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Unions in Decline?

In this paper, we offer a discussion of the observed decline in union membership across a number of countries. We examine both the causes and the likely consequences of the trends we observe, for issues such as the fairness of the earnings distribution. Even outside of the social democratic economies of northern Europe, there is an overwhelming body of evidence showing that trade unions have a strongly equalising effect on wage dispersion. For the US, for example, Freeman (1980, 1982) shows that unions reduce intra-industry wage dispersion, inter-firm and intra-firm wage dispersion and wage dispersion across certain labour markets. Further, evidence reveals that union wage gaps are typically greater for groups vulnerable to low pay or wage discrimination. For Britain, Gosling and Machin (1993) find that for manual workers the wage distribution is narrower in plants where unions are recognised. Politically, trade unions in most countries have been major players in campaigns for fair pay and income equality.

The evidence and analyses we survey

in this paper are consistent with a view that, whilst there have been many economic forces at work through the 1980s hostile to the interests and fortunes of trade unions, in important respects these are likely to have had potentially long-lasting effects on the organisation and influence of unions. We argue that, in the UK and US at least, an important element in the decline of union presence, variously measured, has been channelled through an increasingly hostile employment environment characterised by heightened management opposition and, in the case of the UK, anti-union legislation. Given our theoretical perspective, we contend that there are likely to be multiple equilibria in union membership and presence and hence union organisers cannot afford to be complacent hoping for the return of more favourable conditions for recruitment. Management opposition has been most noticeable in the growth of new establishments in which, disproportionately, there is little probability of recognition and little likelihood of union wage premia. Both the theoretical model and empirical analysis suggest that these initial conditions are likely to remain unpropitious to the development of influen-

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tial trade unions. Against this, our analysis suggests that higher stable equilibrium levels of union membership density may be attainable, provided that union recruitment efforts are energetic and well-resourced.

There is an obvious contrast -as we shall emphasise -between, on the one hand, the dramatic decline in union density in the UK and the US and, on the other hand, the broadly high and stable levels of density in the Scandinavian economies. We argue that declining density in the former economies is largely a consequence of an interaction between management opposition and industrial relations legislation unfavourable to trade union organisation. This begs the question of why similar trends have not been observed in Scandinavia. On the one hand the legislative environment has not turned against unions in the way that it has in the UK, but why might management opposition to unions be less pronounced in Scandinavia? One answer to this is that in the US and the UK, decentralised unions are able, under certain (rather restrictive) conditions, to raise wages significantly above non-union levels. This threat is likely to provoke (at least some) firms into hostile positions against unions. In contrast, more highly centralised or coordinated unions in Scandinavia are less likely to achieve the substantial wage mark-ups observed in the US, for example, and hence produce less hostile management attitudes.

Membership

The determinants of trade union membership, both individual and aggregate, are not clearly understood. For example, the debate concerning the causes of the dramatic collapse in aggregate trade union density in the UK through the 1980s is still unresolved. In trying to explain this decline in union membership, it might help to have a theoretical

model of what determines an individual's decision with respect to trade union membership. For a rational choice theorist, operating within the paradigm of methodological individualism, this would be the obvious place to start. Yet within the neoclassical economic tradition, there is immediately a problem: given that trade union membership is, to most intents and purposes, a public good, why would any individual choose to join a trade union? Olson (1965) answered this question by arguing that, in the absence of compulsion, membership requires a private incentive good.

There are a number of reasons why, for some workers, the free-rider incentive is overcome by the presence of private incentive goods associated with membership, in the way suggested by Olson. For a number of unions in Western Europe, trade union members receive: better protection against unfair dismissal and against other grievances, better access to information about employment rights and, in parts of Scandinavia, receive supplementary unemployment insurance through the trade union. Private incentive goods are an increasing feature in the US, where there has been an emergence of associate membership programmes encouraging workers not represented by unions in collective bargains to join union schemes offering private consumer benefits only. Jarley and Fiorito (1990) argue that this raises fundamental questions about the producer role and the group orientation of labour unions and runs contrary to the view of early theorists -such as Perlman (1928) -who argued that; "unionism serves the wants and needs of individuals and groups at the same time." According to Perlman, argue Jarley and Fiorito, " 'real unionism' recognised the need for collectivism, or solidarity, and the need to stress 'shop rights' rather than the

interests of individuals as consumers." Associate membership schemes represent a move in the direction of the latter.

It is clear from a number of studies, however, that both private benefits and social custom effects are at work in inducing union membership. In an early and classic study, Rees (1962) observes that grievance procedures provide a primary motive for union membership, but includes as important factors the worker's background of union or radical activity in the family or in previous employment. He detects the influence of a "general pressure for conformity" with workers often reporting that, "they joined largely because it was the normal thing to do in this plant -because almost everyone else was a member." Maranto and Fiorito (1987) examine the determinants of NLRB certification election outcomes between 1972 and 1980 and find that "benefits provided directly to members by unions significantly increase, and higher dues significantly reduce, white-collar organising success, whereas the same factors have no significant effect on blue-collar organising."

In the British context, a number of sources confirm the importance of both private and collective motivations behind union membership. The British Social Attitudes 7th Report by Jowell, Witherspoon, Brook and Taylor (1990) indicates the prevalence of the open shop -over two-thirds of the union members surveyed were not covered by any closed shop arrangements -and examines the reasons given for belonging to a trade union. They report that the two most widely endorsed reasons are; "to protect me if problems come up" [rated as important by over 90% of members] and "to get higher pay and better working conditions" [80%]. Of course, the latter motive is potentially vulnerable to the free-rider incentive and indicates that the

survey question does not rigorously disentangle 'reasons for belonging' from 'reasons why one should belong'. Nevertheless, the results are informative and underline the significance of private benefits in the membership calculation. Indeed, 71% of members responded that "to get members' benefits" was an important reason for joining. Less self-regarding reasons for membership also emerge from the report as important and suggest the significant influence of peer pressure to adhere to the collective principles of trade unionism. "To help other people I work with" was regarded as an important reason for membership by 76%, with "I believe in them in principle" [67%] and "Most of my colleagues are members" [55%]. Furthermore, 15% felt that "It's a tradition in my family" was an important reason for membership. This latter finding is consistent with other studies [e.g. de Witte (1989), Gallie (1989) and van der Vall (1970)] which have found that union members are more likely to have had union-active parents. Hartley (1991) argues that social influences are important and cites van der Vall's conclusion that, "Many workers join the union in order to occupy a psychologically safe position among the members of their group, i.e. in order not to be isolated or despised as a 'parasite' [a free-rider, in our terminology]. Evidence of this is that 82% of blue-collar and 81% of white-collar workers mentioned persons in their immediate environment who had influenced their decision to join. Since 32% and 38%, respectively, gave such influence as their basic motive, it may be concluded that at least one-third join mainly on account of the convictions of others." Hartley adds that social influence can be more benign than might be inferred, involving exposure to arguments about the role and purpose of trade unions, or increasing

the attractiveness of social group membership and social identity.

The conclusion is that whilst private incentive goods might provide an important -and for some workers the single-most important -reason for an individual worker to belong to a trade union, the evidence suggests an important role for the influence of social customs in the workplace. In further support of this, we note that it is a common finding in econometric studies of union membership that the individual's observed personal characteristics are surprisingly insignificant determinants of union status [see Bain and Elias (1985), Booth (1986) and Green (1990)]. Similarly, Guest and Dewe (1988) conclude that the extent of union organisation depends less on personal characteristics and more on the characteristics of the job and other workplace features. Furthermore, in their classic study of why workers vote for union representation in NLRB elections in the US, Farber and Saks (1980) found that after controlling for the effects on unionisation of various aspects of the employment relationship, individual characteristics such as sex and education have little relationship with voting behaviour. We would argue that these findings are consistent with the view that it is the social customs and related workplace characteristics which shape the individual's union membership decision. Further support for this approach comes from Green (1990) who finds that region, after controlling for industrial composition, is an important determinant of union presence because it, "...is the region of work which reflects the histories and politico-economic cultures of each part of the country."

Booth (1985) and Naylor (1989) observe that there are many workplaces in which there is not a closed shop trade union

but where, nonetheless, there are union members. They develop social custom models of trade union membership, building on the theoretical analysis of Akerlof (1980). The social custom model appeals to the empirical phenomena concerning membership described in the preceding discussion. So long as 'social custom' influences affect the individual worker's membership decision - even if only at the margin -then workers' decisions will be interdependent and hence a 'critical mass' phenomenon might describe union density. These are the features captured in the social custom model (see, also, Naylor (1990), Naylor and Cripps (1993), Naylor and Raaum (1993) and Booth and Chatterji (1993)).

The social custom model generates the possibility of multiple locally-stable equilibria in union membership. One such equilibrium is, in general, at zero membership. An important implication of this property of the model is the following. Suppose that union membership, at some point in time, is at a locally-stable high equilibrium level. Suppose that there is then some temporary exogenous shock which causes a fall in membership. If the fall in membership is sufficiently small, then when external conditions are restored membership will rise back to the initial high equilibrium level. If, however, the fall in membership is large then membership will jump to a lower, locally-stable level, perhaps at zero. Under these circumstances it does not necessarily follow that when conditions return to the original state membership will return to the initial high equilibrium value: membership might well be locked in at the new low equilibrium. In this case, even if the fall in union membership in the UK is a result of passing phenomena, such as a business cycle downturn or an unfriendly Government, it does not fol-

low that unions can merely wait for 'normal service to be resumed.' It may well be that unions will need to invest heavily in organisation and recruitment activities.

The social custom model represents a challenge to the narrow neoclassical framework in which agents are purely self-regarding. The approach can perhaps be thought of as offering a bridge between what Carling (1986) termed the "structureless agency" of the orthodox neoclassical tradition and the "agentless structure" of traditional Marxian analysis¹. The social custom approach is consistent with Elster's concept of the 'cement of society', emphasising the commonality or mutuality of economic and social interaction, in opposition to the atomistic assumption in the neoclassical tradition. In the current context of the analysis of trade union membership these issues are resonant of Perlman's thesis, discussed above. Such a thesis would suggest that whilst associate membership schemes (US) and the like might (or might not) be successful in ensuring the survival of unions, these policies are inappropriate in the advancement of unionism. This kind of distinction has led Crouch (1990) to raise the question, ". . . unions may have a long-term future, but do union movements?"

A related theme concerns the sustainability of traditional trade unionism during a time arguably characterised by a dissolving of traditional forms of solidarism and collective action. Hyman (1991) discusses the impact of 'disaggregation' on trade unionism, identifying disaggregation as a concept involving: (i) a shift from collectivism towards individualism, (ii) a polarisation within the working class, (iii) a 'growing particularism' of collective identities and (iv) a fragmentation of the organised working class. But whilst declining union members-

hip may well be in part, at least, a reflection of these economic and social trends, the union movement itself is, of course, an endogenous element within those shifting forces.

International comparisons

We turn now to consider the diversity across countries and over time in union density, before focussing on the debate over the causes of changing aggregate union density, in the light of our theoretical discussions.

For 1980 and 1989, Visser (1991) reports shown union density rates as shown in Table 1. Of course, as is well known, international comparisons of union density rates are fraught with difficulties. The figures should be regarded at best as impressionistic. The first thing one notices from Table 1 is the extent of the variation in union density, even across similar economies. The second observation is that during the 1980s density fell in all but four of the countries in the Table. In the case of seven of the countries, density fell by at least seven percentage points. Only in Sweden, Finland, Norway and Canada did membership density not fall: perhaps explai-

Table 1
Aggregate union density as percentage of employed workforce

Country	1980	1989	D=89-80(%)
Sweden	80	85	+5
Denmark	77	73	-4
Finland	70	71	+1
Norway	57	57	0
Belgium	57	53	-4
Ireland	57	52	-5
Luxembourg	52	50	-2
Austria	54	46	-8
UK	51	42	-9
Australia	49	42	-7
Italy	49	40	-9
Canada	35	35	0
W. Germany	37	34	-3
Japan	31	27	-4
Switzerland	31	26	-5
Netherlands	35	25	-10
USA	23	16	-7
France	19	12	-7

Source: Visser (1991)

ned partly by the facts that in the first of these two countries unemployment benefits are administered through the unions whilst in Norway unemployment stayed relatively low anyway.

Blanchflower and Freeman (1992) argue that an increasing divergence in union density, "...occurred despite increased trade, communications, production by multi-national firms, and technological transfer and capital flows among countries that ought to have exerted greater pressures for convergence in labor institutions than in earlier decades..." Furthermore, many of these and other economic changes were individually hostile to the interests and prospects for trade unions. One conclusion that one might draw from the surprising variation in the pattern of aggregate union density across countries in the 1980s is that institutional arrangements, and perhaps history and culture, do themselves matter very much. A second conclusion, which Blanchflower and Freeman reach, is that the biggest drop in union density over the longer period of 1970 to 1987 occurred in the US where, they argue, the union-nonunion wage differential was greatest.

Blanchflower and Freeman report multivariate regression estimates of union-nonunion wage differentials for a number of countries. They show "only modest union effects" in Austria, West Germany and Switzerland. For the UK they estimate a differential of 10% and for Australia 8%. For the US, however, they estimate a union-nonunion wage differential of around 20%. They conclude that, "US unionism produces greater union-nonunion wage differentials than unionism in other advanced countries." From this, Blanchflower and Freeman argue that, given evidence that non-wage union effects are broadly similar in the US and

elsewhere, the reason for the particularly dramatic decline in US union density over the longer period of 1970-1987 lies in the intense management opposition to unions provoked by the capacity of US unions to extract large rents.

This analysis, however, concerns only average union mark-ups. Micro-economic evidence from the UK suggests that, whilst average union wage effects might be rather modest when compared with US evidence, this conceals considerable union effects within UK plants possessing characteristics susceptible to union rent-capture. These characteristics include firm's product market power, union closed shop provisions, high industry union coverage and little foreign competition. For example, Stewart (1987) analysing data from UK WIRS for 1984 finds for semi-skilled manual workers that whilst estimated union wage differentials are significantly greater than zero in only about one-fifth of establishments, in these cases the differential can be very high. Thus, in over 15% of establishments the differential is greater than 10% and in almost 3% of establishments the differential exceeds 25%. Hence, one could argue that the Freeman thesis that declining unionism in the US stems from the extremely high union wage effects is also relevant to the UK where there is also the threat of very high union-nonunion wage differentials.

One could also argue that the UK and US economies have experienced in common not only rapidly falling rates of trade union membership, but also continued leadership and rapid growth in foreign direct investment in the global economy. In 1985, 35.1% of the world's total outward direct investment had the US as country of origin². The UK was the country of origin for 14.7% of such investment. It is very likely that these

forces have imposed a discipline and constraints on domestic trade unions in the US and UK.

The aggregate density debate in the UK

As we have seen from the international comparisons above, aggregate union membership in the UK collapsed during the 1980s: aggregate density falling from 54% of the workforce in 1980 to 38% in 1990³. Similarly, the proportion of workers covered by a collective union agreement fell from 71% in 1984 to 51% in 1990. Two other measures of union presence are informative: union recognition and extent of closed shop coverage. From the WIRS data-sets for 1984 and 1990, Stewart (1994) reports a considerable fall in the proportion of establishments recognising unions for bargaining purposes: for example, in the private sector the proportion fell from 44.3% in 1984 to 35.7% in 1990. Stewart reports that new establishments contribute importantly to this fall: 38.2% of establishments that are more than six years old recognised unions in 1990 whilst only 26.8% of establishments newer than this recognised unions. These results are in accord with the work of Disney, Gosling and Machin (1994), who argue that, "The sharp fall in trade union recognition appears to be largely driven by a failure to achieve recognition status in establishments set up in the 1980s." This would not be so serious for unions if one believed that there were long lags in the ability of unions to organise new establishments. But the results of Disney *et al.* are consistent with the idea that the probability of union recognition depends importantly, "...on the nature of the product and labour market at the time in which an establishment is initially set up." Again history seems to be very important. This is consistent with the theoretical model we presented

above, in which a low or zero membership equilibrium is stable even in the presence of a potentially high alternative membership equilibrium. One can become locked into one or the other according to the original starting conditions.

A second important measure of union presence in Britain is the extent of the closed shop. It is estimated that in 1978, 5.2 million workers were in closed shops in Britain⁴. Reliable later figures are hard to come by, but the 1988 Green Paper stated that about 2.6 million workers were then covered by closed shop agreements. The decline in the closed shop occurred partly as a result of the hostile legislation enacted even before the acts of 1988 and 1990 which effectively outlawed the closed shop. Equally, however, it can be argued that compositional changes reduced the incidence of closed shops. Many of the industries traditionally associated with the closed shop were in decline in this period. Furthermore, closed shops were much more likely in larger establishments, which were themselves in relative decline. As well as these legislative and compositional changes, there is a widely documented change in management attitudes to unions in general and to the closed shop in particular throughout the 1980s in Britain. We shall return to this point below when addressing the issue of falling membership directly. Similarly, we shall return to the issue of the demise of the closed shop when examining the nature of the decline in union influence in the below section.

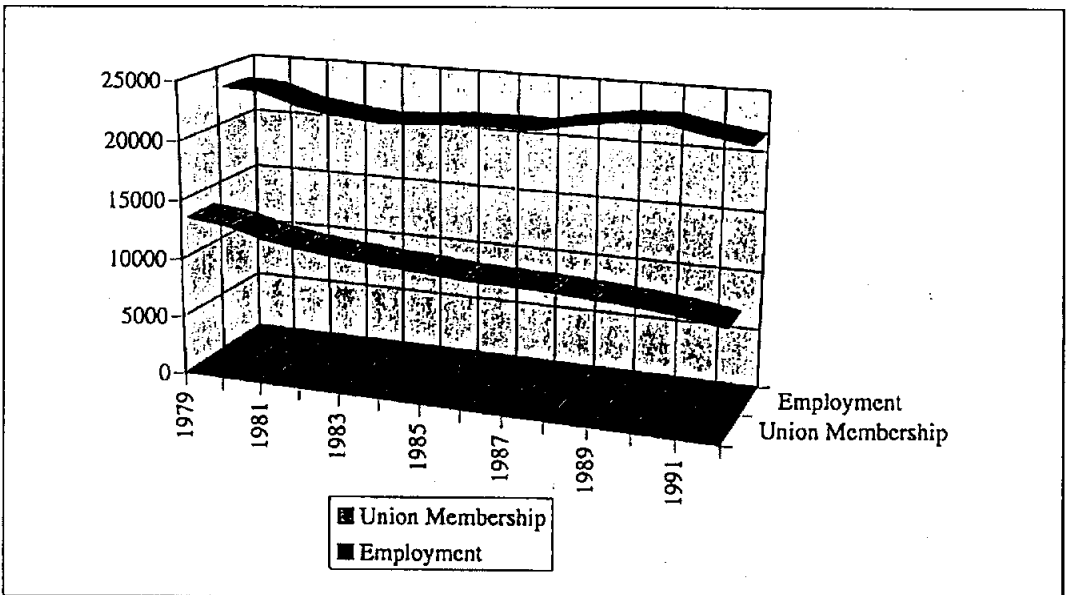
There are various hypotheses offered for the explanation of falling aggregate union density in Great Britain. Here we shall address them briefly and offer some discussion of the evidence by which they might be compared and assessed. Figure 1 shows the behaviour of aggregate union membership in

the UK over the years 1979 to 1992, and compares this pattern with the behaviour of employment in the UK over the same period. In Figure 2 we have divided aggregate membership by employment and show the behaviour of union density over the period 1979 to 1992.

The causes of this observed decline in aggregate union density are the focus of econometric analysis of aggregate membership data by Disney (1990), Freeman and Pelletier (1990) and Carruth and Disney (1988). Other work has focused on what micro-data can tell us about union membership. Bain and Elias (1985), Booth (1986), Green (1990), Cregan and Johnston (1990) and Guest and Dewe (1988) are all studies of union membership based on micro-data at the level of the individual worker. Data on union density at the level of the individual establishment is analysed in Bain and Elsheikh (1980), Gregg and Naylor (1993) and Andrews and Naylor (1994).

The British debate has centred on the relative explanatory power of three main hypotheses: the 'business cycle model', the 'compositional change' hypothesis and the 'legislative change' argument. Disney (1990) argues in favour of the business cycle model, observing that such a model estimated by Carruth and Disney (1988) predicts density satisfactorily, at least as recently as 1987. On the other side of the debate, Freeman and Pelletier (1990) argue that the special feature causing union membership to decline in the UK was the impact of the changed industrial relations climate from 1980 onwards. Both these sets of authors find no significant compositional effects influencing union density. Conversely, Green (1990) finds that the changing composition of employment - according to gender, full-time or part-time status, establishment size, age, occupation, region and industry - accounts for an estimated 30% of the fall in aggregate density. Metcalf (1989) identifies the interaction of

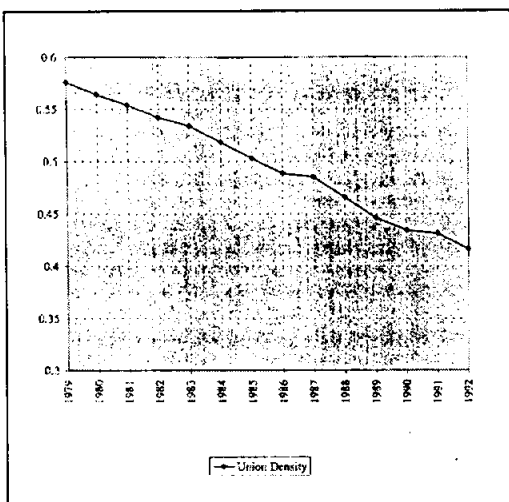
Figure 1 Aggregate trade union membership and employment in UK, 1979-1992.



these three influences, along with both union and employer activities, as jointly explaining the observed behaviour in aggregate density. Mason and Bain (1993) emphasise the distinction between "structuralist" studies which focus on the 'environmental' determinants of union membership (such as the business cycle and employment legislation) and "interventionist" studies which allow a greater role for unions themselves to influence outcomes through, for example, recruitment strategies. Mason and Bain support the latter, arguing that, "trade union activity plays a key role in motivating workers to join unions," and that, "... the long-term health (and indeed survival) of the trade unions in Britain, as elsewhere, depends on developing new approaches ... to adapt to and help shape the environment in which trade unions operate ..."

As Andrews and Naylor (1994) observe, there is much to be said for Metcalf's eclectic approach, not least because in important respects the so-called rival theories are not mutually exclusive. For example, the business cycle is likely to manifest itself

Figure 2 Aggregate trade union density in UK 1979 -1992



partly through compositional changes in employment structure -as in the shift towards more flexible part-time employment when demand is low. In such circumstances it is not legitimate to attempt to portion out explanatory power across these theories. Furthermore, the particular hypotheses fail to provide much more than black-box mechanisms for the influences on union membership: indeed, directions of causation are not always clear. Thus, as Disney (1990) argues, it is plausible that legislative change was an effect rather than a cause of 'weaker' trade unions. But this invites the analogous argument that macroeconomic performance itself could be, at least in part, a consequence of the level of union density. If, for example, one has in mind efficient bargains between unions and firms along positively-sloped contract curves, then a reduction in union bargaining power -perhaps as a consequence of legislation reducing union membership - would cause a potential reduction in employment. Through what mechanisms and channels does, for instance, an increase in unemployment bring about a reduction in union density? This vagueness makes testing between the different theories a difficult task conceptually. If a depressed state of aggregate demand causes firms to shut down some establishments and these are the ones which -coincidentally or otherwise -tend to be highly unionised, then is the consequent fall in aggregate union density a result of compositional change or of business cycle variables? The more important question concerns the implication for the reversibility of the decline.

The traditional business cycle theory predicts that union density will grow in a boom: with tight labour and product markets firms can pass pay increases on to the consumer and so will be less likely to engage

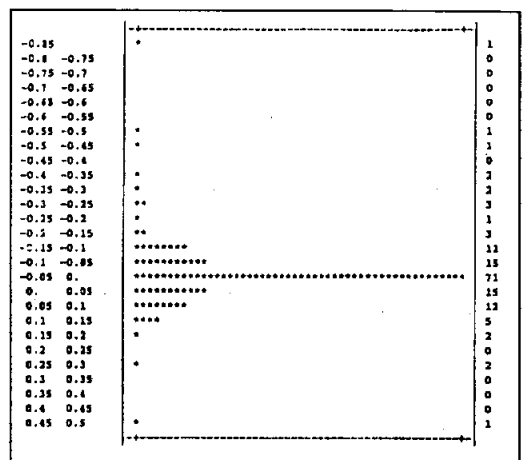
in management opposition to unions, while workers will reward unions for successful wage negotiations by joining up. Furthermore, higher price inflation is likely to induce workers to join unions as a defensive reaction. High wage inflation, however, could go either way: on the one hand there is the 'credit effect' but on the other hand workers might perceive unions as irrelevant when wages are anyway increasing. This ambiguity leads Carruth and Disney (1988) to expect a negative sign on real wage changes. Hence, for them the fall in aggregate union density in the UK is largely a result of increased unemployment coupled with rising real wages. However, whilst the business cycle model fits rather well the behaviour of aggregate union membership in the early and mid 1980s, this is not true for the subsequent period. From Figure 1 it is clear that the fall in union membership continued unabated after 1987, notwithstanding the turnaround in employment fortunes. Furthermore, the business cycle model does not fit the experience of the early 1970s, as Mason and Bain have observed.

As we have argued, one might expect the business cycle effects to be manifested partly through compositional changes. Thus, large organisations might close down their larger scale establishments, or firms might layoff relatively unskilled workers during a recession. The business cycle theory is traditionally seen as working through the decisions of both firms and workers. If workers are less likely to join unions when unemployment and real wages are high, then this should be discernible at the level of the establishment in the form of lower union density (at least in the absence of closed shop provisions, i.e. where membership is voluntary). Thus, one would expect that a less amenable management attitude associated

with higher unemployment and rising real wages would generate falling union density within the establishment.

Naylor and Andrews (1994) examine the UK Workplace Industrial Relations Survey panel to consider the issue of constancy of union density within establishments over 1980-84 and analyse the influence of variables such as local unemployment and product market conditions on establishment-level changes in union density. From analysis by Millward and Stevens (1986) of WIRS 1980 and WIRS 1984 it has become a stylised fact that the level of union density within establishments was constant over this four year period. It has been argued that the recession was associated with the disproportionate closure of large establishments (Oulton, 1987) and with establishments which undertook -or were 'shocked into' - more organisational change (Metcalfe, 1989; Machin and Wadhvani, 1991). Both types of establishment tend to be relatively highly unionised. Other compositional aspects of the fall in union membership were the shift from manufacturing to service sector

Figure 3
Histogram of change in union density



Source: Andrews and Naylor (1994)

employment and the growth in the relative employment share of female and part-time workers, traditionally less likely to be union members. Analysis of the WIRS 1984 Panel, however, suggests that the supposed stylised fact is not correct. Andrews and Naylor find that density did fall within plants. Figure 3 depicts a histogram of the changes and shows that 49 out of 148 establishments in the panel experienced a fall in density of between 15% and 0% whilst another 47 experienced precisely no change at all and a further 32 experienced an increase in density between zero and 15%. The average change was -3.2 percentage points with a standard deviation of 0.11. The change is significantly different from zero.

This suggests that a pure compositional change story is untenable. Intra-establishment union density did, on average, decline between 1980 and 1984. What, then, determined the pattern of this decline?

The fall in union density within establishments was not uniform. Andrews and Naylor regressed the change in density separately against a range of possible explanatory variables and found that the results did not support the business cycle hypothesis. Whilst the business cycle is likely to have had effects not observable in the panel data (such as through the closure of plants), there should also be intra-establishment manifestations of business cycle effects. Andrews and Naylor calculated statistically significant effects of both real wages and regional unemployment, but these were of the wrong sign to support a business cycle explanation for the fall in aggregate density: high regional unemployment and lower real wages being associated with higher union density.

Important aspects of the compositional hypothesis are not amenable to panel data analysis as that hypothesis emphasises

such factors as the shift in employment from large to small-scale plants, regional disparities, and the shift from manufacturing to service sector employment. Nevertheless, some aspects of compositional changes would be expected to have an establishment level effect and, indeed, Andrews and Naylor found that the proportions of female and of manual workers in employment appeared to be statistically significant influences on union density change, the expected signs being negative and positive, respectively. There were no significant establishment size effects: contrary to what might have expected from cross-section studies. They concluded that, "We are left with the conclusion that the fall in union density, if not explained by disequilibrium effects, is explained by variables not observed in our analysis. The most obvious unobserved variable is legislative change which is likely to have affected all plants."

These findings have strong policy implications for unions. For example, unions cannot be complacent in regarding the fall in aggregate density as a one-off consequence of a shift in employment from large to small establishments. Instead, there appears to have been a steady fall in union density within establishments regardless of size. There is no inevitable brake on this process. Similarly, it cannot be expected that an end to recession will necessarily lead to an upturn in aggregate trade union density. Union recruitment strategies may have to be more pro-active to redress the decline - a conclusion consistent with the arguments of Hyman and of Mason and Bain, as well as with the social custom model we have discussed.

For the US, there is strong empirical evidence that employer behaviour, in the form of management opposition, is a key determinant of unionisation. Drawing on Freeman and Medoff (1984), Dickens and

Leonard (1985), Freeman (1986) and Farber (1987); Freeman and Kleiner (1988) argue that, "Many have come to believe that the growth of opposition has been a major, if not the major, direct cause of the decline in private sector unionism in the U.S." Management opposition to unions in the U.S. is most obvious during NLRB elections when either unions are attempting to unionise an establishment or the employer is seeking de-unionisation. As we have mentioned previously, Blanchflower and Freeman (1992) have argued that management opposition to unions is stronger in the US than elsewhere because union wage differentials are considerably higher in the US than in other countries.

In the U.K., representation elections of the US kind do not occur, but firms still have the option of spending resources to deter or diminish union organisation. For example, firms can oppose unions by hiring legal advisers, instituting non-union collective voice mechanisms, laying off activists or by their choice of technology or production process. Lazear (1983) builds on the hypothesis that firms make contributions to employee funds to appease non-unionised labour. He also includes the possible Harvard-type foregone productivity gains of opposing unions. Furthermore, there is evidence of growing management opposition to trade unions in the UK via the recent growth in union derecognition cases [see Claydon (1989)]. Gregg and Yates (1991) find from a retrospective survey of 558 UK companies that complete derecognition has been rare, but that partial derecognition has been more common. Freeman and Pelletier (1990) argue that managements in the UK can affect the ability of unions to enroll members. They cite evidence of the observed lower union density in plants that do not

recognise unions than in plants where a union is recognised. They conclude that a major reason for the dramatic fall in union density in the UK in the 1980s was the change in the legislative environment which, "strengthened management's hand in opposing unions." Naylor and Raaum (1993) extend the social custom model of union membership to the case in which management opposition exerts a negative influence on union density in the establishment.

Freeman and Pelletier found that the decline in union membership in the UK through the 1980s could be largely explained by a declining "index of favourableness of labour laws to unionism." Furthermore, they argue that in Ireland union density did not decline despite a similar macroeconomic performance. They attribute this to the fact that Ireland did not experience the same hostile union legislation as the UK. Taking all the evidence together, it is difficult to avoid the conclusion that a major determinant of declining union density in the UK has been the combination of a changed legislative environment and the willingness of employers to exploit the consequent opportunities to withhold traditional union rights such as recognition, especially in newer establishments.

Union Influence

The standard microeconomic model of the trade union focuses on the case of the closed shop trade union. Within this framework, the extent to which the union influences microeconomic outcomes such as wages, employment, effort, profits, investment and innovation depends upon such factors as the arguments over which bargaining takes place, the nature of union preferences and the relative bargaining powers of the parties to the bargain. Empirical evidence for the UK

supports the view that closed shop bargaining arrangements are critical in enabling unions to capture a share of rents from firms (see Stewart (1990)). Hence, legislation limiting the extent and nature of the closed shop is likely to have the effect of inhibiting the capacity of trade unions to influence wages. Stewart (1994) finds that between 1984 and 1990 the average union wage differential fell from 10.5% to 7.5% for unskilled, from 10.5% to 6.5% for semi-skilled and from 3.5% to 1.5% for skilled workers⁵. These results are in contrast with the findings of Stewart (1991) for the period 1980 to 1984 when, despite legislative changes, there was no evidence of any change in either the average union wage differential or, indeed, the supplementary premia associated with the closed shop. This itself is in stark contrast to the period 1984 to 1990 for which Stewart finds that the differential associated with the closed shop declined more than average. Indeed, Stewart argues that the collapse in the closed shop premium together with a sharp decline in the incidence of the pre-entry closed shop explains much of the fall in the overall differential. Like Disney *et al.* for the question of recognition, Stewart finds the role of new establishments (those opened since 1984) to be important with unions in 1990 unable, on average, to achieve positive differentials.

With the reduced incidence and significance of the closed shop, an increasing focus turns to the open shop union. Barth, Naylor and Raaum (1995) offer both theoretical and empirical analyses of the wage effects of the open shop trade union. Their work emphasises the role of the level of union density in the establishment in influencing the bargained wage through its effect on the firm's conflict payoff, and hence underscores the importance of understanding the

determinants of union density.

Wage inequality

For the US, Freeman and Katz (1994) have argued that, "By itself the precipitous 1980s drop in the union share of the work force explains one-fifth of the rise in wage differentials or overall dispersion among men." They also argue that, "Weakened unionism and reduced centralisation of wage-setting contributed to the 1980s cross-country pattern of change in wage inequality," citing the evidence of Schmitt (1993) for the UK, suggesting that the fall in union density accounts for about one-quarter of the growth of inequality. This evidence is consistent with the well-established empirical finding that unions tend to exert a strongly equalising influence on the distribution of wages. Declining union influence would then be expected to correlate with rising wage inequality.

Gosling and Machin (1993) evaluate the impact of union decline on the wage dispersion of semi-skilled workers through the 1980s in Britain by estimating the difference between actual and predicted inequality in 1990 (measured by the variance of the logarithm of real wages) where the predicted value assumes an unchanged 1980 union structure. They calculate that the impact of declining union structure amounts to 18% of the increase in the conditional variance of earnings - a similar figure to that estimated for the US.

Challenges and Opportunities

The declining presence of unions has had significant effects on the capacity of unions to influence wage outcomes in a number of countries. Union-nonunion wage differentials have collapsed and wage dispersion has widened dramatically. It is not likely that

these trends can be quickly turned around. However, as well as the difficulties and challenges facing trade unions there are opportunities and encouraging signals. First, as we have seen from the wide divergence in unionism across countries, institutions, culture, customs and history all do matter. Convergent economic forces do not necessarily imply a lowest common denominator in union density and organisation. Second, many of the crucial and fundamental changes in the global economy -changing production technologies and the growing internationalisation of trade -are not necessarily inimical to the survival and prosperity of trade unions. Indeed, it would appear that Just-In-Time processes coupled with the complementary multi-plant organisation of transnational corporations offer to unions the possibility of increased strategic bargaining power. Furthermore, it is not obvious that increased economic integration will lead to reduced trade union bargaining power. Naylor (1994), for example, develops a theoretical model in which unions are able to bargain higher wages as international oligopolistic product markets become more integrated.

In conclusion, our view is that in the absence of a strong organised union response to declining membership, density is unlikely to recover in countries such as the UK and the US and may come under increasing pressure elsewhere: the more so the greater is the trend towards decentralisation. The outlook is not necessarily so gloomy, however. Our theoretical analysis of multiple equilibria suggests to us that even where membership is low, there may be potentially high and stable membership density levels, but that these will be realised only by effective union organising activity. This organising effort will have to appeal to workers with skills, attitudes and in workplaces not traditionally

thought of as favourable to union membership. Evidence suggests, however, that much of the reason why women, for example, have tended to have lower union membership probabilities than men (in many countries) lies not in differential propensities, but in differential union availability. The onus, once more, is on trade unions.

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Notes

¹For further discussion of this point, see Cowling and Naylor (1992).

²Source: UNCTC (1988)

³Disney *et al.* (1994).

⁴Dunn and Gennard (1984). dunn, s. and gennard j., 1984, the closed shop in Britain, London, Macmillan.

⁵Although none of these changes is significant.