

A COMMUNITY FOR PROFESSIONALS IN PRIVATE CAPITAL

Private equity keeps focus on job growth

May 16, 2016 By [Steve Gelsi](#)

With election season ramping up this year, employment remains a major issue from Washington to Wall Street.

For its part, the private equity industry continues to work to repair its lingering image from the 2012 presidential campaign as destroyers of jobs.



In a move to recast itself, the industry's leading lobbying group, the Private Equity Growth Capital Council, in May renamed itself the **American Investment Council (AIC)**.

The label may be new, but employment, jobs and wages have always been major ingredients in the brew of private equity.

Like any other ecosystem, private equity supports many different types of practitioners and strategies. Sometimes this leads to cutting jobs where warranted. Others invest in growth situations that, if successful, will result in job creation.

It's trickier than ever. You may need capital to expand a company, but if it gets loaded up with too much debt it could end up shaving jobs just to make interest payments.

Jobs also loom large in the low cost of debt for GPs since the global financial crisis.

Users of leverage keep close watch on the **U.S. Federal Reserve** and whether it'll

finally raise rates beyond the paltry quarter-point hike last year. The junk bond markets went haywire in 2015 partially on jitters tied to higher interest rates. But then the **Federal Open Market Committee** signaled a more dovish stand on hikes this year and debt markets recovered.

The key metric behind all of this remains job growth. If it's sluggish, the Fed won't act as quickly on raising rates and debt markets will remain calm.

After a steady economic recovery dating back to 2009 or 2010, the U.S. worker is in a stronger employment position. For the week of April 9, for example, Americans filing for unemployment benefits dropped by 13,000 to 253,000, its lowest level since 1973. But the top line April new jobs report came in at 160,000, well below estimates and cool enough to keep the Fed from raising interest rates.

New Mountain Capital released its eighth annual social dashboard report that measured growth of 23,114 jobs at its portfolio companies to 60,517 as of February 22, from 37,403. The firm counted 10,994 new jobs through organic growth at the companies and 12,120 were added through acquisitions since the firm started keeping track in 2000. **Steven Klinsky**, CEO of New Mountain, said "properly executed" private equity amounts to a "socially positive pursuit," he said in a statement.

He's not alone in promoting healthy wages and strong employment in U.S. business. **Zeynep Ton**, an adjunct associate professor in the operations management group at MIT Sloan School of Management, focuses on similar themes and author of *The Good Jobs Strategy*. The book studies the success of **Costco**, **Mercadona**, **Trader Joe's** and **QuikTrip** to demonstrate how high investment in workers results in lower costs, higher profits and greater customer satisfaction, Ton said.

Voices such as Ton or Klinsky could get more attention as the industry works to emphasize its role in economic growth. Expect to hear more about job creation, retirement security, innovation and economic growth.

Photo: Eric Lipps, 52, waits in line to enter the NYCHires Job Fair in New York December 9, 2009. REUTERS/Shannon Stapleton

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