

Trade Union Bill

Report Stage Day 1 (Wednesday 16th March 2016)

Clauses 10 and 11 – amendment 9

We welcome the conclusion of the Trade Union Political Funds and Political Party Funding Committee (Report published 2nd March 2016) that changes affecting the funding of political parties should proceed by consensus (ref .139). The proposed ‘opt-in’ process for trade union members contributing to political funds is only one piece of the puzzle of party funding reform. Without the other pieces, this measure risks starting a tit-for-tat war between parties, thereby destabilising the party system, damaging the proper functioning of government, and worsening public perceptions of politics, parties and the way parties are financed.

We have been concerned that clauses 10 and 11 as originally drafted would create unnecessarily high barriers for those trade union members who wish to opt into political funds. We therefore welcome **amendment 9** which seeks to address some of those barriers.

There are serious problems with our system for funding political parties, and these need to be addressed. In our most recent polling research, 72% of the public agreed or strongly agreed that the system of party funding is ‘corrupt and should be changed’¹. However, a unilateral approach to reforming party funding not only undermines the principle of seeking cross-party agreement on such matters, but is likely to lead to retributive attacks on party funds, damaging public faith in the process and creating a race to the bottom on party funding.

Below we outline our recent research on party funding which examines public attitudes to party funding and reform.

Party funding and public opinion

Parties are essential for our democracy. They require sustainable and stable funding to perform multiple functions, from engaging citizens in democratic participation to providing effective scrutiny of governments. It is in no party’s interest to undermine these functions by creating a hole in one party’s finance. The Electoral Reform Society has long argued that a modest and sensible public funding regime is essential to meet any shortfall from measures to reduce large donations, and that transitional arrangements are necessary. It is not clear from these proposals how the likely impact on funding will be mitigated to ensure that stable future for political finance.

¹ BMG polling for ERS, sample 1504, conducted between 22nd – 27th October 2015

Donating to a political party is an important and valuable political act. The Hansard Society's most recent Audit of Political Engagement found that 3% of respondents had donated to a political party in the last year but that 8% were willing to do so if they felt strongly about an issue². We support changes to party funding that would encourage greater and more democratic participation. However, whilst an opt-in process has the potential to improve political engagement around one aspect of party funding, failure to address the huge influence of large individual, company and business group donations at the same time creates a dangerous precedent. Large individual donations – those made by just a handful of citizens – make up a significant proportion of party funding. Donations over £250,000 accounted for a significant part of the three major parties' funds between 2001 and 2010, yet these sums came from just 224 individual donations over the decade. What is more, these 224 donations came from just 60 different 'donor groups' – related individuals and companies as well as trade unions³. We know that the public are concerned about the role of big money in politics. Our focus group research found that voters readily assume that donors expect something in return for their money and that the system smacks of corruption⁴, but their concern is focused on the influence of large individual donations.

Whilst we support the principle of an opt-in within the context of other party funding reforms, we are concerned that the nature of the opt-in could have a significant impact. The Committee on Standards in Public Life report recommended that individual members should have to 'make a positive decision to contribute' on the basis of full information (p.66). The requirement for written notice is an expansive interpretation of 'positive decision' and sets a high bar for opting-in, which is likely to have a significant impact on the numbers of people who donate in this way. We are against any opt-in measures which create unnecessary barriers to payments which constitute a positive form of political engagement.

The recommendations of the CSPL report represent a package of measures that ensure equality across parties and a logical phasing of reforms. We have tested these reforms in our research with voters across the political parties⁵. We found significant support for a donations cap which applies across the board. Support for this reform withstood counter-argument. 67% of those we subsequently polled think no individual should be able to donate more than £5,000⁶. Likewise, voters believe parties should try to reduce their campaign spending. Our focus groups also revealed that funding imbalances between parties are seen as unfair. In sum, our research supports the balance of measures suggested in the CSPL report. It also demonstrates that a unilateral approach affecting one party and failing to address the larger question of major donations across the board is out of step with what the public want to see.

ERS supports a package of reforms including a universal donations cap, lower spending cap and review of existing public funding arrangements. For further details of our work on party funding, view our [latest report](#).

Public opinion

² Hansard Society, (2015) Audit of Political Engagement 12.

³ S, Wilks-Heeg and S. Crone research <http://blogs.lse.ac.uk/politicsandpolicy/just-50-%E2%80%99donor-groups%E2%80%99-have-supplied-over-half-of-the-conservative-party%E2%80%99s-declared-donation-income-in-the-last-decade-a-fact-disguised-by-legal-%E2%80%99fame-avoidance/>

⁴ ERS focus group research conducted by Greenberg Quinlan Rosner, January 2014

⁵ Ibid

⁶ ERS poll of 1,402 people by Greenberg Quinlan Rosner (24-27 February 2014)

In 2014 the Electoral Reform Society, in partnership with the Joseph Rowntree Reform Trust, commissioned Greenberg Quinlan Rosner to conduct research into public attitudes towards party funding reform.

Focus groups were held in January 2014 with swing-voters with a mixture of current voting intentions. The focus groups tested attitudes towards party funding reforms including donations caps and public funding.

The focus groups have demonstrated that there is a surprisingly receptive and robust audience for party funding reform. Voters readily accept the argument that politics is being bought by 'big money' donations and they support measures to limit this.

Voters assume that 'big money' donors have an expectation of something in return and believe the system smacks of corruption. They support the idea of a donations cap and remain supportive even in the face of counter-arguments. The level of the cap is not a factor in their support though some felt £5,000 was too low.

Whilst voters are not convinced that the money lost through a donations cap needs replacing (they think parties should get by on less), they were surprised to hear that actual spending by parties is just in the tens of millions, believing it to be much higher. Voters also see funding imbalances as unfair, favouring the big guy. Voters view party diversity as important for politics. Whilst they may never vote for them, supporters of established parties see smaller parties and Independents as valuable and want a more level playing field.

Whilst there is a fear that additional public funding could be at their expense, they are receptive to the idea of redistributing existing state funding. One policy which received widespread support was that of reforming the election postage subsidy, consolidating information into a single book to save on costs which could be used elsewhere.

Follow up polling⁷ found:

- 75% of the public think 'big donors have too much influence on political parties'
- 61% of the public think 'the system of party funding is corrupt and should be changed'
- 41% of the public think 'a state funded political system would be fairer than the one we currently have'

For more information on the research in this briefing, contact:

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⁷ GQRR poll of 1,402 people (24-27 February 2014)