

**Solidarity Forever? The NDP, Organized Labour,
and the Changing Face of Party Finance in Canada**

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Solidarity Forever? The NDP, Organized Labour, and the Changing Face of Party Finance in Canada¹

Amendments to the *Canada Elections Act* enacted in 2004 have the potential to sever the relationship between organized labour and the New Democratic Party of Canada. By banning both financial contributions and in-kind contributions of labour from unions to the party, the amended Act at first glance appears to auger the end of the special role of labour in the party and possibly herald a new era of left politics in Canada. The purpose of this paper is to examine the relationship between organized labour and the NDP in the aftermath of this legislation in order to determine whether changes to electoral law will in fact have this profound an impact on Canada's leftist party.

In order to understand the potential consequences of this new legislation, it is essential to have an understanding of both the character and the underpinnings of the relationship between organized labour and the New Democrats in the period prior to the introduction of the legislation. Toward this end, we trace the history of this relationship, locating it in the context of theoretical accounts of the motivation of both trade unions and political parties in their interactions. Our account suggests that the interaction between unions and parties is not a pure exchange relationship but rather one that is built at least in part on shared ideological commitment. As such it has the potential to survive the legal severing of several of its aspects.

Based on extensive interviews with union leaders and party officials, the paper concludes that the new electoral finance legislation weakens, but does not mute, the influence of labour within the New Democratic Party. Prior to the introduction of the legislation, the relationship between organized labour and the party was already under stress from several sources, and the ban on union contributions exacerbates this strain. Nonetheless, shared ideological commitment and overlapping personnel are sufficient glue to hold together a modified relationship, at least in the medium term.

The Logic of Union-Party Relationships

Three possible explanatory accounts of union-party relationships can be derived from the comparative literature on the subject. The first characterizes the union-party

relationship as a utility-maximizing exchange between rational actors. The second model is grounded in the political economy literature, and understands union-party relationships as a product of a particular set of economic arrangements. The third, and least well articulated in the literature, characterizes the relationship as predominantly ideological, and based in shared commitment to common objectives.

Utility-Maximizing Exchange Between Rational Actors

To the extent that union and party leaders are rational actors seeking to maximize their organizations' interests, it is reasonable to expect that union-party relationships will occur only if both organizations are able to derive some benefit from the relationship. In general terms, unions bring financial contributions and the votes of union members to the relationship and social democratic parties are able to offer policy commitments on issues of importance to the union. These policy commitments become most valuable when the social democratic party forms all or part of the government.²

This model assumes that political parties are vote-maximizing entities.³ Their policy commitments are designed in an effort to maximize their vote share, rather than achieve programmatic ends. In opting to endorse policies forwarded by organized labour, the party's predominant concern would be the cost or benefit in terms of votes. If the labour movement was able to deliver the votes of unionized workers, this would constitute an incentive for the leftist party to endorse labour's preferred policies. In the absence of (or in addition to) electoral support from union members, the labour movement can offer financial support for the leftist party as an inducement to adopt its preferred policy choices. In this instance, the rational vote-maximizing party would weigh the electoral cost of the policy stance against the potential electoral benefit of the finance offered.

While political parties in this model are assumed to be vote-seekers, labour unions are assumed to be policy-seekers. In his theoretical development of this exchange model, Quinn asks why labour leaders seek to exchange labour and finance for policy promises rather than simply offering votes in electoral exchange. He suggests that activists may believe that politicians are unlikely to accommodate their policy preferences in

conventional electoral exchange because those preferences are ‘radical’ compared to those of the median voter.⁴

This conception of the union-party relationship suggests that legislation banning union contributions and supplying political parties with ample state funds should sever the union-party relationship. With rules forbidding use of unions’ financial resources to support the party, unions lose one of the two resources they bring to the table for exchange; moreover, the party’s access to public funding increases its capacity to purchase services which help it to fight capital-intensive election campaigns. The caveat to this argument would take into account the unions’ ability to deliver electoral support to political parties. To the extent that unions can direct the vote choices of their members, they retain one valuable commodity to bring to the exchange relationship.⁵

Political Economy

The general trend in industrialized democracies in recent decades has been toward a weakening of the ties between organized labour and social democratic political parties.⁶ Several accounts of this cross-national decline identify changing economic arrangements as the source of the decline. Writing from a regulation school perspective, Howell and Daley argue that “broad economic change in the postwar period has altered the calculus of interest for both [labour and social democratic parties]. While the interests and constituencies of party and union overlapped during the first three decades of the postwar period, the crisis of the Fordist political economy, beginning in the late 1960s, and the barely visible contours of a post-Fordist political economy today, have encouraged a collapse in the material bases of the close relationship.”⁷ In this view, the close union-labour relationship of the post-war era was the product of “a particular historical period and a distinct form of economic growth.”⁸ As states have abandoned Keynesian economics and economic and social organization has become more complex and heterogenous, the basis for the labour/left party political arrangement has eroded.

In a similar vein, Bodah *et. al.* argue that the increase in capital mobility and economic integration, along with the retreat of Keynesianism, have caused center-left parties to turn away from managing demand in favour of assuring flexibility and encouraging human capital development. This shift in policy direction has created strains

on the union-party relationship in many instances.⁹ Undertaking an empirical analysis of the impact of globalization on union-party relationships, Piazza finds evidence of a “demonstrable relationship between globalization of national economies and the ... weakening relationship between vote maximizing center-left, social democratic parties and organized labour.” Globalization, and more specifically the mobility of capital under globalization, weakens the bargaining power of unions. Union density falls, leading to dilution of a previously important electoral base of center-left political parties. In order to improve their electoral fortunes, these parties jettison their connections to organized labour.¹⁰

It should be noted that the emphasis in this approach on underlying economic conditions is not incompatible with the conceptualization of the union-party relationship as a utility-maximizing exchange among rational actors. Arguably, the economic conditions and policy inclinations of the Fordist era created the preconditions for such exchange. Leftist parties were able to deliver the macroeconomic policies trade unions desired without suffering electoral penalties. Changing economic conditions, however, arguably made the electoral cost of delivering such policies too great to bear and caused social democratic parties to retreat from their relationship with unions. As Griffin *et. al.* note, globalization has meant that unions have less to offer centre-left parties and “as a result, [parties] had less to trade for business and community support.” As a result, these parties sought to demonstrate to voters that they were not controlled by unions by adopting policies weakening protections for workers. This in turn shrivelled union-party relations.¹¹

This understanding of the union-party relationship suggests that underlying economic factors are the most significant in determining the state of the union-party relationship. Factors like legislation governing electoral finance would generally be peripheral under such a model. The key element in this conception is the ability of trade unions to deliver the votes of their members. To the extent that density of unionization declines, unions have fewer resources available to them in the union-party exchange.

Ideological Exchange

A third conceptualization of the union-party relationship characterizes it not as a rational exchange that can be destabilized by altered underlying conditions, but rather as a relationship born of shared ideological purpose. Labour unions support social democratic political parties in this conception not in the hope of improving the fate of the unions themselves or their workers, but rather as a way of furthering the objectives of social democracy – objectives to which trade unionist leaders are generally personally committed. Political parties, in this conception, may be grateful for material assistance from the unions, but maintain their special place within the party because the unions represent a key element of civil society within the social democratic world view. Even if unions were not able to deliver either voters or funds to the party, their role within the party would be maintained because the voice of organized labour is integral to the social democratic party's purpose.

This characterization of the union-party relationship understands both parties to be predominantly ideologically-driven, rather than utility maximizers (although one might argue that leaders in each maximize their personal utility by pursuing ideological ends). Social democratic parties, in this conception, are less concerned with vote maximization than they are with furthering a particular set of ideas in the public sphere. Unions, presumably, are still concerned with pursuing public policy objectives, but they are more ideological and less pragmatic in their pursuit of these objectives; rather than remaining free agents who can try to work with various political parties to achieve incremental change, they continue to work with a social democratic party in the hopes of achieving more extensive policy change in the longer term.

To the extent that the relationship between trade unions and the social democratic party is rooted in ideological solidarity, we would anticipate that legislation severing the financial aspect of the relationship would not put an end to the union-party affiliation, even if it forced a reorganization of the details of the relationship. A sense of shared purpose held by overlapping party and union elites would be sufficient to maintain the relationship even after its financial aspect had been severed.

Characterizing union-party linkages

Social democratic parties in many industrialized democracies have maintained close relationships with trade unions. These relationships range from formal to informal, and vary significantly in terms of the influence trade unions exercise over party policy. Based on their historical analysis of union-party linkages in Britain and the USA, Ludlam *et. al.* develop a typology of union party linkages. Their typology recognizes four relationships:

1. *External Lobbying*: unions and parties have no formal organizational integration, and unions have minimal policy making influence
2. *Internal Lobbying*: little or no formal organizational integration, but unions are routinely consulted in party policy making
3. *Union-Party bonding*: special organizational status of unions results in their occupying important positions within the party, but not in domination of party policy
4. *Union-Dominance*: unions occupy important positions within the party and are able to dominate party policy-making.¹²

Ludlam *et. al.* caution that this typology should not be misunderstood as a continuum, as “an internal lobbying linkage may involve more policy influence than a union-party bonding linkage.”¹³ Nevertheless, this typology provides a useful way to characterize the relationship between labour and social democratic parties.

Relationship Between the NDP and Organized Labour Prior to 2004

When comparing the recent Canadian experience to that of other industrialized democracies, it is evident that the NDP/organized labour relationship has never been as close as was the case in some West European polities. In Britain, for instance, during the heyday of the TUC/Labour party relationship, the Labour party was virtually synonymous with the union movement. Unions were the primary source of party funds, only trade union members could join the party, and unions in many instances sponsored labour candidates and MPs. In Australia at the height of the union-party link, unions and

the Labour party were commonly described as “two wings of the labour movement.”¹⁴ In contrast to these organic links, the Canadian NDP was formed through a merger of a former socialist party with only weak ties to organized labour and several trade unions. Unions have enjoyed special status within the party, with guaranteed delegate spots and reserved seats on party bodies, but they have never dominated the New Democrats to the extent that was the case in the UK or Australia prior to the reforms of the 1990s.

To date, the relationship between organized labour and the federal New Democratic Party in Canada would best be described as one of union-party bonding. Since the party’s formation, organized labour has enjoyed formal status within NDP decision-making structures. There is no doubt that organized labour has influenced party policy, but it is difficult to construct this influence as ‘domination’ as one would expect to find under a union-dominance model. That said, labour has played a significant role in developing and, in many instances, constraining party policy on a range of issues. The influence of union leaders within the party can, in fact, explain why the New Democrats did not emulate the ‘Third Way’ policies adopted by social democratic parties in the UK, Australia and elsewhere.

Although the formal relationship with organized labour is important, it has always been structured in such a way as to make sure that organized labour does not dominate the governance structures of the party. As Archer points out, organized labour is a minority voice in the NDP, albeit a very important and well-organized minority voice.¹⁵ The general principle has been that labour representation should not exceed 25% in party structures.¹⁶ For example, at NDP conventions, accredited labour representatives typically make up between 15 and 25% of the delegates.¹⁷ In the party’s adoption of a one member one vote system to elect Jack Layton as party leader, organized labour was given 25% of the vote. Organized labour thus occupies an important position in the party; it does not, however, dominate the party.

Organized labour’s ties with the NDP go back to the party’s founding in 1961. After it became clear that the Cooperative Commonwealth Federation had run out of electoral steam, the Canadian Labour Congress (CLC) called for the formation of a new political party that would encompass the CCF, labour, and others. The CCF had always had an ambiguous relationship with labour. In the early part of the CCF’s history, the

dominance of the Gompers-influenced Trades and Labour Council and internecine conflict within the labour movement made it difficult for labour to affiliate with the CCF. The CCF itself was often ambivalent about close ties with labour, seeking to expand its reach beyond the relatively small vote pool of organized workers.¹⁸ The combination of the resolution of some of the conflicts within the ranks of organized labour and a recognition that the CCF had stalled created the impetus to create the NDP. In essence, the “new party” was a partnership between the Canadian Labour Congress and the CCF.

The primary way that the NDP implemented its partnership with organized labour was through the affiliation provisions of the party’s constitution. Article III.3 of the NDP constitution allowed for the affiliation of any groups – unions or otherwise – that “undertake to accept and abide by the constitution and principles of the Party, and are not associated or identified with any other political party.”¹⁹ The basic idea of affiliating with labour unions and the implementation of that idea was not new to the NDP; the CCF had similar provisions. According to Horowitz, what was new was a commitment to making affiliation work, “the determination actually to build up a large affiliated-union section.”²⁰ In order to affiliate with the party, unions committed to contributing twenty cents per member per month, unless this was waived by the NDP’s governing Federal Council.²¹ In return, affiliated unions were entitled to a certain number of delegates to the party’s biennial convention, based on membership. According to the party constitution, labour is guaranteed two of the nineteen seats on the executive. The Federal Council, the party’s governing body between conventions, also has extensive labour representation. Labour is guaranteed sixteen representatives on the Federal Council.²² In addition, the party has a position called the Associate President Labour, who functions as one of the officers of the party.

The original conceptualization of the union-party relationship appears to be one based on an expectation of exchange between unions and the party. Although some argue that the primary value of the relationship is as a source of ideas,²³ it seems clear that a significant impetus for the original affiliation was that organized labour could throw its organizational muscle behind the NDP, delivering finances, personnel, and, ultimately, voters to the party. Organized labour, for its part, hoped to exert policy influence when the party came to govern.²⁴

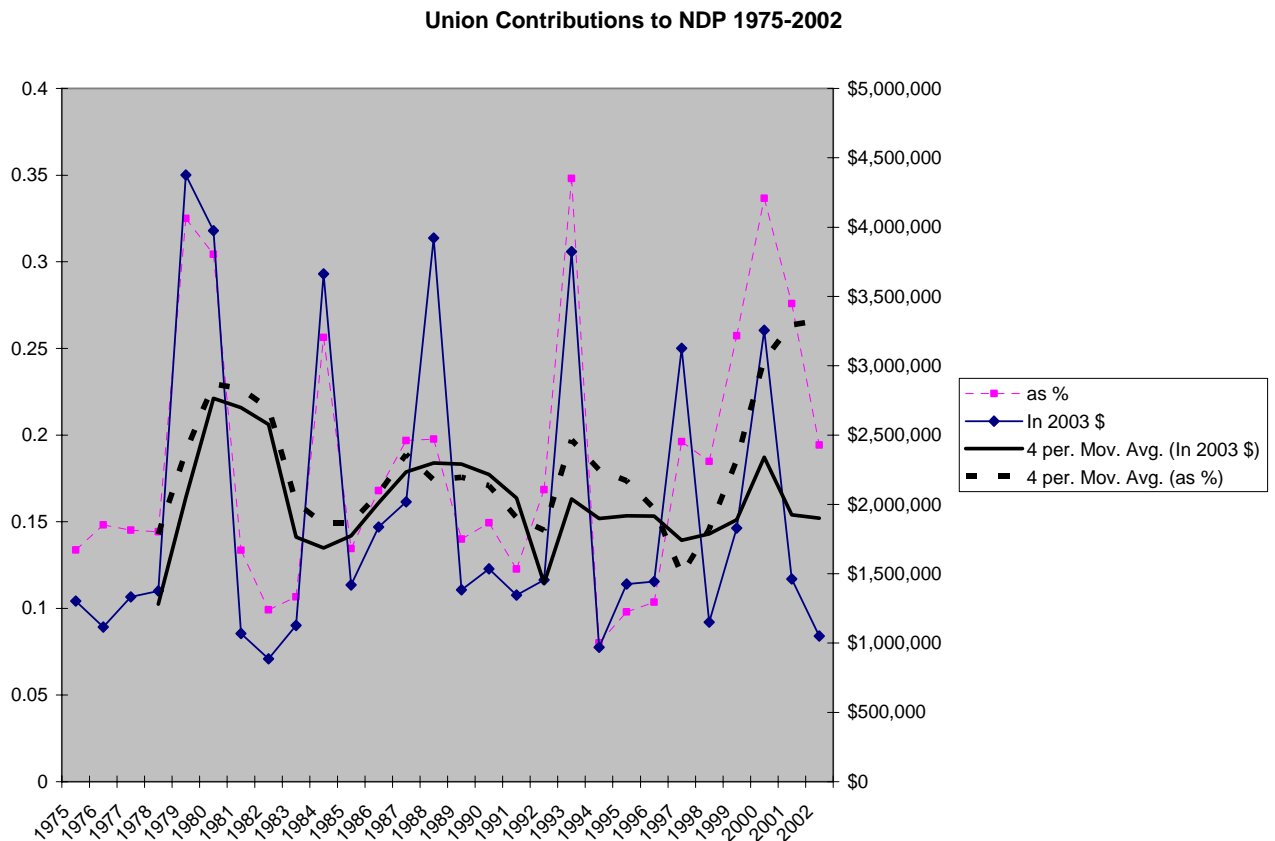
In practice, however, labour has not been particularly successful in delivering the votes of its rank and file to the party. In the most sophisticated analysis of the union-voting linkage, Archer concluded that although being a member of an affiliated union increased the likelihood of a vote for the NDP, the overall electoral impact of the union vote is relatively minimal.²⁵ A study during the 2000 election found that more unionized workers voted Liberal and for the Canadian Alliance than voted NDP.²⁶ To the extent that unions seek to mobilize their members to vote for the NDP, there certainly is a perception among the leadership of organized labour that rank and file union members do not like being told how to vote. The attempts to mobilize labour support may, then, serve to antagonize the pool of potential voters. Affiliation with trade unions may also bear a cost for the party in electoral terms. Morton noted this tendency shortly after the formation of the NDP: “The charge of labour domination supplanted the older bogeys of socialism as a favorite weapon for opponents.”²⁷ More recently, in a comparison of the Ontario NDP to the Parti Quebecois (which enjoys support from labour but has no formal ties to unions), Tanguay concludes that formal ties to unions have limited the autonomy of the New Democratic Party’s leadership and have limited its ability to bring in new groups of voters who are suspicious of labour’s influence over the party.²⁸

If organized labour has been relatively unsuccessful in delivering votes to the party, it has been an important, though not the dominant, source of financing for the party. Figure One reports the role of union contributions in financing the NDP in four ways both as a proportion of the NDP’s total revenue and in constant 2003 dollars. In order to help discern the long-term trends in the data, we also report these numbers as four year moving averages. In the period from 1975 to 2002, unions contributed an average of 1.9 million dollars annually (18.4% of the NDP’s revenues). In election years, the average is \$3.7 million (28.1% of revenue); in non-election years, it is \$1.5 million (or 15.2% of total revenue).²⁹ As with representation in the party structure, the financial support of organized labour was an important, though not the only, source of funds for the party.

The long-term trend in union financial support for the NDP is difficult to discern, partly because of the peaks created by election years. It does appear, however, that the financial support for the party has remained relatively constant, despite the fluctuations.

There is no significant long-term increase or decrease. This is noteworthy because it would seem to fly in the face of two of the possible explanations for the nature of labour-party relations. The rational exchange explanation would predict that financial support weaken if the party was unable to provide a return (in government policy) on the investment. The political economy model suggests that globalization would weaken the relationship. The persistent financial support of organized labour for the NDP is not consistent with either of these interpretations of the relationship.

Figure One: Union Contributions to the NDP



In addition to the tangible delivery of finances, the relationship between the NDP and organized labour is also expressed through the considerable presence of labour personnel in important positions in the party. Labour activists can and do win representation on the party Executive and Federal Council in addition to constitutionally

guaranteed opportunities for labour representation in the NDP governing structure. There is also extensive representation of organized labour within the party structures at the provincial and local constituency levels.

For its part, the federal NDP has never been able to offer trade unions the kind of access to government decision-making that social democratic parties in other countries have. The New Democrats have never formed the government federally, and have only briefly held the balance of power over minority Liberal governments. During much of the Trudeau era, the party could at least claim that its policies were appropriated by the governing federal Liberal party and enacted as legislation. Since 1984, however, there is little evidence that New Democratic policy has had significant impact on policy outcomes. The party's collapse in support in the 1993 election has further reduced its impact, leaving it with little to offer unions in exchange for their financial support. For the union movement, affiliation with the NDP not only offers little in terms of policy impact, but also forecloses unions' ability to communicate with and influence policy in other political parties – notably those that periodically form governments.³⁰

Canada was not immune to the international economic changes of the 1980s and beyond that had adverse impacts on union-party relationships in other advanced industrialized democracies. Canada's is a highly open economy and as such vulnerable to the kinds of economic forces that eroded union density and union influence in many countries. The triumph of globalization – or at least trade liberalization – in Canada was marked by the country's entry into the Canada-US Free Trade Agreement in 1984 and the North American Free Trade Agreement (NAFTA) in 1993. The NDP fought hard against both of these international agreements but was ultimately unsuccessful. Given the experience elsewhere, one would expect that in the aftermath of these agreements the ties between the NDP and organized labour would start to wane as party leaders tried to develop electoral appeals that acknowledged the new economic context.

There is some evidence that these global economic forces introduced greater tension into the relationship between organized labour and the NDP. Although the party had a relatively successful showing in the 1988 election (in seat count), two of the largest unions in Canada – the Autoworkers and Steelworkers – raised serious questions about the party's strategy in the campaign and the failure of the NDP to listen to organized

labour.³¹ As the party hit hard electoral times in the 1990s, similar soul-searching occurred. After the disaster of the 1993 federal election, labour leaders continued to question their relationship with the party.³² The party's resurgence in the 1997 election may have delayed the questioning to some extent, but the NDP's breakthrough was a regional one, limited largely to Atlantic Canada. The NDP was conspicuously "off the radar screen" in most of the country, but particularly in Ontario, where the bulk of the strength of organized labour lies.³³ The party's slide in the 2000 federal election reignited organized labour's questioning of its relationship with the NDP. Shortly after the election, the president of the Canadian Labour Congress, Ken Georgetti, announced a review of labour's relationship with the party.³⁴

Compounding the diminishing electoral returns for the federal party was the experience of organized labour with provincial NDP governments. Unlike other national political parties, the NDP has a federal structure, where membership in the provincial party automatically includes membership in the national party. The experiences with provincial NDP governments thus has implications for the federal party. Particularly troublesome was the experienced of organized labour with the Ontario provincial government led by Bob Rae from 1990 to 1995. Organized labour felt particularly betrayed by the actions of the Rae government. Under severe pressure to reduce the province's budget deficits, Rae introduced his infamous 'social contract' for public sector employees. This entailed reopening collective agreements and imposing wage austerity in the form of "Rae days" – ten unpaid days off each year for public employees. Whitehorn describes the social contract as "a catastrophic wedge between the party and some of its affiliated unions that still reverberates."³⁵

The tensions between organized labour and the Ontario NDP fit the pattern found elsewhere; the collapse of Keynesian economics and pressure from international capital forced the social democratic party in power to jettison its union affiliation in the hope of maintaining its electoral base by appearing to provide sound government. Tensions in the relationship between unions and the federal party, however, played out quite differently. At the federal level, it was the unions reconsidering their alliance with the party, rather than the reverse. The party's collapsed electoral base made it a weak coalition partner for organized labour. Despite this, unions stepped in and supported the party in its time of

acute trouble. It is noteworthy that the party's reliance on union contributions stayed constant during the period from 1993-2002, rather than waning.

By 2000, the need for renewal within the NDP was seen as critical; the party and its organized labour affiliates were reviewing the nature of the party and the relationship. Many aspects of the party's practice were up for debate, including the relationship between federal and provincial parties, the relationship between the party and organized labour, electoral strategy, the process of leadership selection, party finance, and party policy.³⁶ Nonetheless, efforts within the party to reduce the influence of trade unions were ultimately unsuccessful, and little changed in organizational or practical terms.

From this account, it is evident that the Canadian experience conforms to some extent to both the rational exchange and the political economy models' expectations regarding the union-party relationship. As the party's electoral fortunes waned, and with them the party's ability to influence public policy outcomes, unions came to re-evaluate the utility of their support for the party. Despite this rhetoric, however, examination of the party's funding sources demonstrates the unions continued to support the party to the same extent that they had in the past. This pattern is difficult to explain within the confines of the rational exchange model. Just as the political economy model would suggest, changes to international economic arrangements introduced tensions into the union-party relationship. This played out most clearly in Ontario, where Rae's introduction of the social contract mimicked events sparked by social democratic parties in other countries engaging in "third way" policies. For example, Alexa McDonough's brief flirtation with nudging the NDP to the political centre faced a virulent reaction from many within organized labour. The formation of the New Politics Initiative, which enjoyed some support from labour, seemed partly determined to prevent the party from drifting too far to the right.³⁷ The party's relationship with unions seems to have prevented the party from taking a particular ideological direction. In this respect, then, the details of the Canadian case do not conform to the predictions of the political economy model. This suggests that some other force has held together unions and the NDP; the most probable glue is ideological solidarity. It is against this backdrop that we examine the first reaction of the party and its affiliated unions to legislation severing the financial relationship between them.

Changes to the *Canada Elections Act*

In 2003, not long after the first revelations of what was to become the sponsorship scandal were made, the Chrétien government introduced Bill C-24, which made significant amendments to the *Canada Elections Act* in the area of party and election finance. Introduced as part of the government's "ethics package" these amendments were presumably intended as a pre-emptive reform that would subsequently allow the government to argue that it had acted decisively to prevent the kinds of unsavoury practices that have since been revealed at the Gomery Inquiry.

At the core of these reforms were a virtual ban on corporate and union funding of political parties and a compensatory increase in state funding to allow parties to continue to operate. The state funding takes the form of an annual allowance for all parties, calculated at a rate of \$1.75 per vote won in the most recent election, along with a rebate of 50% of the party's election expenses and an enriched political contribution tax credit.³⁸ The legislation also introduced regulation of nomination contests and registration and annual reporting by local electoral district associations.

From the perspective of the NDP, the most significant aspect of the legislation was the effective ban on union contributions. The legislation banned union contributions – both monetary and in kind -- to national political parties and set an annual limit of \$1000 that any one union could give to a candidate or a local association. Interpretation of the law established that union locals could not be considered separate entities, so if two locals of the same union were each to make contributions of \$1000 to local candidates, the union would be breaking the law.

Also relevant to union tactics is legislation passed in 2000 that places limits on election advertising by "third parties" – individuals or organizations other than registered political parties. Under this legislation, any advertising intended to influence how an elector might vote, by promoting or opposing a registered party or the election of a candidate, including a message that takes a position on an issue with which a registered party or candidate is associated, is subject to regulation. Any third party advertiser spending more than \$500 must register with Elections Canada, disclose the source of its contributions, and adhere to spending limits. These limits are \$3378 in each electoral

district, and \$168,900 nationally.³⁹ This legislation was challenged under the *Canadian Charter of Rights and Freedoms*, but the Supreme Court ruled in 2004 upholding the constitutionality of the legislation. The *Canada Elections Act* explicitly prohibits registered political parties and third parties colluding to exceed the party's expense limit. This implies that the third party's advertising campaign cannot be developed with direct input from the registered political party that would benefit from it.

Implications of the changes for the union-party relationship

These legislative changes have potentially profound implications for the relationship between the NDP and organized labour. They sever the financial relationship between unions and the party, place significant restrictions on the exchange of personnel between the two sets of organizations, and constrain the ability of unions to engage in parallel campaigns.

The changed regulatory environment might have provided an opportunity to break the ties completely, had either of the parties been looking for an opportunity to do so. In fact, the initial indication is that the party and organized labour will maintain their formal ties and are working to adapt their relationship to continue within the constraints of the law. In its report of the NDP Federal council, the party's C-24 committee noted that the new legislation "makes the relationship a more challenging one to recognize," but "unanimously agrees that we needed to find a new system that would respect this historical reality and acknowledge its mutual benefit."⁴⁰ The NDP and organized labour appear to have committed themselves to maintaining their relationship, but the form of that relationship has changed and evolved as a response to several pressures, most notably the new electoral finance legislation.

1. The Money Question

Although organized labour has generally had limited success in delivering electoral success to the NDP, it has traditionally delivered significant sums of money to the party. The provisions of the new regime for campaign finance ban such donations to the national party, but do allow each union to make a \$1,000 donation to a local

campaign. Although this would seem to allow for at least some level of union support to the party, the difficulty for organized labour is that a donation from one branch of the union (e.g., a local) is considered to be the donation for the entire organization. Hence, if two locals of the same union were each to donate \$1,000 to separate local campaigns, the union would have breached the party finance regulations. This creates a situation where it is very easy for a trade union to violate the law inadvertently. Consequently, the NDP instructed its local campaigns to refuse all donations from unions.⁴¹ The practical impact of the new regime on party finance is that unions are unable to donate to the NDP.⁴²

In the lead-up to the ban on union donations, there was a sharp increase in union donations to the party. In 2003 (a non-election year), unions donated over \$5 million to the NDP; donations from trade unions accounted for just over half of the NDP's revenue in that year, a significant increase over the historical norm. This was because of a "capital campaign" run by the party. The NDP raised enough money to be able to buy the building in downtown Ottawa in which the party's head office is located. In addition to saving the party money on rent and giving the party income from the building's other tenants, the building can also function as collateral for bank financing.⁴³ In the past, besides the direct financial support of organized labour through significant donations, unions have played an important role in financing the NDP's election campaigns by co-signing bank loans. Although the NDP has never defaulted on an election bank loan, the party found it easier to acquire bank financing if unions were willing to guarantee the loan. In this way, the financial clout of organized labour played an indirect role in improving the NDP's financial position during elections. The concern is that, in the event of an NDP default on a loan, unions would have to make up the shortfall, and this would become a donation to the party. By donating the money to buy the building, organized labour was essentially providing a perpetual loan guarantee. This parting gift from organized labour gives union leaders a tool to maintain their influence within the party, as they can remind the party of the 'gift that keeps on giving.'

2. Personnel linkages

Although much of the way the relationship between organized labour and the NDP has been expressed is through financing, the organizational ties are also important.

The NDP has decided to maintain most of the ties between affiliated and national unions and the party. The Associate President (Labour) and the two Executive positions will be retained. For the rest, though, the principle is to base the representation of affiliated labour groups in the party's organizational structures on NDP membership within the organization, rather than on the total size of the organization.⁴⁴ For example, labour will be entitled to a maximum of 30 seats on the Federal Council, with each national affiliated union given a seat for every 1,000 NDP members they have within their membership. Delegates to the NDP's biennial convention will be awarded also on the basis of NDP members signed up among the union's membership. The NDP has also established provisions for the representation of local Labour Councils and provincial Federations of Labour.⁴⁵ These provisions must all be ratified at the next party convention, scheduled for 2006.

These changes to the delegate structure for NDP conventions also have a financial component. In the past, many unions would pay the convention fees of those delegates who were attending the NDP convention. This can no longer be done because this would be considered a donation to the party. Delegates are now responsible for paying their own fees and it remains to be seen how this will affect union representation at NDP conventions. In the past, organized labour has only rarely sent the full complement of delegates to which it was entitled,⁴⁶ even when unions were paying delegate fees.

The most significant change to the structure of labour representation within the NDP is the shift to representation based on the number of NDP members signed up among the union membership. This puts pressure on unions to mobilize their membership into becoming party members – the more members they can sign up, the more representation and influence the union will have within the party. The union officials we interviewed overwhelmingly saw this as a positive development and as a way to force unions to go “back to their base.”⁴⁷ There is an effort among some of the major unions to be more proactive in encouraging party membership. It is difficult to measure the success of these union efforts. The changing rules on party finance are relatively new and their effects have not fully been felt yet.

The changes to the party structure also have implications for the process used to select leaders. In the debate over party renewal in the last five years, there was strong

pressure for the party to adopt a “one member one vote” system. The party had gone some distance in this direction by adopting a system where leadership candidates had to win either a regional primary or 15% of the national primary vote in order to advance to the leadership convention.⁴⁸ The difficult part about moving to a one member one vote system has been how to preserve the role of organized labour. In the process used to elect Jack Layton, the party adopted a one member one vote system, but weighted the votes of members of affiliated unions and central labour organizations to account for 25% of the vote total. Because of the changing structure of the party necessitated by C-24, the party is in the process of removing that 25% guarantee. Members of the party within organized labour affiliates will be weighted the same as other members of the party.⁴⁹ This change would likely have occurred anyway, as party officials felt dissatisfied the process used to select Layton, but C-24 certainly hastened the movement in this direction.⁵⁰

One of the common criticisms of the traditional relationship between organized labour and the NDP is that it occurs primarily at the elite level.⁵¹ As Éric Hébert, the Acting Federal Secretary of the NDP points out, if the relationship between organized labour and the party is primarily a financial one, it is primarily a relationship between union elites and party elites.⁵² The hope for the party is that the ending of the financial relationship will force the party to reconnect with the grassroots of the labour movement. Presumably, this would deliver not only increased levels of individual members, but also concomitant benefits such as increased levels of individual donations, campaign workers, and perhaps even a higher proportion of the vote of union members. It is far too early to determine the extent to which this will happen. Certainly, the poor state of party membership among the general Canadian population is not encouraging.⁵³ The new structure does create incentives for organized labour to do a better job of mobilizing its rank and file members in support of the NDP.

3. The role of unions in elections

Elections are central to what political parties do. Although there has been a debate within the NDP over the relative importance of being a “movement” instead of a “party,” the fact remains that the NDP contests elections. Organized labour has always been intimately involved in the electoral efforts of the party, through donations, loan

guarantees, and providing personnel to staff campaigns and even run for office. To what extent has the changed party finance regime changed the role of organized labour in elections generally, but towards the NDP more specifically?

Besides the obvious financial implications of the new campaign legislation, the new regime regulating campaign finance has also affected the staffing of NDP campaigns. Typically, trade unions would second staff members to the party in order to assist in the party's election efforts. Because this type of arrangement is considered a donation in kind under the new legislation, it is no longer permitted. Union officials who wish to help out with NDP campaigns, must now volunteer in their spare time or take vacation time in order to volunteer. In the 2004 federal election, the first under the new regime, this posed a significant challenge both to unions and to the party. One union official reported that they had to "rein in" some of their staff members who did not completely understand the new regulatory environment.⁵⁴ Other officials report encouraging their staff and members to take vacation time in order to assist the campaign. The NDP definitely felt the loss of these people. The party had to provide additional assistance to local election campaign organizations and higher more regional organizers in order to make up the difference. The party estimates that the loss of these union staff members cost the party \$1.5 million in the 2004 federal election.⁵⁵

Given that organized labour was prohibited from supporting the NDP election campaign financially or from releasing staff to assist in the campaign, unions had to reappraise their role in the election campaign. Since this was the first election under the new rules, there was some confusion about what was and was not permitted. Among the union officials we talked to, there was a decidedly cautious tone. Although union officials wanted to participate in the election, they were also determined not to violate the laws and be the first major test case under the new legislation. The new campaign finance legislation and the rules on third party advertising during elections certainly constrained the role that the labour movement could play during the election. According to a legal opinion sought out by the labour movement, however, nothing in that legislation prohibited unions from communicating with their own members, even if the message was decidedly partisan. Unions communicated with their members in a variety of ways,

including letters targeted to specific constituencies, brochures, and special editions of newsletters.

There are two major directions these campaigns can take and, during the 2004 federal election, both were used by organized labour groups. The first is an approach that encourages union membership to vote for the NDP. This type of campaign is focused on mobilizing members and pointing out that the NDP best represents the interests of unionized workers. An example of this is the Ontario Federation of Labour brochure that encouraged a vote for Jack Layton and the NDP. This type of “parallel campaign” is not a new development for organized labour. This is fairly typical of the election-time efforts of labour in support of the NDP.

Although most of the union officials we talked to reported having done some parallel campaigning during the 2004 federal election, there also seemed to be an increased emphasis on issue-based campaigning. Bearing in mind the widespread perception that union members do not like being told how to vote, this type of campaign emphasizes providing information to voters about important issues in the campaign. The idea is to encourage unionized workers to “vote their interest.”⁵⁶ This type of campaign does not directly encourage a vote for the NDP, but instead encourages union members to consider particular issues when deciding how to vote.

In the 2004 election, the Canadian Labour Congress ran a sophisticated “Labour Issues” campaign that took exactly this form. Through polling, the CLC identified issue areas that were of particular concern to unionized workers and developed a series of radio advertisements based on those issue areas. They ran those ads in target markets prior to the issuing of the writs, so this advertising did not fall under the third party spending provisions of the *Canada Elections Act*. The advertising campaign talked about the issues and encouraged voters to vote with those issues in mind. Even more interesting is what the campaign did **not** do. Although the positions advocated by the CLC in the campaign were consistent with NDP policy, the campaign never advocated a vote for the NDP. Instead, it let listeners draw their own conclusions.

The “Labour Issues” campaign represents an important development in the strategies taken by organized labour in Canada. It would be a mistake to attribute this development entirely to the changing rules on party finance. There was considerable

questioning and re-evaluation of the role of organized labour in the NDP and election campaigns prior to the adoption of the legislation. Instead, the new legislation provided an opportunity for a new approach by organized labour. It is possible and even likely that the CLC would have headed in the direction anyway; the new rules likely only accelerated a movement in this direction.

One of the critical implications of this campaign is that it creates a degree of independence for the labour movement from the NDP. It is up to the NDP to pick up on the themes highlighted by the political campaign. If they fail to do so, they are not taking advantage of a political resource at their disposal. For the labour movement, this type of campaign opens up possibilities because it focuses on creating a constituency of support for particular issues not for a particular political party. Although this can be seen as weakening the linkage between the CLC and the NDP, it does allow the CLC to encourage other parties to adopt positions in line with those of the CLC and perhaps improve access to government, even when the NDP is not in power. Although the NDP is still closely linked to the CLC and other organized labour organizations, there does seem to be a recognition among some union officials that there may be greater political independence for organized labour. One official described the CLC campaign as “creating a political machine”⁵⁷ that can be used to promote issues of concern to unionized workers. This is different than building a party machine.

Some union officials expressed misgivings about the CLC campaign. One expressed concern that the CLC campaign required a lot of resources – both financial and staff – to develop and implement.⁵⁸ Parallel campaigns that simply point to the NDP are less expensive and time-consuming to develop, because the party does the work developing the issues and themes. Other union officials expressed concern about the fact that the linkage to the NDP was not made explicit. Still, many union officials acknowledged that issues-based campaigns may be more common in the future. Even union officials who are very supportive of ties with the NDP recognize the benefits of a “centralized and coordinated” political campaign by organized labour.⁵⁹

One potential hazard labour may need to watch for, regardless of whether they are running issue-based or parallel campaigns, involves the question of coordination with the NDP campaign. Because of the complex web of interpersonal relationships that is

involved between the NDP and organized labour, it is difficult to pass these campaigns off as independent. This is particularly problematic with third party campaigns during elections because the *Canada Elections Act* explicitly prohibits third parties advertising in an attempt to circumvent the spending limits for political parties. Union officials will have to be careful that they do not consult party officials for input on the content of their third party advertising campaigns.

Most of the labour officials we interviewed remain committed to the relationship between organized labour and the NDP and are determined to maintain that relationship despite the challenges and pressures created by the new legislation. Others are less sure that it continues to be important. One union official stated bluntly: “The formal alliance with the NDP is not as important as it used to be.”⁶⁰ One of the worries of those union officials who remain committed to the NDP is that the changed legislation will create an excuse for those unions who are less supportive of the party to stop mobilizing in support of the NDP. The fear is that they can say that “the law says we have to remain neutral.”⁶¹ In the words of another union official, the labour movement and the NDP need to “deal with the myth that C-24 doesn’t allow us to talk politics” and that the new campaign finance rules are “not an excuse for people not to do what they can.”⁶²

Conclusion

The changes to the *Canada Elections Act* governing donations to political parties and placing limits on third-party advertising have certainly had an impact on the relationship between the NDP and organized labour. Arguably, no party is more affected than these changes than the NDP because of its unique character. As we have seen, the new regime regulating party finance has forced the party to restructure its relationship with the labour movement. The financial relationship – historically, one of the primary expressions of this relationship – has been severed. The representational structure of labour within the NDP has been recast to base representation on the number of party members among the union rank and file, not on a top-down affiliation model. The close personnel ties between organized labour and the NDP have persisted.

What is most striking about the impact of the new party finance regime is that it has caused the party and organized labour to restructure the relationship, not to sever it.

Although the changes are relatively recent, party and most union officials seem committed to make the relationship work within the confines of the restrictions on donations. In the long run, the pressures created by the new finance regime may prove irresistible and the relationship between labour and the NDP may ultimately weaken. Particularly critical will be the drive to sign up NDP members among the union membership. The hopes of organized labour and the NDP is that the previously held elite-level relationship will be replaced by a more robust relationship with union members. The NDP membership drive will reveal the depth of commitment to the party. It is also critical to the strength of labour's presence in the representational structures of the national party.

The persistence of the relationship in the face of the significant pressures created by the new finance regime is a puzzle for most of the explanations of the relationship between labour and social-democratic parties. Even before Bill C-24 was introduced in the House of Commons, the relationship was somewhat "irrational" in terms of a rational exchange model. Now that labour can no longer deliver financial support to the NDP, it is difficult to see many tangible benefits for the party. Yet, the relationship persists. The relationship also persists despite the continued global economic pressures on government. The commitment of union and party elites to maintain the relationship in the face of these overwhelming forces suggests that something else is at play.

We suggest that a shared ideological commitment buttressed by strong connections between the personnel of the NDP and labour have helped to sustain the relationship in the past and will continue to do so at least in the medium term, despite the added difficulties posed by C-24. This conclusion suggests that the Canadian union-left party relationship is substantially different than those found in other comparable industrialized democracies. The source of this Canadian exceptionalism is not readily apparent, but may have its roots in the relatively low levels of class-based politics in Canada as well as the effects of federal institutional arrangements on party organization and labour law.

Endnotes

¹ This research was made possible by a standard research grant from the Social Sciences and Humanities Research Council of Canada. Research assistance was provided by Lisa Lambert.

² For a thorough discussion of this model and its application to the British case, see Thomas Quinn, "Block Voting in the Labour Party: A Political Exchange Model" *Party Politics* 8:2 (2002): 207-226.

³ Anthony Downs, *An Economic Theory of Democracy* (New York: Harper and Row, 1957).

⁴ Quinn, 209-10.

⁵ Writing about the Scandinavian experience with state funding of parties, Aylott argues that the social democratic parties' declining reliance on union financial support can be attributed in large part to the advent of state subsidies for political parties. These subsidies have extended the policy flexibility of these parties remarkably, giving them "much greater scope to prioritize their own interests over those [union interests] they were hitherto perceived as aggregating." Nicholas Aylott, "From Peoples' Movements to Electoral Machines? Interest aggregation and the social democratic parties of Scandinavia" in Kay Lawson and Thomas Poguntke (eds) *How Political Parties Respond: Interest Aggregation Revisited* (London: Routledge 2004), 75.

⁶ Chris Howell, "The End of the Relationship Between Social Democratic Parties and Trade Unions?" *Studies in Political Economy* 65 (Summer 2001): 7-37; Matthew Bodah, Steve Ludlam and David Coates, "The Development of an Anglo-American Model of Trade Union and Political Party Relations" *Labour Studies Journal* 28: 2 (Summer 2003) 44-65; Steve Ludlam, Matthew Bodah and David Coates, "Trajectories of Solidarity: Changing Union-Party Linkages in the UK and the USA" *British Journal of Politics and International Relations* 4:2 (June 2002): 222-244; Chris Howell, "Family or Just Good Friends? The Changing Labour Party – Trade Union Relationship in Britain Since 1979" *International Journal of Political Economy* 22:4 (Winter 1992-93): 17-35; Chris Howell and Anthony Daley, "Introduction: The Transformation of Political Exchange" *International Journal of Political Economy* 22:4 (Winter 1992-93): 3-16; Lynne Wozniak "The Dissolution of Party-Union Relations in Spain" *International Journal of Political Economy* 22:4 (Winter 1992-93) 72-90; Patrick Seyd and Paul Whiteley, "From disaster to landslide: the case of the British Labour Party" in Kay Lawson and Thomas Poguntke (eds) *How Political Parties Respond: Interest Aggregation Revisited* (London: Routledge 2004) 41-60; Nicholas Aylott, "From Peoples' Movements to Electoral Machines? Interest aggregation and the social democratic parties of Scandinavia" in Kay Lawson and Thomas Poguntke (eds) *How Political Parties Respond: Interest Aggregation Revisited* (London: Routledge 2004) 86-104.

⁷ Howell and Daley, 4.

⁸ *Ibid.*

⁹ Bodah et al, 60-1.

¹⁰ James Piazza, "De-Linking Labor: Labor Unions and Social Democratic Parties under Globalization" *Party Politics* 7:4 (2001): 413-435; 425.

¹¹ Gerard Griffin, Chris Nyland and Anne O'Rourke, "Trade Unions, the Australian Labor Party and the Trade-Labour Rights Debate" *Australian Journal of Political Science* 39:1 (March 2004) 89-107.

¹² Steve Ludlam, Matthew Bodah and David Coates, "Trajectories of solidarity: changing union-party linkages in the UK and the USA" *British Journal of Politics and International Relations* 4:2 (June 2002): 222-244, pp. 233-4.

¹³ *Ibid.*

¹⁴ Griffin *et. al.* 92.

¹⁵ Archer, 31.

¹⁶ New Democratic Party, "C-24 Committee Report to Federal Council," 13-14 September 2003, 2.

¹⁷ Keith Archer and Alan Whitehorn, *Political Activists: The NDP in Convention* (Don Mills: Oxford University Press, 1997), 50.

¹⁸ Desmond Morton, *The New Democrats 1961-1986: The Politics of Change* (Toronto: Copp Clark Pitman, 1986), 17-18; Gad Horowitz, *Canadian Labour in Politics* (Toronto: University of Toronto Press, 1968), 61-84, 132-161; Keith Archer, *Political Choice and Electoral Consequences: A Study of Organized Labour and the New Democratic Party* (Montreal: McGill-Queen's University Press, 1990), 8-20.

¹⁹ New Democratic Party, "Constitution of the New Democratic Party," as amended by the Federal Convention, Toronto, 2003.

²⁰ Horowitz, 221.

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- ²¹ NDP, "Constitution," Article IV.3.
- ²² The representation of federal ridings on the federal council is dependent on the membership level in each province; hence the size of the Federal Council can vary. As of April, 2005, there were 87 members on the Federal Council.
- ²³ No author [NDProgress], "Why the NDP should end the institutional tie to organized labour and seek instead to appeal to individual union members" <http://www.ndprogress.ca/papers/NDProgress-labourneg.pdf> (Accessed 11 April 2005); No author [NDProgress], "Why the NDP Should Continue its Formal Link with Organized Labour and Use It to Improve Its Relationship With Working People" <http://www.ndprogress.ca/papers/NDProgress-labourpos.pdf> (Accessed 11 April 2005) 2-3.
- ²⁴ Stanley Knowles, *The New Party* (Toronto: McClelland and Stewart, 1961), 11-14;
- ²⁵ Archer, 56-71.
- ²⁶ No author [NDProgress].
- ²⁷ Morton, 31.
- ²⁸ A. Brian Tanguay, "Radicals, technocrats and traditionalists: interest aggregation in two provincial social democratic parties in Canada" in Kay Lawson and Thomas Poguntke (eds) *How Political Parties Respond: Interest Aggregation Revisited* (London: Routledge 2004), 146-175, 171.
- ²⁹ Calculated from Elections Canada figures. We have excluded 2003 from this analysis; we will discuss that year's contributions later.
- ³⁰ Fred Englemann and Mildred Schwartz, *Political Parties and the Canadian Social Structure* (Scarborough: Prentice-Hall 1967), 111.
- ³¹ Alan Whitehorn, *Canadian Socialism: Essays on the CCF-NDP* (Don Mills: Oxford University Press, 1992), 232-233.
- ³² Alan Whitehorn, "The NDP's Quest for Survival," in Alan Frizzell, Jon H. Pammett, and Anthony Westell (eds.) *The Canadian General Election of 1993* (Ottawa: Carleton University Press, 2004), 54.
- ³³ Neil Nevitte, André Blais, Elisabeth Gidengil, and Richard Nadeau, *Unsteady State: The 1997 Canadian Federal Election* (Don Mills: Oxford University Press, 2000), 103-116.
- ³⁴ Alexa McDonough, "Towards a Revitalized Federal Party," in Z. David Berlin and Howard Aster (eds.), *What's Left? The New Democratic Party in Renewal* (Oakville: Mosaic Press, 2001), 76.
- ³⁵ Alan Whitehorn, "The 2000 NDP Campaign: Social Democracy at the Crossroads," in Jon H. Pammett and Christopher Dornan (eds.), *The Canadian General Election of 2000* (Toronto: Dundurn, 2001), 133.
- ³⁶ See NDProgress web site, the essays in *What's Left?*.
- ³⁷ Edward Greenspon and Jeff Sallot, "Column one: pragmatic McDonough nudges NDP to centre," *Globe and Mail*, 21 September 1998, 1; Brian Laghi, "Battered NDP edges to the right: party endorses fiscal responsibility including balanced budgets and tax cuts," *Globe and Mail*, 28 August 1999, 1; Mark MacKinnon, "Federal NDP delegates clash over future of party," *Globe and Mail*, 26 May 2001, pNA; Rebe;s aim to dissolve NDP, form new party," *Globe and Mail*, 6 June 2001, pNA.
- ³⁸ For a detailed discussion of this legislation, see Lisa Young, "Regulating Campaign Finance in Canada: Strengths and Weaknesses" *Election Law Journal* 3:3 (2004): 444-462.
- ³⁹ These limits are indexed to inflation. The figures reported were for the 2004/05 fiscal year.
- ⁴⁰ New Democratic Party, "C-24 Committee Report to Federal Council," 13-14 September 2003.
- ⁴¹ Interview with Éric Hébert, Ottawa, 16 December 2004.
- ⁴² It is worth noting that the \$1000 limit on corporate and union contributions at the local level has an asymmetrical impact on the major parties. While New Democratic candidates are in practice unable to solicit contributions from unions, Liberal and Conservative candidates remain able to tap corporate donors and small businesses for contributions.
- ⁴³ Interview with Éric Hébert.
- ⁴⁴ New Democratic Party, "C-24 Committee Report to Federal Council," 13-14 September 2003.
- ⁴⁵ New Democratic Party, "C-24 Committee Report to Federal Council," 13-14 September 2003.
- ⁴⁶ Archer and Whitehorn, 50.
- ⁴⁷ Anonymous interview with senior trade union official, 15 December 2004.
- ⁴⁸ Archer and Whitehorn, 238-239.
- ⁴⁹ New Democratic Party, "C-24 Committee Report to Federal Council," 13-14 September 2003.
- ⁵⁰ Interview with Éric Hébert.
- ⁵¹ NDProgress paper.
- ⁵² Interview with Éric Hébert.

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- ⁵³ William Cross, *Political Parties* (Vancouver: UBC Press, 2004).
- ⁵⁴ Anonymous interview with senior trade union official, 14 December 2004.
- ⁵⁵ Interview with Éric Hébert.
- ⁵⁶ Anonymous interview with senior trade union official, 17 December 2004.
- ⁵⁷ Anonymous interview with senior trade union official, 17 December 2004.
- ⁵⁸ Anonymous interview with senior trade union official, 14 December 2004.
- ⁵⁹ Anonymous interview with senior trade union official, 10 February 2005.
- ⁶⁰ Anonymous interview with senior trade union official, 21 January 2005.
- ⁶¹ Anonymous interview with senior trade union official, 15 December 2004.
- ⁶² Anonymous interview with senior trade union official, 10 February 2005.