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New jobs for a new economy

by ABE UNGER

Jobs creation is the central issue of our time. Median household net worth is stuck where it was 20 years ago. If most Americans continue to fall behind in keeping up with the cost of living, we can expect an increasingly frustrated and partisan country. No side of the political divide has yet figured out how to solve the jobs creation problem, but there is a solution right beneath our noses. It is called “impact investing,” and it has the chance, in our post-industrial nation, to create jobs that pay and have meaning.

Impact investing moves capital into companies that have a social purpose, such as affordable housing, while promising a return. The most basic criteria for this kind of justice-driven investing relies on a threshold called “ESG criteria,” focusing on companies that maintain socially responsible environmental, social and corporate governance standards. ESG criteria now constitute $12 trillion of professionally managed assets, an increase of 38 percent since 2016. One in every four American investment dollars is spent on this kind of socially conscious investment.

So far, impact investing largely has been looked at from a top-down managerial perspective. It has been justified as a way to offer returns to affluent clients, such as institutions and families, while supporting social equity. But impact investing is much more than a values-driven way to manage assets. It is an engine of jobs growth. And not only does it produce more jobs in quantity, impact investing produces more jobs of quality.

A little-known study, written by four Serbian economists in 2016, tracked six impact investments over the course of six years. These scholars found that impact investments generated up to 15 percent of new jobs per year in their country. Traditional companies lost 14 percent of jobs per year during this period, in line with the rate of Serbian general unemployment.

While we have no resource providing data as unequivocally as the Serbian paper, an American study has found that common forms of impact investing — such as labor-intensive projects like housing construction and financing of smaller companies that might have a hard time accessing traditional forms of capital — indeed creates jobs, especially in low- and moderate-income communities.

Jobs in companies that meet ESG criteria also measure up to basic standards of quality employment, including health care benefits and a living wage that engenders a feeling of security among employees. This is a far cry from the kinds of low-paying jobs without benefits that so many middle-class Americans are compelled to take just to keep up month-to-month.

Impact investment vehicles also bring together organizations from diverse sectors. Major nonprofit institutions, such as the Surdna Foundation, increasingly are devoting their philanthropic resources to this kind of capital allocation. Government, too, is involved. It is supporting these kinds of publicly meaningful investments, such as the U.S. Treasury's CDFI Fund, which offers bond guarantees to community development finance institutions.

Another way CDFIs function is to offer tax credits to impact investment in affordable housing. Private equity funds are looking for social change opportunities, and unions are placing funds in impact investments as a way to continue their historic concern with meaningful employment and services for the American worker in the aftermath of the loss of much of American manufacturing.

Impact investing is leveraging strategic relationships between wealth management, venture capital, government, nonprofits and labor, in a cooperative spirit of social and industrial entrepreneurship never before seen. This confluence of cross-sectional ingenuity is inspiring creative public-private partnerships that result in new sorts of economic possibilities for working Americans. For example, in Philadelphia, Reinvestment Fund Inc., a nonprofit that makes community development loans, issued municipal bonds for $50 million to make loans for schools, grocery stores, health centers and real estate in poor communities. This kind of financial inventiveness is opening up a broader range of employment opportunities in disadvantaged neighborhoods.

Americans need to face our present. The heady days of a robust American manufacturing economy are gone. But our values still remain those of aspiration towards a better life, and perhaps, because of our recent economic and social tensions, have been distilled more clearly into a package of expectations that the kinds of companies we generate should contribute towards something more profound than a financial bottom line.

The investments we make cannot be separated from our social sensibilities. The way our capital is spent is not an agnostic act, separate from our values. It is an organic extension of how we think of "the good life." Quality jobs are created when we feel good about our society and how we invest in it. The industrial revolution once was considered a positive step forward for a struggling rural population. It was something Americans thought was more than only materially comfortable; it was technological progress.

Now, impact investing is creating jobs because it, too, is a socioeconomic development we feel good about — and faith in our shared economic potential is half the battle. The other half is to grow this sector even more because, right now, it is where the quality jobs are.

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