



AFL-CIO
CODES OF
ETHICAL
PRACTICES

**American Federation of Labor and
Congress of Industrial Organizations**

Published By

**American Federation of Labor and
Congress of Industrial Organizations**

815 16th St. N.W. Washington 6. D.C.

GEORGE MEANY WM. F. SCHNITZLER
President Secretary-Treasurer

ETHICAL PRACTICES COMMITTEE

Al J. Hayes, *Chairman*

Joseph Curran George Harrison
David Dubinsky Jacob S. Potofsky

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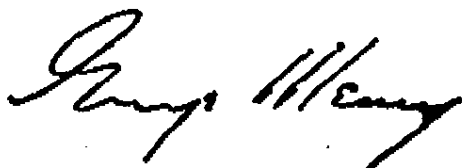
FOREWORD

The American Federation of Labor and Congress of Industrial Organizations is committed, by word and deed, to the concept that free, democratic trade unionism must be clean, honest trade unionism.

This handbook contains the sections of the AFL-CIO Constitution relating to corrupt or Communist efforts to infiltrate the labor movement; pertinent resolutions adopted by the AFL-CIO Convention in 1957; and six Codes of Ethical Practices prepared by the AFL-CIO Ethical Practices Committee, adopted by the AFL-CIO Executive Council and affirmed by the 1957 convention.

The AFL-CIO Executive Council, at its February 1958 meeting, directed and required that all affiliates of the AFL-CIO comply with the provisions of these codes promptly with the only permissible delay being in cases where compliance required alteration of a union's constitution by convention action.

The actions of the convention and the Executive Council point up the fact that the AFL-CIO is diligently and effectively engaging in self-regulation to insure the continued healthy development of our American labor movement.



GEORGE MEANY
President

1. AFL-CIO CONSTITUTION

. . . On Ethical Practices

Article II, Section 10:

The objects and principles of this Federation are:

. . . To protect the labor movement from any and all corrupt influences and from the undermining efforts of communist agencies and all others who are opposed to the basic principles of our democracy and free and democratic unionism.

. . .

Article VIII, Section 7:

It is a basic principle of this Federation that it must be and remain free from any and all corrupt influences and from the undermining efforts of communist, fascist or other totalitarian agencies who are opposed to the basic principles of our democracy and of free and democratic trade unionism. The Executive Council, when requested to do so by the President or by any other member of the Executive Council, shall have the power to conduct an investigation, directly or through an appropriate standing or special committee appointed by the President, of any situation in which there is reason to believe that any affiliate is dominated, controlled or substantially influenced in the conduct of its affairs by any corrupt influence, or that the policies or activities of any affiliate are consistently directed toward the advocacy, support, advancement or achievement of the program or of the purposes of the Communist Party, any fascist organization or other totalitarian movement. Upon the completion of such an investigation, including a hearing if requested, the Executive Council shall have the authority to make recommendations or give directions to the affiliate involved and shall have the further authority, upon a two-thirds vote, to suspend any affiliate found guilty of a violation of this section. Any action of the

Executive Council under this section may be appealed to the convention, provided, however, that such action shall be effective when taken and shall remain in full force and affect pending any appeal.

Article XIII, Section 1(d):

The Committee on Ethical Practices shall be vested with the duty and responsibility to assist the Executive Council in carrying out the constitutional determination of the Federation to keep the Federation free from any taint of corruption or communism, in accordance with the provisions of this constitution.

2. AFL-CIO RESOLUTION

. . . On Implementation of Constitutional Principles

(Adopted by AFL-CIO Convention, December 1957)

The agreement for the merger of the AFL and the CIO provided as one of the stated "Principles of Merger" that the merged federation "shall constitutionally affirm its determination to protect the American trade union movement from any and all corrupt influences. . . ." It also provided that "the merged federation shall establish appropriate internal machinery with authority effectively to implement this constitutional determination. . . ."

In accordance with this agreement, the Constitution which the AFL-CIO adopted at its first Constitutional Convention in December, 1955, contained both a statement of general principles with respect to communism and corrupt unionism and internal machinery to deal with this question. Article II, Section 10, of the Constitution provides that one of the objects and principles of the Federation shall be "to protect the labor movement from any and all corrupt influences and from the undermining efforts of Communist agencies and all others who are opposed to the

basic principles of our democracy and free and democratic unionism."

Article VIII, Section 7, reiterated this statement of principle and provided that the Executive Council should have the power to conduct an investigation, either directly or through an appropriate committee, into any situation "in which there is reason to believe that any affiliate is dominated, controlled or substantially influenced in the conduct of its affairs by any corrupt influence. . . ." The Council was further given the authority "to make recommendations or give directions to the affiliate involved and shall have further authority, upon a two-thirds vote, to suspend any affiliate found guilty of a violation of this section."

The AFL-CIO Constitution also provided for a Committee on Ethical Practices which should, in the words of the Constitution, "be vested with the duty and responsibility to assist the Executive Council in carrying out the Constitutional determination of the Federation to keep Federation free from any taint of corruption or communism. . . ."

These constitutional provisions adopted unanimously by the founding Convention of the AFL-CIO, established firmly that the AFL-CIO would assume the obligation of implementing the historical dedication of the American labor movement to free, honest and democratic trade unionism and its irrevocable opposition to corrupt influences in the labor movement.

The AFL-CIO Constitution also reaffirmed the principle of national and international union autonomy which has historically been one of the cornerstones of the American labor movement. But, by its provisions with respect to corruption and communism, agreed to at the founding Convention by all affiliates, the Constitution made it clear that the rights of autonomy do not include the right of a corrupt or Communist-dominated union to remain in affiliation with the American labor movement.

By accepting the AFL-CIO Constitution and joining with their fellow trade unionists in affiliation with the AFL-CIO, each national and international union in the AFL-CIO necessarily assumed the obligation to accept the principles above set forth. They are a part of the basic charter upon which this Federation rests.

In addition to affirming its constitutional determination to keep the trade union movement free from corruption and communism, the founding Convention of the AFL-CIO also adopted, by unanimous vote, a resolution on ethical practices. That resolution called upon "all affiliated national and international unions to take whatever steps are necessary within their own organizations to effect the policies and ethical standards set forth in the Constitution of the AFL-CIO." It further called upon the affiliated unions to make such constitutional amendments or changes in internal procedures as might appear necessary to carry out the responsibility incumbent upon autonomous organizations under the principles established by the AFL-CIO Constitution.

In the past two years the AFL-CIO has moved steadfastly forward to implement those basic documents. This has not been an easy or a pleasant task. It is never pleasant, in any family, to face up to the fact that a member of that family has violated basic principles of morality and good conscience. It is never easy to take action against members of a family who have transgressed.

The task of the AFL-CIO has been made particularly difficult by the fact that some of the disclosures of corruption within the family of the AFL-CIO were made by persons whose interest is not in strengthening labor by correcting corrupt practices, but in weakening labor by creating the impression that all labor is corrupt, that all unions must be restrained. Despite its recognition of that fact, the AFL-CIO is determined to keep its own house in order. Whenever facts are disclosed which indicate that there is a need for action to maintain and safeguard the AFL-

CIO from corrupt influences, the AFL-CIO will act. Indeed, only by such action can the AFL-CIO defeat the purposes of those who would use the corruption of a few to weaken and place restrictions upon the successful operation of honest trade unions.

Let there be no mistake as to our purpose in proceeding against those unions which we have found to be false to their constitutional obligations. Our objective is not to punish. Our purpose is not to exile from the American trade union movement any group of union members. ~~Our basic purpose is to achieve the correction of abuses and to help the members of unions with dishonest leadership.~~

~~To achieve this purpose~~ the AFL-CIO Executive Council in the two years which have passed since our founding Convention has initiated investigations into charges of corruption with respect to six national or international unions. Four of these investigations—those involving the Allied Industrial Workers, the Distillery Workers, the Laundry Workers and the Bakery and Confectionery Workers—were initiated by the council prior to any hearings or disclosures by the McClellan Committee. Two of the investigations—those involving the United Textile Workers and the International Brotherhood of Teamsters—were initiated following disclosures by the McClellan Committee.

In none of these cases did the AFL-CIO Executive Council say to the union involved "You are corrupt and must be banished from the American labor movement." In each case the council asked the union involved, after it had been found to be substantially influenced by corrupt elements, to take affirmative action to clean its own house. Of the six unions, one—the Allied Industrial Workers of America—accepted in full the recommendations of the Executive Council and took action to eliminate completely the corrupt influences which the council had found. Today, as a result of its vigorous enforcement of the AFL-CIO's constitutional principles, the Allied Industrial Workers Union is an affiliate in good

standing, with a new leadership which can proudly take its place in the family of labor and which can honestly represent the interests of its membership.

In other cases, such a result has not yet been effectuated. And in some cases it has been necessary to use the ultimate step of expulsion from the AFL-CIO when the union involved defied the Executive Council and refused to agree to initiate steps to clean its own house.

But even in those cases, the AFL-CIO has not yet finished its task. We are confident that in the areas of these unions the Executive Council will, pursuant to the authority vested in it, take all measures necessary or appropriate to safeguard the interests of the workers in the industry, to protect the good name and reputation of the AFL-CIO and to bring about the elimination of corrupt influences.

Nor can we be sure that there will not be further disclosures and the requirement for further action by the AFL-CIO. Should such action be necessary it will be taken in accordance with the same principles and with the same objective which has motivated the AFL-CIO, during the past two years, therefore, be it.

RESOLVED: That the AFL-CIO reaffirms our firm dedication to the principles set forth in the AFL-CIO Constitution and our determination to implement those constitutional principles without fear or favor.

We again call upon our national and international unions to take within their own organizations whatever steps are necessary to effectuate the policies and ethical standards embodied in the Constitution of the AFL-CIO.

We pledge our full support and good offices to each affiliated national and international union which accepts this mandate and attempts to carry out and put into practice the principle that our "organization must be free from any taint of corruption or communism."

We call upon other segments of the community and other organizations to similarly dedicate themselves to the elimination of corruption. The

labor movement will act in its own interest to clean its own house. In the national interest, we call upon business organizations, community groups, and others to similarly show their devotion to the basic ethical principles which must guide our American democracy.

3. AFL-CIO RESOLUTION

... On Ethical Practices Codes (Adopted by AFL-CIO Convention, December 1957)

The AFL-CIO, as one of its specific objectives, has a constitutional mandate "to protect the labor movement from any and all corrupt influences.

The Committee on Ethical Practices has been vested by the AFL-CIO constitution with the "duty and responsibility" to assist the Executive Council in its determination to keep the AFL-CIO "free from any taint of corruption. . . ."

The Statement on Ethical Practices adopted unanimously by our First Constitutional Convention specifically called upon our affiliated national and international unions "to take whatever steps are necessary within their own organizations to effect the policies and ethical standards set forth in the constitution of the AFL-CIO." The same resolution pledged the "full support, good offices and staff facilities" of the Ethical Practices Committee to our affiliated national and international unions in "their efforts to carry out and put into practice the constitutional mandate" to keep our organization free of corruption.

At its June, 1956, meeting the Executive Council directed the Committee on Ethical Practices "to develop a set of principles and guides for adoption by the AFL-CIO in order to implement the constitutional determination that the AFL-CIO shall be and remain free from all corrupt influences" and directed that such recommended guides and principles be submitted to the Council. Thereafter, and in accordance with this directive, the Ethical Practices Committee developed six Codes of Ethical Practices which were sub-

mitted to the Executive Council and adopted. These Codes are set forth in full text in the Executive Council Report, pages 77 to 94.

These codes were not and are not intended to be all-inclusive. Certain practices are so obviously incompatible with free and honest trade unionism that it is unnecessary to prescribe them in an ethical practices code. There is no code, for example, which provides that union officers should not steal money from their union treasury. This is so plainly an elementary requirement of honest trade unionism that it does not require statement in a code of ethical practices.

The fact that a specific action is not forbidden by the Ethical Practices Codes does not establish that it is consistent with honest trade unionism. The codes are intended to be illustrative rather than all-inclusive in their scope.

Nor were these Codes applied retroactively in the cases of the six unions to which investigations were conducted by the Ethical Practices Committee into charges that they were dominated or substantially influenced by corrupt elements. In those cases, the question was not whether a code of ethical practices had been violated but whether the union involved was guilty of a violation of the provisions of the Constitution of the AFL-CIO.

For the future, however, compliance with the terms of the Ethical Practices Codes is, we believe, a minimum requirement for the conduct of honest and clean unionism. Such compliance will not guarantee freedom from corruption. Only the existence of a leadership truly dedicated to the principles of the trade union movement can provide such a guarantee. But the existence of specific illustrations, in the form of codes, of the minimum requirements for the conduct of clean and democratic unions will serve to strengthen the ability of the unions affiliated with the AFL-CIO to maintain the highest principles of ethical conduct. Now, therefore, be it

RESOLVED: That the Codes of Ethical Practices adopted by the Executive Council are hereby confirmed and adopted.

Each affiliate national and international union is called upon to take whatever steps are necessary within its own organization to comply with the provisions of the Codes of Ethical Practices.

If any further codes are deemed by it to be required, the Executive Council is authorized and directed to continue its practice of adopting such codes to guide the unions affiliated with the AFL-CIO in their determination to maintain the principles of clean and democratic unionism.

4. AFL-CIO RESOLUTION

... On Fifth Amendment Cases (Adopted by AFL-CIO Convention, December 1957)

The Executive Council adopted, on January 28, 1957, a statement with respect to the use of the Fifth Amendment by trade union officials. In that statement the Council recognized "that any person is entitled, in the exercise of his individual conscience, to the protection afforded by the Fifth Amendment" and reaffirms the conviction "that this historical right must not be abridged." At the same time, the Council declared that if, however, a trade union official "decides to invoke the Fifth Amendment for his personal protection and to avoid scrutiny . . . into alleged corruption on his part, he has no right to continue to hold office in his union." Otherwise, the Council declared, an individual guilty of corruption would be able to use the Fifth Amendment not only as a personal protection against possible criminal punishment but as a shield against proper scrutiny into corrupt influences in the labor movement.

This statement of policy by the Executive Council has been misinterpreted by some as requiring "automatic" expulsion of any trade union leader who invokes the Fifth Amendment. It has been attacked by others as an attempt to wipe out the Fifth Amendment from the Constitution of the United States. Neither is true. Those who make such attacks either fail to understand the meaning of the Executive Council's statement or are attempting to defeat the proper inquiry

by the trade union movement into the question whether one of its officers is corrupt.

Every honest trade union should be concerned if serious charges of corruption and misuse of office for personal gain are made against its officers. The AFL-CIO Constitution, indeed, commits each union affiliated with the AFL-CIO to take appropriate steps to keep the movement free of corrupt influences. That necessarily includes investigation by a trade union of one of its officials against whom serious and apparently well-founded charges of corruption are placed. The fact that such charges are made before a legislative committee or other public agency and the union official invokes the Fifth Amendment, cannot give immunity to him from trade union investigation and appropriate action, if the investigation indicates this is required.

The Executive Council statement of January 28, 1957, made clear what was already implicit in the basic constitutional provisions and resolutions of the AFL-CIO—any trade union official against whom serious charges of corruption are leveled should be removed from office if those charges are true. If that official invokes the Fifth Amendment and refuses to state whether or not these charges are true, an investigation is required by the affiliate involved into the fitness of the official to continue to hold office. If it is found that the Fifth Amendment was in fact invoked as a shield to avoid discovery of corruption on his part, he has no right to continue to hold trade union office.

The Fifth Amendment to the Constitution of the United States does not confer immunity upon a union against its duty to determine whether an official who invokes that Amendment is guilty of malfeasance in office. The Fifth Amendment to the Constitution of the United States does not mean that the labor movement must see no evil or hear no evil merely because an individual union official, to avoid giving testimony which may send him to jail, refuses to answer questions before a public body. Now, therefore, be it

RESOLVED: That this Convention affirms the

principles herein above stated with respect to the duties of trade unions concerning officials who invoke the Fifth Amendment to conceal their personal corruption.

5. RESOLUTION ON PROCEDURES

(Adopted by AFL-CIO Executive Council, June 1956)

WHEREAS, Article II, Section 10 and Article VIII, Section 7, of the AFL-CIO Constitution provide that it is a basic principle of this Federation that it must be and remain free from any and all corrupt influences; and

WHEREAS, Article VIII, Section 7, authorizes the Executive Council, upon the request of the President or any other member of the Executive Council, "to conduct an investigation directly or through an appropriate standing committee or special committee appointed by the President, of any situation in which there is reason to believe that any affiliate is dominated, controlled or substantially influenced in the conduct of its affairs by any corrupt influence . . ."; and

WHEREAS, Article XIII, Section 1(d) provides for a Committee on Ethical Practices which shall be vested with the duty and responsibility to assist the Executive Council in carrying out the above constitutional principles, and such committee has been appointed by the President with the approval of the Executive Council; now, therefore, be it

RESOLVED by the Executive Council of the American Federation of Labor and Congress of Industrial Organizations:

1. That the Committee on Ethical Practices is vested with the authority of the Council to conduct formal investigations, including a hearing if requested, on behalf of the Council, into any situation in which there is reason to believe an affiliate is dominated, controlled or substantially influenced in the conduct of its affairs by any corrupt influence and in which such formal in-

investigation is requested by the President or any member of the Executive Council. The Committee shall report to the Executive Council the results of any such investigation with such recommendations to the Council as the Committee deems appropriate.

2. The Committee is authorized, upon its own motion or upon the request of the President, to make such preliminary inquiries as it deems appropriate in order to ascertain whether any situations exist which require formal investigation. The Committee will report to the Executive Council as to any situations in which it believes that formal investigation is required or desirable and shall undertake such formal investigation as provided in paragraph 1 of this resolution.

3. The Committee is directed to develop a set of principles and guides for adoption by the AFL-CIO in order to implement the constitutional determination that the AFL-CIO shall be and remain free from all corrupt influences. Upon the development of such recommended guides and principles, they shall be submitted by the Committee to the Executive Council for appropriate action.

6. CODES

Ethical Practices Code I . . .

LOCAL UNION CHARTERS

(Approved by the AFL-CIO Executive Council, August 29, 1956)

The AFL-CIO, as one of its specific objectives, has a constitutional mandate "to protect the labor movement from any and all corrupt influences . . ."

The Committee on Ethical Practices has been vested by the AFL-CIO constitution with the "duty and responsibility" to assist the Executive Council in its determination to keep the AFL-CIO "free from any taint or corruption . . ."

As the Statement on Ethical Practices adopted

unanimously by our First Constitutional Convention pointed out, "The vast majority of labor union officials accept their responsibility and trust. . . . Yet the reputations of the vast majority are imperiled by the dishonest, corrupt, unethical practices of the few who betray their trust and who look upon the trade union movement not as a brotherhood to serve the general welfare, but as a means to advance their own selfish purposes. . . ."

The statement of our constitutional convention specifically called upon our affiliated national and international unions "to take whatever steps are necessary within their own organizations to effect the policies and ethical standards set forth in the constitution of the AFL-CIO." The same resolution pledged the "full support, good offices and staff facilities" of the Ethical Practices Committee to our affiliated national and international unions in "their efforts to carry out and put into practice the constitutional mandate" to keep our organization free of corruption.

At its June, 1956, meeting the Executive Council directed the Committee on Ethical Practices "to develop a set of principles and guides for adoption by the AFL-CIO in order to implement the constitutional determination that the AFL-CIO shall be and remain free from all corrupt influences" and directed that such recommended guides and principles be submitted to the Council.

In accordance with these constitutional responsibilities and mandates, the Committee on Ethical Practices, in the period since its formal creation, undertook an analysis of the issuance of local union charters as it relates to the problem of corruption. The code recommended in this report is the first in a series which the Committee plans to develop in accordance with the Executive Council's direction.

The Committee found that in this area, as in the field of union welfare funds, the instances of corruption are relatively rare. The vast majority of local union charters are issued by the affli-

ated national and international unions of the AFL-CIO for legitimate trade union purposes and without any taint or possibility of corruption. In a few instances, however, local union charters have fallen in the hands of corrupt individuals who have used these charters for their own illicit purposes instead of legitimate trade union objectives.

The possession of charters covering "paper locals" has enabled such racketeers to victimize individual workers, employers and the general public, while giving a black eye to the labor movement. They have used these charters to enter into conspiracies with corrupt employers to prevent, for a price, the genuine organization of workers into legitimate unions, thus depriving these workers of the benefit of honest collective bargaining agreements. These racketeers also use a charter as a basis to falsely invoke the collective strength of the trade union movement for their illegitimate ends, thus demeaning the trade union's historic respect for the legitimate picket line, and injuring honest businessmen in the conduct of their affairs. A local union charter, improperly issued, can be used to control a local union unit vote, which negates the legitimate unit vote of bona fide local unions and thus subverts the democratic process within the trade union movement at various levels. A racketeer treats a charter as a "hunting license" to invade the jurisdictions of other national or international unions, in the interests only of corruption and dishonest gain, and to cloak with a respectable name a whole range of nefarious and corrupt activities.

Such corrupt practices are not widespread. But even the few instances in which local union charters have been corruptly used are too many. The name of the AFL-CIO, and of the national and international unions affiliated with it, must always be a hallmark of ethical trade union practices.

Scrupulous adherence, the Committee believes, to certain traditional practices and principles of the trade union movement with reference to the

issuance of local union charters will serve to prevent and to eliminate the specific evils in this area.

The basic principle with reference to the issuance of a local union charter is that the charter is, in all unions, a solemn instrument establishing a subordinate or affiliated body of the international union, composed of organized workers in a particular subdivision of the union. The Committee has made a study of the practices and constitutions of a greater number of national and international unions with respect to the issuance of local union charters. In the vast majority of cases, the Committee found, there is a constitutional prohibition against the issuance of charters in the absence of application by a minimum number of bona fide employees, eligible for membership in the union, within the jurisdiction covered by the charter.

The specific rules governing the issuance of charters necessarily vary greatly from union to union. And each national and international union, as part of its autonomous right, has complete authority to prescribe the particular procedures governing the issuance of local union charters. But whatever the particular procedures, each autonomous union has the duty to see to it that the purpose of issuing local union charters is to promote the general welfare of workers. The constitution of the AFL-CIO makes it clear that no affiliate has an autonomous right to permit corrupt or unethical practices which endanger the good name of the trade union movement.

The Committee believes that implementation and enforcement of the basic principle that local union charters are to be issued only to give recognition to workers joining together in a subordinate or affiliated body of a national or international union, which is in fact expressed in the vast majority of union constitutions, will provide an effective method of preventing the kind of evils described in this statement.

Therefore, the Ethical Practices Committee, under the authority vested in it by the constitu-

tion of the AFL-CIO and pursuant to the mandate of the first constitutional convention of the AFL-CIO, recommends that the Executive Council of the AFL-CIO adopt the following policies to safeguard the good name of the AFL-CIO and its affiliated unions and to prevent any taint or possibility of corruption in the issuance of local union charters:

1. A local union charter, whether issued by the AFL-CIO or by an national or international union affiliated with the AFL-CIO, should be a solemn instrument establishing a subordinate or affiliated body. To assure this, the AFL-CIO and each national and international union, by constitution or administrative regulation, should require, for issuance of a local union charter, application by a group of bona fide employees, eligible for membership in the union, within the jurisdiction covered by the charter.

2. The purpose of issuing such charters should be to promote the general welfare of workers and to give recognition to their joining together in a subordinate or affiliated body.

3. A charter should never be issued to any person or persons who seek to use it as a "hunting license" for the improper invasion of the jurisdictions of other affiliated unions.

4. A charter should never be issued or permitted to continue in effect for a "paper local" not existing or functioning as a genuine local union of employees.

5. A charter should never be issued to persons who are known to traffic in local union charters for illicit or improper purposes.

6. The provision of the AFL-CIO constitution prohibiting the AFL-CIO and any affiliated national or international union from recognizing any subordinate organization that has been suspended or expelled by the AFL-CIO or any national or international union plainly includes and prohibits the issuance of a local union charter by the AFL-CIO or any affiliated national or international union to any group of individuals or any individuals suspended or

expelled from the AFL-CIO or any affiliated national or international union for corruption or unethical practices.

7. The AFL-CIO and each national and international union shall take prompt action to eliminate any loop-holes through which local union charters have been or can be issued or permitted to continue in effect contrary to these policies.

8. The AFL-CIO and each national and international union shall take prompt action to insure the forthwith withdrawal of local union charters which have been issued and are now outstanding in violation of these policies.

Ethical Practices Code II . .

HEALTH AND WELFARE FUNDS

(Approved by the AFL-CIO Executive Council, January 31, 1957)

At its June, 1956, meeting the Executive Council directed the Committee on Ethical Practices "to develop a set of principles and guides for adoption by the AFL-CIO in order to implement the constitutional determination that the AFL-CIO shall be and remain free from all corrupt influences" and directed that such recommended guides and principles be submitted to the Council. In accordance with this direction, and its constitutional responsibilities, the Committee on Ethical Practices submitted to the Executive Council at its August, 1956, meeting the first of a proposed series of recommended codes. This code covering the issuance of local union charters was unanimously adopted by the Council.

This report, and the recommended code contained in it, is the second in the series which the Committee, in accordance with the Council's direction, is developing to implement the constitutional mandate that the AFL-CIO shall be and remain free from any and all corrupt influences and the determination of the first Constitutional Convention of the AFL-CIO that the reputations of the vast majority of labor union

officials, who accept their responsibilities and trust, are "imperiled by the dishonest, corrupt, unethical practices of the few who betray their trust and who look upon the trade union movement not as a brotherhood to serve the general welfare, but as a means to advance their own selfish purposes. . . ."

Both the American Federation of Labor and the Congress of Industrial Organizations prior to the merger of these two organizations into the AFL-CIO gave thorough consideration to the subject of Health and Welfare Funds. This subject was also considered by and dealt with by the First Constitutional Convention of the AFL-CIO and a resolution dealing with this subject matter was adopted by that convention.

As stated in the resolution adopted by the First Constitutional Convention of the AFL-CIO, the task of administering and operating health and welfare programs which have been developed through collective bargaining has placed heavy new responsibilities upon the shoulders of trade union officials. The funds involved are paid for through the labor of the workers covered by the plans. They must be administered, therefore, as a high trust for the benefit only of those workers.

Most trade union officials have been faithful to the high trust which has been imposed upon them because of the development of health and welfare funds. The malfeasances of a few, however, have served to bring into disrepute not only the officials of the particular unions involved, but also the good name of the entire American labor movement. For this reason, it is imperative that the AFL-CIO and each of the national and international unions affiliated with it rigorously adhere to the highest ethical standards in dealing with the subject of health and welfare funds.

For these reasons, the Ethical Practices Committee, under the authority vested in it by the Constitution of the AFL-CIO and pursuant to the mandate of the First Constitutional Convention of the AFL-CIO, recommends that the

Executive Council of the AFL-CIO adopt the following policies to safeguard the good name of the AFL-CIO and its affiliated unions:

1. No union official who already receives full-time pay from his union shall receive fees or salaries of any kind from a fund established for the provision of a health, welfare or retirement program. Where a salaried union official serves as employee representative or trustee in the administration of such programs, such service should be regarded as one of the functions expected to be performed by him in the normal course of his duties and not as an extra function requiring further compensation from the welfare fund.

2. No union official, employee or other person acting as agent or representative of a union, who exercises responsibilities or influence in the administration of welfare programs or the placement of insurance contracts, should have any compromising personal ties, direct or indirect, with outside agencies such as insurance carriers, brokers, or consultants doing business with the welfare plan. Such ties cannot be reconciled with the duty of a union official to be guided solely by the best interests of the membership in any transactions with such agencies. Any union official found to have such ties to his own personal advantage or to have accepted fees, inducements, benefits or favors of any kind from any such outside agency, should be removed. This principle, of course, does not prevent the existence of a relationship between a union officer or employee and an outside agency where

- (a) no substantial personal advantage is derived from the relationship, and
- (b) the outside agency is one in the management of which the union participates, as a union, for the benefit of its members.

3. Complete records of the financial operations of all welfare funds and programs should be maintained in accordance with the best accounting practice. Each such fund should be audited regularly by internal auditors. In addi-

tion, each such fund should be audited at least once each year, and preferably semi-annually, by certified public or other independent accountants of unquestioned professional integrity, who should certify that the audits fully and comprehensively show the financial condition of the fund and the results of the operation of the fund.

4. All audit reports should be available to the membership of the union and the affected employees.

5. The trustees or administrators of welfare funds should make a full disclosure and report to the beneficiaries at least once each year. Such reports should set forth, in detail, the receipts and expenses of the fund; all salaries and fees paid by the fund, with a statement of the persons to whom paid; the amount paid and the service or purpose for which paid; a breakdown of insurance premium paid, if a commercial insurance carrier is involved, showing, insofar as possible, the premiums paid, dividends, commissions, claims paid, *retentions and service charges*; a statement of the person to whom any commissions or fees of any kind were paid; a financial statement on the part of the insuring or service agency, if an agency other than a commercial insurance carrier is employed; and a detailed account of the manner in which the reserves held by the fund are invested.

6. Where health and welfare benefits are provided through the use of a commercial insurance carrier, the carrier should be selected through competitive bids solicited from a substantial number of reliable companies, on the basis of the lowest net cost for the given benefits submitted by a responsible carrier, taking into consideration such factors as comparative retention rates, financial responsibility, facilities for and promptness in servicing claims, and the past record of the carrier, including its record in dealing with trade unions representing its employees.

The trustees of the fund should be required to include in reporting to the membership the specific reasons for the selection of the carrier

finally chosen. The carrier should be required to warrant that no fee or other remuneration of any kind has been paid directly or indirectly to any representative of the parties in connection with the business of the fund.

7. Where a union or union trustees participate in the administration of the investment of welfare fund reserves, the union or its trustees should make every effort to prohibit the investment of welfare fund reserves in the business of any contributing employer, insurance carrier or agency doing business with the fund, or in any enterprise in which any trustee, officer or employee of the fund has a personal financial interest of such a nature as to be affected by the fund's investment or disinvestment.

(This is not to be construed as preventing investment in an enterprise in which a union official is engaged by virtue of his office, provided (i) no substantial personal advantage is derived from the relationship, and (ii) the concern or enterprise is one in the management of which the union participates for the benefit of its members.)

8. Where any trustee, agent, fiduciary or employee of a health or welfare program is found to have received an unethical payment, the union should insist upon his removal and should take appropriate legal steps against both the party receiving and the party making the payment. Where health and welfare funds are negotiated or administered by local unions or by other organizations subordinate to or affiliated with a national or international union, provision should be made to give the national or international union the authority to audit such funds and to apply remedies where there is evidence of a violation of ethical standards.

9. Every welfare program should provide redress against the arbitrary or unjust denial of claims so as to afford the individual member prompt and effective relief where his claim for benefits has been improperly rejected. Every program should provide for the keeping of complete records of the claims experience so

that a constant check can be maintained on the relationship between claims and premiums and dividends, and on the utilization of the various benefits.

10. The duty of policing and enforcing these standards is shared by every union member, as well as by local, national and international officials. The best safeguard against abuses lies in the hands of a vigilant, informal and active membership, jealous of their rights and interests in the operation of health and welfare programs, as well as any other trade union program. As a fundamental part of any approach to the problem of policing health and welfare funds, affiliated unions, through education, publicity and discussion programs, should seek to develop the widest possible degree of active and informed interest in all phases of these programs on the part of the membership at large. International unions should, wherever possible, have expert advice available for the negotiation, establishment and administration of health and welfare plans, and should provide training for union representatives in the techniques and standards of proper administration of welfare plans.

11. Where constitutional amendments or changes in internal administrative procedure are necessary to comply with the standards herein set forth, such amendments and changes should be undertaken at the earliest practicable time.

Ethical Practices Code III . .

RACKETEERS, CROOKS, COMMUNISTS AND FASCISTS

*(Approved by the AFL-CIO Executive
Council, January 31, 1957)*

This is the third in a series of recommended codes which the Committee on Ethical Practices has developed in accordance with the direction of the Executive Council that it should "develop a set of principles and guides for adoption by the AFL-CIO in order to implement the consti-

tutional determination that the AFL-CIO shall be and remain free from all corrupt influences."

Article VIII, Section 7 of the Constitution of the AFL-CIO establishes that "it is a basic principle of this Federation that it must be and remain free from any and all corrupt influences and from the undermining efforts of communist, fascist or other totalitarian agencies who are opposed to the basic principles of our democracy and of free and democratic trade unionism." Under this constitutional provision there is no room within the Federation or any of its affiliated unions for any person in a position of leadership or responsibility who is a crook, a racketeer, a communist or a fascist. And it is the obligation of every union affiliated with the AFL-CIO to take appropriate steps to ensure that this principle is complied with.

To be sure, neither the AFL-CIO nor its affiliated unions are law-enforcing agencies. It is not within the purview or authority of a trade union to convict its members of a violation of statutory law. But it is the duty and responsibility of each national and international union affiliated with the federation to see to it that it is free of all corrupt, communist or fascist influences. Consequently, a trade union need not wait upon a criminal conviction to bar from office corrupt, communist or fascist influences. The responsibility of each union to see to it that it is free of such influences is not a responsibility placed upon our unions by law. It is a responsibility which rests upon our unions by the AFL-CIO Constitution and by the moral principles that govern the trade union movement. Eternal vigilance in this area is the price of an honest democratic trade union movement.

It is not possible, nor is it desirable, to set down rigid rules to determine whether a particular individual in a position of responsibility or leadership in the trade union movement is a crook, a racketeer, a communist, or a fascist. Obviously, if a person has been convicted of a crime involving moral turpitude offensive to trade union morality, he should be barred from

office or responsible position in the labor movement. Obviously also, a person commonly known to be a crook or racketeer, should not enjoy immunity to prey upon the trade union movement because he has somehow managed to escape conviction. In the same manner, the fact that a person has refrained from formally becoming a member of the Communist Party or a fascist organization should not permit him to hold or retain a position of responsibility or leadership in the trade union movement if, regardless of formal membership, he consistently supports or actively participates in the activities of the Communist Party or any fascist or totalitarian organization.

In this area, as in all others, determinations must be made as a matter of common sense and with due regard to the rights of the labor unions and the individuals involved.

On the basis of these considerations, the Ethical Practices Committee, under the authority vested in it by the Constitution of the AFL-CIO, pursuant to the mandate of the First Constitutional Convention of the AFL-CIO, recommends that the Executive Council of the AFL-CIO adopt the following policies to safeguard the good name of the AFL-CIO and its affiliated unions:

1. The AFL-CIO and each of its affiliated unions should undertake the obligation, through appropriate constitutional or administrative measures and orderly procedures, to insure that no persons who constitute corrupt influences or practices or who represent or support communist, fascist or totalitarian agencies should hold office of any kind in such trade unions or organizations.

2. No person should hold or retain office or appointed position in the AFL-CIO or any of its affiliated national or international unions or subordinate bodies thereof who has been convicted of any crime involving moral turpitude offensive to trade union morality.

3. No person should hold or retain office or

appointed position in the AFL-CIO or any of its affiliated national or international unions or subordinate bodies thereof who is commonly known to be a crook or racketeer preying on the labor movement and its good name for corrupt purposes, whether or not previously convicted for such nefarious activities.

4. No person should hold or retain office or appointed position in the AFL-CIO or any of its affiliated national or international unions or subordinate bodies thereof who is a member, consistent supporter or who actively participates in the activities of the Communist Party or of any fascist or other totalitarian organization which opposes the democratic principles to which our country and the American trade union movement are dedicated.

Ethical Practices Code IV . . .

INVESTMENTS AND BUSINESS INTERESTS OF UNION OFFICIALS

*(Approved by the AFL-CIO Executive
Council, January 31, 1957)*

This is the fourth in a series of recommended codes which the Committee on Ethical Practices has developed in accordance with the direction of the Executive Council that it should "develop a set of principles and guides for adoption by the AFL-CIO in order to implement the constitutional determination that the AFL-CIO shall be and remain free from all corrupt influences." Prior codes have dealt with the issuance of local union charters; welfare funds; racketeers, crooks and communists. The code herein recommended deals with conflicts of interest in the investment and business interests of union officials.

It is too plain for extended discussion that a basic ethical principle in the conduct of trade union affairs is that no responsible trade union official should have a personal financial interest which conflicts with the full performance of his

fiduciary duties as a workers' representative.

Obviously an irreconcilable conflict of interest would be present if a trade union official, clothed with responsibility and discretion in conducting the representation of workers, simultaneously maintains a substantial interest in the profits of the employer of the workers whom he is charged with representing. Even though, in a particular instance, there may be no actual malfeasance in the representation of the employees involved, the opportunity for personal gain at the expense of the welfare of the employees whom the union official represents obviously exists.

Such a simple case, however, does not fully present the problems which exist, or may exist, in this area. There may be cases in which the conflict of interests is not so clear, but nevertheless exists. There are, on the other hand, forms of private investment which seem wholly devoid of any possibility of corruption or dereliction in trade union responsibility. It will be the purpose of this report to discuss some of the varying situations which may arise in this area and, on the basis of such discussion, to present a recommended code of minimum standards to which the Committee believes all trade union officials should adhere in their investment and business interests.

The problems in this area, of course, could all be eliminated by adoption of the simple principle that no trade union official should, under any circumstances, use his own personal funds or property in any form of business enterprise or investment. But the committee feels that it is both unnecessary and unwise to establish such a rigid standard for trade union officials; union officers and agents should not be prohibited from investing their personal funds in their own way in the American free enterprise system so long as they are scrupulously careful to avoid any actual or potential conflict of interest. The American trade union movement does not accept the principle that either its members or its leaders should own no property. Both union

leaders and members have the right to set aside their own personal reserves for themselves and their families, and to invest and use those reserves in legitimate ways.

But the trade union leader does have certain special responsibilities which he must assume and respect because he serves as a leader in the trade union movement. And those responsibilities, the Committee believes, necessarily imply certain restraints upon his right to engage in personal investment, even with his own funds and on his own time. In a sense, a trade union official holds a position comparable to that of a public servant. Like a public servant, he has a high fiduciary duty not only to serve the members of his union honestly and faithfully, but also to avoid personal economic interest which may conflict or appear to conflict with the full performance of his responsibility to those whom he serves.

Like public servants, trade union leaders ought to be paid compensation commensurate with their services. But, like public servants, trade union leaders must accept certain limitations upon their private activities which result from the nature of their services. Indeed, the nature of the trade union movement and the responsibilities which necessarily must be accepted by its leaders, make the strictest standards with respect to any possible conflict of interest properly applicable.

It is plain, as already stated, that a responsible trade union official should not be the owner in whole or in part of a business enterprise with which his union bargains collectively on behalf of its employees. The conflict in such a case is clear.

It is almost equally clear, the Committee believes, that a trade union official should not be the owner of a business enterprise which sells to, buys from, or in other ways deals, to any significant degree, with the enterprise with which he conducts collective bargaining. Again, the possibility that the trade union official may be given special favors or contracts by the em-

ployer in return for less than discharge of his obligations as a trade union leader, exists.

Somewhat different considerations, however, apply to the ownership, through purchase on the open market or other legitimate means, of publicly traded securities. Employee ownership of stock is certainly a fairly common practice in American life. Often, indeed, there are special stock purchase plans designed to stimulate such employee investments.

On the other hand, ownership, even of publicly traded securities, in sufficient amounts to influence the course of management decision seems to the Committee incompatible with the proper representation of the employees by a trade union official.

The Committee believes, therefore, that the minimum standards of ethical conduct in this area should not forbid all investment by a trade union official in the corporate securities of companies employing the workers he represents. Such investment by a trade union official, however, should always be subject to the restriction that it is not acquired in an illegitimate or unethical manner, that it is limited to securities which are publicly traded, and that his interest should never be large enough so as to permit him to exercise any individual influence on the course of corporate decision.

There is nothing in the essential ethical principles of the trade union movement which should prevent a trade union official, at any level, from investing personal funds in the publicly traded securities of corporate enterprises unrelated to the industry or area in which the official has a particular trade union responsibility. Such securities offer a wide choice of investment and are, generally speaking, so far removed from individual stockholder control or influence that with the exceptions above noted, there is no reason to bar investment by trade union officials.

The same principles apply with respect to privately owned or closely held businesses which are completely unrelated to the industrial area in which the trade union leader serves.

On the basis of these considerations, the Ethical Practices Committee, under the authority vested in it by the Constitution of the AFL-CIO and pursuant to the mandate of the First Constitutional Convention of the AFL-CIO, recommends that the Executive Council of the AFL-CIO adopt the following policies to safeguard the good name of the AFL-CIO and its affiliated unions:

1. No responsible trade union official should have a personal financial interest which conflicts with the full performance of his fiduciary duties as a workers' representative.

2. No responsible trade union official should own or have a substantial business interest in any business enterprise with which his union bargains collectively, or in any business enterprise which is in competition with any other business enterprise with which his union bargains collectively.

3. No responsible trade union official should own or have a substantial business interest in a business enterprise a substantial part of which consists of buying from, selling to, or otherwise dealing with the business enterprise with which his union bargains collectively.

4. The provisions of paragraphs 2 and 3 above do not apply in the case of an investment in the publicly traded securities of widely-held corporations which investment does not constitute a substantial enough holding to affect or influence the course of corporate decision.

5. No responsible trade union official should accept "kickbacks", under-the-table payments, gifts of other than nominal value, or any personal payment of any kind other than regular pay and benefits for work performed as an employee from an employer or business enterprise with which his union bargains collectively.

6. The policies herein set forth apply to: (a) all officers of the AFL-CIO and all officers of national and international unions affiliated with the AFL-CIO, (b) all elected or appointed staff representatives and business agents of such organizations, and (c) all officers of subordi-

nate bodies of such organizations who have any degree of discretion or responsibility in the negotiation of collective bargaining agreements or their administration.

7. The principles herein set forth apply not only where investments are made by union officials, but also where third persons are used as blinds or covers to conceal the financial interests of union officials.

Ethical Practices Code V . .

FINANCIAL PRACTICES AND PROPRIETARY ACTIVITIES OF UNIONS

(Approved by the AFL-CIO Executive Council, May 22, 1957)

This is the fifth in a series of recommended codes which the Committee on Ethical Practices has developed in accordance with the direction of the Executive Council that it should "develop a set of principles and guides for adoption by the AFL-CIO in order to implement the constitutional determination that the AFL-CIO shall be and remain free from all corrupt influences." On August 29, 1956, the Council approved a code dealing with the issuance of local union charters; on January 31, 1957, the Executive Council approved codes dealing with health and welfare funds, racketeering, crooks and communists, and investment and business interests of union officials.

There are principles inherent in the conception of a free, honest, and democratic trade union movement, which, the Committee believes, virtually dictate the outlines of any Code of Ethical Practices dealing with union finances. The first of these principles hardly requires statement. It is simply that a labor union is an organization whose primary function is to improve the wages, hours and working conditions of the employees it represents, through the processes of collective bargaining with employers. It is not a business enterprise or an invest-

ment company. Unions, of course, must have funds with which to operate and it is clearly desirable that they should maintain reserves to cover contingencies which may arise in the course of the performance of their functions as workers' representatives. But, equally clearly, the accumulation of funds *per se* is not the objective for which the union exists. A union is not a profit-making institution but a democratic organization with definite social aims and principles. Union funds are held in trust for the benefit of the membership. But a union, unlike a bank, a trustee, or other fiduciaries, is not primarily a manager of funds vested with the duty of enhancing their value and making distributions. Increasing the value of the union's funds should never become an objective of such magnitude that it in any way interferes with or obscures the basic function of the union, which is to devote its resources to representing its members, honestly and faithfully.

A second basic principle which dictates the terms of a Code of Ethical Practices with respect to the handling of union funds is again simple. It is that unions are democratic organizations. The fact that a union is a democratic organization plainly implies that the members of the union are entitled to assurance that the union's funds, which are their funds, are not dissipated. They are also entitled to be reasonably informed as to how the funds of the organization are being used or invested. Finally, their delegated representatives in the union's governing body and conventions should have the power and responsibility to oversee the expenditure of the union's monies so that the members can be guaranteed that funds are expended solely for the purposes for which the organization exists.

A final fundamental principle, the Committee believes, is involved. That principle is that each national or international union affiliated with the AFL-CIO, in the words of the Resolution on Ethical Practices which was unanimously adopted by the founding Convention of the AFL-

CIO in December 1955, "has clearly accepted the responsibility for keeping its own house in order and to protect the movement 'from any and all corrupt influences and from the undermining efforts of communist agencies and all others who are opposed to the basic principles of our democracy and free and democratic unionism.'"

From these three basic principles, the Committee believes that certain conclusions necessarily follow. Since a union holds its funds for the benefit of its membership and to further their interests it should comply with standards generally applicable to fiduciaries or trustees with respect to the manner in which it keeps its records and accounts. Regular audits should be made and there should be appropriate distribution of summaries of such audits so that the membership and the public are adequately apprised of the state of the organization's finances.

In this connection, a Committee of Secretary-Treasurers of AFL-CIO affiliates has drawn up a suggested set of minimum accounting and financial controls for affiliates of the AFL-CIO. This set of controls represents, the Committee believes, the minimum with which any affiliated organization should comply in order to fulfill the constitutional mandate that the labor movement should be kept free from any taint of corruption. Almost all unions, the Committee believes, today comply with the minimum controls set forth in the recommendation of the Secretary-Treasurers. Many, indeed, have much stricter controls. The minimum controls suggested by the Secretary-Treasurers, therefore, should not be regarded as an optimum. Unions are to be commended and encouraged to establish and maintain even more stringent accounting and financial controls.

In addition to accounting and financial procedures necessary to conform to the controls applicable generally to well-run business organizations and fiduciaries, the Committee believes that certain other rules follow from the basic principles set forth above. Because a union is a

union, not a business organization or a trust company, the rules which guide its use and investment of funds are necessarily different. For example, investments by business organizations in other businesses from which they buy or sell, so that the investing business may get favored treatment in its sales or purchases, may be an acceptable business practice; similar investment by a labor union in business enterprises with which it bargains collectively presents serious problems. Such investment is not good practice for a union.

The fact that the basic objective in the management of trade union funds is not the maximizing of profit, but to further the objectives of the members' joining together in a union leads to additional conclusions.

A business organization has one function: to make money for its stockholders. A fiduciary's primary obligation is to preserve and, within limits defined by the necessity for safety, to augment the funds which the trustee is charged with holding for the benefit of the beneficiaries.

Since these are not a union's primary functions, a union's investment policy may properly be governed by different considerations. For example, business institutions and corporate trustees might question today the propriety of investing all of their reserves in government bonds because of their comparatively low yield. Yet, for a trade union, one of whose fundamental objects is "to protect and strengthen our democratic institutions," such an investment policy is to be commended. Similarly, since another object of a trade union is to aid and assist other unions and "to promote the organization of the unorganized into unions of their own choosing" loans and grants for mutual aid and assistance are part of the proud tradition of the labor movement even though foreign to the business community and not justified by any considerations of financial gain or even security.

Similarly, the business community may not regard it to be a bad business practice for a

business enterprise to buy or sell from firms in which the officers of the business have a financial interest. Nor may the business community regard it as bad practice for a business organization to lend money, on adequate security, to members of the organization. Because the funds of a labor union are both held in trust for the benefit of its members and are held to further legitimate trade union purposes, practices which may be acceptable in business organizations, the Committee believes, should be limited if not completely eliminated among labor organizations.

All of these considerations lead to this ultimate conclusion. With respect to accounting and financial controls and the expenditure of its funds for proprietary (housekeeping) functions the labor movement, it goes almost without saying, should follow the strictest rules applicable to all well-run institutions. With respect to the policies governing its financial and proprietary decisions, a higher obligation rests upon the trade union movement: to conduct its affairs and to expend and invest its funds, not for profit, but for the benefit of its membership and the great purposes for which they have joined together in the fraternity of the labor movement.

On the basis of these considerations the Committee on Ethical Practices, under the authority vested in it by the Constitution of the AFL-CIO and pursuant to the mandate of the First Constitutional Convention of the AFL-CIO and of the Executive Council, recommends that the Executive Council of the AFL-CIO adopt the following policies to safeguard the good name of the AFL-CIO and its affiliated unions:

1. The AFL-CIO and all affiliated national and international unions should comply with the minimum accounting and financial controls suggested by the Committee of Secretary-Treasurers and approved by the Executive Council, which is annexed hereto.

2. The AFL-CIO and all affiliated national

and international unions should conduct their proprietary functions, including all contracts for purchase or sale or for the rendition of housekeeping services, in accordance with the practices of well-run institutions, including the securing of competitive bids for all major contracts.

3. Neither the AFL-CIO nor any national or international union affiliated with the AFL-CIO should permit any of its funds to be loaned, invested, or otherwise dealt with in a manner which inures to the personal profit or advantage of any officer, representative or employee of the union.

4. Neither the AFL-CIO nor any national or international union affiliated with the AFL-CIO should enter into any contracts of purchase or sale or for the rendition of services which will inure to or result in the personal profit or advantage, including gifts of more than nominal value, other than his regular salary or compensation, of any officer, representative or employee of the union.

5. Neither the AFL-CIO nor any national or international union affiliated with the AFL-CIO should invest in or make loans to any business enterprise with which it bargains collectively.

6. The provisions of paragraph 5 shall not be construed as prohibiting investment by unions in the publicly-traded securities of widely-held corporations which investment does not constitute a substantial enough holding to effect or influence the course of corporate decision; the provisions of paragraphs 3 and 4 shall not be construed as applying to the profit that may result from a proper investment by a union officer, representative or employee. Nor shall such provisions be construed as preventing investment in a business or enterprise in which an official of an affiliate is engaged by virtue of his office, provided (a) no substantial personal advantage is derived from the relationship, and (b) the business or enterprise is one in the management of which the affiliate participates

for the benefit of its members. The provisions of such paragraphs, however, shall apply wherever third persons are used as blinds or covers to conceal the personal profit or advantage of union officials.

7. Neither the AFL-CIO nor any national or international union affiliated with the AFL-CIO should make personal loans to its officers, representatives, employees, or members, or members of their families, for the purpose of financing the private business or investment of such persons.

8. Each national or international union affiliated with the AFL-CIO should promptly take whatever internal steps are needed to ensure that the standards set forth in this Code are made applicable to itself and each of its locals and other subordinate or affiliated bodies. Wherever constitutional amendments or changes in internal administrative procedures are necessary to fully comply with those standards, such amendments and changes should be undertaken by the affiliates at the earliest practicable opportunity.

Supplemental Code . .

MINIMUM ACCOUNTING & FINANCIAL CONTROLS

*(Drafted by Special Committee of Union
Secretary-Treasurers; Approved by
Executive Council,
May 22, 1957)*

A. Detailed and accurate records of accounts, in conformity with generally recognized and accepted principles of accounting, should be currently maintained by all affiliates of the AFL-CIO. These records should include, as a minimum need, a cash receipt record, a cash disbursements record, a general ledger, a dues or per capita tax record, an investment record, and a payroll record.

B. All receipts should be duly recorded and currently deposited. No disbursements of any

nature should be made from undeposited cash receipts.

C. All expenditures should be approved by proper authority under constitutional provision and be recorded and supported by vouchers, providing an adequate description of the nature and purpose of the expenditure sufficient for a reasonable audit by internal and independent auditors. Disbursements should be made only by check, with the exception of disbursements from petty cash, in which situation, an imprest petty cash fund should be established.

D. Salaries of elected officials should be established only by constitutional provision. Compensation to non-salaried elected officials, and to other officials, representatives and employees, if not fixed by constitutional provision, should be established and paid in strict conformity with such authority as is provided by the constitution and in accordance with its applicable provisions.

E. Reimbursement of expenses, including per diem expenses, should be made only where such expenses have been duly authorized and are supported in a manner that will permit a reasonable audit.

F. Every precaution should be taken to ensure the soundness and safety of investments and that investments are made only by persons duly authorized to act for and on behalf of the affiliate. Investments in securities should either be restricted to the type of securities which legally qualify for trust fund investments in the domicile state or a person or persons authorized to invest funds of an affiliate should, in making such investment, be required to exercise the judgment and care under the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering probable safety of their capital as well as probable income. No investment should be made by an affiliate in a busi-

ness or enterprise in which any officer of that affiliate has a direct or indirect personal financial interest of such a nature as to be affected by the affiliate's investment or withdrawal of investment. (This last stated provision is not to be construed as preventing investment in a business or enterprise in which an official of an affiliate is engaged by virtue of his office, provided (a) no substantial personal advantage is derived from the relationship, and (b) the business or enterprise is one in the management of which the affiliate participates for the benefit of its members.) Securities owned by the affiliate should be under dual officer control and held by a bank or a trust company as agent or if that is not feasible, such securities should be placed in a safety deposit vault. All investments and legal title to all assets of an affiliate should be in the name of the affiliate or its duly designated agent or trustee.

C. Periodic, but not less than semi-annual, detailed financial reports should be prepared in accordance with generally recognized and accepted standards of financial reporting. These reports should be prepared and submitted by the elected financial officer of the affiliate to the executive body of such affiliate for its study and such action as may be required.

H. A record of each meeting of the executive body of an affiliate should be made and maintained. These records should note all official actions taken by that body, in relation to accounting and financial matters.

I. Adequate fidelity bond coverage should be required by an affiliate for all officers, representatives and employees of that affiliate in positions of trust, including officers and employees of subordinate bodies of such affiliate.

J. Affiliates and their subordinate bodies should be subject to a system of internal audits made by auditors or by other competent persons in accordance with generally accepted standards of auditing so as to maintain current vigilance over all financial transactions.

K. At least annually, an audit of the accounts of each affiliate, except directly affiliated local unions of the AFL-CIO, should be made by independent certified public accountants. A summary of such audit approved by such independent certified public accountants should be made available to the membership of the affiliate and the public.

Each such affiliate should require, at least annually, that an audit be made of the accounts of its subordinate bodies by competent persons. A summary of such audit approved by such competent persons should be made available to the membership of such subordinate body.

An annual audit of the accounts of directly affiliated local unions should be made by authorized competent representatives of the AFL-CIO designated by the Secretary-Treasurer of the AFL-CIO. A summary of such audit, approved by such representative, shall be made available to the membership of such directly affiliated local unions.

L. All financial and accounting records of affiliates and their subordinate bodies, and all supporting vouchers and documents, or microfilm copies thereof, should be preserved for a period of time not less than that prescribed by applicable statutes of limitations.

M. Neither the AFL-CIO nor any national or international union affiliated with the AFL-CIO should make personal loans to its officers, representatives, employees, or members, or members of their families, for the purpose of financing the private business or investment of such persons.

N. No "kickbacks" or any other improper payments should be accepted or made, directly or indirectly, by any officer, representative or employee of an affiliate in connection with any financial transaction of such affiliate.

O. Affiliates should take every precaution necessary to insure their full compliance with all properly authorized and applicable requirements

of state or federal law pertaining to financial and accounting matters and to reporting.

P. In order to protect and safeguard the good name and reputation of the AFL-CIO and its affiliates, the financial and accounting controls set forth herein are made applicable to itself and each of the affiliates of the AFL-CIO and their subordinate bodies and to all their funds of whatever nature.

Q. Where constitutional amendments or changes in internal administrative procedure are necessary to a full compliance with the standards set forth herein, such amendments and changes should be undertaken by affiliates at the earliest practicable opportunity.

Ethical Practices Code VI - -

UNION DEMOCRATIC PROCESSES

*(Approved by the AFL-CIO Executive
Council, May 23, 1957)*

This is the sixth in a series of recommended codes developed by the AFL-CIO Committee on Ethical Practices. The prior codes have dealt, primarily, with the questions related to corruption and conflicts of interest. The present code has been developed by the Committee pursuant to the mandate contained in Article II, Sections 10 and 11, of the Constitution of the AFL-CIO which sets forth the basic objectives of the Federation to protect the labor movement not only from corrupt influences and communist agencies but also from "all others who are opposed to the basic principles of our democracy and free and democratic unionism," and "to safeguard the democratic character of the labor movement."

These constitutional provisions of the AFL-CIO give effect to the democratic tradition upon which the entire labor movement is based. Freedom and democracy are the essential attributes of our movement. Labor organizations lacking

these attributes, like Hitler's Labor Front, Franco's syndicates, and Moscow's captive unions, are unions in name only. Authoritarian control, whether from within the labor movement or imposed from without by government, is contrary to the spirit, the tradition and the principles which should always guide and govern our movement.

We are proud of our record. Just as the Constitution of the AFL-CIO proclaims its dedication to the concepts of freedom and democracy and contains machinery for their implementation in the Federation's operations, so also do the constitutions of its affiliates. Almost without exception, they provide for the basic elements of union democracy: the right of full and equal participation by each member in the affairs and processes of union self-government, in accordance with the principles of representative democracy, and the necessity for protecting the rights of individual members.

The record of union democracy, like the record of our nation's democracy, is not perfect. A few unions do not adequately, in their constitutions, provide for these basic elements of democratic practice. A few unions do not practice or implement the principles set forth in their constitutions. Finally, while the overwhelming majority of American unions both preach and practice the principles of democracy, in all too many instances the membership by apathy and indifference have forfeited their rights of union citizenship.

The provisions of the Taft-Hartley Act have substantially frustrated previously successful efforts by unions to ensure maximum attendance and participation by the membership in union meetings and affairs. The real corrective in this area is not so much the establishment of new principles as the exercise of rights presently recognized and accorded. Just as eternal vigilance is the price of liberty, so is the constant exercise of the rights of union citizenship the price of union democracy.

It is valuable, nevertheless, to restate the principles which should govern all free and democratic unions and to rededicate the labor movement to the preservation of these principles.

The Committee on Ethical Practices has attempted to formulate in the following code the basic and elementary principles which any affiliated union should achieve if it is to comply with the basic principles and objects of the AFL-CIO Constitution. Necessarily, since each union has grown up in its own tradition and with its own background, forms and procedures may differ widely. Unions should be free to determine their own governmental structure and to regulate their own affairs. But, whatever the form, the basic democratic rights set forth in the code should be guaranteed.

1. Each member of a union should have the right to full and free participation in union self-government. This should include the right (a) to vote periodically for his local and national officers, either directly by referendum vote or through delegate bodies, (b) to honest elections, (c) to stand for and to hold office, subject only to fair qualifications uniformly imposed, (d) to voice his views as to the method in which the union's affairs should be conducted.

2. Each member of a union should have the right to fair treatment in the application of union rules and law. The general principle applicable to union disciplinary procedures is that such procedures should contain all the elements of fair play. No particular formality is required. No lawyers need be used. The essential requirements of due process, however—notice, hearing, and judgment on the basis of the evidence—should be observed. A method of appeal to a higher body should be provided to ensure that judgment at the local level is not the result of prejudice or bias.

3. Each member of a union has the responsibility (a) fully to exercise his rights of union citizenship and (b) loyally to support his union. The right of an individual member to criticize

the policies and personalities of his union officers does not include the right to undermine the union as an institution, to advocate dual unionism, to destroy or weaken the union as a collective bargaining agency, or to carry on slander and libel.

4. To safeguard the rights of the individual members and to safeguard its democratic character, the AFL-CIO and each affiliated national or international union should hold regular conventions at stated intervals, which should be not more than four years. The convention should be the supreme governing body of the union.

5. Officers of the AFL-CIO and of each affiliated national or international union should be elected, either by referendum vote or by the vote of delegate bodies. Whichever method is used, election should be free, fair and honest and adequate internal safeguards should be provided to ensure the achievement of that objective.

6. All general conventions of the AFL-CIO and of affiliated national or international unions should be open to the public, except for necessary executive sessions. Convention proceedings or an accurate summary thereof should be published and be available to the membership.

7. The appropriate officials of the union and such bodies which are given authority to govern a union's affairs between conventions should be elected, whether from the membership at large or by appropriate divisions, either by referendum vote or by the vote of delegate bodies. Such bodies shall abide by and enforce the provisions of the union's constitution and carry out the decisions of the convention.

8. Membership meetings of local unions should be held periodically with proper notice of time and place.

9. Elections of local union officers should be democratic, conducted either by referendum or by vote of a delegate body which is itself elected by referendum or at union meetings.

10. The term of office of all union officials should be stated in the organization's constitution or by-laws and should be for a reasonable period, not to exceed four years.

11. To ensure democratic, responsible, and honest administration of its locals and other subordinate bodies, the AFL-CIO and affiliated national and international unions should have the power to institute disciplinary and corrective proceedings with respect to local unions and other subordinate bodies, including the power to establish trusteeships where necessary. Such powers should be exercised sparingly and only in accordance with the provisions of the union's constitution, and autonomy should be restored promptly upon correction of the abuses requiring trusteeship.

12. Where constitutional amendments or changes in internal administrative procedures are necessary to comply with the standards herein set forth such amendments and changes should be undertaken at the earliest practicable time.