

RESEARCH NOTES

Unions & Union Membership in New Zealand: Annual Review for 1999

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Introduction

This paper reports the results of our most recent survey of trade union membership in New Zealand. The survey continues on from our earlier surveys of trade unions under the Employment Contracts Act carried out for the years 1991 to 1998. The data reported herein suggest that several of the trends in trade union membership and structure that we have identified in these earlier surveys persist.

Specifically, the main trend that we have observed, which continued in the results of the most recent survey, is the ongoing decline in membership numbers. As at 31 December 1999 the 82 trade unions and employee associations identified as part of our survey had a combined membership of 302,405. This represents a fall of 4,282 or 1.4 percent over the previous twelve months.

Trends in union structure have continued along previously identified lines. While no major union mergers occurred during the course of the year, the trend towards membership concentration, that is a growing proportion of union members belonging to the largest national unions, continued. The two new unions we identified were constituted by groups of local government employees breaking away from their traditional union and forming their own organisation. To this extent, the change did not mark an expansion of collectivisation, but rather an example of fragmentation of existing representation. As noted previously this trend has been particularly evident in the public sector. It is one of the pressures on union organisation that these trends of concentration and fragmentation co-exist.

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Finally we consider how the Employment Relations Act 2000 may impact on union membership and structure. Specifically, we consider whether the apparent institutional protections afforded under the new legislation are likely to address the problems unions faced in organising under the Employment Contracts Act 1991, which in turn depends on the extent to which the decline is a result of the ECA in the first instance, or a longer term trend common to many industrialised countries.

Methodology

When the Employment Contracts Act 1991 ended the practice of union registration it not only removed the distinct legal status of trade unions but it also brought to an end the official collection of data on trade union membership. In the absence of official data, the Industrial Relations Centre at Victoria University of Wellington has undertaken voluntary surveys of trade unions since December 1991. In addition to information on aggregate membership, our surveys have also sought information on the distribution of membership by industry and by gender and on organisational affiliations.

For this year's survey we identified a total of 85 organisations. Eighty-three of these organisations were unions previously contacted as part of last year's survey. Other organisations were identified through a variety of means including searches of the online database of registered societies and through our parallel analyses of collective employment contracts.

All 85 organisations were written to in February. Those unions previously contacted were sent the survey questionnaire and a short covering note. Newly identified organisations were sent a letter outlining the project and a copy of last year's results along with the survey questionnaire.

The initial send-out generated 52 responses. Reminder letters were sent out in April and generated another 11 responses. We received a further 5 completed returns after non-responding organisations were contacted by telephone during July and August. The 68 completed returns represent a response rate of 80 percent.

Seventeen organisations did not respond to our survey. Of these, we eliminated three organisations after further investigation suggested they were more than likely inactive. As in previous years informal sources were used to establish a membership figure for the 14 non-responding, but active, unions. These sources included local officials of other unions, employers (where the union was based in a single enterprise) and newspaper reports.

The Employment Relations Act 2000 introduces a new system of union registration which is simply a form of licensing and attracts none of the same monopoly rights and status that

previously applied. Every registered union will be required to submit to the Registrar an annual return of members as at 1 March. Therefore, from 2001 the official collection of data on trade union membership in New Zealand will recommence¹.

Results: union numbers and membership

The 81 active unions identified in our survey had a combined membership of 302,405 at 31 December 1999. This represents a drop of 4,282 or 1.4 percent over the course of the year.

The data in Table 1 show the trend in trade union membership since 1985. The data highlight that while the decline in union membership is a longer-term trend, pre-dating the Employment Contracts Act 1991, the magnitude of this decline has been greater since the Act's passage. This is especially true of the first 19 months of the Act's operation during which union membership fell by nearly 30 percent. Union membership fell by 15 percent between May and December 1991, equivalent to over a 25 percent drop on an annualised basis. Membership fell further by nearly 17 percent in the 1992 calendar year.

While membership levels have declined substantially, the fall in union density, a measure of the proportion of the labour force belonging to a trade union, and thus of union strength, has been proportionately greater. The density figure in the table below reports union density measured using as the denominator the size of the employed labour force as reported in Statistics New Zealand's Household Labour Force Survey (HLFS). The density figures show that, despite an absolute decline in membership between December 1985 and September 1989, density rose in this period due to the fall in the level of employment outstripping the corresponding fall in union membership. Since 1989, union density has fallen from around 45 percent to 17 percent, again with the largest falls occurring in the 18 months immediately following the introduction of the Employment Contracts Act.

While the rate at which unions have lost members has slowed in recent years, density has fallen disproportionately as the denominator, the total employed labour force, has grown. In last year's paper we discussed the basis of our density calculation. Some commentators had noted that our figure would understate the "true" level of unionisation in New Zealand as our denominator includes groups that ordinarily would not be expected to become union members in any event (employers, self-employed, unpaid family workers).

¹ As at 2 October 2000, the date of commencement of the Employment Relations Act, 38 organisations had begun registration as unions under the Act. Six of these were unions not included in our surveys, most or all of which would appear to be enterprise based (registration number in brackets): Southland Enterprises Union of Workers (1012), Employment Relations Society (1020), MEU Society (1024), NZ Chief & Deputy Fire Chef (sic) Officers Society (1027), Northern Food Workers Union (1029) and Johnstons NZ Coachdrivers Assn (1032). Source: *Employment Relations Service website*, www.ers.dol.govt.nz.

Table 1: Trade Unions, membership and union density 1985-1999 (selected years)

	No. of unions	Total membership	Annualised decline	Union density
Dec 1985	259	683,006	-	43.5%
Sept 1989	112	648,825	1.3%	44.7%
May 1991	80	603,118	4.2%	41.5%
Dec 1991	66	514,325	25.2%	35.4%
Dec 1992	58	428,160	16.8%	28.8%
Dec 1993	67	409,112	4.4%	26.8%
Dec 1994	82	375,906	8.1%	23.4%
Dec 1995	82	362,200	3.6%	21.7%
Dec 1996	83	338,967	6.4%	19.9%
Dec 1997	80	327,800	3.3%	18.8%
Dec 1998	83	306,687	6.4%	17.7%
Dec 1999	82	302,405	1.4%	17.0%

The data in Table 2 below break down the composition of the labour force into the broad constituent groups. These data show that the trend in the total labour force figure is consistent with the trend in the number of wage and salary earners. Therefore, while the raw density figure might be higher calculated on the basis of wage and salary earners, the trend in the level of density would be unaltered.

Table 2: Labour force composition (December 1991, 1998 and 1999)

Year	Wage & salary earners	Employers	Self-employed	Unpaid family workers	Total employed labour force
Dec 1991	1,153,200	121,500	165,900	20,300	1,467,500
Dec 1998	1,379,200	137,700	206,700	11,600	1,735,200
Dec 1999	1,414,100	129,300	222,400	16,000	1,781,800

Results: union size

Historically, the bulk of New Zealand unions were small and relied on the protections of the arbitration system under which they operated in order to remain viable. The Labour Relations Act 1987 sought to tackle the perceived inefficiencies in union organisation by requiring a union to have a minimum of 1,000 members in order to retain its registration. While there had been a gradual trend towards re-organisation, the progress made under the "1,000 members rule" was dramatic as is evidenced by the drop in the number of unions between 1985 and 1989 (see Table 1). As the data in Table 3 show, by the time of the introduction of the Employment Contracts Act 1991, the profile of unions showed

that the bulk had between 1,000 and 5,000 members, with a quarter having 10,000 or more members. The most recent data show a reversal of this trend; with an explosion in the number of unions with fewer than 1,000 members. We have commented previously on the range of reasons for this growth. First, with the removal of the "1,000 members rule", several marriages of convenience only entered into in order to meet the obligation were no longer necessary and the respective constituents re-emerged as independent organisations. Second, a number of unions lost members to the point of becoming very much smaller organisations. Thirdly, the dynamics of representation under the Act facilitated a growth in small unions, often based around a single workplace. Typically these organisations were formed amongst breakaways from traditional unions, rather than as organic entities representing previously un-unionised workers.

Table 3: Membership by union size (1991 and 1999)

Membership Range	May 1991				December 1999			
	No.	%	Members	%	No.	%	Members	%
Under 1,000 members	4	5	2,954	1	48	59	12,703	4
1,000 - 4,999 members	48	60	99,096	16	22	27	43,709	14
5,000 - 9,999 member	8	10	64,268	11	3	4	19,669	7
10,000+ members	20	25	436,800	72	9	11	226,324	75
Totals	80	100	603,118	100	82	100	302,405	100
Average size	7,539				3,688			

At the same time, the data in Table 3 show concentration of union members in the largest unions has been a consistent feature of union organisation. We first reported our measure of concentration in last year's paper and this has been reproduced with the most recent data in Table 4 below. Table 4 shows that throughout the period 1984 – 1991, a period of legislatively driven restructuring, the largest 10 unions continued to represent around 45 percent of all union members. Since 1991 the trend has been for a much greater concentration of union members in the largest unions. The 1999 data shows the largest 10 unions now represent nearly 80 percent of all union members.

Table 4: Membership of largest 10 unions (1984/5, 1990 and 1999)

	Number of unions	Total membership of largest 10 unions	Total union membership	Concentration
1984/1985	259	292,856	666,027	44%
March 1990	104	275,854	611,265	45%
Dec 1999	82	234,523	302,405	78%

Sources: Calculated from Department of Labour (1985, 1990), Geare (1988) and raw data from the Industrial Relations Centre's 1999 survey. Data for 1984/85 include membership of CSU affiliated public service organisations (as at March 1985) and registered private sector trade unions (as at December 1984).

This concentration of membership has been driven by union restructuring strategies based around organisational amalgamations and mergers. As we observed last year, this practice has not, with some exceptions, been centrally co-ordinated and, despite a central policy for rationalisation along industry lines, there has been a shift (consistent with the international experience) towards "conglomerate" unions spanning several, sometimes unrelated, industries (Visser, 1998).

Results: union membership by industry and gender

The decline in union membership has not been uniform across the economy, with some industries and unions suffering a disproportionately large share of the fall. Our survey asked each union to estimate the percentage of their membership employed in each 2-digit ANZSIC industry group. Table 5 reports the results of this industry breakdown at the 1-digit level. No comparative data on union membership by industry are available prior to our 1991 survey so the 1991 data are used as a base for estimating sectoral shifts².

The comparison of changes in union membership by industry shows two broad groups of industries exist. In agriculture, mining, construction, retail and accommodation industry groups, falls in membership have been in excess of 75 percent. For the remaining groups – manufacturing, transport, public and community services, etc – the declines have been less severe (although still substantial in their own right).

² Some attempts are made in the official data to estimate the number of union members by industry (see Department of Statistics, *Prices, Wages and Labour* series). These attempts were made on the basis of assigning members of one union to a particular industry on the basis of an estimate of where the majority of members were employed. This was ultimately frustrated, however, by the occupational basis of unionism under the award system.

Table 5: Union membership by industry (1991 and 1999)

Industry Group	December 1991	December 1999	Change 91- 99
Agriculture, fishing, forestry, etc	14,234	1,265	-91%
Mining and related services	4,730	718	-85%
Manufacturing	114,564	65,172	-43%
Energy and utility services	11,129	4,574	-59%
Construction and building services	14,596	3,667	-77%
Retail, wholesale, accommodation, etc	64,335	12,038	-81%
Transport, communication and storage	52,592	34,467	-34%
Finance and business services	32,219	17,420	-46%
Public and community services	205,925	162,905	-21%
Total	514,324	302,405	-41%

This data should, however, be considered in light of sectoral shifts in employment over the same period. Table 6 below reports the change in employment by industry group between 1991 and 1999, based on data from the Household Labour Force Survey. Without detailed analysis, the data at least suggest that, for most of the economy, falls in union membership show no obvious relationship with changes in the composition of employment between industries.

Table 6: Sectoral changes in employment (000s) 1991 - 1999

Industry Group	December 1991	December 1999	Employment change 91-99	Membership change 91-99
Agriculture, fishing, forestry, etc	155.4	159.2	+ 2%	-91%
Mining and related services	5.0	3.3	-34%	-85%
Manufacturing	254.8	279.5	+ 10%	-43%
Energy and utility services	14.2	8.9	-37%	-59%
Construction and building services	88.8	116.2	+ 31%	-77%
Retail, wholesale, accommodation, etc	310.7	386.9	+ 25%	-81%
Transport, communication and storage	94.7	111.8	+ 18%	-34%
Finance and business services	146.7	223.1	+ 52%	-46%
Public and community services	402.9	485.9	+ 21%	-21%
Total	1,479.3	1,781.8	+ 20%	-41%

We also asked unions to provide an estimate of the percentage of their members who were female. Overall women make up an estimated 49 percent of all union members. This figure has remained relatively stable since we began collecting information on the gender breakdown of union membership in 1991.

Results: peak body affiliations

Throughout most of the 1990s New Zealand had two peak union bodies. The largest of these, the New Zealand Council of Trade Unions (CTU), was formed in 1987 to replace the private sector Federation of Labour (FOL) and the Combined State Unions (CSU) representing public sector associations. In 1993, the Trade Union Federation (TUF) was formed as an alternate body from a core of blue-collar unions. The ultimate catalyst for the formation of TUF was dissatisfaction with the CTU's response to the introduction of the Employment Contracts Act 1991.

We asked each union to indicate whether it was affiliated to either organisation. The results are reported in Table 7 below. One outcome of the absence of central direction to patterns of amalgamation and merger during the 1990s is that some unions are partially affiliated to one or both bodies. In these cases the membership of the unions has been apportioned to either peak organisation on the basis of historical proportion of total membership represented by the pre-amalgamated union. The data are reported in Table 7.

Table 7: Peak union affiliations (1991-1999)

Dec year	NZ Council of Trade Unions		Trade Union Federation	
	Affiliate unions	Members	Affiliate unions	Members
1991	43	445,116	-	-
1992	33	339,261	-	-
1993	33	321,119	9	20,800
1994	27	296,959	11	23,198
1995	25	284,383	15	25,424
1996	22	278,463	17	22,055
1997	20	253,578	17	19,500
1998	19	238,262	17	18,012
1999	19	235,744	17	17,447

Subsequent to our survey, the merger of the CTU and TUF into a single organisation was announced, ending seven years of rivalry. On current numbers, affiliates of the new organisation will represent around 85 percent of all union members.

Discussion

In last year's report we considered in some detail the factors behind the decline in union membership in New Zealand. While we contended that the Employment Contracts Act 1991 has had a substantial, and negative, effect on trade unionism, New Zealand's case has been largely consistent with the international experience.

International studies have highlighted the impact of structural changes in employment, specifically the shift of employment from traditionally strongly unionised manufacturing to weakly organised service sectors (see Bamber and Lansbury, 1998; Jones, 1992; OECD, 1994; Peetz, 1998). It is however easy to overstate the case, especially over the relatively short term as the data in Table 6 suggest. What is perhaps more important in the New Zealand context is the changing share of public and private sector employment. Also likely to be significant in any analysis is the declining share of employment in large and medium sized workplaces, and specifically the concentration of employment growth in workplaces of fewer than 10 employees (see Peetz, 1998 for discussion on the Australian experience).

The impression, then, is one of the Employment Contracts Act 1991 having a massive shock effect in the first 18 months of its introduction around a longer term, declining trend due in large part to structural changes in the economy. The obvious question that arises in the current context is the possible effect of the Employment Relations Act 2000.

Ultimately the question of whether or not the Employment Relations Act 2000 will provide a basis for increasing union membership is an empirical one, and the answer will become clearer over time. Already, however, a number of unions have reported spikes in membership enquiries (*Dominion* 2 October 2000, p.7) and, if nothing else, the discussion around the Act has raised the profile of trade unions. Although it would appear the legislation offers enhancements to unions that may enable them to more effectively recruit and retain members than was possible under the ECA, there are a number of implications that arise from the new Act which do not lend themselves easily to interpretation *ex ante*.

Unions faced several key problems in bargaining under the Employment Contracts Act 1991. Two key issues were free riding and non-inclusive bargaining. To some extent the Act resolves the latter issue, however there are inherent problems in dealing with the former. The Employment Relations Act 2000 gives effect to the principle of "join the union, join the contract" and thus allows a union to bargain inclusively for its members in a particular workplace, or over a broader area where a multi-employer agreement is sought.

It is difficult to see how the new Act will affect the free-rider phenomenon. It is estimated free-riding had increased under the Employment Contracts Act 1991 from around 16 percent in 1989/90 to around 27 percent by 1999/2000 (Harbridge and Wilkinson, 2000). While under the Employment Relations Act 2000, only union members can be bound by a collective agreement, the conditions of the agreement are extended *de jure* to new employees engaged in work that falls within the coverage clause for the first 30 days of their employment. If the employee chooses not to join the union at the end of the 30-day period they continue to keep these conditions until or unless an alternate individual employment agreement is negotiated. The Act prohibits terms in an IEA which automatically vary after the initial 30-day period has ended.

With employees automatically able to be bound by the terms of the collective by joining the negotiating union, there is little reason for employers to offer inferior terms or conditions to employees on individual agreements. In some ways this situation may exacerbate the free-rider problem.

It is possible that we may see greater fluctuations in union membership under the new Act, with, for instance, a surge in membership of the union after the announcement of a restructuring in order to access the redundancy protections of a union negotiated collective agreement. If an employee resigns from the union they continue to be bound by the terms of the collective until such time as a new individual agreement is negotiated. The only restriction is that they cannot subsequently be covered by a collective agreement negotiated by a different union in respect of the same job until at least 60 days from the expiry of the original agreement.

In terms of union structure and organisation, it is possible that the Act will see growth in the number of unions. Presently we have estimated that around 60,000 employees are on collective employment contracts that were not negotiated by a traditional union. Under the legislation, unions have a monopoly on the right to negotiate collective agreements. Thus it is possible some of these informal bargaining units will coalesce in a more formal arrangement and seek registration as a union. In large part this will depend on the present rationale for the collective employment contract and whether it reflects the outcome of a robust process of negotiation as envisaged by the Act or whether it is merely a convenient form of arrangement.

Given the importance of collective arrangements in the new system in setting a baseline for new employees, there has been some suggestion that employers may seek to negotiate favourable arrangements with tame unions. The proposal for an enterprise union to be established to represent staff of The Warehouse retail chain received widespread coverage. It would appear, however, that the union registration provisions in the Act prohibit the operation of employer sponsored house unions.

It was a criticism in the ILO's review of the Employment Contracts Act 1991 that collective and individual employment contracts were treated essentially as equivalent options under the legislation, ignoring the obligation under ILO principles to promote and encourage collective bargaining. The Employment Relations Act 2000 clearly places emphasis on collective bargaining, however in doing so, it means the option of whether to pursue collective or individual employment arrangements is no longer cost-neutral to employers. Given that a collective agreement will in practice form the minimum base of conditions for all employees whose work is covered, irrespective of union membership, there are potentially substantial additional costs to employers from having a collective agreement than was the case with a collective employment contract. This may give an incentive for some

employers to adopt strategies to avoid settling a collective agreement including strategies aimed at de-unionising the workplace (which may or may not be within the Act's good faith provisions)³.

On other matters, some rights are extended to unions that should genuinely assist organising activities. The extension of union access rights to include access for recruitment is a particular example, and marks a significant change from the situation under the ECA.

After nine years out in the cold climate of the ECA there may, however, be issues of the capacity of some unions to avail themselves fully of their newly reinstated position in the industrial landscape. Obviously this is a matter which will become clearer in the results of next years' survey.

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Studies have suggested employers may be prepared to offer above union negotiated wage rates in order to avoid unionisation on the basis that higher direct wage costs are more than offset by lower non-wage costs (see Pencavel, 1991). It is interesting to note in this context, the union proposal in the draft code of good faith to prohibit an employer from offering in collective agreements terms and conditions that are inferior to those applying to employees on individual employment agreements.

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