Politics Matter

Changes in Unionization Rates in Rich Countries, 1960-2010

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Executive Summary

Researchers have offered several explanations for the decline in unionization. Many emphasize that “globalization” and the technological advances embodied in the “new economy” have made unions obsolete.

If the decline in unionization is the inevitable response to the twin forces of globalization and technology, then we would expect unionization rates to follow a similar path in countries subjected to roughly similar levels of globalization and technology.

Instead, for 21 rich economies, including the United States, what we see over the last five decades is a wide range of trends in union membership and collective bargaining.

Union coverage (the share of workers whose terms of employment were covered by a collective bargaining agreement) changed little and even rose slightly in a substantial number of countries, including the years since 1980.

Union membership (the share of workers who are members of a union) fell in most of the rich economies, but losses varied substantially from country to country. The United States experienced membership losses near the middle of the distribution, but started from a 1980 membership rate that was low by the standard of other rich countries.

These differences across countries exposed to broadly similar levels of globalization and technological change suggest that these factors do not mechanically determine national levels of unionization.

The broad national political environment, however, does appear to explain much of the observed variation in unionization trends.

Countries strongly identified during the postwar period with social democratic parties – Sweden, Denmark, Norway, and Finland – have generally seen small increases in union coverage and only small decreases in union membership since 1980.

Over the same period, countries typically described as “liberal market economies” – the United States, the United Kingdom, Australia, New Zealand, Ireland, Canada, and Japan – have generally seen sharp drops in union coverage and membership.

Countries in the broad Christian democratic tradition, sometimes referred to as “coordinated market economies” or “continental market economies” – Germany, Austria, Italy, the Netherlands, Belgium, France, and Switzerland – typically have had outcomes somewhere in between the social democratic and liberal market economies, with small drops in union coverage and moderate declines in union membership.

These patterns are consistent with the view that national politics are a more important determinant of recent trends in unionization than globalization or technological change.
**Introduction**

The unionized share of the US workforce has been declining from the early 1960s through the present. The pace of that decline was slow at first, but accelerated at the end of the 1970s, leaving only about 12 percent of all workers and 7 percent of private sector workers in unions by 2010 (see Figure 1).

**FIGURE 1**
Union Membership in the United States, 1948-2010

![Graph showing union membership trends from 1948 to 2010.]


Researchers have offered many explanations for the decline in unionization.¹ Some suggest that the demand for union representation has fallen. Most, however, argue that, for various reasons, the supply of union jobs has decreased. Some researchers blame the leadership of the union movement for focusing too much on a “business” model that emphasizes servicing existing members rather than organizing new members. Others emphasize weak legal protections for the right to organize, in combination with heightened employer opposition beginning in the early 1980s.² But, probably the most common argument, at least in the public discussion, is the idea that unions are incompatible with the emerging, increasingly globalized, high-tech, service economy.

If the decline in unionization is the inevitable response to the twin forces of globalization and technology, then we would expect unionization rates to follow a similar path in other countries subjected to roughly similar levels of globalization and technology.

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¹ For relatively recent discussions of the possible causes of union decline in the United States and internationally, see Baldwin (2003), Blanchflower (2006), Farber (2005), Flanagan (2007), Pencavel (2005), Wallerstein and Western (2000).
² For relatively recent discussions employer oppositions and legal barriers to unionization, see: Bronfenbrenner (2009), Freeman (2005), Logan (2006), Schmitt and Zipperer (2009).
In this report, we review unionization data for the last five decades for 21 rich economies. We find that trends in unionization have varied substantially across these economies. Union coverage (the share of workers whose terms of employment were covered by a collective bargaining agreement) changed little and even rose slightly in a substantial number of countries, including the period since 1980. Union membership (the share of workers who are members of a union) fell in most of the rich economies, with the United States experiencing losses (from a low initial level of unionization) near the middle of the distribution. These differences across countries exposed to broadly similar levels of globalization and technological change suggest that neither factor mechanically determines national levels of unionization.

One simple factor, however, does appear to explain much of the observed variation in unionization trends: the broad national political environment. Countries that have been strongly identified during the postwar period with social democratic parties – Sweden, Denmark, Norway, and Finland – have generally seen small increases in union coverage and only small decreases in union membership since 1980. Over the same period, countries that are more typically identified as “liberal market economies” – the United States, the United Kingdom, Australia, New Zealand, Ireland, Canada, and Japan – have generally seen sharp drops in union coverage and membership. Countries in the broad Christian democratic tradition, sometimes referred to as “coordinated market economies” or “continental market economies” – Germany, Austria, Italy, the Netherlands, Belgium, France, and Switzerland – typically have had outcomes somewhere in between, with small drops in union coverage and moderate declines in union membership. These patterns are consistent with the view that national politics are a more important determinant of recent trends in unionization than globalization or technological change.

The ICTWSS Data

We use the Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts database (ICTWSS) compiled by Jelle Visser at the Amsterdam Institute for Advanced Labor Studies (AIAS) at the University of Amsterdam. The database provides annual information for the years 1960 through 2010 for Organization for Economic Cooperation and Development (OECD) countries, European Union member states, and selected emerging economies including Brazil, China, and India. From the ICTWSS database, we collected annual union coverage and membership data for 21 rich countries, all of which: are members of the OECD; have roughly comparable standards of living; and have nearly complete unionization data for the entire period from 1960 through the late 2000s. For reasons of economic comparability (as well as incomplete data availability), we have not included the ICTWSS data from developing or eastern European countries; due to their small size, we have also excluded Iceland and Luxembourg.

We focus on two ICTWSS variables: bargaining coverage (union coverage) and the union density rate (union membership). The ICTWSS database defines its adjusted “bargaining (or union) coverage” as the employees “covered by wage bargaining agreements as a proportion of all wage and

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3 We follow the political categories established by Huber and Stephens (2001a, 2001b), as modified in Navarro, Schmitt, and Astudillo (2004).
4 We also examine three ex-dictatorships, Greece, Portugal, and Spain, where the pattern is not as clear cut.
5 The complete database can be downloaded at http://www.uva-aias.net/208. This paper uses the May 2011 version of the database.
salary earners in employment with the right to bargaining, expressed as percentage, adjusted for the possibility that some sectors or occupations are excluded from the right to bargain (removing such groups from the employment count before dividing the number of covered employees over the total number of dependent workers” in wage and salary employment). The ICTWSS defines the union density rate as “net union membership as a proportion of wage and salary earners in employment.”

Union coverage and union membership rates may, and frequently do, differ in the same country in the same year. In the liberal market economies, including the United States, workers who are covered by a union contract at their workplace generally may choose not to join the union that represents them. As a result, union membership rates in the United States and other liberal market economies are typically somewhat lower than union coverage rates. In many of the countries we refer to here as continental market economies, “[m]ulti-employer bargaining and public policies extend ... the negotiated contract to nonorganized firms guarantee[ing] very high coverage rates ... far in excess of union density rates.” By contrast, union membership and coverage rates are similar (and high) in the social democratic countries. The most important reason is the use, in three of these countries (Denmark, Finland, and Sweden), of the “Ghent system,” which gives unions a major role in the delivery of social benefits, including unemployment insurance benefits, therefore providing strong incentives for workers to join unions.

The distinction between membership and coverage rates is an important one. As Visser explains: “Whereas union density is closer to measuring potential union bargaining pressure ... bargaining coverage [is] closer to measuring the effectiveness of unions in providing and defending minimum standards of income and employment protection in labor markets.”

The data used here have three other characteristics relevant to our analysis. First, while the union membership data are generally available annually, the adjusted union coverage data are usually not reported annually, often only every five years. Second, postwar unionization data for the ex-dictatorships – Greece, Portugal and Spain – are either unavailable or only sporadically recorded until the 1970s. During much of the period before the mid-1970s, unions in these countries were either illegal or under direct government control. We show all ICTWSS data available for the ex-dictatorships, including data covering periods before democracy, but we limit our analysis of trends in these countries only to the period since 1980. Finally, the data for Germany refer to West Germany until unification, and unified Germany from then on.

The Trends

Figure 2 displays the ICTWSS data for both union coverage (solid bars) and union membership (marked with an X) in 2007, the most recent year for which complete coverage is available for

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7 See Visser (2006), p. 47; his remarks quoted here refer to “most European countries.”
8 For recent discussions of the Ghent system and challenges facing it, see Scruggs (2002), Bockerman and Uusilato (2005), and Van Rie, Marx, and Horemans (2011).
10 Figure 3 below reproduces the data exactly as they appear in the ICTWSS data, showing somewhat erratic behavior before the early 1980s. For details on trade unions in Greece, Portugal and Spain in the first three decades after the end of the Second World War, see: Ioannou (1999), Robolis (2008), and Teixeira (2001).
coverage and membership across the full sample. Coverage rates in just under half the countries were 80 percent or higher. Almost two-thirds of the countries had coverage rates above 50 percent. At 13.3 percent, the United States had the lowest coverage rate, followed closely by Japan (16.1 percent) and New Zealand (17.0 percent).

FIGURE 2
Union Coverage and Union Membership, 21 Rich Countries, 2007

*2008 data used
Source: 1960-2010 ICTWSS data from Amsterdam Institute for Advanced Labour Studies (AIAS).
For almost every country, membership rates were lower than coverage rates. In many countries, this gap between coverage and membership rates is large. In Austria, for example, about 99 percent of eligible workers were covered by a collective bargaining agreement, but only 30 percent were members of a union. In France, about 90 percent of workers were covered, but fewer than 10 percent were union members. Other countries with large gaps between coverage and membership include Belgium, Spain, the Netherlands, Italy, Greece, Portugal, Germany, Switzerland, and Australia.

In the United States, coverage rates were only slightly higher than membership rates. This small difference generally reflects decisions by some workers who are represented by unions at their place of work not to join the union that represents them.

In two countries, Japan and New Zealand, membership rates are higher than coverage rates. This pattern appears to arise from a feature of ICTWSS adjusted coverage rate data that we use here. As mentioned in the review of the ICTWSS data in the preceding section, the adjusted coverage rate is calculated after excluding from the calculation workers who are not legally entitled to collective bargaining (for example, some public-sector workers in some countries). As a result the workforce used in the coverage calculation can, in some cases, be smaller than the workforce used in the membership calculation (which includes all wage and salary employees).

Our main interest, however, is in trends in unionization rates over time. Figure 3 shows the coverage and membership rates for the 21 rich economies in our sample from 1960 (or the earliest year available) through the late 2000s (typically 2007 or 2008). The dashed line represents union coverage and the solid line, union membership.
Trends in unionization rates differ substantially across the sample. Initially, we identify five distinct patterns over the five decades. First, in just over half the countries, union coverage rates were roughly constant or even rising (Austria, Belgium, Canada, Denmark, Finland, France, the Netherlands,
Norway, Spain, Sweden, and Switzerland). Second, in a smaller share of countries (7 of the 21), union membership rates remained roughly constant or rose slightly (Belgium, Canada, Denmark, Finland, Norway, Sweden, and Spain after 1980). Third, in 10 of the 21 countries, union coverage was falling (Australia, Germany, Greece, Ireland, Italy, Japan, New Zealand, Portugal, United Kingdom, and the United States). Fourth, in two thirds of the sample, union membership was falling, frequently sharply (Australia, Austria, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, New Zealand, Portugal, Switzerland, United Kingdom, United States). Finally, while in most countries union coverage and membership trends tracked each other (both rising or both falling) or were not far out of sync, coverage and membership trends did diverge in five countries (Austria, France, the Netherlands, Norway, and Switzerland). In all five cases, coverage rates were flat or rising, while membership rates dropped.

This initial review of the data raises serious doubts about the inevitability of union decline. While union membership rates fell in two thirds of the sample, membership rates were flat or constant in the other third. While union coverage rates fell in just under half of the 21 countries, coverage rates were flat or rising in just over half.

At least at face value, globalization and technological progress do not appear capable of explaining these observed differences, primarily because all of these economies have been subjected to similar sets of forces in both regards. Figure 4, for example, shows that exports and imports are a large share of all 21 economies, ranging from just under 30 percent of total GDP in the case of the United States to just over 160 percent in the case of Belgium. If anything, countries with a higher level of globalization (by this measure) appear to have a higher level of union coverage.

**FIGURE 4**
Union Coverage and Trade as Share of GDP, 21 Rich Countries, 2007

Source: Authors’ analysis of ICTWSS and World Bank data.

11 The trade measure is the sum of the absolute value of exports and imports, both expressed as a share of GDP.
12 Rodrik (1997) argues that higher levels of social protection, typically associated with higher levels of union coverage, facilitate trade openness by reducing the adjustment costs for workers whose interests are threatened by increased foreign competition. Dreher and Gaston (2005) argue that a more sophisticated index of globalization suggests that globalization has had an effect on unionization.
While there are differences in the technological level, the 21 countries generally have similar levels of access to and use of an important range of business technologies. Figure 5, for example, shows each country’s score (on a scale from zero to six) on the World Economic Forum’s Networked Readiness Index (NRI) in 2009-10. The United States ranked fourth (after Sweden, Denmark, and Switzerland), with all but Greece, Italy, Portugal, and Spain clustered fairly closer together. The figure also graphs the WEF technology index against union coverage and finds no significant relationship across our sample.

FIGURE 5
Union Coverage and WEF Index of Network Readiness, 21 Rich Nations

Source: Authors’ analysis of ICTWSS and WEF data (2009-2010).

Given that all of these countries were at approximately the same level of economic development and all were subjected to the same kinds of pressures from globalization and technological progress, the different trends apparent across the rich economies strongly suggest that more globalization and better technology do not inexorably lead to lower unionization rates.

Unionization and National Politics

We argue, instead, that national politics, not globalization or technology, are the most important determinants of unionization trends over time. We draw on the extensive literature, initiated by Gosta Esping-Andersen, on the “worlds of welfare capitalism” in rich countries. This research has typically organized the better-off OECD economies into three or four categories by broad features of their political systems and then explored the impact of these different systems on social and economic outcomes. The terminology and exact composition of the countries varies across the

13 In the full WEF list, the United States also placed behind Singapore, which is not included in our sample.
hundreds of published papers, but three frequently recurring groupings are, loosely: “social democratic”; “Christian democratic”; and “liberal market.” The work of Hall and Soskice on “varieties of capitalism” has also been influential, but they divide the same set of countries into only two categories “coordinated market economies” and “liberal market economies.”

We follow, with one minor modification and a slight change of terminology, the political typology used in Navarro, Schmitt, and Astudillo, which assigns 21 OECD countries to one of four broad political regimes: “social democratic” (Denmark, Finland, Norway, and Sweden); “continental market” (Austria, Belgium, France, Germany, Italy, the Netherlands, and Switzerland); “liberal market,” by the 19th century and contemporary European usage of the term liberal (Australia, Canada, Ireland, Japan, New Zealand, United Kingdom, and United States); and “ex-dictatorships” (Greece, Portugal, Spain).

The four traditions are based on an analysis of the political parties in power in these countries during the years 1946 through 1980. The minor modification of the Navarro et al framework is that here we have moved Austria from the “social democratic” to the “continental market” group. While Austria had social democratic governments during much of the initial postwar period (1946-1980), the Austrian social democrats often ruled in coalition with Christian democrats. Our findings below are not sensitive to where we place Austria, nor to other common variations in country classification.

Figures 6 through 9 present the same unionization trends as in Figure 3, but now grouping the rich countries by their political system. This simple exercise reveals strong similarities in unionization trends within – and strong differences across – political groupings. In reviewing these trends by country type, we focus on the period from 1980, when globalization and technology accelerated in most accounts.

The social democratic countries (Figure 6) have consistently high levels of union coverage (dashed line) and union membership (solid line). Coverage rates were flat or even rising in all four countries. Membership rates, which are nearly as high as coverage rates, changed little or fell slightly.

The continental market economies (Figure 7), except arguably Switzerland, have high levels of union coverage. Since 1980, these coverage rates remained roughly flat or even increased in six of the seven countries. The exception is Germany, where coverage fell 25 percentage points between 1980 and the late 2000s. By contrast, union membership rates fell in all seven countries (though the decline was small in Belgium). All the continental market economies show a large gap between coverage and membership rates. The collective-bargaining systems in these countries extend negotiated wages and employment conditions to many non-union workers.

The liberal market economies (Figure 8) generally have relatively low unionization rates and these rates have declined in every one of these countries. In the late 2000s, relative to the rest of the liberal

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16 Hall and Soskice (2001).
18 We have also changed our category labels slightly. Navarro, Schmitt, and Astudillo (2004) use “social democratic,” “Christian/conservative,” “liberal,” and “ex-dictatorships.”
19 See Huber and Stephens (2001a, 2001b) and Navarro, Schmitt, and Astudillo (2004) for further discussion and a description of the criteria used for assigning countries to categories.
market economies, coverage rates were higher in Australia and Ireland and membership rates were higher in Canada, Ireland, and the United Kingdom. Between 1980 and 2007, union coverage and membership rates fell only about five percentage points in Canada. In the rest of these countries, however, unionization rates fell substantially. In all of the liberal market economies except Australia, there is little difference between coverage and membership rates because the collective-bargaining systems generally do not extend contract terms to non-union workers.

Results are less clear cut for the ex-dictatorships of Greece, Portugal, and Spain (Figure 9). Up until the mid-1970s, when all three were ruled by authoritarian right-wing governments, union membership was either mandatory (in Portugal, in state-controlled unions) or essentially illegal (Spain and Greece). As a result, through about 1980, the ICTWSS coverage and membership data show either erratic patterns (Portugal and Spain) or contain no data (Greece). Focusing on the period from 1980 to the end of the 2000s, union coverage rates rose in Spain, and declined slightly in Greece and substantially in Portugal. Membership rates, meanwhile, fell in all three countries (sharply in Portugal and only slightly in Spain).

FIGURE 6
Union Coverage and Union Membership, Social Democratic Economies, 1960-2010

Source: 1960-2010 ICTWSS data from Amsterdam Institute for Advanced Labour Studies (AIAS).

20 For a discussion of unions in Portugal and Spain during the transition to democracy, see Teixeira (2001); for Greece, see Ioannou (1999) and Robolis (2008).
FIGURE 7
Union Coverage and Union Membership, Continental Market Economies, 1960-2010

Source: 1960-2010 ICTWSS data from Amsterdam Institute for Advanced Labour Studies (AIAS).

FIGURE 8
Union Coverage and Union Membership, Liberal Market Economies, 1960-2010

Source: 1960-2010 ICTWSS data from Amsterdam Institute for Advanced Labour Studies (AIAS).
FIGURE 9
Union Coverage and Union Membership, Ex-dictatorships, 1960-2010

Source: 1960-2010 ICTWSS data from Amsterdam Institute for Advanced Labour Studies (AIAS).

Figure 10 summarizes the changes in union coverage between 1980 and the late 2000s. The 21 countries in the sample are organized by the four political categories, from top to bottom: social democratic, continental market, liberal market, and ex-dictatorships. While there is some variation within each political grouping, the change in coverage rates is strongly influenced by national political tradition. Between 1980 and 2007, the social democratic countries saw coverage rates increase, on average, five percentage points. Over the same period, the continental market economies experienced a small decline in coverage that averaged four percentage points. Meanwhile, coverage rates fell in all of the liberal market economies, with an average decline of 26 percentage points (20 percentage points at the median). In the ex-dictatorships, the average change over the period in coverage was close to zero.
Corresponding data for union membership rates appear in Figure 11. The change in membership rates also clusters by political category. Membership rates fell across all four types, but the average changes differ substantially across the groups. On average, membership rates declined 5 percentage points for social democratic countries; 14 percentage points for continental market economies; 23 percentage points for liberal market economies; and 18 percentage points for ex-dictatorships.

*1980-2008 change
**1979-2007 change

Source: 1960-2010 ICTWSS data from Amsterdam Institute for Advanced Labour Studies (AIAS).
FIGURE 11
Change in Union Membership, 1980-2007

Source: 1960-2010 ICTWSS data from Amsterdam Institute for Advanced Labour Studies (AIAS).

Taken together, the data on changes in union coverage and membership in Figures 10 and 11 suggest that national political traditions (as embodied in labor law, industrial relations practices, political party structures, and other factors) are a major determinant of trends in unionization over the last three decades. These findings are robust to the most common reclassifications of political traditions.

21 Our findings are consistent with the more detailed analysis of union membership trends by Sano and Williamson (2008), who conclude “concerns over globalization are not as crucial to union densities as many analysts have suggested” (p. 496).

22 For example, dividing the sample according to Hall and Soskice’s (2001) classifications, between 1980 and 2007, union coverage fell an average of 29 percentage points in their “liberal market” countries and an average of only 2 percentage points in their “coordinated market” economies.


**Conclusion**

National political traditions established in the period 1946 through 1980 have a strong capacity to predict changes in unionization rates from 1980 to the present. Of course, our analysis cannot establish causality, but the data are consistent with the view that national politics are a major determinant of national unionization rates and changes in those rates in recent decades. At the same time, the data contradict the view that a decline in unionization rates is an inevitable implication of “globalization” or technological change.
References


