

**THE ACCORD, COMPULSORY UNIONISM
AND THE PARADIGM SHIFT IN
AUSTRALIAN UNION MEMBERSHIP**

David Peetz

**Reshaping Australian Institutions Project and
Centre for Economic Policy Research
Research School of Social Sciences
Australian National University**

DISCUSSION PAPER NO. 358

January 1997

ISSN: 0725 430X

ISBN: 0 7315 2222 2

- * The author wishes to thank Steve Frenkel, Bradon Ellem, Bruce Chapman, Margaret Ward and the many anonymous survey participants for assistance with various aspects of this study, but takes all the blame for opinions, omissions and errors.

CONTENTS

	Page
Abstract	i
1. Introduction	1
2. The Two Halves of The Accord	2
3. Six Hypotheses on The Accord	3
4. Testing the Hypotheses	6
<i>Hypothesis 1</i>	6
<i>Hypothesis 2</i>	8
<i>Hypothesis 3</i>	10
<i>Hypothesis 4</i>	11
<i>Hypothesis 5</i>	13
<i>Hypothesis 6</i>	16
5. The Collapse of Compulsory Unionism	16
6. Unions and Employees under Compulsory Unionism	19
7. The Collapse of Compulsory Unionism in the Decline in Union Density	23
8. The Paradigm Shift in the Determination of Union Membership	25
9. A Brave New World of Employee Choice?	28
10. Concluding Remarks	31
References	34
Appendix A: Survey Sources	38
List of Recent CEPR Discussion Papers	41

Abstract

With the defeat of the federal Labor Government and the consequent end of the Accord, it has almost become the received wisdom to attribute to the Accord the blame for the decline in union membership and union density during the 1980s and 1990s. The argument that the Accord is responsible for a significant part of the decline in Australian union membership is usually based on propositions concerning the effect of declining in real wages and/or the alienation of rank and file members by centralised decision making. Testing six resultant hypotheses that should have shown positive findings if the Accord were responsible for the decline drew definite rejections on all but one; in that instance, it was found that declining real wages could lead to union membership losses only where workplace union organisation was poor to start with - that is, where unions were highly vulnerable anyway. Supply-side factors unrelated to the Accord were found to be responsible for most or all of the recent membership decline.

The decline in union density has arisen not from the Accord but from a 'paradigm shift' in the determinants of union membership. This paradigm shift mostly reflects a change in strategies by employers and governments towards unions. In this paradigm shift: the decollectivisation of employment relations is being sought (though not universally) by employers and the state; previous support for compulsory unionism has been withdrawn; union members in weakly organised workplaces are dropping their membership as employers seek alternative employment relations; and the role of 'demand' and 'supply' related factors in the determination of union membership is being transformed. The main impact of the Accord on the decline in union membership was to ease the rapidity of the paradigm shift and to ameliorate some of detailed institutionalised arrangements eventually put in place.

The most easily quantifiable aspect of this paradigm shift has been changes in approaches to compulsory unionism. The incidence of compulsory unionism has fallen from over a third of employees in the mid 1970s to a fifth at the end of the 1980s and a tenth by the mid 1990s. The collapse of compulsory unionism probably accounts for a large proportion (up to three quarters) of the decline in union membership and explains the acceleration in that decline since 1990. Most of this collapse cannot be explained by structural change in the labour market. However, the increasing casualisation of the labour force, the decline in the public sector share of employment, the growth of industries with high levels of and non-union workplaces and other structural changes have contributed further to the decline in union density.

It would be counter-productive in the longer term for unions to seek to rebuild compulsory unionism on the basis on which it previously existed. It appears that compulsory unionism can lead to atrophy in union organisation, as reflected in data about the perceived responsiveness of unions, their ability to ensure employees have a say in their work, union influence at the workplace, satisfaction with unions, workplace union organisation and deunionisation of workplaces.

However, the demise of compulsory unionism does not mean that this paradigm shift has brought us to a new era where employee preferences prevail. While there are fewer people who do not want to be in a union but have to be in one, we are also seeing an increase in the number of people who want to be in a union but are not. The transformation of the way in which demand and supply related factors influence union membership is simply making it much harder for unions to recruit and retain members. Rhetoric surrounding the legislative proscription of compulsory unionism centres on the notion that doing this ensures employees' freedom of choice on union membership. This notion is challenged by close analysis of the data, which in turn has implications for public policy regarding union preference in employment.

1. Introduction

With the defeat of the federal Labor Government and the consequent end of the Accord, it has almost become the received wisdom to attribute to the Accord the blame for the decline in union membership and union density (the proportion of employees who belong to a trade union) during the 1980s and 1990s. There are a number of attractions to this proposition, especially for many people in the union movement.

For starters, it is a very simple proposition to understand: the decline in union membership occurred during the Accord, therefore it was caused by it. There is even an econometric study by Kenyon and Lewis (1992) in support of the claim that union membership growth was hampered by the Accord - a matter I return to later on.

It is also very comforting for those in the union movement to believe that, with the Accord gone, the decline in union membership will now be arrested and even reversed - or, alternatively, that it will be a lot easier for the union movement now to arrest and reverse the decline, now that the Accord is out of the way.

Moreover, it suits the agendas of those who wish to eschew the broad approach or the substantive elements of the various Accords, for policy reasons, to be able to attribute the decline in union membership in the Accord. If the Accord is responsible for the decline in union membership, it doesn't matter too much whether the Accord was good or bad for union members, the economy or income distribution - the Accord approach could not be repeated by the union movement. Blaming the Accord for the decline in union membership is a way of assuming away the debate about the policy merits and demerits of the Accord approach.

Unfortunately, simple and comforting analyses are not always the correct ones. In this paper I shall set out and test several hypotheses that should be accepted if the Accord is responsible for the decline in union membership. I shall then examine the broader forces that have actually led to the decline and the role of the Accord in that decline.

In that context, I examine the role of compulsory unionism in affecting the decline in union density over the past two decades and the decline in union membership over the past half decade. The proposition being advanced here is that: the decline in union density has arisen from a paradigm shift in the determination of union membership; this paradigm shift mostly reflects a change in strategies by employers and governments towards unions; the most important aspect of this change in strategy is changes in approaches to compulsory unionism; this paradigm shift also involves efforts by (not all) employers and governments to decollectivise employment relations; and one of the consequences of the decollectivisation strategy is the deunionisation of workplaces where unions are weakly organised. Our concern is not so much with the last of these points - it is dealt with elsewhere (Peetz 1995b). But recent data highlight the key role that changes in compulsory unionism arising from this paradigm shift have played in the acceleration of union decline in recent years.

One methodological point that needs to be made here is that part of this analysis is based on a particular taxonomy of union membership and jobs. A job in which the union status of the occupant is primarily determined by the choice of the occupant, that is by union propensity, is referred to as an *open job*. Where the union status of an employee is determined by the characteristics of the job rather than the choice of the employee, it is referred to as a *restricted job*.

There are two types: *restricted union jobs*, arising usually from decisions by unions, management and/or tribunals that those jobs should be unionised; and *restricted non-union jobs*, arising from either employer attempts to prevent unionisation or union inability to contact and recruit employees. We refer interchangeably to employees in restricted union jobs as being in 'closed shops' or 'compulsorily unionised jobs'. (We are simply using 'closed shop' here as a convenient short-hand. Technically speaking, an employee in a compulsorily unionised job need not be in a workplace where the whole workplace is compulsorily unionised. Nor do we distinguish between different types of closed shops (cf Wright 1983), as that distinction is not relevant to this analysis.)

Background to the non-ABS surveys referred to in this analysis can be found in Appendix A. These surveys include the 1989-90 Australian Workplace Industrial Relations Survey (AWIRS), undertaken for the Department of Industrial Relations; the Survey of Employees in Metropolitan Sydney Establishments (SEMSE), undertaken by the author in 1990-91; the Labor Council Survey (LCS), undertaken on behalf of the Labor Council of New South Wales at the end of March 1996 by Newspoll; and the Australian Election Survey (AES), undertaken on behalf of researchers at the Research School of Social Sciences, Australian National University, from March to June 1996.¹ Differences reported in the text are significant at the 5 per cent level using chi square tests unless reported otherwise.

2. The Two Halves of The Accord

It is first necessary to understand the logic stated or implied in the argument that the Accord has led to the decline in union membership. There are in effect two main propositions or strands of argument that have been used to link the Accord to the decline in union membership.

The first proposition is that the decline in real wages associated with the Accord has led to employee dissatisfaction with unions. As a result, members have left unions since they no longer saw unions doing what they were meant to be doing - raising real wages. I call this the 'real wages theory'.

The second proposition is more about the processes than the outcomes of the Accord: that the centralisation of decision making within the union movement alienated rank and file union members who no longer had an input at the workplace level into the decision making processes that affected them. They saw that they did not need to make a contribution to or struggle for gains in wages and conditions, and therefore they no longer needed to belong to a union to gain the benefits of union membership. I label this the 'alienation theory'.

Both theories indicate that the decline in union membership or density arises from a fall in 'union propensity' or the 'demand' for union membership - that is, employees have become less interested in joining or remaining in unions. Such theories can be contrasted to theories that refer to changes in 'union reach' or the 'supply' or union membership - for example, through a reduction in compulsory unionism or an increase in the number of 'non-union' jobs, neither of which would have a credible direct link to the Accord. Of course, there may also be other demand-related explanations for union decline that do not depend on the Accord, such as explanations relating to the performance of unions at the workplace level irrespective of the Accord.

¹ see Jones et al (1996). Naturally, those who carried out the original analysis and collection of these and other data bear no responsibility for the analysis or interpretation contained herein.

Once the 'real wage' and 'alienation' theories are laid out, it is apparent that they both imply that some periods of the Accord must be more clearly associated with 'explanations' of union decline than other parts. Indeed, for the purposes of testing whether the Accord is responsible for the decline in union membership, it is necessary to divide the Accord into two periods. The first period, which coincided with Accords I to V, covers the period from 1983 to 1990. The second period, which coincided with Accords VI and VII, covers the rest of the period to 1996. Within the 13 year history of the Accord, the first period lasted for something over seven years and the second period for something under six, and it is therefore convenient, albeit not literally accurate, to refer to them as the first and second 'halves' of the Accord respectively.

The first half was the period of varying degrees of centralisation in wage fixation, which included full wage indexation under Accord I, discounted wage indexation under Accord II, the two tier wage system under Accord III, and the key stages of the award restructuring process under Accords IV and V. It was the period when decisions about wage increases were seemingly being made at the centralised level within the ACTU, the Labor Government and the Australian Industrial Relations Commission (AIRC). As can be seen from Figure 1, it also coincided with a decline in real wages - or, to be precise, after measured real wages rose sharply in late 1983 and early 1984 following the end of the wages pause (and the Medicare effect on the CPI), real wages steadily declined over the six years up until mid 1990.

The second half of the Accord was the period of enterprise bargaining. Accord VI, agreed in February 1990, promoted the move away from centralisation and the development of enterprise bargaining. Although the AIRC balked at formalising enterprise bargaining in its April 1991 National Wage Case decision, an increasing amount of overaward wage bargaining took place during that year and in October 1991 the AIRC introduced the enterprise bargaining principle. Accord VII, agreed in February 1993, and the Industrial Relations Reform Act, taking effect from March 1994, further entrenched enterprise bargaining. This was the period when decisions about wage increases were substantially being made by individual unions and on an enterprise-by-enterprise basis, involving union members directly and reversing whatever alienation that they had previously felt from wage determination. And, as can again be seen from Figure 1, it was a period when real wages increased.

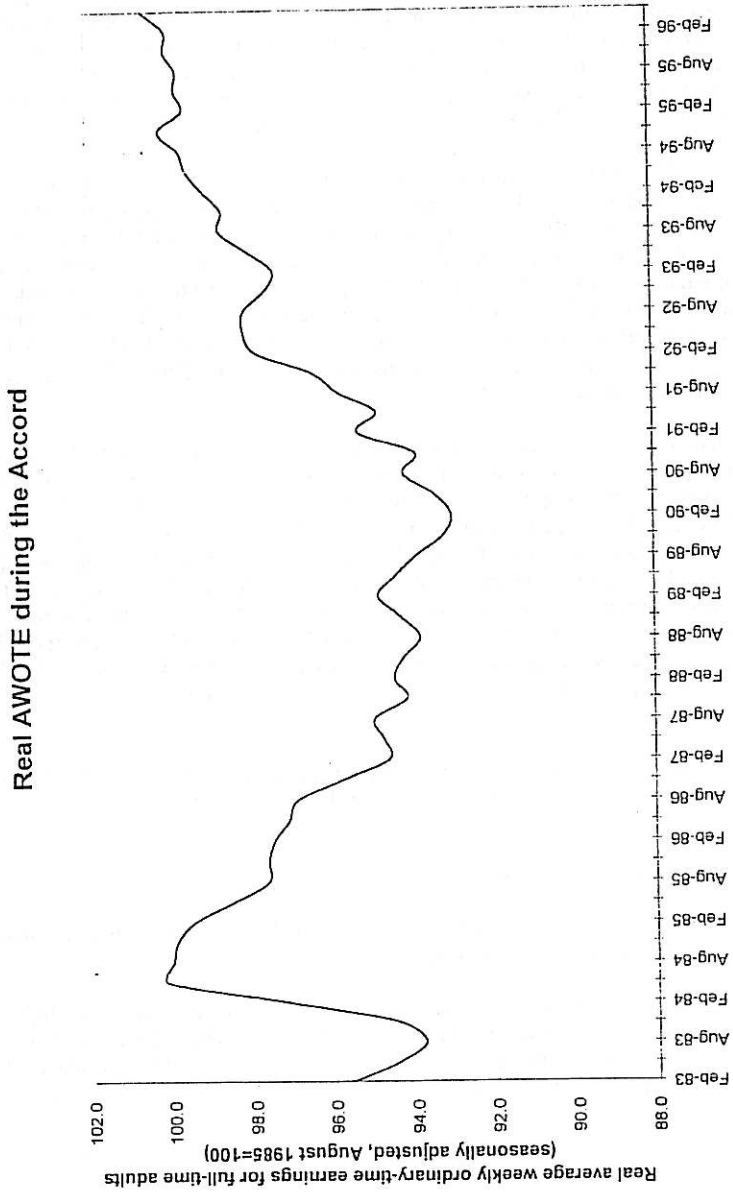
Clearly, the first half of the Accord is far more relevant to both theories explaining the link between the Accord and union membership than is the second half of the Accord.

3. Six Hypotheses on The Accord

There are six hypothesis that can be tested to see whether the Accord can be blamed for all, or a major part of, the decline in union membership.

The first hypothesis to test is that *the decline in union membership was greater under the first half of the Accord than under the second half of the Accord*. This follows from the above discussion of the relationship between the two halves of the Accord and both theories explaining the link between the Accord and union membership.

Figure 1



If alienation of union members under the Accord has caused a decline in union membership, then it should also be the case that *union membership growth was clearly slower under the first half of the Accord than in previous periods*. It does not show, of course, that the Accord is responsible for the decline - but before the Accord can be blamed for anything it is necessary to show that an unusually large decline occurred during the first half of the Accord. This is therefore the second hypothesis to be tested.

If the 'alienation theory' applies in Australia it should apply in other countries also. If it does not apply cross-nationally, then there must be something else happening to explain trends in Australia. So the third hypothesis to test is that *international comparisons should show that countries with centralised wage bargaining and centralised union organisation should experience greater decline in union membership than countries with decentralised bargaining and wage determination*.

The fourth way to test theories about the Accord and union membership is to see whether comparison with a country with similar political and industrial history and institutions, but which chose a non-Accord path, shows the decline in Australian union membership to be substantially greater in Australia than in the 'comparator' country. There is only one country with which such a close-pair comparison can validly be made: New Zealand. For most of the post-war period, New Zealand and Australia experienced comparable political and industrial histories. Both had long periods of conservative rule from 1949 (in New Zealand's case, interrupted for three years by Labour in the late 1950s); both had labour governments elected in 1972, defeated in 1975 and re-elected in 1983 (Australia) or 1984 (New Zealand). Both had moderately strong levels of unionisation. Both countries had award-based systems of industrial regulation and arbitral tribunals. Both systems enabled compulsory unionism. The main point of departure occurred in the early 1980s, when the labour movements made key strategic decisions which took the two countries on divergent paths: the Australian labour movement chose the Accord, while the New Zealand labour movement maintained a sharp separation between unions and the Labour Government and a relatively decentralised union movement. At around the time the second half of the Accord was getting underway, the New Zealand Labour Government was defeated and, in May 1991, the Employment Contracts Act was introduced. So the fourth hypothesis to test is that *the growth in union membership under the Australian Labor Government during the period to 1991 was significantly less than that which occurred in New Zealand during the same period*.

There is also a simple hypothesis underlying the 'real wages theory' for the decline in union membership that can be tested by looking at the existing literature. This fifth hypothesis is that *union membership unambiguously declines when real wages fall*.

Finally, if the decline in membership is attributable to factors other than the Accord, then it could not be said that the Accord was responsible for the decline. The sixth hypothesis to test is that *it is not possible to fully explain the decline in union membership that occurred during the 1980s and 1990s through mechanisms other than the Accord*.

If the real wage theory is correct, then hypotheses 1, 5 and 6 should all be true. If the alienation theory is correct, then hypotheses 1, 2, 3, 4 and 6 should all be true.

4. Testing The Hypotheses

I now turn to tests of the hypotheses that should be satisfied if the Accord is responsible for the decline in union membership.

Hypothesis 1: the decline in union membership was greater under the first half of the Accord than under the second half of the Accord.

Figure 2 shows the changes in union membership during the period of the Accord. Data are reported from two ABS series: the *Trade Union Members* series, a household survey of employees that is an adjunct to the labour force survey; and the *Trade Union Statistics* (the 'union census') collated annually from returns provided by trade union. The *Members* series is subject to sampling error, and until recently has not been conducted annually, but the union census is subject to non-sampling error if union records are inaccurate. The union census collected data on 'financial' members of unions only from 1985; prior to that, only data on 'all' members are available and this may have been defined differently by different unions; hence, there is a break in the union census series in 1985. There are also conceptual differences between the series, for example the *Members* series only takes account of whether employees are union members in their main job, whereas the census will count twice those employees who belong to more than one union.

Figure 2 clearly shows, however, that union membership was either stable, or rose gradually, during the first half of the Accord. By contrast, there was a sharp decline in union membership during the second half of the Accord. This finding is contrary to the stated hypothesis. Changes in union density during these periods are shown in Figure 3. Estimates of union density from the union census are complicated by the fact that the ABS changed the basis for measuring the denominator (the number of employees) in the density ratio for estimates from 1990 onwards. For earlier data, the denominator was based on employee estimates from the employer-based Survey of Employees and Earnings; for the later data, it is based (like the *Members* series) on estimates from the Labour Force Survey. The density estimates for the union census are thus presented as an index, with the series linked to form a consistent series at 1985 (when the definition of financial members was introduced) and 1990 (at which point the new denominator took effect).

The common theme from both series is the acceleration of the decline in union density during the 1990s. The *Members* series shows a steady decline in union density over the 1980s (indeed, the decline started in 1976), with the decline accelerating in 1986-1988 then slowing down, before accelerating again after 1992. The union census shows turning points more sharply: density rises slightly to 1986, slowly declines from 1986 to 1989, rises again but then starts to decline sharply after 1991. During the 1980s, the decline in density in the *Members* series averaged one percentage point a year, while in the union census it was much smaller again. But in the three years since 1992, the decline in the *Members* series totals six percentage points (two percentage points per annum) while in the union census it totals nine percentage points (three points per annum).

The hypothesis that the decline in union membership or density was greater in that part of the Accord associated with centralised wage fixing and real wage declines is therefore rejected. This casts considerable *prima facie* doubt on both the 'real wage' and 'alienation' theories underpinning the notion that the Accord has led to a decline in union membership.

Figure 2
Trade union membership under the Accord

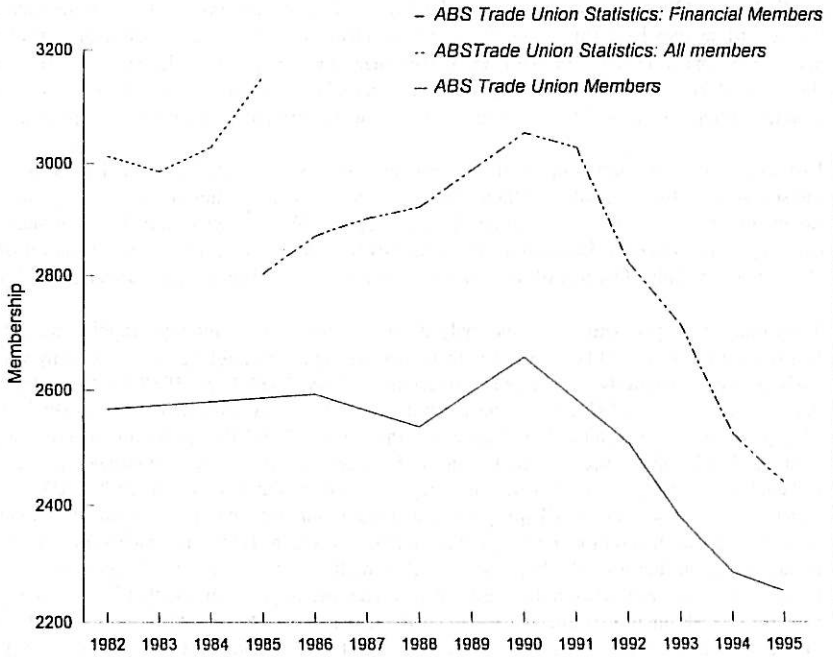
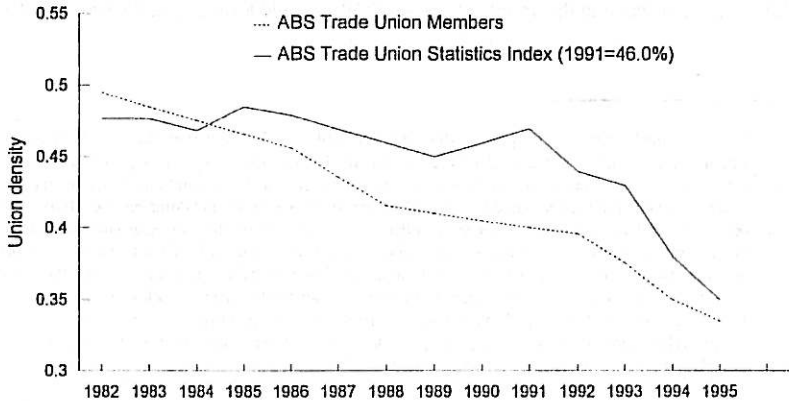


Figure 3
Union density under the Accord



Hypothesis 2: Union membership growth was clearly slower under the first half of the Accord than in previous periods.

In addressing this hypothesis, the main task is to reconsider the work of Kenyon and Lewis (1991, 1992, 1996). Their studies have had a key role in influencing perceptions of the impact of the Accord, as they have (until recently) been the only time series studies/econometric studies to examine its impact on union membership. In their main study, Kenyon and Lewis (1992) examined the Accord up to 1990 in the context of union membership growth since about 1949. They concluded that the Accord (that is, the first half of it) lowered union membership growth.

However, close examination of their methodology reveals that their conclusion is highly questionable. This is because all their study really shows is that union membership growth was lower under the first half of the Accord than under the Whitlam government, but it shows no evidence of any difference between membership growth under the Accord and under the remaining 30 years in the study. Our test of this hypothesis is a test of the Kenyon and Lewis methodology.

The fundamental problem with their analysis arises from the way dummy variables are defined. Kenyon and Lewis used two variables to model the impact of public policy: a dummy variable LAB, set to one when the ALP was in Government (1949, 1972-1975, 1983-1990); and another dummy variable ACCORD, set to one when the ALP-ACTU Accord was in place (1983-1990). They predicted union membership numbers for the period 1983-1990, based on equations for the period to 1982, and showed predicted values to be above actual membership numbers. They then included in a similar equation for the full period to 1990 the dummy variable ACCORD. In each equation, the coefficient on LAB was positive and significant and the coefficient on ACCORD was negative, significant and of essentially the same absolute size as LAB. The inclusion of LAB was meant to be 'in line with the hypothesis of Ashenfelter and Pencavel (and others that)...union membership increases when non-conservative parties are in government, that is when sympathy towards the labour movement increases and the legislative environment is more sympathetic to unions' (ibid:333). However, LAB was very different to Ashenfelter and Pencavel's index (which had already been shown to be non-significant for Australia). Certainly, it bore no relation to public sympathy towards unions.²

The effect of this methodology is that LAB measures, after controls, the 'impact' on union membership growth of the Whitlam years 1972-1975 (and 1949), while ACCORD measures, after controls, the *difference* between union membership growth in these years and over 1983-1990. If LAB were not included in the specification, ACCORD would lose its significance, and the first

² There is no doubt that, amongst people who strongly identify with labour parties, there is a higher degree of support for trade unions than amongst those who do not. But *variations* in party support reflect many other factors. Changes in support for parties in power are related, inter alia, to changes in, firstly, unemployment, inflation and various other economic variables (Douglas 1978; Schneider and Pommerehne 1980). They are also related to the extent to which parties are effective in mobilising public opinion around particular issues and in support of particular leaders. The 'landslide' defeat of the ALP at the hands of the Coalition Government in 1966 owed a lot to the mobilisation of opinion on the Vietnam war; survey data from 1967 suggested that the public view of trade unions was more sympathetic then than at any time since (APAS 1967). Indeed, averaging data from all polls published since 1967 would suggest that agreement with the proposition that unions have too much power averaged 65 per cent under conservative Governments and 71 per cent under Labor Governments - the reverse of Kenyon and Lewis' interpretation. The pattern is even sharper, but less convincing (due to fewer observations) on the question of whether unions are a good thing.

half of the Accord would be shown to have no significant impact on union membership growth.³

In effect, Kenyon and Lewis assume that, in the absence of the Accord, the Hawke Government would have behaved the same as the Whitlam Government (1972-1975, the only Labor Government in power between 1950 and 1982). It is important to note that the Whitlam Government pursued a number of policies as an employer which may have promoted unionism. For a while it used the public sector as a pace-setter for the improvement of conditions in the private sector, and the then Minister for Labour, Clyde Cameron, sought to increase annual leave for public servants from three weeks to four weeks, but only for union members. In the end, there was no legal basis for such discrimination, and the increase in leave was awarded to all employees, but the Minister's moves had an immediate and large impact upon unionism in the public sector (Griffin 1985:14). Moreover, upon submission from the ACTU and the Whitlam Government, the Conciliation and Arbitration Commission granted equal pay for women, phased in over three years. This could well have increased female employees' beliefs that there was some potential gain in joining a union, and certainly corresponded to substantial growth in female unionisation.⁴

The Hawke Government did not seek to, and could not, repeat this, and nor would it have done so in the absence of an Accord. It was not until 1993 that legislation sympathetic to unions was introduced in the Federal Parliament, and there is no reason to believe it would have been introduced earlier if it were not for the Accord. The question of how the Hawke Government would have behaved if it had been unable to reach an Accord is hypothetical, but a very plausible case can be made out that it would have been more likely to adopt policies more sympathetic to the 'right', particularly given the strong influence that financial markets had over Government policy after the deregulation of financial and foreign exchange markets and the deterioration in the external account in 1985-1986 (Langmore and Quiggin 1994; Kelly 1985:441). In this context it may be appropriate to view the Accord as a 'countervailing force' to that of the market, one making public policy more, not less, sympathetic to the union movement.

To the extent that the use of dummy variables for such purposes is valid, a more appropriate approach would have been to have separate dummies for the Whitlam Government and the Accord/Hawke Government periods. This would have shown that union density rose above predictions during the Whitlam period, but it neither rose nor fell beyond predictions during the Accord.

Regardless of whether or not the Hawke government would have behaved more favourably to unions in the absence of the Accord, it is clear that, in Australia, an Accord can only exist under a Labor Government. As a result, to estimate the effect of the Accord on union membership it is

³ The coefficient on LAB (0.021 in Kenyon and Lewis 1992) does not noticeably alter after the data ending in 1982 is extended to encompass the 1983-90 period. This is because the coefficient on ACCORD (-0.024) measures the difference between the coefficient on LAB when it encompasses 1972-1975, and what it would have been if it also encompassed 1983-1990. In six different specifications of their equations in Kenyon and Lewis (1991) and (1992), ACCORD and LAB move directly and inversely together ($r = -.94$), reflecting this arithmetical relationship. Simulations without the original data showed that, if LAB were not included in the specification for an equation, ACCORD would lose its significance.

⁴ Between the first, more qualified, equal pay decision in 1969, and December 1975, recorded female union density rose 12 percentage points (33 per cent); recorded male density rose 5 points (9 per cent). (ABS Cat No 6325.0)

necessary to add the coefficients on both LAB and ACCORD.⁵ This produces a very small and non-significant Accord effect.

A more fundamental problem with the use of econometric analysis to determine the effect of institutional factors is that the ACCORD variable encompasses much more than the effect of the Accord, leading to spurious correlation. As pointed out later in this paper, the it was some time after the Accord started that the paradigm shift in union membership began to take effect - probably from the mid 1980s. Some employers began to take a belligerent approach to trade unions (through the use of common law, the *Trade Practices Act*, and anti-union fighting funds) that had not been seen as prominently for several decades. The conservative Queensland Government enacted anti-union legislation. The impact of these employer and state government activities upon unionisation, and the decline in compulsory unionism that took place during this period (discussed later), would all be captured by the ACCORD variable.

Finally, it is worth noting that when Kenyon and Lewis (1996) extended their study period to 1994, their equation became unstable as a result of a structural break in the series, which could only be remedied by the insertion of a new, atheoretical dummy variable to represent the period from 1991 onwards. The negative coefficient of this dummy variable was four times as large as that on the ACCORD variable - reinforcing the point made in relation to the previous hypothesis that the decline in union membership accelerated during the second half of the Accord.

Bodman's econometric study (1996) also claims to suggest that the Accord led to a decline in union membership. Bodman does not use a dummy variable for the Accord but finds evidence of a 'structural break' in time series determinants of union membership sometime during the latter 1980s (the precise date is unclear). This in itself is no evidence that the Accord is responsible. Indeed, like the data from Kenyon and Lewis (1996), it is quite consistent with the explanation advanced later in this paper.

Hypothesis 3: countries with centralised wage bargaining and centralised union organisation should experience greater decline in union membership than countries with decentralised bargaining and wage determination

Several studies have already examined the relationship between union density and the degree of centralisation in wage fixing arrangements or union organisation, and it is instructive to refer to these. Beaumont, Thomson and Gregory (1980, cited in Beaumont 1987) found a negative correlation between single employer bargaining and union density. Blanchflower and Freeman (1992), compared changes in density according to three alternative taxonomies of corporatism or centralism, and found that 'unions did better in centralised wage-setting systems in the 1970s and 1980s'. Freeman's (1989) econometric analysis indicated that variations in macroeconomic conditions did not explain this result, and he argued that in countries with centralised systems the incentive for employers to organise against unions is weaker than it is under decentralised systems such as those in the UK, US and Japan; indeed, when national employer organisations negotiate with union peak bodies, it is in their interests to encourage constituent firms to unionise and 'assure they pay the going rate' (ibid; see also OECD 1994:180; Beaumont 1987:190).

In part, Freeman's results were influenced by the fact that several countries with union-administered unemployment insurance systems (Ghent systems) also have centralised wage fixing

⁵ I am grateful to Bruce Chapman for this observation.

arrangements. However, Western (1993a) controlled for the effect of Ghent systems, and still found that, other things being equal, the most centralised union movements had union density 30 percentage points higher than the most decentralised union movements. He argued that centralised unionism was associated with centralised wage bargaining (Western 1993a:269; also Cameron 1984:168) and identified three reasons why centralised union movements performed better: decentralised union movements 'typically waste resources on jurisdictional disputes'; corporatist bargaining typically exposes unions to macroeconomic decision making and enables them to protect and direct resources to organised industries; and employers have little incentive to resist unions when all must pay the 'union wage' (Western 1993a:269).

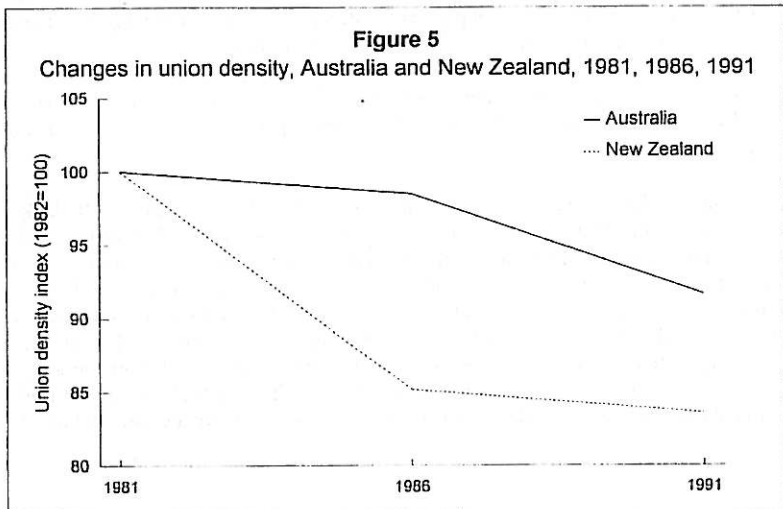
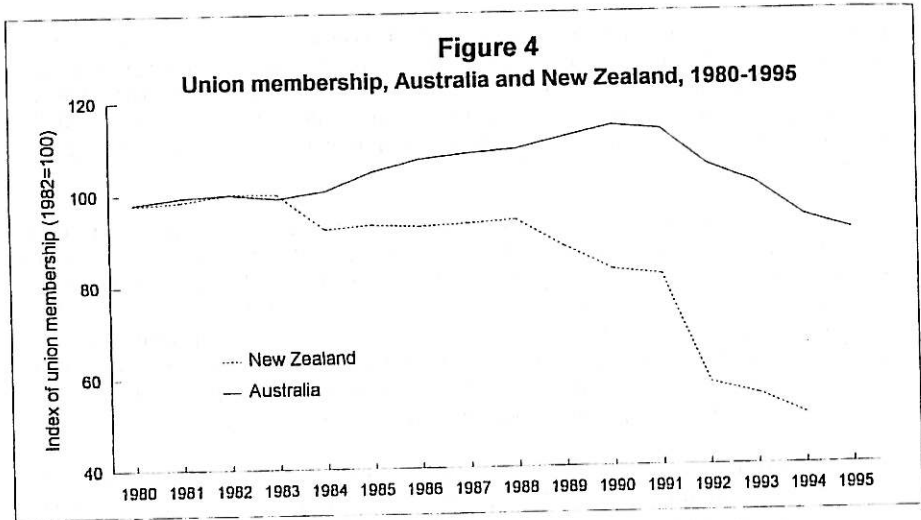
Similarly, Visser (1992) found union density was highest in countries with, amongst other things, high coverage for bargaining outcomes (reducing the incentive for employers to suppress unions) and high centralisation (or low fragmentation) in the union movement. A cross-national time-series econometric study by Western (1993b:26) found decentralisation in wage bargaining raised the probability that union membership would start to decline from 30 per cent to 80 per cent (see also Western forthcoming).

An important contribution on the role of corporatist or centralist arrangements in influencing union membership has been made by Hancké (1993:596), who argued that 'national arrangements are beneficial...only in addition to strong locals'. He examined seven European countries and concluded that the countries whose union movements performed best were those in which 'a strong local union presence coexists with union control over works councils, committees for health and safety and other institutions of workers' participation in the firm' (ibid:598). His data is important in suggesting that the relationship between centralisation and unionisation may be a conditional one, dependent upon workplace union organisation.

The international evidence does not support the third hypothesis on the Accord and union membership, and further undermines the argument that the centralisation of wage fixation and union organisation under the Accord can be blamed for the decline in union membership. If anything, centralisation should have enhanced rather than eroded union membership. While Australian unions under the Accord continued to waste resources on jurisdictional disputes, this alone cannot explain why the Australian union movement performed poorly while other centralised movements performed well. But the international evidence also suggests a reason that may help us understand why the Accord could not prevent the decline in union membership: the importance of strong workplace union organisation. I shall return to this issue later.

Hypothesis 4: the growth in union membership under the Australian Labor Government during the period to 1991 was significantly lower than the growth which occurred in New Zealand during the same period.

Figure 4 compares changes in union membership in Australia and New Zealand, with the key part being the period from 1983 to 1991. This was the time when there were Labo(u)r governments in both countries but Australia had an Accord while New Zealand did not. The data are expressed as an index and use, as much as possible, similar data sources in the two countries. Prior to 1987, most public sector unions in New Zealand were not included in the official statistics because they were not registered under the Industrial Relations Act. From 1991, with the implementation of the Employment Contracts Act (ECA), official statistics on union membership were no longer even collected. However, a team at the Victoria University of Wellington, led by Raymond Harbridge, has collected union membership data since then. The index joins the private and total membership



series in 1985. As the New Zealand data are from censuses of unions, the Australian data are taken from the directly comparable union census.

The graph clearly shows that, during the critical first half of the Accord, union membership was stable in Australia but actually fell in New Zealand. Between 1983 and 1991, the number of members fell by a total of 17 per cent in Accord-free New Zealand, while rising by 13 per cent in Australia.

In both countries, of course, growth in union membership was less than the growth in employment. Figure 5 shows changes in union density in both countries over the years 1981, 1986 and 1991. Official estimates of union density in New Zealand have only been available for the population census years, when the census count of employees is used to estimate the denominator. (Unofficial estimates have been produced by Harbridge and Hince since then, using inter alia the estimated number of employed persons from the household labour force survey, but this includes employers and the self-employed and hence overstates both the size and growth of the denominator.) Union density is shown in Figure 5 to have fallen in both countries between 1981 and 1991, but the fall was nearly twice as much in New Zealand as in Australia.

The fourth hypothesis is consequently rejected, suggesting again that the 'alienation' theory tells us little about the relationship between the Accord and union membership.

Hypothesis 5: union membership unambiguously declines when real wages fall.

The impact of real wages on union membership or density has usually been examined in the context of business cycle studies modelling the impact of macroeconomic variables through time series econometric analysis. However, one of the main features of these studies is that there is no consensus at all on the impact of real wages upon unionisation. Bain and Elsheikh (1976) argued that unions are 'credited' with achieving real wage increases when they occur and hence real wage growth encourages demand for unionism. Carruth and Disney (1988), however, found that real wage growth was strongly and *negatively* related to union density in Britain and some micro-level studies have found a negative relationship between wages and union support (Hills 1985) or union satisfaction (Leicht 1989). The Australian business cycle evidence is also contradictory: Sharpe (1971) and Borland and Ouliaris (1989) found a negative relationship between real wages and union membership, while Kenyon and Lewis (1992) and Bodman (1996) found a positive relationship.

If there is any impact (in either direction) on union membership arising from the impact of the Accord on real wages, account also needs to be taken of the effect that wage restraint under the Accord had on employment growth. Several studies have agreed that the Accord reduced the growth rate of wages (Lewis and Kirby 1987; Chapman and Gruen 1990; Karunaratne 1993) but have also shown that (usually as a result of wage restraint) it was associated with higher employment growth (Russell and Tease 1988; Lewis and Kirby 1987; Flatau, Lewis and Rushton 1991; Chapman, Dowrick and Junankar 1991). In turn, within the business cycle studies literature there is a general trend indicating that union membership is retarded by unemployment and promoted by employment growth (Bain and Elsheikh 1976; Carruth and Disney 1988; Booth 1983) though cross-nationally this relationship, at least within European countries, is unstable over time (Visser 1991:105). Western (1993a) argued that the relationship between unemployment and unionisation depended upon whether or not a union movement has a role in the administration of unemployment benefits: where this was not the case, an increase in unemployment led to a fall in unionisation in about half the countries concerned (the effect not being statistically significant in

the other half). Most studies of Australian union growth suggest that high unemployment retards the rate of union growth (Sharpe 1971; Borland and Ouliaris 1989; Bain and Elsheikh 1976; Western 1993a), the one result in the opposite direction being that of Kenyon and Lewis (1992); Bodman (1996) found different effects from unemployment over the 'short' and 'long' run, but found union membership to be enhanced by employment growth. There is more agreement about the impact on union membership of employment than of real wages, and the Accord might be expected to have encouraged union membership growth by its impact on employment growth. Still, the overall efficacy of business cycle explanation for unionism is weak (Hartley 1992; Neumann, Pederson and Westgaard-Nielsen 1989, cited in Western 1993a; Visser 1992; Chaison and Rose 1991; Western 1993a).

If the time series studies do not consistently indicate that declining real wages lead to declining union membership, what can we tell from micro level evidence in Australia? The data here come from SEMSE, undertaken at the end of the first half of the Accord (see Appendix A). In essence, the findings reveal that the impact of declining real wages on union membership is contingent on the performance of unions on other issues. Three main points emerge from these data.

First, in terms of whether or not they felt that they had benefited from union membership (referred to here as 'union instrumentality'), there were no significant differences between the those workers who believed that the value of their real pay packets had gone down, and those whose real pay had appeared stable (Table 1). This is partly because the blame for real wage cuts fell even more heavily on the employer than on their union (the impact that declining pay packets had on management satisfaction was twice as strong as the impact on satisfaction with union leaders and officials). And it was partly because those employees who had perceived falling real pay happened to be more likely to be covered by 'stronger' unions, as perceived by the employees. Presumably this strength would have been demonstrated by union gains in areas other than pay - indeed, there would be something strange about a union that was well organised but which dealt only with pay issues at the workplace level. For those employees, the perceptions of real wage falls were not serious enough to offset the other gains achieved by the unions. (Where unions were weak or absent, management had greater control over those workers' pay and, at the time, was exercising its discretion to pay these workers the 'market', whereas workers in 'strong' unions were more heavily constrained by the prevailing wage guidelines.)

Second, the impact of declining pay upon the rate of 'union exit' was dependent upon whether unions were seen to be providing benefit to their members or being responsive to them (Table 2). (The 'union exit rate' is the rate at which employees left unions at their workplace when employees were in jobs where they were free to choose their union membership status.) If union instrumentality or union 'responsiveness' were high, the union exit rate did not vary substantially in response to perceived changes in pay. But the combination of declining pay with low union instrumentality or responsiveness was severe in its impact upon unions. Hence, amongst employees who felt that the value of their pay packet had fallen, the rate of union exit was only 2 percent where they were satisfied with how unions kept in contact with their members, but 17 percent where they were dissatisfied. If unions were, in the minds of employees, performing their other jobs properly - if they were continuing to keep in contact with their members and ensuring their members receive a fair go - then changes in real pay had no impact upon union membership. But if unions were allowing their members' pay to fall *and* were not offering them proper protection or other benefits and remained remote from them, then many members decided that they had had enough - especially if management appeared to be doing a reasonable job otherwise.

Table 1
Union instrumentality and perceived changes in pay

	Benefited from union membership (%)	Made no difference (%)	Worse off from union membership (%)	Total (%)	N
Pay packet buys more than two years ago	35	60	5	100	105
About the same	45	50	5	100	136
Pay packet buys less than two years ago	49	43	8	100	471

Source: SEMSE

Population: Employees who have belonged to a union

Questions: 'Does your pay packet now buy more or less than it did two years ago?'; 'Have you benefited from belonging to a union, or been made worse off by it?'

This table is read across the rows.

Third, as far as employees were concerned, the issue was the performance of their union, not the Accord. Union exit rates did not vary according to whether or not employees considered that the Accord has led to wages being higher or lower than they otherwise would have been, or whether they thought the Accord was a good idea or was working well. However, union exit rates were higher amongst employees who were dissatisfied with what unions at their workplace were doing about wages (though again, if employees rated their union above-median on the protection scale, or were satisfied with the way union keep in contact, there was no relationship).

In sum, the fifth hypothesis, underpinning the 'real wage' theory linking the Accord to union decline, is simplistic and misleading. There is not consistent evidence of an aggregate relationship over time between real wages and union membership. Nor is there much reason to believe that any negative effects, if they existed, for union membership from real wage declines would offset the beneficial effects for membership of job creation during wage restraint. At the micro level, the evidence suggests that the impact of declining real wages on union membership will depend on whether unions are performing their other traditional functions of providing protection, securing non-wage gains for workers and, critically, keeping in touch with their members. It is where unions are already weakly organised, inactive or invisible at the workplace that real wage gains can lead to membership losses.

Table 2
Same-workplace union exit rates
by change in pay and management- and union-related variables

	Same-workplace exit rate when:		N
	Pay packet has risen or stayed about the same	Pay packet has fallen	
Union instrumentality			
- benefited from union membership	4	3	142
- made no difference or worse off	5	22	162
Union responsiveness			
- satisfied with how unions keep in contact	0	2	96
- neutral/dissatisfied with how unions keep in contact	5	17	184

Source: SEMSE

Population: Employees in open jobs

The same-workplace exit rate is the number of employees who have left a union at their current workplace, divided by the total from adding this group to the number of current members at the workplace. The numbers in the cells represent the same-workplace union exit rate amongst employees in the categories indicated by the column and row headings. For example, the same-workplace exit rate was 4 per cent amongst employees who believed that they had benefited from union membership and who perceived that their pay packet hought about the same as, or more than, it did two years ago.

Hypothesis 6: it is not possible to explain the decline in union membership that occurred during the 1980s and 1990s through mechanisms other than the Accord.

To test the sixth hypothesis we look for alternative explanations of the decline in union density and membership during the Accord and see whether they can explain the decline without reference to the Accord. It is to this task that the rest of this paper is devoted.

5. The Collapse of Compulsory Unionism

The ABS does not collect data on compulsory unionism. However, a number of social surveys and opinion polls suggested that between 1969 and 1979, 63 to 72 per cent of unionists were under closed shops (Rawson 1978; APAS 1979; Morgan 1976, 1978). Subsequent studies showed a much lower rate of compulsory unionism. The 1988 Issues in Multicultural Australia (IMA) survey implied that 57 per cent of union members were employed in closed shops (Grimes 1994). Rawson's 1990 survey indicated a figure of 54 percent. Analysis of AWIRS90 data suggests that,

amongst workplaces with 20 or more employees in 1989-90, approximately 54 per cent of employees were covered by compulsory unionism (Peetz 1995). The most valid direct comparison of like and like is between Rawson's surveys, showing conscripts at 67 per cent of unionists in 1978 and 54 per cent in 1990 (Rawson 1992).

If compulsory unionism had significantly fallen between 1976 and 1990, in the period from 1990 to 1996 it plummeted. Data from the Australian Election Survey conducted from March to May 1996 indicated that 25 per cent of union members were in compulsorily unionised jobs. A figure of 28 per cent was produced from the New South Wales Labour Council Survey of employees, undertaken through Newspoll at around the same time.

Applying the proportions⁶ in such surveys to the union density figures in the *Members* survey (using data from 1976, 1988, 1990 and 1995) suggest us that, as a consequence, the proportion of employees in compulsorily unionised jobs has fallen from 34 per cent in 1976 (Rawson 1978) to 23 per cent in 1988 (Grimes 1994), 21 per cent in 1990 (Rawson 1992) and around a mere 11 per cent in 1995. This is illustrated in Figure 6, which also shows that the proportion of employees who are non-members has increased as compulsory unionism has declined. Likewise, the proportion of employees who belong to a union and who are not in a compulsorily unionised job has increased as compulsory unionism has declined.

During the late 1970s and 1980s, the incidence of compulsory unionism amongst employees was declining at nearly one percentage point per year. During the 1990s, it has been falling at double that rate. Extrapolating this trend, it can be expected to be approaching a negligible proportion by the end of the decade. Indeed, this position could be reached sooner than then because of the enactment of the federal Workplace Relations Act which makes union preference and compulsory unionism illegal both for employees covered by the federal system and for those outside the federal system but within the reach of other Commonwealth powers.

We would expect that employers would initially seek to remove compulsory unionism where it was easiest to do so. Hence the loss of compulsory unionism would tend to be concentrated in those workplaces where employees were already weakly attached to unions, particularly where the loss of closed shops arises from employer behaviour rather than legislation. Some evidence that this has happened can be seen through comparing the proportion of union 'conscripts' who would rather not be in a union at two points in time. The 1988 IMA survey indicated that up to 46 per cent of conscripts may have been unwilling (Grimes 1994), and a similar figure was found in Rawson's 1990 survey (Rawson 1992). By 1996, however, the LCS (using a different question) indicated that only 33 per cent of conscripts were unwilling. This suggests that, since the late 1980s, the loss of compulsory unionism has, if anything, been greater where employees were less attached to union membership.

An objection could be made along the following lines: compulsory unionism arises where unions are strongest and where employees are most favourably disposed to unions. In this framework, compulsory unionism is merely a reflection of positive attitudes amongst employees towards unions, and the formal removal of it would not have much of an effect on union membership. In the next section we look at the performance of unions under compulsory unionism to test how well unions 'benefiting' from compulsory unionism performed.

⁶ An estimate of 33 per cent is used for August 1995, based on interpolation of the trend from 54 per cent in 1990 to 28 per cent in 1996.

Figure 6:
Estimated composition of employment by union and job status, 1976-1995

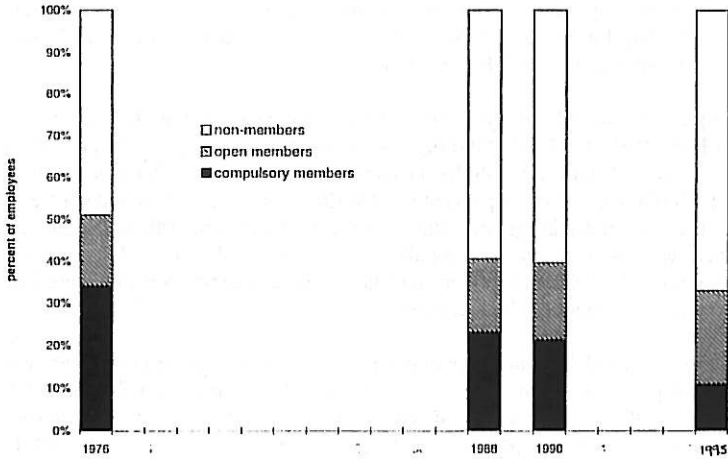
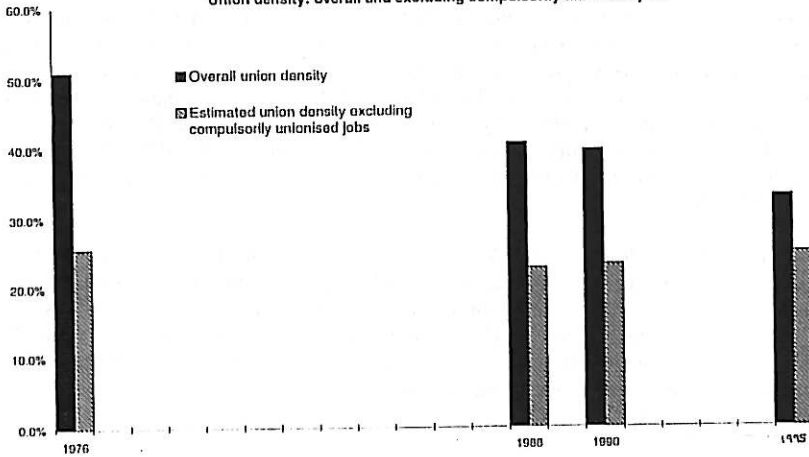


Figure 7:

Union density: overall and excluding compulsorily unionised jobs



6. Unions And Employees Under Compulsory Unionism

Our interest here is in comparing the perceived performance of unions benefiting from closed shops with unions whose members are in 'open jobs', mainly using data from SEMSE taken in 1990-91 at around the start of the acceleration in union decline. If, overall, compulsory unionism reflects positive attitudes amongst employees towards unions, then unions benefiting from closed shops should be perceived as being more effective and responsive than other unions.

Union responsiveness

In SEMSE, an index of union responsiveness was constructed ($\alpha = .76$), based on responses to three questions. These were, first, the statement that 'generally speaking, unions who have members here do what their members want them to' (32 per cent of union members with an opinion agreed, 33 per cent disagreed and 34 per cent neither agreed nor disagreed); second, the statement that 'unions who have members here really take notice of their members' problems and complaints' (45 per cent of members agreed and 30 per cent disagreed, with 25 per cent offering a neutral response); and third, satisfaction with 'the way that unions here keep in contact with employees' (34 per cent of union members were satisfied, 33 per cent were dissatisfied and 33 per cent were neither satisfied nor dissatisfied). Each question had responses on a scale of 1 to 5, producing a 13 point scale with 'low' responsiveness being measured by scores of 8 or less and 'high' responsiveness by scores of 10 or more.

As shown in Table 3, union members in restricted jobs rated their unions significantly lower in terms of union responsiveness than did their counterparts in open jobs. Indeed, even *non-members* in open jobs gave unions at their workplace a slightly better *net* responsiveness score than union members in restricted jobs gave their unions. This is so despite their having a much more strongly anti-union ideological orientation than union members in restricted jobs as measured by responses to other questions (Peetz 1995a). To illustrate differences in union responsiveness, while 26 per cent of unionists in open jobs were dissatisfied with the way that 'unions here keep in contact with employees', dissatisfaction was 39 per cent amongst union members in restricted jobs. Similarly, on measures of perceived union protection⁷ union members in restricted jobs were more negative than those in open jobs.

More recently, the LCS shows a similar pattern. Both union members *and non-members* in open jobs were less likely to agree that 'unions at your workplace do a poor job at keeping in contact with their members' than were compulsorily unionised members (Table 4). However, responses to the statement 'unions at your workplace do what their members want them to do' showed no significant differences between union members in open and restricted jobs at the time of the LCS. It might be that, over the past five years, unions who have relied on compulsory unionism have improved their performance regarding responding to members concerns when they are expressed, but have shown no improvement in keeping in touch with members in the first place. (Alternatively, they might have suffered disproportionate membership losses amongst those employees who considered they were not doing what their members wanted.)

⁷ An index of union protection was based on responses to the statements 'unions here make sure that their members get a fair go' and 'unions here do a good job in obtaining a safe and comfortable working environment'.

Table 3
Union responsiveness and compulsory unionism in SEMSE

	Union responsiveness index				Net score†	(N)
	high responsiveness (%)	neutral (%)	low responsiveness (%)	total (%)		
Union members in restricted jobs	39	15	46	100	-7	(262)
Union members in open jobs	53	16	32	100	+21	(236)
Non-members in open jobs	36	30	35	100	+1	(93)

Source: SEMSE
 Population: Employees in workplaces with 20 or more employees (Sydney area)
 Weights: Simple employee weights
 This table is read across the rows.
 Note: † Net score = 'high responsiveness' minus 'low responsiveness'

Table 4
Union responsiveness and compulsory unionism in the LCS

	Unions do poor job at keeping in contact				Net score†
	agree (%)	neutral (%)	disagree (%)	total (%)	
Union members in restricted jobs	64	0	36	100	-28
Union members in open jobs	45	4	52	100	+7
Non-members in open jobs	51	10	39	100	-11

Source: LCS
 Population: All employees
 Weights: Newspan weights
 Question nos:
 This table is read across the rows.
 Note: † Net score = 'disagree' minus 'agree'

One hypothesis on union responsiveness might have been that unions which operated under compulsory unionism may have had to be, amongst other things, more responsive than others in order to obtain the employee support necessary to secure union compulsion. This does not appear to be the case. Rather, it appears that union compulsion was associated with less responsive behaviour from unions, presumably as they did not need to offer such a high level of responsiveness in order to secure continuing membership.

Voice and participation

Employee participation in decision making at the workplace appeared to be weaker amongst employees in compulsorily unionised jobs than amongst other employees. For example, in SEMSE only 17 per cent of union members in restricted jobs said that employee say in decisions had increased over the past two years, compared to 27 per cent of union members in open jobs, 25 per cent of non-members in open jobs, and 33 per cent of non-members in restricted jobs. Agreement with the statement that employees have a lot of say in decisions was just 28 per cent amongst union members in restricted jobs, compared to 37 per cent amongst union members in open jobs, 36 per cent amongst non-members in open jobs and 37 per cent amongst non-members in restricted jobs.

Thus in SEMSE union members in restricted jobs were more likely to agree that unions did *not* help their members have a say in their work (33 per cent) than were union members in open jobs (22 per cent). (In LCS, the proportion of union members saying their union should be doing more about 'the chance to have a say in your work' was 29 per cent amongst those under compulsory unionism compared to 21 per cent amongst those in restricted jobs, but with smaller sample size these lesser differences were not significant.)

It appears that the relatively low participation recorded by employees in unionised, restricted jobs reflected some weaknesses amongst unions benefiting from union compulsion. Such unions appeared to be weak in terms of their responsiveness to members' priorities and their ability to ensure employees have effective participation in the organisation of their work and in decisions that affect them.

Union power at the workplace

Employees in restricted union jobs were more likely than employees in open jobs to agree that unions in their workplace were strong. Managers and delegates were also less inclined to view unions as weak in restricted union jobs. This could be expected to be the case, as union strength was either one of the important factors enabling unions to establish union compulsion in the first place, or was considered a consequence of the existence of compulsion.

However, the power of unions in workplaces with union compulsion appeared to be abating, compared to that of unions in workplaces under open jobs. This was evident in data from employees, delegates and managers, which indicated that union strength was declining most (or increasing least) amongst unions benefiting from union compulsion (Table 5). Employees of both kinds indicated that union strength had declined, but by a greater margin in restricted union jobs. For the other two groups caution must be exercised because of small sample size, but the pattern of difference remains the same: managers of employees in restricted union jobs were more likely than not to consider that union influence had decreased over the preceding two years, whereas managers of employees in open jobs were more likely than not to consider that union strength had

increased; delegates considered that union strength had increased for both groups, but by a lesser margin in restricted union jobs.

Table 5
Perceptions of changes in influence of unions at the workplace

	Employees in restricted union jobs			Employees in open jobs			N
	rose	about the same	fell	rose	about the same	fell	
Perceptions of employees**	10	62	28	14	69	19	(690)
Perceptions of managers	18	53	29	32	46	22	(27)
Perceptions of union delegates	49	22	29	52	30	18	(23)

Source: SEMSE

Population: Employees in workplaces with 20 or more employees (Sydney region)

Weights: Simple employee weights

To enable comparisons with employee responses, responses for managers and union delegates are weighted to refer to the number of employees they represent.

This table is read across the rows.

** Inter-group differences significant at 1 per cent level.

Union satisfaction

SEMSE sought information about whether respondents were more or less satisfied with unions than they had been two years earlier. Falling union satisfaction was much more a phenomenon amongst unions benefiting from compulsory membership than amongst other unions. While only 15 per cent of union members in open jobs said that they were now less satisfied with unions, this was the case for 23 per cent of unionists in restricted jobs. (In both cases, 10 per cent of respondents reported being more satisfied with unions than two years earlier.)

Workplace union organisation

It might be expected that union compulsion, if it arose from unions' ability to enforce unionism at the workplace, would be associated with more intensive union organisation as measured by the member to delegate ratio. If anything, the reverse was the case. The member to delegate ratio was higher for union members in restricted jobs in SEMSE. Likewise, in AWIRS the member to delegate ratio was higher in workplaces which had at least some employees covered by a closed shop, partly (but not entirely) because high member to delegate ratios and closed shops were both more common in larger workplaces.

Deunionisation

If employees covered by union compulsion were more strongly inclined towards union membership than employees not covered by union compulsion, then we would expect deunionisation of workplaces to be concentrated in workplaces which previously only had voluntary unionism. This would especially be the case as workplaces with closed shops had significantly higher union density

than those without closed shops in the first place. It is possible to look at deunionisation rates over a three year period using the panel dataset created by AWIRS90 and the 1992 Workplace Bargaining Survey (see Appendix A). These data show that, in fact, the difference between the deunionisation rates of workplaces with closed shops (4 per cent) and those without (5 per cent) was not significant.

In terms of resisting deunionisation, then, the natural advantage possessed by unions under compulsory unionism was offset by a weakness in employee attachment.

If unions maintaining compulsory unionism were active at the workplace and able to demonstrate the benefits of unionism to conscripts, then closed shops could be a useful part of an effective strategy for securing union membership over the longer term. The comparisons made here suggest that the reality is otherwise, and reinforce propositions put forward by Zappala (1992): that in the long run it may not be in unions' interests to rely on compulsory unionism because of the effect it may have on union performance and employee attachment to unions.

7. The Collapse of Compulsory Unionism in the Decline in Union Density

Approximately one third of the decline in compulsory unionism over the period to 1990 can be attributed to structural change in the labour market - that is, the relatively strong growth of industries that have a low level of compulsory unionism. But the majority of it cannot be attributed to this, and must instead to explained by changes in employer strategies and the institutional framework, to which I shall turn shortly. The acceleration in the decline of compulsory unionism since 1990 cannot be explained by any acceleration in the rate of structural change in the labour market.

One of the most notable aspects of the trend of union decline is that union density amongst employees who are not in compulsorily unionised jobs has remained fairly stable over time. As figure 7 shows, union density amongst this group has remained between 23 and 26 per cent over the period, and was approximately 24 per cent in 1995.

If a fall in the demand for union membership (for example because unions were actually performing more poorly from the point of view of their members) played a major independent part in union decline, then we might have expected that union density amongst employees who are not in compulsorily unionised jobs would have fallen significantly over time. On the surface, the failure of this to occur would suggest no need for demand-related explanations for union decline at all. The counter argument might have been that employees previously covered by compulsory unionism would be more inclined to union membership than those not covered by compulsory unionism. This would be based on the proposition that unions would have had to have a large amount of support from employees in the first place in order to secure a compulsion arrangement. If this were the case, as compulsory unionism declined, union density amongst people not covered by compulsory unionism should have increased. However, the data in the preceding section provide little reason for believing that employees under compulsory unionism were especially attached to unions.

Using a survey conducted in 1988 in which overall union density was 46 per cent (4 points above the ABS estimate), Grimes (1994) estimated that the average probability of a closed shop employee maintaining their union membership if compulsion was removed - I call it the 'retention

ratio' - was between 35 and 54 per cent. (This compared with density amongst employees not in closed shops of 24 per cent).

If the higher estimate (54 per cent) for the retention ratio applied to those who moved out of closed shops between 1990 and 1995, then 4.8 points of the 6.6 percentage point decline in union density (on the *Members* survey) between 1990 and 1995 can be explained simply by the withdrawal compulsory unionism. If the lower estimate (33 per cent) applied, then *all* of the decline in that period could be explained by the withdrawal of compulsory unionism.

The higher estimate (based on employees' stated preferences for union membership, or their 'union propensity') would overstate the actual retention ratio. This is because, when employees are not in closed shops, their level of union density is below their union propensity (as discussed in a later section).

The data presented in the preceding section on the perceived performance of unions under compulsory unionism also suggest that the retention ratio would not be overly high, though most of those data give us little specific guidance on a precise figure for the ratio. The data on deunionisation do not refute the proposition that, on average, employees covered by compulsory unionism are more inclined than other employees to union membership. But for that proposition to be true, the decline in compulsory unionism must have been concentrated in workplaces where employees are least attached to union membership to begin with (which, as stated earlier, is what would be expected). And, if that is the case, we would not necessarily expect union density amongst employees not covered by closed shops to increase as compulsory unionism declined in the absence of demand-related explanations for union decline.

For the purposes of estimating the contribution of collapsing compulsory unionism to the decline in union density, we assume (a) that the retention ratio was 10 percentage points higher in the 1990s than in the 1980s, on the basis that employers would remove compulsory unionism first where it was easiest; and (b) that the retention ratio was 50 per cent in the 1990s. On those assumptions, the decline in union density attributable to the loss of compulsory unionism would be nearly 1.1 percentage points *per annum* over each of the five years, almost double the rate of decline attributable to the loss of compulsory unionism over the 1976-1990 period (approximately 0.6 percentage points per annum). This would account for around three quarters of the decline in union density over the 1990-1995 period (which proceeded, on the *Members* survey, at a rate of about 1.4 percentage points per annum over this period). These data are illustrated in Figure 8.

There are other factors, that are not necessarily demand-related, that contribute to the decline in union density. Just as structural changes in the economy have facilitated part of the decline in compulsory unionism, they have also brought about an increase in the proportion of non-union workplaces.

More recently, the increasing casualisation of the labour force makes it more difficult for unions to organise and recruit employees. For example, over the period 1990-1995, casual employment increased from 19.4 per cent to 24.0 per cent of all employment. Differences between casual and permanent employees in their attitudes to union membership are non-significant: in the LCS, 53 per cent of casuals employees, and 51 per cent of permanent employees, would rather be in a union. However, union density amongst casuals is barely a third of that amongst permanent employees. Hence shift-share analysis reveals that this increase in casual employment in itself would have led to a drop in union density at a rate of 0.3 percentage points per annum, averaged

over this five year period - mostly in addition to the decline arising from the withdrawal of compulsory unionism. (There is some overlap as the probability of being in a compulsorily unionised job is lower for casual employees (7 per cent in the LCS) than for permanent employees (12 per cent)).

The shift from public to private sector employment since the early 1980s would also have contributed to declining union density. For example, between 1990 and 1995, public sector employment fell from 30.8 per cent to 25.1 per cent of total employment. This would be associated with an annual drop in union density of 0.2 percentage points per annum over each of the last five years. This is entirely in addition to the effect arising from the decline in compulsory unionism, as compulsory unionism is less common in the public than in the private sector, but overlaps with the casualisation effect.

All of these estimates are subject to sampling error. Nonetheless, they point to the key role played by the collapse of compulsory unionism in any analysis of the decline in union density over the 1990s.

8. The Paradigm Shift in the Determination of Union Membership

Price and Bain (1989) proposed that, while relationships governing union membership would mostly be stable and cyclical (explicable by business cycle variations), at particular times there could be fundamental changes or 'paradigm shifts' to those relationships. These paradigm shifts emerge from particularly forceful conjunctions of social or economic events and powerful alliances of some of the participants in industrial relations, and alter the institutional arrangements surrounding the employment relationship. A paradigm shift creates 'new patterns in the context of industrial relations', principally changes in 'labour laws and the powers and roles of regulatory agencies, employer policies towards unionisation and collective bargaining, and union structures, political activities and ideologies' (Chaison and Rose 1991). According to Price and Bain, the changes in union fortunes in the US and UK are attributable to paradigm shifts which have fundamentally altered the determination of union membership. While, as Mason and Bain (1993) argue, their exposition probably places too much reliance on business cycle explanations of movements in unionisation between paradigm shifts, the notion of 'paradigm shifts' represents an important advance in consideration of the determinants of union membership.

Australia, like New Zealand, experienced a paradigm shift in industrial relations with the establishment of the arbitration systems in the 1890s and 1900s. *And Australia, like New Zealand, has been going through a new paradigm shift in the determination of union membership, probably since around the mid 1980s.*

In this second paradigm shift, *the decollectivisation of the employment relationship is being actively pursued by, to varying degrees, employers and the state*, after nearly a century in which collective employment relationships were accepted, often grudgingly, as the norm. Individual contracts are being promoted by employer associations, individual employers and governments as the most effective means of developing a 'close' or 'meaningful' relationship between employers and employees. Almost all state Governments, and now the Federal Government, have introduced laws facilitating the use of individual contracts as an alternative to collective regulation.

Figure 8: Contributions to declining union density

Union density (Trade Union Members)

1976	51.0%	1982	49.0%	1990	39.6%	1995	32.7%
------	-------	------	-------	------	-------	------	-------

Contributions to decline in union density
(percentage points per annum)

Annual decline in density

1976-1982	1982-1990	1990-1995
-0.33%	-1.18%	-1.38%

1976-1990
-0.81%

1982-1995
-1.25%

1976-1995
-0.96%

Contribution of declining compulsory unionism

1976-1990	1990-1995
(assume retention 40%) -0.55%	(retention 50%) -1.06%

1976-1995
-0.68%

Contribution of casualisation

1990-1995
-0.31%

Contribution of deunionisation of unionised workplaces
(mostly with inactive unions/without delegates)

1989-1992
-0.27%

Contribution of public-private shift

1982-1990	1990-1995
-0.26%	-0.21%

Offset by: contribution of unionisation of previously union-free workplaces

1989-1992
0.12%

Note: in 1995 each 1% equals approx 70,000 members per annum

This decollectivisation principally involves *challenges to the ability of unions to represent employees*, but also involves *challenges to the legitimacy of arbitral authorities to regulate the employment relationships governing those employees who are not members of a union*. In most systems, the signing of an individual contract (commonly called a 'workplace agreement' or something similar) takes the employee beyond the jurisdiction of a tribunal, except to the extent that tribunal decisions may affect the minimum standards that contracts have to comply with when they are first signed.

Critically, the *availability of union compulsion is ceasing to be a significant determinant of union membership, as employers withdraw support for such arrangements and as the state delegitimises them*. In the context of the arbitral system, compulsory union membership had become the most common form of union membership in Australia (technically, the federal tribunal could not require union membership, it could only award preference to union members, and the majority of compulsory arrangements arose from employer-union agreements or practices, not tribunal decisions (Callus et al 1991)). A circumscribed arbitral system persists in Australia (unlike in New Zealand), but most state governments, and now the federal Government, have introduced laws to make compulsory unionism illegal.

Certainly, part of the decline in compulsory unionism is attributable to structural change in the labour market (the relative growth of industries and occupations with low levels of compulsory unionism). But this explains only a minority of the decline in compulsory unionism, the great bulk being attributable to changes in state policy and employer strategy.

At the margins, where unions exist but they are weakly organised and represented, union members are being picked off by employers seeking alternative employment relationships. In some cases, employers and unions are in a form of 'hearts and minds' competition - or some might say an 'auction' - in which the employer seeks to wean employees from attachment to unions by offering them seemingly attractive, individualised employment relations. (The key thing for employers is obtaining an individualised employment relationship, not necessarily being able to get 'closer' to their employees.⁸) In many cases where unions are weakly represented and organised (as measured, for example, by the absence of union delegates or the non-involvement of unions in bargaining), members are walking away from unions that are simply seen as doing little or nothing for their members - not least where poor union performance arose from the complacency bred by compulsory unionism.

In this paradigm shift, *the role of 'demand' and 'supply' related factors is changing* - a point that will be returned to shortly.

While the paradigm shift occurred more rapidly, and has been completed, in New Zealand, it is still under way in Australia. With the passage of the Employment Contracts Act with effect from May 1991, compulsory unionism, previously very common in New Zealand, was made universally illegal. Union membership fell by 29 per cent in one year, and has continued to fall since. In Australia the demise of compulsory unionism has been spread over a number of years. This is

⁸ It would be wrong to think that there is a consistent employer 'push' for closer cooperation with their employees. For every employee who thinks that their employer is cooperating better with them, there is at least another employee who thinks that things are getting worse - as would be expected, given the inherent conflicts that exist in the employment relationship (Peetz 1996).

perhaps partly because employers in Australia were initially more divided and less belligerent against unions and compulsory unionism than in New Zealand. But the main reason is probably that the transformation in the legislative treatment of compulsory unionism has been more incremental as a result of the different timetables within which State legislatures, and finally the federal Parliament, have sought to abolish compulsory unionism. Once the Workplace Relations and Other Legislation Reform Act takes effect from early 1997, only unions under state awards in New South Wales will retain a capacity for compulsory unionism in certain circumstances.

9. A Brave New World of Employee Choice?

As mentioned, in this paradigm shift, the role of 'demand' and 'supply' related factors is changing. On the supply side, the factors that influenced the incidence of closed shops need no longer have a role in determining union membership. This in turn might suggest a much greater role for demand-related factors in determining union membership.

But the removal of the closed shop, and of related mechanisms such as tribunals' capacity to award preference to union members, also removes an impediment to employer resistance to unions. It therefore makes it easier for employers to establish and maintain non-union workplaces. This in turn can reduce the role of demand-side factors in determining union membership. Employees with a low propensity (demand) for union membership may be less likely than in the past to belong to a union against their will, but employees with a high propensity for union membership will find themselves more likely to be non-members, against their will.

In this context, it is important not to fall into the trap of believing that the level of union density outside of closed shops represents the 'true' level of demand for union membership. In fact, in the Labor Council Survey mentioned above some 52 percent of employees agreed that, if they were totally free to choose, they would rather be in a union than not be in one, while 45 per cent disagreed - yet only 34 per cent were union members.

Table 6 shows the extent of consonance and dissonance between employees' preferences regarding union membership (union propensity) and their membership status, over three surveys. In SEMSE, some 53 per cent of employees who preferred not be in a union were union members, while 15 per cent of those who preferred to be in a union were non-members. By the time of the AES in 1996 the situation had dramatically changed. Only 18 per cent of employees who preferred not to be in a union were now union members, but 35 per cent of those who preferred to be in a union were non-members. Similarly, the 1996 LCS showed that 13 per cent of employees who preferred to not be in a union were members, but 47 per cent of those who preferred union membership were non-members.

Part of the difference between SEMSE and AES results arose from the different samples. In particular, SEMSE did not include employees from workplaces with less than 20 employees, nor did it include any employees from what Callus et al (1991) called 'informal' workplaces - non-union workplaces without structured management. It thus overstated union membership and understated the proportion of those employees preferring union membership who were non-members.

However, a significant part of the difference between the two surveys also reflects changes over the five year period. Compulsory unionism declined, while employer resistance to unions

increased, leading to a decrease in the proportion of employees who preferred not to be in a union that were union members, but an increase in the share of those who preferred to be in a union that were non-members.

Table 6
Union density by employee preferences (union propensity)

	SEMSE (1990-91)			AES (1996)			LCS (1996)		
	Union member (%)	Non-member (%)	N	Union member (%)	Non-member (%)	N	Union member (%)	Non-member (%)	N
Would rather be in a union	85	15	(386)	65	35	(283)	53	47	(278)
Neutral (neither agree nor disagree)	65	35	(209)	32	68	(174)	23	77	(23)
Would rather not be in a union	47	53	(242)	18	82	(304)	13	87	(260)

Table 7 presents these same data in an alternative manner - by focusing on those employees whose preferences were inconsistent with their membership status, and expressing them as a proportion of all employees. Thus in SEMSE, some 21 per cent of employees had membership status inconsistent with their preferences. Of these, approximately two thirds were members who would rather not be in a union. At the time of AES, the overall proportion of employees whose membership status was inconsistent with their preferences, at 20 per cent, had hardly changed. But by then barely one third were now members who would rather not be in a union; the remainder were non-members who would rather be unionised. LCS shows a higher level of dissonance again (30 per cent), but this is largely a reflection of the lower proportion of 'neutrals' identified through the question as a result of the way potential responses were framed to discourage respondents from sitting on the fence.

North American studies have shown that between 27 and 32 per cent of non-union employees would prefer to be unionised but do not have the opportunity (Kochan 1979; Hills 1985; Leigh 1986; Farber 1990; Princeton Survey Research Associates 1994). Less than half of US employees who wished to be in a union were actually in one. In a Japanese survey, the most common reason non-union members did not join a union was that no union was organised for them; two thirds of non-members considered that they would be better off if a union was present (RIALS 1993), suggesting that lack of access to unions was a major reason for low Japanese union density. The results here show Australian union membership status moving closer to that prevailing in the US and Japan: in 1996 between 21 per cent (AES) and 37 per cent (LCS) of Australian non-union members would rather be in a union, and little more than half of Australian employees who wished to be in a union were actually in one.

Table 7
Inconsistency between membership preference and union membership status

	SEMSE (1990-91)	AES (1996)	LCS (1996)
Non-member, would rather be in a union (% of all employees)	7	13	24
Member, would rather not be in a union (% of all employees)	14	7	6
Total, preference inconsistent with membership (% of all employees)	21	20	30
N	(837)	(761)	(561)

The key thing that emerges from these data is that the demise of compulsory unionism does not mean that this paradigm shift has brought us to a brave new era where employee preferences prevail, because (just as) many people will still have a membership status that is inconsistent with their membership preference. As the demise of compulsory unionism ensures that fewer people who do not want to be in a union have to be in one, it equally is associated with an increase in the number of people who want to be in a union but are not. This is partly a reflection of the particular role that compulsory unionism has in preventing employers from discriminating against union members, and partly because the paradigm shift in union membership, of which compulsory unionism is a part, is leading to the decollectivisation of employment relations against the wishes of at least some of the employees concerned. As well, those employees who would be relatively undecided about whether or not to join are being strongly pushed in the direction of not joining, whereas previously a significant proportion of them would have ended up as members.

The problem of dissonance between employee preferences and their union membership status is partly because unions are simply not able to reach employees in every workplace, but the above data show that it also arises because of the effectiveness of employer strategies and practices to keep unions away from workers. Amongst non-members in the LCS who wanted to belong to a union, some 39 per cent (that is, almost 10 per cent of all employees) said that their employer would not want them to join a union; this group alone clearly outnumbers the unwilling conscripts to unions. And regardless of the reasons for dissonance, it is clear that any regulation regime will produce a significant group of employees whose preferences do not match their membership status.

In short, the demise of compulsory unionism does not signal the ascendancy of demand related influences and the supremacy of employee preferences. Rather, it means that the way in which demand and supply related factors influence union membership has been transformed - in effect, making it much harder for unions to recruit and retain members. Rhetoric surrounding the legislative proscription of compulsory unionism centres on the notion that doing this ensures employees' freedom of choice on union membership. This notion is challenged by close analysis of the data.

10. Concluding Remarks

The story that has emerged in recent years is that: the decline in union density has arisen from a paradigm shift in the determination of union membership; this paradigm shift mostly reflects a change in strategies by employers and governments towards unions; the most important aspect of this change in strategy is changes in approaches to compulsory unionism; this paradigm shift also involves efforts by (not all) employers (and governments) to decollectivise employment relations; and one of the consequences of the decollectivisation strategy is the deunionisation of workplaces where unions are weakly organised.

It is in *this* context of a paradigm shift in the determination of union membership that the impact of the Accord on union membership needs to be considered.

The main impact of the Accord on the decline in union membership was to ease the rapidity of the paradigm shift and to change (at least temporarily, perhaps with lasting effect) some of detailed institutionalised arrangements eventually put in place. This can best be seen by again comparing the experience of Australia and New Zealand.

The Accord as a political and economic strategy helped the Australian Labor Government stay in office for several more terms than its New Zealand counterpart (Australian Labor won five elections from 1983; New Zealand, two). This was for several reasons: Labor's 'co-operative' industrial relations strategy was consistently (for five elections) preferred by voters over the Coalition's; the Accord helped create employment and inflation outcomes which voters preferred (the New Zealand labour market stagnated); the Accord created schisms in employer ranks between those generally supportive of this approach and those fundamentally opposed (New Zealand employers were united in opposition to Labour); it ensured close political cooperation between the unions and the ALP, preventing the ALP being 'run over by a bus strike' as the South Australian Labor Government was in 1979; and it placed boundaries around the behaviour of the Federal Labor Government that prevented it, for example, from introducing the Goods and Services Tax that was enacted by its New Zealand counterpart.

In turn, the Federal Labor Government (in contrast to the stated policies of the Coalition parties) did not introduce policies aimed at either decollectivising employment relations, promoting individual contracts or abolishing compulsory unionism. Indeed, when CRA sought to deunionise its workforce through the medium of individual contracts, the Federal Government intervened in the AIRC case in support of the unions' position. While the Labor Government did introduce laws allowing for non-union agreements ('enterprise flexibility agreements'), these were only collective, not individual, in nature, and they were consequently not consonant with the decollectivisation strategy of employers; they were thus infrequently used, covering less than 2 per cent of employees under federal agreements.

In the 1996 election the Labor Government was defeated. The Coalition by then had made significant changes to its industrial relations policies following the liability that a radically decollectivist policy, by comparison with the Accord, had represented at the 1993 election. Consequently the Workplace Relations Act retains the award system and, by comparison with the 1993 policy (and with the New Zealand Act), gives considerably less active impetus to decollectivisation.

In effect, the union movement through the Accord bought time to adjust to the paradigm shift in union membership.

The Accord also enabled the union movement to shift its strategy from centralised wage fixing to enterprise bargaining. Real wage declines under centralised wage fixing were leading to some losses in union membership in those areas where unions were already weakly organised, but not where unions were strong. That is, they were quickening a process that would have happened anyway.

The move to enterprise bargaining, however, did not reverse the decline in union membership. Indeed, the decline accelerated after the introduction of enterprise bargaining! But this was not *because* of the introduction of enterprise bargaining. It was because there was an acceleration in the paradigm shift and in the withdrawal of compulsory unionism, through changes to the legislative environments operating at the state level and probably through some hardening of employer positions. The trouble with the devolving of wage determination to the enterprise or workplace level was that, in unionised workplaces where unions were *not* well organised and represented, enterprise-level wage determination by the employer, perhaps after 'negotiations' with employees, could highlight to members the irrelevance or impotence of unions in relation to their own wages. With over one third of unionised workplaces lacking a single union delegate, Australian unions were vulnerable to being severely eroded at the edges no matter which wage determination system was in place.

The final outcome of the paradigm shift will depend on union responses. While employers have been seeking to decollectivise employment relations, it does not follow that a general decollectivisation must occur. Nor does it follow that unions have necessarily lost their legitimacy in representing employees.

However, one thing that is clear is that there has been a permanent and irrevocable departure from earlier patterns of compulsory unionism. As the new Federal laws help eliminate the remaining vestiges of compulsory unionism, overall union density can be expected to continue to decline. Figure 7 would suggest that, when the demise of compulsory unionism is completed, union density in Australia would probably be around 25 per cent (and, of course, considerably lower in the private sector). However, the actual figure is likely to be slightly higher - say 27 or 28 per cent. This is because, even when compulsory unionism is universally outlawed, there will still be some workplaces where management and unions informally (or, in New South Wales, legally) retain such arrangements, but these will be relatively few in number. We would also expect that the loss of compulsory unionism has, to date, been concentrated in workplaces where unions were already weak or inactive; removing it from genuine union strongholds will not have such an effect on union membership.⁹ Still, we would expect density to fall to around this level within the next two or three years, as the Federal laws take full effect.

Moreover, it would be counter-productive in the longer term for unions to seek to rebuild compulsory unionism on the basis on which it previously existed. As has already been seen, it appears that compulsory unionism can lead to atrophy in union organisation. In the early 1990s, union satisfaction declined by the greatest amount amongst employees in compulsorily unionised

⁹ For example, if one fifth of those employees who are presently compulsorily unionised remained under de facto arrangements, and 50% of the other four fifths remained union members even after their compulsory membership had been abolished, then density would end up at over 28 per cent.

jobs. Closed shops appeared, and still appear, to be associated with less responsive behaviour from unions. Unions representing employees in compulsorily unionised jobs appeared were less effective in promoting employee voice. Such unions were especially vulnerable to membership loss when compulsion was withdrawn, because the introduction of high-‘trust’ strategies by management is more likely to lead to membership loss if union satisfaction is low (Peetz 1995b).

A key question is, what will happen to union density after it reaches this level? With the demise of compulsory unionism, we are in a period with a new set of determinants of union membership. Critical amongst these is the performance and organisation of unions at the workplace level. It is notable that the ACTU has recognised the key role played by workplace union organisation in determining the future direction of union membership. Considerable commitments have been made to boost the presence of union delegates and to organising and recruiting members. Their efficacy has yet to be seen in the aggregate union density figures, presumably partly because any impact that they have had would so far have been swamped by the demise of compulsory unionism and the effects of deunionisation in weakly organised workplaces.

But the downward pressures will not disappear when compulsory unionism has been eliminated. Employers will continue to press for the exclusion of unions from workplaces. Unless the relative cost advantages of casual employment are addressed, casualisation will continue to detract from union membership. There could be an acceleration in the contraction of public sector employment, in the context of the extension of the purchaser-provider model for government service delivery and the ongoing privatisation of government functions.

Much will also depend on how unions react to the new legislative environment. Public opinion has always been against compulsory unionism (eg Morgan 1978). Certainly, there would seem to be little point in attempting to maintain compulsory unionism arrangements against the wishes of employees and employers when the weapons of the state are lined up and awaiting such actions. It is worth noting, for example, that the federal Employment Advocate will be able to initiate actions on its own motion against unions for breaches of the ‘freedom of association’ provisions of the foreshadowed Workplace Relations Act - a power that the Employment Advocate does not have in relation to breaches of individual contracts (Australian Workplace Agreements). More generally, there are a range of sanctions provisions in the legislation (particularly in the secondary boycotts area) that, if activated, could create severe resource crises for unions, threatening their capacity to provide even the most basic of services and therefore threatening their ability to maintain their members. Unions will have to think strategically, rather than philosophically, to avoid setting off the trip wires that have been laid for them.

There is also, however, a broader public policy question to be addressed. If, as many of the advocates of ‘voluntary’ unionism argue, employees should have the right to freely choose whether or not to belong to a union, there needs to be a reconsideration of the blanket bans on all forms of union preference that have come into effect in most jurisdictions, because one consequence of this ban is to facilitate increased employer resistance of unions and the narrowing of employee choice. It is not possible to have a form of regulation which ensures that all employees are totally free to choose their union membership status, but it should be possible to have a more balanced form of regulation than is now coming into place.

One area for consideration is the ability of tribunals to grant union preference. Only a minority of compulsory unionism arrangements at the time of AWIRS arose from tribunal decisions and awards. Typically, the Australian Industrial Relations Commission had used union preference

clauses, now banned, as a means of preventing discrimination against non-unionists. There is no good reason for preventing it from being able to exercise that power for the specific reason of preventing such discrimination.

Other possible elements to a more balanced form of regulation need to be considered and debated. However, the pattern of public policy changes that have been introduced during the 1990s in most jurisdictions does not suggest that any priority has been placed on achieving such balance in recent times.

In the end, a strategic response by unions to declining union membership in the context of this paradigm shift will also require a *political* strategy - that is, a strategy regarding the legislative and executive arms of the state. The Accord was the political strategy of the union movement (and of the Labor Party) over the 1982-1996 period. It is beyond the scope of this paper to consider to what extent a future political strategy in response to the fall in union membership should resemble the Accord. But it can be said that the Accord cannot be blamed for the decline in union membership that occurred during (and prior to) the Accord period.

The causes of the decline in union membership go to forces that could not be attributed to the Accord - to a paradigm shift in union membership that reflected changing employer and non-Labor government strategies to decollectivise employment relations and abolish compulsory unionism. The Accord, while it lasted, offered some resistance to these forces, probably ameliorated their final effects, and bought the union movement some time.

What happens over the next five or six years will show whether that time has been used well.

References

- Ashenfelter, O & Pencavel, J H (1969) 'American Trade Union Growth: 1900-1960', *Quarterly Journal of Economics*, 83(3), August, 434-48.
- Australian Political Attitudes Survey (APAS) (1967), computer file, School of History, Politics and Philosophy, Macquarie University, Sydney
- Australian Political Attitudes Survey (APAS) (1979), frequencies code book and computer file, School of History, Politics and Philosophy, Macquarie University, Sydney.
- Bain, G S & Elsheikh, F (1976) *Union Growth and the Business Cycle: an Econometric Analysis*, Blackwell, Oxford.
- Beaumont, P (1987) *The Decline of Trade Union Organisation*, Croom Helm, London.
- Beaumont, P, Thomson, A W J & Gregory, M B (1980) 'Bargaining Structure', *Management Decision*, 18(3), 103-169.
- Blanchflower, D G & Freeman, R B (1992) 'Unionism in the US and Other Advanced OECD Countries', *Industrial Relations*, 31(1), Winter, 56-79.
- Bodman, P M (1996) 'Explaining the Decline in Australian Trade Union Membership', paper presented to Australian Conference of Economists, Canberra, September.

- Booth, A L (1983) 'A Reconsideration of Trade Union Growth in the United Kingdom', *British Journal of Industrial Relations*, 21(3), November, 377-91.
- Borland, J & Ouliaris, S (1989) 'The Determinants of Australian Trade Union Membership', Working Paper 163, Department of Economics and Commerce, University of Melbourne.
- Callus, R, Morehead, A, Cully, M, & Buchanan, J (1991) *Industrial Relations at Work*, Department of Industrial Relations, AGPS, Canberra.
- Cameron, D (1984) 'Social Democracy, Corporatism, Labour Quiescence and the Representation of Economic Interests in Advances Capitalist Society', in J H Goldthorpe (ed) *Order and Conflict in Contemporary Capitalism*, Clarendon, Oxford, 143-78.
- Carruth, A & Disney, R (1988), 'Where Have Two Million Trade Union Members Gone?' *Economica*, 55(217), February, 1-19.
- Chaison, G N & Rose, J B (1991) 'The Macrodeterminants of Union Growth and Decline' in G Strauss, G D Gallagher & J Fiorito (eds), *The State of the Unions*, Industrial Relations Research Association, Madison WI, 3-46.
- Chapman, B J, Dowrick, S, & Junankar, P N (1991) 'Perspectives on Australian Unemployment: The Impact on Wage Setting Institutions in the 1980s', in F H Gruen (ed) *Australian Economic Policy: Conference Proceedings*, Centre for Economic Policy Research, Australian National University, Canberra, 21-57.
- Chapman, B J & Gruen, F H (1990) 'An Analysis of the Australian Consensual Incomes Policy: the Prices and Incomes Accord', *Discussion Paper No 122*, Centre for Economic Policy Research, Australian National University, January.
- Davis, H B (1941) 'The Theory of Union Growth', *Quarterly Journal of Economics*, 55, 611-633.
- Douglas, R (1978) 'Occupation Fluctuations and Support for the Government', *Politics*, 13(2), November, 311-9.
- Elias, P (1990) 'Growth and Decline in Trade Union Membership in Great Britain: Evidence from Work Histories', Working Paper 16, Social Change and Economic Life Initiative, Economic and Social Research Council, Oxford.
- Farber, H S (1990) 'The Decline of Unionisation in the United States: What Can Be Learned from Recent Experience?', *Journal of Labor Economics*, 8(1), Part 2, January, s75-s105.
- Flatau, P, Lewis, P & Rushton, A (1991) 'The Macroeconomic Consequences of Long-Term Unemployment', *Australian Economic Review*, 4th quarter, 106, 48-56.
- Freeman, R B (1989) 'On the Divergence in Unionism Among Developed Countries', Working Paper No 2817, National Bureau of Economic Research, Cambridge, Mass., January; also in R Brunetta & C Dell'Aringa (eds) (1990) *Labour Relations and Economic Performance*, Macmillan, London, 304-323.

- Griffin, G (1983) 'White Collar Unionism 1969 to 1981: Some Determinants of Growth', *Journal of Industrial Relations*, 25(1), March, 26-37.
- Grimes, P F M (1994) 'The Determinants of Trade Union Membership: Evidence from Two Australian Surveys', PhD thesis, Research School of Social Sciences, Australian National University, Canberra.
- Hancké, R (1993) 'Trade Union Membership in Europe, 1960-1990: Rediscovering Local Unions', *British Journal of Industrial Relations*, 31(4), December, 593-613.
- Hartley, J (1992) 'Joining a Trade Union', in J F Hartley & G M Stephenson (eds), *Employment Relations: the Psychology of Influence and Control at Work*, Blackwell, Oxford, 163-183.
- Hills, S J (1985) 'The Attitudes of Union and Non-union Male Workers Toward Union Representation', *Industrial and Labor Relations Review*, 38(2), January, 179-94.
- Jones, R, McAllister, I & Gow, D (1996) Australian Election Study, 1996 [computer file], Social Science Data Archives, Australian National University, Canberra.
- Karunaratne, N D (1993) 'The Paradox of Hysteresis and Real Wage Flexibility in Australia', paper to Australian Labour Market Research Workshop, Perth, February.
- Kelly, P (1985) *The Hawke Ascendancy*, Angus and Robertson, Sydney.
- Kenyon, P D & Lewis, P E T (1991) 'Trade Union Membership and the Accord', paper presented to Australian Labour Market Research Workshop, Centre for Economic Policy Research, Australian National University, February (also presented as paper to Conference of Economists, Sydney, 1990).
- Kenyon, P D & Lewis, P E T (1992) 'Trade Union Membership and the Accord', *Australian Economic Papers*, 31(59), December, 325-345.
- Kenyon, P D & Lewis, P E T (1996) 'The Decline in Trade Union Membership: What Role Did the Accord Play', paper presented to *The End of the Accord* conference, Victoria University of Technology, Melbourne, November.
- Kochan, T A (1979) 'How American Workers View Labor Unions', *Monthly Labor Review*, 102, April, 23-31.
- Leicht, K T (1989) 'Unions, Plants, Jobs and Workers: An Analysis of Union Satisfaction and Participation', *Sociological Quarterly*, 30(2), Summer, 331-62.
- Leigh, D E (1986) 'Union Preferences, Job Satisfaction and the Union-Voice Hypothesis', *Industrial Relations*, 25(1), Winter, 65-71.
- Lewis, P E T & Kirby, M G (1987) 'The Impact of Incomes Policy on Wage Determination in Australia', *Economic Record*, 63(181), June, 156-61.
- Mason, R & Bain, P (1991) 'Trade Union Recruitment Strategies: Facing the 1990s', *Industrial Relations Journal*, 22(1), Spring, 36-45.

- Morgan Gallup Poll (1976) 'What Australians Think About Trade Unions', MGPN 361A, May.
- Morgan Gallup Poll (1978) 'Most Against Compulsory Unionism', Finding 594, Melbourne, November.
- Neumann, G, Pederson, P J & Westergaard-Nielsen, N (1989) 'Long Run Trends in Agricultural Unionisation', Working Paper No 90-4, Centre for Labour Economics, University of Aarhus and Aarhus School of Business, Aarhus, Denmark.
- Organisation for Economic Cooperation and Development (OECD) (1994) 'Collective Bargaining Levels and Coverage', in *Employment Outlook*, Paris, July
- Petz, D (1995a) 'Union Membership, Labour, Management and the Accord', PhD thesis, School of Industrial Relations and Organisational Behaviour, University of New South Wales, Sydney.
- Petz, D (1995b) 'Deunionisation', Paper to ninth conference of the Association of Industrial Relations Academics of Australia and New Zealand, Melbourne, February.
- Petz, D (1996) 'Unions, Conflict and the Dilemma of Cooperation', *Journal of Industrial Relations*, 38(4), December.
- Price, R & Bain, G S (1989) 'The Comparative Analysis of Union Growth', in *Recent Trends in Industrial Relations Studies and Theory*, 8th World Congress, International Industrial Relations Association, Brussels, 99-110.
- Princeton Survey Research Associates (1994) 'Worker Representation and Participation Survey: Top-Line Results', Princeton NJ.
- Rawson, D (1978) *Unions and Unionists in Australia*, George Allen and Unwin, Sydney.
- Rawson, D (1992) 'Has Unionism a Future?' in M Crosby and M Easson (eds) *What Should Unions Do?* Lloyd Ross Forum/Pluto, Sydney, 2-15.
- Research Institute for Advancement of Living Standards (RIALS) (1993) 'Trade Unions - Present and Future', Report Issued by the Committee on Industrial Relations, Rengosoken, Tokyo, January.
- Russell, W & Tease, W (1988) 'Employment, Output and Real Wages', *Research Discussion Paper RDP 8806*, Reserve Bank of Australia, Sydney, September.
- Schneider, F & Pommerehne, W W (1980) 'Politico-Economic Interactions in Australia: Some Empirical Evidence', *Economic Record*, 56(153), June, 113-30.
- Sharpe, I G (1971) 'Growth of Australian Trade Unions 1907-1969', *Journal of Industrial Relations*, 13(2), June, 138-54.
- Short, M, Preston, A & Petz, D (1993) *The Spread and Impact of Workplace Bargaining: Evidence from the Workplace Bargaining Research Project*, Department of Industrial Relations, Canberra, August.

Short, M, Romeyn, J & Callus, R (1994) *Reform and Bargaining at the Workplace and Enterprise: Evidence from Two Surveys*, Industrial Relations Research Series No 12, Workplace Bargaining Research Project, Department of Industrial Relations, Canberra, November.

Visser, E J (1991) 'Trends in Trade Union Membership', in Organisation for Economic Cooperation and Development, *Employment Outlook*, Paris, July, 97-134.

Visser, E J (1992) 'Union Organisation: Why Countries Differ?', in *Trade Unionism in the Future*, Ninth World Congress of International Industrial Relations Association, Proceedings Volume 2, 30 August-3 September, 158-176.

Western, B (1993b) 'A Comparative Study of Working Class Disorganisation: Union Decline in 18 Advanced Capitalist Countries', mimeo, Department of Sociology, Princeton University.

Western, B (1993a) 'Postwar Unionisation in Eighteen Advanced Capitalist Countries', *American Sociological Review*, 58, April, 266-82.

Wright, M (1983) 'Union Preference and the Closed Shop', in G W Ford & D Plowman (eds) *Australian Unions: An Industrial Relations Perspective*, Macmillan, Melbourne, 241-57.

Zappala, G (1992) 'Should Unions Support the Closed Shop?' in M Crosby & M Easson (eds) *What Should Unions Do?* Lloyd Ross Forum/Pluto, Sydney, 296-315.

Appendix A: Survey Sources

The Survey of Employees in Metropolitan Sydney Establishments (SEMSE) was conducted by the author in 1990-91. In total, 942 employees were surveyed and returned usable questionnaires between August 1990 and April 1991. Between them, the 624 union members in the sample belonged to 34 unions. The employee participants in SEMSE came from 35 workplaces that comprised a sub-sample of the 1990 Australian Workplace Industrial Relations Survey (AWIRS 90) sample. AWIRS90 was undertaken in 1989-90 for the Commonwealth Department of Industrial Relations (DIR) and involved face-to-face interviews with managers at 2004 workplaces with 20 or more employees (a response rate of 87 per cent) and union delegates in 1138 of these (see Callus, Morehead, Cully & Buchanan 1991). The Sydney metropolitan area accounted for 73 per cent of NSW New South Wales workplaces and 26 per cent of all workplaces in the main AWIRS 90 survey, and AWIRS 90 findings for NSW were 'with few exceptions...generally in line with the national figures' (Cully and Fraser 1993:3).

SEMSE covered most industry groups, but excluded agriculture and defence (excluded from AWIRS 90), mining and electricity, gas and water. The employee response rate varied substantially between workplaces, from as low as 25 per cent to as high as 97 per cent; both these results were obtained in quite small workplaces. The median response rate was 57 per cent, the overall response rate just over 50 per cent due to a lower response rate in a small number of larger workplaces.

It was necessary in a number of workplaces to oversample delegates; in analysing the data for employees generally, the data from delegates were weighted according to the inverse of their probability of selection. A 'Managers survey' was also undertaken at the same time as SEMSE, producing data from industrial relations managers or general managers in 30 of the 35 workplaces

visited in SEMSE. Employee response rates were higher in workplaces with a higher white collar employment, where employees were able to complete the questionnaire in work time, and in workplaces where management actively encouraged employees to complete the questionnaire. Employees in workplaces where management did not actively encourage completion of the survey were more likely to have a negative opinion of management, and this may have imparted some upward bias into the estimates on various aggregate measures of employee perceptions of management, but the effect is likely to be small.

The AWIRS team contacted a sample of AWIRS90 respondents to see whether they would permit release of their name to a researcher. Some 44 managers agreed, 42 refused and 24 could not be contacted or did not reply. Of the 43 in-scope managers who were then approached, 35 agreed to participate. Employer response rates varied by industry, and were lower amongst smaller and non-union workplaces, particularly the workplaces classified by the AWIRS team as 'informal': none of the nine non-union, predominantly small, private sector workplace with non-structured management, agreed to participate in SEMSE.

Employer response rates were low where there had been compulsory redundancies, where industrial conflict was *currently* under way (though there did not appear to be bias against workplaces which had *recently* experienced conflict) and where employee involvement in decision making was perceived by management to be low. Due to differential response rates and the nature of the industries surveyed, there were some differences between SEMSE workplaces and AWIRS workplaces with 20 or more employees. SEMSE workplaces were, amongst other things, more likely to be in the public sector, larger, and more likely to be 'active bargainers' with, obviously, no 'informals'. However, on a number of important matters relating to industrial conflict, bargaining, management, compulsory unionism and workplace reform there were no differences. Respondents included an under-representation of casual and part-time employees, due both to under-representation of workplaces with high casual employment (especially 'informals') and a lower response rate amongst casual employees themselves. SEMSE was not intended to be a representative sample of all Australian workplaces. Nonetheless, it contained a randomly selected wide variety of workplace types that were broadly indicative of 'industrial relations' perceptions in many Australian workplaces, with the important qualification that SEMSE could tell us nothing about employees in very small workplaces (19 or fewer employees) or employees in 'informal' workplaces.

The paper also refers to the 1992 Workplace Bargaining Survey, which was a telephone survey undertaken in December 1992 involving a subsample of 700 workplaces that took part in AWIRS90, and collected data specifically on bargaining in those workplaces. The data from these workplaces could be linked back to the same workplaces as were interviewed for AWIRS90 (see Short, Preston & Peetz 1993; Short, Callus & Romeyn 1994).

The Labor Council Survey (LCS) was undertaken on behalf of the Labor Council of New South Wales in 1996 by Newspoll. It involved telephone interviews with 709 employed people, including 561 employees. Only results for employees are analysed here. Amongst the employees were 195 union members.

The Australian Election Survey (AES), was undertaken on behalf of researchers at the Research School of Social Sciences, Australian National University, shortly after the 1996 federal election. It was a complex self-completion survey with 782 employees, including 300 union members, amongst its 1797 respondents.