Marshaling Market Power Among Communities of Faith, Labor and Nonprofit Advocacy Groups


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ABSTRACT:

Christian communities are at the forefront of what people of conscience refer to as socially responsible investing (SRI). Church pension funds and church-related investment pools have influenced corporate behavior in the past on civil rights, equity and equality issues, foreign affairs such as opposing apartheid, and product quality and safety. This positive influence has come through three paths of consciousness: through using investment power to bring shareholder resolutions before corporate annual meetings, from ongoing discussions with company managers and directors, and by avoiding investments in companies making unsavory products or engaged in unapproved practices.

A potentially more powerful force for social justice resides with individual consumers and households whose consumption represents 70 percent of U.S. Gross Domestic Product (GDP). This market power, however, can only be unleashed when there is some coordinated effort to direct, or drive, socially responsible purchasing (SRP). Marshaling this market power into a force for societal good is possible. The Christian community should work with allied organizations within labor and nonprofit advocacy groups to broaden the base of this support to bring greater bang for the buck with selective purchasing.

This paper is an outgrowth of research on emerging SRP practices for the Minnesota 2020 think-tank and for partners in Minnesota’s Raise the Wage Coalition. It reviews social investing screens employed by SRI groups, how Jewish groups have kosher business directories in New York City and San Francisco, an ecumenical effort among faith organizations and social justice groups in critiquing restaurants on employment practices in Madison, Wis., and the coalition seeking to raise the minimum wage in Minnesota.
Part One: EXECUTIVE SUMMARY

A great, latent source of market power is standing by waiting to influence upstream and downstream corporate social behavior within both global and local markets. This underutilized market power will be unleashed when consumers cooperate to make “local” purchasing decisions impacting people’s lives in their communities and states. Such behavior sends signals that affect both demand and supply sides of their markets.

Following in the path of Socially Responsible Investing (SRI) groups, collaborative efforts at Socially Responsible Purchasing (SRP) are like two sides to a consumer’s coin. These efforts show both a sociologic face and an economic face. One face raises questions about what impacts the spent coin has on poverty, standards of living, quality of life, opportunities for upward mobility, workplaces, and the health and safety of the community. The other face shows these shared concerns are backed up by economic clout in the marketplace.

The logic behind socially responsible purchasing comes from generally accepted economic thought that points to 70 percent of national GDP relying on individual and household purchases – or consumption. Therein lies enormous economic clout for socially conscious purchasers. What’s more, economic boycotts against segregation 50 and 60 years ago in parts of the American South, international consumer actions and public policy sanctions against apartheid in South Africa 20 and 30 years ago, and occasional economic boycotts throughout the past half-century show this clout can change public policies and business practices.

This report will look at ways local groups of consumers might exert greater influence on corporate economic decisions with their purchases and stimulate public policy responses through advocacy by:

- Working together to gain greater information on corporate behavior and how products are made;
- Recognizing they have collective strength – or market power - to exert both “carrot and stick” inducements to change corporate behavior;
- Borrowing strategies from Socially Responsible Investing (SRI) fund managers but use consumers’ greater freedom to promote social justice issues and behavior.

To do this, it seems logical to propose that:

- Non-governmental entities form a coalition, or ad hoc organization, to jointly promote corporate and consumer socially responsible behavior. Ideally, participating members would include faith-based organizations, umbrella labor organizations, relevant nonprofits, community investment groups, other socially-conscious investment groups, and statewide and local organizations that can coalesce around hunger, employment, health, education, affordable housing, the environment and diverse social justice issues.
- A local coalition should share information and actively participate with corporate responsibility efforts such as the Interfaith Center on Corporate Responsibility (ICCR), Interfaith Worker Justice, and other national coordinating bodies with similar
objectives. Many of these latter organizations are organized among ethnic groups and other directly impacted people.

- The coalition should support successful social investing programs evolving from Social Responsibility Investing (SRI), a later-developed Environmental, Social and Governance (ESG) investing school of SRI, and two more recent schools of social investing: the separate “Environment” school with negative screens against polluting, and “input solutions investing” in companies seeking environmental and social problem solutions. (Fitzmaurice).

- Building out from SRI practices, the coalition should focus on Social Responsibility Purchasing (SRP) by using greater freedoms from fiduciary responsibility than afforded social investment fund managers.

A coalition of socially conscious groups could evaluate business behavior up and down the supply chain by holding business behavior accountable to “screens.” Such measuring tools are already in use by SRI fund managers and could be adapted by a local, metropolitan or statewide coalition to guide consumers towards socially responsible purchasing. Thus, a local coalition would have two operating objectives:

- **Short-term** – Unite consumers to put their purchases, and their hearts, into rewarding socially responsible business behavior, avoiding destructive business behavior, and understanding what their purchases mean to local, state, national and global economies and quality of life.

- **Long-term** – Collaborate with socially responsible organizations statewide and beyond to advocate for public policies leading to a more equitable and just society. This latter effort requires expanding the use of screens to examine often-conflicting behavior between announced corporate social responsibility efforts and less-transparent corporate support for harmful internal practices and public policies.

**Variants of social justice-themed screens**

This paper recommends expanding screens beyond ESG investment issues. Ideally, adapted and expanded screens would include the following social justice issues to guide individual, household and institutional purchasing decisions:

- Homelessness / affordable housing
- Workplace democracy
- Workplace health and safety
- Minimum wages reflecting living costs
- Gender equity/equality
- Support of other local stakeholders

Participants in the coalition would set their own priorities. It would be logical that priorities would reflect contemporary events in immediate communities. A good hypothetical starting point would be to address the worsening income inequality problems in America. A useful guide for such SRP programs would involve the comprehensive priority list of the Chicago-based but national Interfaith Worker Justice organization (Interfaith Worker Justice):
• **Ending Wage Theft.** Unknown millions of low-pay and other vulnerable people are victimized annually by underpayment or non-payment of wages.

• **Corporate Justice.** Large corporations use standardized poor working conditions, resisting collective bargaining and avoiding worker benefits.

• **Comprehensive Immigration Reform.** More than 11 million undocumented workers become victims of labor abuses, unable to protect their rights, and undermine rights of others. “Our goal is to reform America’s immigration system with a clear path to citizenship and strong worker protections.” - IWJ.

• **Raise the Minimum Wage.** IWJ wants a federal minimum wage that is a living wage, and indexed to inflation.

• **Paid Sick Days.** More than 80 percent of low-wage workers do not have sick day protection.

• **Health and Safety.** IWJ trains affiliates to work with outreach and organizing workers to improve health and safety problems in workplaces.

• **Unemployment.** IWJ explains: “All faith traditions affirm the dignity of work. … The jobs crisis is both a spiritual and a justice issue. Our goal is to put America back to work.”

• **Affirming the Right to Organize.** These rights are increasingly under attack. This also leads to growing inequality in America. IWJ explains it this way: “In other industrialized countries, CEOs are paid 10 to 25 times more than workers. In the U.S., CEO pay is 400 times the average worker’ wages. … Our goal is to protect the right of workers to stick together.”

Consumer complacency allows abusive behaviors that hold back workers and contribute to community poverty, hunger and homelessness. Our inaction even perpetuates and mandates poverty. People of faith and conscience, working with labor and community leaders, can break the cycle and move our communities, states and the nation forward towards a brighter future for all.

**Part Two: INTRODUCTION / OVERVIEW**

It appears Mickey Mouse, Snow White and more than 400 others at Walt Disney World in Florida will soon get full-time work. That also means they will qualify for health benefits under the Affordable Care Act (Palmeri).

Their change in employment status comes as Walt Disney Co. responds to changes coming under the ACA, or Obamacare, that go into effect in 2015. Elsewhere in Orlando, SeaWorld Entertainment Inc. will increase full-time employment, with benefits, while reducing hours offered to part-time work (ibid.) that allowed the company from paying benefits in the past.

Carrot and stick encouragement is driving the changes. Bloomberg News credits ACA mandates on large employers for changing the employment practices in Orlando. Companies are making similar decisions all across America – both good and bad – as America readies a health care plan.
That includes this researcher’s backyard, the land of Paul Bunyan and the above-average children at Lake Wobegone.

Meanwhile, different pressures are playing out halfway around the world in Bangladesh. A Reuters news report (Wohl) tells how Wal-Mart Stores Inc. is offering up to $50 million in low-interest loans to Bangladesh factory owners to make improvements in their properties.

Wal-Mart’s effort is part of a North American business consortium offering $100 million in loans to improve factory health and safety working conditions, including at the 280 Bangladesh factories that are Wal-Mart’s upstream suppliers.* It is a response to four horrid events in little more than a year – the collapse of a clothing factory in April that killed 1,129 workers, the factory fire that killed 112 people in late 2012, another deadly fire in May at a Dhaka clothing factory, and a more recent fire that took at least 10 lives in Gazipur (American Rights at Work).

Critics of multinational corporations may see this differently, but improvements at Bangladesh factories mark real progress in human terms. Have no doubt; humane gestures by North American and European downstream customers of Bangladeshi plants are responses to both external and internal pressures. Internally, company managers and directors react to questions and nudges from socially responsible investors. Externally, the companies’ managers and directors respond to pent-up fear of consumer backlashes to apparel made in sweatshops and unsafe workplaces.

Consumers and investors as partners

There have been successful product and company boycotts over the year and they were especially useful tools in fighting segregation and other civil rights abuses. More success in recent years has come when investors pool equity holdings to advocate for sustainable business practices, greater awareness of human rights, and more democratic governance (Davis Sekula). Even when social responsibility shareholder resolutions have failed at corporate annual meetings, introduction of these resolutions and discussions that follow have had positive influences on managements and boards of directors.

Academic researchers Renneboog, Ter Horst and Zhang found at least 23 different areas of interests in shaping screens to guide placement of investments in U.S. “ethical” mutual funds (Renneboog). Within these categories, 18 sets employed negative screens to identify companies to avoid. Reflecting growth in later evolving investment strategies (Fitzmaurice), Renneboog and colleagues found 11 areas of mutual funds investing that employed positive screens to reward company behavior.

Five years ago, at the time of their research, 64 percent of U.S. socially-screened mutual funds employed more than five screens while 18 percent were more narrowly focused and used only one screen.
<table>
<thead>
<tr>
<th>Screens</th>
<th>Definition</th>
<th>Positive or Negative Screen</th>
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<tbody>
<tr>
<td>Alcohol</td>
<td>Avoid producers, marketers</td>
<td>Negative</td>
</tr>
<tr>
<td>Gambling</td>
<td>Avoid casinos &amp; equipment makers</td>
<td>Negative</td>
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<tr>
<td>Tobacco</td>
<td>Avoid manufacturers</td>
<td>Negative</td>
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<tr>
<td>Defense/Weapons</td>
<td>Avoid weapons producers</td>
<td>Negative</td>
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<tr>
<td>Irresponsible Foreign Ops</td>
<td>Avoid firms operating in countries with oppressive regimes</td>
<td>Negative</td>
</tr>
<tr>
<td>Porn. / Adult Entertainment</td>
<td>Avoid producers, marketers</td>
<td>Negative</td>
</tr>
<tr>
<td>Labor Relations and Workplace Conditions</td>
<td>Support firms with strong union workplace relations, safe working conditions, profit sharing</td>
<td>Positive</td>
</tr>
<tr>
<td>Labor Relations and Workplace Conditions</td>
<td>Avoid firms exploiting labor</td>
<td>Negative</td>
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<tr>
<td>Environment</td>
<td>Support firms involved with recycling, waste reduction and env. cleanup</td>
<td>Positive</td>
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<tr>
<td>Environment</td>
<td>Avoid makers of toxic products, contributors to global warming</td>
<td>Negative</td>
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<tr>
<td>Corporate Governance</td>
<td>Support firms with independent boards, transparent accounting, voting rights</td>
<td>Positive</td>
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<tr>
<td>Corporate Governance</td>
<td>Avoid firms with anti-trust violations, consumer fraud, marketing scandals</td>
<td>Negative</td>
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<tr>
<td>Business Practices</td>
<td>Support firms committed to sustain-ability, R&amp;D, quality and product safety</td>
<td>Positive</td>
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<tr>
<td>Employment Diversity</td>
<td>Support firms actively employing minorities, gay/lesbians, disabled; including for senior management</td>
<td>Positive</td>
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<tr>
<td>Human Rights</td>
<td>Support firms promoting human rights</td>
<td>Positive</td>
</tr>
<tr>
<td>Human Rights</td>
<td>Avoid firms complicit in H.R. violations</td>
<td>Negative</td>
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<tr>
<td>Renewable Energy</td>
<td>Support firms producing power from renewable energy</td>
<td>Positive</td>
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<tr>
<td>Community Involvement</td>
<td>Support firms engaged in communities with charitable donations, employee volunteerism, housing and education programs</td>
<td>Positive</td>
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<tr>
<td>Shareholder Activism</td>
<td>Support firms engaged in dialogue with SRI funds and / or through voting at annual meetings</td>
<td>Positive</td>
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Source: This list is reduced from Renneboog. Qfinance. Table 1: SRI Screens.
Giving stakeholders a voice

All too often, corporate managers and corporate directors focus on the different stakeholder groups only after some problem has arisen. And only then when both boards of directors and management jointly recognize the core problem.

Shared vision and recognition don’t come easily at companies. Conflicting interests, especially over the use of capital, are inherent problems affecting most business organizations. These tensions are called “agency theory” problems (Egerstrom, Money Talks). The graphic below shows there are far more complex relationships at play than the classic struggle between providers of capital – the principals – and managers – the agents. These interrelationships reach up and down supply chains and across communities, making the foundation for what is called “stakeholder theory.”** It is for these reasons that consumers and other stakeholders should coalesce with as many other stakeholder groups as possible to make their voices heard.

Organizing consumers is no small task. Still, there are signs of progress. Promoters of locally owned businesses have made inroads into ever-concentrating markets with “buy local” campaigns. The “Fair Trade” movement for importing coffee and other consumer products is growing across the country. Lending a hand to these efforts, various states in all regions of the country have programs that combine promoting local products and produce with tourism.

For example, the Minnesota Department of Agriculture in league with the state tourism office of the Minnesota Department of Employment and Economic Development (DEED) offers both a printed and online “Minnesota Grown” directory. It identifies pick your own orchards and farms, the different Farmers Markets scattered around the state, and farms and roadside stands that sell local produce. A new Minnesota Made online directory of Minnesota-based manufacturers, assembled by DEED, holds great promise to link companies through supply chains and stimulate state and local economies going forward.

<table>
<thead>
<tr>
<th>Who are the Stakeholders?</th>
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<tbody>
<tr>
<td>• Employees</td>
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<tr>
<td>• Customers</td>
</tr>
<tr>
<td>• Suppliers (vendors)</td>
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<tr>
<td>• Creditors</td>
</tr>
<tr>
<td>• Communities</td>
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<tr>
<td>• General Public (various interests come into play)</td>
</tr>
<tr>
<td>• Managers</td>
</tr>
<tr>
<td>• Stockholders</td>
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</tbody>
</table>

Source: Minnesota 2020: Egerstrom, Money Talks
While this is often overlooked, local, state and national governments – acting as agents for the general public – are also stakeholders with legitimate interests in economic growth from commerce and good business practices that sustain or lift shared economies.

What this means is that consumers have natural allies – other stakeholders – in the businesses that provide jobs and stimulate the economy. As will be noted in the next section of this paper, these bonded alliances come with both positive and negative consequences.

* North American offers of low-interest loans are a scaled back response to Bangladesh human disasters (Wohl). In Europe, a larger group called the Accord on Fire and Building Safety in Bangladesh involves unions and retail groups. This collaboration is favored by Interfaith Center on Corporate Responsibility (ICCR). Nonetheless, any effort putting fire escapes on sweatshops is a victory for socially conscious groups and concerned consumers.

** For discussion of stakeholder theory, see Egerstrom, Money Talks. For germane discussions of consumers and their potential market power, see chapters on David Hughes (then of Wye College, University of London) and Arie van der Zwan (then of Erasmus University) in Egerstrom, Bos and Van Dijk (see References).

Part Three: SOCIALLY RESPONSIBLE INVESTING

Social responsibility in investing is a constantly evolving financial practice. Historically it was called “ethics” investing. It has started to take different shapes over the past 50 years, and it has taken on new nuances in the past two decades as funds and participating investors grew in numbers and committed dollars.

Business literature still acknowledges that exact definitions fail to properly describe this evolving field that some simply call “impact investing.” Matthew Fitzmaurice, co-founder and managing member of AWJ Capital Partners LLC in Minneapolis and Australia, and a recognized leader in such investing, offers a useful guide for explaining four stages of development in socially responsible investing.

“Initially, there was the ‘old school;’ what we generally call SRI,” he said (Fitzmaurice). “The ‘new school’ followed. It was ESG. (Environment/Sustainability, Social and Governance).

“Next was a separate “Environment school,” which was output oriented in response to pollution,” he added. “This involved negative screens.

“What has evolved now is ‘input solutions investing.’ It rewards companies – with positive screens – that are finding solutions to environmental and social problems.”

Fitzmaurice said he favors the latter course of action. “I really believe capital gets attention and can bring about change.” There is impact, he said, when fund managers go to a company and say, “We want to invest in you because you are doing good.”
Church-based and ecumenical, faith-based organizations frequently add defense, or military weaponry stocks that they avoid in their investment portfolios. That raises issues beyond the reach of this paper; how people of faith view these stocks likely vary geographically and depend on employment, environmental and community-support practices in use by nearby defense contractors or military bases.

Following the Fitzmaurice interview, Robert Shiller shared the Nobel Prize for Economics and echoed thoughts of the Minneapolis and Melbourne investing expert. Shiller told the Associated Press (Christoffersen) that while the realm of finance suffered a “beating” during and after the Great Recession, but it is the “framework in which many good things are done.”

ESG and SRI are widely used and “efficient acronyms,” or frameworks, in today’s socially conscious investing (Steiner). The progression shown above demonstrates a movement towards both positive and negative responses to corporate/company/ownership/management behaviors.

Renneboog, in comments on his research in QFinance magazine, acknowledged that social responsibility criteria for measuring corporate performance are tricky. For instance, he wrote, later investment criteria using both negative and positive screens is often called “sustainability” or “triple bottom line,” representing investment goals around “people, planet and profit.”

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**Early SRI Categories:**

Avoiding “sin” products and equities –
- Alcohol
- Gambling
- Pornography
- Tobacco

**Current SRI Categories:**

Supporting corporate responsible behavior –
- Environmental practices
- Human rights
- Religious views / moral activities

**Evolving SRI Categories (ESG):**

Avoiding or supporting corporate behavior, categorized as –
- (E) Environmental / Sustainable
- (S) Social
- (G) Governance

Source: Minnesota 2020, from diverse literature
Does social conscience investing work?

It does. It has. And it can be financially rewarding when funds are placed in “green” or other ventures that develop and produce “the next best thing.”

In general terms, Fitzmaurice said he observes socially responsible investing produces “at or slightly below market rates of return,” in the short term. At the same time, Renneboog et al found attributes brought to social investing can lower SRI mutual funds’ volatility, which can be valuable to risk-adverse investors.

Incrementally, and issue-by-issue, faith-based organizations and their allies have scored victories in bringing pressure to bear on companies and industries, even when they haven’t changed all companies or eradicated all offensive business practices.

Combined with socially responsible advocacy, socially responsible investments have changed the course of history, governments, and public policies that either serve or harm people and the planet.

A few examples would include:

✔ People of faith and their allies in labor do not take credit for the accomplishments brought about by the people of South Africa and neighboring Namibia to end apartheid and bring majority role to their country. But they certainly helped; faith-based social justice screens applied in pension funds, mutual funds and in advocacy for North American and European countries for anti-apartheid public policies greatly supported the democratic movements in South Africa.

This was not new. History was repeating itself. Textile workers in the north of England, along with their religious neighbors, supported American abolitionists and the North in the American Civil War despite the interruption of cotton trade resulting in massive unemployment and hardship. Cooperative historian David Thompson gives a moving account of these heroic workers resisting slavery and British commercial interests that sought to side with the South to keep cotton flowing to the mills (Thompson).

✔ Such ethical activity is traced back more than 200 years to John Wesley, founder of the Methodist movement, writes William Donovan in “A Short History of Socially Responsible Investing” (Donovan). A more limited application of social investing probably dates farther back, he added, as Muslims did not invest in banks that made money from charging interest on loans or paying interest (usury) on accounts. (See Forte and Miglietta, for more information.)

Social investing really took root in the 1960s with opposition to the Vietnam War, and screens against military suppliers; promotion of civil rights and racial equality, which contributed to
passage of the 1964 Civil Rights Act and 1965 Voting Rights Act; and creation of community development banks to serve low-income and minority populations.

Donovan traces the spread of social investing activities to labor-management issues, consumer protection and protection of the environment in the 1970s; the 1980s brought opposition to apartheid, creative of special SRI funds such as Dreyfus Third Century, Calvert Social Investment Fund Balanced Portfolio, and the Parnassus Fund, with social screens extended to issues of nuclear energy, environmental pollution and “treatment of workers.” (ibid.)

The social investing realm had grown by 1990 to “warrant an index to measure performance.” Donovan said 400 U.S. firms, comparable to the S&P 500, make a Domini Social Index.

✓ Some traditional capitalists and not-so-socially motivated investors see social funds as meddlers in their capital markets. Sister Patricia Daly, a Dominican sister and the executive director Tri-State Coalition for Responsible Investment, begs to differ. She credits her Catholic group and its ecumenical partners as providing economic rewards for companies and as serving as a “great job incubators” (SRI-connect.com).

“As a result of our activity, companies have had to develop expertise in issues such as managing labor standards and trading carbon. Now some of this expertise is starting to pay back for them.

“I’ve seen energy efficiency investments that pay back at 18 – 20 percent a year, which is a better return than you will get from Wall Street at any stage of the economic cycle. … We have helped to create this whole industry within companies – and in many cases the industry is very profitable for them” (ibid.)

✓ Rachel Nuwer uses data from researchers that show a close link between “spiritual groups” and the preservation of forests, fragile habitat areas and other environments she calls “sacred sites” (Nuwer). Writing for the University of Minnesota’s environmental online newsletter Ensia, she notes that from 5 percent to 10 percent of the world’s preserved sites are owned by religious or other spiritual organizations, and that 70 percent of national parks worldwide were originally preserved by such groups.

Nuwer’s enlightened observations also noted that science and religion have had an “uneasy relationship” over time, “and environmental science is no exception (ibid).” The same might well be said about labor and the religious community. Careful, scholarly observation, however, would show all groups the convergence of shared values and interests.

There is growing evidence that companies are being rewarded for ethical behavior by socially responsible investors who remain more loyal to these companies’ stock than to other equity held in conventional investments. From survey data from investors in Mennonite Mutual Aid and Praxis Mutual Funds, Jared L Peifer found CSR operated assets tend to be more stable than non-CSR assets (Peifer), which the author credits to the investors’ “more patient capital.”
Whether moving companies into constructing new ventures and practices, as Sister Daly describes, or helping risk-averse companies, as Peifer noticed, getting messages across to managements and boards start with investments. As Fitzmaurice said, “It gets you in the door.”

✔️ The United Methodist General Board of Church & Society (GBCS) hailed the January 2012 announcement that the United Methodist General Board of Pensions & Health Benefits (GBPHB) would divest stock held in two large operators of for-profit prison systems (Hahn). The latter board, operators of the largest faith-based pension fund in the United States, also established a new investment screen prohibiting equity holdings in companies that derive 10 percent or more of revenue from private prison facilities.

This is further evidence that faith-based and socially conscious groups must constantly adjust to new information and changing conditions. The Interagency Task Force on Immigration brought conflicts with profit motives for incarcerating people, and particularly immigrants, to the Methodist groups’ attention.

While this may be perceived as a local issue in some communities where for-profit prisons employ local Methodists and other people of faith, the GBCS has information on its websites (www.justicepolicy.org and www.umc-gbc.org) to explain its rationale to congregants and ecumenical colleagues.

**Advocacy**

Investors can express a lot of concerns once they are in the corporate door. Consumers must have their voices heard at the cash register. In both cases, reverting to old-fashion advocacy helps move our communities and America forward.

Christian Brothers Investment Services Inc. offers a concise look at contemporary faith-based advocacy efforts among social investing groups on its website (Christian Brothers). As of early October, the site had links to human rights efforts, shareholder calls for gender diversity on corporate boards, various environmental investing issues, climate change, corporate initiatives directed against SRI investors, corporate governance issues and collaborative efforts with other faith-based partners.

The Christian Brothers activism is in keeping with an extremely comprehensive 2003 statement by the United States Conference of Catholic Bishops entitled Socially Responsible Investment Guidelines (USCCB). It emphatically states:

> “Individual Christians who are shareholders and those responsible within church institutions that own stocks in U.S. corporations must see to it that the invested funds are used responsibly (ibid.)”

While acknowledging special fiduciary responsibilities that come with the handling of capital investments, it also instructs capital handlers:
“As part owners, they must cooperate in shaping the policies of those companies through dialogue with management, through votes at corporate meetings, through the introduction of resolutions and through participation in investment decisions. We praise the efforts of dioceses and other religious and ecumenical bodies that work together toward those goals ...”

Using many of the tools of socially responsible investors described above, much more good for our neighbors, our communities, our states, our nation, our planet is possible through extension into Social Responsible Purchasing.

**Part Four: SOCIALLY RESPONSIBLE PURCHASING**

The next logical extension of SRI awareness would seem to be Socially Responsible Purchasing (SRP). This isn’t an accepted business or academic term. Business school literature is devoid of its usage. But in researching this paper, investment consultants, a former business school dean, and community activists began using SRP to describe engaging consumers – individuals, households and institutions – into making discretionary purchasing decisions for social aims.

This paper seeks to marry SRI / SRP concepts to bring socially responsible decision- making down to the household level where it may produce the greatest ‘bang for the buck,’” to use another non-academic slang term.

Precious little attention has been given to SRP. It won’t happen until consumers, faith-based groups, labor organizations and community leaders come together to create screens, advocate corporate/company policies, and encourage socially responsible behavior in supply chain management, the selection of products and services produced or sold, and in providing democratic and humane workplaces.

“Academia follows activism,” said Robert Bock, a former University of Wisconsin business school dean. “You will need to have something out there before academics start studying it.”

Slowly, that process may be starting. It is being helped in part by renowned academic institutions where social direction is coming from administrators and students, not research scientists.

Drawing intellectual support from the Institute for Supply Management (see ISM in References), Penn Purchasing Services at the University of Pennsylvania adopted seven principles to guide its purchasing decisions (http://www.purchasing.upenn.edu/social/):

- **Community:** ("Provide support and add value to your communities and those of your supply chain…")
- **Diversity:** ("Proactively promote purchasing from and the development of socially diverse suppliers…")
➢ **Environment:** (“Encourage your organization and others to be proactive in examining opportunities to be environmentally responsible within their supply chains either upstream or downstream…”)

➢ **Ethics:** (“Be aware of ISM’s ‘Principles and Standards of Ethical Supply Management Conduct’…”)

➢ **Financial Responsibility:** (“Become knowledgeable of, and follow, applicable financial standards and requirements. Apply sound financial practices and ensure transparency in financial dealings…”)

➢ **Human Rights:** (“Treat people with dignity and respect. Support and respect the protection of international human rights within the organization’s sphere of influence…”)

➢ **Safety:** (Promote a safe environment for each employee in your organization and supply chain…”)

Institutions such as universities can drive change. In Dean Bock’s backyard, the University of Wisconsin-Madison is also doing just that. It severed a licensing agreement with Nike over the shoe manufacturer’s treatment of factory workers in Honduras (Lucas). Cornell University and the University of Washington took similar steps.

Nike responded. It decided to contribute $1.4 million to a workers’ relief fund (ibid.).

The Institute for Supply Management (ISM), referenced in the Penn principals, is the oldest and largest research and education group involved with helping business leaders apply sustainability and social responsibility throughout the supply chain. That is what came into play in Honduras; Nike didn’t own the factories making its shoes, but it was reminded of and recognized obligations it had for actions of its subcontractors.

Without supportive resources, monitoring and analyzing global market behavior would be enormous tasks for institutions the size of the University of Pennsylvania. It would be far more difficult if not impossible for institutions and purchasing groups of smaller size. That should point out the obvious need of guidance support for socially responsible households and individuals.

**No need to re-invent wheels**

Guidelines and screens for SRI investing by faith-based groups, socially conscious mutual funds, pension funds, and others; and Penn’s SRP guidelines cited above, show individuals, households and institutions have models to follow. These models provide grist for shaping both positive and negative purchasing screens for institutions, households and conscientious individuals.

But there is a need for a SRP coalition to gather meaningful and manageable information.

Considerable resources are available to guide a coalition’s efforts at marshaling consumer purchasing strengths. CorpWatch, Institute for Global Labour and Human Rights, the University of Minnesota Human Rights Center, and Social Accountability International (see links in Further Reading) are among examples. But these issue areas drawn from the Executive Summary would make good starting points:
Potential SRP Issues for Community Coalitions

- Poverty / Homelessness
- Workplace democracy, health and safety
- Minimum and living wages
- Gender equality and minority opportunity
- Support of other local stakeholders

There is ample intellectual support backing up any and all forms of “bootstrap” local efforts at socially responsible purchasing and the advocacy for public policies that would come with the effort. Yale University’s Robert Shiller, one of three Americans to share the 2013 Nobel Prize for Economics, made the following to-the-point observation of our times in an interview with the Associated Press following the award announcement:

“The most important problem that we are facing today, I think, is rising inequality in the United States and elsewhere around the world.” (Chistoffersen).

Labor, community leaders, people of faith are painfully aware of this growing problem. Nonetheless, it is reassuring to see these words from the Nobel laureate.

Strength in changing numbers

A powerful gender connection is building that may add strength to labor, community and faith-based groups seeking to affect social justice goals. Women, a natural fit with the social justice groups cited above, are the growing force in the economy. While much attention has focused on growing inequality, especially from groups such as the Occupy Movement, far less attention is given to who does the purchasing and holders of the purse strings.

As already noted, 70 percent of U.S. GDP relies on individual and household consumption. The She-economy.org market research group, however, shows women account for 85 percent of all consumer purchases, or more than $5 trillion annually, representing more than half of U.S. GDP (She-economy).

Research gathered by research group also found women would make substantial social responsibility purchases, given adequate information. For instance, surveys found nearly 50 percent of women wanted more green choices, 37 percent would pay attention to brands committed to environmental causes, and 25 percent of women’s shopping cart purchases are environmentally-friendly products (ibid.)

Further, she-economy.com cites market research findings from the Fleishman-Hillard New York consulting firm that projects women will control two-thirds of consumer wealth within the coming decade, and will benefit from the largest transfer of wealth in U.S. history with “Boomer” (Baby Boom generation) women getting a “double inheritance windfall” from parents and husbands.
Among key findings:

**What Women Buy …**

- 91 percent of new homes
- 66 percent of personal computers
- 92 percent of vacations
- 80 percent of health care
- 65 percent of new cars
- 89 percent of bank accounts
- 93 percent of food
- 93 percent of OTC pharmaceuticals

Source: She-economy.org

This is occurring even as women – and the children they care for – are also among the poorest of the poor. As previously noted, women still struggle for equality in workplaces and as low-income women with children face some of the most severe sociological tasks of raising children, finding housing and keeping food on their tables.

While change, at long last, may be tilting in women’s favor, it isn’t coming fast enough to affect a more just society and lift people out of poverty.

Almost all of the reasons mentioned above regarding women also apply to immigrants, refugees and working people on the lowest rungs of the economic ladder. This is why social justice groups are nearly unanimous in supporting immigration reform efforts in Washington and at state levels as well as gender equity issues.

**Madison, Wis.: A special case … and a model**

Social justice advocates in the Wisconsin capitol city face as many challenges as labor and people of conscience anywhere. They are also bridging ecumenical, political and social divides to promote economic justice and labor democracy in a hostile state political climate.

When not advocating for social justice at the state capitol, the Interfaith Coalition for Worker Justice (ICWJ) of South Central Wisconsin has teamed with the Workers’ Rights Center of Madison to begin a Just Dining Guide about Madison restaurants. “The guide highlights employers who are going the extra mile to provide good quality, family supporting jobs in our community,” the Workers Rights Center explains on its website (www.wrcmadison.org).

The guide was launched in December 2012 after conducting surveys of employers and workers at Madison restaurants. This may be the most detailed such effort anywhere. Rabbi Renee Bauer,
executive director of the ICWJ, said San Francisco has a similar type of customer guide, and Ithaca, N.Y. has another (Bauer). Another is produced in New York City, she said, “but just in the Jewish community for kosher establishments.”

There is movement to extend human rights and economic justice advocacy to engaging consumers, Rabbi Bauer said, while acknowledging “it is a constant struggle to keep people involved and aware.” A women’s clothing store has opened in Madison that features Fair Trade clothes. “I am excited to go there,” she added.

But Madison, a unique university town and state capitol city, does have area talents to draw from in organizing advocacy groups. People involved come from diverse backgrounds, said Rev. Jerry Folk, a retired Lutheran pastor and a former director of the Commission for Church in Society for the Evangelical Lutheran Church of America (ELCA).

Folk is co-chair of the ICWJ board with Michael Childers, who is with the long-established University of Wisconsin Extension Service’s School for Workers. Board directors for 2013 include Sada Abiri, from the Islamic Community of Madison Area; Melissa Austin, South Central Federation of Labor; Rev. Curt Anderson, United Church of Christ; Rev. Marianne Cotter, Trinity United Methodist Church; Paulette Harder, member of Lake Edge United Church of Christ; Melissa Horsfall, Student Labor Action Coalition; Douglas Keillor, representing a teachers’ group and an International Brotherhood of Electrical Workers local; Sister Maureen McDonnell, O.P.; and Craig Myrbo, representing an AFSCME local and Sherman Avenue United Methodist Church.

That is diverse, ecumenical and labor talent coming together to advocate for human rights, social justice and public policies to overcome Wisconsin’s social and economic problems. It is a model other communities might replicate.

Just Dining Guide is a “carrot” encouraging people in the Madison area to support establishments committed to employment equality and social justice. It is effectively a companion action to the Community Investment Program (CIP) operated by the Wisconsin Council of Churches (WCOC).

The latter program for Wisconsin faith communities is focused on socially responsible investing – the predecessor action that hands off perfectly to conscientious consumers.

**CONCLUSIONS AND RECOMMENDATIONS**

“When we gather at a place like our State Capitol, there are people here from all sorts of religions and non-religious backgrounds.

There are Christians and Jews, Muslims and Buddhists, Hindus and
Bahai, Humanists and people who are pretty sure they believe something, but don’t know exactly how the heck to describe it.

What connects us all this day is a spirit of hospitality, a spirit of compassion and a spirit of justice.

... As we create a place where all can feel welcome, whatever their country of origin, whatever language they speak, whatever challenges they face, we say:

Let justice roll.”

Rev. Phil Haslanger
Invocation excerpt from May Day Rally
Madison, Wis., 2013 (Haslanger)

We can learn so much from each other. And together, we can accomplish great things.

By adapting tools developed and employed by conscientious investors, labor, faith-based and community service activists can move America forward in two distinctive ways:

- By expanding the “buy local” concept beyond the “where” to the “what” we buy and consume, consumers can unleash an emerging Socially Responsible Purchasing (SRP) concept into a significant market power force.
- By using the same tools and screens, a coalition of community, labor and faith-based activists can channel consumer market power into advocating for social justice issues. This market power could be used to encourage just business practices and in advocating for corrective public policies at local, state and federal levels.

America faces serious challenges with growing inequality and poverty. Political failure to act on raising minimum wages and creating obstacles to worker collective bargaining rights become backdoor ways of mandating / institutionalizing poverty. Whether directly through public policy, as we’ve seen in Wisconsin and several other states, or in the absence of appropriate public policy, as we witnessed with failed 2013 minimum wage legislation in Minnesota and several other states, poor public policy creates more poor.

For these reasons, local coalitions that want to limit SRP advocacy efforts to broad areas of economic justice and community well-being and avoid hot-button issues that divide people of faith, workers and labor leaders, and community activists.

There are divisions too great to imagine building a single, national model for advocacy and action. Screens following Islamic and Jewish principles and applied against non kosher and halal food products, for instance, would affect solidarity in communities where pork processing might be the lead economic activity. Catholic screens against providers of abortion and birth control products and services would cause problems or others. Christian Scientists object to healthcare and pharmaceuticals in some of their screens.
Renneboog et al do suggest areas where there may be consensus among faith-based groups, labor and community service groups. Minnesota 2020 goes further, suggesting coalitions adopt screens and advocacy points that might help alleviate hunger, poverty and homelessness.

Corporate governance and purchaser/shareholder activism screens are a tougher call. They need to be considered, however, because it is through shareholder holdings that socially responsible investors get a voice to affect corporate behavior. Moreover, proposed screens on how corporations use corporate earnings to influence public policy make such dialogue all the more necessary.

After the 2010 U.S. Supreme Court decision in Citizens United v. Federal Election Commission, corporations now have more First Amendment rights to influence public policy with campaign contributions than do individuals. All efforts towards promoting transparency in governance have become more urgent for SRI practitioners and for SRP consumers alike.

Groups exist that could work collaboratively in a coalition to inspire personal and household consumption for positive good, and to identify shared interests for advocating for public policies at state and local levels. For example, a sizeable coalition has merged behind efforts to gain support for raising the minimum wage in Minnesota, the Raise the Wage Coalition. That is just one example of aligned people coming together to cooperate on shared values and visions.

An extraordinary local example for connecting advocacy at the community level was detailed in Brian Ojanpa’s article, “Community stakeholders form wish list for legislative session,” in the Mankato (Minn.) Free Press on Dec. 7, 2012 (Ojanpa). Community leaders, education officials, civic groups and various local service providers met to find agreement on what public policy actions they could support. A wide range of social concerns was expressed from affordable college educations to accessing affordable housing in the Mankato area.

As noted, finding common ground for public policy advocacy is difficult at times, but it is possible. Lori Sturdevant, a Minneapolis Star Tribune columnist noted in a Sept. 15, 2012 column “How do we break down walls?” that the Minnesota Council of Churches led a successful “Respectful Conversations Project” when member congregations were divided over gay marriage policy debates (Sturdevant).

Not all faith-based, community engaged or even labor organizations are likely to coalesce around all social investing or social purchasing screens, or in advocating recommended practices and public policies. A coalition could be flexible enough to allow coordination, when possible, and respectful disagreement on other issues.

Recommendations

Therefore, the author recommends:

- People of faith, people of conscience, community leaders, labor and all groups engaged with and concerned about social justice and economic inequality issues should create a coalition to:
Link social investing and social purchasing based on “carrot and stick” inducements to change corporate behavior and encourage more Corporate Social Responsibility (CSR) action;

Share information to help individuals, households and institutions to utilize latent market power opportunities to promote a more just local, state, national and global society through SRP purchasing decisions.

Participants in a socially responsible coalition will bring various issues to the table, but conscientious consumers should weigh purchasing decisions on how their dollar aids or harms the broader community. Doing so won’t always be possible or visible, but weight should be given to these issues as a logical starting point:

- Minimum and living wages
- Poverty and homelessness
- Workplace health and safety
- Gender equality and minority opportunity
- Direct and indirect impacts on other stakeholders.

Focusing such questions will move concepts of using socially responsible capital forward, continuing what investment advisors see as a continuous progression.

Derek Zachmann, a consultant for Thrivent Financial for Lutherans, its Brightpeak subsidiary, and two start-up funds said he sees evidence of more “stakeholder-driven business models” coming along. But he hasn’t seen models along the lines proposed in this report.

“With SRI focusing on screens and removing what is undesirable in a portfolio, certain stakeholder models are different in that they actively seek out the positive behaviors and actions of an organization,” Zachmann said. But, he added, “Just because you’ve eliminated the ‘bad,’ it doesn’t mean that what is left is necessarily ‘good’.”

A collaborative body of people with appropriate skills is needed to sort the “good” from the “bad” and inspire socially responsible purchasing. Groups exist at the national level to assist local efforts. SRP will evolve and morph over time, as Dr. Robert Bock observed at Madison, but it needs to get started.

As a result, people of faith and people of conscience need not invent nor reinvent the wheel. SRI and past social ministry efforts have done that. We do need some coalition efforts, however, to coordinate consumers’ SRP responses to turn the wheel over and move America forward.
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**Further Reading:**

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