Solidarity Fund

Labour-sponsored Solidarity Funds in Quebec are generating jobs

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Introduction

The *Quebec Federation of Labour Solidarity Fund* has become a major element in the economic development of the Canadian province. A voluntary pension scheme with over 550,000 shareholders and assets of approximately \$4.6 billion Canadian dollars, the Fund holds equity in some 1,900 small and medium-sized enterprises that have created nearly 100,000 jobs over the last couple of years. The success of the Fund is founded upon twin objectives. Its main goal is profit, yet the Fund promotes workers' rights and training and development for employees. It was the vision of Louis Laberge and other Quebec labour movement activists saw the need for the creation of an alternative tool for economic development and social progress. Over the last twenty years the Fund has lived up to its pioneering role as a unique labour-sponsored investment fund laying the foundation for a new type of economic development based upon human capital. Fernand Daoust, former president of the administrative council of the Fund and now special counsellor to the president, explains the vision of the unique organisation.

Background and Social Logic to the Fund

Montreal – The Solidarity Fund is a financial innovation in North America, and is one of few similar institutions in the world (See <u>Labour-sponsored investment funds</u>). Created in 1983 by the Quebec Federation of Labour, the Fund was born into a period of deep recession in Quebec and Canada. "Full employment was a highly attractive prospect at the time," affirms Daoust. New ideas were needed, and the Quebec Federation of Labour had a solution: A new investment fund sponsored by workers themselves and with attractive tax rates for investors.

From the start, realities had to be tackled. "Firstly, there has to be a starting point, a trade union open to such a project. Secondly, you need the will of the authorities and the government. Thirdly, it is critical that those in control of business and finance—those who, to a certain extent, hold the reins of the country's economy—do not kill off the idea before it has hatched." In the end, despite scepticism, the Fund received support of all the actors involved.

The Fund seeks profitability, but it is considered first and foremost a "capital for development" fund, financial output representing only one part of the equation. The Fund's philosophy is founded upon a social logic which promotes the creation and

maintenance of jobs. "Our end goal is, without any doubt, profitability, but beyond profitability, we seek the economic development of Quebec."

In 2003, the Solidarity Fund had over half a million shareholders. From active assets of \$4.6 billion Canadian dollars: \$2.6 billion were invested in 2,104 companies, to create, maintain or safeguard over 90,000 jobs in Quebec. Although the Fund had initially been blamed for investing in controversial companies, it is today respected as a financial institution which benefits not only the shareholders and companies in which the Fund invests, but also the population of Quebec and Canada as a whole.

Solidarity Fund Details	1985	1993	2003
Number of Shareholders	5,094	193,039	550,119
Number of Partner Companies	4	214	2,104
Net Assets of the Fund	\$14,306,000	\$797,116,000	\$4,620,181,000

Source: Annual Report 2003, Solidarity Funds QFL, p3. (All funds in Canadian \$)

Guiding principles of the Fund

The Solidarity Fund has four guiding principles:

- *to invest* in suitable companies and provide them with services to create, maintain and safeguard jobs;
- *to support* the training of workers to allow them to increase their influence on the economic development of Quebec;
- to stimulate Quebec's economy through strategic investments; and
- *to foster awareness* and encourage workers to save for their retirement and contribute to the development of the economy by purchasing Fund shares.

As a result, workers have a role beyond the execution of tasks. They gain an insight into the operation of their company and its internal mechanisms, not only in terms of the microeconomics of the enterprise, but also of the workplace, the region and Quebec.

Beyond the four initial guiding principles, the Solidarity Fund knew it had to develop other characteristics over its 20 year history – the reason for its success today. The *Responsables Locaux* (Local Representatives) hold great pride in the Fund. "Voluntary workers are in charge of enrolling new members in their own workplaces. They play an important part because they work directly on the ground, at the centre of the companies. It's these (Responsables Locaux) who form the spine of the Solidarity Fund. Under the Fund, over 2,240 volunteers have received training, attended courses, taken part in all the public actions of the Fund (i.e. meetings) and have become, in their work environment, the experts, the people who have a good knowledge of the operation of the Fund."

The Fund does not make any investment in any company until it has a "social assessment" of working practices there. "It requires a meticulous examination of the operation of the enterprise with regard to: its employees, its style of management, the employees' profile, the working conditions, the working relationships, the production, competition and respect for the principal policies of the Federation of Labour, in particular as regards health and safety at work, and environmental laws."

Moreover, focusing much of their work on small and medium-sized enterprises, the Fund set up regional structures which are – with the *Responsables Locaux* and the social assessment – at the front line of operations. The Solidarity Fund has 17 regional Funds, which can invest between \$50,000 to \$2 million Canadian dollars; 86 local investment companies, which have the right to invest between \$5,000 and \$50,000 Canadian dollars; and 43 specialised funds (agro-business, technologies, etc.) The table below provides some highlights from the 2003 Annual Report.

Years	1999	2000	2001	2002	2003		
Number of Jobs Created, Maintained or Preserved by the Fund and its Partners							
Jobs	78,525	90,919	93,026	96,641	91,694		
Number of Partner Companies							
Companies	1,404	1,617	1,829	2,112	2,104		
Fair Value of Investment Impacting on the Quebec Economy [in Millions of Canadian dollars]							
Canadian \$	\$2,235	\$2,571	\$2,878.8	\$2,768.6	\$2,633.5		
Rate of Return of the Fund [in percentage]							
Percentages	4.4	8.6	2.6	(11.4)	6.9		
10 year average annual return 3.6 percent							
Shareholder Contributions [in millions of Canadian dollars]							
Canadian \$	\$480.8	\$592.5	\$782	\$869.9	\$724.7		

Source: Annual Report 2003, Solidarity Funds QFL, p9. (All funds in Canadian \$)

The success of the Solidarity Fund is not limited to Quebec. Currently, it directs two projects on the African continent. "One is in Senegal and the other in Algeria. In the case of Senegal, it is due to be set up in the next few months. Protocols have been signed by our partners. It's extraordinary, in both Senegal and Algeria. The process we stared two years ago is soon to come into action."

By acting with transparency, the Solidarity Fund proposes a new way of managing a sector of the economy, by founding a "participative economy" where all members are important actors.

Further Information

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