A comparative analysis of union mergers in Australia and Germany

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ABSTRACT

In this paper, the most recent waves of union mergers in Australia and Germany are examined and their outcomes assessed in a comparative analysis. It is established that in both countries, mergers took place during a period of economic reform and declining union membership. The merger wave was shorter and more coordinated in Australia than in Germany due to legislative intervention and peak federation policy. The outcomes of mergers are mixed in both countries. New structures have been successfully retained, but evidence of the benefits associated with mergers, namely stabilised or augmented membership levels, economies of scale, improved services and bargaining outcomes, extended workplace representation, mitigation of inter-union competition and a more ‘rational’ structure of the union movement has failed to appear or remains ambiguous. Today, Australian unions have shifted their focus from restructuring to organising, while German unions remain introspective.

Introduction

Union movements in developed market economies are engaged in or have recently completed a process of massive restructuring. Everywhere, mergers are the main form of structural change. The study of union mergers is important because of its impact upon the way in which unions organise and service their members.

The aim of this paper is to examine union mergers in Australia and Germany and to assess their outcomes in a comparative analysis. The findings of cross-national research have analytical and practical significance: Firstly, only an international perspective allows enough variation on environmental variables such as culture, ideology, and institutions to arrive at explanations and theories that are not context bound (Hyman 1994, 2001; Kochan 1998; Strauss 1998). Secondly, knowledge of employment relations institutions or procedures which other countries have used when facing particular problems and the identification of lessons and ‘best practices’ is of interest for policy-making (Bamber & Lansbury 1998; Hyman 2001; Strauss & Whitfield 1998). Australia and Germany are two dissimilar political economies with many differences in their industrial relations systems and trade union structures. These include features such as the conciliation and arbitration system, federal and state registration of unions, strong links between the union movement and the Labor party, and poorly organised employer groups in Australia, and works councils, highly coordinated employer bodies, arm’s length relations between unions and political parties, infrequent legislative intervention and more autonomy of the ‘social partners’ in the regulation of industrial relations issues within a highly ‘juridified’ framework in Germany. Despite these particularities of each national configuration, mergers were the prevailing answer to similar problems encountered by unions, and institutional variables played a facilitating role.

Union mergers are not a new phenomenon. They have taken place since the beginnings of unionism and generally occur in waves. Early waves of mergers have been identified in Australia from 1911 to 1930 (Griffin & Scarcbrook 1989, 260) and in Germany between 1919 and 1923 (Schneider 1987, 310-11). Their character has changed in the course of the twentieth century – while early mergers predominantly replaced craft with occupational or industrial unions, today, these types of unions are merging into general or multi-sectoral unions with semi-autonomous divisions. The most recent Australian merger wave took place in the main between 1991 and 1994, while the German one commenced in 1996 and is continuing. The major difference between the two cases is that the impetus to merge came from the peak federation’s top-down strategic plan in Australia and emerged from the executives of the participating unions in Germany.
The German discussion on union mergers – both the academic and the practical – is still in its infancy given the novelty of the phenomenon. It makes little use of international knowledge and experience despite the large body of research available on union mergers especially in English-speaking countries. These countries are sometimes compared among themselves (for example Bray & Rouillard 1996; Chaison 1996) but very rarely with dissimilar cases (exceptions are Sverke 1997; Visser & Waddington 1996). However, these studies are mostly parallel descriptions rather than authentic and integrative comparisons. A comparison of mergers in Australia and Germany has never been undertaken and the research in each respective country has found little resonance in the other. Quantitative research involving large numbers of mergers has been undertaken in Australia (for example Griffin 1992; Griffin & Scarcebrook 1989; Hose & Rimmer 2002; Tomkins 1999), but is impossible in Germany given the small number of cases (Waddington & Hoffmann 2000 do examine the structure of the German trade union movement as a whole). On the other hand, there are few case studies of mergers in Australia (an example is Campling & Michelson 1998), while in Germany there are detailed analyses of the Vereinte Dienstleistungsgewerkschaft (ver.di) and the Industriegewerkschaft Bergbau, Chemie, Energie (IG BCE) mergers (see Keller 2001; Klatt 1997; Martens 1997; Müller et al., 2002).

**Union mergers in Australia and Germany**

In the early 1990s, the Australian trade union movement experienced a merger wave unparalleled in its history. Many unions were involved in a series of mergers. Between 1987 and 2000, the number of federally registered trade unions fell from 144 to 45; a total of 79 federal mergers took place. The number of unions under state registration fell even more steeply, but the exact extent cannot be identified because the Australian Bureau of Statistics ceased collecting data after 1996. Between 1987 and 1996, the total of all mergers involving federally and state-registered unions is 172. If the merger wave at the state level ceased simultaneously with the federal one, the total number of unions is still well above 100 (see Table 1).

<table>
<thead>
<tr>
<th>Years</th>
<th>No. of Unions</th>
<th>No. of Mergers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Federal</td>
</tr>
<tr>
<td>1987</td>
<td>316</td>
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<td>1992</td>
<td>227</td>
<td>94</td>
</tr>
<tr>
<td>1993</td>
<td>188</td>
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</table>

Taken from Griffin (2002), source: Australian Bureau of Statistics, Trade Union Statistics, Catalogue No. 6323.0; data from the Industrial Registrar's Office.

Since the late 1990s, the German union movement has experienced extensive restructuring. This must be assessed in view of the fact that after the re-formation of the union movement after World War II there had not been a single merger for 40 years. Beginning in 1989, there have been six mergers reducing the number of unions from 18 to 8 and the number of peak federations from four to three (see Table 2).
The Australian and German merger waves are of a similar intensity – since 1987, the number of unions in Germany has been halved with more mergers anticipated, while in Australia, the number of federal unions has dropped by two thirds during the same time span. The waves differ in length and regulation – the Australian wave was planned, coordinated, and sweeping with a large majority of mergers taking place between 1991 and 1994, while the German wave is uncoordinated and more gradual. It began in 1996 and is continuing today.

**Merger antecedents**

Both merger waves took place at a time when unions faced high environmental pressures to adapt their actions. Unions hoped to enlarge their range of possible actions via structural adaptation in the form of merger; in other words, merger was not seen as an end in itself but as a method of achieving a number of organising and servicing objectives. While factors that trigger change within each union are mainly internal and political, environmental factors can certainly encourage and facilitate change. In both Australia and Germany, mergers took place during a period of economic reform and declining membership density. In the late 1980s, reform of the industrial relations system and with it, trade union structure, was central to the Australian economic reform process.
While the Australian Labor Party (ALP) government together with the Australian Council of Trade Unions (ACTU) and the Australian Industrial Relations Commission (AIRC) advocated an incremental reform within the existent centralised system, the opposition and business groups preferred radical decentralisation (Kollmorgen & Naughton 1991, 370). As a result, the conciliation and arbitration system has been maintained to award minimum wages and conditions, and enterprise bargaining has become the main principle of wage fixation. In Germany, the continuing growth and employment crisis has slowly generated a public acceptance that renewal is necessary, and reforms are beginning to appear in the political, economic and industrial relations fields (Jacobi 2003, 15). An amendment to the Works Constitution Act in 2001 has strengthened the power of works councils, and there is much debate concerning the relationship between collective and individual agreements, and between collective and works agreements. Some of the reform proposals would radically alter the traditional pattern of industrial relations and the role played by unions. Not surprisingly, unions are doing everything to prevent such a change (Weiss 2003).

Membership density in Australian unions had been around or above 50% since the 1920s, so the sharp drop in the 1980s was perceived with particular alarm. Yet, as Table 3 shows, decline has halted, however tentatively, only since 2000.

Membership density in German unions was stable at a little over 35% for 40 years. After a short-lived surge in membership levels following German unification, density has now dropped to 25%. It is too early to tell whether the mergers among Deutscher Gewerkschaftsbund (DGB) affiliates have been able to halt or reverse the decline. The DGB is the dominant federation; its affiliates organise 83% of all unionists. Due to the ver.di merger, it now incorporates one of the previously rival federations, the Deutsche Angestelltengewerkschaft (DAG). However, this has not significantly boosted its level of inclusiveness, as membership in the Deutscher Beamtenbund (DBB), the civil servants’ federation, has been growing for 13 years (see Table 4).

### Table 3

<table>
<thead>
<tr>
<th>Year</th>
<th>Members (in thousands)</th>
<th>Density (%)</th>
<th>Year</th>
<th>Members (in thousands)</th>
<th>Density (%)</th>
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Australian Bureau of Statistics, Trade Union Members, Catalogue No. 6325.0; Employee Earnings, Benefits and Trade Union Membership, Catalogue No. 6310.

### Table 4

<table>
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<tr>
<th>Year</th>
<th>DGB (in thousands)</th>
<th>Density (%)</th>
<th>DAG (in thousands)</th>
<th>Density (%)</th>
<th>DBB (in thousands)</th>
<th>Density (%)</th>
<th>CGB (in thousands)</th>
<th>Density (%)</th>
<th>All Confederations (in thousands)</th>
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The differences in length and regulation of the Australian and German merger waves can be attributed to peak federation policy and legislative intervention in Australia and their absence in Germany.

In 1987, the ACTU presented a policy document titled ‘Future Strategies for the Trade Union Movement’ to its affiliates recommending a range of reform trajectories, the most prominent of which was a programme for amalgamation along industry lines. Its rationale was that economies of scale would allow unions to deliver better services to members. It claimed that most of the 326 unions extant in 1986 could fit into 18 industry groupings which would then act as a catalyst for amalgamation (ACTU 1987, 13). In addition, the ACTU Executive adopted a policy on the rationalisation of union coverage and created a distinction between ‘principal’, ‘significant’ and ‘other’ unions with graded organising rights in each industry, which was endorsed at the 1991 Congress (ACTU 1991).

The ACTU policy on amalgamation and rationalisation was complemented by legislative changes which facilitated mergers, enabled involuntary deregistration of small unions, discouraged registration of new unions, and increased tribunal powers to determine membership coverage (Fox et al., 1995, 190). In particular, voting requirements for union mergers, which had been amended to the Conciliation and Arbitration Act (1904) by the Liberal-National government in 1972, requiring 50% of the members of each merging union to vote and more than 50% of votes to favour amalgamation, were gradually relaxed by the Labor government. Legislative changes in 1983, 1988 and 1990 reduced the minimum turnout to 25% and completely eliminated it if the AIRC established a community of interest (the definition of which was broadened). Furthermore, the larger union was exempted from ballot if the membership of the smaller union was less than 25%. The increase of registration and size requirements from 100 to 1,000, and to 10,000 in 1990 enabled involuntary deregistration of small unions and reduced new registrations. Following a complaint to the International Labour Organisation (ILO) by the peak employer body, now called the Australian Chamber of Commerce and Industry (ACCI), the minimum size was set back to 100 in 1993, but by then many of the mergers had been completed or were in process. Furthermore, the power of the AIRC to alter union coverage rules by awarding one union the exclusive right to represent particular worker groups was increased. The Labor government also offered monetary incentives to merge: at the 1989 ACTU Congress, the federal Minister for Industrial Relations promised $450,000 to assist unions in pursuing amalgamations (Davis 1990, 104).

In Germany the peak federation ignored the issue of union structural change during the 1990s and declined to issue policies aimed at altering the principle of union organisation along industry lines. Rather, the DGB confirmed the status quo in an appendix to its constitution in 1992 (DGB 2002) and in a document concluding principles for organisational relations and cooperation between unions in 2000 (DGB 2000). Thus, the DGB clings to the principle of industry unionism despite the fact that most of the eight affiliates are more appropriately termed multi-industry unions. There is no legislation on union mergers as the principles of freedom of association and collective bargaining autonomy preclude any state intervention into the structure of union organisation. A model of a reformed union movement consisting of three manufacturing unions, recruiting in several industries and ‘industrienahe Dienstleistungen’ (services outsourced from manufacturing plants, such as catering or cleaning), one private sector service union and one public sector union was presented by IG Metall Chairman Klaus Zwinkel in 1995 (Müller 2001, 112).

**Merger outcomes**

Merger outcomes can be assessed regarding the state of the union movement in its environment after a merger wave, and regarding the fate of a particular merged union. Caution must be exercised because links between the post-merger situation and the merger process itself are tentative.
Chaison’s (2004) finding that little research has been conducted on merger outcomes reflects the difficulties in establishing and measuring these links. It is unclear what the situation would be had mergers been concluded on different terms or not at all; and in the absence of mergers, if nothing was done or if alternative strategies were pursued. Moreover, it may take several years until the results of a merger become apparent. However, merger outcomes can be cautiously evaluated on three counts.

In a narrow sense, a merger can be called successful if the retention of the new structure is accomplished. In a broader sense, success depends on whether official goals formulated in the pre-merger period have been or are in the process of being reached. In addition, a merger might be judged a success if the new union engages in new activities – in other words, if structural change enables strategic variation.

**RETENTION OF UNION STRUCTURE:** A merger is unsuccessful if the participant unions de-merge at a later date or if groups that do not coincide with those unions break away from the merged entity in order to become independent or to merge with a different union. In Germany, there have been no de-mergers or breakaways to date. In Australia, disintegration has been marginal although the Workplace Relations Act 1996 facilitates de-mergers and breakaways and encourages the formation of enterprise unions and the minimum size of unions has been reduced to 50 members.

The integration of the participant unions into the merged structure is another indication of success. Complete fusion is not necessarily the goal of mergers, nor is it unambiguously the best solution. But an examination of whether the degree of integration that was sought after has been achieved can show how well a new culture and identity has been diffused. The extension of interim arrangements and of representation proportional to the membership of the merging unions are signs of distrust and skepticism. An Australian example of poor integration is the fact that ten years after the merger, the Electrical Trades Union (ETU) continues to use its new legal name in its daily activities, rather than operating under its official title CEPU (Griffin forthcoming). Moreover, preoccupation with structural issues for years after the merger has been ratified shows that internally, the merger has not been brought to a conclusion. For example, ver. di’s matrix structure was subject to discussion at the congress in two years after the merger (Bisirske 2003, 595). Thus, the concern within the union is not yet with retention, but still with variation.

Growth in the number and membership of professional associations indicates the dissatisfaction of small, homogenous groups with the representation of their interests in a large union. German examples are Vereinigung Cockpit (VC), a pilots’ association which was affiliated to the DAG but preferred to become independent rather than to affiliate to ver.di, and the newly founded cabin crew association Unabhängige Flugbegleiter Organisation (UFO) (Jacobi 2003, 23). This ‘erosion at the edges of the organisation’ (Müller et al., 2002, 105) may in the future challenge the monopoly of established unions.

**GOAL ATTAINMENT:** The main goals of merger processes in Australia and Germany were to halt or even reverse membership decline, and closely related to this, to improve unions’ financial situation. The mechanism through which mergers were thought to achieve these goals was the following: mergers would improve economies of scale, and these would free up resources which would then be used to improve services and to increase bargaining power. This would make union membership more attractive. Furthermore, mergers were thought to rationalise union coverage and the structure of the union movement as a whole and thereby mitigate inter-union disputes. Membership decline in Germany is continuing at a rate similar to that encountered before the mergers, which suggests that the impact of mergers on membership has been minimal. However, merger advocates regard the ver.di merger as the ‘acid test’, as its intention is to spread union organisation throughout private sector services, while all previous mergers were among unions organising in contracting industries (Waddington & Hoffmann forthcoming). In Australia, decline has halted in 2001, but in the immediate post-merger years, membership dropped dramatically. The resultant interpretation that mergers were a failure must be qualified because ‘with the shift to a decentralised enterprise bargaining system, it is highly unlikely that the union movement would have had any greater membership success if the mergers had not taken place’ (Griffin 2002).
In principle, scale economies can be achieved through a spread of fixed costs over a larger pool of members. Large unions can also improve efficiency by means of specialisation, division of labour and increased experience, and by reducing duplication of work, cutting down staff, merging training, legal and research departments and selling unneeded property. Where multi-unionism exists in an enterprise or industry, mergers between those particular unions reduce the amount of collective bargaining required. In practice, many merger agreements guarantee the employment of union officers and staff and the autonomy of divisions and establish new representative structures for minority groups. So, economies of scale may arise from mergers, but unless this goal is consistently or even ruthlessly pursued in the terms of a merger agreement and post-merger practice, the opposite may well set in, as the maintenance of old and establishment of new structures as well as their inter-linkage require additional resources. In the ver.di merger agreement, all factors that diminish scale economies are present. In Australia, there is no unambiguous evidence for the existence of scale economies in large unions (Davis 1999).

Griffin (2002) identifies a ‘veritable explosion’ in the number and range of non-industrial services provided by Australian unions. Also, industrial services are delivered more effectively and efficiently in the newly decentralised enterprise bargaining system. However, the perception of service provision by members and the effect different types of service have on an individual’s decision to take out or retain membership are largely unexplored. In Germany, the maintenance of services is an often cited goal of mergers, but little is known about whether it has been achieved, or whether services have been expanded. If newly offered services were formerly provided by the DGB, such as legal services, they are not much of an additional benefit to members, and presumably have little impact on membership growth.

It is difficult to link bargaining power to mergers. In Australia, the change from awards to enterprise bargaining was concurrent with mergers so that a comparison of pre- and post-merger bargaining outcomes can scarcely measure merger success. As collective agreements in all German industries tend to follow a pilot agreement reached by a regional bargaining unit of IG Metall, mergers between small unions will presumably have a negligible effect on bargaining outcomes. At this stage, it is impossible to tell whether the ver.di merger will alter the German form of pattern bargaining and IG Metall’s role as pacesetter. By and large, bargaining outcomes have a lot more to do with external factors, such as decentralisation or economic developments, than with mergers. Even if outcomes are a success for a union given the economic situation of the enterprise or industry and the relative strength of the employer, they may not meet the expectations of employees and therefore not induce membership growth.

A further goal of mergers is to reduce inter-union competition by rationalising coverage and the structure of the movement. Previous jurisdictions constrain the scope for rationalisation as mergers take place between whole unions. Demarcation disputes are increasing in Germany as the jurisdictional boundaries of conglomerate unions become arbitrary and as the structure of the economy changes. Some disputes are mitigated, for example, all four unions organising in the banking sector now belong to ver.di (Keller 2001, 11). However, contested areas are new sectors, which are simultaneously the areas of employment growth: ver.di and the manufacturing unions lay claim to ‘industrienahe Dienstleistungen’ (services outsourced from manufacturing plants), and in education, ver.di’s organising efforts will lead to heightened conflict with Gewerkschaft Erziehung und Wissenschaft (GEW). In Australia, demarcation disputes are at an all time low (Crosby 2002, 140). This can be interpreted as an achievement of the amalgamation programme. However, demarcation is reported by unions to be one of the greatest problems when seeking to achieve growth. The ‘use it or lose it’ policy endorsed at the 2001 ACTU Congress, whereby any union with a well thought out organising proposal can seek permission of the Executive to enter unorganised sectors (Crosby 2002, 141), could lead to an increase in inter-union disputes. Mergers were not successful in implementing plans for a reformed structure of the union movement in either country. The ACTU’s goal of 20 super-unions was not attained, and Australia is not dominated by industry unionism, as some mergers did not take place along the lines the ACTU had proposed, and because what the ACTU had defined as industry groupings was determined more by existing union groupings than by the structure of the economy. In Germany, the DGB’s hope to retain industry unionism was unrealistic, as was IG Metall’s vision of a union movement in which manufacturing unions remain the dominant group.
**NEW ACTIVITIES:** Advocates claim that mergers play an important role in union revival because resources freed up by economies of scale can be used to pursue new activities and strategies. But even without scale economies, structural change may wrench unions from an inertial state and encourage them to engage in new activities. On the other hand, these activities are alternatives to mergers when trying to increase membership. Examples of new items on unions’ agenda are organising, links with new social movements and community organisations, cross-border collaboration, and the strengthening of workplace structures.

In Australia, an organising strategy has been developed centrally by the ACTU in the late 1990s (Cooper 2003), while in Germany, few unions have succeeded in implementing a coherent strategy and many continue to rely on works councils to recruit members, yet as works councils are becoming more independent actors, this is no longer sufficient. Only DPG and IG BCE are reported to have developed an ‘organising approach’ that goes beyond advertising and public relations campaigns (Behrens et al., 2003). Behrens et al. (2003) record a great amount of coalition building particularly between German unions and green and anti-fascist movements on an individual union or local level. Several institutionalised settings for European cross-border collaboration exist, namely Social Dialogue, European Works Councils, Inter-regional Trade Union Committees and European Industry Federations. Unions have concluded some agreements on the coordination of wage policies in the metal and construction industries. Australian unions have established links with community organisations, for example in remote mining towns (Ellem 2003). In both Australia and Germany, union structures have historically been better developed at national and regional levels than at the enterprise level. However, bargaining decentralisation has made it necessary to establish and strengthen workplace structures. In Australia, despite some encouragement of shop steward involvement in negotiations (Griffin & Svensen 2002, 43) there has not been a radical shift in union governance structures. German unions’ workplace structures, the ‘Vertrauensleutekörper’, if at all existent, has been nothing more than the right-hand of works councillors. The original intention to install an independent union presence at the workplace to monitor the works council was never reached (Keller 1997, 101).

**Conclusion**

Similar environmental pressures encouraged unions in Australia and Germany to take part in a wave of mergers. While legislative intervention and peak federation policy guided the course of Australian mergers, their absence has seen the German merger wave take place in a more gradual and uncoordinated fashion. Which internal political factors triggered merger processes can only be discovered in case study analyses of participating unions. The outcomes of mergers in Australia and Germany are mixed. New structures have successfully been retained, though structural variation often continues unseen within the boundaries of merged unions. Mergers have had a negligible impact on membership levels, and the positive effects anticipated regarding economies of scale and bargaining outcomes have not been established unambiguously. There is no evidence that workplace representation has been extended. In Australia, inter-union competition has, at least for now, receded, while in Germany, it has intensified. Overall, the structure of the union movements has not become more ‘rational’ nor does it correspond more closely to the structure of the economy. The passage of time since the merger wave in Australia makes it possible to discern that unions now offer a wider range of services more efficiently and that they have shifted their focus from restructuring to organising. German unions remain concerned with structural issues.

**References**


