

Private Equity Job Quality Initiative

Key Initiatives and Insights

Initiatives for Improving Job Quality



Employee Ownership

Empowering employees to build wealth, shared accountability, and ownership influence over company decision-making through the creation of ESOPs (Employee Stock Ownership Plans) or other flexible stock options.



Total Rewards

Partnering with portfolio company leadership and brokering agreements with providers to support comprehensive compensation and benefits packages with transparent and equitable pay models, health care coverage, flexible scheduling, paid leave, and other resources.



Worker Voice

Empowering workers to experience autonomy in the company's operations and increased responsibility in their individual roles by creating supportive environments where they feel safe offering suggestions and are encouraged to share ideas or help co-create solutions to complex workplace challenges.



Pathways to Advancement

Implementing low to no-cost skills training initiatives such as career pathways that support worker advancement and economic mobility within a company or across an industry.

Keys to Success: Buy-In and Adoption



Buy-in expands when job quality is a core tenet of a company's value creation strategy.

Prioritizing policies and practices designed to improve jobs generates firm-level buy-in and appeals to general partners and limited partners by directly connecting responsible talent practices to returns the investments generates.

Communication campaigns and strategic initiatives shouldn't be one-size-fits-all.

Key messaging focused on promoting job quality practices should be tailored to the unique priorities of the various stakeholders engaged across the entire investment life cycle.

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C-suite commitment is essential.

The full support of a company's executive leadership team ensures that people-focused values are prioritized alongside operational values across a company's culture and foundational ways of working.

Frameworks, values, and principles are important, but rigid definitions are not.

Using a standard but adaptable set of guideposts to drive efforts makes it easier for leaders of portfolio companies to co-create goals and approaches alongside private equity professionals.

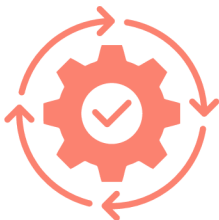
Establishing worker voice channels pays off.

When employees have opportunities to share feedback and suggest solutions to challenges, they can gain a stronger sense of ownership in the company's success, and they may offer qualitative insights that put statistical data into a more human context.

Language and attitudes can make or break a quality jobs initiative.

All stakeholders should remain cognizant of the language they use and the opinions they convey when they talk about the need to improve job quality. They should choose their words carefully, so they don't sound as though they're blaming or casting judgment on others, which could make them appear elitist and sow division between PE firms, companies, and workers.

Keys to Success: Implementation and ROI



Embed job quality considerations into the conversation early.

Introducing the idea that job quality is key to value creation during the deal sourcing and due diligence stages of the investment life cycle helps establish priorities and expectations from the outset.

Use technology.

Tools such as HRBench staff analytics and engagement software or the UpMetrics impact measurement platform make it easier to collect, standardize, and analyze ROI indicators across multiple investments.

Take a flexible approach to meeting companies' needs.

While seeking opportunities for early wins to show that they're committed to helping portfolio companies succeed, PE firms must tailor their approaches to each company's unique circumstances, acknowledging that every organization faces its own industry-specific challenges and may have limited resources and expertise in areas such as IT and HR.

Use adaptable tools, templates, and playbooks.

It's important for PE firms to use resources that support efficient and consistent implementation of practices across portfolio companies while also allowing them to adjust their approaches as needed.

Don't forget the supply chain.

Extending job quality priorities and initiatives to partners in a company's supply chain magnifies impact and promotes broader regional economic development.

Engage local and national workforce partners.

Workforce development organizations can be valuable partners who can inform and support implementation of job quality initiatives.

Shared Challenges

Participating PE firms said the following factors impede their ability to effectively measure the impacts of their investments in job quality practices:

Outdated, siloed, or minimal HR operations.

Lack of sufficient HR expertise and resources makes it difficult for company leaders to implement policies and practices designed to improve job quality, share messaging about these policies and practices, or collect and analyze data illustrating the impact of job quality initiatives.

**Short hold periods.**

Job quality initiatives can take a significant amount of time to design and implement and years longer to generate returns, so private equity firms that sell portfolio companies within a short period of time after the initial investment have limited ability to demonstrate the financial impacts of those initiatives.

Lack of sophisticated data collection and analysis models.

Small and midsize businesses generally don't have the data frameworks or systems necessary to conclusively demonstrate that talent-focused value creation strategies achieve higher returns than cost-focused strategies.

Lack of consistency in the size of ownership stakes.

PE firms may have limited ability to implement new policies or promote cultural changes at portfolio companies in which they have smaller investments.

Capacity limitations at PE firms.

Despite public perception that PE firms have extensive resources, many may have limited data capacity, operating budgets, and access to capital, which curtails their ability to implement changes at their portfolio companies.

“How Might We...” Questions

Insights generated by the Community of Action and the Data Deep Dive revealed a set of questions that highlight key barriers and important next steps that might enable private equity to expand the adoption of practices that promote economic advancement for workers industrywide. These challenges are framed as “How might we...” statements to underscore the need for supportive partnership, collaborative design, and innovative thinking.



How might we **design a robust ROI data framework** capable of providing evidence that determines whether firms can generate higher returns by implementing job quality initiatives than they would see if they didn't implement them?



How might we **support the efforts of small and midsize businesses** and PE firms to acquire the data infrastructure and expertise needed to effectively measure impact and ROI?



How might we **expand access to capital, financing, or other resources** that make it easier for small and midsize businesses to cover the upfront costs of implementing job quality practices?



How might we **engage key stakeholders across the entire investment life cycle** in a way that promotes transparency, vision alignment, and collaborative design?