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Union Accountability Reversal Breaks Obama's Transparency Pledge

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Contrary to campaign promises to increase transparency and accountability, the Obama Administration has announced plans to rescind union accountability and financial transparency regulations implemented by the Department of Labor (DOL) during the Administration of George W. Bush.

These regulations make union officials more accountable to union members and deter fraud and embezzlement. The DOL has convicted hundreds of union officials over the past eight years. Rescinding these forms will facilitate fraud and harm union members.

Union Financial Transparency Regulations.

On January 21, the DOL published regulations updating the Form LM-2, the annual financial disclosure report unions file with the DOL. Unions collect between 1 and 2 percent of their members' earnings as dues, and union officers are required to spend that money on the workers' behalf--they may not use union funds for their personal interest. The LM-2 revisions required unions to:

- Disclose the total value of all benefits received by union officers and employees;
- Disclose the names of parties buying and selling union assets; and
- Itemize union receipts (currently unions must itemize only expenditures).

The DOL also updated the LM-30 conflict of interest reporting form that union officers and employees must file. These forms bring to light situations where union officers receive gifts or other-

wise benefit from companies that their union does business with. They deter sweetheart deals where companies that give "gifts" to union officers get union business on favorable terms. The revisions required more union officials (such as shop stewards) to report potential conflicts of interest.

These regulations allow members to hold their unions accountable for how their dues are spent. Many union officials resent financial transparency regulations, but union members should know how much their officers pay themselves out of dues. To safeguard against sweetheart deals, union members should also have the ability to see who buys and sells union assets. Union members deserve to know how their unions are run.

Reducing Union Transparency. President Obama campaigned on bringing transparency and accountability to government. However, the DOL recently announced plans first to delay the implementation of updated LM-2 and then to eliminate it entirely. The DOL has also announced that it will not enforce the new LM-30 conflict of interest forms and that unions may continue to file with the old forms.

These actions violate the President's campaign promise to increase transparency and accountability. Union members will now have less information

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about how their officers spend their money. The Administration has no compelling public policy reason for keeping workers in the dark about union finances.

Union Corruption Still a Problem. Workers need information to hold their unions accountable, because union corruption remains a serious problem. The vast majority of union officers obey the law. However, a minority of union officers do misuse their position for personal gain. Since 2001, the Office of Labor Management Standards has indicted 1,004 union officials for crimes such as fraud and embezzlement of members' dues. It has won 929 convictions and \$93 million in court-ordered restitution to union members.

Increasing financial disclosure has helped bring this fraud to light. Reporters investigating LM-2 filings found serious corruption that led to the resignation of several top officials within the Service Employees International Union (SEIU):¹

- Tyrone Freeman, president of the 160,000-member SEIU Los Angeles local, resigned after LM-2 filings showed that his union spent hundreds of thousands of dollars at companies owned by his family members for little apparent benefit and that he billed the union \$8,100 for costs surrounding his wedding in Hawaii.
- Annelle Grajeda, executive vice president of the national SEIU, stepped down after investigations revealed that the union paid her boyfriend tens of thousands of dollars.
- Rickman Jackson, president of the largest SEIU local in Michigan, stepped down after investigations revealed that he rented his home to a

union-sponsored housing nonprofit and that he received \$196,000 in compensation from a California local and the SEIU national office while working for the Michigan local.

Transparency Helps Unions. Union financial transparency protects union members from corrupt officers. It also protects the integrity of the union movement itself. Organized labor cannot effectively advocate the interests of workers if its leaders are widely viewed as corrupt and self-dealing. CEOs order regular audits not because they have embezzled money from their firms but to show the world they have nothing to hide. Organized labor should similarly welcome greater financial transparency that removes corrupt officers like Tyrone Freeman to show their commitment to protecting the interests of their members.

Recommendations to Congress. Barack Obama campaigned on accountability and transparency, but as President his Administration is depriving union members of the information they need to keep their union officers accountable. Modernized financial disclosure forms have exposed serious corruption among top union officials. Since 2001, the DOL has convicted hundreds of union officials for embezzlement, fraud, and other crimes. This accountability is essential to protect both union members and the long-term health of the union movement. If the President will not protect transparency and accountability, then Congress must.

Congress should prohibit the DOL from spending taxpayer dollars to implement new regulations rescinding the union financial transparency reforms.

—James Sherk is the Bradley Fellow in Labor Policy at The Heritage Foundation.

1. Paul Pringle, "SEIU Leader Loses Post Over Scandal," *Los Angeles Times*, October 18, 2008, at <http://www.latimes.com/news/local/la-me-union15-2008oct15,0,6253417.story> (May 3, 2009).