

## **An Evolutionary Dynamic of Trade Union Systems**

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MPIfG Discussion Paper 98 / 4  
ISSN 0944-2073  
April 1998

### **Abstract**

In recent years, parallel trends of organizational restructuring have become manifest among trade unions. Sharing similar experiences of stagnant membership and falling density rates, coupled with structural shifts in employment from industry to services and a growing pressure to attend to the needs of more heterogeneous constituencies under increasingly decentralized labor-management relations, trade unions must adapt their internal operation and external representation. In particular, unions seem to suffer from the same inverse fluctuation of revenue and client needs as social security systems, as the economics of union organizing require that most members, most of the time, do not call upon the union's services except for the collective protection it offers.

In many countries, trade unions are now in a process of regrouping in which sectoral boundaries are becoming increasingly unimportant. Drawing on the case histories of union development in Germany and the Netherlands, the paper shows that current changes in the organizational landscape of trade unions are not based on political strategies of interest representation, grounded in visions of class unity or industrial governance, but are driven by an evolutionary dynamic of unions as service organizations which must respond to general principles of adaptive-economic rationality.

### **Zusammenfassung**

In den letzten Jahren lassen sich bei Gewerkschaften verschiedener Länder parallele Prozesse organisatorischer Umstrukturierung beobachten. Angesichts stagnierender Mitgliederzahlen und sinkender Organisationsgrade, Verschiebungen der Beschäftigung vom industriellen zum Dienstleistungssektor sowie der Notwendigkeit, den Bedürfnissen einer heterogener werdenden Mitgliedschaft bei zunehmend dezentralisierten Arbeitsbeziehungen gerecht zu werden, sehen sich die Gewerkschaften gezwungen, ihre Organisation nach innen ebenso zu überdenken wie ihre Politik nach außen. Insbesondere scheinen Gewerkschaften mit derselben gegenläufigen Entwicklung von Einnahmen und Mitgliederansprüchen konfrontiert zu sein wie die Sozialversicherungsträger, wobei die Ökonomie gewerkschaftlicher Organisation voraussetzt, daß die meisten Mitglieder die von der Gewerkschaft angebotenen Dienstleistungen in der Regel nicht in Anspruch nehmen.

In zahlreichen Ländern durchlaufen die Gewerkschaften heute eine Phase raschen organisatorischen Wandels, bei dem Abgrenzungen zwischen Wirtschaftszweigen zunehmend unbedeutend werden. Das Papier zeigt am Beispiel von Deutschland und den Niederlanden, daß die gegenwärtigen Veränderungen der organisatorischen Gewerkschaftslandschaft nicht in erster Linie von politischen Strategien der Interessenvertretung oder gar von Visionen solidarischer Klasseneinheit oder industrieller Selbstregierung getrieben werden, sondern von einer evolutionären Dynamik von Gewerkschaften als Dienstleistungsorganisationen, die allgemeinen Prinzipien adaptiv-ökonomischer Rationalität gehorchen müssen.

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## A A Parallel Transformation

In recent years, parallel trends of organizational restructuring have become manifest among trade unions in advanced industrial countries. Sharing similar experiences of stagnant membership and falling density rates, coupled with structural shifts in employment and growing pressure to attend to the needs of more heterogeneous constituencies under increasingly decentralized labor-management relations, unions must adapt their internal mode of operation and external representation. In many countries, from the United States to Britain and Australia, and from Scandinavia to mainland Europe, unions are now in a process of regrouping, through bargaining cartels, mergers and takeovers. In the process, sectoral and occupational boundaries are becoming increasingly unimportant for union organization, even in countries like Germany or the Netherlands, where “industrial unionism” has long been the leading principle of union organizational design.

Strikingly, the parallel transformation of union systems in different countries appears to be unrelated to the growing interdependence between industrial nations, caused for example by market or political integration. Also, unlike the situation in the founding years of union movements in Europe in the late nineteenth century, when socialist organizers propagated industrial unionism as a model for class unity, there is now hardly any mutual influence or diffusion across national borders. Where identical developments are observed in different countries, they seem to be caused by identical *endogenous* factors, resulting in *convergence without diffusion* or other modes of mutual causation.

Nearly all the literature on long-term patterns of union restructuring, union foundations, dissolutions and mergers is based upon research in Anglo-Saxon countries (Buchanan 1978, 1983; Chitayat 1979; Chaisson 1986, 1997; Freeman and Brittain 1977; Hannan and Freeman 1988, 1989; Undy et al. 1981; Waddington 1995). Industrial relations in these countries share a number of characteristics, including a union system in which craft unions survived and industrial unions were rivaled by general (“catchall”) unions (Fulcher 1991), the weakness of socialist politics and peak federations in the union movement (Lipset 1983; Marks 1989; Windmuller 1975), and a pluralist rather than corporatist system of interest organization (Crouch 1993). In this study we present two cases, Germany and the Netherlands, whose union systems represent a different tradition: a deep-rooted

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The authors thank Bernhard Ebbinghaus, Philipp Genschel, Anke Hassel, Norbert Kluge, and Renate Mayntz for their helpful comments.

commitment to industrial unionism, with a strong historical influence of socialist doctrine, a prominent role of peak associations, and a strong tendency toward corporatist interest intermediation in which employers' associations and public law tend to define, and stabilize, union representation rights.

Our paper shows that, in both countries, a profound transformation of union organization is under way, in particular of the demarcation of union domains and organizational boundaries; of the relationships between unions and the division of their representational territory; of structure and process within unions; and of the relationship between unions and their peak associations. The cause of this, we argue, is an *evolutionary dynamic of unions as organizations*, originating in their relation to their primary environment, their membership, and grounded in general principles of adaptive-economic rationality. In other words, we argue that current changes in the organizational landscape of trade unions are not based on political strategies of interest representation, grounded in visions of class unity or industrial governance, but are driven instead by the economics of service organizations which must deal with increasingly volatile and critical customers.

Similar conditions seem to be at work in other countries as well. In Britain, there is ample evidence of a financial, as opposed to a political, logic underlying union organizing and merger policies in recent decades (Buchanan 1981; Chaison 1986; Wilman, Morris, and Aston 1993). If we can show that the same mechanism is at work in two countries in which industrial unionism has been an article of faith, we will have established a stronger case for our main thesis. At the same time, we have benefitted from our "most similar cases" design in that we can demonstrate that small institutional differences, especially in collective bargaining, *do* matter and, in particular, help explain differences in the speed and outcome of union restructuring. Thus multiunion bargaining and open contests for union representation in the Netherlands, in contrast to a legal doctrine of exclusive jurisdiction in Germany, have exposed Dutch unions much earlier to competition for representation and have prepared them to cope with diversity in their bargaining domains. Together with obvious differences of size between the two countries, this helps explain why Dutch unions have led the way toward the formation of what we call "conglomerate unions."

In the next section, we will present our two case histories, preceded by a brief overview of the main developments. Following this, we will compare our two cases and try to explain the parallels and differences. We will then develop this into a general economic theory of union restructuring, based on a logic of service organization. Finally, we will discuss the consequences for the union movement at large, for the relationship between unions and their peak associations, and for the representation of labor interests.

## **B The Cases: The Netherlands and Germany**

To facilitate comparison, we will present some basic information on the union movements in Germany and the Netherlands in three summary tables. Table 1 presents the main structural events – reforms, affiliation, mergers, and cooperation attempts – in the two main Dutch and German trade union federations that are the object of our comparison. We can see that the Dutch federation – originally split between a Social Democratic and Catholic component – began its postwar history with three to four times as many affiliates as the Deutscher Gewerkschaftsbund (DGB) in Germany. However, three merger waves – one in the early 1950s, one in the early 1970s, and the unification of the Social Democratic and Catholic unions in the Federatie Nederlandse Vakbeweging (FNV) later in the decade – produced roughly equal numbers of unions in both countries. In the present decade, both federations are caught in a maelstrom of frantic merger activity and cooperation attempts which will not only lead to a significant reduction in the number of unions, but will also radically change the relationship between the federations and their affiliates.

Between the unions of the two countries there are considerable size differences (Table 2). In the DGB there were never more than four affiliates with *less* than 100,000 members, in the FNV and its forerunners never more than three affiliates with *more*. Nevertheless, we observe a parallel trend towards concentration, due to larger unions growing faster than smaller ones and, in the Dutch case, to union amalgamations and larger unions taking over smaller unions. In 1950, the four largest unions in the DGB (metal, public sector, chemicals, and construction) accounted for just over half (53 percent) of total DGB membership; in 1998, after the announced mergers have been implemented, their share will have risen to 72 percent. The four largest unions in the largest of the two Dutch federations in 1950 (which happened to be based in exactly the same sectors as in Germany) also began with a little more than half of the federation's membership; in 1998 they have regrouped in three, with 82 percent of the FNV members (together with the fourth largest union, the teachers, their share rises to 88 percent). Still, in spite of the trend towards concentration, many small unions survived, in particular in the Dutch case.

Table 1 Number of Unions and Merger Waves in Germany and the Netherlands, 1948–2000

	Netherlands (FNV; before 1982: NVV-NKV)		Germany (DGB)	
	No. of unions	Mergers	No. of unions	Mergers
1948	53	Union reform plan: industrial unions		
1949	55		17	Nationwide foundation of DGB and DAG
»				
1955	47	Reform in NVV completed, blocked in NKV	17	
»				
1967	46	Police and teachers join NVV	17	
1968	42	Small unions in industry and mining absorbed	17	
1969	40	Plan to reform NVV into one union fails	17	
»				
1972	27	Amalgamation process in industry completed	17	
1973	26	White-collar unions leave NKV	17	
1974	24	Reunification of Dutch union movement fails; CNV chooses independence; NVV and NKV continue	17	DAG proposes DGB membership, but is rejected
1975	25	Journalists join NVV-NKV federation	16	
1976	26	Formal start of FNV (federation of NVV and NKV)	16	ÖTV ends cooperation with DAG
»				
1978	26		18	Police officers join DGB
»	..			
1982	18	Amalgamation process in FNV completed	18	
»				
1986	16	Construction union proposes new reform; FNV begins review process (FNV 2000)	18	
»				
1989	16	Printers union, artists and service union begin cooperation project in media services	17	Printing and artist unions merge: IG Medien
1990	17	Military officers join FNV	17	DAG accepted as member of ETUC
1991	17		17	Announcement of merger between mining and energy union, and chemical industry union
1992	17		17	HBV rejects cooperation agreement with DAG
1993	18	Military conscripts join FNV	17	Leather industry union announces intention to join chemical and mining union
1994	19	Six medium-sized unions propose reform of FNV	17	ÖTV and DAG start cooperation
1995	19		17	HBV accepts cooperation agreement with DAG
1996	18	Conscription ended; merger between printers and service union defeated in vote	16	Construction and agriculture unions merge Five small unions ("Five Little Tigers") announce cooperation and merger plan, but fail Four unions in services sign federation agreement
1997	15	Merger of industry, service, transport, and food and agriculture union	13	Chemical, leather, and mining unions merge; textile union joins IG Metall
1998	?	Merger talks between public sector and education union	?	ÖTV, DAG and four other unions announce merger plan
1999	?		?	Merger of IG Metall and GHK (wood)
2000	?	Absorption of smaller unions? Two blocs?	?	



Table 2 Size Distribution of DGB and FNV Affiliates

DGB: German Federation of Trade Unions												
Size class (thousands)	Number of unions						Membership share (%)					
	1950	1960	1970	1980	1990	1997	1950	1960	1970	1980	1990	1997
10–50	1	1	2	2	2		0.8	0.5	1.2	1.1	1.1	
50–100	2	3	1	1	1		2.3	4.1	0.9	0.7		
100–250	5	3	5	4	5	3	13.2	6.8	12.0	8.3	11.8	6.8
250–500	5	5	4	6	6	3	35.0	28.1	21.8	26.9	28.4	11.0
500–1000	2	3	3	2	1	3	24.0	31.6	31.0	15.1	8.5	19.0
>1000	1	11	1	2	2	3	24.8	28.9	33.1	47.9	50.1	63.8
Total	16	16	16	17	16	12	100.0	100.0	100.0	100.0	100.0	100.0

  

FNV: Federation of Dutch Trade Unions <sup>a</sup>												
Size class (thousands)	Number of unions						Membership share (%)					
	1950	1960	1970	1980	1990	1997	1950	1960	1970	1980	1990	1997
<1	15	4		1	2	1	0.6	0.2		0.1	0.1	0.0
1–5	11	8	8	7	1	1	2.5	2.0	1.8	2.0	0.5	0.1
5–10	9	8	7	2	3	5	8.9	6.6	5.3	1.7	1.6	2.9
10–50	20	17	14	9	5	4	70.5	50.7	41.1	26.2	13.2	8.8
50–100	2	4	4	3	3	1	17.5	29.2	28.8	22.6	19.9	6.1
100–250		1	2	3	2	1		11.3	23.0	47.5	36.9	13.7
250–500					1	2					27.8	68.2
Total	57	42	35	25	17	15	100.0	100.0	100.0	100.0	100.0	100.0

a Before 1982: Dutch (Social Democratic) Federation of Trade Unions (NVV) and Dutch Catholic Union Movement (NKV).

Source: DUES Database (Mannheimer Zentrum für Sozialforschung)

Table 3 shows membership trends since 1950s, revealing striking similarities between the two countries. After an initial phase of strong membership growth in the 1950s, growth stagnated in the 1960s, with some improvement in the 1970s and a reversal in the 1980s. The latter was much stronger in the Netherlands than in Germany, where the DGB unions, taken together, appear to have avoided a membership crisis until the early 1990s. The extraordinary impact of German unification on trade union organization is clearly visible in the turbulent developments in the 1990s, and there is little doubt that these have contributed to the financial difficulties of various DGB unions. Table 3 also shows that both federa-

Table 3 Membership trends in the DGB and FNV<sup>a</sup>

Year	Members (thousands)		Associational monopoly <sup>b</sup> (%)		Years	Growth (%)		Density <sup>c</sup> (%)	
	DGB	FNV	DGB	FNV		DGB	FNV	DGB	FNV
1950	5,451	717	91.0	59.0					
1955	6,105	748	85.5	67.5	50–55	11.2	11.8	30.3	26.4
1960	6,379	918	82.0	65.6	55–60	4.5	8.3	29.0	26.9
1965	6,575	947	81.2	64.0	60–65	3.1	3.2	27.7	25.4
1970	6,713	1,011	81.4	63.9	65–70	2.1	6.8	26.6	24.0
1975	7,365	1,057	82.1	61.4	70–75	9.7	4.6	27.2	23.0
1980	7,883	1,053	82.6	61.0	75–80	7.0	0.0	28.1	22.3
1985	7,720	894	81.5	59.4	80–85	-2.1	-15.1	27.0	19.0
1990	7,938	1,016	81.8	61.6	85–90	2.8	13.7	25.3	15.5
1991	11,800	1,060	85.8	62.6	90–91	48.6	4.3	28.3	16.3
1996	9,007	1,197	83.6	63.9	91–96	-23.7	11.3	25.8	17.5

a Before 1982: Dutch (Social Democratic) Federation of Trade Unions (NVV) and Dutch Catholic Union Movement (NKV).

b Membership in DGB or FNV unions as a percentage of total union membership in Germany or the Netherlands.

c Employed members of the DGB or FNV unions as a percentage of all employed wage and salary earners in Germany or the Netherlands.

Source: DUES Database (Mannheimer Zentrum für Europäische Sozialforschung)

tions have done well in defending their share against competing unions, but that this occurred in a context of declining overall union density, in particular in the Netherlands.

Relating the trends shown in Table 3 to the events summarized in Table 1 presents us with various puzzles. First, there is nothing in the development of membership and union density in the Netherlands compared to Germany that accounts for the much stronger merger activity before 1980. This suggests, as we argue in detail later, that the logic of union restructuring is determined by absolute size and not by density. Second, given that many small unions survived the trend towards concentration, there are probably institutional factors at work that facilitate “resource partitioning” between a large group of small, “specialist” unions and a few large, “generalist” ones. We will consider these factors and the underlying ecological argument in section C.

### The Netherlands: From Reform by Design to Change by Necessity

When, after five years of war and occupation, the Dutch unions resurfaced from illegality, there was a strong but short-lived movement to overcome the prewar religious and ideological divisions. However, Dutch unions did not unite, as they did in Germany or Austria; nor did they try to, as the Italians did. Despite almost four years of suspended activity, the three prewar formations – Socialist, Catholic and Protestant – reestablished themselves with nearly unchanged structure, with the same number of affiliates and divisions between them. Private sector unions established themselves around single sectors, many on the basis of occupations; supervisors, foremen, office workers and technical staff gathered in separate unions, and of each of these there were three. Local and central government employees were unionized separately, and most joined unaffiliated unions. In 1945, there were 339 unions in total, only 30 less than in 1939. Seventy-six unions became affiliated with the three main federations.

A *Unity Union Movement* had developed in the final year of the war as part of a broader resistance movement. Its initial popularity did not last; it soon became a mouthpiece for the Communist party and was marginalized.<sup>1</sup> The events drew the three traditional federations closer together, despite different ideological commitments and political affiliations. Even before the war ended, they had decided to cooperate, at leadership level, in a *Council of Trade Union Federations*. A deepening of this cooperation at the level of affiliated unions was foreseen, but not implemented. The three federations did, however, take steps to eliminate price and product competition between them,<sup>2</sup> and one of the first decisions of the *Council* was to set up a reform committee with the task of designing a uniform union structure for the three federations in order to facilitate cooperation and adapt the unions to the new tasks of economic and industrial consultation.

The committee's unanimous advice to restructure the unions into fifteen "industrial unions" was published in early 1946 and was accepted by the executives of

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- 1 In the summer of 1945, the Unity Unions probably had more members than the Social Democrats, with whom unsuccessful merger negotiations took place in 1946. They were excluded from the official corporatist institutions, such as the Foundation of Labor (Windmuller 1969).
  - 2 To this end, they decided to levy a uniform membership dues rate – two percent of gross weekly wages – and to establish uniform funds for death benefits and, for female members, marriage benefits (Lammers 1951: 84). They also agreed that affiliates would not accept members who had been expelled from one of the other two federations.

the three federations within months. This was based on the expectation that the postwar economy would be reorganized and managed along new, rational lines. "In order to participate effectively in the projected Dutch version of the corporate state the unions had to put their own house in order so that internal representational and jurisdictional problems would be no obstacle" (Windmuller 1969: 156). As early as the 1920s and 1930s, Social Democratic visions of organized capitalism and functional democracy had converged with Catholic and Calvinistic principles of class collaboration and self-regulation subsidiary to state interference. In both versions, the sector emerged as a self-contained subunit and level of aggregation for socioeconomic planning and consultation. The key idea was to set up a bipartite board in each sector with the task of supervising and influencing the behavior of firms. Although the *Law on Industrial Organization* of 1950 was only a weak version of the original plans, and actual implementation was an outright failure due to the resistance of large firms,<sup>3</sup> the unions went ahead with internal reform. To realize the "one sector, one union" idea, the reform committee proposed to merge adjacent sectoral unions, dissolve the occupational unions, and redistribute the membership of the latter to the sectoral unions. Thus, the general clerical workers' unions would have had to narrow their domain to commercial services and transfer their members in other branches to the relevant industrial unions.

Opposition to these plans was strong, and none of the federations reached the goal of fifteen sectoral unions. The Social Democratic federation acted with the greatest resolve, perhaps due to the weight of its blue-collar unions. When the draftsmen's union disputed the authority of the federal leadership, it was expelled. Other unions were dissolved or had their borders redrawn, and between 1949 and 1955 the number of affiliates decreased from 32 to 22. The Protestant federation took longer and used less drastic methods, but also realized the goal of integrated industrial unionism. At the same time, it seized the opportunity of moving into sectors where it had previously hardly existed, and its total number of affiliates remained constant at 24. It is ironic that the Catholic federation, itself most committed to the idea of sectoral corporatism, was unable to overcome the opposition of its white-collar unions, who successfully rallied the support of intellectuals and church leaders against a union with manual workers. In its case, the number of affiliates remained unchanged at 25.

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3 The law created a three-layered structure of consultation: at the top a tripartite Social Economic Council to advise the government, in the middle a set of bipartite Industry or Product Group Boards to supervise pricing decisions, and at the bottom works councils that included the employer.

It soon became clear that many of these unions were not viable. At the end of the statutory wage restraint policies in 1962, when Dutch wages caught up with those in neighboring countries, the salaries of union staff were pushed up as well. Unions had been unable to enforce membership contributions of two percent of gross weekly earnings. Membership stagnated and in the late 1960s, when industries such as mining, textiles and shipbuilding suffered severe job losses, many unions were in financial trouble (Dubois 1987). By 1970, they were looking for mergers in two directions, between adjacent industries and across the religious divide.

Again, the Social Democratic federation pursued the boldest solution. In 1969, its chairman proposed to replace the federal structure, based on membership in affiliate unions, by a unitary structure, with direct employee membership and a shared executive, administration and service organization. This “one big union” – with 550,000 members, or twice the number of 1945 and half that of today – was to be internally differentiated into eight broad sectors for the purpose of membership representation and coordination of collective bargaining. The proposal received strong backing from manufacturing unions and won 60 percent in a test vote in the General Council. However, when the public sector union announced that it would resign if the federation pushed ahead, this put an end to the proposal. If nothing else, this episode signaled the rise of the public sector in the Dutch union movement and the end of the unchallenged authority of federations over affiliates that had been so characteristic of the early postwar years.

Frustrated, the manufacturing unions decided to act on their own. In 1972, the three unions in metal engineering, in textile, clothing and leather and in miscellaneous industries (chemicals, rubber, stone, paper, sugar, beverages, and cleaning, as well as what was left of the mining, tobacco and diamond industries) amalgamated to form the *Industriebond* (IB). Similar amalgamations took place between unions in construction and in wood and furniture, as well as between unions in food processing, dairying and agriculture. In order not to lose time, Catholic and Protestant unions followed suit. The total number of affiliates fell from 66 in 1968 to 40 in 1973.

In a parallel movement, the three federations tried to achieve closer integration. In 1974, when the Protestant federation rejected a full merger, its Catholic counterpart, which was experiencing increasing financial difficulties due to declining manual unions and the departure of its white-collar unions,<sup>4</sup> had no choice but to

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4 The two white-collar unions of the Catholic federation anticipated that they might

join up with the Social Democratic federation. The actual merger proceeded in two stages: in 1976, the two federations formed a new *Federation of Dutch Trade Unions* (FNV); six years later, they amalgamated. The 26 affiliates of 1975 became 16 in 1985, which compared to 15 affiliates in the Protestant federation (CNV).

The size and domains of these unions differ considerably. The two largest FNV unions represent about one half of the total FNV membership, and the eight smallest less than three percent. The largest union in each of the two federations is a public sector union, *AbvaKabo*, representing 325,000 of the 1,197,000 FNV members, and its Christian sister union, CFO, representing 87,000 of the 350,000 CNV members.<sup>5</sup> Both unions recruit in the public, semi-public (subsidized) and formerly public sectors, ranging from public administration to social insurance, welfare and health services, universities, utilities and the privatized telecommunications system, PTT, to sheltered workplaces for disabled workers. In addition, there are three smaller FNV unions in the public sector with a strong occupational identity, for teachers (73,000 members), military staff (19,000 members), and police officers (19,000 members).

The largest union in the private sector, the *IB*, has 249,000 members in industries such as food and beverages, metal engineering, chemicals, textiles, clothing, building materials, industrial cleaning and household services. There are two more unions in manufacturing, one in food and agriculture (64,000 members) and one in printing, paper and publishing (42,000 members). Wood and furniture workers are organized together with the construction workers in the *BHB* (164,000 members). Private services are organized mainly by two unions: the transport union has 80,000 members, whereas the services union, *Dibo*, has 99,000 members in department and retail stores, commerce, banking and insurance, business and professional services, radio and television, nonprofit organizations, and personal services. In addition, there are seven small, partly occupational un-

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not be able to defend their separate status in a merger with the Social Democrats and decided to leave in 1973. They teamed up with unions of managerial staff and senior civil servants in a new federation, the MHP, founded in 1974.

- 5 The FNV represents 64 percent of all union members in the country and the CNV 18 percent (all figures are as of January 1997); the MHP adds another 8 percent and a fourth federation, the ACV, 6 percent. The ACV, which comprises about 20 occupational unions and federations with membership mainly in the public sector, amalgamated with the FNV in the course of 1997; its teachers' and government staff union joined the respective FNV unions. But in 1996, most affiliates, and half its membership, left the AVC, and some have formed a new independent federation, which vies for the membership of the independent occupational unions of nurses, train drivers, pilots, air traffic controllers, banking staff and the like. Negotiations have started to join the MHP, which is itself in a process of restructuring.

ions for hotels and catering, merchant navy officers, journalists, artists, workers in sports facilities, professional soccer players, and hairdressers.<sup>6</sup>

This structure is undoubtedly a far cry from the original goal of fifteen industrial unions of roughly equal importance. Three of the FNV unions, AbvaKabo, the IB and Dibo, are multisectoral and even conglomerate unions, while others cover just one sector or less, and still others organize occupational groups. In fact, more than half of the unions in the FNV would not be viable without the hidden subsidies involved in federation services that are essentially paid for by the three strongest and richest affiliates.<sup>7</sup> Occasions for domain overlap and conflict are numerous, for example in commercial fishing (agriculture or transport), in building materials, plumbing and electricity (manufacturing or construction), in food retailing (services or food processing), and in communication (public sector or services). Moreover, new and expanding branches of activity, such as environmental protection, cleaning, tourism and information services, are hard to allocate between unions.

In 1987 the FNV identified around 50 contested domains. In a self-critical report, it also pointed out that there were areas of the economy where no affiliate union had sufficient resources to recruit, organize and represent workers. This is particularly true for large areas of commercial and professional services (including software and computing firms), where unions are virtually nonexistent. Business outsourcing strategies and the rise of small firms, the relocation of ancillary staff to cheaper collective agreements, the increasing use of nonstandard employment contracts, and growing part-time employment all add to the “blank spots” on the union map. The internal review committee of the FNV, which looked into the causes of the huge membership losses of the early 1980s (see Table 3), proposed a

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6 Nearly the same structural diversity of affiliates is found in the Christian (Protestant) federation, except for professional soccer players, hotel and restaurant workers and navy officers, who all work on Sundays.

7 Combining the old wealth of the miners, the diamond and the metal workers' unions, the IB is the richest Dutch union; it boasts 40 percent of all financial assets and half of the strike reserves of the FNV and its affiliates together. The BHB (construction) comes second with 33 and 21 percent respectively (Smid and Schilstra 1992). Together, both unions represent roughly two thirds of the total wealth of the FNV and its unions, estimated at 700 million Dutch guilders in 1987 (Dubois 1987). AbvaKabo and the printers are the only other unions – with 9 and 6 percent of the total assets, respectively – with a sound financial basis. A union's financial basis is sound if its annual expenditure is matched by annual subscription income, if non-fixed assets are roughly equal to the annual budget, and if there is a separate strike fund which roughly equals one day of full strike payment for all members.

joint recruitment effort and a consolidation of membership services to eliminate duplication.<sup>8</sup> However, AbvaKabo and the IB vetoed a structural reform which might have regrouped the FNV in three or four broad sectoral unions. They also resisted a centralization of membership services at the federal level, which from their point of view would mainly have raised the structural subsidy to the smaller affiliates.

Some action was needed, however, as the federation and many of its affiliates were in dire financial straits. The total number of staff was reduced by one third between 1985 and 1995, partly because previous mergers had left the federation and many unions overstaffed.<sup>9</sup> Together with the BHB, the IB arranged for a number of loans and one-time subsidies to bail out the federation and pay for its new, smaller building.<sup>10</sup> Also, together with AbvaKabo, they financed recruitment drives by the services and transport unions in banking and at the Amsterdam airport. In a number of cases, domains and members were swapped, but it soon became clear that such exercises were extremely painful and paramount to inviting secession.

A more structural approach was required. The services and transport unions were desperate for a merger and began to send out invitations. In 1990, the chairman of the transport union proposed a clustering in three groups: industry, private services and public services, with a joint investment fund for union recruitment in the private service sector (Vreeman and Hendriks 1990). Six medium-sized unions succeeded in passing a resolution at the 1994 FNV delegate

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8 "De FNV in de komende 14 jaar," Amsterdam, 1986; and FNV 2000 project, Amsterdam, 1988.

9 In the mid-1980s, the IB eliminated 100 staff positions (one fourth of the total), the BHB 20, the FNV federation 40, and another 50 in the 1990s. Total union staff declined from 2,000 to 1,600, and at the federal level from 270 to 170 (excluding staff in training centers).

10 The last of these involved a financial rescue package of 40 million Dutch guilders, which was roughly a full annual budget of the federation. The recapitalization was badly needed because the FNV's own resources had been depleted to less than 10 million guilders (18 percent of the annual budget) as subscription income (from its affiliates) fell behind expenditure. Although the FNV unions showed large membership gains of over 10 percent from 1986-1991, subscription income only rose 4 percent in real terms during that period, hence subscriptions per member declined. Since the contribution to the federation is fixed as a percentage of membership dues and has hardly changed, this must mean that the dues which members pay to their unions have fallen behind and more members pay less than full rates because of unemployment or retirement.



conference, proposing a renewed study of the possibility of closer cooperation. Since a merger between them would not have made them rich and the proposal for a common investment plan for the private sector had been rejected by the rich unions, the transport and service unions had no option but to court the unions in the manufacturing industry. A negotiated merger between Dibo and the printers failed because Dibo needed more money than the printing union could offer; the latter's membership disliked the merger for political reasons and voted against it on the grounds that the journalists were not taking part. Significantly, the printers were the first Dutch union to contemplate a transnational merger; in February 1997, they announced that they were seeking amalgamation with the printers' unions in Germany, Austria and Switzerland.<sup>11</sup> Various other merger efforts failed until, in May 1996, the IB announced that it had started merger talks with Dibo. Within weeks, two more unions (transport and food) invited themselves to the party. The construction union also tried to join the bandwagon, but was rejected because its participation would have delayed completion of the merger.

Approval by the delegate councils of the four unions came quickly. The new union, which chose the name "Allies" (in Dutch: "Bondgenoten"), will come into existence early in 1998 and will represent approximately 40 percent of the FNV membership; it organizes throughout the private sector, from the agriculture and manufacturing industry to services. The construction union will probably join later since it has no other options. AbvaKabo will form a second bloc through continuous growth in its domain, especially in health care and communication services, and by absorbing other unions. In 1998 it will incorporate the ACV union for local government staff and begin a cooperation project with the teachers' union which was formed early in 1997 from a merger with another ACV union. Another independent union declined an invitation to join, as did the FNV unions of policemen and military officers. Whether these unions will remain independent will depend on whether their location in the public sector continues to provide them with effective organizational security,<sup>12</sup> on the level of services pro-

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11 The pressure on the union is strong because its domain is shrinking and the closed shop for manual workers is rapidly losing its significance as a consequence of technological and organizational change. Printing is the only industry in the Netherlands with a formal closed shop (since 1912).

12 Strong provisions for union security, such as paid leave for workplace representatives and involvement in conflict resolution procedures, have helped unions of teachers, police and military officers; hairdressers benefit from their participation in bipartite training and license boards, journalists, artists and merchant navy officers from a strong sense of occupational identity, and professional soccer players from their control of the transfer system. It is no coincidence that together with the print-

vided through the federation, and on the merger policy of AbvaKabo. The latter is not in a hurry. While its multisector structure can accommodate a high degree of sectoral autonomy for any union which it may incorporate, the union is unlikely to jeopardize its organizational integrity by compromising its principle that officials must not be answerable to specific occupational groups.

The formation of two mega-unions has the advantage of internalizing some border conflicts.<sup>13</sup> External borders, however, are messy. The two main principles of demarcation, sector and ownership, do not only conflict but are losing their defining quality as a consequence of the desectoralization and privatization of the economy. Actual boundaries are often arbitrary, depending on historical patterns that have lost their meaning. Moreover, with the bulk of the membership in two unions, the future of the federation has become uncertain. In the past, federation activities in effect subsidized small affiliates who could not afford to offer their members full services. Allies and AbvaKabo, however, will probably perform many services themselves. AbvaKabo, whose members work in a more stable employment environment and demand less costly (legal) services, no longer participates in the FNV legal service organization. Allies has decided to set up its own services in cooperation with the BHB and the printers. The federation had no choice but to merge its member service department, which was already made independent, with the service organization of Allies. Other FNV unions will now have to buy services for their members at a higher cost.<sup>14</sup> Corresponding with these movements toward "internalization" of services which can be better targeted to the specific needs of the organization and its members, Allies and AbvaKabo are likely to reduce their contributions to the federation, which claims an internationally high level of 17 percent of its affiliates' income from subscriptions.<sup>15</sup> As a result, smaller unions are likely to become even less viable, except

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ers these are the most highly unionized groups in the Dutch labor market, sometimes with density rates of up to 90 percent. The BHB has benefited from its involvement in the administration of unemployment insurance and sickness benefits in the building industry, but in the recent reorganization of the administration of social insurance this practice has been outlawed. The direct consequence is that the union will have to take around 70 local officials onto its payroll.

13 Of the 45 border conflicts still existing in 1991, eight were between the four unions which make up the FNV Allies (FNV: "De werkerreinen van de FNV bonden," Amsterdam, April 1991).

14 For a critical assessment of these developments and their consequences for the internal cohesion of the FNV, see van Beek, van Minnen and Onstwedder (1997).

15 This is only slightly lower than in the 1960s, when the federation played a much more prominent role (Visser 1990). However, on the basis of members per union the subscription rate to the federation has fallen from 18 to 13 percent on average. In real terms, membership dues have hardly kept pace with inflation; the same is true of the payments to the federation (around 35 Dutch guilders per member).

where their small scale is compensated by strong occupational identity, spatial concentration and high union security.<sup>16</sup>

### Germany: Industrial Unionism in Distress

The structure of postwar German unionism remained remarkably simple and stable for a remarkably long time. Manual and nonmanual workers were organized together in 16 industrial unions affiliated to the Deutscher Gewerkschaftsbund (DGB), with presumably no overlap of domains. Religious or political divisions were absent or insignificant. Interunion competition existed only for white-collar workers – between the DGB and a breakaway white-collar union, the DAG – and for civil servants, where the DGB competed with the Deutscher Beamtenbund (DBB). In both areas, however, DGB unions always had more members than their competition. In the 1970s, the DGB admitted a 17th affiliate, the Gewerkschaft der Polizei (GdP), which had formed out of a breakaway from the DBB and a section of the public sector union, the ÖTV. This was the only change in the structure for almost 40 years.

Officially, the DGB and its member unions were, and still are, committed to *industrial unionism*. In its origins, the concept was closely linked to a view of a modern industrial economy as divided in vertical sectors, or “industries,” that extend from the production of raw materials to the distribution of the final products. Early twentieth-century visions of “organized capitalism” regarded industries as organic subunits of national economies, and as the natural basis of organization for both economic planning and economic democracy. In fact, the popularity of industrial unionism among European unions, especially since the First World War, resulted from the expectation that organization by “industries,” internalizing and thereby suspending conflicts of interest between workers at different stages of the production chain, would enable unions to become effective agents of economic planning.

It is interesting to note that the number of unions in the early DGB, 16, was close to what advocates of industrial unionism in other countries, such as Austria, Bel-

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16 The current merger wave in the FNV has speeded up plans in the Christian federation, the CNV, to share offices and staff. A number of mergers are being prepared, and a future merger with FNV unions is no longer excluded. It is noted in passing that the pattern of union foundation and merger among the three traditional union formations in the Netherlands is a fine example of copying behavior between organizations.

gium, Switzerland and the Netherlands, had long envisioned as ideal. Apart from Switzerland and Austria, however, where the national confederations, the SGB and the ÖGB, had 15 and 16 affiliates respectively, the rationalization of union structures went nowhere nearly as far as in Germany. For example, in 1950 the Swedish, Norwegian, and Dutch Socialist peak associations, although each long committed to industrial unionism, still had 45, 39, and 28 affiliates (Visser 1990: Table 18). That West Germany had such a small number of industrial unions after 1945 had to do with the fact that the number of unions in the ADGB had already been relatively small before 1933; that the newly founded DGB could draw on the even further simplified structure of "industrial groups" in the Nazi Ersatz union, the Arbeitsfront; and that the historical rupture after 1945 gave the forces of union modernization and reform a relatively free hand.<sup>17</sup>

Still, upon closer inspection the West German system, apart from the small number of unions that it was made up of, turns out to have always corresponded less than perfectly with the principles of industrial unionism. From the beginning, size differences between the DGB unions were enormous, with membership ranging from 1,528,000 (IG Metall) to 38,000 (Gewerkschaft Kunst) in 1950. Moreover, some of the unions in the DGB were clearly not "industrial" but occupational in character, such as the teachers' union (GEW) or the IG Druck und Papier, which was really a craft union of printers and typesetters. In addition, the postal workers (DGP) and the railway workers (GdED) were in effect company unions of large public enterprises, and the ÖTV, the principal public sector trade union, always organized a vast conglomerate of industries, ranging from road haulage to medical services, from the barber trade to the public bureaucracy, and from the universities to the electricity supply industry.

Domain overlaps also existed from early on, as can easily be noted by looking at the original names of various DGB unions – for example IG Bau, Steine, Erden, IG Chemie, Papier, Keramik, and the IG Druck und Papier. Less visible cases are the aluminum industry, which falls in the domains of both IG Metall and IG Chemie, and the electricity supply industry, to which both ÖTV and IG Bergbau und Energie lay claim. In fact, as early visions of codetermination at industry level (*überbetriebliche Mitbestimmung*) in a system of economic democracy faded, the meaning of industrial unionism gradually came to be divorced from the idea of objectively existing sectoral production chains. Instead it was reduced to three pragmatic principles: the joint organization of blue- and white-collar workers; the

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17 The number of industrial unions in the East German FDGB was similarly small, for the same reasons.

absence of political or religious divisions; and the avoidance of multiunionism at the workplace (“one plant, one union”).

The fact that German unionism was only partly organized along industrial lines was hidden by the overwhelming presence of the metalworkers’ union. From steel to musical instruments, IG Metall represents the entire domain of what in German is called the *Metallindustrie*. What is more, in accordance with the economic rationale behind industrial unionism, it undertakes to cover the larger part of its domain with just one collective bargaining agreement, trying to take wages out of competition all along the Metall production chain.<sup>18</sup> This is in sharp contrast to most other DGB unions, which, regardless of their self-description, have always negotiated separate agreements for the different industries they organize – such as the textile and clothing workers’ union (GTB), the union of chemical, paper manufacturing and ceramics workers (IGCPK), and of course the ÖTV.

If German unions were by and large successful in avoiding interunion competition, especially in the workplace, this was not because of an “objective” logic of sectors as organic economic entities, but because of institutional factors. Although the simultaneous presence of more than one DGB union in the same “industry” was not unusual, this did not normally lead to competition for members or collective bargaining rights. This is because of certain provisions in German labor law designed to ensure stable industrial relations, and in particular to bar employers from picking a union to represent their workers. Which union has bargaining rights with a particular employer is decided, if necessary, by the labor courts, which adjudicate on the basis of the domain demarcations in the unions’ rule books. If these overlap or are unclear, the courts follow the ruling of a dispute committee established under the rulebook of the DGB for this purpose. Clearly this considerably enhances the authority of the DGB.<sup>19</sup> In the absence of a DGB ruling, bargaining rights are granted by the courts to the union that was the first to represent a particular plant, even if the employer has since left the respective employers’ association or has a valid industrial agreement with another DGB

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18 Notwithstanding regional differentiation of agreements, which exists largely for historical and tactical reasons. IG Metall also signs individual agreements with employers that do not belong to an employers’ association; its policy, however, is to make those agreements as similar as possible to the industry-wide agreement. The fact that there is a separate agreement for the steel industry is not of the union’s choosing and has to do with the existence of a particular sort of co-determination in that sector.

19 The situation is of course different if one of the unions involved is not affiliated to the DGB. In most cases, however, such unions either do not exist or are too weak to be legally recognized as viable collective bargaining agents.

union. Double jurisdictions are avoided unless awarded by the DGB. While the details are complicated, the effect is that industrial unions mostly respect DGB rulings in jurisdictional disputes, and employers find it difficult if not impossible to migrate from the domain of one union to that of another.<sup>20</sup>

In spite of a considerable structural potential for interunion rivalry, then, for a long time the only threat to the original domain demarcations among DGB unions was the small size of some of them. Even this, however, was manageable for many years. As the DGB is entitled to 12 percent of the subscriptions collected by affiliated unions, it was able to support its smaller affiliates in a variety of ways. For example, in its early years the retail and banking staff union, the HBV, received cash transfers subsidizing its battle with the DAG. Also, a wide range of DGB activities benefit small member unions more than large ones, who maintain their own departments for research, international relations, social policy and the like. Most importantly, the DGB maintains a legal service representing the members of all affiliate unions in the labor courts; this is something smaller unions find hard to offer their members on their own at an acceptable cost.

Nevertheless, in 1989, after long preparations, the then smallest of the DGB unions, the union of artists and actors (Gewerkschaft Kunst; 30,000 members), joined the printers' union, IG Druck und Papier, to form an industrial union of "media workers," IG Medien. At the time, this was explained not primarily in terms of economic necessity, but as an overdue application of the principle of industrial

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20 The close connection between union structure, collective bargaining and labor law in Germany is demonstrated by the case of Agfa Gevaert. Before becoming a subsidiary of the chemical company Bayer, Agfa, which mainly made cameras, was organized by IG Metall. When it was taken over by Bayer, IG Chemie agreed that Agfa should stay with IG Metall. In 1989, however, Agfa resigned from the metal employers association and joined the association of the chemical industry. When IG Chemie subsequently tried to take over the union members at Agfa, IG Metall took the company to court and IG Chemie to the DGB dispute committee. The committee ruled in favor of IG Metall, in line with its practice of adjudicating in favour of the established union. Its decision was, however, contested by IG Chemie which had already signed a company agreement with Agfa, on the grounds that the DGB had never issued clear guidelines on the allocation of firms to industries and industrial union domains. Further mediation attempts were without success. In a decision by the Federal Labour Court in September 1996, the matter was settled in favor of IG Metall. Following the DGB dispute committee, the collective agreement between Agfa and IG Chemie was found to be flawed, and IG Metall was declared the only representative union. In March 1997, IG Chemie took the issue to the Federal Constitutional Court, arguing that the DGB statute interfered with the freedom of association.

unionism. In the 1970s, the printers had already teamed up with a writers' association, and they had also long been trying to include journalists. Organizing supposedly progressive intellectuals appealed to a traditionally militant, leftist union dominated by the blue-collar labor aristocrats of the printing trades. It also made good potential sense in the light of the long and bitter strikes in the printing trade in the 1970s and 1980s, in which more support from journalists would have been helpful. Moreover, as technological change annihilated the union's old membership base, moving into the booming creative part of the media industry seemed not just ideologically and politically, but also economically and organizationally the right thing to do.

The transformation of postwar German unionism did not begin in earnest until several years later, when the organizational structure that had been established in 1949 was knocked out of balance by the shock of unification and the simultaneous onslaught of rapid economic change.<sup>21</sup> Absorption of the old GDR unions increased the number of members of DGB affiliates by almost 50 percent in the early 1990s, in a very short period. Practically all unions made the mistake of expanding their staff accordingly, only to experience severe economic stress when membership collapsed, first in the East, where one sixth of the membership left the unions in 1992 alone, and then throughout the country due to recession and accelerated restructuring. Overall, German unions lost over two and a half million of their members between 1991 and 1996, one fifth of the total (Table 3). Faced with the need to send officials into early retirement and shut down local offices, unions had to become more attentive to their own economics. They also became more conscious of their jurisdictional boundaries and the potential benefits of exploiting them fully – by acting on hitherto dormant domain claims – or expanding them. As a consequence, jurisdictional disputes among DGB unions not only proliferated but became more difficult for the DGB to adjudicate.

The new economism of German industrial unions was reinforced by deep changes in the economy and in the organization of large firms. The *decline of manufacturing employment*, which greatly intensified in the 1990s, made unions from old industrial sectors search for new sources of membership. The practice of large firms to *spin off* individual departments, especially those with service functions which often happened to have rising employment, added to the pressure on manufacturing unions, while stirring the appetite of unions in the service sector. The *privatization* of large parts of the public sector undermined the *raison d'être* of public

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21 For initial accounts and the impact of the unification shock, see Frech (1996) and Lang and Schaaf (1997).

sector unions and raised the possibility of joint organization with related private sector activities. Technological change gave rise to entire *new sectors*, such as multimedia, environmental protection or mobile telephony, which were entered by firms from a variety of older sectors organized by a corresponding variety of unions. And not least, in the new competitive environment *employers* became more conscious of wage differences between different unions, and tried more actively than in the past to move their firms or individual operations to favorable industrial agreements.

Unions responded, at first, with a wave of unilateral changes in their rulebooks, expanding the range of economic sectors for which they claimed jurisdiction and thereby creating a rapidly growing number of domain overlaps. Some of these changes were simply to clarify the fact that certain sectors, including newly emerging ones, had always properly belonged to the union in question. In other cases, unions explicitly included activities that had in the past taken place under the roof of "their" firms, but were now being organized as separate businesses, usually in the tertiary sector. The most prominent case in point concerns the data processing departments of large metal manufacturing firms that were spun off in the 1990s; in response, IG Metall included data processing and software production in its domain, which brought it in conflict with the HBV. Unions even added areas to their domain that had no recognizable connection at all to their traditional territory, usually because they were being newly entered by firms that they had traditionally organized. An example of this is the privatized railway company, Deutsche Bahn, which will shortly begin offering telephone services, drawing the railway union into this rapidly growing and heavily contested industry.<sup>22</sup>

Parallel to intensifying domain contestation, the unabated economic distress of the smaller DGB unions increased the pressures and opportunities for mergers. Before 1999, no fewer than five small unions will have been absorbed by three large ones, reducing the number of unions in the DGB to 11. The merger wave began in the course of 1995, when the leather workers (GL; 23,000 members), the miners (IG BE; 376,000 members) and the chemical workers (IGCPK; 723,000 members) agreed to amalgamate in 1997; the combined union will bear the name of IG Bergbau, Chemie und Energie (IGBCE).<sup>23</sup> Both the leather workers and, es-

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22 Firms offering telephone services in Germany now include the former post office, Deutsche Telekom, which continues to be organized by the union of postal workers (GDP); the steel and engineering conglomerate, Mannesmann, which is organized by IG Metall; the privatized railway company, Deutsche Bahn; and several newcomers, especially in the mobile phone sector.

23 The origins of this development lay in 1991, when the miners sought and found the



pecially, the IGBE were old and formerly large unions that owned considerable assets; in fact, financially the miners' union could probably have continued to exist and pay its officials in the absence of any income from subscriptions. The incorporation of the conservative miners' union in the chemical workers' union was widely perceived as an attempt by the latter to create a counterbalance in the DGB to IG Metall, with 2,869,000 members by far the largest and richest German union.

Next, in 1996, the agricultural workers (GGLF; 83,000 members) joined the union of construction workers (IGBSE, 640,000 members), which in the process renamed itself IG Bauen-Agrar-Umwelt (IG BAU). The main benefit for the construction workers seems to have been that the merger enabled them to include a reference to *Umwelt* – the environment – in their name, helping them extend their domain to the growing area of environmental products and services. As early as 1991, the IGBSE had tried to change its name to IG Bau, Steine, Erden, Umwelt, but had to back down under furious opposition from the “big three,” the chemical workers, IG Metall and ÖTV, all of which would like to be regarded as *Umweltgewerkschaften*.

Also in 1996 and clearly in response to the first two mergers, five small unions – IG Medien<sup>24</sup> and the unions of wood (GHK), textile and garment (GTB), retail and banking (HBV), and food and restaurant workers (NGG), from then on collectively known as “the five little tigers” – announced their intention to cooperate closely and consider an eventual merger. The DAG, with 507,000 members the largest union outside the DGB, was reported to be watching from the sidelines, with the intention of joining later on. Still, the small unions continued to attract the attention of the large ones. In February 1996, the GTB and the NGG were reported to be wooed by the chemical workers. In the same month, and perhaps in reaction to this, the GTB formally proposed a merger to the NGG, to form a union of consumer goods (Gewerkschaft Konsum- und Gebrauchsgüter). The NGG was also considered a possible partner by the HBV, on account of the growing number of fast food restaurants in department stores.

In June 1996, however, IG Metall announced its merger with the GTB, which at the time had only 216,000 members left. In this case, the receiving union did not change its name. It is interesting to note that the GTB has traditionally been the most conservative union in the DGB, while IG Metall has always led the progres-

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support of the chemical industry union in their dispute with the ÖTV over the right to organize the communal energy and water industries in East Germany.

24 IG Medien continued to be in economic difficulties, in spite of its early merger. Its predecessor, IG Druck und Papier, had lost almost all its assets in costly large-scale strikes in the 1980s, and IG Medien is apparently still heavily in debt to IG Metall, which seems to have kept the printers solvent during the strikes.

sive wing. The rationale that was given for the combination invoked the industrial union principle, as it referred to the fact that some of the remaining textile workers in Germany supplied the automobile industry, for example producing automobile seats. Probably more important was the fact that the GTB had run out of money; that a merger with the other small unions, which were in similar economic condition, would not have helped; and that IG Metall pays its officials higher salaries than any other DGB union.

Continuing its advance, in September IG Metall publicly floated the idea of a merger with the postal and the railway workers, which would have created a giant IG Metall, Logistik, Kommunikation. Although at the time there was already a cooperation agreement between IG Metall and the postal workers, the latter showed themselves unwilling to give up their independence. Not to be left out, the HBV offered close cooperation to the NGG, but with the experience of the aborted merger with the GTB, and presumably waiting for more favorable offers from the big three, the NGG asked for time. A month later, the HBV and IG Medien announced an "alliance" with the postal workers, while the latter in addition signed a cooperation agreement with IG Medien. The alliance was declared open for others, and the DAG was said to be "in dialogue" with the HBV on whether and how it might join in.

In November, then, the next merger was announced, this time involving the wood and furniture workers (GHK; 170,900 members) and IG Metall. According to their president, the wood workers properly belonged to the metal industry, because many of them produced wood panels for the more expensive Mercedes cars. Politically the merger made more sense than the one between IG Metall and the GTB, as the GHK had traditionally been left of center in the political geography of the DGB. On the other hand, the GHK had widely been expected to join the combined construction and agricultural workers, and its decision to opt for IG Metall came as an unpleasant surprise to the leaders of that union.

Of the 11 DGB unions that will remain, IG Metall, IG BCE and IG BAU have indicated that they will continue to be on the lookout for acquisitions. The same has been said about the ÖTV. Two of the smaller unions, the policemen (GdP) with 198,900 and the schoolteachers (GEW) with 306,400 members, seem to feel sufficiently safe, due to the high homogeneity and strong occupational identification of their membership, to rule out a change in their status.<sup>25</sup> Five other unions – IG

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25 Both the GEW and the GdP organize almost exclusively civil servants (*Beamte*), which among other things means that they do not need to maintain a strike fund as public officials have no right to strike. This greatly relieves their financial situation.

Medien with 206,800, the NGG with 322,000, the GdED with 398,400, the DPG with 529,200 and the HBV with 520,200 members – are still takeover targets for the large unions, while they continue to explore possibilities of cooperation between themselves.

The potentially decisive player in the game is the ÖTV (1,771,000 members), which up to now was not involved in mergers, although reportedly not for lack of trying. As the second-largest DGB union, the ÖTV would in principle be big enough to be viable on its own. On the other hand, the breakdown of the distinction between private and public services and the general increase in interunion domain conflicts exposes large chunks of its vast territory to competing claims by other unions. Because of its strong position in the savings banks, the ÖTV may also hold the key to the reentry of the DAG in the German Federation of Trade Unions, and to a potential realignment between the DAG and the HBV in particular. For the time being, the ÖTV seems to be concentrating on wooing the railway workers, presumably not least to dissuade them from joining IG Metall.

## C The Cases Compared

### Pluralism Versus Monopoly

There are obvious differences between the Dutch and the German stories. Above all, the transformation of union organization in the Netherlands started almost two decades earlier than in Germany. Leaving aside the unification of the Social Democratic and Catholic currents, the present merger wave among Dutch unions, which coincides with the revolution of the industrial union structure of the DGB, is already the second in postwar history, after the major reorganization of the early 1970s, or even the third if we include the formative period of the late 1940s and early 1950s (Table 1).

Key factors explaining this contrast are the initial structures of the two movements and the institutional conditions in each country. From the beginning, Dutch unions were more numerous than German ones, due largely to the political and religious divisions that shaped all Dutch institutions in the era of pillarization (*Verzuiling*). Moreover, the political and religious pluralism of Dutch society had to be organizationally accommodated in a country much smaller than Germany or, for that matter, West Germany. As a result, there were not only more Dutch unions than German unions, but they were also much smaller (Table 2). At the end of 1996, before the reorganization that is presently under way but after the mergers of the early 1970s, the largest Dutch union by far, AbvaKabo, had 325,000

members – less than all but one of the five DGB unions that consider themselves too small to survive on their own.

Greater organizational fragmentation on a smaller membership base, due largely to religious divisions, gave Dutch unions both more reason and more opportunities to rationalize their structures through mergers. Another factor working in the same direction was the early deindustrialization process in the Netherlands, as exemplified by the relocation of the diamond industry to Antwerp, the closing of the mines and the near-disappearance of textile, clothing and footwear manufacturing. The way Dutch labor law regulates collective bargaining was important, too. In the Dutch system, collective bargaining patterns are much less rigid than they are in Germany, as the idea of exclusive jurisdiction is alien to Dutch industrial relations. Under the Law on Collective Bargaining passed in 1927, employers are free to negotiate a collective agreement with any *bona fide* union.<sup>26</sup> If agreement is reached, it applies not only to the members of that union but to all comparable workers, including members of competing unions. Any union can enter the contest or try to change the agreement, because it is only bound by it if it is among its signatories. For this reason, employers prefer to bargain with all the relevant unions together, resulting in the typical pattern of single table bargaining with two to five unions. While two FNV unions may happen to participate in the same bargaining process, one union usually cedes its rights to the other. The negotiated “membership swaps” in the FNV during the late 1980s served the primary purpose of avoiding bargaining duplication. It is important to note that, unlike the DGB, the FNV has no power of adjudication, nor is there recourse to the courts.

The pluralism of the Dutch industrial relations system limits the capacity of Dutch unions to operate without voluntary coordination with each other. Since employers have no legal obligation to negotiate, and collective agreements with any union apply *erga omnes* to all workers, unions are always faced with the threat of exclusion.<sup>27</sup> In the absence of a legal right of recognition for unions, coa-

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26 Requirements for attaining this status are minimal: a new union must register under the law on associations in order to receive “royal approval,” organize a proper annual meeting, have financial means, and acquire a “legal personality.”

27 Exclusion does not happen often, but frequently enough to make the threat real. For instance, the two Philips agreements in 1996 (for production and office staff) were signed by the MHP unions only; Heineken used the disagreement between the CNV and the FNV to exclude the latter; similar cases have occurred in railways, banking and furniture (IKEA), where a company union was ‘dressed up’ to exclude the traditional unions.

lition-building is the only remedy, and unions are forced to learn to sort out bargaining areas between them, without authoritative intervention by the federation or the law. The German system, by comparison, is geared towards establishing and protecting bargaining monopolies for individual unions, conditional on the existence of unambiguous domain demarcations either in union rulebooks or in federal adjudication. With their bargaining domains more safely established, German unions both find it harder to invade each others' territories and at the same time may secure their bargaining rights as much through litigation as through cooperation or, for that matter, merger.

There is yet another way in which legal differences affect the pace and direction of union mergers. As we pointed out earlier, German law makes it difficult for employers to move plants from one industrial agreement to another, especially to one with lower wages or longer working hours. Manufacturing unions interpret this to mean that once a union has organized a firm, it basically retains the right to organize it forever, including potential spin-offs. (The wave of union rulebook changes in the 1990s was largely intended to reflect this legal position.) To the extent that the DGB and the labor courts support this view, manufacturing unions are less threatened by membership loss than they might be in other countries. Indeed they may even stand a chance of slowly growing into the private service sector, as the firms they have traditionally organized expand or spin off their tertiary activities. Conceivably, there may hence be less pressure for "old" manufacturing unions in Germany to merge specifically with unions in "new" service industries. This may explain why, up to now, the present merger of Allies has no counterpart in Germany.

More monopolistic collective bargaining in Germany also helps explain why there was less membership concentration compared to the Netherlands. The four largest unions in the DGB currently represent 72 percent of all members, while in the FNV they represent 88 percent, with both having started from the same level 45 years ago (Table 2). Observing a similar difference between British and American unions in the first half of this century, Estey (1966) contrasts what he calls "boundless unionism" in Britain with the role of "exclusive jurisdiction" in the American Federation of Labor (AFL). Exclusive jurisdiction amounts to a bargaining monopoly granted to a national union by a federation which, like the DGB today, awards one of its affiliates an exclusive franchise to organize a certain occupational or industrial territory, free of competition from other unions. In its early days, it appears to have been a deliberate strategy on the part of Samuel Gompers, the powerful AFL chairman, to establish as many organizational domains as possible so as to prevent the rise of internal rivals in the form of large general ("catchall") unions. The German case confirms Estey's conclusion that exclusive jurisdiction is a "two-edged instrument, for the boundary to fence com-

petitors out of a union's territory serves at the same time to fence its owner in" (Estey 1966: 354). In other words, it tends to "freeze" a given union structure.

### **In Search of Organizational Viability**

Neither in Germany nor in the Netherlands is the current restructuring of the union movement driven by a *sectoral* logic. After the war, unions in both countries started out with a principled reform of their organization, anchored in a concept of industrial sectors as organic units of industrial governance. But in neither country was the principle of industrial unionism, for all its apparent neatness, capable of precluding untidy borders, domain overlap, and huge size differences between individual unions. In subsequent years, unequal development of "sectors" due to economic and technological change increased the pressure on union organization. Also, the demise of political projects of "organized capitalism" or "economic democracy" based on self-governing vertical sectors deprived unions of institutional reference points that could have helped them operationalize sectoral boundaries for organizational purposes.

Apart from the immediate postwar years, attempts to impose a strict sectoral logic on union organizational structures were either never made, as in Germany, or failed even where, as in the Netherlands, sectoral reorganization became the project of powerful union federations. In the Dutch Social Democratic federation in particular, the autonomy of affiliates was low, and rebelling unions could expect to have their external ties cut and their resources and legitimacy withdrawn. Moreover, an expelled union would be banned from collective bargaining, and the federation would not hesitate to organize a new union to take over its business, as happened in the case of the draftsmen. But even this proved unable to defend sectorally based trade unionism, and increasingly so in the rapid restructuring of the 1970s and 1980s, as more and more companies expanded their activities beyond what had been regarded as organic sectoral boundaries in the postwar era.

Indeed, the limited capacity of "objective" sectoral distinctions to inform union domain demarcations is shown by the longevity of German "industrial unionism" after the war, regardless of both its original inconsistency and its growing mismatch with a changing structure of economic activities. Accordingly, the mergers of the 1990s among German unions, not to mention Dutch unions, did not lend themselves to justification in terms of industrial unionism, although this was tried. The wood workers, who also covered plastics manufacturing, might have joined the chemical workers and the construction workers just as well as, or indeed more appropriately than, the metal workers. The same holds for the textile

and clothing workers, who could have united with the leather workers and the chemical workers. The fact that their industries also supply parts for the car industry was publicly invoked by the two unions as a reason for their decision to merge with IG Metall, but this was not taken seriously by anyone, probably not even the participants themselves.<sup>28</sup>

The organizational transformation of German and Dutch unions is not explained by a *political* logic either. In the Netherlands, the Social Democratic and the Catholic currents amalgamated in the early 1980s, which was apparently easier to accomplish than a cross-industry merger like the one between the IB and Dibo. In Germany, where formal political divisions did not reemerge after the war, DGB industrial unions came to be informally associated with divergent political tendencies, but this was of little consequence in the restructuring process. While the merger between the miners (IGBE) and the chemical workers (IGCPK) may originally have seemed to announce the formation of a more conservative counterweight to IG Metall within the DGB, later mergers, like that between the textile and clothing workers (GTB) and the metal workers, or between the leather workers and the chemical workers, brought together unions of quite different political makeup. Politics would also militate in favor of IG Medien joining IG Metall, which up to now has conspicuously failed to happen. Instead, the DAG and the HBV are working hard to make their members and activists forget decades of hostilities, in preparation of a merger, regardless of the fact that the Christian Democratic Party would allegedly like to see the only major union outside the DGB retain its independence.<sup>29</sup>

We argue that the current restructuring of mature union systems in the Netherlands and Germany is driven not by sectoral or political factors, but by a search for what we call *organizational viability*. We regard organizational viability primarily as a matter of *scale* or, more precisely, of attaining a minimum *absolute size*. Apart from exceptional conditions that allow for organizational viability in spite of small size, mature unions such as those in the Netherlands and Germany *sacri-*

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28 Of the 215,000 GTB members, only 14,000 were employed in firms supplying the car industry. It is of interest that in early 1996, the DGB dispute committee rejected a claim by IG Metall to represent these firms, ruling in favor of the GTB (Frech 1996: 619).

29 In the Netherlands, the union of the food processing industry has consistently defended a position to the left of the IB, which after a radical period in the 1970s became a leader in pragmatism in later years. On political grounds, an alliance with the transport and service unions against the IB would therefore have been more likely, but this would have been a “gathering of the poor.”

*fice internal homogeneity for scale*, as the problems of managing an internally diverse membership and interest base seem less critical for them than those caused by small size. Since restructuring in pursuit of organizational viability is an adaptive process, it continues only until the necessary scale is reached and then comes to a halt.

Conceiving union organizational restructuring as a search for organizational viability makes it possible to explain a number of observations made in the two countries – in addition to the low significance of political cleavages and sectoral boundaries – that a sector-structural or political explanation cannot account for. These include:

(i) Small unions are under greater pressure to offer, or “supply,” themselves for a merger than large unions. As organizational viability is more likely to be achieved if they merge with a large union, mergers tend to be *asymmetric*, with small unions joining large ones.<sup>30</sup> Large unions, in turn, may have a variety of reasons for expanding their domain through mergers, even if they are already organizationally viable on their own. They are likely to prefer merging with a small union, as this ensures that the merger takes place on their terms and least disturbs their internal order. Only where large unions do not exist, or where they themselves are not large enough to be organizationally viable, as in the Netherlands, are the parties to a merger likely to be of similar size.

(ii) Unions enter mergers *intact*, as a whole. If they cannot avoid giving up their independence, they do not dissolve into more than one receiving union, even if sectoral conditions may suggest this. Neither the German nor the Dutch account includes a case of a union splitting up to merge with two or more other unions at the same time. One reason for this seems to be that the larger a union is at the time of merger, the greater its bargaining power in relation to the receiving union, and the stronger its future position inside that union. Typically, merger agreements concede a residual autonomy to the entering union inside the new, joint organization, enabling it to some extent to survive its own death.<sup>31</sup> Empirical

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30 On the contribution of asymmetry, in terms of either size or organizational viability or both, see Buchanan (1981), Chaisson (1986) and Estey (1966).

31 Typically, the post-merger union creates a special “trade group” or “trade groups,” usually on a temporary basis, to accommodate the absorbed union’s membership and officials. This phenomenon of trade groups being created in the wake of a merger and abolished only a few years later has accompanied all mergers in the Netherlands since 1945. Allies, too, will begin with 17 trade groups so as to accommodate the diversity of the domains of its four constituent unions. At the same time,



merger patterns and the way mergers are consummated thus support the explanation of union restructuring as an adaptive process in search of organizational viability.

(iii) Organizationally viable unions are unwilling to give up parts of their domain, even if this would not detract from their viability and would make them more internally homogeneous. This is one reason why proposals to redesign the union system in three clusters – i.e., manufacturing, private and public sector – never sparked enthusiasm from the likes of the ÖTV or AbvaKabo, whose domains straddle such boundaries, and will increasingly do so in the wake of privatization. As the Dutch federations discovered, unions are able to prevail over even the most powerful peak associations trying to redraw their boundaries in a quest for a more “rational” pattern of organization. In the German case, the desire and capacity of existing unions to protect their *organizational integrity* prevents the formation of an “industrial union” for the private service sector or the financial sector, which would inevitably require a number of unions, most likely the ÖTV (or, in the Dutch case, the AbvaKabo), to be carved up.

(iv) Union mergers result from decisions made by individual unions in response to their specific organizational constraints and opportunities. To this extent, they are *singular and uncoordinated events*. A proposal made in 1995 by the “five little tigers” to transform the DGB from a federation into a unitary, direct membership organization with internal industrial subsections, on the model of the Austrian ÖGB, was therefore bound to fail. While the reorganization plan would have been well suited to accommodating the increasingly “desectoralized” structure of enterprises and the economy, it would in effect have required a simultaneous merger of all affiliate unions, organizationally viable or not, into the DGB. Note that exactly the same proposal had failed in the Netherlands in 1969, and that similar attempts to engineer a reorganization within the FNV came to naught in the 1980s (see Table 1).

(v) The demand for mergers on the part of receiving unions, which are typically large, seems to be limited by considerations of *cost and internal integration*. Absorbing other unions or amalgamating with them places a strain on finances and organizational structures. While some mergers pay for themselves, internal organizational arrangements almost always have to be adjusted to accommodate increased diversity.<sup>32</sup> Large unions may therefore be hesitant to take in more than

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the political process in the new union will be organized on the basis of territorial units. It goes beyond the scope of this paper to show that a dual articulation – functionally in trade groups and territorially in regional and local units – is unstable.

32 In some cases, as with AbvaKabo in the Netherlands, a large union may refuse to merge with a smaller one if it feels that this would compromise its organizational

a limited number of smaller unions at the same time. In Germany, IG Metall may be busy for the next few years coping with the consequences of its absorption of the GTB and the GHK, and may no longer be in the market for mergers during this time.

(vi) Constraints on the absorption capacity of receiving unions may also explain why mergers seem to proceed in *waves*, as they clearly did both in the Netherlands and in Britain and Sweden (Visser and Waddington 1996). Population ecology theory stresses the relationship with the business cycle. During phases of membership decline, unions are hard pressed for resources, while the demand for union services is probably large. One way to alleviate pressure is to join forces with other unions, usually in similar or adjacent industries or occupations. There appears to exist a mild correlation between recessions and union mergers in the case of the United States (Freeman and Brittain 1977), Great Britain, Sweden and the Netherlands (Visser and Waddington 1996). Since mergers are typically the product of long negotiation processes, there may be significant time delays. The current merger wave in the Netherlands may therefore be understood as a response to the membership crisis of the 1980s; similarly, there are 5–8 years between the shock of German unification and the present merger wave.

(vii) The wave-like character of union mergers may also be explained, not in terms of ecology, but as following an adaptive logic. After an initial number of mergers, the new, expanded unions that result may first have to sort out the ensuing problems of internal restructuring before they can envisage further mergers, regardless of whether or not the “market” for mergers has been cleared. Small unions seeking organizational viability in mergers with larger ones may thus find themselves competing for a limited number of merger opportunities. This may result in panic among small unions afraid of being left behind as a merger wave proceeds, which in turn no doubt reinforces the bargaining position of their larger counterparts.

(viii) Multilateral coordination and cooperation among small unions is rare, and in particular does not seem to offer an alternative to one-by-one mergers with larger unions. Large unions seem to prefer merging with one small union at a time rather than with coalitions of small unions, probably since this increases their bargaining power.<sup>33</sup> Small unions for their part seem to be unable to form

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principles. In Germany, this prevented a return of the DAG to the DGB, which was attempted several times in the postwar period.

33 This was one of the reasons why the four merging unions in the Netherlands rejected the bid of the BHB (construction) to join them. The Dutch case offers a rare example of multilateral merger negotiations, with the largest union being roughly the same size as the three others together. In our opinion, the current merger negotiations suggest that the IB, as the dominant union, is being careful to avoid the creation of a

pre-merger coalitions, very likely because of intense competition due to the scarcity of merger opportunities, the potentially severe consequences of being left behind, and the fact that any union can in principle join any other union regardless of sector.

Similar factors seem to stand in the way of cooperative solutions. In the 1990s there were several attempts by smaller affiliates of both the DGB and the FNV to cooperate with each other –by merging their research or public relations departments, for example, or by sharing local offices – in order to avoid having to seek a merger with a larger union. FNV affiliates even went even as far as organizing a joint computer center for membership registration, which later disintegrated, or common recruitment drives (at Schiphol airport, for instance), or a joint legal services center in the Arnheim district near the eastern border. But unless the costs are fully borne by one dominant union, as they were by the IB and now by the Allies in the Arnheim project, undertakings of this sort never get far, partly because of the high coordination costs caused by the need always to reach unanimity between several independent organizations. Cooperation, as an alternative to merger, presents the participating unions with prisoners' dilemma problems that reflect the potentially high rewards of individual defection while the others continue to cooperate. This in turn seems to make participant organizations hedge their investment in the cooperative relationship. In fact, as we have seen, cooperative alliances between small DGB and FNV unions were typically disrupted by one of their members suddenly announcing a possible merger deal with a large union not involved in the cooperative enterprise.

(ix) Small unions try to avoid mergers as long as they can. In both countries there are examples of unions that seem to be organizationally viable in spite of their comparatively small size, which allows them to stay conspicuously out of the merger market. The main distinguishing characteristic of these unions, which seem to be exempt from the need to reach a minimum absolute size, is an ecological one. These are unions that organize a highly cohesive occupational group rather than a "sector." In addition, they or their members typically enjoy special institutional privileges, such as strong organizing rights or opportunities at the workplace, or particular rights of job tenure. Their costs of recruitment, service provision and representation are therefore low. Most likely, the domains of such unions are in or close to the public sector. In both countries, the unions of teachers and policemen seem to fall in this category. In the Netherlands there is in addition a union of military officers that seems to be in the same situation, while in Germany the category may also include the railway workers, who even after the

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joint bloc with which it has to negotiate and that the smaller three are unable or unwilling to form a coalition between them.

privatization of the Bundesbahn continue to be a de facto company union in a firm with strong codetermination rights.

(x) The uneven size distribution among unions after several major waves may also be explained as a result of resource partitioning between large “generalist” unions, who spread their activities over many sectors and areas and try to benefit from “scale economies,” and small “specialist” unions occupying a niche in the market for unions services.<sup>34</sup> The resource partitioning hypothesis (Caroll 1985) predicts that when concentration in the generalist mass market is high, the mortality rate of generalists, who compete on the basis of scale economies, increases. The smaller among the generalists will fail, alleviating some of the competitive pressure on the smaller specialist organizations. The mortality rate of very small organizations should therefore decrease as concentration levels increase (Brugge-man and Vermeulen 1996). A test of this hypothesis with size-related mortality rates of all Dutch unions in the period 1900–1985 yields positive results (Visser 1998).

In the next section we will try to analyze in more detail the pressures that are behind the current search of Dutch and German unions for organizational viability. In short, we will argue that the need of unions to attain a minimum absolute size is caused by a *cost squeeze* universally experienced by unions of the sort that dominates in the Netherlands and Germany. We will also speculate about the minimum size of an organizationally viable union, which we claim differs by country. Finally, we will outline how we expect union organization in the two countries to develop in the future, especially with respect to the management of internal diversity in postmerger conglomerate unions, the pattern of interunion competition, and the role of federations in relation to their affiliates.

Before we proceed, we wish to clarify how our approach differs from an ecological approach emphasizing environmental selection (Hannan and Freeman 1989). We agree that organizations are grouped into communities of organizations that share a common resource base. We believe, however, that analysis must operate at two levels – that of individual unions which must make choices between defending or giving up their independent existence, and that of a union population, community or system with specific structural characteristics that define the market for mergers and hence the opportunity structure for individual unions. Eco-

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34 See Hart and Phelps Brown (1957) for an early analysis of the causes of the log-normal distribution of union size in Great Britain, with the large majority of very small unions accounting for a minute share, and few large unions representing 50 percent or more of the total membership.

logical theory concentrates on populations only and on the historical distribution of organizational forms, such as occupational versus industrial unions, within populations.

Because they assume that organizations tend toward structural inertia, ecology theorists argue that it is largely foundings and dissolutions, and not transformations, that account for population level changes.<sup>35</sup> When dealing with mergers, acquisitions or divestitures, the ecological approach becomes problematic (Winter 1990). In our two “communities” of unions there have been no “births” other than through mergers or – in the case of a handful of affiliates set up by the FNV or its predecessors – through federation sponsorship. There have been no “deaths” either, except through negotiated amalgamation with other unions.<sup>36</sup>

## **D An Economic Theory of Union Reorganization**

### **Declining Economies of Scale**

The principal cause of organizational restructuring in mature unions is, in our opinion, demographic. Expansion of membership is no longer possible in the traditional core sectors of unionization, where the industrial base is shrinking. In fact, as the unionized generation of workers in these sectors retires, union membership tends to decline. As younger birth cohorts are smaller and enter the labor force at a later age, and union density among young people has sharply declined in the past decade or two, the average age of union members has shifted upward and a high proportion of union members will retire in the next ten years (Klandermandans and Visser 1995). Typically, losses in the core sectors fail to be balanced by membership increases in the growing new, mostly tertiary, sectors; here, density rates are low, and employment growth is difficult to translate into union

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35 “Population ecology theory holds that most of the variability in organizational structure comes about through the creation of new organizations and organizational forms and the replacement of old ones” (Hannan and Freeman 1984: 150).

36 Another point on which we deviate concerns the conception of the relationship between organization and environment. Modern unions clearly “negotiate” their environments to a considerable degree, with employers, public authorities, and above all with other unions. Unions have always tried – apparently with decreasing success – to alleviate competitive pressure through “domain consensus” in the form of demarcation agreements and to a lesser extent through differentiation between membership services (Thompson 1967).

growth (see Table 3). More importantly from an organizational point of view, in a union structure where unions are organized by sector, membership gains in new sectors do not benefit unions facing a shrinking membership base in old sectors.

Unions with stagnant or declining membership can no longer rely on economies of scale to cope with cost pressures endemic to all service organizations. That unions are subject to scale economies, just like other organizations, is reflected in the fact that the ratio of full-time officials to members is *ceteris paribus* lower in large unions than in small unions (Streeck 1981: 143–149 for German unions; Visser 1998 for Dutch unions; Willman, Morris, and Aston 1993: 83–92 for British unions). Scale economies may exist both at a central and a local level. The higher the number of members represented by a central union office, the lower the “unit costs” per member of activities performed on behalf of the membership as a whole, such as the production of business statistics or press releases and the maintenance of the membership lists. Local offices that service a large number of members benefit from the same effect. Moreover, as they have a larger number of officials, these can specialize in different tasks and thereby achieve higher efficiency, in turn enabling the local office to function with a lower ratio of officials to members, or to offer more or better services.

Whether or not unions may avail themselves of economies of scale depends not only on their size, but also on the distribution of their membership by firm. Size and heterogeneity tend to have a contrasting effect on levels of overhead staff in service organizations (Blau and Schoenherr 1971). If members are employed by a small number of large firms, with many union members in each, servicing them is less costly for the external union than if members are dispersed over a large number of small firms, each of which has only a few members. Current trends in outsourcing and decentralization of production, as well as the shift from industry to services, where the average size of establishments is smaller, thus diminish the scale economies that unions may make use of.

Declining membership and/or changes in its distribution over workplaces increase organizing costs per member, forcing unions either to cut down on services and representation or to raise the subscriptions they collect in return for a given level of benefits. This problem is made even more critical by the fact that cost-increasing membership losses tend to coincide with other developments that would make services and representation more costly even if membership was stable. As if this were not enough, unions are also confronted with rising expectations on the part of their members, partly caused by rising subscriptions (against a background of stagnating real income of many workers in recent years) and partly due to changes in employment conditions which increase insecurity and require more frequent and more costly assistance from the union. The obvious way of dealing with this is membership growth, through recruitment or mergers,

thereby providing for more economy of scale. The pressure toward mergers is of course even more compelling if natural membership growth is faltering or has become very costly. This may indeed be the case even for many traditional unions, who may in the past have relied on organizing workers in large firms but now face the challenge of not only organizing but also servicing the scattered and moving population employed in small firms and unstable employment relations.

### **An Endemic Cost Squeeze**

Cost pressures in unions are varied. As unions are labor-intensive service organizations, their capacity to increase productivity through technological innovation is limited. At the same time, their labor costs tend to rise with the general wage level determined, by and large, by the productivity increase in manufacturing. This holds true in particular for unions based in the manufacturing sector, which typically link the salaries of their officials to those of workers in their industry, partly to depoliticize the thorny issue of union officials' salaries. In principle, therefore, unions have to raise their subscriptions continuously to be able to offer a constant level of services, which is ideally done by setting subscription rates at a percentage of a member's income.

A cost squeeze must arise, therefore, whenever a union is unable to raise its revenue at the rate of increase of its officials' salaries, which tends to be at least the rate of increase of its members' pay. It is almost inevitable that revenue increases will lag behind salary rises when the number of members declines. However, this is also possible with stagnant or slowly increasing membership. For example, in difficult economic times members may become unemployed, entitling them to remain in the union while paying no or reduced subscriptions. In both the DGB and the FNV, the proportion of unemployed, disabled and retired members doubled between the mid-1970s and the mid-1990s, reaching a current level of 18 percent (Visser 1991).<sup>37</sup> Another effect of general economic distress may be that members drop out of the union if pushed too hard to adjust their subscriptions. Revenue increases also typically lag behind wage increases in sectors where there is interunion competition for members (see Willman, Morris, and Aston 1993: 202); such competition is becoming more frequent as new sectors emerge and unions come under pressure to expand their membership base.

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37 It is conceivable that these members receive less services to offset their lower contribution, but with the exception of retired members this appears not to be the case in the Dutch unions.

In fact, union payrolls are likely to increase at a higher rate than the wages of union members. The need for professional staff, especially at the headquarters, has placed unions as employers in competition with firms in the private sector; this has made upward adjustment of union salaries inevitable. Moreover, a changing political and economic environment has imposed new tasks on unions, again primarily at the national level, typically requiring an expansion of staff, in particular in research, public relations and electronic data processing. As a consequence, staff at the headquarters have tended to increase in number in all major unions during the past two or three decades (Armingeon 1988; Streeck 1981; Visser 1998), and most of the newcomers have had to be paid above-average salaries. Furthermore, as is generally the case in political organizations in the late twentieth century, unions have experienced pressures to professionalize functions that in the past were performed by voluntary officials at the local level, such as distribution of information material and collection of dues. Although the overall importance of voluntary activities may not have correspondingly declined, organizational voluntarism now seems to require more full-time servicing than in the past.<sup>38</sup>

### **Rising Expectations**

A further source of cost pressure seems particularly relevant. Not least because they see their subscriptions continually rise, members are likely to expect improvements in services. Surveys among FNV members have shown a relation between levels of subscription and expected or perceived benefits; unions can only raise subscription levels if they raise the level of benefits at the same time (van Rij 1996). Members will be particularly demanding if they are from industries, occupations or age groups that are traditionally not unionized. Members

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38 Another reason for disproportionately rising personnel expenditures can be found in the generous pension supplement plans. In the expansion period of the 1970s and 1980s, both German and Dutch unions introduced high pension supplements to improve their position in a more competitive market for professional labor. As the large cohort of officials that were hired at the time approaches retirement, the burden on union treasuries is increasing in a period of stagnant or declining membership. Currently, pension obligations have risen to 20 percent of payroll at the IB, a level which the present leadership considers unsustainable. As in the public pension system, the supplementary pension schemes of some unions remained unfunded. Today, several smaller unions in Germany would allegedly have to declare bankruptcy if the draft European insolvency directive were passed, which would force them to include all unfunded liabilities in their balance sheet.



with weaker emotional ties to the union also tend to compare its services to similar services offered by the private sector – in legal protection, for example. As a general trend that extends even into the traditional union constituency, members are likely to expect more individualized and professionally competent services than in the past.<sup>39</sup> All of this will inevitably increase costs.

Cost pressures from lagging subscriptions, rising expenditures or both can be mitigated or masked by growing membership. To the extent that membership growth leads to scale economies, it is possible for unions not to insist on perfect adjustment of subscriptions to increases in members' income. In a competitive environment, it is even likely that membership expansion is bought at the expense of subscription levels. In Britain, this was the case in the 1960s and 1970s. But even in the much less competitive union systems of Germany and the Netherlands, unions were often not able to make subscription levels follow rising earnings levels. Subscriptions have fallen behind in relative terms, even though they are at least twice as high in German and Dutch unions as in British unions (Visser 1990: 166–167).<sup>40</sup>

Stagnation or decline in membership, however, exposes all the economic weaknesses typical of unions as service organizations. This holds true in particular if unfavorable developments in membership occur as a result of general economic distress, when union services are particularly in demand. *The economics of union organizing require that most members, most of the time, do not need the union and do not call upon the union's services except for the collective protection it offers.* The same problem of inverse fluctuation of revenue and client needs is of course observed in social security systems.

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39 Following a similar argument advanced by Van de Vall (1970), recent research has shown that in the Netherlands individual (benefit, insurance and protection-related) motives for joining or leaving a union have taken precedence over collective (betterment) and social (pressure) motives for the majority of new members (Klandermans and Visser 1995: 76–77).

40 The average subscription rate of British trade unions reached an all-time low in the 1970s but, surprisingly, improved during the Thatcher years, from 0.3 to 0.4 percent of monthly earnings (Willman, Morris, and Aston 1993: 13).

## Mergers as a Solution

Cutting costs in response to declining membership or revenue is extremely difficult for unions, even in normal circumstances. For example, membership losses are unlikely to be evenly distributed over the territory a union organizes. As some local offices lose more members than others, their costs per member rise disproportionately, up to a point where economic considerations would suggest that they should be shut down. A union, however, can hardly refuse solidarity to workers on the grounds that their area has been particularly hard hit by industrial decline, that there are few of them left, or that their places of employment are dispersed.<sup>41</sup> Merging adjacent local offices is more acceptable, but has limits as the spatial distance between an office and the members it serves cannot be indefinitely increased. In order to continue local services even in areas where the official-to-member ratio is highly unfavorable, unions may transfer officials from their national headquarters to the local offices. In large organizations with a pronounced division of labor, however, such a transition may not be an easy one to make, quite apart from the fact that headquarters officials usually have ways to prevent what at least some of them will perceive as demotion.

Rising cost pressures, caused by stagnant or declining revenue and rising expectations on the part of the members, make it attractive for unions to merge. The economics of mergers in mature union systems are straightforward. If participant unions initially had too many officials in relation to their membership, the staff of the combined union will be even more oversized. Unlike its constituent unions, however, *the combined union can send large numbers of officials into early retirement by offering them high severance payments and pension supplements without having to cut down on services.*<sup>42</sup> Just as merging banks do with their local branch office net-

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41 This is far from unthinkable, however. After observing that a number of British unions gained financially during the Thatcher years from more professional asset management and higher returns on equity, and by discovering that workers with higher earnings can be asked to pay higher subscriptions, Willman, Morris, and Aston (1993: 18-19) comment that "the corollary of this is that financial performance will benefit from the direction of organizing activity away from low paid groups, which cannot afford higher subscriptions, or from groups whose subscriptions cannot be cost-effectively collected." In everyday practice, a "business union" should shun workers without bank accounts, those with hostile employers who resist check-off (levy of subscriptions at source), workers whose employment status is ambiguous or highly flexible, and workers for whom it is hard to win bargaining rights and hence (cheaper) collective representation.

42 Apparently, one reason why the DGB defended the generous early retirement provi-

works, unions can also combine inefficient local offices without increasing the spatial distance between office and membership, by realizing economies of scale *between different unions within the same territory* rather than *within the same union between adjacent territories*. Early retirement can primarily be used at the central level, where there is room for considerable efficiency gains through reorganization, in particular specialization. In part, it can be funded by selling off local and central office buildings that the combined organization no longer needs. Also available for this purpose are the new union's combined cash reserves, which are less valuable for the organization than the increased subscription-paying membership and the organizational savings it makes possible.

### **The Business Economics of Union Mergers**

As we have seen, German and Dutch union officials in their present "merger fever" pay little regard to sector or politics. Rather, the main criterion for the organizational viability of the new, combined union is its capacity to provide for the personal economic security of the officials involved. Almost every smaller DGB union has at some point held informal merger talks with almost every other union, one of the central subjects always being the conditions of employment and retirement for its officials. Similarly, the smaller FNV unions have been looking for merger partners for a long time, and stronger and larger unions have been described as making "takeover bids" for weaker and smaller ones, offering their officials immediate inclusion in the richer union's salary scheme, guaranteeing them employment, reserving them seats on the national executive, or granting them advantageous severance payments or early retirement plans. Officials of weaker unions in both countries have, in turn, colloquially spoken of trying to "sell" their union to the highest bidder, not just in terms of benefits for officials but also of guarantees of a continued separate existence for their union as a sub-organization of the combined union.

In Britain and the United States, the dominant motive of union mergers was found to be financial (Buchanan 1981; Caisson 1986), and the dominant pattern was that of large unions buying small ones either for their assets or their domains. Evidence from the studies by Undy, Ellis, McCarthey, and Halmos (1981), Waddington (1995) and Willman, Morris, and Aston (1993), all on Britain, show more mixed results as to merger patterns and motives, but are unequivocal about the dominance of scale economies for the acquiring union, and of financial considerations for both the acquiring and the acquired union. The authors also note that

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sions of the German social security system to the hilt in 1996 was that it needed them for its own purposes.

not all mergers are a success and that there are many reasons – including expensive retirement schemes and duplication of offices – which may turn the promised financial gains into losses.

Willman, Morris, and Aston (1993) point out that, like mergers between firms, union mergers are leadership initiatives: they are negotiated by top officials with a stake in the outcome. However, unlike corporate mergers, union mergers are subject to approval by the membership, as represented by their elected officials. Union mergers do get voted down; in addition to a lack of cultural and ideological affinity, one reason may be that the acquiring union offers too little by way of continued services or identity within the new union (Windmuller 1981). Unenthusiastic support by union leaders disappointed with their position in the new organization, or with the level of compensation offered, will not help convince a reluctant membership. Combined with the effect of competition in the market for union mergers, this may explain why union mergers may be expensive.<sup>43</sup>

### Matching Unions

As has been seen, the most likely type of union merger is a small union joining a large one. A merger of this sort resembles a takeover; it is sometimes also called a “transfer of membership.” A large union can absorb a smaller one and gain from it, regardless of the fact that it also has to absorb the other union’s organizational liabilities, in particular its excess of officials. For one thing, the greater the size differential, the lower the effective costs of a takeover. Moreover, to the extent that it is possible to liquidate some of the assets of the absorbed union to pay for the early retirement of staff, the merger may largely pay for itself, leaving the full benefits of increased membership and improved economies of scale to the absorbing union. This is especially true if the smaller union is an old union with a long history of membership decline; in this case, it is likely to contribute large assets to the merger (like the German miners union, or like the Dutch diamond, tobacco and mining unions in the case of the Dutch metalworkers’ union and, later, the IB).

In recent mergers between British unions, it was found that an important motive for an acquiring union was to move its center of gravity out of declining and into expanding areas (Willman, Morris, and Aston 1993: 99). In the British context, this

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43 Willman, Morris, and Aston (1993: 99) note that three quarters of all union mergers in Britain in 1989 involved “competitive bidding.”

meant a crossover from declining and unprofitable manual to expanding and high-income nonmanual employment. In Dutch unions a similar logic can be detected, where the crossover is from industrial to service sectors, combining a rich and large industrial-sector union that has a declining membership base with a poorly endowed service-sector union that has a growing membership base that it is unable to organize. The proposed merger between the IB and DiBo in the Netherlands presents a model case, although the joining of two more (poor) unions complicates the picture.

A merger of this kind immediately puts the well-developed organizational capacities of the larger and older union to the purpose of organizing workers in the expanding service sector; as the manufacturing sector stagnates or shrinks, it is only in services that unions based in the former can find the additional members they require.<sup>44</sup> Moreover, for the officials of the service sector union, a combination of this kind would seem to be ideal, as their particular expertise will be in demand in the combined union. Also, the large assets of their partner guarantee them not just higher salaries immediately, but also secure retirement in the future.

Not all mergers are crossovers, however. The only example of a merger across the dividing line between manufacturing and services in Germany is IG Medien, which resulted from a combination between the printers and the artists. While all other mergers followed the pattern of a takeover of a small union by a large one, most of the small unions involved were old industrial unions whose membership base was declining similarly to that of the large union absorbing them. Whereas some of the absorbed unions were rich, such as in particular the IGBE, others, such as the wood workers, had only insignificant assets. Moreover, to the extent that there are small service sector unions in Germany, like the postal workers, the HBV and the DAG, they have managed to remain independent up to now.

In other words, while it seems relatively easy to understand why small unions may offer themselves for a merger, the "demand function" on the part of the large unions seeking to incorporate them is more difficult to determine. As pointed out earlier, the legal and institutional conditions in Germany offer unions in manufacturing the hope of expanding into services as the firms they organize restructure. Entering the service sector by merger with a service-sector union therefore

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44 In addition, sectoral diversification may boost organizational viability in that it lessens a union's dependency on contingent developments in particular sectors, e.g., a rapid decline of employment, the breakup of an employers' association, or the incidence of industrial conflict (Cornfield 1987; Strauss 1993).

seems to be less of a priority for German than for British or Dutch unions. Simple considerations of scale seem to rule, even where the absorbing union itself has declining membership and an excess of officials, like IG Metall. Other reasons for large unions to absorb smaller ones may have to do to their relationship with their peak association; we will return to this shortly.

### **A Minimum Size**

Summing up, the driving force behind small unions putting themselves up for merger is, we suggest, a lack of absolute size, not low or declining density or a lack of growth potential as such. Whether small size is accompanied by high or low density seems to be of no importance for organizational viability.<sup>45</sup> A union may be too small to exist on its own if its density rate is high, just as it may be perfectly viable with a very low density rate. Moreover, as long as its absolute size remains above the threshold, a union can exist with a declining membership base resulting in rising density, as well as with a growing membership base combined with a declining density rate.

How large a union must be to be organizationally viable depends, we hypothesize, above all on geographical conditions, especially the size of the territory it services, the spatial density of settlement on that territory, and the distribution of members over workplaces. Assuming that the latter is roughly the same for the two countries, a German union must therefore be bigger than a Dutch union. We estimate that a union in the Netherlands requires around half a million members to be viable, i.e. to be able to avail itself of the scale economies required for the union to offer its members high-quality services at an acceptable cost; the minimum size of a German union seems to be four or five times that large.

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45 The merging unions in our study have quite different union densities, but this appears to be of no consequence. Of the four merging unions in the Netherlands, the transport union has by far the highest density (around 35 percent), largely owing to its position in railways, ports and waterways, and warehousing, but it is a very poor union, like the service union which has by far the lowest density (6–7 percent). What matters is wealth and size.

## E Consequences

### Conglomerate Unions

The unions that result from mergers are *internally highly heterogeneous*. Like conglomerate firms, they straddle and indeed disregard sectoral boundaries. Merged unions resemble Anglo-American *general unions* more than continental European industrial unions, although unlike the former they also organize white-collar workers.

Conglomerate unions represent a *new balance between the economics and the politics of union organization*. Their rise indicates that *generic union services* have become, or always were, more important and that collective member *identity* has become, or always was, less central to unionization than has often been assumed (Goldthorpe, Lockwood, Bechover, and Plat 1968; Klandermans and Visser 1995; Van de Vall 1970). Nevertheless, cultural identities, and especially incompatibilities, have not become irrelevant. While officials do not in principle doubt the possibility of cross-sectoral mergers, they are aware that some of their members may not feel comfortable in a joint organization. For example, officials of the DGB service-sector union, the HBV, and the white-collar union, the DAG, have long been secretly discussing merger plans, in spite of a history of acrimonious ideological conflict. The main reason why a merger has, as yet, not come to pass seems to be the fear of officials on both sides that large groups of their members, and in particular their activists, may not yet be prepared to forget their old enmities. A similar conflict impedes the merger between the FNV and the independent federation, AVC. The likely consequence in this case appears to be that a minority of AVC affiliates, representing around 40 percent of the federation's 100,000 members, will form a new, independent federation.<sup>46</sup>

Conglomerate unions face new demands with respect to their *management of internal diversity*, where they seem to be subject to a *dialectic of centralization and decentralization*. Having sacrificed political homogeneity for economic efficiency, conglomerate unions have only a limited capacity to speak with one voice for all their members. While member demands for generic services both force and enable unions to build encompassing organizations that extend beyond sectoral and

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46 See also the fact that unions with a strong professional identity that are organizationally viable on their own prefer to remain independent. Another case in point is the continuing tensions inside IG Medien between printers and journalists, and the continuing existence of strong professional associations of journalists outside the DGB.

cultural boundaries, differences in member interests and identity require *diversified policies*, especially in collective bargaining. Union mergers thus tend to result in centralized service provision and decentralized representation and participation at the same time.

In particular, conglomerate unions typically adopt a decentralized, nonunitary approach to collective bargaining, negotiating separately for different membership sections with different (groups of) employers. This is why a unitary organization like IG Metall is likely to find it comparatively difficult to incorporate takeovers from outside its original sector. The same cannot be said about unions like IG Chemie or the IB in the Netherlands, both of which have inherited the tradition of the *Fabrikarbeiterverband*, which organized workers across all process industries and therefore had to allow for internal sectoral differentiation from early on. German and Dutch unions that in many respects always were conglomerate unions are, of course, the ÖTV and AbvaKabo.

Generally, Dutch unions seem to be better prepared for conglomerate unionism than their German counterparts. Due in part to the pluralism of the Dutch collective bargaining regime, unions like IB, AbvaKabo and Dibo are used to being party to ten or more sectoral agreements and a hundred or more company agreements. Decentralization of collective representation in conglomerate unions is, of course, reinforced by general trends away from pattern bargaining and toward smaller bargaining units, down to individual companies.

Whether or not political decentralization in union conglomerates will result in higher wage differentials is an open question. As long as conglomerate unions operate a combined strike fund – which all of them do – they must to some extent centrally coordinate their sectoral bargaining strategies. Small groups of members cannot be allowed to strike at the expense of the common strike fund for wage demands far in excess of what the same union can get for other members. Also, members threatened by a loss of position in the wage structure are likely to be unwilling to contribute to a strike fund that is not used for their defense. To prevent opportunism and protect organizational cohesion, negotiations are therefore typically handled by appointed full-time officials controlled by headquarters and not attached to specific subsections of the membership, and the procedures for the ratification of claims and settlements become a critical constitutional issue. The experience of the IB in the Netherlands, which is involved in numerous sectoral collective agreements, seems to show that a multisectoral union need not lose its ability to coordinate wage demands, and there is no sign that intersectoral wage differentials have in fact increased as a result of union mergers.

Central coordination in conglomerate unions is also required for organizing purposes. To realize its potential for growth and optimally exploit the match between



old assets and new membership markets, a conglomerate union must be capable of a “corporate policy” of cross-subsidization, in which resources are mobilized for and shifted to markets where the union has a potential for growth. This requires central office discretion over the use of resources as well as a competent staff capable of locating strategic opportunities. To be able to expand into underorganized, but strategically important new membership markets, conglomerate unions must engage in a sort of “portfolio management” (Willman, Morris and Aston 1993: 215), which they can do only if their leaders can to some extent act independently from the sectional interests of the members.<sup>47</sup>

### **A New Pattern of Interunion Competition**

The emergence of new economic sectors, the diversification and vertical disintegration of firms, and the privatization of much of the public sector have once and for all eroded whatever sectoral logic there may have been to union domain demarcations. In Germany and the Netherlands, this has resulted in interunion competition on an unprecedented scale, with all unions claiming jurisdiction in principle in any economic sector and preparing to enter the actual or potential territory of any other union.

Union mergers internalize and thereby end some jurisdictional conflicts. But short of the formation of “one big union,” they will not end all of them. As the definition of union territories becomes arbitrary, the new conglomerate unions are likely to find themselves in conflict with each other over numerous subsectors and companies. Unlike in an industrial union structure, however, with its claim to systematic consistency, conglomerate unions, with their more or less accidental mixes of members and domains can afford to deal with such conflicts pragmatically, by negotiating a subdivision of the “market for unionization” between them

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47 The whole idea of spending union assets on recruitment in other domains is likely to attract opposition from the members of the acquiring (and usually richer) union. This was illustrated by the decision of the delegate conference of the IB, just two months before the merger with the three poorer unions, to withdraw its support unless payment of a bonus of 20 guilders for each year of membership, payable at age 65, was guaranteed for IB members. This left the leadership no choice but to extend the entitlement to all members, including those of the three merger partners. As the budget is already strained by a “no dismissal” promise given to union officials and staff, the unions will have to cut spending on recruitment or services by a million guilders per year.

so as to avoid ruinous competition. This is all the more likely after mergers have produced unions that are large enough to be organizationally viable and whose existence is therefore not threatened by the loss of any one of their areas of organization.

As suggested by the situation in the Netherlands, conglomerate unions, which have learned to operate a differentiated collective bargaining system, seem to be better than unitary or single-industry unions at sharing negotiating rights with other unions in contested areas. Under joint bargaining, all unions with members in a given bargaining area form an integrated negotiating committee (called a *Tarifgemeinschaft* in German law) and sign a common agreement for their members. It is possible that the greater tolerance for domain overlaps that is typical of conglomerate unions will in future lead to more frequent use of such arrangements in Germany.

### **Changing Relations Between Affiliates and Peak Associations**

Organizationally viable conglomerate unions have incentives to internalize functions previously performed by their federation. The larger a union, the more specialized its full-time staff can be. As a result, the union can perform tasks economically, such as research or legal services, which unions of smaller size need to produce jointly with others through a peak association.

One reason why large conglomerate unions may be inclined to reinternalize hitherto shared tasks is that this enables them to tailor the performance of such tasks to their specific needs. More important, however, seems to be the excessive number of full-time staff that unions typically have after a merger. To the extent that such staff causes fixed costs, it would seem rational to give them something to do. If this duplicates activities performed at federal level, peak association services become dispensable, and the fixed costs of excess staff may in principle be recovered by cutting the union's contribution to the federation. Indeed, it seems that in hard economic times the easiest way for an organizationally viable union to increase its disposable income is by lowering its payments to its peak association. Affiliates currently pay 12 percent of their subscription income to the DGB, and 16–17 percent to the FNV. In both federations, discontent with the level of contributions runs high.

Affiliate contributions are regulated by federation statute. In both the DGB and the FNV, changing that statute requires a two-thirds majority of delegates at the national convention. Up to now, this majority has not been reached, as the small unions do not want the federation to have to cut its services. From the perspective

of their larger counterparts, including those that will soon become large through merger, a realignment of funds and tasks from the federation to its affiliates may seem a natural method of avoiding duplication of effort; the fact that it may result in duplication between affiliates would seem acceptable, as the costs of the staff performing the newly internalized functions are partly fixed. From the perspective of the small unions, however, it reduces the services they receive from the federation, and thus the financial support provided by the large to the small unions.

One way for the large unions to secure a majority for the reduction of affiliate contributions to the federation is to take over smaller unions, as voting in the DGB and the FNV congresses is by size of membership.<sup>48</sup> In fact, the main reason why IG Metall, which already has an oversized staff, took over a poor union like the wood workers may well be that this has brought it and the other large unions closer to a two-thirds majority. Not only would a reduction of DGB contributions be the most effective way of improving IG Metall's financial condition in the short run, raising its disposable income by several percentage points. In addition, it would also dramatically increase the pressure on the five remaining small unions to agree to a merger. This is because the only access small unions have to economies of scale is through the joint performance of tasks at federation level. As large unions begin to reinternalize tasks, they in effect make it impossible for small unions to offer their members services at acceptable prices. Eventually, this in turn lowers the price receiving unions will have to pay for future mergers.

As conglomerate unions grow in size, they become both more similar in their membership profiles and more organizationally self-sufficient and politically independent. While the heterogeneity of their membership begins to resemble that of a peak association (although it will probably never equal it), the fact that unlike a peak association they have direct members makes them more unified collective actors, regardless of whatever internal differentiation they may have to institute. Such organizations are hard to govern by a peak association. To the extent that the affiliates of the DGB and the FNV turn into large, organizationally self-sufficient conglomerate unions, the two peak associations' claims to an autonomous political mandate will be increasingly challenged, even acknowledging that in the past such claims may have been based on no more than the overwhelming

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48 The distribution of votes in the delegate council or conference of the federation is not fully proportionate to membership size and subscriptions, since small unions are awarded a minimum number of votes. In the FNV, the three largest unions, with two thirds of the membership, need the help of another union to control two thirds of the votes (Smit and Schilstra 1992).

power of one union, IG Metall in Germany and what is now the IB in the Netherlands. A restructured peak association in a world of union conglomerates would likely be limited to mediating between its members, especially as these face political interlocutors, such as the national government or the European Union bureaucracy, vis-à-vis which they may wish to suspend their differences and speak with one voice. A peak association of this sort will probably need very few officials, a council of affiliate organizations rather than a conference of delegates, and a sort of general secretary appointed by the affiliates rather than a president elected by a political conference.

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