



PENSIONS AT  
WORK



DES RÉGIMES DE RETRAITE QUI  
TRAVAILLENT  
POUR NOUS

# Labour and socially responsible investment

Presentation to the Canadian Social Investment Conference  
2005

Dr. Isla Carmichael



## Presentation overview

- Pensions at Work – the project
- objectives of Pensions at Work
- the link between labour and SRI
- labour and pension funds
- labour perspective on pension fund investment



## Pensions at Work – the project

- SSHRC/INE alliance project on social investment strategies for pension capital
- alliance of the trade union movement and nine universities in Canada, the US and the UK
- three year program of research and education
- partners are the Canadian Labour Congress and all its affiliates



## Objectives of Pensions at Work

- to research the impact of socially responsible investment of pension funds in Canada and internationally
- to research the obstacles to socially responsible investment by pension funds
- to develop and research the impact on union-appointed trustees of pension funds of an educational program on socially responsible investment.

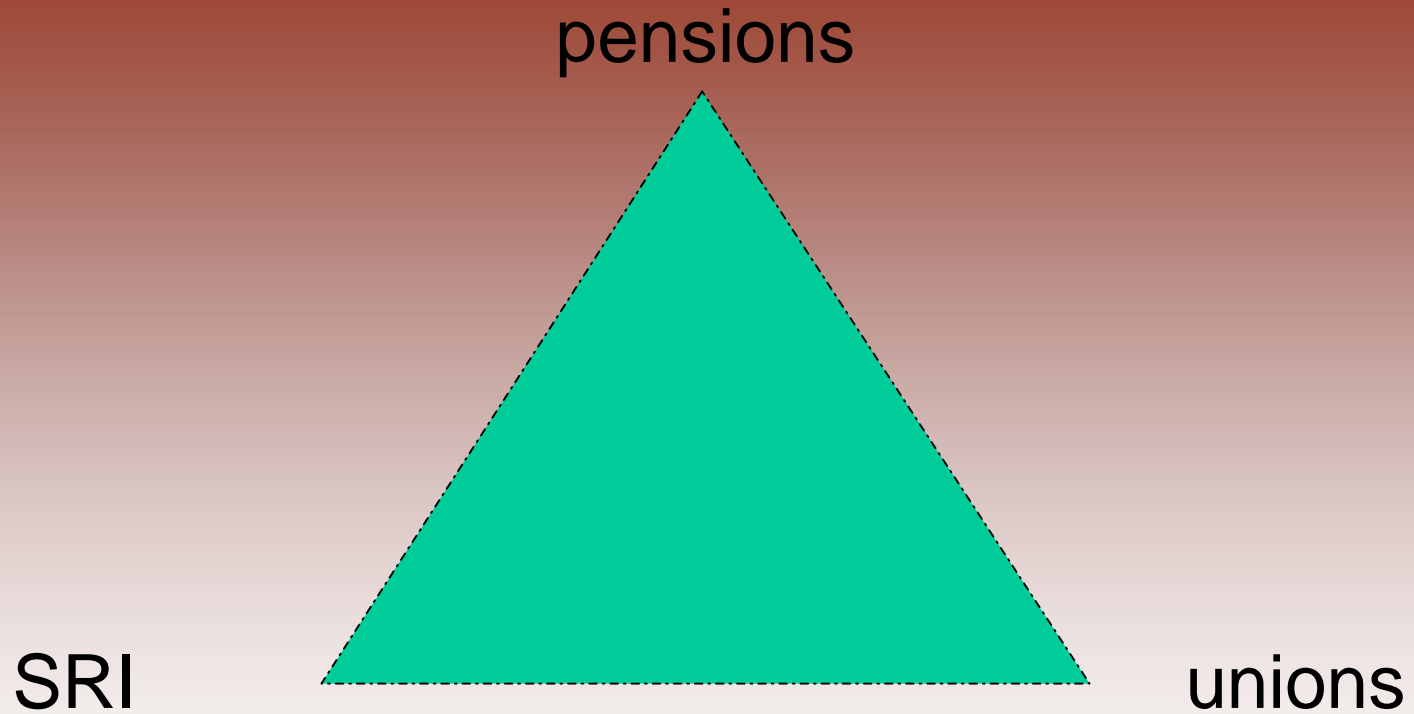


## Pensions at work sub-projects

<b>O1: Impact of Socially Responsible Investment</b>	<b>O2: Obstacles to Socially Responsible Investment</b>	<b>O3: Research &amp; Development for Trustee Education on SRI</b>
Pr.1: Corporate Engagement Pr.2: Social Accounting Pr.3: Economically Targeted Investments Pr.4: Social Screens Pr 10: Gender and pensions	Pr.5: Legal Constraints for SRI Pr.6: Role Conflict of Trustees	Pr.7: Trustee Education Program Pr.8: Evaluation of Trustee Education Program Pr.9: Trustee Online Community



# Linking two movements





## Linking labour and SRI

- labour policies since the 1990s on SRI
- strive for non-financial as well as financial returns
- assumption from the 60s that pension capital could be used in the broader public interest
- exploding myths on the interests of labour as well as the SRI movement
- appreciate the power of pension capital – SRI goes beyond personal or subjective choice
- labour's interest in high-road investment practice reflects concern for labour standards, the quality of goods/services, the environment, and community development



## Labour and pension funds

- \$640 billion of pension capital in Canada
- constitutes workers' deferred wages
- one leg of the three-legged social security system
- trend among public sector unions toward joint control of pension funds
- trade union movement policies on control of pension funds
- concern about the prudence of employers in sole trustee company plans
- governance diversity
- international labour activism



# A labour perspective on pension fund investment

- governance of pension funds
- create good rather than bad jobs
- encourage responsible corporate behaviour and innovation
- community versus shareholder interest
- preserve public services, prevent privatization and invest in urban infrastructure
- more effective accounting of non-financial returns



## Labour representation on pension boards

- growing trend of joint trusteeship
- trustees still receive poor support from their unions
- concern about administration and employer conflict of interest
- concern about funding liabilities of plans
- interest in SRI
- still some controversy in the labour movement



## Good versus bad jobs

- stagnation of real wages
- trend towards precarious work
- the wage gap
- less social protection i.e. DB plans
- shrinking public sector
- maintaining the union premium



## Shareholder versus public interest

- holding corporations accountable for their behaviour through proxy voting
- holding corporations accountable for their *pension* behaviour by seeking amendments to laws governing the priority of employees as creditors
- investing in corporations that are good employers maintains good returns



## Privatization and P3s

- P3s reduce public accountability and incur higher government debt
- invariably involve contracting-out of union jobs and loss of public ownership without effective transfer of risk
- many alternative vehicles for pension financing of infrastructure i.e. bonds, crown corporations, government fund development etc



## Finally, social accounting

- measuring the financial value of social and environmental returns
- pursuing prudent investment strategies where two investments are of equal financial value
- accounting for a broader community interest



# conclusion