an incomplete indicator of union organisation (Ministero del Lavoro e della Previdenza Sociale, 1988). These and other data/conceptual problems mean that even the most careful estimates of density provide only crude indicators of cross-country differences in union strength and must be informed by direct knowledge of institutions so as not to be misleading.

This said, exhibit 1 records estimates of the union proportion of non-agricultural wage and salary workers in OECD countries from 1970 to the mid-1980s. While comparisons of changes in density over time are less likely to be distorted by cross-country differences than are comparisons of levels, even the trends are not problem free. The United Kingdom figures understate the 1980s decline in British density as some unions exaggerated membership to maintain high representation in the Trade Union Congress and Labor Party. The American data mix two opposing trends: a disastrous drop in private sector density and a spurt in public sector unionism. The Italian data may overstate the 1980s drop due to absence of membership outside the three confederations.

Measurement issues notwithstanding, exhibit 1 shows a divergence in densities that is unlikely to change with better data. From 1970 to 1979 density increased in most countries, rising 10 or so points in several, but fell in the United States, Japan, and Austria. From 1979 to 1985/86 density dropped in the United Kingdom, the Netherlands, and Italy as well as in the U.S. and Japan while stabilizing in most other countries. Two decades of decline make the U.S. and Japan the centers of de-unionisation, greatly reducing their share of union membership in the West. In 1970 42% of all union members of the countries in the exhibit were American or Japanese. In 1985/86, despite an increase in the American and Japanese share of wage and salary workers from 50% to 54% the two countries accounted for only 34% of union members. (1) As a result of the different trends in unionisation, the coefficient of variation of density rose from .31 in 1970 to .39 in 1985/86.

Note, finally, that density changed differently between pairs of countries with similar industrial relations systems -- the United States and Canada; the United Kingdom and Ireland, Netherlands and Belgium -- indicating that the diverging trends represent more than disparate development of greatly different forms of unionism. The differing evolution of unions between close pairs suggests that relatively modest differences in industrial relations laws and institutions can significantly affect the evolution of unionism.

2.2 membership composition

Despite differing trends, the composition of union membership in virtually all countries shifted in the 1970s and 1980s from the blue collar private sector workers who constituted the vast majority of members in earlier decades to public sector workers and in some countries to white collar private sector workers as well (see exhibit 2). In the United States, where the public sector was viewed as unorganizable in the 1950s and 1960s, state and local legislation legalizing public sector collective bargaining spurred huge increases in union

EXHIBIT 1: Levels and Changes in Union Membership as a Percent of Non-Agricultural Wage and Salary Employees Across Countries, 1970-1986.

Countries with Sharp Rises in Density	1970	1979	1985/86	1970-79	1979-86	1970-86
Denmark	66	86	95	+20	+9	29
Finland	56	84	85	+28	+1	29
Sweden	79	89	96	+10	+7	17
Belgium ^a	66	77	--	+11	--	--
Countries w/1970's Rises in Density/Stable in 1980's						
Germany	37	42	43	+ 5	+1	6
France	22	28	--	+ 6	--	--
Canada	32	36	36	+ 4	0	4
Australia	52	58	56	+ 6	-1	5
New Zealand	43	46	--	+ 3	--	3
Ireland	44	49	51	+ 5	+2	7
Switzerland	31	34	33	+ 3	-1	2
Norway	59	60	61	+ 1	+1	2
Countries w/1970's Rises in Density/1980's Declines						
Italy	39	51	45	+12	-6	6
United Kingdom	51	58	51	+ 7	-7	0
Countries w/Declining Density						
Austria	64	59	61	- 5	+2	- 3
Japan	35	32	28	- 3	-4	- 7
Netherlands	39	43	35	+ 4	-8	- 4
United States	31	25	17	- 6	-8	-14

SOURCE: U.S. Bureau of Labor Statistics
London School of Economics OECD Data Set, updated using relevant Country Statistical Abstracts

^a Visser excludes pensioners, and reports: 55% in 1970, 69% in 1979, and 74% in 1983.

^b Visser reports densities of 26, 24, and 21, which would put France in declining density.

Exhibit 2: Public Sector and Private Sector Blue Collar Shares
of Union Membership, by Country

Country	Private Sector		Change	Public Sector Share		Change
	Blue Collar Share			of Union Members		
	1970	1980s		1970	1980s	
United States	67	54	-13	14	36	22
United Kingdom	55	45	-10	34	39	5
Japan	--	--	--	29	29	--
Canada	--	--	--	26	45	19
Germany	54	48	- 6	33	35	2
Italy	65	55	-10	18	24	6
Sweden	45	32	-13	36	44	8
Austria	52	44	- 8	33	35	2
Netherlands	51	39	-12	37	46	9
Switzerland	50	46	- 4	29	30	1

Source: U.S., 1980s from U.S. Bureau of Labor Statistics, 1988

1970, from U.S. Bureau of Labor Statistics, 1972, where I estimate the private sector blue collar union members by subtracting public sector members outside public administration and services from blue collar.

Japan, from Japan Ministry of Labor, March 1, 1971 and April 1, 1985

Canada, 1970 is 1971 from Wood and Kumar (1977); 1980s from Kumar (1986). I have taken union workers in public administration plus 89% of those in the services (-education and health and welfare share of union members in services in 1986) as estimate of union membership in government jobs.

All others, from Visser 1985

membership and collective bargaining representation (Freeman and Ichniowski, 1988) with dramatic effects on the public sector share of unionists due to the decline in private sector membership. In countries like Denmark and Sweden, where blue collar private sector organisation rates were high at the outset of the period, growth was necessarily concentrated among public sector and white collar workers. In Canada, public sector membership expanded rapidly, partly as a result of favorable public sector labor laws, while private sector density drifted downward. One reason for the increased attractiveness of unions to public sector and white collar workers was a perception that they needed unions to maintain real wages during the 1970s rapid inflation. Once established, moreover, public sector membership tends to be more stable than private sector membership due to the stability of public employment.

The shift to white collar and public sector membership has begun to change the face of union movements traditionally dominated by industrial workers. In the U.S. the locus of power in the AFL-CIO is shifting to public sector organizations while the non-affiliated National Education Association has achieved considerable national influence. In Italy the new autonomous public sector organizations and quadri pose a challenge to the three traditional confederations. In Sweden and Denmark the white collar unions have shown an increasing willingness to develop their own economic agenda rather than to follow the lead of blue collar manufacturing unions.

3 REASONS FOR THE DIVERGENCE

Several hypotheses can be advanced for explaining the divergence in density: changes in the composition of employment, in attitudes toward unionism, and in governmental protection of labor which reduce worker desires to organise; macro-economic developments; management opposition to unionism; and differential responses of union movements to the problems of the period.

3.1 Structural Explanations

One often suggested explanation for changing unionisation are differential changes in the composition of employment among jobs or workers, which in the 1970s and 1980s took the form of a shift toward traditionally less unionized areas. In countries where employment shifted rapidly from manual to white collar jobs, from goods to service industries, from small to large firms, and from female to male or from less educated to more educated workers, unions are, after all, likely to have greater difficulties organizing than in countries where those shifts occur more slowly.

The shift hypothesis does not, however, stand up to scrutiny. Shifts in the composition of employment cannot explain divergent country experiences because shifts have occurred similarly across countries: the share of employment in manufacturing fell, for example, by roughly as much in high and increasing density Sweden, Canada, or Denmark as in the de-unionising U.S. or Japan. (2) Contrary to the shift hypothesis, moreover, large changes in union representation are accompanied by changes in density within sectors, as exhibit 3 demonstrates for countries with declining unionism.

A second possible explanation for diverging union density is that public opinion of unions has come to differ greatly among countries. Perhaps density is declining in countries where the public has less favorable attitudes and increasing/stabilizing in those where the public has more favorable attitudes. Lipset (1986), for one, has argued that reduced public approval is a major cause of the decline in American union density.

I reject this hypothesis as inconsistent with within-country and cross-country and evidence. First, there is little relation within countries between changes in opinion polls and in union density. Polls for the U.K. show that attitudes toward unionism became more favorable during the 1980s decline in unionism; while those for the U.S. show public approval of unions steady

between 1972 and 1985 when density fell sharply in the private sector and rose in the public sector, where public opinion ought to be especially important.(3) Moreover, for what it is worth, cross-country opinion poll data show no substantial differences in approval of unions between countries with decreasing density and those with stable density: "polls show about a 33 percent (confidence) in the United States ... higher than in Britain (26 percent) and Italy (32 percent) and scarcely worse than German and France (both 36 percent)" [Heckscher, 1988, 258]. Perhaps most strikingly, comparisons of opinion polls between the United States and Canada show that Canadians have, if anything, less favorable attitudes toward unions than Americans (Chaison and Rose, 1988), which runs counter to the decline in density in the United States and stable density in Canada.

A third possibility is that the divergence results from differential changes in worker need for unionism among countries. Perhaps governmental protection of labor increased more in some countries than others, offering a substitute for unionism (Neuman and Rissman (1984) argue that this explains the decline of unions in the United States). Perhaps wages and personnel practices improved more in some countries than in others, offering a substitute for unionism.

There is compelling evidence against this hypothesis. First, unionism has remained strong in Scandinavia and other European countries with highly regulated markets while losing strength in the United States under Reagan and in the United Kingdom under Thatcher -- the opposite of what one would expect if governmental regulations substitute for union protection at work places. Within-country evidence is also inconsistent with the government substitution hypothesis: in the United States unions have done no worse in states with the greatest legal protection of labor than in those with the least (Freeman, 1987; Block, Mahoney, and Corbitt, 1987). At a conceptual level the argument that

EXHIBIT 3:
Changes in Union Density by Sector: U.S., Canada and Japan

	<u>United States</u>			<u>Canada</u>			<u>Japan</u>		
	1973/5	1986	Δ	1975	1984	Δ	1975	1986	Δ
Total	29	18	-11	35	37	2	34	28	-6
Manufacturing	37	24	-13	49	45	-4	40	33	-7
Construction	38	22	-16	63	39	-24	18	19	1
Transportation, Communication & Utilities	50	35	-15	56	60	4	66	56	-10
Service	7	6	-1	15	38	23	26	19	-7
Mining	35	18	-17	47	33	-14	41	42	-1
Trade	11	7	-4	9	13	4			
Finance, Insurance & Real Estate	4	3	1	1	9	8	20	18	-2
Government	24	36	12	73	67	-6	67	69	2

SOURCE: U.S. 1973/5: Richard B. Freeman and James Medoff (1979) with government estimated from May 1973-75 Current Population Survey Tapes.

U.S. 1986: U.S. Bureau of Labor Statistics, Jan. 1988.

Canada: Pradeep Kumar, "The Current Industrial Relations Scene in Canada: 1986" (Queens Univ, Kingston, Canada)

Japan 1970 & 1986: Japan Ministry of Labor, Basic Survey of Trade Unions. Foreign Labor Trends.

unionism and government regulation are substitutes is flawed because it fails to recognize that "enacting a law and securing the realization of the purpose the law is aimed to secure are two vastly different matters" (Gompers, 1965, p. 54). To benefit from legal regulation workers need a union or union-like agency to monitor compliance at the shop floor. As for the substitution of good employment practices for unionism, while high wages and positive industrial relations can deter unionisation, the large firms that pay above-market wages and have progressive human resources policies -- of which IBM is the exemplar -- employ similar moderate and declining proportions of work forces in industrial economies (OECD, 1986). Changes in union density are, moreover, uncorrelated with levels or changes in real wages across countries, contrary to what one would expect if high or improving pay reduced the desire for unions (4).

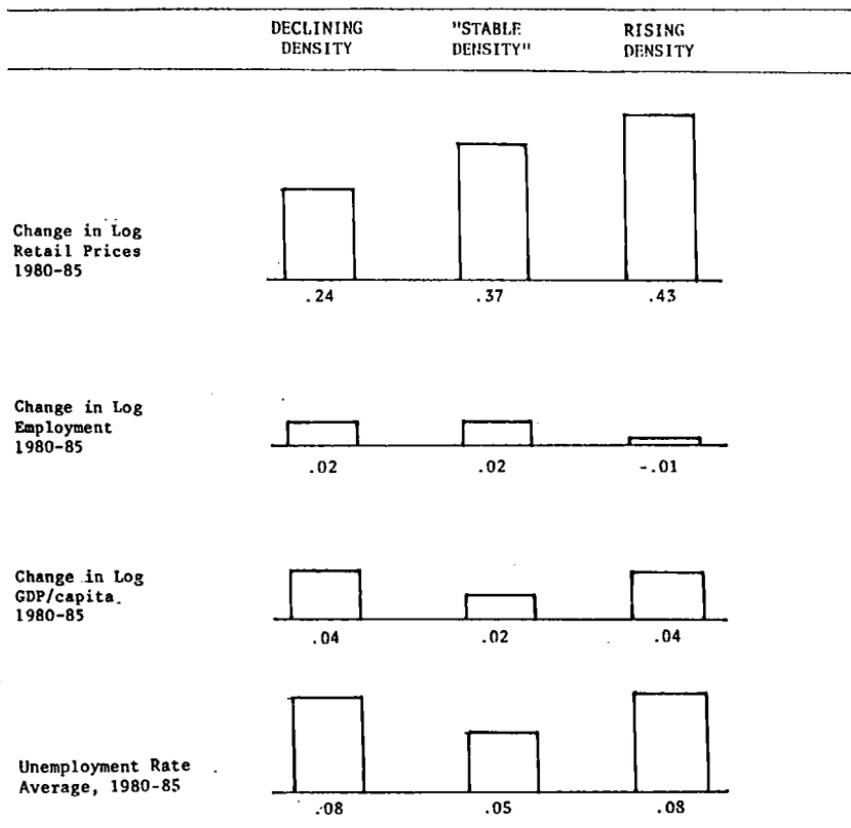
If none of the above explains the divergence in density, what does?

3.2 MACRO-ECONOMIC FACTORS

One likely factor is the differing macro-economic experiences of countries. On the basis of studies of the cyclical pattern of union growth, high unemployment, low inflation, and slow economic growth ought to reduce unionism while the opposite conditions should increase density. (5)

To explore this hypothesis I contrast in exhibit 4 the growth of employment and GDP per capita, the rate of inflation, and the rate of unemployment between countries with increasing, decreasing, and roughly stable union density. The results are, with the exception of inflation, rather mixed. Rapid inflation is associated with union growth, presumably because nonunion workers see a need for contractual arrangements to preserve real earnings. Employment growth is higher in declining union density countries while growth of GDP per capita and most strikingly, unemployment rates do not differ noticeably. As will be shown

EXHIBIT 4: Macro-Economic Differences by Countries
with Different Changes in Union Density,
1980-1985/6



NOTES: Figures are averages for countries.
Declining Density Countries defined as United States, Japan,
United Kingdom, Netherlands.
Increasing Density Countries defined as Denmark, Sweden,
Belgium, Ireland.
Other Countries: all others from Exhibit 1.

in Exhibit 6 these patterns or lack of patterns hold up in multivariate regressions covering longer periods of time. The lack of a linear relation between unemployment and changes in density is partly attributable to the concordance of high unemployment and increased union density in Belgium and Denmark -- two countries where for historical reasons unions disperse government-funded unemployment benefits (as in Sweden and Finland), inducing workers who lose jobs to maintain or join unions in periods of increasing unemployment.

3.3 MANAGEMENT OPPOSITION TO UNIONISM

The factor that, I believe, explains best the divergence in union experiences are differential changes in the difficulty of organising new workers due to changes in the level and effectiveness of management opposition to unionism. Here, the rapidly de-unionising United States is the prima facie case of what aggressive management can do to unionism. In the 1970s and 1980s U.S. management turned against unions and collective bargaining to a degree not seen anywhere else in the free world. Virtually all firms that faced National Labor Relations Board representation elections (the government-run secret ballot process by which American workers can choose to unionise) engaged in expensive aggressive campaigns to persuade/pressure workers to reject unions. Unfair labor practices of diverse forms (including firing upwards of a thousand union activists in a year) skyrocketed to rates five or six times those in earlier decades. Large nonunion firms consciously copied union seniority and grievance procedures to deter employee interest in unions. Forty-five percent of the relatively progressive firms in the Conference Board's Personnel Forum declared in 1983 that operating 'union-free' was their main labor goal (Kochan, McKersie, and Chalykoff, 1986) -- a far cry from the 1950s and 1960s when most large firms accepted unions at the work place. Even when workers voted to

unionise, moreover, management avoided a first contract in one-third of the cases, effectively negating the election. On the basis of diverse studies that show management opposition to have been a major factor in the failure of unions to organise in the period (Freeman, 1985), most analysts have come to believe that it is a, if not the, major cause of the decline in private sector density.

Why did American management declare war on unions? One reason is that unionism became more costly to firms. It became more costly because the union wage premium rose in the 1970s (Freeman, 1986) and because growth of trade, deregulation, and other factors increased product market competition, making it more difficult to pay above-market wages. A second reason is the growth of a militant market-oriented ideology that justified virtually any anti-union action as preserving managerial flexibility. A third reason is the development of a sophisticated union-prevention technology that exploits the opportunities U.S. labor laws give management to campaign against unions. In Canada, where labor law limits management's ability to fight unions, often by certifying unions after card checks, many of the same firms that go all out to defeat unions in the U.S. accept unionisation of their Canadian plants.

Is management opposition important in other countries with rapidly declining density?

In the United Kingdom, the principal cause of the 1980s drop in density appears to be the Thatcher government's industrial relations laws, which shifted the balance of power at workplaces to management and weakened the ability of unions to organise. (Freeman and Pelletier, 1989) While management opposition to unionism has not taken the form or virulence shown in the U.S. the new features of the law have enhanced resistance to union activities.

In Japan, government and management opposition have played a major role in the drastic loss of membership of Kokuro, the militant union of now privatized

Japanese National Railway. Once the largest railway union with over 500,000 members, in 1988 it had only 42,000 members due to management's union busting tactics. (Nagashima, 1988) Similarly, the Japanese Teachers Union has suffered major losses of membership due in part to government efforts to discourage newly-hired teachers from joining the union. More importantly, data on the number of workers newly organized shows a pattern remarkably like that in the United States, with the bulk of the drop in unionism attributable to a precipitous fall in union organization of new workers relative to the growing work force. The drop in new organization occurred after the oil shock placed severe economic pressures on Japanese employers, was accompanied by changes in court interpretation of labour law favorable to management, and was concentrated in industries facing the greatest profits squeeze (Freeman and Rebbick, 1989) Given the close ties between companies and unions in an enterprise union system, and the role of white collar employees in company unions, I find it hard to believe that changes in company attitudes toward unionism has not played a role in the inability of unions to organize new workplaces.

In Italy and the Netherlands, management opposition of the American or milder British type would appear to have little to do with the observed changes. The 1980s decline in density in Italy has been attributed to the disorganization of the union movement that developed after 1983. The 1980s decline in density in the Netherlands may be largely the result of the high unemployment that developed in the mid-1970s and persisted for over a decade.

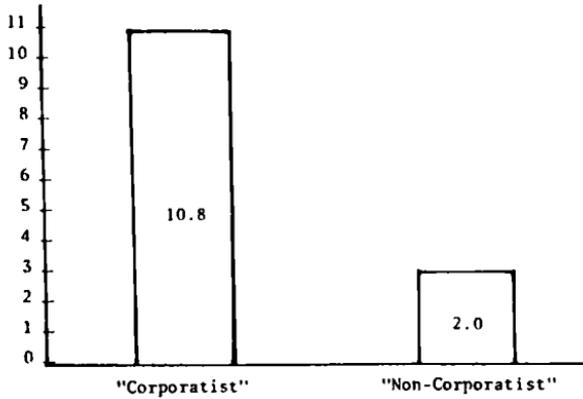
What about management behavior in countries where union density reached unprecedented peaks in the period under study? If differences in management opposition contributed to the divergence, one would expect less opposition in those countries, either because firms have little profit incentive to avoid unionism or little legal or institutional opportunity to express opposition.

The prime factor that appears to reduce the profit incentive to fight unions is centralized wage negotiations. In countries where unions and management engage in national bargaining -- so-called neo-corporatist systems -- managements form employers' federations to establish going national wages and often pressure nonunion firms to recognize unions, presumably to assure that they pay the going rate. The notion that business should engage in a jihad for union-free environment as in the United States is anathema to employers in such a setting. Unionism has accordingly fared well, with density increasing in the 1970s and 1980s even though density was already high at the outset of both periods (exhibit 5).

Countries where the state extends collective contracts to nonunion firms such as Germany and France and where workers are represented by works councils (much of Western Europe) might also appear to give employers little reason to oppose unions at the plant level. Here, however, the likelihood that plant-level agreements will go beyond representative contracts suggests that employers will be more opposed to unions than in neo-corporatist settings. In fact, unionisation trends in Germany and in France (as best one can tell from available data) are intermediate between those of the U.S., U.K. in the Thatcher era, and Japan and the neo-corporatist countries.

Finally, the growth/stability of unionism in Canada and in Ireland shows that even in industrial relations systems where management has a substantial profit incentive to oppose unions legal restrictions on opposition can produce developments that differ from those in neighboring countries (U.S. and U.K.) where the laws are less favorable to organisation.

EXHIBIT 5: Percentage Point Changes in Union Density,
1970-85/86



Source: Corporatist countries taken from Crouch.
They include: Austria, Denmark, Finland, Netherlands,
Norway, Sweden, Switzerland, and West Germany.

3.4 UNION RESPONSE

Another likely cause for diverging union densities are cross-country differences in union responses to economic changes. Sidestepping wage setting (most union movements moderated wage demands relative to inflation for the sake of job security or to reduce unemployment) and strike behavior (strike days lost fell in the 1980s in all countries) there was a wide range of union organizational responses to the crisis of the 1970s/80s.

The Australian union movement made perhaps the most dramatic adjustment to the new economic environment. After careful study of the German and Swedish experiences, the Australian Council of Trade Unions (ACTU) sought to transform Australian industrial relations from a confrontational British-style system to a neo-corporatist system, in part to preempt growing anti-union management sentiment that might fuel U.S. or U.K. type losses of membership. In the mid 1980s the Secretary-Treasurer of the ACTU was doing his best to convince constituent unions to accept a national wages accord that required some unions to take lower wage settlements than they could otherwise get.

The American labor movement reacted more sluggishly. In the 1970s many top AFL-CIO leaders downplayed falling density on the grounds that absolute membership was stable and that an economic boom would cure all. In 1978 the Federation tried but failed to get a modest labor law reform bill. It was not until 1985 that top leadership sounded alarm bells with "The Changing Situation of Workers and their Unions" report. Since then national unions have been slow to adopt the "evolutionary blueprint" laid out in the report. While many now offer union Mastercards with attractively low rates of interest for their members (McDonald, 1987) few have actively pursued the key recommendation to create new forms of membership outside the collective bargaining structure. A major reason for the slow adaption is the decentralized structure of

organized labor, which consists of some 90 or so independent national unions in the AFL-CIO; others outside the federation; and hundreds of independent locals within the national unions. Each national and local has its own concerns, guaranteeing slow response to problems that affect unionism in general and making problematic implementation of reforms recommended by the AFL-CIO.

In the United Kingdom there has been a similar effort to devise new benefits (of the U.S. mastercard type) to attract workers. There have also, however, been more dramatic changes in industrial relations practices in some sectors: the Miners Union split; the Electricians and Engineering unions have developed cooperative single plant/single union bargaining strategies; the Boilermakers, among others, have sought to enlist part-time workers. The big organizational change is, however, the splitting of the Trade Union Congress when it revoked membership of the Electricians in September 1988.

In some other countries where unions have been in trouble, there have been structural changes in union organizations. In Japan, two federations, Domei and Churitsu Roren, have dissolved and their private sector unions have formed the new federation Rengo to break free from the more politicized public sector unions. Sohyo plans to dissolve itself in 1990. In Italy, the three major confederations, which united briefly in the early 1980s, separated to engage in competitive recruiting efforts, each with its own style and selling points.

3.5 regression analysis

To estimate the quantitative impact of some of the aforementioned factors on cross-country changes in union density, I pooled data on density and its determinants across 18 developed OECD countries for the period 1973-1985 and estimated a regression model linking changes (d) in density (DENS) to: a dummy variable for corporatist industrial relations (CORP); the rate of inflation (INF); changes in the unemployment rate (UNE); a dummy variable for union delivery of unemployment benefits interacted with changes in the unemployment

rate (UI*dUNE); and selected other variables (Z). Because density is bounded between 0 and 1 I use a log odds ratio form as well as a linear form:

$$dDENS \text{ or } \ln(DENS/1-DENS) = a + bINF + cdUNE + UI*dUNE + eCORP + fZ + u,$$

where Z = set of variables that includes growth of employment and growth of GDP per capita and a vector of dummy variables for individual years. Controlling for individual years removes common cyclical variation from the data to focus on the cross-country differences of concern.

The regression estimates summarized in exhibit 6 show that, consistent with the simpler tabulations given earlier, density grew more in countries with corporatist industrial relations; with rising unemployment when unions deliver unemployment benefits; and with rapid inflation.

4 CONCLUDING COMMENTS

This study has shown that, contrary to the view that industrial relations converges as countries develop (Kerr, Dunlop, Harbison, and Meyers), union density diverged among developed countries in the 1970s and 1980s. As all of the countries are advanced capitalist economies undergoing similar economic changes, the divergence implies that relatively modest differences in the institutions that govern labor relations exert a substantial influence on the evolution of unionism. The decline in union density in the United States and Japan, where unions were thought to be part of the established order, further implies that private sector unionism is a more fragile institution than is widely recognized. The broad implication is that in a world of economic and social flux the structuring of labor relations is not a once-and-for-all process of setting up procedures and institutions. Rather, it is a process that must be undertaken time and again as environmental changes alter the balance of power between workers and management and their conflicting and coincident interests. There is no rest in the practice or study of industrial relations.

**EXHIBIT 6: Impact of Corporatism, Inflation, and Changing
Employment on Annual Growth of Percent Unionized
1970-1985**

Explanatory Variables	Dependent Variables	
	Change in % Union	Change in Log Odds Ratio of % Union
<u>(Mean in parenthesis)</u>	<u>(t statistics in parenthesis)</u>	
Corporatism (.48)	.005 (2.53)	.036 (3.61)
Inflation (.079)	.065 (2.60)	.406 (2.99)
Change in Unemployment (.003)	-.109 (0.77)	-.655 (0.83)
Change in Unemployment if Unions Give Benefits (.0009)	.823 (4.19)	6.31 (5.81)
Growth of GNP (.028)	-.054 (1.18)	-.19 (.74)
Time	-.001 (5.30)	-.004 (3.26)
R-Squared	.23	.25
Number of Observations	259	259

SOURCE: Calculated from London School of Economics,
Center for Labour Economics OECD Data Set

Countries where unions give benefits:
Denmark, Belgium, Sweden and Finland

Corporate Countries, as in Exhibit 5.

Endnotes

- 1 -- I calculated the coefficient of variation for 1985/86 using 1979 densities for Belgium, France, and New Zealand. The average density for the top six countries was 65% in 1970 and 79% in 1985/86 while the average density for the bottom six countries was 31% in 1970 and 30% in 1985/86. I calculated the United States and Japanese shares of wage and salary employees using the data from the Center for Labour Economics, OECD Data set, updated, and with union figures based as much as possible on the U.S. Bureau of Labor Statistics data. The calculation is crude, using figures for the year closest to 1985 for countries with missing data.
- 2 -- OECD data show that the shift of employment out of manufacturing, was actually larger in OECD Europe than in the de-unionising United States. See OECD Historical Statistics (Paris 1986).
- 3 -- The rise in favorable ratings of unions in the UK is documented in Financial Times, November 18, 1987. Data on approval of unions in the United States are given by Lipset (1988). Because the U.S. figures are from two separate surveys they are not strictly comparable.
- 4 -- This claim is based on correlating changes in real wages and in density using the LSE-OECD data set.
- 5 -- The literature here is enormous. The most influential modern econometric paper is by Ashenfelter and Pencavel (1969).

Bibliography

AFL-CIO, Committee on the Evolution of Work, "The Changing Situation of Workers and their Unions", Washington D.C. 1985

Ashenfelter, Orley and John Pencavel. "American Trade Union Growth, 1900-1960" Quarterly Journal of Economics, August 1969, 434-48.

Block, Richard, Christine Mahoney, and Leslie Corbitt "The Impact of Employment-at-Will Judicial Decisions on the Outcomes of NLRB Representation Elections" Industrial Relations Research Proceedings of the Thirty-Ninth Annual Meeting (IRRA, 1987)

Bureau of National Affairs Directory of National Unions and Employee Associations, various editions

Chaison, Gary and Joseph Rose, "Continental Divide: The Direction and Fate of North American Unions", McMaster University, Working Paper no 309, Hamilton Canada, September 1988

Crouch, Colin "Conditions for Trade Union Wage Restraint" in Leon Lindberg and Charles Maier (eds) The Politics of Inflation and Economic Stagnation (Brookings, 1985)

Dickens, William "The Effect of Company Campaigns on Certification Elections", Industrial and Labor Relations Review, 1983, 36 pp 560-75

Freeman, Richard. "Why are Unions Faring Poorly in NLRB Representation Elections?" in Thomas Kochan ed Challenges and Choices Facing American Labor (MIT, Cambridge, 1985: pp 45-64)

----- "The Effect of the Union Wage Differential on Management Opposition and Union Organizing Success", American Economic Review, May 1986, pp 92-96.

----- "Unionism and Protective Labor Legislation" Industrial Relations Research Series Proceedings of the Thirty-Ninth Annual Meeting (IRRA, 1987)

----- and Casey Ichniowski, When Public Sector Workers Unionize (Univ of Chicago, 1988)

----- and James Medoff, "New Estimates of Private Sector Unionism in the United States" Industrial and Labor Relations Review, 32:2, January 1979

----- and Jeff Pelletier, "The Impact of Industrial Relations Legislation on Union Density in the United Kingdom and Ireland" National Bureau of Economic Research working paper, forthcoming 1989

----- and Marc Rebbick, "Crumbling Pillar? Declining Union Density in Japan", Conference on Labor Relations and the Firm: Comparative Perspectives, Tokyo, January 7, 1989

Gompers, Samuel, Labor and the Common Welfare, New York: Arno Press, 1965

Heckscher, Charles, The New Unionism (Basic Books, New York, 1988)

Japan Ministry of Labor, Basic Survey of Labor Unions, Annual (Tokyo)

-----, Labor Bulletin, March 1, 1971

-----, Labor Bulletin, April 1, 1985

-----, Foreign Labor Trends, various editions

Kerr, Clark, John Dunlop, Frederick Harbison, and Charles Meyers.

Industrialism and Industrial Man (Oxford, 1964)

Kochan, Thomas, Robert McKersie, and John Chalykoff, "The Effects of Corporate Strategy and Workplace Innovations on Union Representation", Industrial and Labor Relations Review, July 1986, 487-501.

Financial Times November 18, 1987

Kumar, Pradeep, with Mary Lou Coates and David Arrowsmith, The Current Industrial Relations Scene in Canada: 1986 (Queens University, Kingston, Canada, 1986)

London School of Economics, Centre for Labour Economics, OECD Data Set, 1986, updated 1988

Lipset, Seymour Martin, "Labor Unions in the Public Mind" in Seymour Martin Lipset, Unions in Transition (ICS, San Francisco, 1986)

McDonald, Charles, "The AFL-CIO Blueprint for the Future -- a progress report" Industrial Relations Research Series Proceedings of the Thirty-Ninth Annual Meeting (IRRA, 1987)

Ministero del Lavoro e Della Previdenza Sociale, Report '87 Labour and Employment Policies in Italy, (CER-FGB, Italy, 1988)

Neumann, George and Ellen Rissman "Where Have All the Union Members Gone?" Journal of Labor Economics, vol 2, number 2, April 1984 pp 175-192

Nagashima, Hidesuke "Japanese Labor at a Turning Point", Japan Update, Summer 1988, 15-17

OECD Historical Statistics (Paris, OECD, 1986)

United States, Bureau of Labor Statistics, "Union Membership as a Percent of Nonagricultural Wage and Salary Employees, unpublished data, 1988

----- Employment and Earnings, January 1988

----- "Selected Earnings and Demographic Characteristics of Union Members, 1970, (Report 417), Washington, U.S.G.P.O. 1972

Visser, Jelle "European Trade Unions in Retreat", Conference "Europa im Wandel", Mannheim 15-18 October 1985

Wood, W.D. and Pradeep Kumar, The Current Industrial Relations Scene in Canada: 1977 (Queens University, Kingston, Canada, 1977)