How Emerging Talent Finance Models Can Solve Employer Needs and Upskill the Workforce
Thinking Like a TALENT INVESTOR

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The research included in this report was made possible through funding by Walmart. The findings, conclusions and recommendations presented in this report are those of the authors alone, and do not necessarily reflect the opinions of Walmart.

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Executive Summary

With employers across the country struggling to fill critical talent shortages, companies are exploring new ways to upskill and reskill workers. Employer-led Talent Finance has emerged as an innovative approach to talent development in which employers invest in preparing workers for the specific jobs they need to fill. The following pages illustrate how Talent Finance brings together employers, training providers, service providers, and capital providers and leverages investment capital to upskill individuals who may not otherwise have access to financing for training programs. With intentional design and an “investor” mentality, employers can deploy Talent Finance to unlock new talent pipelines, increase business efficiency, and create a more inclusive and equitable workforce system.
The Challenge

Imagine you’re a major transportation company and your repair lots are filled with idle trucks in need of new brake pads and oil changes. Your technicians are maxed out—working overtime—and can’t keep up with the repair and maintenance tasks required to keep the full fleet running. You begin outsourcing repairs to a third party, which started as a temporary stopgap, but it’s becoming more expensive over time. The result? Lost revenue, increased costs, poor customer service, and an inability to grow the business...all because you’re short on talent.

Sound familiar? Employers across the U.S.—from health care to advanced manufacturing to skilled trades—are scrambling to respond to today’s talent challenges. Some are shifting away from degree requirements and instead hiring graduates from short-term training programs. Others have begun investing more heavily in talent acquisition, recruitment advertising, signing bonuses, and pay. Often times, these approaches are not enough. Employers are increasingly seeking new strategies to turn the tide.
This is where Talent Finance comes in.

Talent Finance—a term coined by the U.S. Chamber of Commerce Foundation—is an innovative approach to workforce training that brings employers, training partners, supportive service providers, and capital providers together to create self-sustaining talent programs that prepare workers for the specific jobs employers need to fill. Talent Finance initiatives use investment capital to support workers who may not otherwise have access to financing for education and training programs. These models prepare workers for careers with family-sustaining wages while unlocking a previously unreachable pipeline of skilled talent for employers.

Companies like Google and Verizon are reaping the benefits of innovative investments in worker upskilling. These initiatives provide a reliable source of talent while delivering on ESG-aligned goals like diversity, equity, and inclusion efforts.
Introducing Talent Finance

Talent Finance is an innovative tool for delivering improvements to a range of talent challenges and opportunities. What makes employers decide to develop Talent Finance approaches? We’ve seen employers motivated by both organizational factors—such as critical talent gaps impacting their bottom line, evolving corporate strategies, or employee activism—and external factors like regulatory mandates, evolving industry norms, and pressure from external groups, including investors, consumers, and advocacy groups. Companies tend to invest in new talent strategies when one or more of these factors triggers a boiling point and there’s a clear benefit to their strategy or competitive position.

Employers already engage in talent development at some level. Some provide guidance and feedback to policymakers and local educational institutions on upskilling programs that are, or aren’t, being offered in their region. Others invest in their current employees, offering benefits like tuition reimbursement to employees who enroll in and complete outside training. When considering Talent Finance, companies may begin by taking stock of where they currently fall on the spectrum of employer engagement in talent development (see Figure 1).
### FIGURE 1: Employer Engagement in Talent Development

<table>
<thead>
<tr>
<th>Talent Consumers</th>
<th>Talent Investors</th>
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<td><strong>Employers as Consumers</strong></td>
<td><strong>Employers as Investors</strong></td>
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<tr>
<td>Employers take a passive role in shaping the education system and talent pipeline, relying on the system to generate the candidates they need.</td>
<td>Employers actively build relationships and invest in external training providers to build a pipeline of talent to fill critical needs.</td>
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<tr>
<td><strong>Employers as Thought Partners</strong></td>
<td><strong>Employers as Repayers</strong></td>
</tr>
<tr>
<td>Employers provide input to stakeholders in the workforce development system to produce the talent they need.</td>
<td>Employers reimburse employees or other payors for some or all costs of employee education and training.</td>
</tr>
<tr>
<td><strong>Employers as Pipeline Builders</strong></td>
<td><strong>Employers as Investors</strong></td>
</tr>
<tr>
<td>Employers rethink or adjust their hiring criteria (e.g., remove 4-year degree requirements) and offer on-the-job-training opportunities.</td>
<td>Employers actively build relationships and invest in external training providers to build a pipeline of talent to fill critical needs.</td>
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Faced with today's complex and overlapping talent challenges, as well as an appreciation of the societal benefits of talent development—like closing skills gaps, advancing diversity, equity, and inclusion, and increasing economic mobility—many employers are ready to take one step further in their talent management efforts by actively investing in their talent systems. **These employers are willing to embrace pipeline building, tuition repayment, or even direct investment in talent development.** Social Finance calls these employers talent investors. Organizations looking to move along the spectrum from talent consumer to talent investor can find a solution in Talent Finance.

### Talent Finance: The Basics

Talent Finance is an innovative funding model for reskilling and upskilling workers. While the approach is customized to meet an employer's needs, its core tenets include:

- Willingness of a company to invest financial resources to fill its open, mission-critical jobs...
- ...with underserved talent who face barriers to acquiring the skills they need to succeed...
- ...by connecting talent to high-quality training partners with a record of measurable learner outcomes...
- ...in such a way that all parties share in the risk and opportunity of the talent investment.
FIGURE 2: How Talent Finance Works

1. **Employer Talent Need**
   - Graduates employed in well-paying jobs may repay portion of earnings.

2. **Upfront Capital Providers**
   - The initial funding to scale a talent development initiative can come from the employer, external sources (public/philanthropic funds), or both.

3. **Training and Supportive Service Providers**
   - Training providers gain flexible growth capital to scale training, increase capacity for support that helps learners overcome barriers to training, and facilitate rigorous outcomes tracking.

4. **Workers**
   - Individuals access training, career coaching, and other supportive services, and gain meaningful employment.

5. **Employers**
   - Employers create a reliable pipeline of skilled workers, fill talent gaps, improve retention, and lower turnover costs.
Employer Talent Need: Talent Finance initiatives are customized to meet specific employer needs. For instance, a strategy can focus on a specific geography, industry, or type of labor shortage; and a Talent Finance program can train existing employees, prospective employees, or both.

Upfront Capital Providers: The initial funding used to launch and sustain a Talent Finance investment can come from the employer itself, external sources (i.e., public/philanthropic funds), or both, in a blended approach. For example, if the scale of the talent problem is greater than what an employer has historically experienced, and the costs of addressing the problem exceed HR budget constraints, employers can consider leveraging external funding sources. A major benefit of Talent Finance arrangements is that financial returns are linked to measurable student outcomes—meaning capital providers are using capital in a way that is inherently tied to success.

Intermediary organizations like Social Finance have experience bringing together different sources of catalytic capital and can help employers structure their own investments or leverage public and philanthropic funds. Learn more in the section of this guide entitled Paying for Talent Finance at Scale: Funding Options.

Training and Supportive Service Providers: In outcomes-based Talent Finance models, training providers receive payments tied to learner outcomes (like program completion, job attainment, and job retention), which helps training providers build a track record of success, evidence, and scale. A Talent Finance investment also represents growth capital that can enable the training provider to serve more students. These investments often also provide supportive services offerings for learners—like emergency funds, career coaching, transportation subsidies, and even living expenses—to help individuals to overcome real-life challenges they may face while completing a training program.

Workers: Talent Finance investments remove financial barriers to training and reduce the risk of student financing, enabling individuals to enroll, persist through training programs and ultimately land good jobs, often in less time and for less money than degree programs. By helping workers access programs that would otherwise be out of reach, these models can close equity gaps and expand economic mobility.

Employers: By investing in tailored training programs to meet specific needs and removing the upfront cost of training from workers, employers can measurably grow their pipeline of skilled and diverse workers. Talent Finance approaches can meet specific talent acquisition and retention objectives, reduce turnover, and lead to positive impacts on a company’s bottom line.
Designing Talent Finance Approaches to Meet Different Employer Objectives

Talent investment programs developed by Social Finance are designed to achieve a variety of goals, from helping companies solve direct employment shortages to strengthening talent pipelines in their field more broadly. For example, Social Finance created an investment program with American Diesel Training Centers to help leading employers like Penn Power, AIM Transportation, and Green for Life tackle their own employment challenges by tapping into a new pipeline of skilled diesel mechanics. Participants who may not otherwise be able to afford training enroll with no upfront cost. Based on retention milestones, employers sponsor monthly tuition payments for the graduates they hire. Employers find skilled talent to fill talent gaps, and workers sponsored by a company do not pay for their training as long as they are employed by that company.

With the $100 million Google Career Certificates Fund, Social Finance is managing an innovative investment program enabling learners across the country to gain the job-ready skills needed to enter in-demand fields such as data analytics and IT support, while strengthening talent pipelines in the technology sector. Learner-friendly terms like zero-interest financing—repaid only if the learner lands a job earning a minimum amount, such as $40,000 a year—and wraparound supports like emergency aid funds and career coaching are designed to help learners who face education and employment barriers secure well-paying, high-growth jobs. The Google Career Certificates program also includes an employer consortium of over 150 companies that are committed to considering graduates for jobs. By increasing access to skills-based training and supportive services for learners and providing industry-recognized professional certificates, the Google Career Certificates Fund is helping to create a more equitable and inclusive job market and fill talent gaps across the country.

Credit repayment mechanisms can vary across Talent Finance initiatives based on the desired objectives. Social Finance has utilized two main repayment mechanisms: (1) Employees repay the education costs, but only if they land a job above a certain salary floor, and (2) Employers repay the education costs and typically seek to structure the repayment terms in a way to achieve employee retention objectives. Additionally, if a company utilizes an external capital source, those investors will commonly introduce their own success metrics in parallel with the employers’. The impact of invested capital can also be amplified with scaling and sustainability options such as recycling the funds through full or partial repayments by workers or employers once they have landed well-paying jobs.
Paying for Talent Finance at Scale:

Funding Options for Employers

Figure 3 illustrates a variety of the approaches employers are using to fund Talent Finance strategies, from making direct upfront investments to tapping into public funding.

FIGURE 3: Talent Finance Payor Models

**EMPLOYER PAYOR MODELS**

- **Direct, Upfront Investment**
  Employer(s) make an upfront, direct investment in a talent strategy (either implemented internally or via a third party).

- **Employee Reimbursement**
  Employer(s) reimburse or cover workers’ payment obligations from loans or other financing vehicles used to cover the cost of training.

- **CSR/Fundation Incubation**
  Employer uses its own foundation or CSR dollars to pilot a talent strategy with the goal of proving ROI to eventually fund through its business units (only possible in select cases.)

**Balance Sheet Capital**

- **Social and Sustainability Bond Offerings**
  Companies can issue social and sustainable bonds with funding earmarked for workforce development and education as a use of proceeds.

**COLLABORATIVE PAYOR MODELS**

- **Pooled Investment Approach**
  Payors (e.g., multiple employers, philanthropy, government, etc.) invest collaboratively in a pooled vehicle to fund students’ access to training at no upfront cost.

**EXTERNAL PAYOR MODELS**

- **Leverage Public Funding**
  Employer(s) identify new or existing public funding sources to train workers.

- **Leverage Outside Philanthropy**
  Nonprofit employer(s) can raise outside philanthropy to support training workers.
There are several key **funding options for Talent Finance investments**:

**Companies can secure increased internal talent development funding (in addition to their HR budgets) by:**

**Utilizing balance sheet capital:**
Employers can use balance sheet capital to make direct upfront investments in talent development or to reimburse workers’ payment obligations from loans or other training financing vehicles.

**Case Study:** Social Finance’s partnership with American Diesel Training Centers (ADTC) helps leading employers like Penn Power, AIM Transportation, and Green for Life tap into a new pipeline of skilled diesel mechanics.

“This arrangement is a no-brainer if within a year, you’ve got a productive technician. One of our techs will generate between $15-20K a month in gross profit. A $10K tuition bill for an employee who’s loyal—and who we can develop with our culture over the years—is definitely worth it.”

—Bill Black, President and CEO, National Fleet Management (ADTC employer partner).

**Leveraging internal CSR or philanthropic capital (foundation incubation):**
Employers can use foundation or CSR dollars to pilot a talent strategy, with the intention of shifting to fund the initiative through business units once the strategy results in positive ROI. Employers can also blend balance sheet capital and CSR or philanthropic funds, but should exercise caution to avoid violating foundation self-dealing rules.

**Case Study:** This Way Ahead—the result of a collaboration between Gap Inc.’s HR, CSR, and foundation executives—is a program that delivers skills training and guidance to young adults from underserved communities to prepare them for entry-level retail roles. According to FSG’s report *Investing in Entry-Level Talent*, This Way Ahead graduates, once hired, remain employed twice as long as peers who did not participate in the program.

**Tapping into public markets via social and sustainability bond offerings:**
Companies can raise fit-for-purpose capital through social and sustainability bond issuances.

**Case Study:** In December 2021, Merck & Co. priced its inaugural $1 billion sustainability bond issuance with the intention of allocating the proceeds from the offering to eligible projects under its *Sustainability Financing Framework*. Eligible projects include employee diversity and inclusion initiatives and employee development and upskilling programs.

**How do companies make the case internally for using different types of corporate resources?**

Leaders typically evaluate the strategic priority of workforce investments against all other corporate priorities, demonstrate positive internal rate of return (IRR) expectations for talent pipeline investments, and incorporate societally-driven return priorities.
Employers can also invest collaboratively in a **pooled investment vehicle** by co-investing in employee skilling funds with public and private funders.

Under the New Jersey Pay It Forward Program—created by the State of New Jersey, the New Jersey CEO Council, and Social Finance—New Jerseyans receive zero-interest, no-fee loans to enroll in high-quality job training for in-demand, family-sustaining jobs in industries like health care, IT, and clean energy. Members of the New Jersey CEO Council, a coalition of CEOs from BD, Campbell Soup Company, Johnson & Johnson, Merck & Co., Prudential Financial, PSEG, RWJBarnabas Health, and Verizon, provided initial corporate contributions of approximately $5 million to the program. This program is a revolving fund that creates a sustainable cycle of job training, as all loan repayments are recycled back into the fund to support future learners.

**Employer Resource Networks** (ERNs) are another private sector-led solution through which local networks of mid-sized companies create economies of scale by collectively providing work support services (such as coaching and skills training) to their entry-level workforces with the goal of enhancing productivity and retention. As of May 2022, **ERNs** averaged an employer **ROI** of over 500%. In addition, industry associations and local chambers of commerce are natural backbone entities under which employers can productively collaborate in ways that pool employer talent demands and share the program costs while providing solutions for individual members.
Employers can utilize public funding sources (in addition to their own workforce investments) by:

**Tapping into public funding allocated for specific workforce training programs:**
Employers can leverage dedicated local, state, or national funding sources for workforce training programs. For example, funding under the Workforce Innovation and Opportunity Act (WIOA) represents the largest federal investment in workforce development and includes programs such as Job Corps, YouthBuild, and the Adult and Dislocated Worker Program.

**Applying directly for public funding to cover training and supportive services:**
Companies can apply for funding within the parameters of a particular workforce development program. For example, through Kansas Workforce Aid, the Kansas Department of Commerce and Kansas Board of Regents are reinventing how state customized training programs work by having Kansas employers manage the design and procurement of the training programs. In this model, employers are choosing the training provider—not the other way around. This helps ensure employers are critical drivers of decision making, programs are aligned with employer needs, and employers are working with their preferred training provider to deliver services.

Public programs typically expect the company to employ successful program participants. In some models, such as in Massachusetts’ RENEW program, the employer is expected to repay half of the training investment for successful program participants.

Nonprofit employers, such as nonprofit healthcare systems, can raise external philanthropic support for talent investments. These employers can create donor-focused pitches about how training and employment will advance economic mobility for underserved communities while filling critical company talent needs, including narratives for both entry-level and incumbent worker career advancement.
How do companies decide which public funding resources to pursue, and how do they make the case internally for the use of public funding?

When determining which public funding options to pursue, employers should first assess the degree of fit between a public funding program and their company goals and objectives. Then, employers can consider the ability of a public program to materially increase the pipeline of candidates or deliver a different pipeline of candidates than what would otherwise be available to the company. Finally, the transaction and administrative costs of engaging with public funding should be weighed against the potential benefits of leveraging those funds.

To determine the right funding partners for your Talent Finance solution, consider the different types of dedicated funding available in relation to your company’s Talent Finance goals:

1. **Geography focus:** A significant share of workforce development public funding is deployed at the state and local government level, and potential nonprofit partners like chambers of commerce are focused on a specific geographic area.

2. **Industry focus:** Funding sources for public training are often tied to workforce investments in specific industries that connect to public economic development priorities. Industry associations can naturally serve as partners in this context.

3. **Training focus:** Some public funding sources are linked to specific types of training (i.e. Pell Grants and for-credit college programs, apprenticeships, etc.), and some nonprofits are dedicated to specific training programs (i.e., CareerWise for apprenticeship programs).

4. **Population focus:** Training programs serving specific priority populations (e.g., formerly justice-involved individuals, veterans, unhoused populations, public benefits recipients, etc.) often qualify for specific funding opportunities and can generally find population-focused nonprofits as partners.

5. **Employer commitment focus:** If, based on your business need, you are able to commit to hiring program graduates, public sector funders may be more interested in partnering on your Talent Finance initiative. The U.S. Economic Development Administration’s Good Jobs Challenge is a recent example.
Lastly, operationalize the desired funding solution:

If you do not have the knowledge or capacity to build and manage a Talent Finance strategy on your own, intermediary partners can help. Intermediary partners are typically experienced in:

- Program strategy and design, including problem definition, solution approach, and business case development;
- Funder relationship development and stewardship, including how to blend internal and/or external sources of capital to support program objectives;
- Training/education provider identification and selection, including credit-level due diligence, investment term negotiation, and ongoing relationship management;
- Financial management, including ongoing fund and partner relationship performance management.
Assess Your Readiness for Talent Finance and

Begin Your Talent Finance Journey

To help you determine if Talent Finance is the appropriate solution for your talent needs, consider your company’s current state with respect to the conditions below (conditions that, in our experience, enable successful Talent Finance strategies):

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**Employer Talent Problem**

- **Centrality to Business Effectiveness:** The occupation for which an employer is hiring is expected to grow or already has pervasive openings and is central to effective business operations and/or enterprise growth ambitions.
- **Materiality:** The talent gap to be filled is at sufficient scale and has been growing pervasively.

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**Job Characteristics**

- **Qualifications:** The role(s) does not require a Bachelor’s or other advanced degree.
- **Pay and Benefits:** The average annual starting salary and benefits for the job are family-sustaining.
- **Prior Experience:** Job postings for the role(s) require less than five years of prior work experience. Typically, entry-level or mid-level jobs (with up to two years of required experience) are most suitable.
- **Upskilling Needed:** Unfilled openings require moderate skills training, and training programs are short-term (typically less than one year).
- **Upskilling Costs:** Average training costs associated with the occupation range between $5,000 to $25,000. Training costs, even for similar programs, can vary widely between providers.
The following factors can help inform your decision to pursue a Talent Finance strategy:

**Expected ROI:** Understanding the business impact of your talent gap by collecting and evaluating certain metrics, such as average revenue per employee, cost to recruit each employee, and average annual turnover. These figures will inform the potential cost-effectiveness of pursuing a Talent Finance strategy. Employers should also consider the potential career pathways and opportunities for career progression that a Talent Finance strategy could enable.

**Investor Partnership Potential:** Having a funding source already identified or available for Talent Finance initiatives, if needed, will reduce the time required to launch a Talent Finance strategy. Grant-supported funding opportunities (e.g., Pell Grants) should be identified to reduce overall training costs.
How to Begin Your Talent Finance Journey

Talent Finance approaches bring together employers, training partners, supportive service providers, and capital providers—enabling individuals who face financial or educational barriers to access well-paying jobs while helping employers tap into new talent pools. Below is a high-level overview of how a company can begin to create a bespoke Talent Finance strategy:

1. **Establish project feasibility and scoping.**
   Determine which skills your Talent Finance initiative will address, as well as its ideal scale and geographic reach. Based on the context and scale of your initiative, you can determine which training providers and funding sources you may need to leverage, whether internal or external. If you plan to partner with external training providers, conduct initial landscaping research to identify high-performing programs who can meet your specific talent development needs.

2. **Design and structure the program.**
   Design funding parameters to meet your objectives, including funding vehicle size, capital sources, and return parameters, and explore scaling and sustainability options (such as recycling funds through full or partial employee repayment of training costs). Select training providers after conducting thorough due diligence to evaluate track records, graduation and placement rates, and ability to integrate effective supportive services for learners.

3. **Finalize contracting structure and term sheets.**
   Before launching, negotiate term sheets with potential partners, formalize governance structures and stakeholder roles and responsibilities, and develop fund management and reporting policies to support program success and confirm fiduciary responsibilities. Align incentives to orient all parties to designated outcomes.

4. **Conduct ongoing performance management.**
   Collecting data and evaluating business and learner outcomes after implementation are critical. Monitor outcomes to manage performance and adapt implementation as necessary.
Learn More

Social Finance designs and manages custom Talent Finance strategies to help employers fill critical job openings and solve both business and talent needs. If you are interested in learning more about how we can help you, visit our Talent Finance page or contact Justin Bakule, Vice President, Impact Investments.

About Social Finance

Social Finance is a national impact finance and advisory nonprofit. We work with the public, private, and social sectors to create partnerships and investments that measurably improve lives. Through our Impact Investing portfolio, we design, launch, and manage impact-first investments and innovative financing solutions that generate positive outcomes for people and communities. Since our founding in 2011, we have mobilized $350 million in new investments designed to help people and communities realize improved outcomes in education, economic mobility, health, and housing. In addition to managing the investment program funded by the Google Career Certificates Fund, our economic mobility portfolio includes The UP Fund, place-based Pay It Forward Funds, and the Dreamers Graduate Loan Fund. Learn more at socialfinance.org.