

The Impact of the Closed Shop on the Union Movement: A Preliminary View

Gianni Zappala^{*}

Abstract

This paper provides a preliminary review of the effects of closed shop arrangements on trade unions. In doing so it addresses four hypotheses: whether the closed shop reduces union militancy; whether it leads to poorer services; whether it affects bargaining power; and whether it leads to increased membership.

1. Introduction

The closed shop is a classic perennial and controversial issue in industrial relations. Most countries have some form of union security arrangements (Cordova & Ozaki, 1980), the exception being some European countries (Kassalow, 1980). Apart from the individual freedom arguments, research has focussed on management attitudes towards the closed shop (Geare, 1989; 1990; Dunn & Gennard, 1984); and the economic impact of the closed shop on certain variables such as productivity, pay, profitability and

** Gianni Zappala¹ is a Lecturer at the Australian Centre for Industrial Relations Research and Teaching. I wish to thank colleagues at the University of Sydney for useful comments and Lintin Duffin for research assistance*

employment (Metcalf, 1989a; Blanchflower & Oswald, 1988). There has been little research into the impact of the closed shop on trade unions themselves. This is surprising, when the state of trade unions seems to be perilous in most western industrialised economies. Although there has been some discussion amongst labour movement researchers and activists of the need for a new focus on services, on targeting special groups, recruitment drives and so on, there has been little discussion of union security arrangements such as the closed shop and their possible impact on membership, service provision and organisational effectiveness. The closed shop may also have other unintended consequences for unions. For instance, in Australia it is estimated that at least 25 percent of unionists were unwilling conscripts in 1990 (Rawson, 1990). That is, one quarter of all unionists would leave their trade unions if it were not for closed shops. Moreover 82 percent of all union members favoured voluntary rather than compulsory union membership (Rawson, 1990). This is a sobering fact from a union viewpoint. If legislation were introduced to outlaw union security provisions (legislation to outlaw preference to unionists clauses was re-introduced in the NSW Parliament at the time of writing; see Brown & Wadhvani, 1989; and Metcalf, 1989c, for the UK experience); or employers mounted an offensive against compulsory unionism, union density may further dwindle.

This paper attempts to remedy this lack of concern with the closed shop from a trade union perspective. It is not meant as a complete literature review, nor are more objective techniques such as meta-analysis appropriate given the nature of the subject matter being investigated. Thorough reviews have been published of the US literature for instance although these have not explicitly focussed on the impact on unions themselves (Moore & Newman, 1985). This paper uses these reviews as well as other studies on the closed shop and closely related forms of union security, gleaning that evidence which is pertinent to the question of whether the closed shop is a help or hindrance to the union movement. It should be stressed at the outset that the impact of the closed shop on unions will not be uniform. It will vary according to the type of union, industry, occupational and institutional variables. Therefore the discussion which follows is not intended to imply some global effect of the closed shop, but more as a stimulus to debate and the setting up of various hypotheses for future research to test.

Table 1. Comparison of the Terminologies & Meanings of the "Closed Shop" by country

Function	Australia	Canada	New Zealand	United Kingdom	United States
Union membership required as a pre-requisite for employment i.e. union has control of the labour supply	pre-entry closed shop	closed shop	pre-entry closed shop	closed shop	closed shop ⁴
Union membership required as a condition of remaining in employment i.e. must join a union after being hired; no union control of the labour supply	modified pre-entry ¹	union shop	post-entry closed shop ³	post-entry closed shop	union shop

1. A modified pre-entry closed shop may exist when an 'effective preference clause' is inserted in an industrial award. This clause requires the employer to notify the relevant union 21 days prior to advertising a particular vacancy. If a union member presents themselves for the job, they must be employed, unless the employer can show 'reasonable grounds' not to. In effect, the union has a three week monopoly period over possible recruits. See Zappala (1991) for a fuller discussion.
2. There are three variants of the modified post-entry closed shop in Australia:
 - a. 'willing-to-join' preference clauses: these clauses state that preference in employment must be given to unionists or persons who undertake to join the union within a specified time after engagement
 - b. 'absolute' preference clauses: these clauses require an employer to engage (promote or retain) a union member who is suitable, ahead of a non-unionist, so that the employer's discretion is controlled when, but only, when, a union member and a non-unionist are competing
 - c. 'qualified' preference clauses: these clauses require the employer to choose a union member over a non-unionist, but only when they are equally qualified on all grounds considered relevant by the employer. See Zappala (1991).
3. New Zealand also has a system of preference clauses in its awards which play a similar if not stronger role in buttressing the post-entry closed shop
4. Certain states in the US have passed what are known as 'Right-to-Work' laws. These outlaw the closed and union shop in those states. There is an extensive literature on the effects of RTWLaws. See references.

2. Definitions and hypotheses

The definition and terminology of the closed shop needs to be addressed. This becomes particularly important, because the paper uses evidence from many different countries, and the closed shop takes on different meanings in different institutional contexts. Table 1 attempts to compare the various terms and forms of the closed shop in order to avoid confusion. This table lists the terms most commonly used in Australia, Canada, New Zealand, the United Kingdom and the United States with respect to whether the form of compulsory unionism gives the union the ability to influence what labour a firm can employ. For instance, in Australia and the UK, the pre-entry closed shop refers to the situation where workers must be members of a union before being employed in a particular job. This is known as the closed shop in the US and Canada. Similarly, the post-entry closed shop (union membership required after recruitment) in the UK, New Zealand and Australia is known as the union shop in the US and Canada. Throughout this paper, the term closed shop will be used in a generic sense, except in cases where the evidence itself differentiates between the two.

An important term to note in the US context is 'Right-to-Work' (RTW) laws, as most of the research in the US has focussed on the impact of these laws. In 1947, the Taft-Hartley amendments to the Wagner Act granted states the power to pass laws that outlawed the union shop (post-entry) and the closed shop (pre-entry) in 1959. If the law is effective, we can assume that workplaces in states in the US with RTW laws have no closed shops, although they may have open shops (union membership is voluntary). In Australia and New Zealand, preference to unionists clauses in awards may lead to both pre and post entry closed shops (Zappala 1991).

A useful definition for the purposes of this paper is one where the closed shop is 'any arrangement, formal or informal, written or unwritten, where, except for mutually agreed exemptions, membership of the appropriate union is a condition of a worker's employment' (Wright 1981, p. 133).

This section outlines four major hypotheses regarding the possible impact of the closed shop on unions. It is often the case that these hypotheses lead to contradictory conclusions and they are often overlapping and related to one another. The differing institutional environments will also affect the degree and type of impact of the closed shop on unions. Unfortunately, the type of union is also not taken into account. For instance we cannot distinguish between unions with different ideologies, structures or aims, as these may be important intervening variables. To reiterate, no global effect of the closed shop is implied, as it can be expected to impact upon different unions in different ways. Nevertheless, some initial if general hypotheses are possible.

A final point which should be kept in mind when exploring the possible impact of the closed shop on unions is that there exists within the internal hierarchies of unions themselves differences of opinion and attitude towards the closed shop. For instance, Harrison has pointed to the different views towards the closed shop by full-time officials and rank and file membership in British unions covering the Health industry (Harrison, 1987, p. 69-70). In his study of six Australian unions, Davis found that there was no significant divergence on the part of full-time officials, delegates and members with respect to a number of union goals, with the clear exception of the closed shop. In every union studied, 100 percent of full-time union officials thought the closed shop a very important union goal, whereas the percentage of members who thought the closed shop to be an important goal varied from one third in one case to three quarters in another (Davis 1987, p. 117-118). It would seem that the perceived possible impact of the closed shop may vary according to whether we take a union official's view or a membership view, as well as more traditional variables such as the type of union.

3. Hypothesis 1: Do closed shops reduce union militancy and activity?

Geare (1989) has pointed to three aspects through which a closed shop may reduce union militancy. The first is that if all employees are forced to join the union, the apathetic members will tend to 'dilute' the militants within the union. This implies that unwilling conscripts are more apathetic and conservative than volunteers. This argument rests on the assumption, particularly popular amongst some European unions, that a union's strength lies not in numbers, but in the proportion of strongly committed members.

The second aspect is that central union organisations are less militant under compulsory union membership (Woods, 1975; Geare 1989). Given that the influence of unions on policy matters within the central organisations tends to depend on their size, and traditionally non-militant unions gain relatively more members through closed shops than do militant unions, then it may be expected that compulsory unionism also leads to less militant central union bodies.

The third aspect is the view that the closed shop encourages 'responsible' unionism (Hanson *et.al.* 1982, p. 13). By ensuring organisational survival, the closed shop allows union organisers to take a longer term view of

industrial relations, and not engage as frequently in industrial action in order to demonstrate their effectiveness to potential members (Geare 1989, p. 233).

A fourth aspect may be that employers often use the closed shop to strike agreements with less militant unions, in order to keep more militant rivals at bay. This was one of the reasons why it was thought management came to 'love the closed shop' in the late 1960s and 1970s (Gill & Zappala 1990, p. 3-4).

Evidence

Two Australian studies which attempted to test this hypothesis were Rawson (1976) and Dufty (1981). The studies sought to explore attitudinal differences amongst union members who had joined their union voluntarily and those that had been compelled to join because of closed shop arrangements ('conscripts').

In Rawson's study the 'conscripts' were then divided into willing conscripts (those who would have joined anyway) and unwilling conscripts (those who would not have joined if there had not been a closed shop at their workplace). While not looking at the issue of militancy, Rawson found that for all occupational groups, there was a greater difference in the level of support for the Australian Labor Party (ALP) between willing and unwilling unionists than there was between unionists and non-unionists (Rawson 1976, p. 90). This may indicate that unwilling conscripts are more conservative in their political outlook, and less inclined to support union policies.

Dufty's study explored the issue of militancy in greater detail. He found that those union members who had joined voluntarily were members of more aggressive unions and were inclined to increase the level of aggression. In contrast, the conscripts belonged to less aggressive unions and tended to be satisfied with their present level of militancy (Dufty 1981, p. 93). As can be seen from Table 2, those union members in Dufty's study who had been forced to join the union, were closer in their views to non-unionists than to unionists on various industrial relations issues, such as whether they thought the union interfered with the employer's right to run the business, whether unions were beneficial in the long run, and who was to blame for strikes.

The evidence from these studies would tend to support the view that the impact of militant members may be diluted due to the entry of unwilling unionists. There is however one important caveat. Unwilling unionists may be less militant, but if they are also more apathetic, they would presumably be less involved in the formulation of union policy. If this is the case, then

Table 2: Perceptions of Strike Behaviour and the Industrial Relations Climate: Conscripts, Volunteers and Non-Unionists (%)

	Conscripts	Volunteers	Non-Unionists
My union's most recent strike last 6 months	8.8	18.0	—
6 months to 2 years ago	23.5	34.8	—
more than 2 years ago	67.6	47.2	—
My union strikes too often	15.9	9.9	—
about right	65.1	55.6	—
not often enough	19.0	34.6	—
Strikes should be illegal	31.0	14.4	30.7
Climate of labour-management relations is good or very good	43.5	54.7	35.0
bad or very bad	25.2	26.5	35.0
Union Goals and Activity: Conscripts, Volunteers and Non-Unionists (%)			
	Conscripts	Volunteers	Non-Unionists
Union functions			
- improve pay and conditions	42.1	49.5	27.9
- protect the individual	41.1	33.3	47.7
- improve society as a whole	12.6	14.4	19.8
Satisfaction with union (percentage satisfied or very satisfied)	43.5	77.1	—
Attendance at union meetings (percentage never attending)	68.6	24.7	—
My union should be affiliated with the ACTU	50.0	66.0	—
My union should be affiliated with the ALP	10.7	26.6	—

Table 2 (continued)
Perceptions of Unions and Management: Conscripts, Volunteers and Non-Unionists
(Percentages Agreeing or Strongly Agreeing)

<i>Statement, relating to Western Australia</i>	<i>Conscripts</i>	<i>Volunteers</i>	<i>Non-Unionists</i>
Management makes a real effort to get along peacefully with unions	49.3	33.3	55.5
Most unions make a real effort to get along peacefully with management	16.4	38.3	16.8
Unions have been very helpful in raising the standard of living of the average worker	61.7	91.5	72.3
Unions benefit the majority of the people in the long run	27.6	67.7	31.7
Most unions interfere with an employer's right to run his business as he pleases	67.3	41.5	70.3
Management usually has to be forced by unions to raise wages and improve working conditions	49.6	76.1	38.7
Most strikes are caused by unfair tactics of employers	19.1	35.6	12.9
Most labour troubles are caused by full time union officials rather than discontented workers	75.9	41.5	70.0

Perceptions of Unions, Management and Institutional Bias, Conscripts and Volunteers (Percentages agreeing)

Statement	Conscripts		Volunteers	
	Ex-Union	Union	Ex-Union	Union
Management makes a real effort to get along peacefully with unions	58.0	41.2	40.0	30.9
Most unions make a real effort to get along peacefully with management	11.3	23.5	37.2	38.8
Unions have been very helpful in raising the standard of living of the average worker	69.4	44.9	97.2	88.9
Unions benefit the majority of people in the long run	24.1	33.3	71.4	65.4
Most unions interfere with an employer's right to run his business as he pleases	71.0	64.7	50.5	38.3
Management usually has to be forced by unions to raise wages and improve conditions	43.5	54.9	80.0	72.9
Most strikes are caused by unfair tactics of employers	11.3	27.5	37.1	34.5
Most labour troubles are caused by full time union officials rather than discontented workers	80.7	72.5	48.6	38.2
State Liberal/Country Party Government favours unions	9.7	3.9	2.9	1.2
favours management	51.6	68.6	80.0	84.0
Industrial Arbitration Act favours unions	27.4	17.6	11.4	9.9
favours management	6.5	23.5	37.1	30.9
Strikes should be illegal	27.4	35.3	11.4	14.8

Source: Duffy 1981 (see text for significance levels)

their attitudes may not so much dilute union policy, but merely be indifferent towards it. While they may not dilute union policy however, they may still undermine union action.

Another measure of militancy, albeit imperfect, which has been used is strike patterns. If, as was hypothesized above, the closed shop leads to less militant unions, we would expect that workplaces, industries or regions with a greater prevalence of closed shops also display lower strike frequencies than workplaces, industries or regions without closed shops. This proposition has attracted some interest in the US, where Gallaway (1966) initially put forward the thesis that unions would be more militant in RTW states (i.e. states in the United States where the closed shop is illegal), therefore they would strike more in order to pursue better wages and conditions, and in order to attract and recruit members. Early studies which attempted to test Gallaway's proposition empirically found that states with RTW laws (i.e. no closed shop) did not have significantly different strike frequencies compared to states without RTW laws (Gilbert, 1966; Wessels, 1981). A more recent study using micro-level data of 1050 negotiations in US manufacturing during the 1971-80 period came to different conclusions (Gramm, 1986). Using a dummy variable to indicate whether the unit was in a RTW law state, Gramm found that strikes were more likely to occur and more severe in states with RTW statutes (i.e. no closed shop) than elsewhere (*ibid*, p. 373). This is consistent with the hypothesis that unions without a closed shop are inclined to strike more, firstly, because they are less prone to 'dilution' and secondly, because they need to demonstrate to non-members that they are working to achieve better wages and conditions. There may be other explanations, such as that offered by Gramm herself. Gramm's argument is that employers have increased bargaining power in RTW law states, which may encourage employer militancy and the ability to continue operations with non-union labour in times of strike action (*ibid*, p. 373).

A source of evidence to the contrary comes from two surveys of management attitudes to the closed shop in New Zealand and Western Australia (Geare 1989;1990). In both these surveys, managers were asked a series of questions regarding their attitudes and beliefs towards the closed shop, including a question on whether they thought the closed shop reduced union militancy. In both samples, managers did not feel the closed shop decreased union militancy, but saw it as increasing union strength (Geare 1989, p. 237; Geare 1990, p. 21-2). This conclusion is in contrast to earlier attitudinal management surveys which suggested that the closed shop did not generally enhance a union's bargaining power (Dunn & Gennard 1984, p. 103).

Overall, the evidence in terms of the attitudes to militancy of unwilling conscripts, and the level and frequency of strikes in workplaces without closed shops, would support the hypothesis that closed shops may reduce union militancy.

3. Hypothesis 2: Do closed shops lead to poorer services to union members?

This is perhaps one of the more popular propositions regarding the impact of the closed shop on unions, especially in the USA literature. It may also be important for unions to consider, as many unions are looking to become more service conscious as a way of stemming membership decline (Deery 1989; Bassett 1987). The argument is essentially that the threat of union members withdrawing their membership (i.e the exit vote) is a necessary condition to ensure unions adequately service their membership (Finn 1987; Gallaway 1966). With a secure membership resulting from the closed shop, union officials may turn their attention to other goals which may not be in the short run interests of the rank and file. The ability of an employee to either willingly join or leave a union thus provides an incentive for the union to 'earn' that member through the provision of services that they may not otherwise receive. The caveat here is that compulsory unionism may lead to increased financial resources for a union, hence enabling it to provide better services.

Evidence

In a study of occupational health and safety practices in New Zealand, McIntosh and Gurdon (1986) found appreciable differences in the effectiveness of union/management enforcement of occupational health and safety committees. They argued that one explanation why some companies exhibited a poor occupational health and safety performance was the existence of the closed shop, which led unions to experience 'a less pressing need to demonstrate their value to the workers by representing their health and safety concerns' (McIntosh & Gurdon 1986, p. 529).

Another imprecise although relevant measure of this proposition is the union/non-union wage mark-up. If the proposition that the closed shop leads to poorer services to union members is correct, we would expect the union/non-union wage premium to be higher in workplaces, industries or regions where there is no closed shop, as unions will strive more effectively

to make union membership more attractive. In other words, unions attempt to 'sell' their services by raising the union wage rates higher than they otherwise would be (Moore & Newman 1985, p. 580). This has been tested empirically in the USA where, according to this thesis, the union wage premium should be higher in RTW law states (i.e no closed shops) than in states where the closed shop is permissible. Two major econometric studies, when controlling for other relevant factors, found the union wage premium to be significantly larger in RTW states than in non-RTW states, a finding consistent with Hypothesis two (Moore 1980; Farber 1984).

Another study examined the effects of RTW laws on how unions reward their members (Reid & Faith, 1987). The primary aim of the study was to investigate whether unions in RTW states (no closed shop) rewarded their members more equally than unions in non-RTW states. The hypothesis was that unions without closed shop provisions (RTW states) would need to take greater account of individual members' interests, which would be reflected in union pay growing less rapidly with seniority in RTW states (no closed shop), as unions need to cater to all members' interests (*ibid*, p. 117). The conclusion from this study is worth quoting at length as it aptly supports the second hypothesis:

Our results indicate that RTW legislation affects how unions reward members. Unions in RTW states reward members more currently and more equally and less concerned with day-to-day administration of complex bargaining agreements. This is not simply because unions must negotiate in a more hostile environment in RTW states...more direct control over the union by members does that. RTW legislation forces a union to bargain more in the immediate interest of all members because members can withdraw from a union at any time without cost to themselves. It is tempting to conclude that ease of withdrawal is as beneficial in unionism as it is in governments, where costless withdrawal and competition ensure that government is in the interest of the governed rather than the governors. (Reid & Faith 1987, p. 128)

The evidence, particularly with respect to the wage premium, would support the hypothesis that the closed shop may lead to poorer union services to members. Workplaces without closed shops had a higher union wage premium than workplaces with closed shops.

4. Hypothesis 3: Does the closed shop increase union bargaining power?

This hypothesis assumes that bargaining power relies almost solely on a union's ability to achieve and maintain collective action against an employer (McCarthy, 1964). The closed shop is seen to assist in this, first, by ensuring that union membership will be at a sufficiently critical mass to make collective action effective and, second, by providing a 'discipline function' over the membership. If collective action is to succeed, all must be a part. The threat of exclusion from the union for recalcitrant members, and hence loss of certain privileges and even their job, is seen to strengthen the unions position in taking strike action. Unlike the first hypothesis, strength is seen to lie in numbers and in the ability to ensure the numbers add up when needed.

Evidence

Once again a convenient, although imperfect, measure of bargaining strength is to look at wages outcomes of workplaces or regions which have closed shops relative to workplaces or regions without closed shops. Examining the evidence in the USA, it would appear that average wages are substantially lower in RTW states (no closed shops) than in non-RTW states. This also appears to hold when other factors are controlled for (Carroll, 1983). Carroll interpreted his results by suggesting that 'lower union membership in RTW states means that unions are weaker in collective bargaining, thereby lowering average earnings in both competitive and non-competitive sectors of manufacturing' (*ibid*, p. 508). This interpretation is consistent with our third hypothesis. A recent review of the various studies, however, found that the results differed depending on whether the RTW variable was treated as endogenous or exogenous (Table 3). According to Wessels (1981), the RTW variable should be treated as being endogenous, as low wage states may be more apt to pass RTW laws in an effort to attract industry. When treating the variable in this way, Wessels found no statistically significant difference between wage levels in RTW and non-RTW states (Table 3). The debate rests essentially on methodological techniques, yet if we accept Wessels arguments as correct (Moore & Newman, 1985), the USA evidence at least would not strongly support the hypothesis that the closed shop leads to greater bargaining power.

This conclusion is further supported by Canadian research. Canada has no RTW laws, but does have various forms of union security provisions. In

Table 3: The Effect of RTW Laws on Average Wage Levels

Type of Model and Source	Year	Type of Data	RTW Co-efficient	t-Statistic
<i>A. Single-Equation OLS Model with RTW Variable Exogenous</i>				
1. Moore (1980)	1970	Individual		
a. Total Sample	1970	Individual	-.0379	-1.24
b. Union Sample	1970	Individual	-.0212	-0.43
c. Nonunion Sample	1970	Individual	-.0419	-1.07
2. Wessels (1981)	1970	State	-.0438*	-1.77
<i>B. Simultaneous-Equation Model with RTW Variable Exogenous</i>				
1. Carroll (1983)	1964-78	State	-.269*	-5.65
<i>C. Simultaneous-Equation Model with RTW Endogenous</i>				
1. Wessels (1981)	1970	State	-.0491	-1.36
2. Wessels (1981)	1972-73	Individual		-0.42
a. Total Sample	1972-73	Individual	-.0218	
b. Union Sample	1972-73	Individual	.0595	-0.78
c. Nonunion Sample	1972-73	Individual	-.0827	-1.22

Source: Moore & Newman (1985)

* Indicates the coefficient is statistically significant at the .05 level in a one-tailed test.

a study based on 2222 individual wage contracts in the Canadian private sector, Swidinsky sought to test the effect of union security provisions (particularly the closed and union shop) on union bargaining power, as reflected in negotiated wage settlements (Swidinsky, 1982). Based on a wage change model, which also included four types of union security as explanatory variables, Swidinsky found that these added little to the explanatory power of the model and were not statistically significant, particularly if the type of industry was controlled for¹ Swidinsky concluded:

there appears little support for the hypothesis that union security arrangements, and particularly the closed and union shop, give unions greater bargaining power than they would have had under an open-shop arrangement. (Swidinsky 1982, p. 70)

Another Canadian study also casts doubt on the hypothesis that the closed shop leads to increased union bargaining power. Examining the union wage effect in Canadian manufacturing industry, Christensen and Maki (1981) found that the absence of compulsory union membership for all employees in the bargaining unit served by a union did not significantly impair the ability of the union to negotiate wage gains. The authors argued that what mattered most was 'coverage fractions' rather than union membership per se. That is, in Canada the fraction of employees covered by a collective agreement may exceed the fraction who are union members, due to a legal requirement that a union bargain for all employees in the designated bargaining unit, whether or not they are members of the union (*ibid*, p. 356). Separate wage models were specified, one in which coverage (percentage of employees covered by a collective agreement) was a unionisation measure, and one in which membership was the unionisation measure. They found substantial overlap between the models in terms of the coverage wage effect and the membership wage effect. Christensen and Maki concluded:

our estimates indicate that an 'open-shop' union would raise wages an average of 30.7 percent over the non-union wage while the 'union shop' wage effect is 32.6 percent. It is difficult to justify much union effort to achieve a union shop in the face of such a small expected gain (*ibid*, p. 363).

Nevertheless, a number of recent studies in the UK may lend some support to the hypothesis that the closed shop does increase unions bargaining power. Blanchflower and Oswald (1988) summarise a number of studies of the union impact on pay (Table 4). They conclude:

the results indicate that the type of collective bargaining in operation is of some importance, wages being raised principally by closed shops (*ibid*, p. 2).

Table 4: How much do British unions raise pay?

Year of study	Estimated union wage premium	Type of collective bargaining	Worker category	Data sample	Author(s) and date(s)
1968	10% approx.	Union	Manual	1038 workers	Shah (1984)
1975	8% approx.	Union	Manual	5352 manufacturing employees	Stewart (1983)
1980	7%-14%	Pre-entry closed shop	Skilled and semi-skilled manual	1400 approx establishments	Blanchflower (1984) Stewart (1987) Blanchflower and Oswald (1987a)
1980	0%-9%	Post-entry closed shop	Skilled and semi-skilled manual	1400 approx. establishments	ditto
1984	6%-7%	Pre-entry closed shop	Unskilled-skilled manual	1300 approx. establishments	Blanchflower, Oswald and Garrett (1987)
1984	0%-8%	Post-entry closed shop	Unskilled-skilled manual	1300 approx. establishments	ditto

Source: Blanchflower & Oswald (1988)

- Notes: (i) A very small number of closed shops have such large premiums (3% of establishments have union wage premiums above 25% (Stewart, 1987))
- (ii) When the 1980 and 1984 data are used in a consistent way, the estimated closed shop premium is approximately the same in both years.

Metcalf in a similar review of the British evidence on union impact states that the closed shop is the key to extra pay for union members. (1989a). It is, however, the pre-entry closed shop which appears to have most impact while the post-entry closed shop has a very small to negligible impact on pay over and above unionisation (Stewart 1987; Metcalf & Stewart 1989). As with the USA research, these studies are subject to methodological problems. Gill and Zappala (1990) have pointed to the problems caused by the omission of control variables and multicollinearity (*ibid*, p. 9-12; 14-15; see also Nolan & Marginson 1990). At the very least, however, the British studies indicate that certain forms of the closed shop may assist unions bargaining power.²

The evidence with respect to this hypothesis is somewhat ambiguous. On the one hand the USA and Canadian evidence suggests that the closed shop may not increase unions bargaining power, as measured by their ability to gain greater wage increases. On the other hand, the British evidence suggests that some forms of closed shops, in particular, the pre-entry closed shop, enables unions to enjoy greater bargaining power.

5. Hypothesis 4: Does the closed shop lead to increased union membership?

This proposition is straightforward. If people are compelled to join a union, then it seems obvious that the ranks of unionists will swell. The important assumption is that this is worthwhile as it will also increase union strength, through increased membership and financial security. This assumption is in contrast to the assumption in our first hypothesis.

Evidence

The debate in the USA once again focuses on the effect of RTW legislation on unionisation. This debate has been summarised elsewhere (Moore & Newman 1985, 575-79; see also Farber 1984; Lumsden & Petersen 1975) and so only the relevant features will be highlighted here. The central issue is whether RTW states (no closed shop) have lower union membership than non-RTW states (closed shop allowed) If so, is it due to the RTW legislation? That is, does the banning of the closed shop affect unions ability to organise?

Once again, much of the debate rests on methodological arguments, with the results of the different studies varying according to how the econometric

Table 5: The Effects of RTW Laws on Union Membership

Type of Model and Source	Year	Type of Data	RTW Coefficient	t-Statistic	Significant Effect
A. Single-Equation OLS Model with RTW Variable Exogenous					
1. Lumsden & Peterson (1975)	a. 1939 b. 1953 c. 1968	State State State	-4.636* -4.474* -3.391*	-1.946 -1.687 -1.697	No
2. Moore & Newman (1975)	a. 1950 b. 1960 c. 1970	State State State	-3.566 -4.20* -3.938*	-1.283 -1.701 -1.989	No Yes Yes
3. Warren & Strauss (1979)	1972	State	-5.195*	-2.33	Yes
4. Hirsch (1980)	1973-75	SMSA	-5.065*	-2.93	Yes
5. Farber (1983)	a. 1977 b. 1977	Micro Micro	-.364* -.297*	-16.69 ^a -2.43 ^a	Yes Yes
6. Hunt & White (1983)	1973-75	SMSA	.4542	0.19	No
7. Koeller (1985)	1970	State	-1.17	N.S. ^b	No
B. Simultaneous-Equation Model with RTW Variable Exogenous					
1. Wessels (1981)	1970	State	-5.968*	-2.32	Yes
2. Hirsch (1980)	1973-75	SMSA	-4.556*	-2.47	Yes
3. Carroll (1983)	a. 1964-78 b. 1964-78	State State	-5.11* -4.88*	-3.17 -5.98	Yes Yes
4. Koeller (1985)	1970	State	0.77	N.S. ^b	No
C. Simultaneous-Equation Model with RTW Variable Endogenous					
1. Moore & Newman (1975)	1970	State	-0.302	-0.095	No
2. Warren & Strauss (1979)	1970	State	-6.901*	-3.09	Yes
3. Wessels (1981)	1970	State	-0.0018	-0.01	No

Source: Moore & Newman (1985)

- * Indicates the coefficient is statistically significant at the .05 level on a one-tailed test.
- a. The coefficient estimates on the RTW variable in the Farber study were derived from a union-membership probit equation and were not directly comparable to the other estimates.
- b. Koeller failed to report either the standard errors or the t-statistics associated with his parameter estimates, but he did note that the RTW coefficient was not significant at the .10 level in a two-tailed test.

models used were specified (Table 5). The problem is that the present extent of unionism may be an important impetus in the passage of RTW laws in some states, which leads to a simultaneity bias in models where the RTW variables are treated as exogenous (Warren & Strauss, 1979). However, studies that treated both unionism and RTW status as endogenous were mixed in results (Table 5). According to Moore and Newman (1985), 'the recent RTW literature tends to discount the importance of RTW laws in explaining the level of union membership' (*ibid*, p. 578).

A useful study which attempted to overcome these problems, examined the impact of RTW laws on the flow into union membership rather than the level of unionism at any point in time (Ellwood & Fine, 1983). Ellwood and Fine found a strong and significant short-run reduction in union organising following the passage of a RTW law, especially after the first five years. When converting the reduction in flows to levels, their study revealed that the number of union members was 5 percent lower than it would have been a decade after a state had passed a RTW law (*ibid*). The concerning finding from a union perspective, were the author's conclusions that the level of unionism was permanently reduced although 'it is also possible that the stock gradually recovers from its initial losses over many decades' (Moore & Newman 1985, p. 579).

Turning to New Zealand, a post-entry closed shop has been the norm in most New Zealand workplaces since 1936 (Harbridge and Walsh, 1985). This form of compulsory unionism has had a positive effect on overall union membership growth and particularly on specific unions (Geare, 1988). In 1984, the National Party government abolished the closed shop provisions, which were subsequently reintroduced by an incoming Labour Party government in July 1985.³ One study sought to explore the impact on union membership in New Zealand of this temporary removal of closed shop provisions (Harbridge & Webber, 1987).

One of the weaknesses of the study is that it did not statistically control for other factors which may have affected changes in union membership. Nevertheless, the authors found that the 'overall impact of the changes from compulsory to voluntary unionism and back again has been that unions have been unable to regain many of the members that chose to withdraw from their unions' (*ibid*, p. 82). The 15 largest unions (over 10 000 members) suffered an overall loss of membership of 10.3 per cent between 1983 and 1985 (*ibid*, p. 83). Some individual unions suffered significant losses in membership; the NZ Shop Employees Union experienced a 42 per cent decline, the NZ Workers Union a 34 per cent decline. Ironically, the smaller unions fared much better, and in some cases even gained members. Harbridge and Webber suggest that this may indicate that smaller unions are

more effective in providing services to their members (this contradicts the caveat in hypothesis 2), and may caution against union amalgamations, and the deregistration of small unions (*ibid*, p. 86).

The Australian evidence suffers similar problems to the New Zealand case, in that other factors which may affect union membership have not been controlled for. Furthermore, in the Australian case we need to disentangle the effects of preference clauses from closed shops (see Zappala, 1991). Nevertheless, the positive effect of preference clauses and closed shop provisions in assisting certain white collar unions increase their membership in the 1970s has been documented by various studies (Lansbury 1977; Griffin 1983; Hill 1984).

The impact of some preference clauses on union membership seems to have been substantial due to a 'threat effect'.⁴ The Federated Clerks Union (FCU) experienced an increase of approximately 20 000 members between 1971 and 1976, while the major banking industry union experienced a rise in density from 64 per cent in 1973 to 86 per cent in 1975 due to the introduction of closed shop provisions (Griffin 1983, p. 30). After a careful analysis of the causes of white collar union growth during this period, Griffin concluded that 'the preference decision was the major influence on union growth in substantial sections of the white collar workforce' (*ibid*). Other studies of white collar union growth in this period also confirm this view (Lansbury 1977; Hill 1984).

It has also been argued that the removal of certain preference and closed shop provisions in certain State tribunals have had a considerable influence upon unionisation Crean & Rimmer 1990, p. 15-16) (Table 6). For instance the rapid growth between 1970 and 1975 in the Australian Capital Territory (ACT) and the Northern Territory (NT) may have been largely due to union security provisions. This tide was turned in the early 1980s due to Conservative government attacks on these provisions. Union growth in Queensland and Western Australia suffered for similar reasons due to legislation against compulsory unionism (*ibid*; Blain 1985).

It is clear that the closed shop, in whatever form does impact upon the level of union membership. Whether unions can justify striving for the closed shop on this reason alone however may be tenuous. If union strength and bargaining power rests in membership size, then it may be worthwhile. The earlier work in this paper suggests that this may not necessarily be the case.

Table 6: Changes in unionisation: States and Territories, 1970-1988

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Total
Change in union density 1970-75(%)a	+8	+7	+2	+6	+6	+5	+16	+11	+7
Change in union density 1976-88(%)b	-9	-8	-14	-6	-13	-8	-16	-21	-9

Source: Crean & Rimmer (1990)

Source: a - ABS, Trade Union Statistics, Cat. No. 6323.0. B - ABS, Trade Union Members, Cat No 6325.0

6. Conclusion

This paper has not sought to provide definitive answers to the question of how the closed shop impacts on unions. Rather, by reviewing a wide and varied range of literature, various hypotheses were formed and evidence which supported or rejected these hypotheses presented. It remains for future research in the form of case studies (see Morris 1981 and Metcalf 1989b for case studies which explore the impact of the closed shop) and secondary analysis of the Australian Workplace Industrial Relations Survey to subject them to more rigorous testing.

This review suggests that the closed shop may lead to reduced union militancy, lower and poorer services to union members, and may not necessarily lead to increased bargaining power. The exception in the latter case seems to be the pre-entry closed shop. This form of closed shop, however, does not seem to be a widespread phenomenon in Australia (Wright, 1981), although a recent study suggests that it is still quite significant in the United Kingdom despite recent legislative attempts to outlaw it (Stevens *et. al.*, 1989). The only area where the closed shop seems to have a positive impact from a union perspective is in sustaining higher levels of union membership than would otherwise be the case. If union strength and militancy is not a function of numbers however, this may be a pyrrhic victory in the long run.

Why should unions therefore support the closed shop? Recent research suggests that the closed shop is still a popular feature of Australian industrial relations (Zappala, 1991a). To put it another way, should unions strive and channel their energies into establishing and supporting closed shops or concentrate on improving services and organisational effectiveness in order to attract members voluntarily? According to the evidence reviewed in this

paper the latter option would seem the more sensible. Certain important caveats do exist however. First, the nature of certain industries and occupations makes voluntary recruitment difficult, and a closed shop may be the only viable option. For instance, it was in industries subject to casualisation and high turnover rates, such as stevedoring and construction that the closed shop originally arose (McCarthy 1964; Morris 1981). Second, is the free rider problem. Is it right for all workers to enjoy the fruits of a few without contributing to this effort? This will no doubt remain the battle cry of most unionists. However, it may well be that a few free-riders are worth having in exchange for a more committed and better serviced membership in the long run. Third, and perhaps most importantly, this paper did not discuss the issue of union ideology. It may be that a radical union will not be adversely affected by the closed shop because of other union goals and policies. On the other hand, the closed shop may exacerbate the negative tendencies discussed above in a more moderate and conservative union.

Unions may need to convince rather than compel people to be union members. The quarter of unionists who are presently compelled should bear heavily on the minds of the union strategists. If the best way of attracting members is through the provision of better services (instrumental and non-instrumental), one may ask whether closed shops help or hinder this provision? This review seems to suggest that they may hinder it. Indeed, closed shops may breed complacency, and engender a false sense of security. Hence, reliance by unions on the closed shop does not seem a sensible strategy for the 1990s.

Notes

1 Seven variables: excess labour demand, price expectations, price catch up, wage spillovers, bargaining structure, union density and strikes accounted for almost half of the variance in the sample of negotiated wage settlements. The addition of the four union security variables produced only a marginal improvement in the goodness-of-fit.

2 See Metcalf (1989b) for a case study approach to the impact of the pre-entry closed shop on the bargaining power of the Transport and General Workers Union in the meat industry.

3 Present legislation in New Zealand is once again threatening to ban compulsory unionism.

4 This refers to situations where the threat of a union filing for an effective preference clause, led the employer to agree to a closed shop agreement as a *quid pro quo* for the union not filing the claim (see Zappala 1991 for a comprehensive discussion of this issue).

References

- Bassett, P (1987) *Strike Free* Papermac, London.
- Blain, N (1985) 'Federal and State Unions in Western Australia' *Journal of Industrial Relations* 27(2) pp.207-232.
- Blanchflower, D & Oswald, A (1988) 'The Economic Effects of Trade Unions' *Employment Institute Economic Report* 3(10).
- Brown, W & Wadhvani, S (1990) 'The Economic Effects of Industrial Relations Legislation Since 1979' Discussion Paper 376, Centre for Labour Economics, London School of Economics.
- Carroll, T.M (1983) 'Right to Work Laws Do Matter' *Southern Economic Journal* 50(2) pp.494-509.
- Christensen, S & Maki, D (1981) 'The Union Wage Effect in Canadian Manufacturing Industries' *Journal of Labor Research* 2(2) pp.355-67.
- Cordova, E & Ozaki, M (1980) 'Union security arrangements: an international overview' *International Labour Review* 119(1) pp.19-38.
- Crean, S & Rimmer, M (1990) *Australian Unions Adjustment to Change* Monash University.
- Davis, E (1987) *Democracy in Australian Unions* Allen & Unwin, Sydney.
- Deery, S (1989) 'Union Aims and Methods' in B. Ford & D. Plowman (ed) *Australian Unions An Industrial Relations Perspective* 2nd ed., Macmillan, Sydney.
- Duffy, N (1981) 'Conscripts and Volunteers' *Australian Bulletin of Labour* 7(2) pp.88-104.
- Dunn, S & Gennard, J (1984) *The Closed Shop in British Industry* Macmillan, London.
- Ellwood, D.T & Fine, G (1987) 'The Impact of Right-to-Work Laws on Union Organizing' *Journal of Political Economy* 95(2) pp.250-73.
- Farber, H.S (1984) 'Right-to-Work Laws and the Extent of Unionization' *Journal of Labor Economics* 2(3) pp.319-52.
- Finn, E (1977) 'The case against 'right-to-work' laws' *The Labour Gazette* October, pp.446-49.
- Gallaway, L.E (1966) 'The Economics of the Right-To-Work Controversy' *Southern Economic Journal* 32(3) pp.310-16.
- Geare, A.J (1988) *The system of industrial relations in New Zealand* Butterworths, Wellington.
- (1989) 'Managerial views on compulsory unionism in New Zealand' *New Zealand Journal of Industrial Relations* 14, pp.231-40.
- (1990) 'Do Bosses Still Love the Closed Shop?' *Employee Relations* 12(6) pp.17-23.
- Gilbert, D (1966) 'A Statistical Analysis of the Right-To-Work Conflict' *Industrial and Labor Relations Review* 19 pp.533-37.
- Gill, F & Zappala, J (1990) 'The Closed Shop Revisited: An Essay on Method' *ACIRRT Working Paper 6*, University of Sydney.
- Gramm, C.L (1986) 'The Determinants of Strike Incidence and Severity: A Micro-Level Study' *Industrial and Labor Relations Review* 39(3) pp.361-76.
- Griffin, G (1983) 'White Collar Unionism 1969 to 1981: Some Determinants of Growth' *Journal of Industrial Relations* 25(1)
- Hanson, C., Jackson, S., Miller, D (1982) *The Closed Shop* Gower, Aldershot.
- Harbridge, R & Walsh, P (1985) 'Legislation prohibiting the closed shop in New Zealand: its introduction and consequences' *Journal of Industrial Relations* 27(2) pp.191-206.

- Harbridge, R & Webber, S (1987) 'Trends in official union membership: 1983-85' *New Zealand Journal of Industrial Relations* 12(2) pp.81-88.
- Harrison, S (1987) 'The Closed Shop and the National Health Service: A Case Study in Public Sector Labour Relations' *Journal of Social Politics* 17(1) pp.61-81.
- Hill, J.D (1984) 'Australian Union Density Rates 1976-1982' *Journal of Industrial Relations* 26(4) pp.435-51.
- Kassalow, E.M (1980) 'The Closed and Union Shop in Western Europe, An American Perspective' *Journal of Labor Research* 1(2) pp.323-39.
- Lansbury, R.D (1977) 'The Growth and Unionization of White Collar workers in Australia: Some Recent Trends' *Journal of Industrial Relations* 19(1) pp.34-49.
- Lumsden, K & Petersen, C (1975) 'The Effect of Right-to-Work Laws on Unionization in the United States' *Journal of Political Economy* 83(6) pp.1237-48.
- McCarthy, W.E.J (1964) *The Closed Shop in Britain* Basil Blackwell, Oxford.
- McIntosh, B & Gurdon, M.A (1986) 'Factors Influencing Health and Safety Performance in New Zealand' *Journal of Industrial Relations* 28(4) pp.521-33.
- Metcalf, D (1989a) 'Trade Unions and Economic Performance: The British Evidence' *LSE Quarterly* 3.
- (1989b) 'Smithfield Meat Market: The Ultimate Pre-Entry Closed Shop' Discussion Paper 364, Centre for Labour Economics, London School of Economics.
- (1989c) 'Can the closed shop ban open new doors for unions?' *Personnel Management* September, pp.32-6.
- Metcalf, D & Stewart, M (1989) 'Union Recognition, the Closed Shop and Relative Pay' London School of Economics, mimeo.
- Moore, W.J (1980) 'Membership and Wage Impact of Right-to Work Laws' *Journal of Labor Research* 1(1) pp.349-68.
- Moore, W.J & Newman, R.J (1985) 'The Effects of Right-To-Work Laws: A Review of the Literature' *Industrial and Labor Relations Review* 38(4) pp.571-84.
- Morris, R (1981) 'The Employer's Free Selection of Labour and the Waterfront Closed Shop' *Journal of Industrial Relations* 23(1) pp.49-62.
- Nolan, P & Marginson, P (1990) 'Skating on Thin Ice?: David Metcalf on Trade Unions and Productivity' *British Journal of Industrial Relations* 28(2) pp.227.
- Rawson, D.W (1976) *Unions and Unionists in Australia* Allen & Unwin, Sydney.
- (1990) 'What People thought about unions in January 1990' Australian National University, mimeo.
- Reid, J.D & Faith, R.L (1987) 'Right-to-Work and Union Compensation Structure' *Journal of Labor Research* 8(2) pp.111-29.
- Stevens, M., Millward, N & Smart, D (1989) 'Trade Union membership and the closed shop in 1989' *Employment Gazette* November, pp.615-23.
- Stewart, M.B (1987) 'Collective Bargaining Arrangements, Closed Shops and Relative Pay' *The Economic Journal* 97 pp.140-56.
- Swidinsky, R (1982) 'Bargaining Power Under Compulsory Unionism' *Industrial Relations* 21(1) pp.62-72.
- Warren, R.S & Strauss, R.P (1979) 'A Mixed Logit Model of the Relationship between Unionization and Right-to-Work Legislation' *Journal of Political Economy* 87(3) pp.648-55.
- Wessels, W.J (1981) 'Economic Effects of Right to Work Laws' *Journal of Labor Research* 2(1) pp.55-75.
- Wright, M (1981) 'Unionisation in Australia and Coverage of the Closed Shop' *Australian Bulletin of Labour* 7(3) pp.122-138.

Woods, N.S (1975) *Industrial Relations: a search for understanding* Hicks Smith & Sons, Wellington.

Zappala, G (1991) 'A New Framework for the Closed Shop in Australian industrial relations' *ACIRRT Working Paper 13* University of Sydney.

Zappala, G (1991 a) 'The extent and coverage of compulsory unionism in Australia' ACIRRT mimeo, University of Sydney.