UNISON

Worker Capital & Capital Stewardship

In the UK
Worker Capital: Brendan Barber TUC

“In formal terms, British capitalism has given workers ownership of the means of production.”

“…the largest domestic owners of UK shares are pension funds and insurance companies who now hold about 18 per cent and 21 per cent of equities respectively – or two out of every five UK shares.

“But they hold these shares on behalf of workers contributing to pension schemes and insurance policies.

“Working people are now the ultimate owners of most blue-chip firms in the UK.

Brendan Barber, General Secretary TUC Observer, 22/12/02
### Historical Growth in Assets in Employer Based Pension funds £bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Growth</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>5.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1975</td>
<td>16.6</td>
<td>11.3</td>
<td>68</td>
</tr>
<tr>
<td>1985</td>
<td>170.9</td>
<td>154.3</td>
<td>90</td>
</tr>
<tr>
<td>1995</td>
<td>513.0</td>
<td>342.1</td>
<td>66</td>
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<tr>
<td>2005</td>
<td>970.3</td>
<td>457.3</td>
<td>47</td>
</tr>
<tr>
<td>2015</td>
<td>1232.2</td>
<td>262.0</td>
<td>27</td>
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</tbody>
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The years ’75–’85 witnessed the highest trade union density in the history of the UK. Trade Unions today have influence over £350bn roughly one third. 2015 figures are an estimate based upon historical trends.
UNISON Pension Schemes and Value

- Local Government Pension Scheme – England/Northern Ireland/Scotland and Wales – c £130bn
- Water companies – 20 funds £3bn
- Energy companies (15) - £10bn
- Higher Education – £30bn (incl USSC)
- Community and voluntary sector - £3bn
- Private companies running public services - £??
- Total estimated £180bn

These are estimated figures of the pension scheme values of UNISON members. Coverage of UNISON representation on the schemes is low.
“Pension plan flaws often occur because plan members tend to have little or no representation in the governance of funds. Worse, secrecy makes it difficult for citizen investors to monitor what is being done in their name”.

(David Pitt-Watson, The New Capitalists – 2006)
How our money is invested - “The Governance Chain”

- Worker's savings
- Have money invested in
- Pension Funds
  - Who appoint
  - Fund Managers
    - Who buy shares, giving them the right to appoint
    - Board of Directors
      - Who oversee the operations of
      - Companies
        - Which employs
        - Workers

- Or invest directly with
- Financial Advisers
- 'Sell-side' Brokers
- Pension Fund Advisers and Actuaries
- Accountants
- Company Brokers
- Trade Unions
- Voting Agencies
- Investment Banks
- Financial Advisers
Ownership of UK Quoted Companies c 1961
Ownership of companies c 2006 the rise of the new capitalists!
Capital Stewardship Over the Individual Company

UNISON

As Employees: Collective Bargaining

Government

As Citizens: Employment Law

LGPS

As Minority “owner” Shareholder activism

Institutions

TUC/ICTU

ABI/Charities

Partner other “owners” Board control

Capita
UNISON Policy and Programme

• Collaborate with other trade unions, national centres and international bodies as well as other organisations to further the interests of UNISON member’s pension schemes.

• Policy development regarding fiscal and other economic measures necessary for investment in order to improve fund values and provide social and environmental benefits for all

• To recruit UNISON representatives on occupational and funded pension schemes. In order to advance and protect the fund investments and improve the governance of the schemes.

• Train, advise and support representatives in investment strategy.

• Train, advise and support representatives in their corporate, social and environmental engagement with fund managers, companies and government.

• Develop a democratic infrastructure for UNISON trustees to decide policies

• Develop communication, consultation and technical resources for trustees and activists
Role of National Union

- Provide campaign advice and materials
- Training (regional and national)
- Research support
- Web community -- Officers, MNRs and accredited activists
- Seminars – on key organising issues
- Corporate governance campaigns
  - Responsible Contractor
  - Labour standards
  - Young capital stewards
  - Corporate target development
Background Legislation

- 2004 Pensions Act introduces statutory right to Member Nominated Trustees (MNT)
- In the private sector, by 31 Oct 2007, all schemes must ensure one-third of trustees are MNT’s
- In the private sector, by 2009, scheme members will be entitled to 50% if government agrees to release provision
- We estimate the total number of new MNTs who must be found by 2009 will be in excess of 3,000 just for larger schemes, and in excess of 10,000 for smaller schemes
- The government, through its adoption of the Myners Report, is encouraging trustee training and broader consultation with contributors over fund investment decisions – at least 1 MNT to be investment expert
- New UN and trustee law interpretation indicates that fiduciary duty not only permits, but also requires trustee scrutiny of, and engagement with, companies in which stock is held over matters of their corporate, social and environmental activity
- UNISON legal challenge – greater governance for the LGPS?
UK Unions

- TUC -- has various courses, including pension champions, offers "study online" national Annual trustee conference. email newsletter to 1000 trustees and activists -- but programme appears to have stalled
- UNISON – has developed training programme, established national forum. Web resources in place and mailing list to 750 activists planned shortly. Developed conference policy Motions 31 (05) and 101 (07)
- CWU -- does not appear to hold courses or organise trustees (though is represented on BT and other major funds)
- UNITE -- holds 7 courses pa, max 16 attendees per course. No literature regarding any national organisation or support. Just appointed officers for capital stewardship programme
- (T&G prior to merger)-- Has participated in shareholder engagement for labour standards in employers. From Web site it is not clear what trustee training is conducted
- GMB -- In 2005 had 150 MNTs on email list. States that union represents members on 1500 pension schemes USDAW -- currently campaigning for MNT volunteers. Conducted exercise in 2005 to update trustee database
- UCU -- Has representation on USS, which is proactive on shareholder engagement
- PCS -- has some trustee-based schemes, and offers advice
- Prospect -- estimates it has members in 100 private schemes, publishes a pensions news bulletin, and states offers training
- RMT -- maintains database of trustees, circulates pensions-related news. Apparently no training or organisational activity
UNISON Builds Multi-Union Web Community

Environmental and Social Governance (ESG)

Engagement, Environment, Socially Responsible, Corporate Governance, Company, UN, SRI,

Area in development

All documents in ESG folder....

Try these searches of text in site pages (but not attachments)

Engagement
Corporate Governance
Social Governance
Environmental Governance

Or use Advanced Search to look for text *inside* all documents, including attachments
Content management system – communication tool

- A central location for relevant documentation for all trustees (fiduciary duty, regulation, asset allocation, over 1,000 documents in Library so far
- A resource for union officers responsible for research and analysis
- Ability to manage member attributes and bulk mail from a single data source
- Support for campaigns – driving centre
- Ability to partner other trade unions and sympathetic organisations
- Ability to permit accredited members to communicate by maillist (groups all members of single union, all trustees of single union -- [also union managers-only]
- Development of additional tools -- e.g. polling and survey
- Consultation tool for scheme members
- Videos
- On-line training
- Using Plone – Open Source Software
- Capitalstewards.org
Beyond Capital Stewardship?

Trades unions find themselves, if they wish to take up the challenge, in a uniquely central and influential position. They represent workers as employees, they often represent workers as investors.

They have broad social and international ambitions to end poverty and improve living standards. No other body in the economy has such an extensive remit.

Will it be possible to co-ordinate investment so wisely that society can ensure three outcomes simultaneously – improved pay and conditions, improved profits (yes, for retirement income of our fellow workers) and improved living conditions for fellow workers around the world who work for the multinationals we own?

This can only be done if the purchasing power of the wage, dividend and tax elements all increase in real terms. The total cake of real sustainable wealth must be grown – just dividing it differently merely favours one group over another.