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THE FINANCING AND TRANSPARENCY OF UNIONS

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Executive Summary

Private organizations – businesses or charities – get their financing through voluntary transactions. As a result, they do not have to justify themselves to the public at large.

In government, appropriations are made public and the law makes provisions for other instruments of transparency. Public organizations, because they receive funding that comes from taxpayers, also have greater transparency requirements since they are responsible for making judicious use of the funding they receive.

Union organizations are private organizations, but their financing relies on an indirect power to tax known as the Rand formula. They also enjoy various tax breaks, like a tax credit for union dues, a tax exemption for strike pay as well as tax credits for contributions to labour-sponsored funds. Despite these quasi-public financing prerogatives, Quebec union organizations generally do not exhibit financial transparency and have very few obligations in this regard.



The authors of this research paper estimate that Quebec union revenues from union dues amounted to \$795 million in 2008. Their tax benefits are contrasted with the very limited transparency obligations imposed on unions through legislation.

The authors also provide a brief description of the rules that exist elsewhere in Canada and especially in the United States and in France, where the law requires greater transparency. This has the advantage of raising the quality of governance of unions and the legitimacy of their activities. For this reason alone, union organizations themselves would benefit from the adoption of transparent financial practices that would improve their reputations.

A union organization, like any private organization, might want to keep its financial information away from the eyes of the public, and from its competitors, too. The authors recommend that union organizations that want this have the legitimate choice of renouncing the Rand formula for their financing in exchange for not having to comply with transparency obligations. In this case, they would operate like true private organizations, with voluntary financing, and the transparency conditions they would have to respect would be those required of private organizations.

Introduction

In Quebec, as in other parts of the world, labour relations are heavily regulated. Governmental organizations like the Quebec Labour Relations Board oversee the enforcement of the various laws and regulations. And yet, labour relations are an area that essentially involves private actors. The majority of employers are private businesses. Some employees are represented by associations of employees,¹ or unions, which are private organizations formed by their members.

Public and private organizations are generally distinguished by the fact that the former are answerable to all taxpayers because they are the ones who finance them, either directly or indirectly, but almost always by obligation. Only the government can legitimately impose financial obligations on its citizens. Private organizations, on the contrary, must rely on the voluntary exchange of goods and services in return for payment, or on their powers of persuasion. They can never force someone to give them money. Public organizations, because they are publicly funded, are also saddled with a duty of increased transparency since they are responsible for using their funding judiciously.

On the one hand, although unions belong to the private domain, their financing does not fulfill the usual characteristics of private organizations. The labour relations system grants them powers that are quite unusual in this regard. The law actually requires all employees to pay union dues, whether or not they belong to the union that represents their coworkers. These dues are deducted directly from their paycheques by their employer, who then hands these sums over to the union.

The amount of financing is decided by a

majority of the union members present at the appropriate proceedings. However, those who are not members of the union have no say in the matter even though the consequences of this decision also applies to them. In practice, this law therefore grants unions the equivalent of a power to tax.

On the other hand, unions do not have the kind of transparency obligations that public organizations have. They do not need to divulge their financial statements to the general population. Both their revenues and their expenses remain hidden from the public at large. This state of affairs, normal for a private organization, nonetheless seems odd in the case of unions whose financing model is quasi-public in nature.

Financial transparency is an essential requirement in the management of public funds. It is through this mechanism that taxpayers protect themselves from the risks of arbitrary power, corruption, embezzlement of public funds and loss of responsibility that can arise, even within a public administration at the service of citizens. In the case of unions, financed through an indirect power to tax and through tax benefits, this transparency would therefore also constitute a legitimate tool.

The current situation of Quebec unions raises serious questions concerning both financing and transparency. The first chapter of this research paper partially lifts the veil on the overall financing of unions in Quebec by using tax data to estimate union revenues in the province. The second chapter explains the tax benefits granted to unions. In the third chapter, the transparency obligations for Quebec unions are detailed and compared with the requirements in place in other countries like the United States and France.

The use of mandatory dues for purposes other than collective bargaining (the reason for which they are deducted), a practice that is forbidden in the United States and in Europe, is also analyzed. This example in fact illustrates an effect of the current financial opaqueness of unions, which use their financing tools for multiple purposes.

1. The expression *association of employees* is the one used in the Quebec *Labour Code* and defined as “a group of employees constituted as a professional syndicate, union, brotherhood or otherwise, having as its objects the study, safeguarding and development of the economic, social and educational interests of its members and particularly the negotiation and application of collective agreements.”

Finally, this paper concludes with concrete recommendations aimed at improving the transparency of unions that decide to use quasi-public financing methods. What this means concretely is that unions that want to remain private organizations by relinquishing the benefits granted to them by government would not be affected by these recommendations. However, for those organizations enjoying various benefits financed by taxpayers and with an indirect power to tax, transparency obligations would be strengthened out for consideration for unionized employees and taxpayers in general.

CHAPTER 1

The financing of union organizations

In Quebec, the scope of the revenues and expenses of union organizations remains hidden from the public at large. Before looking into the sources of this financing, it therefore seems appropriate to sketch a picture of the overall amount in play.

Among union organizations, only the Confederation of National Trade Unions (*Confédération des syndicats nationaux* or CSN) makes its financial statements public. This is also the case of the Union des artistes (UDA), an organization that is not a union in the traditional sense of the word, but that plays a role similar to that of a trade union federation within the cultural sector. But the other umbrella organizations and local labour unions remain essentially opaque in this regard.¹

The following table sums up in broad strokes the 2008-2011 financial statements of the CSN filed during their 63rd Congress held in May 2011. In short, the revenues collected from the 274,156 CSN union members were \$209 million, or \$69.7 million per year on average, and the surplus of total revenues over total expenses was nearly \$10 million per year.

We cannot know if the CSN's financial picture is truly representative of the overall situation of trade union federations in Quebec. Since there were 1.31 million unionized workers² in Quebec in 2009, the CSN represented barely one in five of them. The characteristics of CSN members, more concentrated in the public sector, could also affect the operation and therefore the expenses of this labour federation.

Table 1.1
CSN – 2008-2011 financial statements

Total revenues (dues and interest)	\$215,571,801
Average # of members (per month)	\$274,156
Average rate (per month)	\$21.20
Total expenses	\$185,974,101
Management	\$37,040,454
Unionization	\$17,836,973
Labour relations	\$26,415,906
Communications	\$8,310,085
Mobilization	\$29,436,000
Administration	\$9,079,236
Professional defence fund	\$57,855,595
<i>Strikes</i>	<i>\$31,560,079</i>
<i>Negotiations</i>	<i>\$23,523,646</i>
<i>Demands</i>	<i>\$2,773,977</i>
<i>(Doubtful debts recovered)</i>	<i>(\$2,107)</i>
Surplus of revenues over expenses	\$29,597,700
Net assets on February 28, 2011	\$22,015,456

Source: CSN, *Rapport des finances – États financiers 2008-2011*, May 2011, p. XI.

Even though the other labour organizations are not as transparent as the CSN, it is possible to estimate their total revenues. At both the federal and the provincial levels, there exists a non-refundable tax credit for union or professional dues.³ By consulting the personal tax statistics produced by the Quebec Department of Finance, we get the total amount declared under this tax credit. Then, we subtract away the total revenues of professional orders recognized by Quebec's *Professional Code*.⁴

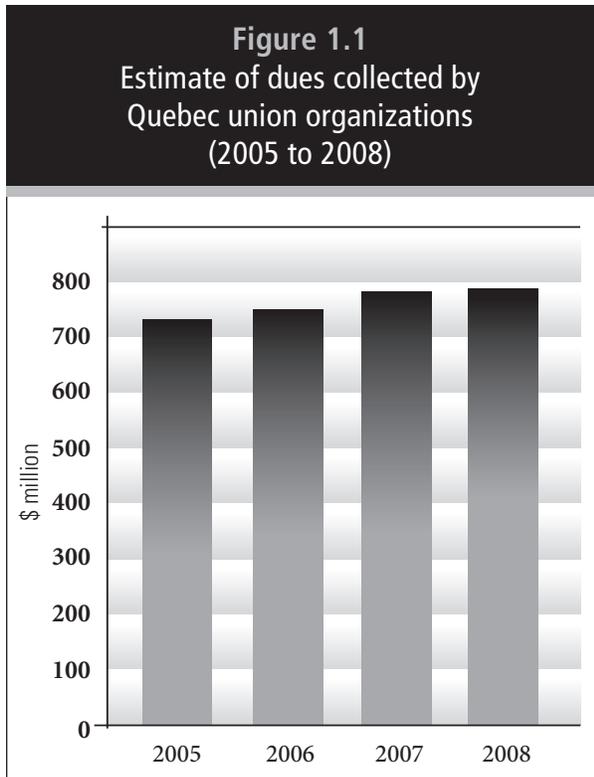
It is interesting to note that Quebec unions benefit from significant resources that are deducted automatically. We can evaluate the dues collected by unions at around \$795 million in 2008 (the last year for which data are available). Figure 1.1 presents the financial results for the period from 2005 to 2008. As this is an approximation,

1. Websites of the various union organizations.

2. Institut de la statistique du Québec, *Nombre d'emplois syndiqués chez les travailleurs (employés), résultats selon diverses caractéristiques de la main-d'œuvre et de l'emploi, moyennes annuelles, Québec, 2008-2010*, April 20, 2011.

3. Quebec Department of Revenue, *Union, Professional or Other Dues*, http://www.revenuquebec.ca/en/citoyen/credits/credits/credits_reduisant/autres.

4. Schedule 1 of the *Professional Code*, R.S.Q., ch. C-26 lists the 46 professional orders recognized in Quebec.



Sources: Authors' calculations based on statistics from the Quebec Professions Board for revenues of professional orders and from the Quebec Department of Finance, *Statistiques fiscales des particuliers*, 2005 to 2008.

these data should be interpreted with caution. Since only dues are taken into account for Quebec unions and not other sources of revenue, these data underestimate their actual revenues.

In addition to dues collected directly from employees, unions have other sources of revenue. In the past, subsidies for the education of workers were granted to unions.⁵ In addition, the government distributes public funds to employers' associations and unions for them to act as co-administrators of occupational health and safety files.⁶ In 2009, according to the Quebec Occupational Health

and Safety Commission (CSST), ten million dollars were disbursed to employers' associations and unions for this purpose.⁷ We can hypothesize that given a joint employers-unions organization like the CSST, half of this amount was paid to unions.

In addition, union organizations can obtain contracts with the government for specific projects, like a contribution to publications on occupational health and safety.

Union organizations can also make various investments. For example, the CSN plans to collect \$3.2 million in interest over the 2011-2014 financial period, without detailing where those interest payments will come from.⁸

All things considered, union dues remain the primary source of income for unions, to which is added the money received directly from government and investment income. Finally, initiation fees, fines and special dues can also be added, these amounts all deducted directly from workers' salaries.

7. CSST, *Statistiques annuelles 2009, 2010*, p. 65.

8. CSN, *Rapport des finances – Budget 2011-2014*, May 2011, p. VI.

5. Mona-Josée Gagnon. *Le syndicalisme : états des lieux et enjeux*, Institut de la recherche sur la culture, 1994, pp. 71-72.

6. *Id.*, pp. 71-73.

CHAPTER 2

The tax benefits granted to unions

As was noted above, the deduction of compulsory dues bestows upon unions an indirect power to tax. This power granted by the *Labour Code* is coupled with preferential tax treatment. The main fiscal levers that the Quebec government adopted to the benefit of union organizations are:

1. the tax credit for union dues;
2. the tax exemption for strike pay;
3. tax credits for contributions to labour-sponsored funds.

The tax credit for union dues

In Quebec, there is a 20% tax credit on union and professional dues.¹ At the federal level, these dues are entirely deductible from taxable income.²

Professional dues allow one to join a professional order, and since such membership is generally required to practice one's trade, we can regard these as a professional expense. Moreover, professional orders are established by law for this purpose. All things considered, it is normal to allow people to deduct compulsory dues from taxable income, or to reduce their fiscal impact with a tax credit, since individuals cannot use these sums as they see fit.

The same logic applies to union dues, which are not voluntary either for workers in a unionized

environment, since the Rand formula imposes the payment of these dues. However, that is where the similarity ends between the two cases.

A professional order has no other official purpose but to defend the public, and in theory does not exist to serve its own members.³ From a legal point of view, professional dues therefore finance a public service and entail no benefit to the professional, aside from the fact of having fulfilled a prerequisite to the exercise of his or her occupation. Unions, on the contrary, exist specifically for their members only, and only serve their interests. While professional dues fulfill a legal obligation, union dues correspond rather to the price paid in order to benefit from the protection of an association.

This protection not being to the public's benefit, but rather to the advantage of the employee, it seems legitimate to ask why it is given preferential tax treatment. After all, when employees acquire a dental or prescription drug insurance plan, this expense does not receive a tax credit. Payments for the "services" of a union, however, receive this preferential tax treatment at taxpayer expense.

The tax exemption for strike pay

Union dues serve several purposes, including that of building up a strike fund that can be used to compensate workers during a labour dispute. In the event of a strike or lockout, when this strike fund pays out compensation to union members, these earnings are tax exempt and constitute a net revenue.⁴ The tax-free character of strike pay, despite the fact that the dues themselves are tax deductible, was confirmed in 1990 by the Supreme Court of Canada.⁵ This is not the case for all types of earnings, however, since even Employment Insurance Benefits, a federal government program, are taxable.⁶

1. Quebec Department of Finance, *Tax Expenditures – 2010 Edition*, 2011, p. B.138. A tax credit reduces the taxes to be paid, in this case by an amount equal to 20% of dues paid. A tax deduction subtracts a certain amount from one's taxable income. As for the concept of tax expenditures, this is the tax revenue not collected on account of a tax credit or a tax deduction, for example.

2. Canada Revenue Agency, *General Income Tax and Benefits Guide*, 2010, p. 25.

3. It should nonetheless be noted that the real economic effects of the presence of a professional order can be quite different from the official purpose.

4. Quebec Department of Finance, *Tax Expenditures – 2010 Edition*, 2011, p. A.10; Canada Revenue Agency, *General Income Tax and Benefit Guide*, 2010, p. 11.

5. *Canada v. Fries*, [1990] 2 S.C.R. 1322.

6. Canada Revenue Agency, *General Income Tax and Benefit Guide*, 2010,

In other words, taxes are not collected on amounts taken out of the strike fund, and the dues that served to build it up are also partially tax deductible. This tax treatment is not the same in the case of other plans aiming to set aside future earnings. For the sake of comparison, in the case of RRSPs, contributions are tax deductible, but withdrawals are taxed. The income is in a sense deferred. In the case of TFSA's, contributions are not tax deductible, but withdrawals are tax free, which avoids double taxation of one's savings. Strike funds have the distinctive feature of almost completely escaping taxation, both from the partial deductibility of dues and from the exemption of benefits.

Concretely, strike funds therefore benefit from a singularly advantageous system of tax credits and exemptions.

Tax credits for contributions to labour-sponsored funds

Labour-sponsored venture capital funds, namely the Fonds de solidarité FTQ and the Fondation CSN, are strictly speaking separate entities from the union organizations, although the ties between these funds and the labour federations that set them up are sometimes close. For example, the presidents of the Quebec Federation of Labour (*Fédération des travailleurs et travailleuses du Québec* or FTQ) and the CSN are chairmen of the boards of the Fonds de solidarité FTQ and of the Fondation CSN, respectively. These investment funds experienced strong growth in recent decades thanks to a very interesting tax benefit obtained from the very beginning.

As is the case for all funds, the individual who places his savings in the form of RRSPs in a labour-sponsored fund reduces his taxable income. However, labour-sponsored funds enjoy a unique fiscal advantage:⁷ the contributor benefits from a tax credit (both at the federal and the provincial level)

that amounts to a total of 30% for his investments in the Fonds de solidarité FTQ and 40% for the Fondation CSN.⁸ As evaluated by the Quebec Department of Finance, the simple increase of the tax credit to the benefit of Fondation entailed a \$35.6-million reduction in tax revenue these past two years.⁹

These funds represent an instrument for promoting the availability of capital in the Quebec economy, according to the government, which for this reason grants them preferential tax treatment as a “business capitalization measure,” one of several categories of tax assistance for businesses.¹⁰

Now, it is generally admitted in the economic and financial literature that labour-sponsored funds do not increase the total supply of venture capital available, insofar as these funds replace other forms of venture capital investments, a phenomenon called the *crowding out* effect. In addition to this *crowding out* effect, there is an element of “unfair” competition limiting the creation of private investment funds. According to a Canadian study of the matter, the total supply of venture capital in Canada is \$1 billion smaller because of this competition from labour-sponsored funds.¹¹

What's more, since the start of the 1990s, less than half of the funds raised by labour-sponsored venture capital corporations are actually invested in businesses targeted by the government financial aid program, and this trend seems to have worsened since 2001, according to an Industry Canada study.¹² This

p. 11.

7. Quebec Department of Finance, *Tax Expenditures – 2010 Edition*, 2011, p. B.103.

8. This exceptional rate, adopted in the Quebec government's 2009-2010 budget, will be in effect until the capitalization of Fondation CSN reaches \$1.25 billion. Currently, the assets managed by Fondation CSN total \$843 million (Fondation, *États financiers aux 31 mai 2011 et 2010*, p. 3) while those of the Fonds de solidarité FTQ total \$8.2 billion in 2011 (Fonds de solidarité FTQ, *États financiers aux 31 mai 2011 et 2010*, p. 2).

9. Quebec Department of Finance, *Budget Plan 2009-2010*, March 2009, p. A.15.

10. Quebec Department of Finance, *Tax Expenditures – 2010 Edition*, 2011, p. XII.

11. Douglas Cumming and Jeffrey McIntosh, “Crowding out private equity: Canadian evidence,” *Journal of Business Venturing*, Vol. 21 (2006), No. 5, p. 601.

12. Industry Canada, *Labour-Sponsored Venture Capital Corporations: An Overview of Their Role and Activities (1991-2003)*, 2005.

clearly shows that labour-sponsored funds have only partially played the role of venture capital supplier required by the government in exchange for such a significant tax benefit.

Other aspects of labour-sponsored funds, like high administrative expenses, governance and manager remuneration independent of performance, raise questions regarding the relevance of their preferential tax treatment. Moreover, by imposing strict conditions on shareholders regarding their ability to withdraw their funds, they are powerless should they be unhappy with the returns obtained. In other words, the bad decisions of managers are not penalized as they would be in other investment funds.

In this context, it is not surprising that the performance of these funds is weaker than that observed in regular financial markets, and by a long shot. For example, the actual return of the Fonds de solidarité FTQ according to the data provided on its website was 1.4% per year on average from the time of its creation up until 2010. During this period, the Toronto (TSX) market index registered an actual return of 5.6% per year. This means that in constant dollars, \$1,000 of savings would be worth \$1,436 today if it had been entrusted to the Fonds de solidarité FTQ in 1984, while it would have been worth \$4,099 by following the TSX.¹³

All things considered, labour-sponsored funds are financial instruments that fulfill neither their economic objectives, namely to make venture capital available to help Quebec businesses, nor

their financial objectives of offering a good return to contributors, their performance being interesting only by taking into account the additional tax credit. However, in concrete terms, this tax credit represents billions of dollars in tax revenue which the government has renounced, which implies that other taxpayers must make up this lost revenue.

Once again, the generous tax treatment enjoyed by labour-sponsored funds imposes a cost on taxpayers in favour of contributors to those funds, which are the financial instruments of private organizations. In their case, labour-sponsored funds clearly communicate their financial results and make them available to the public at large. However, the fulfillment of their objectives and the repercussions of their generous tax benefits are not evaluated by the government. In the case of unions, though, it is access to financial information that is lacking.

13. Authors' calculations based on performance data from the Fonds de solidarité FTQ and from Bloomberg for the TSX. See also: Jean-Marc Suret, "Le financement des entreprises," in Filip Palda, *L'État interventionniste : le gouvernement provincial et l'économie du Québec*, 1994, Fraser Institute, pp. 113-168; Jean-Marc Suret, *Le marché de la finance entrepreneuriale et du capital de risque*, CIRANO, 2011; Gérard Bérubé, "Les fonds de travailleurs rapportent moins," *Le Devoir*, February 12, 2011.

CHAPTER 3

The transparency obligations of unions

Private organizations generally finance themselves through voluntary transactions, whether from commercial income or donations. Their clients or donors always have the option of bringing such financing to an end. Taxes not being optional, this is not the case for the financing of governments and of public organizations in general. In this sense, the financing of unions has all the appearance of public financing since it relies on a set of rules imposed on unionized employees and taxpayers.

Government and public organizations must submit themselves to the scrutiny of all in order to show that their use of the funds they received respects proper practices and the public ends for which they were collected. In a democracy, this *transparency* is the natural counterpart of compulsory financing. On this point, though, unions are treated like private organizations by the law. The disclosure of financial information is not common for unions, which have practically no standards to meet in this regard. Their ambiguous status when it comes to this issue would justify requiring them to conform to transparency obligations allowing public scrutiny, or conversely requiring them to renounce the privileges that allow them to benefit from quasi-public financing.

In order to properly understand the notion of transparency, we must first of all discuss the notion of governance. In the following pages, the transparency obligations of unions, both here and elsewhere in the world, will also be examined.

Governance and transparency

The notion of the transparency of organizations can be applied to private organizations as much as to public organizations, since it is in fact a practice that is tied to good governance. The chairman of the board of the Institute for Governance of Private and Public Organizations (IGPPO) defines governance as the answer to the question: “How can a small group of people (...) succeed in supervising and controlling the actions and decisions of the managers of an [organization]?”¹

In other words, when there is a delegation of powers, as when a union executive is elected by its members, the administrators hold more information about the management of the organization than those who appoint them and who evaluate their management. In economics, the expression *principal-agent problem* is used to describe this type of situation in which one person, the “principal,” appoints an “agent” who will have more information at his disposal than the principal and who could use this informational asymmetry to his advantage. Studies on good governance propose the kinds of solutions to adopt in order to rebalance the relationship between principals and their agents, for example between shareholders and business management, or in the case that concerns us here, between union members and their representatives in the union executive.

The OECD proposes to governments a number of elements of good governance, among which is to be found transparency:²

1. Yvan Allaire and Mihaela Firsiroiu, “La gouvernance en question,” *La Presse*, October 17, 2002, http://www.igopp.org/IMG/pdf/2002-10-17_La_Presse_YA_La_gouvernance_en_question.pdf.
2. OECD, *Principal elements of good governance*, www.oecd.org/document/32/0,3746,en_2649_33735_1814560_1_1_1_1,00.html.

Accountability: government is able and willing to show the extent to which its actions and decisions are consistent with clearly-defined and agreed-upon objectives.

Transparency: government actions, decisions and decision-making processes are open to an appropriate level of scrutiny by others parts of government, civil society and, in some instances, outside institutions and governments.

Efficiency and effectiveness: government strives to produce quality public outputs, including services delivered to citizens, at the best cost, and ensures that outputs meet the original intentions of policymakers.

Responsiveness: government has the capacity and flexibility to respond rapidly to societal changes, takes into account the expectations of civil society in identifying the general public interest, and is willing to critically re-examine the role of government.

Forward vision: government is able to anticipate future problems and issues based on current data and trends and develop policies that take into account future costs and anticipated changes (e.g. demographic, economic, environmental, etc.).

Rule of law: government enforces equally transparent laws, regulations and codes.

The notion of transparency is broad, but it basically consists of financial transparency, sometimes also including transparency with regard to decision procedures and the everyday management of the organization. Transparency is a part of good governance practices because it makes information available in order to ensure that decisions taken are properly implemented, that

administrators are not guilty of misappropriation of funds and that the organization is properly fulfilling its role.

The question of transparency comes up especially for public organizations since they manage public funds supplied by taxpayers. A private business, if it is listed on the stock market, must also make public a good amount of information about its finances, for example. On the other hand, private organizations that do not receive public funds and that do not resort to financial markets usually do not suffer from the principal-agent problem and can more easily forego the constraints of governance. The distinction between a private organization and a public one is therefore essential in this regard.

Union organizations are usually thought of as private organizations, but their role is defined by laws, like the Quebec *Labour Code*, and their financing corresponds more to that of a public organization as we saw in the previous chapters. Certain transparency obligations are already applicable to them currently.

The transparency obligations of unions in Quebec

The Quebec *Labour Code* specifies that a union organization “must disclose its financial statement to its members every year. It must also remit a copy of such financial statement free of charge to any member who requests it.”³ This is the only union obligation regarding governance that is provided for in the *Labour Code*.

A union’s obligation to disclose financial statements is thus limited to its members. This disclosure often takes the form of a report from the union executive to the general assembly. The way section 47.1 of the *Labour Code* is formulated, financial statements do not even have to be handed out to the assembled members to allow them to study them in detail. To obtain a copy, a member

3. *Labour Code*, R.S.Q., ch. C-27, s. 47.1.

must request one. If obtaining a copy of financial statements is not automatic, such a request might be interpreted as challenging the union executive and the member who makes the demand could be regarded with a suspicious eye.

In short, the *Labour Code* provides for a minimal obligation. In practice, some unions go beyond this requirement and give out copies of their financial statements to their members, sometimes several times a year. Each union adopts the rules they consider advisable on the matter, since the *Labour Code* is not very strict.

The public, though, does not have access to the financial statements of union organizations. This is justified by the fact that a union's financial statements may contain privileged information that would disadvantage them if it fell into the hands of a competing union. Like businesses, unions compete among themselves, in their case to attract the most members possible. However, this does not call into question the need to disclose certain information of a financial nature.

The transparency obligations of unions elsewhere in Canada

The federal *Labour Code* also stipulates that a union “shall, forthwith on the request of any of its members, provide the member, free of charge, with a copy of a financial statement of its affairs.”⁴ As compared to the Quebec *Labour Code*, new specifications circumscribe the financial transparency obligations of the union. For example, it is specified that the copy of the financial statements must be from the most recent fiscal year and “certified to be a true copy by its president and treasurer” and that the financial statements “shall contain information in sufficient detail to disclose accurately the financial condition and operations of the trade union (...).” However, these additional

specifications do not add much since the unions' main obligation remains, as is the case with the Quebec law, to provide financial statements to members who request them.

This is also the case of the Ontario *Labour Relations Act*, which differs in that it adds an additional transparency requirement for the administrators of funds managed by unions (vacation pay funds, pension plans or funds for union members and their beneficiaries). These administrators must annually file a certified financial statement with the Ontario Ministry of Labour and furnish a copy to union members who request it in writing.⁵

In recent years, the transparency obligations provided for by Ontario law were the subject of public debate. In 2010, a private members' bill⁶ from an opposition MP proposed to add an obligation for unions to disclose their financial statements by detailing each of their expenses in excess of \$5,000. The same bill proposed to limit the compulsory deduction for union dues to the amount allocated for collective bargaining, unless the union member authorizes an additional deduction to be used for other purposes. This “paycheque protection” keeps unionized employees from having to finance political causes that they do not support.

Table 3.1 summarizes the financial transparency obligations that unions must respect at the federal level and in the different Canadian provinces. The laws are generally similar, especially because no province requires financial transparency to the public at large. Certain differences nonetheless remain, like disclosure to members who request it or who apply to a board or to the Department of Labour as well as the professional auditing of financial statements, which are not compulsory everywhere.

4. *Canada Labour Code*, R.S.C. (1985), c. L-2, s. 110.

5. *Labour Relations Act*, 1995, S.O. 1995, s. 93.

6. *Defending Employees' Rights Act*, Bill 71, 2010.

Table 3.1
Financial transparency obligations of unions in Canada

	Disclosure of union financial statements to the public required?	Disclosure of union financial statements to members if requested?	Anonymous access to financial statements through a board or the Minister of Labour? (A)	Audit of financial statements by professional auditors?
British Columbia	No	Yes	Yes	Yes
Alberta	No	No	No	No
Saskatchewan	No	No	No	No
Manitoba	No	Yes	Yes	No
Ontario	No	Yes	Yes	Yes
Quebec	No	Yes	No	No
New Brunswick	No	Yes	Yes	Yes
Nova Scotia	No	Yes	Yes (B)	No (B)
Prince Edward Island	No	No	No	No
Newfoundland and Labrador	No	Yes	Yes	Yes
Federal	No	Yes	Yes	No (C)

Source: Milagros Palacios, Jason Clemens, Keith Godin and Niels Veldhuis, *Union Disclosure in Canada and the United States*, Fraser Institute, September 2006, p. 11.

(A) Through the Labour Relations Board, except for Nova Scotia where the request is made through the Department of Labour.

(B) Although the financial statements have not been audited, a sworn statement is required, which still guarantees to union members that the financial statements were reviewed by an independent third party not affiliated with the union.

(C) Even if it is not required by the *Canada Labour Code*, it is current practice for unions to furnish their members with financial statements audited by professional auditors.

The transparency obligations of unions in the United States

In 1959, following allegations of corruption and embezzlement in the world of unions, the American Congress adopted the *Labor Management Reporting and Disclosure Act* (LMRDA, also known as the *Landrum-Griffin Act*) in order to require the country's union organizations to disclose their activities.⁷ The US Senate Select Committee on Improper Activities in Labor and Management, or McClellan Committee, which led to the adoption of this law, had been formed to study the corruption,

criminal infiltration and illegal activities of several large unions in the United States.

The transparency obligations provided for by the LMRDA are based on the disclosure of detailed reports in order to supervise the financial relationships and activities between union leaders and employees, employers, and labour relations consultants. American unions are required to answer questionnaires from the Office of Labor-Management Standards⁸ of the federal Department of Labor regarding their financial situation. Their answers are then made public. Union organizations must also disclose all of their political contributions.

7. A summary of the clauses of the LMRDA can also be found at the following address: www.dol.gov/olms/regs/compliance/lmrda-factsheet.htm. While the LMRDA basically covers private-sector unions, the *Civil Service Reform Act* (CSRA) sets the standards for public-sector union organizations.

8. This organization's website makes public the reports of numerous unions for the current year and for several years prior. In all, tens of thousands of reports and forms are accessible on this website.

Union officers and employees engaged in certain activities or having certain financial interests must file a form known as an LM-30 once a year.⁹ They are asked, for example, to declare the interests of their family members in a company where the union is present. When they manage various funds, union leaders must be bonded, which serves as a kind of insurance for the proper management of those funds and provides a guarantee for union members that should financial losses arise due to embezzlement, those funds will be reimbursed.¹⁰

Thanks to the LMRDA, the American justice system obtained 877 indictments for corruption and embezzlement from 2001 to 2007. As a result, \$103 million were returned to unions whose union dues had been used inappropriately.¹¹ Financial disclosure concerning in particular union funds held in trust, strike funds and training funds of all kinds was especially useful for identifying and trying to counter acts of corruption.

This method does have its drawbacks. All of those forms represent a burden for many unions and employers, who especially denounce their complexity. But it remains the method used because it represents the best way of obtaining accurate information subject to auditing.

In sum, all of these transparency obligations, which are much more extensive than those in place in Quebec, comprise a set of rules that reinforce the internal democracy of unions. The LMRDA even includes a charter of rights granted to union members vis-a-vis their unions. In short, in the United States, control of union governance is much stricter and more extensive than it is in Quebec or in Canada as a whole.

9. Information concerning Form LM-30 was adapted based on information available at www.olms.dol.gov.

10. Information related to bonding requirements can be found at: www.dol.gov/olms/regs/compliance/bonding.htm.

11. U.S. Department of Labor, *US Labor Department enforcement agency announces eight criminal convictions for December 2007*, press release, January 15, 2008.

The transparency obligations of unions in France

The financial transparency of union organizations has undergone new development in France with the adoption of the *Loi portant rénovation de la démocratie sociale et réforme du temps de travail*, which also targets business organizations. The clauses of this law have been coming into effect gradually since 2009.¹² After doubts were expressed regarding the quality of the governance of certain unions, this law established new financial transparency obligations. Mainly, union organizations must respect strict accounting standards and make their financial statements available online.¹³

It is important to specify that in France, unions are not only financed by union dues, but also receive government subsidies. Dues represent from 20% to 60% of the revenues of the five main labour federations.¹⁴

The primary objective of this reform was to equip the French *Labour Code* with new rules on representativeness and collective bargaining. Previously, five union confederations were recognized as representative at the national level,¹⁵ which by default allowed them to negotiate collective agreements on a country, industry and business level.¹⁶ More recent independent unions had a different status. All unions must now satisfy a set of representativeness criteria to be able to run collective negotiations as employee representatives. One of the representativeness criteria is the obligation of financial transparency. This new criterion is ensured by rules regarding certification

12. The motives for adopting this law as well as the law itself can be consulted on the Légifrance website.

13. See: Comité de la réglementation comptable, *Règlement no 2009-10 Afférent aux règles comptables des organisations syndicales*, December 3, 2009 and the website: <http://www.journal-officiel.gouv.fr/comptes-syndicats/>.

14. Raphaël Hadas-Lebel, *Pour un dialogue social efficace et légitime : Représentativité et financement des organisations professionnelles et syndicales*, May 2006, p. 58. These figures are from 2003. Newer data will gradually become available thanks to the implementation of the new law.

15. These five unions were the Confédération générale du travail (CGT), the Confédération générale du travail – Force ouvrière (CGT-FO), the Confédération française démocratique du travail (CFDT), the Confédération française des travailleurs chrétiens (CFTC) and the Confédération française de l'encadrement – Confédération générale des cadres (CFE-CGC).

16. Udo Rehfeldt, "The French System of Collective Bargaining," *Social Europe Journal*, Vol. 5 (2010), No. 1, p. 34.

and the publication of the accounts of confederations, federations and regional groups of unions, as well as all unions above a resource threshold set by decree.

With regard to confederations themselves, the law also imposes the obligation either to produce consolidated financial statements or “to provide, annexed to their own accounts, the accounts [of the] corporations [that they oversee], as well as information on the nature of the control relationship. In this case, the accounts of these corporations must have been subjected to legal control.”¹⁷

For all unions, the new law means an obligation to produce annual financial statements and to ensure their “publicity.” What’s more, above a certain amount of financial resources, each union must name an auditor. The internal approval procedures for unions’ financial statements must also meet new requirements. Interestingly, this transparency obligation was featured on a list of common demands of union and business organizations presented to the government during the debates that preceded the adoption of the law.¹⁷

The preliminary results of this reform are beginning to be seen. For example, in May 2011, the Confédération française démocratique du travail (CFDT) unveiled *certified* financial statements, a historical first for this labour organization.¹⁸ The consolidated financial statements, which is to say including all affiliated union entities, had been approved beforehand by the CFDT’s auditor.

The union culture in France therefore seems to be adapting rather well to this transparency obligation, in particular because these new obligations follow criticisms of union governance. By respecting a law that is more restrictive than it was in the past, these unions are contributing to the reestablishment of their own credibility.

The transparency obligations of unions in Germany

Germany is somewhat of a special case. The legal framework for unions there is minimal, allowing them significant autonomy.¹⁹ In particular, relations between a union and its members are basically only governed by the statutes of the organization. The federal government audits the fiscal declarations of unions, as for any association. A union must justify its activities in order to continue to enjoy a tax exemption, namely having to pay neither corporate taxes nor sales taxes on most of the activities financed by union dues.²⁰

Unions voluntarily set up internal and external control systems in reaction to scandals and financial losses in the 1980s and 1990s. The internal review focuses on the legality of expenses and their advisability. The accounts, or financial statements, are also audited by external inspectors in many cases. Auditors can just as easily inspect organizations connected to unions as unions themselves. Their annual reports are made public through a union publication and are presented to members during general assemblies every four years.

Lessons for Quebec unions?

Given the allegations circulated in the media against certain unions in the construction sector in Quebec, including charges of links with organized crime and entrepreneurs suspected of corruption, the French and German unions’ strategy of respecting financial transparency obligations, whether legal or self-imposed, could prove to be an attractive path for their colleagues here. It is also worth noting that the requirement to disclose financial information is sometimes linked to the tax benefits enjoyed by unions, as in Germany, while unions here enjoy regulatory and tax benefits and without having to reveal anything at

17. MEDEF *et al.*, *Position commune sur la représentativité, le développement du dialogue syndical et le financement du syndicalisme*, April 9, 2008, p. 1.

18. CFDT, *Nos comptes*, www.cfdt.fr/rewrite/nocache/article/11390qui-sommes-nous/nos-chiffres/rapports-financiers/nos-comptes.htm?idRubrique=9092.

19. Jérôme Guedj, Pierre de Saintignon, Valérie Jeske-Saintoyant and Holger Osterrieder, *Le financement des syndicats : étude d’administration comparée – Le cas de l’Allemagne*, September 2004, p. 25.

20. *Id.*, p. 24.

all of a financial nature. Finally, the law in effect in the United States, being more exhaustive, leads to concrete results in terms of convictions and of restitution of sums embezzled by unscrupulous individuals.

CHAPTER 4

The Rand formula and the causes supported by unions

As we saw above, the *Labour Code* forces all employees of a business represented by a union to pay dues to that union, whether they belong to it or not. This obligation to pay union dues, known as the Rand formula, is based on the notion that all employees benefit from the actions of their union and that even the worker who is not a union member will benefit from the working conditions negotiated for members. Several aspects of working conditions obtained by unions to benefit their members during negotiations with the employer can be considered in some sense “public goods” that all employees would receive, whether they paid their union dues or not.¹ The money collected therefore serves to pay for collective bargaining, mediation of members’ complaints or grievances, pressure tactics through the setting up of a strike fund, training, union activities, etc., which could be defined as activities connected to labour relations.

Now, it is obvious that union dues are not used exclusively to finance labour relations. Examples abound of unions using employees’ dues for other purposes, like supporting various ideological causes. Yet not only does the logic of the Rand formula not apply to spending for these causes, since not all employees benefit, but furthermore, some see their values trampled by this process, however democratic it may be.

The opaqueness of union finances makes it impossible to know what portion of their expenses

is devoted to ends other than labour relations. We cannot know which causes they support, how much is spent supporting them, and in the end, what proportion of compulsory dues finance activities with no connection to labour relations.

The use of compulsory dues for purposes other than labour relations

The use of compulsory dues for purposes other than labour relations can raise several problems from the point of view of an employee. When a union offers financial support to foreign union causes, the tenuous link between these activities and the defence of union members’ interests does not justify their imposition since these activities are not linked to the labour relations of the union members in question. If some can see in such activities a contribution to the “union cause” in general, others do not believe their interests are served and should not be forced to contribute.

Support for causes being subjective, union members do not all share the same preferences when it comes time to choose one cause or another. For example, sums paid out to fight homophobia, an important cause for some members, are not paid out to an organization coming to the aid of women in need that other members might prefer. Or again, some union members might have preferred to put money aside for their children’s studies rather than pay dues to finance a student scholarship offered by labour organizations.

Finally, even if some union members think that a cause is good, others might believe that it goes completely against their values and therefore feel wronged to have to contribute to it. For instance, the formation of the Coalition Against User Fees and the Privatization of Public Services goes against the political preferences of those union members for whom free-market solutions favouring consumers and taxpayers are preferable to greater government intervention.

1. See especially: Richard B. Freeman and James L. Medoff, “Le syndicalisme à deux visages,” *Revue économique*, Vol. 31 (1980), No. 3, pp. 505-539.

Of course, union members who feel wronged always have the possibility of having their disagreements heard within the framework of their union's internal proceedings where the budgets that include the expenses in question are adopted. The causes supported, however, are not necessarily clearly identified in those budgets. The amounts used to finance different causes may be grouped under "support for mobilizations and regional life," or "support for strikes," or "support for our protests."

Even if these union expenses for purposes other than labour relations were transparent and democratically approved by members, democratic decision-making allows the majority to impose costs on the minority, while nothing would prevent these decisions from being made at the individual level.

Should dues used for purposes other than labour relations be voluntary?

Currently, the Rand formula generates revenue that unions are free to use as they see fit. In the *Lavigne* case,² the Supreme Court of Canada concluded in a majority ruling that the Rand formula did not violate the right to freedom of expression. However, this ruling was made in 1991. Today, in just about every democratic country in the world, it is forbidden for a union to spend the money collected through compulsory union dues to support ideological or social causes without the individual consent of its members. This is the case in the United States, in Australia and in New Zealand, as well as in the European Union ever since a ruling of the European Court of Human Rights, handed down in 2007.³ Who knows if the Supreme Court would come to a different conclusion were the matter referred to it again today, knowing that Canada is clearly the exception among the world's free and democratic societies.

2. *Lavigne v. Ontario Public Service Employees Union*, [1991] 2 S.C.R. 211.

3. *Evaldsson and others v. Sweden*, no. 75252/01 (2007).

By making the financing of political and ideological causes voluntary, unions would gain legitimacy and could still finance such causes. For one thing, a union's support for such causes would be legitimized by the fact that its own members would truly have chosen to support them. Also, purely voluntary financing means that if the causes supported are truly popular among members, these expenses will find sufficient financing. If this is not the case, however, it is even more important for the legitimacy of the union for members who do not wish to contribute to these causes to be able to choose not to do so.

Distinguishing between dues for labour relations and dues for other purposes

As we saw, in most free and democratic countries, unions cannot force employees to finance ideological or social causes through compulsory dues. Unfortunately, it is difficult to clearly separate spending for purposes of labour relations from spending in support of other causes. For one thing, unions do not exhibit sufficient transparency, and for another, making such distinctions is never simple.

In the United States, only that portion of dues intended for labour relations, like collective bargaining, contract management and grievance resolution procedures, can be demanded by unions from the employees they cover.⁴ No employees can be forced to pay any amounts intended for matters of politics, lobbying or ideology. The conclusion reached by the Supreme Court in the *Abood* case is that it is unconstitutional to spend the financial resources of non-members for the "expression of political views, on behalf of political candidates, or toward the advancement of other ideological causes not germane to its duties as collective-bargaining representative."⁵

4. *Communications Workers of America v. Beck*, 487 U.S. 735 (1988). In those States without right-to-work laws, members and non-members pay their dues for labour relations purposes. For States with right-to-work laws, see: Louis Fortin and Michel Kelly-Gagnon, *The Quebec unionization model: correcting the anomaly*, MEI, February 2011.

5. *Abood v. Detroit Board of Education.*, 431 U.S. 209 (1977).

Concretely, it was established that the following union expenses were not among those activities linked to labour relations and could therefore not be subject to compulsory financing:⁶

- the election of candidates to public service, including contributions to a political party, political organization or candidate;
- the recruitment (or efforts devoted to it) of new members;
- lobbying (with the exception of lobbying directly connected with the ratification or the creation of a collective agreement);
- dues for a union federation;
- contributions to charitable and educational organizations;
- activities intended to promote an ideology;
- public relations activities;
- illegal strikes;
- a corresponding part of the cost of union publications devoted to covering the subjects mentioned above or other subjects not directly related to workers.

Of course, the costs of activities connected to labour relations and the costs of other activities are not recorded separately and the same union representatives who sit at the negotiating tables also attend the ideological pressure group meetings unrelated to labour relations. To resolve this difficulty, when it comes time to determine which expenses are for activities directly related to union responsibilities, it was established that it is the union that bears the burden of proof to show that an expense financed by all dues really is related to collective bargaining, contract management or grievance resolution.

As for Europe, when reading the ruling of the European Court of Human Rights forbidding the use of compulsory union dues for purposes other than labour relations,⁷ it becomes clear that the criteria for distinguishing labour relations activities from ideological or political activities are not yet well defined. It must be said that the European ban is still very recent, as it only dates back to 2007. The ruling does, however, highlight the link between the difficulty of making this distinction and the lack of transparency of unions in this regard. Therefore,

The Court found that the applicants had not been given sufficient information for them to verify how the fees they paid were actually used, information to which they were all the more entitled given that those fees were paid against their will and to an organization with a political agenda they did not support. The Court considers that the Union's wage monitoring activities, as applied in the present case in the context of the Swedish system of collective bargaining, lacked the necessary transparency.⁸

Somewhat in the image of the United States, where the burden of proof falls on unions, the European Court of Human Rights added that the budget reports of unions did not allow them to conclude that no amounts had been used for purposes other than labour relations.

This difficulty in distinguishing union expenses therefore appears to be a recurring problem. The most obvious solution seems to be to explicitly authorize unions to incur these expenses solely on the basis of a voluntary call for contributions from their members. Such a solution rests in large part on the good faith of unions and their complete financial transparency. It would be appropriate, as is the case in Europe and the United States, for unions to have to justify their expenses at all times and to show their connection to labour relations.

6. See: National Right to Work Legal Defense Foundation, <http://www.nrtw.org/nce.htm> and International Association of Machinists and Aerospace Workers, <http://www.goiam.org/images/articles/tcunion/constitution-and-bylaws/agency%20fee.pdf>.

7. *Evaldsson and others v. Sweden*, *op. cit.*, footnote 3.

8. *Id.*

Conclusion and recommendations

In Quebec, union organizations have at their disposal some \$800 million of revenue from union dues thanks to their indirect power to tax granted by the *Labour Code*, known as the “Rand formula.”

Unions also enjoy particularly advantageous tax treatment since both union dues and strike pay are eligible for a tax credit or are completely tax exempt. By comparison, even employment insurance benefits are taxable. The tax benefits of unions also extend to labour-sponsored funds, creations of central labour unions that have grown significantly in recent decades. These funds are at a significant advantage as they can offer their contributors a substantial tax credit not available to other investment funds. This advantage actually explains their success, since without this extra tax credit, the performance of labour-sponsored funds is quite underwhelming.

In the end, although unions are in theory private organizations independent of government, they benefit from a very particular form of financing based on indirect taxation and from preferential tax treatment that looks a lot like a public financing model.

In any case, the double tax benefit on union dues and strike pay must be reviewed. If benefits from a public insurance plan like employment insurance are taxable, there is no reason for the current tax system favouring unions to continue. Federal and provincial tax exemptions for strike pay should be abolished. The preferential tax treatment of union dues would be maintained.

It should be noted that this might not change much financially speaking, since extra income like employment insurance or strike pay usually represents a fraction of normal income. The tax effectively paid on strike pay would therefore not be very high.

Choosing between public transparency and private financing

Private organizations, businesses or charities, are financed first through voluntary transactions. Financing that stems from an indirect power to tax – and therefore from a quasi-public prerogative – should be coupled with great transparency with regard to the sources of those funds and the uses to which they are put. In government, budgetary provisions are public and the *Public Administration Act* even provides for other instruments of transparency.¹

And yet, Quebec union organizations do not practice financial transparency. Only the CSN, to its credit, publishes its budget online. This financial information is presented according to the labour federation’s own standards since no regulations exist on the matter.

According to the results of a recent poll, eight out of ten Canadian workers (83.1%) either completely agreed or somewhat agreed with mandatory public disclosure of unions’ detailed financial statements on a regular basis.² This proportion rises to 94.6% for Quebec workers.

Such a transparency obligation exists elsewhere: in the United States since 1959, and in France since 2008, for example. This transparency has the advantage of raising the quality of governance of unions as well as the legitimacy of their activities. For this reason alone, union organizations themselves would benefit from the adoption of transparent financial practices which, in addition, would improve their reputation.

A union organization, like any private organization, could want to keep its financial information far from the gaze of the public, not to mention its competitors. It seems fair for union organizations to have the legitimate choice of giving up the quasi-public financing benefits they enjoy in order to avoid submitting themselves

1. Section 12 of the *Public Administration Act* provides, for example, that a “performance and accountability agreement” may be entered into.
2. LabourWatch, *State of the Unions 2011*, August 2011, p. 3.

to transparency obligations. In this case, they would then operate like real private organizations, with voluntary financing, and the transparency obligations they would have to respect would be those required of a private organization.

Modifying the *Labour Code*

In practice, the choice of whether or not to be financially transparent in order to benefit from the Rand formula should be explicit in the *Labour Code*. Its first section would introduce a distinction in the definitions of employees' associations and certified associations, namely that an association can be public or private. The privileges and responsibilities of an association would be adjusted in relation to this distinction as follows.

For a private association:

1. It would retain the possibility of union certification that confers the representativeness of a bargaining unit, and the privileges associated with it. However, it would lose the right to the Rand formula, defined in section 47.
2. No new rule would restrict the financial support of social and ideological causes since, in the absence of the Rand formula, union members would always have the option of contributing or not. A union's internal rules could of course address this matter.³
3. The obligation to disclose its financial statements would be the same as the current obligation, defined in section 47.1, namely a disclosure to members once a year as well as to any member who requests a copy.

For a public association:

1. Section 47, requiring the deduction and payment of union dues, would apply.
2. On the other hand, financial transparency obligations would be more demanding. They would be stipulated in a new section 47.1 of the *Labour Code* that would specify the situation that is applicable to each category of certified association:

A certified private association must disclose its financial statements to its members every year. It must also remit a copy of such financial statements free of charge to any member who requests it.

A certified public association must disclose its financial statements to its members every year. It must also remit a copy of such financial statements to the Minister of Labour, who will make them public.

3. A provision would add that the presentation standards for financial statements would be defined by regulation. These standards could be modeled in part on the French rules on the matter. In particular, the financial statements of public unions will need to be audited by external, independent auditors. Unions will also need to account for their expenses by breaking them down enough to give an accurate picture of the way they use their revenues.
4. Another provision would specify that when a certified public association wants to take on expenses that are not connected with labour relations like collective bargaining, grievance arbitration or the improvement of labour conditions, it must solicit voluntary financial contributions from its members and cannot use sums received through the Rand formula. The same provision would establish that a certified association must

3. See for example the 2009-08, -09 and -10 opinions of France's accounting standards authority: www.anc.gouv.fr/sections/textes_et_reponses_2/textes_adoptes_en_20/avis/avis_2009/view.

Table C.1
Proposed model for union financing and transparency

CHOICE Between the status of private union and public union	
PRIVATE UNION	PUBLIC UNION
Cannot use the Rand formula (s. 47)	Benefits from compulsory financing through the Rand formula (s. 47)
Has no new financial transparency obligations (retains the current section 47.1)	Must practice financial transparency by making its financial statements public (new section 47.1), according to presentation standards defined by regulation
The financing of ideological or social causes is not restricted by any rules other than the ones adopted by the union	The financing of ideological and social causes is strictly voluntary
IN ANY CASE... Income received in the form of strike pay becomes taxable	

at all times be able to demonstrate that an expense really is connected with labour relations if it used compulsory dues to pay for it, and must remain able to do so for a certain number of years after the payment is made.

The above table illustrates in a logical fashion the main legislative and fiscal changes advanced here.

These simple changes would significantly improve the quality of governance of unions through the simple requirement of financial transparency, an indispensable criterion for an organization that is meant to be democratic.

About the authors



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Louis Fortin was Vice President of Human Resources at Bell Helicopter Textron Canada Limited in Mirabel (Quebec) from 1986 to 2009. Prior to this, he was Manager of Employee Relations at RCA Inc. from 1982 to 1986 and Labour Relations Counselor at Domtar Inc. from 1978 to 1982. Today, Mr. Fortin heads up his own consulting firm which focuses on strategic management of human capital. He is an associate researcher at the Montreal Economic Institute, the Quebec representative for LabourWatch, and also a lecturer at McGill University in industrial relations. He holds a bachelor's degree in industrial relations from this university and a master's degree in labour relations from the Université de Montréal.



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After having been head of the Montreal Economic Institute from 1999 to 2006, Michel Kelly-Gagnon was president of the Quebec Employers Council until January 2009. He graduated in law from the Université de Montréal and early in his career he practiced with Colas & Associates in Montreal, and then went into business as an associate of Formatrad, a company specializing in employee training. Mr. Kelly-Gagnon is a member of the Mont Pelerin Society and president of the Canadian organization Civitas. He is president of the advisory committee of Global Ressources Humaines and he served on the board of directors of Quebec's Occupational Health and Safety Commission (CSST) from 2006 to 2009. He was one of six people from Quebec honoured in Canada's *Top 40 Under 40™* 2008 awards. He is also actively involved in the board of directors of the Canada Foundation for Innovation and of charitable organizations including the Fondation universitaire Pierre Arbour and the John W. Dobson Foundation.

