



Trade Unions and Party Funding

**A Research Project completed by Unlock Democracy for
submission to the Review of the Funding of Political Parties**

About Unlock Democracy

Charter 88 and the New Politics Network have come together to launch a new campaign to tackle the crisis of legitimacy facing British politics. Unlock Democracy believes that too much power is concentrated in the hands of too few people and that there needs to be a comprehensive programme of democratic renewal. For several years now Charter 88 and the New Politics Network have worked on a variety of projects together. We have formed Unlock Democracy to ensure that Britain has a strong voice calling for democratic and constitutional reform. Unlock Democracy will work with all political parties and a wide range of groups and individuals to provide an independent and innovative debate on the future of politics.

Methodology

We spoke to nine representatives of seven unions, two of which are disaffiliated from the Labour Party. These representatives were a mixture of political staff and elected representatives at national, regional and local level. The interviews were conducted face to face and by telephone throughout November 2006. The interviewees were assured of anonymity.

The interviews began with a discussion of current Union practices, with regard to internal democracy, control of the political fund and members' relationships with the Labour Party. They then explored some of the options for party funding reform, as set out by Unlock Democracy in our previous submissions to the Review.

Introduction

Trade Unions play a very important role in encouraging political participation. As one of the interviewees in this research put it: “most people aren’t used to taking control of the political process...what the Trade Union does is give you a say in how your work life is organised. If you have a say in when your tea break is, that can lead onto other things”.

Unions also have a historic link with the Labour Party. In the words of another interviewee: “there is that fundamental link. Labour came about because Trade Unions wanted a voice in Parliament to look after organised labour”. To destroy or weaken that link would be detrimental to our democracy.

However, the link between the trade union movement and the Labour Party is financial as well historical. Unions are the Labour Party’s largest donors consistently giving the party millions of pounds, partly in affiliation fees from their members and partly in donations.

If a cap on donations to political parties were to be introduced, would it apply to trade unions? The Conservative Party, perhaps unsurprisingly, believe that all donations from trade unions and companies should be banned. The Labour Party see it as an attempt to interfere in the constitutional arrangements of the party. However it is difficult to see how a cap could be introduced which left a source of funding, which primarily benefits one political party, completely untouched. This has the potential to block attempts at reforming the funding of political parties.

As detailed in our previous submissions to the Review, Unlock Democracy believes that the solution is that Trade Unions should be allowed to act as brokers, passing on a collection of individual donations to a political party.

If Trade Unions are to be treated as a collection of individual affiliated members, this would have to be based on the active consent of individual affiliated members. Most importantly, this would mean that members’ right to opt out of paying the political levy would have to be made a great deal more obvious than it currently is. At the moment, this is left to the discretion of individual unions. Some have very clear opt-out boxes on their membership forms, while others leave it for members to discover their legal right to opt-out for themselves. If levy-paying members are to be treated as individual and willing Labour Party affiliates, then it is imperative that this is based on an informed choice. A clear and simple opt-out process is a necessary part of this, not only at joining but also when renewing membership by DD or cheque. Ideally the opt-out should be of affiliation rather simply of paying the political levy, Unison already effectively provides its members with this opportunity.

Another requirement would be that each member would need to have some form of relationship with the party to which they are affiliating. At the very least, their contact details should be passed on to the party. We are of the opinion that in addition to allowing members to be treated as individual affiliates, this would also help to strengthen the link between Union membership and the formal political process. As we have already noted, for many people Trade Unions can be an important first step into political activity. A more meaningful relationship with a political party can only further this process.

Research Findings

We carried out this research, in order to discover whether union staff and activists would be willing to support these proposals. Their responses were mixed. The first point to make is that many trade unionists are very defensive on the subject of party funding and feel that they are subject to more regulation than other donors. In addition to external legislation and regulation, Trade Union donations are also subject to internal democratic processes. As one interviewee put it: "if only other contributors to political parties were doing it as democratically as the Unions!"

This may well be the case but it is not always clear to those outside the union movement. Without additional transparency about how political fund decisions are taken it is easy for them to be characterised and possibly mis-represented as being taken by a few individuals in a smoke filled room. However, it would be important for any additional restrictions on Union funding to be linked to a reduction in legislation elsewhere. In particular, we feel that if the requirements of the clear and simple opt-out from the political levy could be enacted, then this would render the Political Fund Ballot unnecessary. In the eyes of trade unionists, this could only be a good thing and it may help to garner greater support for these proposals, or indeed for any reform of Trade Union funding.

Background

Internal participation

Most of the people we spoke to said their Unions have a “quite strong” culture of participation, although a few noted that this had “slacked off over the years”. Branch attendance tended to “range from appalling to very good”, depending on the area of the country and on whether or not the branch was based in a workplace. It seemed that there was “normally a contest for elected positions”, with “sometimes quite a lot of competition”. One interviewee suggested that this was more likely when members were unhappy with the current representatives.

There seemed to be a reasonable amount of debate about how to spend the political fund. Of the seven Unions we spoke to, four said that some funds were held locally or regionally as well as nationally, to be spent as members wished. One specified that branches get 10% of their members’ subscriptions and that they usually spend this money on local charities and campaigns or on sponsoring local sports teams. Others said it was used to support political candidates – both Labour and non-Labour. Anti-fascist campaigning was also mentioned by two interviewees as a focus of local or regional funding; others mentioned very specific local or industrial campaigns, which had generated “a lot of interest”.

All the interviewees said that branches can submit requests for funds either to a regional or national executive or to an annual conference, where they receive “quite a lot of debate”. One interviewee did admit that although resolutions were theoretically supposed to go back to branches for a vote, in reality, they were usually decided by the regional committee. Another interviewee said that in her union the debate at the Annual Conference was usually “fairly consensual” but noted that “there would probably be a hullabaloo if the General Secretary decided to give money to a non-Labour candidate”. This contrasted with the comment from a disaffiliated union that “disaffiliation has given a new lease of life to those activists who do want to be politically engaged... it has freed them up to have a serious debate.” He attributed this to the ability to debate to opportunity of supporting candidates who are not from the Labour Party.

Members’ relationship with the Labour Party

The relationship between individual Union members and the Labour Party is complex. As one interviewee put it, “members know the relationship” but, judging by these interviews, that doesn’t always translate into meaningful engagement. One of the disaffiliated Unions we spoke to characterised the previous relationship as “more of a relationship between the union machine and the Labour Party”. Others said that members are “very alienated from politics in general” and one noted that it was easier to get members involved in the Union’s own campaigns than in party political activities.

There are opportunities to connect at local level but the Unions we spoke to varied greatly in their approach to this. Estimates of how many local branches affiliate to Constituency Labour Parties ranged from “probably most” in the more loyal unions to “hardly any” in a disaffiliated one. One interviewee said that participation was probably limited to those who are “active in their own right” as Labour members and councillors. The general consensus - even from one of the disaffiliated unions - was that the interviewees would like more branches to affiliate.

The interviewees also described other ways in which the Labour Party relates to Union members. One said that in the run up to the last general election, they had surveyed their members in target areas about their main concerns and then spoken to the parliamentary candidates and reported back to members. He also said that it is “not unusual for MPs to speak at branches” and that there are “good and close links in some areas”. Another said that they “think it’s healthy to have a link with politicians and our members” and stressed that this did not just have to mean Labour politicians. A different Union provides “regular circulars from head office on Labour Party activities”.

Half our interviewees said they were keen to strengthen the relationship between members and the Labour Party. They were most likely to specify that improvement was needed in Labour’s internal policy making processes - either because they are overly complex or because they are not sufficiently participatory. One interviewee dismissed the possibility of a stronger relationship “unless Labour changes its ideology quite drastically”.

As one interviewee put it, the relationship is about “healthy, transparent, useful channels of communication...where [it] isn’t, we should be delivering that”.

Party Funding

Trade unions as brokers

Unlock Democracy feels that it is not reasonable to subject Trade Union donations to the same restrictions as those of individuals. As one of our interviewees put it: “there is a fundamental difference between one man giving £1 million and a million people giving £1 each”.

As we have outlined in our previous submissions to the Review, we believe that Trade Unions should be allowed to act as brokers, passing on a collection of individual donations to a political party. However this would have to be based on the active consent of the individual trade unionist or affiliated member.

We encountered a degree of resistance this idea but this did not, on the whole, seem to relate to the nature of the proposal itself. It was mostly based on a very strong antipathy to yet more legislation and interference in Unions’ internal structures, of any kind. These objections are discussed in the next section. Despite that, some interviewees were willing to consider the proposal: “I’d have to give it a bit more thought and see how it would work in practice”; “it is definitely worth debating and talking about”. As one summed it up: “I’m a pragmatist, I can live with it, but I think it’s slightly disingenuous”.

We did encounter concerns about how it would affect donations from local branches to CLPs. This would have to be ironed out before any proposal could be agreed upon.

There was also some doubt that this proposal could create a lasting settlement. Two interviewees thought that it would be attacked and reversed by a Conservative Government. “If you say that donations are separate from affiliation fees, that will be leapt on by the Tories...it could create real problems in the future for the Labour Party”. “If a Conservative Government got in they could still apply a £50,000 limit to Trade Unions as well”.

Internal Democracy

Most of the people we spoke to objected to the idea of being subject to yet more legislation. They made the point that Trade Union donations are far more tightly regulated than other types of donations, and that they are already subject to representative democracy: “There is a big difference in terms of an individual giving a party £1 million and a Trade Union who carry out political fund ballots and have policies on how to spend it and those policies are decided at their congress. ...it is absolutely transparent”. This was contrasted with individual and company donations.

Trade union political activities are already regulated by the Trade Union and Labour Relations (Consolidation) Act 1992. A trade union needs a political fund only if it wishes to engage in political activities such as giving money or services

directly to or on behalf of candidates or political parties. A political fund is established by a majority ballot of all members of that trade union. It is almost wholly financed by contributions from members and any member can opt out of contributing. The fund may be maintained for up to ten years after which the membership has to be re-balloted.

Our interviewees were not opposed to greater internal democracy *per se* but felt that “union rulebooks should be in the hands of their members, not the law”. As one interviewee put it: “I would like the unions to become more democratic...But that’s a job for the rank and file members, not for the law....I don’t trust any government to democratise unions from the inside, that’s kind of a contradiction in terms anyway”.

A few interviewees were of the opinion that “the Tories are trying to abolish the Labour Party through legislative means” and that it is “unacceptable to change structures and internal democracy within Labour”. One interviewee made the point that, “in Britain, the funding structure for the three main political parties is completely asymmetric...they come out of different historical places and they work differently”. He therefore thought that any agreement on party funding should reflect that asymmetry.

A more meaningful affiliation?

If Trade Unions are to be treated as a collection of individual affiliated members, this would mean that each member would have to have some form of relationship with the party to which they are affiliated. At the very least, their contact details should be passed on.

When we put this to our interviewees we found that opinions were very mixed. One thought “it would be a good thing”. Others were unconcerned by it: “It wouldn’t bother me...we’d have to put it before the membership”. “I think that if people volunteer to pay into the political fund in the knowledge that part of it is going into the coffers of the Labour Party, I don’t see a problem with the Labour Party treating them as members”. “It depends how it was done... [but] I don’t think we’d have a problem with the party contacting individuals”. One of these interviewees thought that greater contact could be used as a tool to increase political education and participation. She stressed that it would mean “explaining more to them about exactly how the link with the party works”, encouraging them to go to CLP meetings and letting them know that they’re entitled to select candidates.

However, four interviewees objected to our suggestion. One saw it as an attack on the Union’s internal structures: “At the end of the day it’s for us to contact our members...We potentially lose sovereignty...They’ll seek to bypass us”; “if people want to join the Labour Party they should do so directly”. Another felt that it depended on how the Labour Party used those contact details: “if it is used to promote Government policies rather than Labour policies, which have been

agreed at Conference, then it wouldn't be a good thing". He also felt that "there is a virtue in going through the structures that we've got".

The third objection was made by a member of a disaffiliated union: "I have a problem with that in a civil liberties sense, my details going to a political party." Finally, one interviewee objected on practical grounds: "it would be a horrendous exercise...a massive undertaking".

Opting out

We went on to discuss the question of opting out of the political fund. Although there is a legal requirement to have the possibility of opting out, the way in which this is done is left to the discretion of individual unions. Some have very clear opt-out boxes on their membership forms, while others leave it for members' to discover for themselves.

As one interviewee put it: "when you join any organisation you get a sheaf of papers to sign but most people don't read it". Another admitted that although the option is there and he "always think[s] it's wise to explain" the political fund, it probably depends on the individual recruiter as "some probably don't mention it".

One member of a disaffiliated union said that members "don't know they can opt out and they don't know how to go about doing it". His evidence for this was that very few members of his union opted out of the political levy, even at the height of a very acrimonious dispute with the Labour Party. He noted that "there is no vested interest for the [union] leadership to make it easier".

If levy-paying members are to be treated as individual and willing Labour Party affiliates, then it is imperative that this is based on an informed choice. Some interviewees saw "no problem with being upfront" and noted that "you can always make something more obvious".

One interviewee was initially opposed to a clearer opt-out, on the grounds that "it would cost the Labour Party a fortune" and because of the burden of "successive amounts of legislation". However, he then came round to saying: "I am not unduly bothered about it. It would open a discussion about what we spend our money on".

However, others had more fundamental objections. Two interviewees made the point that "when you join [the union], you're signing up to a whole range of things", and pointed out that you can't opt out of charity donations, industrial campaigns or the wages of political staff. One believed that "there's a false separation between political and industrial issues" and that "it is an attack on Trade Unionism for the law to say that these things are separate".

Donations caps

Four of the people we spoke to were “against any kind of donations cap”. There were two different reasons for this. The first was that in practice a cap would unfairly disadvantage Trade Unions and the Labour Party: “if you put controls on donations wealthy people will always find a way around it...that can’t happen with Trade Unions”. The second type of objection was more fundamental: “organisations and people should be capable of giving any amount they see fit”.

Spending Limits

Over half our interviewees spontaneously mentioned caps on expenditure as an important part of the solution. Three of these made the point that “at the moment, we have an increasingly American style battle for the biggest war chest”, which is distorting the style of campaigning. Suggestions for caps included £5 million and £12-15 million for a General Election and £10 million over the lifetime of a Parliament. Two interviewees argued that these controls should also apply to local expenditure and referred to Lord Ashcroft’s funding of specific Conservative Associations.

Conclusion

As stated in the introduction, we are very concerned that the Labour-Union link and also the role of Trade Unions as gateways to the political process be preserved.

The people interviewed for this research made it very clear that Unions do have a culture of participation and internal democracy – indeed many boast branch attendance figures that political parties could only dream of! It is important that any proposals for reform respect this.

They were also very strongly of the opinion that Unions are subject to a great deal of external regulation and scrutiny, far more than can be said of individuals or companies who donate to political parties. Again, this should be recognised and appreciated in any scheme which is put forward.

These interviews confirmed to us that it would be entirely unreasonable to impose the same cap on Trade Union donations as on those of individuals. Our proposal is therefore to treat Trade Unions as brokers, passing on a collection of individual donations to a political party. This would require the active and willing consent of individual levy-payers. Therefore, union members must be made aware of their right to opt out of the political fund and those who choose to pay into the fund should have some sort of individual relationship with the party to which they are affiliated. At the very least, the party should receive the contact details of individual affiliated members.

Some of the interviewees were sceptical about these suggestions. For instance, one thought that if the Labour Party was able to contact Union members directly, the Union would “potentially lose sovereignty”. However, we do believe that it may prove to be the least unacceptable suggestion. As one interviewee put it: “I’m a pragmatist, I can live with it, but I think it’s slightly disingenuous”.

As noted, trade unionists are rightly resistant to any attempt to further regulate internally democratic and transparent institutions. Therefore we believe that if these proposals are enacted it will be necessary to reduce the regulatory burden on Unions in other ways. In particular, we feel that a clear and simple opt-out from the political levy would render the Political Fund Ballot unnecessary. This would certainly be welcomed by the people we spoke to.

Another point which needs to be addressed is the feeling that even if the Unions do conform to our proposals, the new settlement could still be undone by a Conservative Government wishing to subject them to the same donations limit as individuals. It would be necessary to counter these fears, with a firm and binding commitment from the Conservative Party.

Finally, it was made abundantly clear in the research that a great deal of the problem of party funding lies not in the size of donations *per se*, but in the “arms-race” culture of election spending. A great deal of good could be done simply by applying a stringent cap on expenditure, either at election time or on an annual basis.