

# THE URGE TO MERGE.

Notes on a decision making framework for union consolidation.

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## EXECUTIVE SUMMARY

**Consolidation via absorptions and amalgamations has been a common response to situations of crisis for unions across the developed world. While the case for consolidation is intuitively strong, as a strategy to rebuild or maintain the power of organised labour it has generally been a failure – at least as it has been practiced up to now. The transformative potential of a consolidation will only be realised where a plan is adopted to learn the lessons and avoid the failures of the past.**

## INTRODUCTION

Throughout the developed world, there has been a trend over recent decades towards union consolidation. In rare cases, as in Australia in the early 90's, this was a conscious movement-wide strategy, supported by legislation and even government funding. More often it was a natural response by leaders to the situation in which they found themselves.

Union leaders tend to reach for the consolidation strategy at times of crisis or transition in their union or national movements. Australian unions are in such a position, individually and collectively. Understandably, considerable attention is again focused on this issue. Consolidations are on the cards again, after roughly a 20 year hiatus.

This paper is designed to provide some context to this process, and sets out a possible decision making framework for unions to use.\*

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\* The preparation of this paper included conducting a non-exhaustive review of academic literature, relevant statistics and trade union publications. I'm grateful for the contribution various senior officials made in discussing these matters with me and commenting on drafts. All errors and opinions are my own.

## WHY CONSOLIDATE?

A number of factors that have driven the case for consolidation are common across jurisdictions. In Australia, key factors include:

### **1. Membership decline.**

Both falling density (relative membership) & catastrophic losses (absolute membership) are key drivers of a desire or necessity to merge. Consolidation has in many cases been a response to weakness.

### **2. Structural change.**

Australia, in common with many developed countries, has seen enormous permanent structural change in the composition of its economy, including a decline in traditional unionized private sector industries such as manufacturing and privatisations of major state owned enterprises.

### **3. Labour market changes.**

The rise of the many different forms of insecurity in work, the ubiquity of contracting chains, new patterns of job creation and destruction, and changes to job tenure have all posed a challenge to the traditional model and scale of union organisation.

### **4. A decline in institutional power.**

Changes at a Federal and State level have seen the dismantling of many aspects of institutional power for unions under labour law (including a 100% open-shop organising environment).

### **5. Enterprise Bargaining.**

The move to resource-intensive enterprise bargaining to replace centralised wage fixation has placed huge new pressures (in relation to resources, human capacity and systems) on unions.

### **6. Increased hostility from employers.**

The propensity of employers to adopt explicitly anti-organising strategies and their sophistication, mean the operating environment for unions is much more difficult.

### **7. Employer scale.**

The (largely unmet) need for national (and even international) approaches to large corporations, including MNEs.

### **8. Vacant Ground.**

Organising in SMEs has essentially been abandoned, even in industries with a tradition of membership. Older tactics to support organising in these sectors (such as the secondary boycott) have not been replaced and models of membership more suited to these sorts of workplaces have not been developed.

### **9. Sub-scale organisations.**

A basic mismatch between the capacity of small unions and the resources necessary for modern organising and to meet the expectations of members.

### **10. Old money & new opportunities.**

A mismatch between unions with legacy assets and those with organising opportunities has driven some consolidations predicated on uniting financial capacity with a modern labour market structure.

One of the institutional responses to these factors has been consolidation, which has involved both absorptions (where a small union folds into a much larger one) or amalgamations (where two unions closer to the same size merge to form a new entity).

On its face, the case for consolidation was and is compelling.

We'd find it easier to organise and win if we were part of a bigger outfit that had genuine national reach. There is obvious scope for pooling resources, cutting costs and building capacity. Successful organising campaigns would be easier with the natural scale benefits of a bigger union, which would reduce union infighting and better allow us to use resources where we had opportunities. A larger union would have political clout way that added up to more than the sum of the parts.

## WHAT ARE THE RESULTS OF CONSOLIDATION?

Here and overseas, these arguments have regularly been compelling. Leaders, governing bodies and members have accepted them and thrown their lot in together.

There is only one problem.

You can see enormous benefits of consolidation everywhere except in the hard numbers and real-life experience about what happens after you do it.

As a strategy to rebuild or maintain the power of organised labour, consolidation – at least as it has been practiced up to now - has generally been a failure. This is true despite the apparent

persuasiveness of the case. Analysis of the outcomes is not encouraging:

- The downward trend of density has generally continued.
- In a significant number of cases, after a few years the large unions created by consolidation are below the size of even the smaller of the original merger partners.
- There is relatively little evidence of merged unions making large scale gains in unorganised sectors or industries.
- The cost-savings and capacity increases have often not materialised to the predicted extent.

As to positive results, it appears that the most common example is a relatively marginal one: where the absorption of a small capacity-constrained union gives a bigger union some quick wins in a partially organised sector. There is also evidence, albeit patchy and sometimes temporary, of greater workplace organising success where this was a focused outcome of the consolidation.

Both our logical (“bigger is better”) and normative (“stronger together”) instincts about consolidation deserve to be shaken by the evidence. Of course, we have largely unknowable

counterfactuals – what would have happened to some of these individual unions if they hadn’t consolidated. But it is difficult to avoid the conclusion that the most likely outcome of a consolidation is a temporarily bigger (and often more complicated) version of the old union/s. The most likely outcome of a consolidation, even where there is considerable focus on rebuilding workplace power through organising, is very modest gains or a stronger defensive position.

## **WHY HAS CONSOLIDATION OFTEN FAILED?**

The obvious question is “why”? Again, common themes emerge.

### **1. Power.**

Consolidations by themselves don’t of themselves fundamentally change the power that union has in almost all cases.

### **2. The environment.**

Consolidation can’t change some of the structural causes of decline (such as industry composition), the open shop, or weak organising rights. The new union is still operating in the same environment as its antecedents.

### **3. Incrementalism.**

The real change has been modest or incremental: most consolidations produce a relatively marginal increase in capacity (organising, bargaining, servicing, politics etc). The name of the union may change, but that doesn’t deliver genuine organisational integration. As noted above, the union may not be really “new” at all – just a larger, more complicated and in some cases more slow moving version of the old ones. There has been insufficient attention paid to the greater complexity (and risk) that comes in larger organisations, with legacy administration and governance arrangements maintained when they are inadequate in the new environment. It is strongly arguable that this was a factor in the governance failures seen in some unions in recent years.

### **4. Illusory scale (& security).**

A consolidated union, by creating a one-off bigger union can mask decline, and reduce the urgency for transformative change. And, as large public and private institutions testify, bigger is not automatically more efficient, or gains can be squandered in the compromises of transition.

### **5. Organising union officials not workers**

Sometimes its organising unions not workers – There is evidence that acquiring existing unionised workers through consolidation has been a substitute for new organising rather than a way to facilitate it. In some cases, the legacy structures maintained on the basis of ensuring worker voice merely served to preserve fiefdoms for individual or groups of officials.

### **6. Machinery is not a plan.**

Consolidation negotiations focus on the wrong issues – Some international literature notes that the consolidation negotiations

are dominated by machinery questions about who gets what role in the new organisation and formal structures, a finding likely to ring true to Australian veterans of such processes. Comparatively little time is spent on what will be fundamentally different about the new union.

### **7. Political failures.**

Some consolidations have seen civil wars turn unions almost entirely inwards for extended periods, leaving the union weaker than the sum of its former parts. Compromises over structures (e.g. a multiplicity of divisions and branches) and personnel can see the promised efficiencies or increases in capacity disappear.

### **8. The wrong match.**

Sometimes in retrospect it’s clear that the wrong partners got together. Sometimes it’s as simple as there being no real common ground about what sort of union the new one is dedicated to being. The internal culture of unions are often very different. Notional political / factional alignment has proved on a number of occasions a poor indicator, or at the very least no guarantee, of compatibility.

### **9. The guild model.**

Given that a range of the most successful unions in the developed world are those able to organize (at least in part) around professional identity and occupation licensing, consolidations which do not have, or which dilute, these advantages face additional challenges that must be acknowledged and dealt with.

### **10. The movement.**

There is some irony in the fact that consolidation tends to make a unified approach by the movement as a whole more difficult. Larger unions tend to self-sufficiency, and the relative authority of peak councils like the ACTU over a small number of very large unions than a large number of small ones.

### **11. Timing.**

In Australia, the most dramatic period of consolidations coincided with the transition to enterprise bargaining. Consolidation was in part designed as an antidote to this, but the true consequences for traditional forms of unionisation of this transition were poorly understood at the time, and much of the promised scale of amalgamated unions disappeared in the new world.

## **CONSOLIDATION AS A MOMENT OF TRANSFORMATION**

None of this, of course, is a reason to rule out consolidation. But the likelihood of failure should make union leaders wary. A repeat of the 1990's amalgamation processes without unions doing things differently would in all probability end with the same fundamentally unsatisfactory set of outcomes.

### **Can consolidation revive unions?**

The fact that consolidation has failed to have a resuscitating effect on the fortunes of labour movements or individual unions does not mean it can't.

A consolidation (and an amalgamation in particular) is the natural moment for the radical, transformative change that we need in unions. The headline governance and administrative machinery of the new union is only a small part of this puzzle and in many ways beside the point.

Based on the available evidence, my view is that a consolidation that forms a new version of the old unions (even one which consciously focuses on doing traditional workplace organising better) is of limited, or at least very short-lived, utility.

The much deeper question is what sort of union the partners are committed to building – how will the union will be different so that it's capacity to help workers organise and win is transformed and what is the plan to get there?

A consolidation is a chance to adapt to our new environment by discarding those aspects of both our "original" structures and ways of operating that aren't suited to the modern environment.

Many leaders have pondered the thought experiment "if we could start a union from scratch now what would it look like?" A consolidation is the best chance available to bring that experiment to life.

### **The threshold questions.**

The threshold questions for unions considering amalgamations can be framed as follows:

- Are we forming a genuinely new union or working towards a more traditional merger / acquisition?
- If it's a genuinely new union, what is to be its purpose? What are we trying to create?

A transformational project is only possible where the leadership agree on the goals as the first step, and uses this agreement to build and sustain momentum for the project, including through a frame of member engagement. The vision for the new union must be one that can engage members as it's developed and implemented - if it doesn't the process will fail.

### **Elements of a transformative project.**

A transformative project would have three distinct parts based on considering the following questions:

- What are we retaining but improving from a union based on enterprise bargaining and workplace organising? (protecting "the 1990's union")
- What are we changing to deliver effective industry / sector organising to scale? (changing "the current union")
- What are we doing that is fundamentally new? (building "the future union")

## **A FRAMEWORK FOR DECISION MAKING.**

Unions considering a consolidation should embark on a planning process that comprehensively assesses the drivers, establishes clear objectives and develops a strategy to ameliorate or remove risks. Consolidations are, for all practical purposes, a one-way gate, and the consequences of decisions made during these processes will determine the union's future. Set out below is a potential framework to consider these matters.

### **1. Objectives.**

The union must agree on what the purpose / goal of consolidation is.

- Is the consolidation about re-building traditional workplace organising?
- Is it to create a bigger version of our current union that is more efficient and capable? (an "Evolutionary" goal)
- Is it to build a fundamentally different organization? (a "Transformative" goal)
- Is there agreement to design the new organisation around the agreed goals?

### **2. Situation analysis.**

As with any planning process, it is important to commence with a review of the organisation's current position. This should include articulating the reasons for pursuing / considering consolidation.

- What about our external environment is driving it?
- What about our internal capacity and situation is driving it?
- What are the opportunities we are unable to pursue because of our current institutional configuration / structure?
- What about our current structure is no longer fit for purpose?

### **3. The role of consolidation.**

The union must consider how the key issues identified about its current situation support a case for consolidation.

- What will / can we change through consolidation about our external environment or how we deal with it that can't be changed without consolidation?
- What will / can we change about our internal capacity / situation?

- How will the consolidation provide an easier or faster pathway to significantly increase the power of the union and make workers lives better?
- Which of the possible benefits of consolidation can be achieved by other forms of co-operation with other unions?
- Which of the possible benefits of consolidation can be achieved by changing our institutional configuration / structure?

#### 4. Core strategic choices.

The union/s must work through the key strategic choices facing the union movement. The answers to these questions must inform subsequent decisions.

- Given the number of areas where we are unable to make traditional organising work, is the priority changing our model of organising, or changing governments to effect the external environment?
- Are we dedicated to initiating a breakthrough in new models of organising or protecting the institution of the union through more effective workplace organising and / or large campaigns?
- Is the consolidation about rebuilding power, or doing the best we can in our areas of coverage?

#### 5. Auditioning partners.

The union must carefully consider why the other organisation/s are the right consolidation partner.

- Which of the elements of the unions situation identified as a problem recommend this partner?
- which of the issues and out internal capacity and situation recommend this partner/s?
- Is there agreement on the key strategic choices?
- Is there a symmetry of goals between the unions?
- Is there cultural and political alignment?
- Do the unions share a view about the role of member voice and leadership?
- Is there industrial, industry or occupational logic to the consolidation?
- Are there opportunities for new conceptions of unionism that industry or occupational logic is causing us to miss or downplay?

#### 6. Risk Management.

Unions should analyse the risks associated with any consolidation and manage them accordingly as part of the plan.

- which of the historical reasons for failures in consolidations are a risk to this consolidation and how?
- how will we mitigate or remove these risks?
- How do we limit the number of compromises made in the transition phase?

#### 7. Opportunities & a plan.

Careful consideration should be given to what the opportunities for a new consolidated union are, and develop a clear plan to seize them.

- What are the key opportunities the new union has that are different from the old union?

- Is it clear there is a robust framework, based on a clear and shared vision, for prioritising competing calls on resources and direction?
- What are the opportunities the new union has to more effectively or efficiently pursue existing plans?
- How will the new union do bargaining and workplace organising?
- What is the new unions approach to the design, control and implementation of large-scale national organising campaigns?
- What is the new union's program around forms of membership, organisation and collective action?
- Where does the new union sit on a continuum between commitment to social movement unionism and a narrower electoral politics program?

#### 8. Organisational design.

The organisation needs to be designed in a way that meets the objectives and delivers on the plan. The new union must work out a management structure that accommodates variations across geography, industry, sector and functional areas. Organisational design effects decision making and the allocation of resources and must be considered in that light.

- How does our structure reflect our strategic choices and objectives?
- Given our objectives, is the goal to build a genuine national union, a strong federation or a weak federation?
- Are we using geography (states or regions) as the primary structural driver or are we using functional groups (e.g. organising, communications, legal etc)?
- What are the resources we need to deliver this plan?
- What are the management and control systems we need in place to deliver this plan?
- What are the structures we need to adopt to ensure accountability to members and delivery of the plan?