

PAPER • APRIL 2026

Lessons Learned: Financing Workforce Education and Training Through Outcomes-Based Repayments

Harry J. Holzer, John LaFarge Jr. SJ Professor of Public Policy, McCourt School of Public Policy at Georgetown University; and **David J. Socolow**, Head of Policy, Social Finance Institute

Acknowledgments

Lessons Learned: Financing Workforce Education and Training Through Outcomes-Based Repayments is an applied research project of the Social Finance Institute.

This paper underwent thoughtful review by relevant experts from across the field. Our sincere thanks to the following leaders for their feedback and insights: **Jeremy Avins**, Arnold Ventures; **Peter Bahr**, Strada Institute for the Future of Work; **Peter Beard**, U.S. Chamber of Commerce Foundation; **Kristin Blagg**, Urban Institute; **Scott Cheney**, Credential Engine; **Kevin James**, Better Future Forward; **Rachel Lipson**, Aspen Institute Economic Strategy Group, Brookings Metro, and Harvard Project on Workforce; **Donald McIntosh**, Business Roundtable; **Sarah Miller**, Federal Reserve Bank of Atlanta; **Ethan Pollack**, Jobs for the Future (JFF); **Portia Pratt**, National Governors Association (NGA) Center for Best Practices; **Ashley Putnam**, Federal Reserve Bank of Philadelphia; **Chase Sackett**, America Forward; **Paige Shevlin**, labor and workforce policy consultant; and **Aarushi Singhania**, World Economic Forum.

Numerous leaders from within Social Finance also provided valuable feedback on this paper, including **Karen Anderson**, **Andrew Chen**, **Thomas Coen**, **Jake Edwards**, **Kirstin Hill**, **Vinesh Kapil**, **Matt Latimer**, **Meg Massey**, **Tracy Palandjian**, and **Jake Segal**.

About the Institute



The **Social Finance Institute**, launched in 2023 by the national nonprofit Social Finance, advances the understanding and use of outcomes-driven financing and impact-first investing to measurably drive economic mobility. We develop and share actionable research and tools that show how capital can be put to work toward lasting social change.

socialfinance.org/institute

Contents

Acknowledgments	1
Executive Summary	3
Introduction	5
I. Economic Analysis of Outcomes-Based Models	9
A. Skill Investment and Its Drawbacks	9
B. ISA and OBL Models: Benefits and Costs/Challenges	11
C. The Market for ISAs and OBLs	14
D. Variations in ISA and OBL Models	15
II. ISA and OBL Models: The Current Landscape for Outcomes-Based Repayment Financing of Education and Training	16
A. The Overall Status of the Outcomes-Based Repayment Program Market	17
B. Specific Program Design Types	18
III. Evaluation Evidence of Cost-Effectiveness: Formal and Informal	20
A. Formal Evidence	20
B. Informal Evidence	23
IV. Conclusions	24
Recommendations for Implementation	27
Appendix I: Selected Elements of 33 Different Repayment Programs	30
Table 1: Income-Share Agreement (ISA) Programs Operated by Nonprofit Organizations	30
Table 2: Income-Share Agreement (ISA) Programs Operated by For-Profit Organizations	31
Table 3: Outcomes-Based Loan (OBL) Nonprofit Programs with a Payment Cap	32
Table 4: Outcomes-Based Loan (OBL) Nonprofit Programs without a Payment Cap	33
Appendix II: Glossary of Terms	34
References	36
About the Authors	38

Executive Summary

In today's labor market, defined by rapid technological change, persistent worker shortages in key industries, and growing political concern over student debt, we see renewed urgency to find more equitable and sustainable ways to finance skills training. Yet significant shortfalls persist in available funding for education and training programs. This paper will focus on funding for programs that prepare people for in-demand jobs but typically have been excluded from federal student aid for higher education while also facing inadequate public funding dedicated to workforce development.¹

Outcomes-based repayment models offer new ways to finance education and workforce training by tying workers' and/or employers' repayment to participants' post-training success. They include both income-share agreements (ISAs) and outcomes-based loans (OBLs). Instead of workers or employers paying for training up front, third parties like governments, philanthropies, or investors cover the initial costs. Repayment is required only if trainees achieve defined outcomes, such as higher earnings or job retention. These models could offer a more sustainable financing approach for workforce development by expanding access to training that includes certain programs that are not eligible for federal aid, reducing and rebalancing risk for workers and employers, and potentially recycling funds to train future participants.

The designs of different kinds of ISAs and OBLs exhibit considerable variation, including which groups of workers are covered, whether the programs collect repayments from workers or employers when post-training earnings conditions are met, and the extent to which wraparound supports are provided to workers. Including wraparound supports generally raises program costs but can boost program completion rates and returns for workers, which in turn could increase the amount of funds repaid. In the overall market for ISAs and OBLs, different types of program operators might target workers or employers with a variety of needs and might rely on different kinds of funders with varying expectations of repayment and returns.

Although research shows that outcomes-based repayment programs can increase access to high-quality training — particularly for underresourced workers — such programs face challenges around repayment compliance, participant understanding, and consumer protection. A recent formal evaluation of several outcomes-based repayment models, published by MDRC in 2025, found that participants valued the opportunity to reduce their risks of paying for training that doesn't help them, but many struggled to comply with the program's repayment obligations and questioned the cost-benefit balance.²

This paper builds on that study by presenting an overview of qualitative research on other programs, reinforcing the findings that outcomes-based financing expands workers' opportunities to earn credentials and creates accountability for program success, and that programs that engage employers in repayment or offer supportive services show stronger repayment results and economic impact. The paper includes a review of selected characteristics of 33 prominent ISA and OBL programs in the U.S. over the past decade and the organizations operating them. A future paper will examine participants' results in selected outcomes-based repayment programs, such as program completion, job placement, earnings, and repayment.

¹ Holzer 2025.

² Azurdia 2025.

From both existing and prior models, we distill lessons for policymakers, funders, and practitioners to inform the design and implementation of future initiatives. This paper highlights the need for careful design, transparency, and rigorous evaluation to understand trade-offs and ensure that outcomes-based repayment programs expand opportunity without re-creating the pitfalls of traditional student debt. It also emphasizes that “one size doesn’t fit all,” with different outcomes-based repayment features likely being better suited to different pools of students and funders. On the other hand, some standardization will eventually be necessary to scale these programs, at least for those for whom they are cost-effective.

To maximize the impact of outcomes-based repayment models, different stakeholders should play key roles that leverage their capacities. As detailed in the recommendations in the conclusion of this paper:

- **Federal and state governments** should ensure data collection, establish consumer protection standards, integrate outcomes-based repayment models into broader workforce development strategies and industry sector partnerships, and fund rigorous evaluation of a wide range of programs.
- **Investors and philanthropic funders** can scale these initiatives by utilizing blended-finance models and putting more emphasis on employer-repayment structures, which potentially offer higher recovery rates and lower risk than collecting repayments from individual participants.
- **Program operators and training providers** should ensure transparent repayment terms; besides building in financing for direct training costs, they should also, where possible, consider providing wraparound supports for living expenses and other services to boost workers’ training completion rates.
- **Employers** should more frequently use these financing arrangements to address recruitment and turnover challenges by taking on repayment obligations for the workers they hire and retain; coordinating such initiatives through industry sector partnerships can pool resources and reduce risks for individual employers.

Collectively, these efforts can reduce risk and increase access to high-quality career pathways.

Introduction

With rising interest in nondegree and noncredit career pathways, bipartisan support for expanding access to high-quality workforce training, and a recent shift away from a “college-for-all” mindset, policymakers are increasingly focused on ensuring that programs deliver good jobs with real economic returns. However, the past several decades have simultaneously been marked by a steady decline in public investment in workforce skills training other than for at least moderately lengthy for-credit higher education programs.³

In response, workforce leaders and funders have sought new ways to finance postsecondary education and training that better align costs, benefits, and accountability across workers, employers, and funders, through a variety of strategies described collectively as “talent finance.” Outcomes-based repayment arrangements are one example; in these models, a third party provides up-front funding for the costs of education and training, such as tuition and/or living expenses and supportive wraparound services. Participants — workers and/or employers — repay some or all of the cost only if they achieve specific, measurable results, such as increased earnings or improved employee retention.

Outcomes-based repayment models address market gaps that limit access to affordable job training, especially for workers lacking in savings or credit; they can also support hiring and retention for employers hesitant to invest in workers’ portable skills. By tying repayment to workers’ success, outcomes-based models can align incentives among workers, funders, and training providers, and can recycle repaid funds to train future participants. And by monitoring repayments as one signal of post-training employment success, these models can hold programs accountable for earnings results.

Outcomes-based financing models have been around in workforce development for many years, but in the last decade they’ve experienced significant growth in the workforce training space not covered by federal student aid.⁴ In these models, repayments are generally structured in one of two forms: income-share agreements and outcomes-based loans.

- **Income-share agreements (ISAs):** ISAs enable workers to cover the costs of training over time by repaying a small percentage of their future income for a set period. There’s no fixed debt amount — payments stop at a date certain after exiting training or after reaching a limit on the total amount paid, and payments occur only if the worker earns above a set income level.
- **Outcomes-based loans (OBLs):** OBLs are loans with key borrower-friendly features: Repayment is required only when the worker earns above a set income level. The loans have fixed total balances owed, but payments are paused or forgiven if earnings stay below the minimum threshold.

The Potential Role of ISAs and OBLs in U.S. Workforce Development

With support from a wide range of public and private funders, outcomes-based repayment financing models could help expand worker access to workforce development in the United States. Workforce development, which includes job training and support services for workers, can be considered a three-legged stool that includes:

1. A range of degree and certificate programs (below the level of Bachelor of Arts or Sciences degrees) that directly prepare workers for the job market in public community or private for-profit colleges;
2. Other workforce agencies and training providers, both public and private, funded by the Workforce Innovation and Opportunity Act (WIOA) and some smaller federal programs as well as private nonprofits; and
3. On-the-job training or work-based learning, including apprenticeships, in which employers train their employees.⁵

³ Holzer 2025.

⁴ Soetaert 2023.

⁵ Holzer 2025.

Funding for all three components of workforce development in the U.S. has been limited. For instance, trainees at accredited higher education institutions can receive federal funding from Title IV of the Higher Education Act (HEA) in the form of Pell grants and federal loans, though short-term and/or noncredit programs have not been eligible for aid. Other federal funding, through WIOA and other programs, also has been quite limited.⁶ Many private employers have also been reluctant to invest heavily in training for frontline workers without a bachelor's degree; the level of employer investment has declined over the past three decades,⁷ for reasons we note below.

In this context, outcomes-based repayment could offer additional financing options to expand access to workforce development services, especially for disadvantaged populations. By tying repayments to earnings outcomes, these models resemble the “income-based repayment” feature of HEA Title IV student loans. Borrowers choosing an income-based repayment option for their federal student loans can defer repayment until they achieve and retain a certain level of income — at which point their monthly payments will be determined by their earnings.⁸

Why is new funding needed? Federal student loans — and all aid under Title IV — have historically been limited to at least moderately lengthy for-credit programs at accredited higher education institutions, effectively excluding most short-term programs as well as nondegree programs that are not offered by a traditional two-year or four-year degree-granting institution. In other words, a two-year or four-year nursing degree at an accredited⁹ institution is eligible for federal student aid, while a three-month intensive course in a specific aspect of health care — such as phlebotomy — likely is not, even if the latter consistently leads to stable employment and earnings gains for its participants. As a result, many high-quality workforce training programs that prepare workers for in-demand jobs and result in positive employment and income outcomes are excluded from federal funding.¹⁰

Although the new federal Workforce Pell Grant program will cover some low-income individuals' costs of enrollment in certain short-term training programs, there remain significant funding gaps that outcomes-based repayment programs could help address. Starting in July 2026, the new Workforce Pell Grant program (“Workforce Pell”) will expand federal Pell Grant eligibility to high-quality, short-term training programs at accredited institutions — both for-credit and noncredit — of at least eight weeks and up to 15 weeks in duration that lead to industry-recognized credentials, with the goal of enabling more workers to enroll in fast, career-aligned education pathways that improve employment and earnings outcomes. Important questions remain about how the federal and state governments and institutions will define, monitor, and enforce standards for “high-quality” programs, as well as how many programs will ultimately be eligible for aid. Given the current lack of data and high-quality hurdles that need to be cleared, the availability of Workforce Pell grants might or might not make meaningful progress toward filling a long-standing financing gap for short-term, workforce-oriented programs.

Either way, there remains significant need for financial support for many industry-recognized training models, as federal Title IV student aid will continue to exclude many nondegree or noncredit programs outside of traditional higher education institutions, limiting access for workers seeking pathways to economic mobility.¹¹ In addition, workers pursuing training programs that are eligible for Workforce Pell funding may benefit from complementary financing of tuition or living costs that are not fully covered by the federal grants. In contrast to federally funded support, outcomes-based financing arrangements can be applied to a wide range of shorter-term and/or nondegree offerings from community colleges or for-profit training providers (including both for-credit and noncredit courses), as well as workforce development programs offered by community-based institutions or employers at the workplace. These arrangements can extend funding to workers who often lack the liquid assets to fund training up front or who may consider conventional loans for such training too risky due to interest rates or other terms.

6 “Total federal funding for WIOA [Workforce Innovation and Opportunity Act programs] is now about \$11 billion, with \$7 billion for workforce programs and the rest for vocational rehabilitation. Funding has been quite dramatically reduced over time; at its peak around 1980, funding was about \$18 billion (or \$65 billion in current dollars)” (Holzer 2025, 9).

7 Holzer 2025; Holzer 2023; Osterman 2022; Cappelli 2014.

8 U.S. Department of Education 2026.

9 Section 496 of the Higher Education Act of 1965, as amended, and federal regulations at 34 CFR Parts 602 and 603, restrict Title IV federal student financial aid to programs at higher education institutions that have met the standards enforced by a nationally recognized accrediting agency approved by the U.S. Department of Education to conduct peer evaluations assessing whether institutions meet quality criteria, and to monitor institutions and conduct periodic reevaluations (United States 1965).

10 Baum, Holzer, and Luttmer 2020.

11 Levine 2025.

By providing alternate funding to train a pipeline of prospective employees, outcomes-based repayment financing can reduce the risks of workers paying for training that they might not complete or that does not lead to higher pay. This type of financing can also reduce employers' risks of paying in advance for training programs that workers don't complete or for workers who do not remain on the job long enough after completion to justify the employers' investments. One way of doing so is for employers to help repay up-front costs after they employ trainees for a defined retention period. Outcomes-based repayment programs can also finance costs that conventional loans don't cover, such as trainees' costs of living while they are enrolled in training. ISAs and OBLs also could serve as alternative methods to finance employers' costs for on-the-job training or work-based learning, as well as skills training in more traditional classroom settings.

Who funds these efforts? Funders can be public or private; in the latter case, they might be investors seeking either a market-level return on investments or a lower rate for an impact-first investment. When the funders are from the public sector or private philanthropy, funds may be recycled: As workers or employers benefit from training and partially or fully repay the up-front investment of training-related costs, those repayments can pay the costs of other trainees, stretching dollars further and training more individuals than would be possible without a repayment mechanism. With sufficient recovery of funds through repayments, these programs can provide a return to investors. These programs, however, require consideration of the trade-offs between recouping a greater share of their outlays and offering more generous repayment terms.

The wide range of programs providing funds with outcomes-based repayment, and some of their key features, are illustrated below (and are further discussed in Section II):

Institution/program

- Private For-Profit Businesses
- Private Nonprofit Organizations (Higher Education or Other)
- Public Programs

Structure of financing

- Income-Share Agreements
- Outcomes-Based Loans

Funders

- Market-Rate Investors
- Impact-First Investors
- Philanthropic Donors
- Governments

Recipient of assistance/who repays

- Worker/Trainee
- Employer

What They Are Not: How ISAs and OBLs Differ From Other Funding Approaches

This paper distinguishes between workforce development programs with outcomes-based repayments and those that use other alternate funding mechanisms. We focus here only on models where: 1) an outside funder pays up front for education or training and 2) the beneficiary of the training (the worker, the employer, or a combination of the two) has an obligation to repay this up-front expenditure only when they have achieved a certain outcome, such as a predetermined level of earnings. While other forms of talent finance could increase employers' engagement with paying for skills training — which can provide major benefits to both employers and workers — these approaches do not have the repayment features of the models described in this paper.

For instance, *pay-for-performance* contracts can fund various forms of training, such as apprenticeships, in which a government might reimburse an employer for some of the costs of hiring and training an apprentice.¹² But such arrangements fall outside of the category of ISA and OBL programs that we consider here.

A wider category of innovative approaches to fund higher education or training is sometimes called *talent finance*, which includes but is not limited to programs with outcomes-based repayment features. For instance, one approach involves regular payroll deductions for workers that are placed into accounts from which the workers can draw over time to pay for education and training. These include:

- Lifelong Learning Accounts, which have been implemented in a handful of large cities or states in recent years, including the states of Maine and Washington and the cities of Kansas City, San Francisco, and New York.¹³
- A related model, Skill Savings Accounts, which would establish financial incentives for employers and workers to contribute to individual, portable accounts dedicated to skills training, following the template of tax-advantaged Health Savings Accounts and Flexible Spending Accounts.¹⁴

Another alternative talent finance approach is *employer reimbursement of tuition*, which is tax-free (under Section 127 of the federal tax code) up to a cap of \$5,250 per year. Here again, there is no expectation of repayment, but disbursements are only made by a worker's employer. These usually cover only classes for those workers who already have bachelor's degrees.

Given the limited scopes of these other approaches and the broader challenge of limited available funds for worker education or training, outcomes-based repayment programs can be a complementary strategy for many of them. For instance, ISAs and OBLs might fund “last-mile” training not covered by these other sources. On the other hand, increasing the availability of financing through outcomes-based repayment programs could also substitute for some amount of higher education or training that workers or their employers currently pay for.

In the U.S., hundreds of programs with outcomes-based repayment have now been created and thus can be reviewed and evaluated. In the sections below, we address the following key questions about these programs (see next page).

¹² Colborn, Leech, and Nemli 2025.

¹³ Fitzpayne and Pollack 2018.

¹⁴ Tyszko and Beard 2024.

PAPER ROADMAP



Section I • Economic Analysis

What does economic theory and evidence imply about the benefits and costs of such efforts, relative to other sources of funding? Under what circumstances should these models contribute the most to job training, and for whom?



Section II • Current Landscape

What is the current landscape in the U.S. of outcomes-based repayment initiatives to finance workforce development? What has been piloted, by whom, and with what terms for workers and/or employers? How large is this market to date?



Section III • Evidence of Cost-Effectiveness

What do we know to date about the cost-effectiveness of such approaches, either from quantitative or qualitative evaluation? What potential downsides have become apparent, along with what benefits?



Section IV • Conclusions and Recommendations for Implementation

What next steps should be undertaken by any actors — private or public — in research and evaluation or in trying to scale effective programs?

I. Economic Analysis of Outcomes-Based Models

This section draws on economic principles to explain how workers and employers decide whether to invest in “human capital” — that is, worker education or training — based on expected wage and productivity gains, but also why these investments often fall short of what is needed to bolster workers’ earnings and productivity at a large scale. Employers prefer to fund firm-specific skills, while workers seek both general and specific training to boost their earnings across jobs, but workers often have limited liquid resources. Market failures (defined below) and inequities — like limited access to credit, poor information, or systemic discrimination — make it harder for many people to invest in their own training. These gaps justify public or nonprofit investments in workforce development, yet government programs often lack sufficient funding or performance incentives to make such investments.

A. Skill Investment and Its Drawbacks

The basic economic model of how students or workers choose higher education or training, and how employers provide such training on the job for incumbent workers, is well known among economists and policymakers.¹⁵ In this model, workers’ skills are based on both worker and employer investments in *human capital* that improve productivity and earnings. Employers likely invest in the *specific skills* that workers need to perform well on jobs in their establishment through on-the-job (or work-based) learning; they are less likely to invest in more *general skills* that could be of benefit to other employers when workers leave their jobs (or other employers “poach” them).¹⁶ Workers, who are effectively the “owners” of any skills they acquire, may choose to invest in gaining or improving both general and specific skills that are useful across jobs and with different employers, though sometimes with limited resources.

¹⁵ The canonical model was derived by Becker (1968) and Mincer (1974). At this point, attendance during the K-12 years is not part of the investment decision as it is mandated by states, but postsecondary education is such an investment since it is not free.

¹⁶ General skills include a range of cognitive and noncognitive skills, where the former include math and/or reading plus analytical skills, and the latter can include social and communication skills, ability to work in teams, and ambition and grit (or stick-to-itiveness).

In short, workers and employers decide whether and how much to invest in training based on whether it seems “worth it.” Workers are willing to spend time and money on new skills if they expect to earn enough over their careers to make up for those costs. Employers make a similar calculation, investing in training only when they believe it will boost the productivity of their employees enough to justify the expense.¹⁷

Of course, almost any investment entails not only costs (such as program tuition and lost hours of work) but also *risks*, and workforce education and training are no exception — for both workers and employers. Workers might fail to complete or fully master a program of study, including those in training programs that are less effective at conveying skills. They may not have enough time available to successfully make training investments — perhaps because they are focused more on their short-term needs than their long-term career prospects.¹⁸ From the employer’s perspective, workers might not master the skills or might leave once they attain them. Some workers might lack the basic work-readiness skills that are necessary preconditions for success across many training programs, especially those that are not explicitly designed to support people with weak educational preparation, substance abuse issues, health and disability challenges, or other factors. Other workers may face barriers to completing training due to unmet basic needs, such as access to food, housing, reliable transportation, and dependent care. And of course, the jobs for which more specific skills are useful might disappear over time due to factors beyond the control of workers or employers, such as automation or globalization.

Beyond these risks, a range of either *market failures* (when the normal forces of supply and demand don’t lead to the most optimal outcomes for everyone) or *inequities* (when economic outcomes penalize certain segments of the population, such as in cases of systemic discrimination) can further limit the extent to which workers or their employers make these investments.

Some of these inequities or market failures include:

- **Resource constraints:** Workers might not have the cash or other liquid assets on hand to invest in education or training that falls outside the eligibility criteria for Pell grants or federal student loans; and their ability to borrow from banks might be limited by capital market failures, such as private lenders who view them as riskier investments than they really are.
- **Insufficient information:** Both workers and employers might have too little information about the financial, professional, and productivity benefits of various kinds of training. The cost for employers to coordinate training (especially nonunionized employers) might also force each employer to bear the fixed costs of setting up training on the job, including for work-based learning (like internships and apprenticeships).^{20, 21}
- **Inequities:** In addition, employer perceptions of risks — based on either economic calculations, cultural factors, or both — may impede their willingness to hire and invest in skills development for workers belonging to certain groups, such as workers with criminal records, women, members of racial or ethnic minorities, and LGBTQIA+ individuals.²² For similar economic and cultural reasons, private third-party lenders may perceive workers as too risky for loans to pay for skills training.

Between 50% and 70% of workers use their own money to pay for nondegree credentials such as vocational certificates and professional licensure programs. With more than half of these programs’ hourly costs exceeding the minimum wage in many states, many workers likely incur high-interest credit card debt for these costs.¹⁹

¹⁷ Acemoglu and Pischke 1997.

¹⁸ This phenomenon is known among economists as “rate of time preference.”

¹⁹ Levine 2025.

²⁰ Historically, unions ran training programs in fields like construction and manufacturing, which eliminated the need for each employer to bear the fixed costs of setting up their own training. In construction, unions still run most apprenticeship programs. But the decline in private sector union density to only 6% of workers makes such a burden-sharing approach to training unavailable to most firms.

²¹ Postsecondary education and training can also provide a range of *external* benefits to the economy, besides those that accrue to the trained workers and their employers. These can include spillover effects on other employees as well as civic benefits.

²² Discrimination needn’t be based only on bias; economists also note that *statistical discrimination* occurs when employers have too little information about the productivity of individual workers and therefore substitute stereotypes about groups for such information. The risks that employers perceive when workers have criminal records include criminal recidivism, which could include violent acts against customers or co-workers, as well as poor performance and high turnover. Of course, whether these risks are real or highly exaggerated by certain employers is open to question and likely depends on the nature of previous criminal activity and how long ago it occurred.

When these challenges limit the ability or willingness of workers and/or employers to invest in postsecondary education or training, the argument can be made for public or nonprofit third-party investments in skill building. This is a major reason why the federal government finances investments in both K-12 and higher education — the latter through Pell grants, federal student loans, or work-study through Title IV of the Higher Education Act — as well as investments in job training through the Workforce Innovation and Opportunity Act (WIOA) and, soon, Workforce Pell grants. Similarly, state funding for public higher education institutions reduces tuition prices.

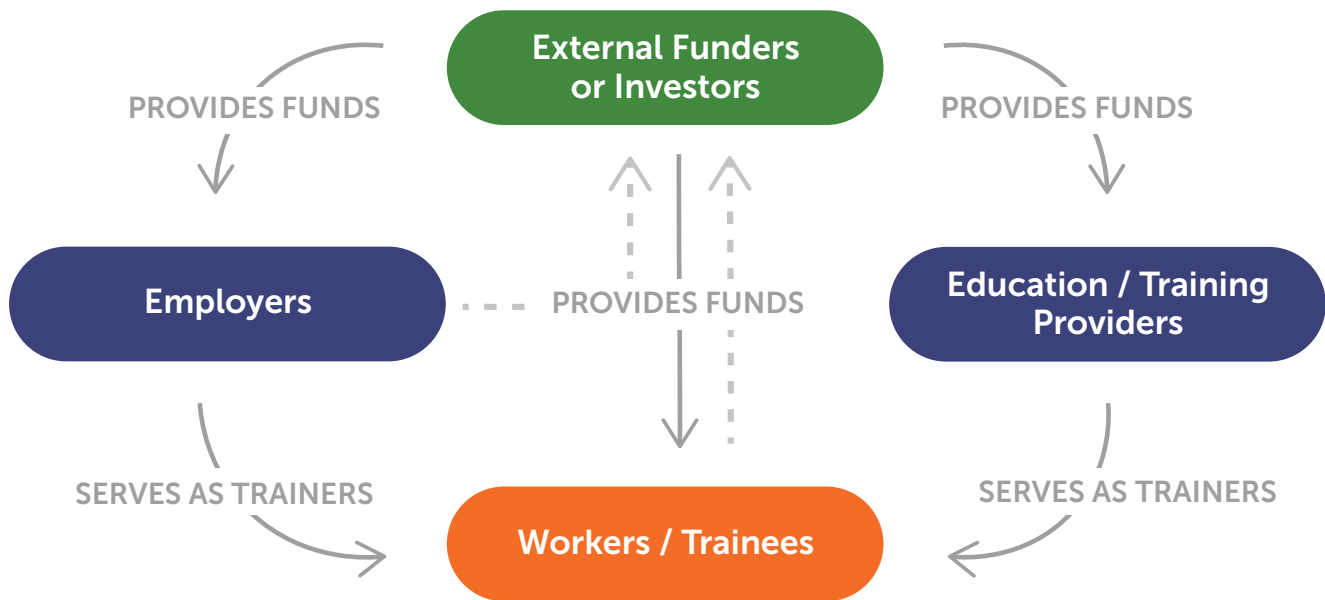
Yet these public investments can also fall short of what is needed, due to budgetary and political pressures or fears — sometimes well-founded — that they lack cost-effectiveness.²³ The U.S. provides WIOA job training vouchers to approximately 220,000 adult and dislocated workers per year, compared with Pell grants and other forms of financial aid for 6 million college students²⁴; and only \$28.2 billion out of about \$139.5 billion in federal spending annually on postsecondary education and training goes to workforce training.²⁵ In fact, the U.S. spends roughly 0.1% of its GDP on these programs, compared to as much as 0.5% across other countries with advanced economies.²⁶ This disparity suggests a major mismatch in funding relative to workforce needs.

B. ISA and OBL Models: Benefits and Costs/Challenges

This range of market failures and inequities — and the funding shortfalls for publicly provided education and training — creates potential markets for ISAs or OBLs. Third-party investors or funders make new funds available to pay up front for worker education or training delivered by a community college, community-based organization or for-profit institution, or on the job. When such training is successful in raising earnings, the worker or employer begins to pay back the up-front funding.²⁷

Figure 1 shows a range of possible connections among four types of market participants: **workers/trainees**, **employers**, **education and training providers**, and **funders or investors**.

Figure 1 • ISA/OBL Market Participants



²³ Holzer 2025.

²⁴ Deming et al. 2023.

²⁵ Maag and Jacoby 2024.

²⁶ OECD 2026.

²⁷ Whether higher wages represent a true impact of training, rather than an outcome that might have occurred anyway, can be hard to infer for any particular worker, which lends some uncertainty to estimates of cost-effectiveness.

Many variations of these arrangements are possible; for instance, the external funder/investor can directly pay the worker/trainee, the education/training provider, or the employer, and either of the latter two can train or upskill the worker, leading subsequently to repayment by the employee and/or employer to the up-front funder.

This new funding, by definition, makes more training funds available than would be without it.²⁸ The requirement that payback occurs only when the benefits of the investment are realized dramatically reduces the risk borne by the worker or the employer, overcoming a barrier that otherwise can inhibit their willingness to invest in skill development. In some models, the funds recovered when initial funding is eventually paid back are then recycled to support future trainees. Some programs also include incentive payments to training providers to strengthen the quality and labor market alignment of their training (more on this below).²⁹

The benefits of these models should be highest for trainees/workers with the greatest difficulty providing or obtaining funding on their own (due to the market failures or inequities cited above) or when employers are most reluctant to invest their own resources in training. Even with the implementation of Workforce Pell, outcomes-based repayment models may continue to play an important role in financing other short-term or noncredit training programs. This could occur when the terms of an ISA or OBL are more flexible or generous than traditional student aid or loans, especially in financing trainees' nontuition costs of living while enrolled in training. Wraparound services might also help disadvantaged trainees complete their programs more successfully; even though providing such services tends to add costs to the program, doing so may ultimately increase trainees' ability to make repayments.

At the same time, requiring repayment comes with its own risks. For one thing, workers or even employers might have difficulty fully understanding the terms of the agreement, such as the timing and amounts of their repayment obligations. Implementing proper and effective repayment operations adds administrative and legal complexity. Predatory funders can take advantage of worker misunderstanding by overstating the benefits to the worker and understating the costs they will bear over time. Further regulation beyond existing laws might be required to prevent such abuses from occurring. Funders might recoup relatively little of their investments if success rates are low or successful workers knowingly or unknowingly evade their repayment responsibilities.

And, as is often true with performance measurement and incentives in public agencies, the incentives created by ISA and OBL models could encourage "cream skimming" by program operators or their funders. This means they might strive to improve performance metrics by skewing toward serving trainees perceived as lower risk, thus limiting access to services among disadvantaged workers. On the other hand, by reducing the risks to employers associated with weak outcomes among trainees, these models may mitigate the incentives for program operators to engage in such gaming of performance measurement.

We can clarify the unique benefits and costs or challenges associated with ISAs or OBLs as follows:

Potential Benefits:

- **Better for Borrowers:** Relative to conventional student loans, the terms of financing with ISAs or OBLs can be more supportive for borrowers, especially when the up-front funding comes from government, philanthropic, or other sources that do not seek a market rate of return. For instance, impact-first investors in such funds will often accept a lower rate of return, as long as some positive social impact is being generated.
- **Ability to Reach the Underserved:** Nonprofit organizations might be much more willing to provide funding to certain categories of disadvantaged or underprepared workers who might be viewed as too risky by private sector lenders. This can potentially make larger sums available than the public sector alone, especially given political or fiscal constraints on public spending.

²⁸ This assumes that workers or employers do not reduce their own investments in response to the availability of this third-party funding.

²⁹ Such alignment can only occur if payments to providers are at least partially based on the performance of trainees.





- **Improved Talent Pool:** Employers can also benefit indirectly from more generous terms for workers, since — all else equal — more skilled employees will now be available for them to employ. Using these models to finance on-the-job training or work-based learning would benefit the employer even more directly and make their contributions to repayment more justifiable.
- **Improved Accountability for Training Funds:** Because repayments are tied to trainees’ earnings, funders and training providers receive direct feedback about outcomes, which can offer valuable insights for improving, recalibrating, or discontinuing the training program.

Figure 2 summarizes these potential benefits for workers and their employers.

Figure 2 • Key Characteristics that Make Income-Share Agreements (ISAs) and Outcomes-Based Loans (OBLs) Effective for Workers and Employers



COMPREHENSIVE SUPPORT SYSTEMS FOR BORROWERS

 Living Expenses Income support during training	 Tutoring & Mentoring Academic and career guidance	 Child Care Family support services	 Transportation Access to training locations
---	--	---	--

Potential Costs and Challenges:

- **Repayment Still Required:** ISAs or OBLs are less generous to workers/trainees than scholarships or grants that do not impose any repayment obligation.
- **Uneven Regulations:** Not all outcomes-based repayment arrangements are subject to the same federal and state regulations and standards as traditional loans for disclosure of repayment terms that would prevent workers/trainees from being subject to predatory lending.
- **Administrative Complexity:** Incorporating mechanisms to calculate and collect repayments can make programs more difficult for participants to understand.

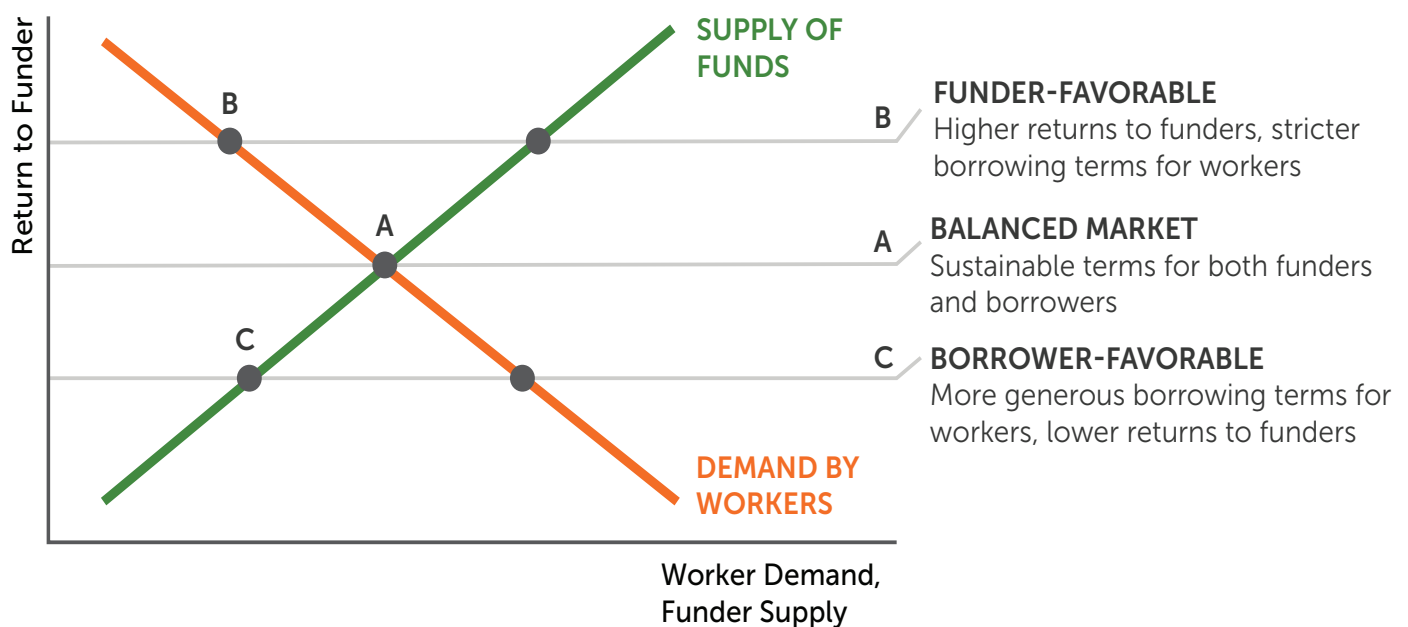
- **Adverse Performance Incentives:** Program operators or funders could skew participation toward trainees perceived as having a greater likelihood of achieving the agreed-upon outcomes, thus reducing access for more disadvantaged individuals.

C. The Market for ISAs and OBLs

Providing more generous terms for outcomes-based repayment will increase the benefits to workers and employers, as displayed in Figure 2. But enthusiasm for more generous program design features must be tempered by their higher costs per participant and reduced recovery of initial outlays, which limit how many trainees can be supported and the willingness of financiers to participate in these efforts. This will, in turn, limit the size of the market and its growth over time.

Figure 3 illustrates this interplay in economic terms, between the demand for and supply of funds in a market for ISAs and OBLs. It shows the numbers of workers (or potentially employers) interested in such a program (x-axis). The financial returns to funding providers (y-axis) are, all else equal, inversely related to the generosity of the program. In other words, more generous borrower terms lead to lower financial returns to funders, whereas higher financial returns to funders generally mean that the borrower terms are less generous.

Figure 3 • Supply & Demand for Workforce Funding



Only at equilibrium point A is the overall market in balance, with sufficient funders providing financing for workers. But different program operators specializing in various market segments could operate at different levels of support with varying recovery of outlays and returns to funders. For example:

- **Market Segment B:** Workers with more resources or fewer needs might be willing to live with a higher return to funders and less generous repayment terms. To serve that subgroup of borrowers, funders seeking higher returns on their investments might position themselves in the market segment represented by point B on the demand line.
- **Market Segment C:** Workers with fewer resources and greater needs might need more flexible support services that generate lower levels of returns. Funders willing to accept lower (or no) returns — such as governments, philanthropies, or impact-first investors — could offer more generous terms and therefore choose to provide funding at point C on the supply line.

In each of these last two cases, applying such terms to the entire market would cause a surplus (B) or shortage (C) of funds available. But smaller segments of the market might be served by these cases — measured by the smaller amount of student demand for funds under (B) or a smaller amount of funds supplied under (C) for these market segments.

D. Variations in ISA and OBL Models

In this section, we review key features of ISA/OBL models that are found in some, but not all, programs to date. These program design elements could be critical to the relative success or failure of these programs to sustainably raise workers' earnings.

1. Wraparound Supports

Financing not only the direct costs of delivering education and training but also living expenses and other supportive services (“wraparound supports”) helps workers successfully complete such training; such supports are a valuable feature of some OBLs and ISAs. We have very strong evidence that tutoring, mentoring, and the provision of child care and transportation — among other supports — boost training program completion rates³⁰ and help make “sectoral” training models cost-effective.³¹ Covering living costs for workers while they are enrolled in workforce development programs raises their abilities to complete the training while meeting their expenses and family obligations.³² In a chapter of [Workforce Realigned, Volume II](#), economist Kate Bahn suggests that, without comprehensive wraparound support services, women in particular face barriers to participating fully in high-quality workforce development programs that offer opportunities for economic mobility.³³

Of course, providing such supports makes these programs more expensive: These supports must raise program completion and repayment by enough to offset these higher costs, at least for some groups of borrowers, to prevent declining returns for funders when the supports are provided.

2. Employer Repayment

In some cases, employers, rather than workers, agree to repay the up-front financing for the training costs. Economic theory suggests that when this happens, a rational employer would seek to indirectly recover some or all of those costs by offering lower wages than they otherwise would. This is similar to traditional on-the-job training arrangements, where employers cover training expenses but may offset them through lower pay — especially when the skills being taught are general and transferable rather than specific to one company.³⁴

Employer repayment can be more effective than relying on collections from individual trainees. One reason is that when employers agree to play this role in a program, they can easily report the wages they pay to participants, instead of relying on individuals to self-certify their own earnings.

- For instance, nurses who borrow zero-interest outcomes-based loans through the Reinvesting in Nursing Education and Workforce (ReNEW) Fund can be relieved of the obligation to repay the loans when they work for participating health care employers that pay into the Fund at key milestones during the nurse's first three years on the job.³⁵

³⁰ Dawson, Kearney, and Sullivan 2020.

³¹ Katz, Roth, Hendra, and Schaberg 2022.

³² For promising results of sectoral workforce development programs offering stipends to enrollees during training, see McCune (2024) and Killos and Cowan (2022). See also Hamilton and Scrivener (2012), summarizing the findings of the Employment Retention and Advancement project: “[e]arnings supplements, tied to job retention and that help to make low-wage work pay, ideally coupled with job coaching, can promote sustained employment and advancement” while “[b]y themselves, counseling and referrals to services to help people stay employed do not appear to increase employment retention and advancement.”

³³ Bahn 2025.

³⁴ Lerman, Loprest, and Kuehn 2020.

³⁵ Pulsipher and Virden 2025.

- Similarly, South Carolina’s Better Outcomes, Less Debt (BOLD™) Career Pathways program connects student borrowers with participating employers in the health care, finance, education, and information technology sectors; these employers repay the students’ loans in exchange for a commitment to work for that employer for a set number of years.³⁶

Employers in these programs generally repay these loans only for employees who become successfully trained and then remain on the job for a minimum time period. Of course, given the limited willingness of employers to invest in most of their noncollege employees through on-the-job training or work-based learning (noted above), their willingness to participate in these new funding approaches could be limited as well, especially for workers whom they regard as risky investments. On the other hand, well-known difficulties in finding or retaining skilled workers below the BA level in health/elder care, advanced manufacturing, IT, and other high-demand sectors might motivate employers in those industries to participate in employer repayment arrangements, especially given that the outcomes-based repayment feature limits their risks of investing in workers who do not complete their training or leave the job soon after being hired.

3. Job Quality Criteria: Minimum Wage Floor or Wage Growth

Programs might also require a minimum wage floor — as evidence that they are financing workforce development that connects workers to “good jobs” at “living wages” — before agreeing to fund training for specific occupations. Programs might set benchmarks like those in the California High Road Training Partnership³⁷ or the U.S. Department of Labor’s former “Good Jobs Principles” (2022), which defined “good jobs” as those offering family-sustaining wages, benefits, safe conditions, and opportunities for advancement.³⁸ They may also refer to local standards that estimate the income needed to meet basic needs, such as the MIT Living Wage Calculator³⁹ or the United Way’s index defining regionally adjusted income levels of families that are Asset Limited, Income Constrained, and Employed (ALICE).⁴⁰

However, minimum earnings levels can sometimes be counterproductive. For example, a training fund might exclude entry-level health care, clean energy, or manufacturing technician roles that pay somewhat below a prescribed living wage, even though these positions represent meaningful steps up from low-wage service jobs and can lead to further career growth and higher long-term earnings. In these cases, what matters most is the *increase* in earnings and opportunity generated by the training for currently low-wage workers, rather than the absolute wage level, which can provide misleading signals about the true return to skill development.

II. ISA and OBL Models: The Current Landscape for Outcomes-Based Repayment Financing of Education and Training

In this section, we review what we know about the market for ISAs and OBLs, including how it has evolved, its current size, and who participates. The first part summarizes what we know about the overall market; the second part then looks at more specific programs, considering their attributes and how they do or do not contribute to trainees’ success.

³⁶ South Carolina Student Loan 2025.

³⁷ California Workforce Development Board 2025. See also University of California at Berkeley Labor Center 2025.

³⁸ U.S. Department of Labor 2022.

³⁹ Massachusetts Institute of Technology 2026.

⁴⁰ United Way 2026.

A. The Overall Status of the Outcomes-Based Repayment Program Market

As noted earlier, outcomes-based repayment programs that finance education and training display a variety of different structures, with a range of funders and program operators.

- **Funders:** Funders are those providing the actual funds, whether they are investors seeking risk-adjusted market-rate returns on investment, impact-first investors,⁴¹ or donors that make contributions with no expectation of financial return, like governments, philanthropies, or others.
- **Program operators:** Program operators are those who organize the funds, deliver funding to training providers and/or workers/trainees, and oversee repayments. Some program operators are nonprofit or for-profit financial intermediaries; others are education/training providers. The latter category includes traditional colleges and universities, community and technical colleges, and more specialized for-profit or nonprofit training providers that have the capacity to manage the funding themselves. Program operators often partner with third-party entities to perform loan origination, servicing, and collection functions.

When ISA or OBL program participants achieve post-training earnings that reach the agreed-upon minimum income (or growth) threshold, their repayments can either be directed to provide returns to investors or recycled to finance training for additional individuals. The latter approach can be described as a “pay-it-forward” program design. With a sufficient level of funding recovery from participants’ repayments, pay-it-forward funds can be sustainable without needing additional contributions to the fund to finance later cohorts of trainees. However, for a pay-it-forward fund to be completely sustainable, the program terms and collections procedures would have to be stringent enough to offset any losses from trainees who do not repay, whether due to insufficient earnings or failure to comply with repayment obligations.

In recent years, a variety of program designs have evolved from the market’s early focus on ISAs and programs covering only tuition at colleges and universities to include:

- OBLs that explicitly offer loans to address uncertainty about the regulatory status of ISAs;
- Pay-it-forward models that do not deliver returns to investors but instead recycle repaid funds to serve subsequent cohorts of trainees;
- Financing on-the-job training by employers;
- Financing supports and living expenses for workers/trainees during and after training;
- Repayment agreements by employers on behalf of the workers they hire and retain; and
- A wider range of funders, including state and local governments, philanthropies, impact-first investors, and traditional investors.

By 2023, as many as 300 of these programs operated in the U.S.⁴² Public interest in these alternative financing arrangements has grown, as college tuition rates have risen faster than inflation (due partly to declining public funding) and as policymakers and workers focus more on nondegree or noncredit credentials in a reaction against earlier “college-for-all” messaging that pervaded education for decades. Outcomes-based repayment programs can finance noncredit programs at higher education institutions, as well as those at nonaccredited institutions that are ineligible for student aid provided by Title IV of the HEA. In recent years, outcomes-based repayment programs and funding have grown by roughly 5% per year.⁴³

⁴¹ Impact-first investment is an investment approach in which the investor prioritizes social or environmental impact over financial returns and is willing to accept below-market returns, higher risk, or longer time horizons if doing so increases the positive impact (see Ceniath 2025).

⁴² Zaber et al. 2023.

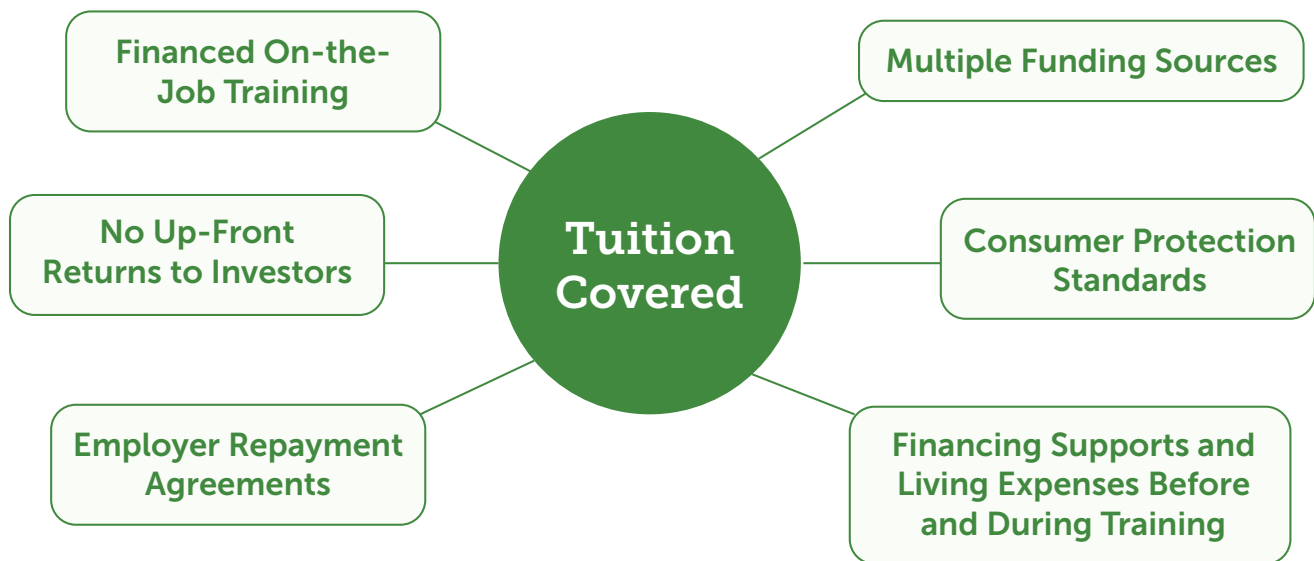
⁴³ Zaber et al. 2023.

Descriptive studies of these programs⁴⁴ have outlined some of their average characteristics. For instance, minimum income thresholds for repayments average about \$40,000 a year in annual earnings; repayment periods last an average of about 4 years; and many programs they cover (e.g., training boot camps) are not eligible for Title IV grants or loans from the federal government.

B. Specific Program Design Types

Recent programs have experimented with a variety of repayment terms and different levels of generosity in setting participants' repayment obligations, including zero-interest loans and flat repayment amounts. These more borrower-friendly structures are designed to address controversies about earlier ISA models in which participants often failed to understand the extent and duration of their repayment obligations. The variation among program designs remains high, as shown in Figure 4. This wide array of different models indicates a continued need for clear guardrails to protect consumers from programs that are shown to overpromise and underdeliver, offer predatory terms to trainees, or advertise rates of success that can be attributed largely to their enrollment of trainees who would likely have succeeded regardless of their participation.⁴⁵

Figure 4 • Expansion of Program Designs



The most important questions about different programs are the following:

- What are the expectations for financial returns from up-front funders?
- Who operates the program: nonprofit or for-profit institutions?
- Are the repayment agreements structured as ISAs or OBLs?
- What kinds of education/training programs do the funds cover?

44 Soetaert 2024; Soetaert 2023; Zaber et al. 2023; Pollack 2020.

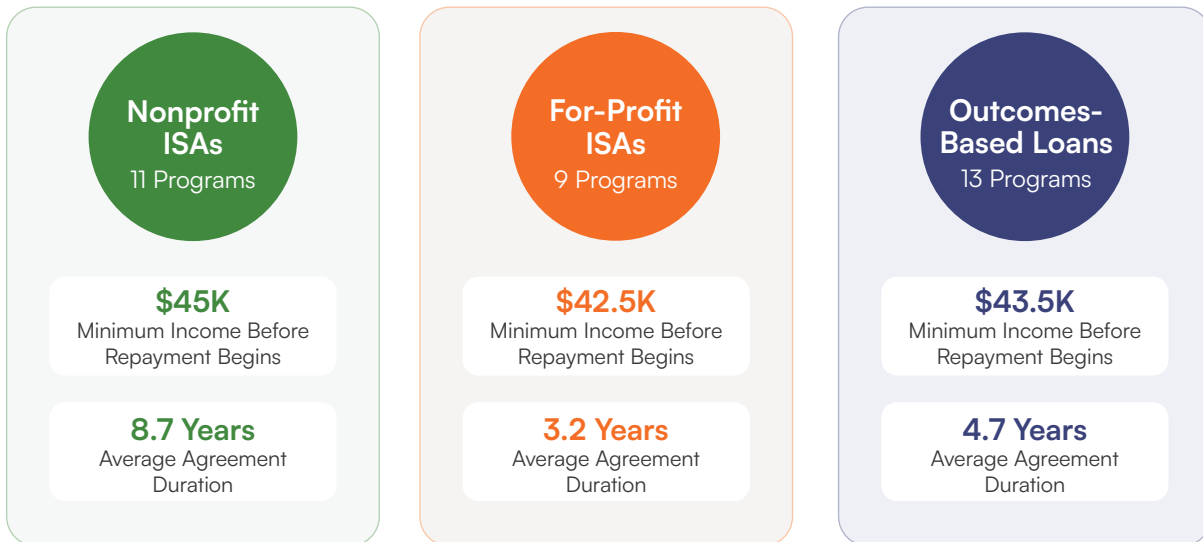
45 Courty, Kim, and Marschke 2008.

- What are the financial terms of the agreements?⁴⁶
- Does repayment come from the worker or employer? Or both?
- What supports do the programs provide to trainees (e.g., income support during training and/or “wraparound” services)? Are workers and/or employers obligated to repay outlays for these nontuition costs?

In Tables 1-4 (see Appendix I), we present selected characteristics of 33 prominent ISA and OBL programs in the U.S. and the organizations that operate them. This collection of programs is intended to illustrate different types of program designs with a variety of repayment terms. We categorize these programs respectively as ISAs operated by nonprofit organizations, ISAs operated by for-profit organizations, OBLs with payment caps, and OBLs without payment caps in Tables 1-4.⁴⁷

The tables in Appendix I present some of the important characteristics of the programs and their operators noted above, including the type of organization running the program, whether it is an ISA or OBL, the credential it provides, whether living costs are covered, and whether employers make any repayments, as well as minimum and maximum income thresholds and durations of repayment, respectively.

The 33 programs reviewed in this paper draw from a wide mix of funding sources and operators. For-profit organizations typically partner with investors seeking financial returns, while most nonprofit operators use a “recycling” model — repaying funds into the program to finance future trainees, with the goal of becoming self-sustaining. For-profit firms typically run ISAs, while nonprofits operate both ISAs and OBLs, the latter becoming more common in recent years. Programs may attract both traditional investors and impact-first investors who may be willing to accept greater risk or lower returns — or both — to increase access to training and support for individuals facing barriers to employment.



Note: Income thresholds show typical earnings level where repayment begins (median values across programs).

EXPLORE ALL 33 PROGRAM PROFILES IN APPENDIX I (PGS. 30-33)

⁴⁶ Variations in repayment terms include the minimum income threshold above which workers are obligated to make repayments; the percentage of earnings specified for repayment; the duration of time over which repayment occurs; and whether the program offers payment caps or options for canceling or forgiving participants’ repayment obligations under predetermined conditions.

⁴⁷ All of the OBL programs described in this analysis are operated by nonprofit organizations.

Several programs are supported by state and local governments, which usually focus on recycling funds rather than generating returns. These public pay-it-forward programs rely almost entirely on OBL structures. Governments dedicate tax revenue to these funds, including through partnerships with private or philanthropic seed funding for initial pilot programs. For example:

- Since its inception in 2022 with matching funds from corporate donations, New Jersey’s Pay It Forward program has received state general fund appropriations in five consecutive years.⁴⁸
- Similarly, the Massachusetts Climate Careers Fund launched in 2025 with \$5 million in state funding, to be matched by private philanthropy.
- Also in 2025, the county of San Diego, California, used public funding to start an OBL program.
- In some cases, such as South Carolina’s BOLD Career Pathways program, the government plays a coordinating role between employers and trainees rather than directly providing financing.

Tables 1-4 include nine examples of programs in which employers help repay outcomes-based loans, contingent on the ongoing employment of the trainees they hire. About one-third of the examples in Appendix I also provide stipends or finance income support to help participants cover living costs while engaged in training, and in some cases trainees are also placed in concurrent work experience. Employers seem more willing to provide work experience and cover living costs, plus help in repaying the loans, in occupations or industries where there is greater unmet demand for skilled labor — like STEM, health care, and various skilled trades.

As noted earlier, the minimum income threshold for repayment obligations is usually in the range of \$40,000-50,000, with repayment calculations varying widely but averaging 10%-15% of earnings above that minimum level.⁴⁹ None of these cases use wage growth rather than minimum thresholds to calculate repayment obligations. Repayments are required to continue only during periods when the worker’s earnings exceed the minimum threshold, and most programs analyzed here also relieve workers of the obligation to continue paying after a maximum duration (typically between two and six years).⁵⁰

To summarize: A wide range of organizations provide funding for and/or operate outcomes-based repayment programs for education and training, with both for-profit and nonprofit entities as well as private and public entities in the mix. Each engages in ways that match its goals, capacity, and risk tolerance, contributing to a broader and more flexible funding ecosystem. Program designs vary widely, with some offering financial support for living costs or integrating paid work experience to help participants complete training. These features are especially common where employers face persistent challenges with recruiting and retaining skilled workers, creating incentives for them to take a more active role in financing and shaping the training pipeline.

III. Evaluation Evidence of Cost-Effectiveness: Formal and Informal

A. Formal Evidence

A significant body of research estimates the rates of return to many kinds of workforce development — including programs in community colleges, for-profit institutions, WIOA-funded training, private sectoral programs, and work-based learning models like apprenticeship or on-the-job training.⁵¹ These estimates vary enormously across

48 Colton 2025.

49 Some OBLs do not tie repayment amounts to a sliding scale based on income.

50 Starting in 2026, forgiven student loan balances will again be counted as income subject to federal taxation, due to the expiration of the American Rescue Plan Act’s temporary tax exemption. This taxation policy applies forgiveness of both public and private loans, including outcomes-based loans.

51 Holzer (2025) summarizes the estimates from rigorous evaluations of all of these models.

and within these categories. For instance, the earnings gains created by completing two-year associate degree workforce programs generally average about 20%, and those of certificate programs average about 10% — with great variation across fields and duration of program. Gains for community college programs for various unemployed workers average 7% to 15%, while gains for programs offered by for-profit colleges are lower. The best sectoral training programs, which take six months to a year or longer, generate lasting gains of 30% or more.

Providing more funding for training models with stronger alignment of incentives and desired outcomes could improve program completion rates and thus increase returns to training. On the other hand, if newly available funding encourages many more individuals to engage in training, including those with more limited abilities to complete programs, rates of return might not improve and could even weaken. Given the range of estimates above, relatively few disadvantaged workers — whose starting earnings range from \$15,000 to 30,000 a year — may be likely to reach post-training wages at or above the typical minimum threshold for repayment of \$40,000 to \$50,000. Outcomes-based repayment financing tools may not be well suited to training programs that typically place workers in employment with earnings below that level.

As noted earlier in this paper, outcomes-based repayment financing is a relative newcomer to the world of workforce development; many pilots have emerged only over the last decade. To date, there has been only one formal evaluation of an outcomes-based repayment model for financing workforce training: MDRC's evaluation of the "career impact bonds" (CIB) sponsored by the UP Fund administered by Social Finance, in the period 2019-24.⁵²

The final MDRC report appeared in April 2025. The report is an *implementation* and *outcomes* evaluation, based on both quantitative and qualitative methods, though not an evaluation of CIB *impacts* on earnings, which would require a more rigorous comparison of CIB trainees with comparable individuals who did not receive the training.⁵³

The MDRC study analyzed income-share agreements that finance occupational skills programs offered by four providers:

- Acuitus, for information technology (IT) training;
- Alchemy Code Lab, for software engineering training;
- American Diesel Training Centers, for diesel engine technician training; and
- Clinical Research Fastrack, for clinical research manager training.

The last of these providers mostly trains students with bachelor's degrees,⁵⁴ while the other three primarily serve those without bachelor's degrees. Large percentages of participants in all but the last program are men and/or people of color, though all four of the programs did enroll a larger share of women relative to others in their respective fields. Participants' median prior earnings were \$20,000-\$30,000 in the first three programs and about \$38,000 for participants in the Clinical Research Fastrack program.

The findings of the evaluation show both positive indicators and ongoing challenges for implementation, as summarized in Figure 5. On the one hand, most participants in these four programs feel that they offered them access to training that they would not otherwise have had and that the programs reduced the costs and risks of such training. Completion rates were high, and a strong majority of participants report that their program helped them obtain better jobs. However, only about 40% thought the program was worth the costs that they paid in time and resources, given their financial and professional results.

52 Azurdia 2025. Note that Social Finance received a subgrant from MDRC to support this research.

53 The quantitative results are based on very limited and likely nonrepresentative samples of ISA participants. For instance, earnings reports appear in follow-up surveys that were taken by only about a fourth of the overall sample, and other earnings reports are only provided for those who keep up with their reporting requirements, which was just over half of the overall sample.

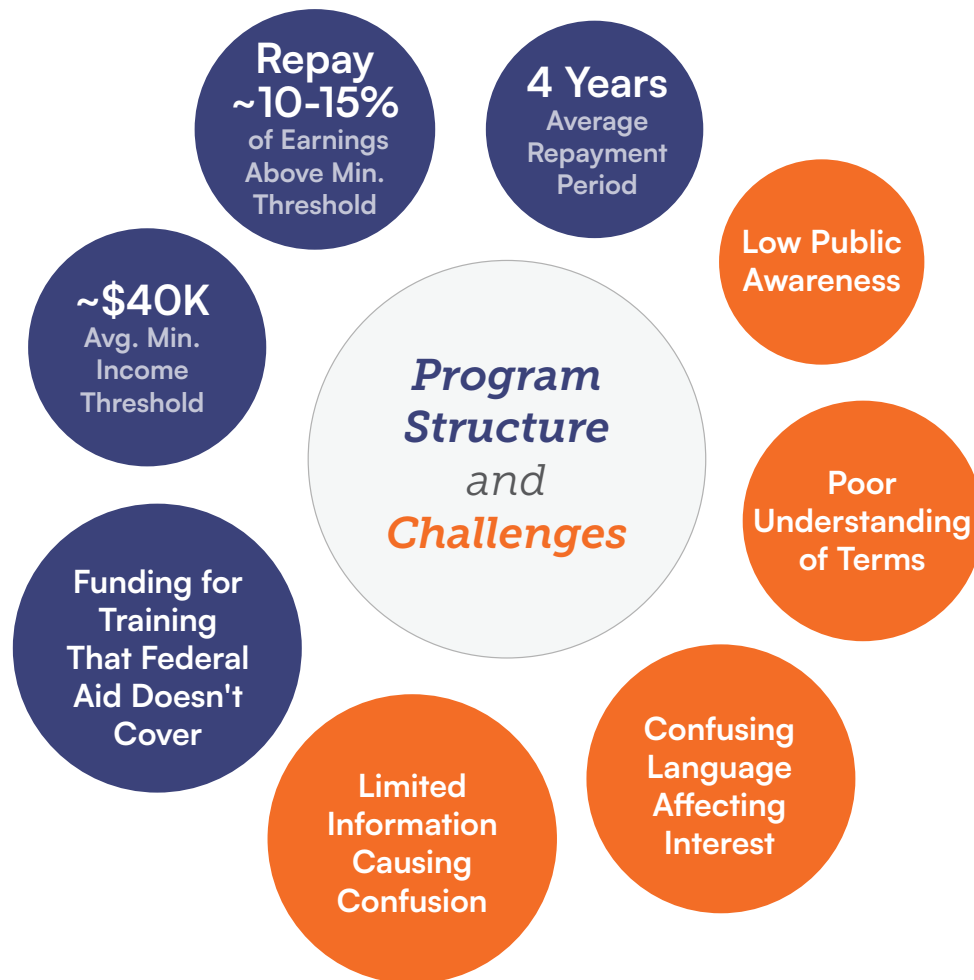
54 The workers served by the Clinical Research Fastrack program usually have bachelor's degrees from outside the U.S. that are not recognized by U.S. employers for certain skills, meaning that their enrollment in CRF sometimes served to verify their existing skills rather than delivering new learning.

Furthermore, just over half of all participants were in compliance with the requirements that they regularly report earnings, while just 37% of those required to make ISA payments were up to date on those payments. In some cases, students indicated that the training was too short and condensed and they needed more help obtaining employment. Many either did not remember or understand the full terms of the repayment agreements they had signed.

A small subset of the American Diesel Training Centers' trainees were enrolled in programs that involved employer repayment of their required income shares.⁵⁵ Reported outcomes in this case were notably better, suggesting a promising avenue for improving repayment compliance by engaging employers in paying these obligations on behalf of program participants whom they hire and retain as employees. It is also likely that other changes to these agreements — including greater transparency about repayment structures and obligations and increased outreach to participants — could generate better results as well.

Finally, the data in the MDRC report show that all outcomes were substantially better among those with higher levels of prior education.⁵⁶ This evidence suggests that the ISA model may work better for segments of the market likely to have more financial stability, like those with at least associate's degrees and even more with bachelor's degrees. This finding is consistent with the economic analysis in Section I, in which we noted that different models for financing talent development might be appropriate for different segments of the trainee population.

Figure 5 • Key Research Findings on Current Programs



⁵⁵ Azurdia 2025. See also Social Finance 2023.

⁵⁶ See Table 11 of the MDRC report: Azurdia 2025.

We reiterate that these results are from one implementation evaluation of four specific programs with a common program design. To truly measure the value and cost-effectiveness of these programs, we now need *impact* evaluations with rigorous designs to measure how much participant earnings rise across different repayment models serving different populations, as well as repayment rates and returns for funders.

B. Informal Evidence

The studies we reference above generate some important insights about average program performance. For instance, *public awareness* of these programs is generally limited, as is the understanding of specific terms and repayment obligations among recipients. Website ads for these programs provide *limited information*, and different terminology is used to describe program features, all contributing to public confusion. Also, *low-income* students and those of color could potentially benefit from expanding these programs, but they are also vulnerable to predatory practices.⁵⁷

In addition to the research cited above, we gathered informal evidence through interviews with the operators of many of the ISAs and OBLs described in Tables 1-4 in Appendix I. The perceptions of those who designed and run these programs largely validate the findings of other descriptive studies that we cited in Section II.A. above and add some new ones, too.

These insights include the following common themes:

- 1. This type of financing increases workers' opportunities to earn workforce credentials.** Many outcomes-based repayment models have successfully delivered on their mission of increasing access to quality skills development and career pathways leading to economic mobility. They report strong anecdotal evidence from participants that this type of financing enabled them to complete education and training that they otherwise would not have been able to afford.
- 2. Repayment requirements provide constant feedback on graduates' earnings, fostering accountability for training programs.** Low repayment rates can act as an early warning signal that the training program is not leading to better outcomes for workers. This can spur program operators to change course and continuously improve program design and quality.
- 3. The cost of tuition is only one barrier to labor market success.** Participants face challenges beyond paying the direct costs of enrollment in education and training programs. Thus, financing that only covers tuition — even with borrower-friendly repayment terms — often fails to overcome workers' additional burdens. These include paying for the nontuition costs of attendance (including the opportunity cost of reduced wages during training) and financing wraparound services to assist with living costs such as food, housing, transportation, and child care. Several programs seek to help trainees cover such nontuition costs, either through grants that participants do not have to repay or by financing living costs through zero-interest loans. Other program operators noted the importance of providing job search assistance to participants through strong connections to employers, with counseling and mental health support, and with help in navigating the process of gaining certifications and licensure after completing training.
- 4. Many participants fail to comply with repayment obligations.**
 - a. Program completers often face economic hardships,** even in cases where their post-training earnings exceed the minimum income threshold for repayment. Depending on their financial circumstances, workers do not always prioritize repaying ISAs or OBLs when faced with bills to pay for immediate costs of living.

⁵⁷ See Zaber 2023; Soetaert 2023; Soetaert 2024; Pollack 2020.

b. Some workers find the repayment process confusing. Income-based repayment structures, in which the monthly amount due varies as the worker's income goes up and down, add a level of complexity that in some cases leads to participants' misunderstanding and noncompliance with payment requirements. Some workers find it burdensome to "self-certify" changes to their income through reporting to third-party firms. To address this issue, several OBL programs are structured to require flat monthly payments after the borrower reaches the minimum income threshold, rather than varying payment amounts based on income.

c. Because many outcomes-based repayment programs were designed with the mission of improving access to training through more borrower-friendly terms, they may choose not to use the full range of policies available to encourage repayment. To the extent that they voluntarily forgo imposing penalties or engaging in the intrusive collection techniques used by traditional lenders, such programs accept an increased likelihood of noncompliance with repayment requirements — especially as borrowers learn that they will not face negative consequences. This dynamic also increases the risk of programs seeking to improve repayment compliance by limiting enrollment to those who are expected to have a greater likelihood of repaying.

5. Engaging employers in repayment improves outcomes. Outcomes-based repayment arrangements can achieve win-win results for both participants and employers when employers agree to pay back the advance financing on behalf of trainees that they hire and retain. This approach helps solve workforce recruitment and retention challenges in cases where an employer's cost of making repayments has a positive return on investment due to avoided turnover and improved access to a consistent talent pipeline. Also, program operators report that when an employer is the payer, repayment processes are more streamlined and have a higher financial recovery rate, since employers can more easily verify borrowers' wages from their own payroll system instead of relying on the self-reporting of earnings by individual borrowers.

IV. Conclusions

In outcomes-based repayment models, some of the costs associated with workforce development are paid by a third-party funding source, followed by repayment by workers and/or employers over time — but only when the trainees achieve success as measured by earning wages above a predetermined income level. Once repayment is triggered by the worker's verified earnings outcomes, the amount of the periodic repayment obligation may be calculated as an agreed-upon percentage of their earnings.

Such financing arrangements can reduce the up-front risks to employers and workers. Funds recovered through repayment can also provide returns to investors and/or be recycled to pay for training additional workers. Program operators include traditional colleges and universities, for-profit training providers, nonprofit organizations and funds, and state or local governments. Sources of funding for these programs can include grants from governments and philanthropies, traditional return-seeking investors, and impact-first investors who may accept a below-market rate of return. And while for-profit program operators usually require risk-adjusted returns to their investors, the nonprofit or public funders in pay-it-forward models can choose not to recover their investment but instead recycle any repayments into new loans for future trainees, perhaps becoming self-sufficient over time.

These programs can take the form of ISAs, which require post-training repayment of a share of earnings over a defined period of time without formally establishing a specific debt amount. Or they can be structured as OBLs, which set a defined balance to be repaid as the borrower's earnings exceed an earnings threshold defined by the loan terms, subject to standard consumer protections. Variation in the terms of these products can be found in the minimum threshold of earnings before repayment begins, effective interest rate, duration of repayment, and

requirements for relief of continued repayment obligations and/or loan forgiveness. These program design details vary across the different kinds of organizations that operate the loans, with various organizations filling distinct market niches that meet fluctuating worker and employer needs.

In short, economic analysis suggests that outcomes-based financing models can improve access to training, particularly for historically underserved workers. At the same time, they have unique costs and risks — including added administrative complexity and start-up costs, as well as the possibility that trainees will misunderstand or seek to evade the terms of the agreements. Predatory lenders can take advantage of such participants, and this risk should be regulated by public authorities.

Our review of the landscape indicates that hundreds of programs have been established through partnerships with a wide range of funders and training providers. According to other descriptive analyses as well as our own review of 33 programs, OBLs are increasingly replacing ISAs. Several programs provide their trainees with financial support for living costs and other wraparound supports.

Another important design element is employer repayment on behalf of newly hired workers who completed training and continue to work for them. Such deals can be attractive to employers with specific skill needs who are motivated by their difficulty finding and retaining trained workers or providing the training on their own. A few state and local governments have also invested their own tax revenues in funding these programs.

However, what we have so far is a mixed picture: Some outcomes-based repayment approaches appear to work in some settings for some workers, while others do not — and we have very little rigorous evaluation evidence to date on what works and for whom in this market. Without such evidence, assessing which models should or should not be scaled is a challenging proposition.

A recent formal implementation and outcomes evaluation of four programs presents a similarly mixed picture: While trainees believe that these programs increase their access to training which they might otherwise not afford and limit their risk, over half of the participants question the value of the repayment arrangement, and over half are not keeping up with their required repayments. An outstanding issue is whether this dissatisfaction is tied to when the question is asked; it is possible that workers' responses would change a few months or years down the line as their careers progress. This study suggests that involving employers in repayment is a promising practice to achieve significantly better outcomes on all fronts, including improving compliance with repayment obligations.

The evidence also indicates that different program characteristics might fit better for different types of trainees. What we most need now is *experimentation* with and rigorous evaluation of all the models described above, each of which may be more or less appropriate for different segments of the market.

Governments, investors, philanthropic funders, training providers, and employers should consider several key factors when implementing and scaling these models.

First, we need better analysis of the economic impacts on workers and employers for each type of outcomes-based repayment model, including measurement of long-term longitudinal earnings. Governments and philanthropic funders should enable and support the data collection and evaluation required for this foundational activity. We also need rigorous *impact evaluations*, based on randomized trials (or quasi-experimental designs), to infer the actual percentage returns in earnings growth to different income-based repayment models for different groups. Evaluators should consider the programs' overall cost-effectiveness and compare rates of return for these programs with the outcomes of other workforce development opportunities funded through other mechanisms. In addition, a critical step is to measure the short- and long-term earnings of workers of various demographic and socioeconomic backgrounds who participate in different types of ISAs or OBLs that aim for varying levels of returns to investors and/or the recycling of repayments to issue additional loans to finance training for future participants.

Future research should consider the impact of different program designs, such as how trainees' career and earnings trajectories are affected when employers agree to make repayments on behalf of workers (and when employers are willing to do so), when programs provide financial support for living costs, or when outcomes-based financing is used to support work-based learning. It is also important to consider whether some of these models create disincentives for providing training and/or job placement support to disadvantaged workers. And we need to evaluate how different kinds of marketing and follow-up assistance can positively affect enrollment, completion, and repayment. In a subsequent paper, we will present data on participants in selected outcomes-based repayment programs, including results such as program completion, job placement, earnings, and repayment.

Additional evidence should inform public guardrails to prevent predatory practices by lenders and further limit the risks to workers facing economic and other barriers to career advancement. Better evidence will also demonstrate the kinds of programs that work best for each of the different actors in the market — including private investors, for-profit or nonprofit operators, employers who seek well-trained workers, and trainees/workers who benefit from the greater affordability and lower risks that these models are designed to provide.

Another key consideration when implementing these programs is the *trade-offs* between funding training for the workers in greatest need of financial assistance versus those most likely to successfully complete training, gain employment, and make repayments as scheduled. Such trade-offs already exist in workforce development. For instance, to preserve the trust of their employer partners, the best sectoral training programs tend to use up-front screening of participants on basic skills and motivation, excluding workers who are least likely to be employable.⁵⁸ Funders, especially investors seeking a return on investment, might question whether “the juice is worth the squeeze” for serving the most disadvantaged trainees. Employers will likely have similar concerns about investing in training employers whom they consider at high risk of not completing the training or leaving their employment soon after, even when the employer's repayment obligations are conditional on such outcomes.

Outcomes-based repayment models are likely not suited to every type of occupation, industry, or worker. Through continued experimentation with and evaluation of a wide range of program designs serving the differing needs of workers and employers across varied industries and occupations, we can refine the circumstances where they are most cost-effective and lead to strong economic outcomes. This approach will enable the scaling of best practices in different contexts, which will require some standardization of features within a few categories of program models — such as those funded by investors seeking market returns, impact-first investors seeking returns that may fall below market rates, and pay-it-forward programs supported by public or philanthropic donations that recycle repaid funds to provide training to additional workers. States or the federal government could establish standardization around these best practices.

Another critical factor facing higher education and training providers is adapting their curricula to an ever-changing industry landscape where *artificial intelligence* (AI) might rapidly destabilize employer skill demands on a regular basis. Indeed, workers seeking to reskill might feel like they are on a proverbial treadmill, constantly running to learn in-demand skills which might soon become obsolete as AI evolves over time. Outcomes-based repayment models can help protect workers from the risks of AI, since they are relieved of the obligation to repay if they can't earn enough money in the labor market, including AI adoption in the workplace reducing the relevance of the skills they gained from the training program. However, in such cases investors might receive less return over time than they anticipated, and pay-it-forward programs might recover less money from borrowers and thus have fewer dollars to recycle than they hoped for. As AI increasingly changes workers' tasks and the relevance of skills obtained from prior training, those implementing outcomes-based repayment models should evaluate returns and effectiveness over both the short and long term, to allow time for employer needs to evolve with AI.

58 Katz, Roth, Hendra, and Schaberg 2022.

Recommendations for Implementation

The findings in this paper suggest promising practices for governments, investors, philanthropic funders, program operators, and employers to design and implement outcomes-based repayment models to finance workforce training in ways that will strengthen equity, sustainability, and accountability. Systematic evaluation to measure targeted outcomes should be included from the start of every pilot implementation of outcomes-based repayment programs. Specific recommendations for each type of market actor include:

1. Federal and State Governments

- **Collect data and fund evaluation of program outcomes:** Support rigorous evaluation of the impacts of programs, including disaggregated results for different categories of workers and different industries and occupations.
- **Integrate outcomes-based repayment models with workforce development policies:** Align public funding with industry sector partnerships. Create blended public-private funding to provide seed capital for state-approved outcomes-based repayment programs. Prioritize engaging industries with employers that are motivated to make repayments on behalf of trainees they hire, due to their investment in skilled talent pipelines to address recruitment and retention challenges.
- **Clarify rules and protect consumers:** Establish clear standards for disclosure, marketing, and repayment under consumer-finance and fair-lending laws to prevent predatory practices and avoid confusion about repayment terms. Recognize that this tool is generally not suited for financing training programs that typically lead to lower-wage employment.
- **Support the inclusion of wraparound services in program designs:** Wherever possible, consider providing services and financial support for living costs during training to raise program completion rates and worker earnings. These services may be financed through repayment arrangements covering direct training costs or separately funded by grant dollars.
- **Effectively leverage Workforce Pell grants:** Outcomes-based repayment models can complement the new federal Workforce Pell grant funding for low-income individuals enrolled in certain approved short-term, high-quality programs of at least eight weeks but less than 15 weeks in duration. Federal and state leaders should target this funding toward programs that effectively lead workers to valuable career advancement opportunities. Given that low-income workers often face barriers beyond tuition, outcomes-based repayment financing could address funding gaps that remain after Workforce Pell grants fully or partially cover direct tuition costs. At the same time, use rigorous evaluation to establish which of the programs supported by Workforce Pell are most promising for disadvantaged students, and where supplementing such funding with outcomes-based repayment financing mechanisms would be most effective.
- **Create coinvestment mechanisms:** Establish revolving pay-it-forward funds blending public, philanthropic, and impact capital.

2. Philanthropic Funders

- **Use blended-finance models:** Employ philanthropic capital to de-risk participation for private investors while maintaining borrower-friendly terms. This could include “first-loss” positions, in which the philanthropic funder agrees to cover initial losses if programs do not achieve repayment targets.
- **Support trainee success:** Wherever possible, consider funding wraparound supports that cover living costs, coaching, and other services to strengthen training completion and successful job placement, which in turn is ultimately likely to increase compliance with the program’s repayment terms. Also,

consider funding programs where the repayment threshold is expressed in terms of earnings growth rather than fixed levels, which might lead to better results for workers entering the program with low incomes.

- **Fund data collection and evaluation systems:** Ensure programs maintain robust data tracking to ensure transparency and communicate successes and challenges.

3. Investors

- **Align expected returns for investments with the design of each outcomes-based repayment program:** Clearly identify both financial and impact objectives, and understand the trade-offs between financial returns and the generosity of repayment terms for borrowers. Target specific market segments based on risk and return profiles, differentiating their strategies based on the trainee population served and terms/structure of the repayment model. Market-rate investors seeking higher returns may focus on segments where workers have more resources and can manage less generous terms, while impact-first investors willing to accept lower rates of return may target underserved, higher-risk populations. Recognize that this tool is generally not suited for financing training programs that typically lead to lower-wage employment.
- **Put more emphasis on programs with employer-repayment obligations:** Models where employers accept responsibility for repayment (rather than trainees) are likely to lead to higher financial recovery rates and better repayment compliance, in part because employers can verify wages directly through the payroll that they control.
- **Consider providing more support for wraparound services to boost returns and reduce risks for investors:** While financial support for living expenses during training and tutoring, coaching, child care, and transportation increases up-front costs, such assistance is proven to raise program completion rates and worker earnings, enabling more trainees to reach the income thresholds required for repayment. Also, consider funding programs where the repayment threshold is expressed in terms of earnings *growth* rather than fixed levels, which might create more success among currently low-wage workers.
- **Require transparent repayment structures:** Ensure program operators use clear, standardized disclosure terms to prevent confusion about repayment obligations and avoid the legal and ethical pitfalls of predatory lending.

4. Training Providers and Education Institutions

- **Link payment to results:** Tie a portion of tuition to verified earnings outcomes to reinforce accountability.
- **Provide wraparound services:** Wherever possible, consider offering supports to cover trainees' living costs and provide coaching and other services to strengthen training completion and successful job placement.
- **Ensure clear, fair repayment terms:** Provide standardized counseling and transparent, flexible repayment options to prevent confusion about repayment obligations.
- **Engage reputable financial services partners:** Ensure that third-party entities provide fair and effective origination, servicing, and collection operations.
- **Build employer partnerships:** Engage employers to codesign curricula and, where possible, assume some or all of the repayment obligations of the workers they hire, as in the Colorado Pay It Forward Fund, South Carolina's BOLD™ Career Pathways program, and the ReNEW Fund.

5. Employers and Industry Partners

- **Finance talent pipelines:** Use outcomes-based mechanisms to train and retain workers in high-demand sectors.
- **Consider making repayments on behalf of workers hired from ISA or OBL programs:** Tie employer repayment agreements to the benefit realized by their business through increased retention of skilled workers that reduces costs of turnover and hiring.
- **Reduce risk to individual employers by establishing industry sector partnerships:** Create pooled, sector-wide collaborations across firms to finance shared training infrastructure and reduce duplication.
- **Streamline data sharing:** Enable wage verification to simplify repayment collections and improve evaluation.

Appendix I: Selected Elements of 33 Different Repayment Programs

Table 1: Income-Share Agreement (ISA) Programs Operated by Nonprofit Organizations

11 Programs

Institution, Program, and Years	Min. Income Threshold	Interest Rate %	Repayment % of Income*	Max. Years of Agreement	Credential/ Employment Type	Payment Cap	Payment Cap Amount	Return Capital to Investors	Employer Pays	Living Cost Support
Better Future Fund - The Opportunity ISA 2016 - Present	\$48,400	—	0.25 - 9.5%	20	Bachelor's Degrees	✓	Up to 7.5% APR	✓	✗	✓
Student Freedom Initiative - Student Freedom Loan Agreement 2020 - Present	\$46,950	5 - 5.25%	—	15	STEM	✗	—	✓	✗	✗
Stanford Law School - Flywheel 2022 - Present	\$100,000	—	10%	12	Law Degrees	✓	\$270,000	✗	✗	✗
Pursuit - Pursuit Bond 2013 - Present	\$85,000	—	5 - 15%	8	Technology	✓	\$70,000	✓	✗	✗
Social Finance - Alchemy Code Lab Career Impact Bond 2015 - 2023	\$50,000	—	9.5%	6	Coding Boot Camp	✓	Not Disclosed	✓	✗	✓
Social Finance - Acuitus Career Impact Bond 2020 - 2022	\$45,000	—	9%	6	IT	✓	1.3x Amount Borrowed	✓	✗	✗
Social Finance - ADTC Career Impact Bond 2017 - 2023	\$30,000	—	N/A	3	Diesel Technicians	✓	1.4x Tuition	✓	✓	✗
Social Finance - Clinical Research Fastrack Career Impact Bond 2016 - Present	\$40,000	—	9%	3	Clinical Research	✓	1.5x Tuition	✓	✗	✗
Social Finance - General Assembly Career Impact Bond 2011 - Present	\$40,000	—	10%	4	Coding Boot Camp	✓	1.5x Tuition	✓	✓	✓
Purdue University - Back a Boiler (Public Institution) 2016 - 2022	\$20,000	—	5 - 15%	10	Bachelor's Degrees	✓	2.31x Amount Borrowed	✓	✗	✗
University of Utah - Invest in U (Public Institution) 2019 - 2022	\$20,000	—	2.85 - 5%	Variable	Bachelor's Degrees	✓	2x Amount Borrowed	✓	✗	✗

*Percentage applies to earnings above the minimum income threshold. N/A indicates that repayment amounts are not calculated as a percentage of income.

Table 2: Income-Share Agreement (ISA) Programs Operated by For-Profit Organizations

9 Programs

Institution, Program, and Years	Min. Income Threshold	Interest Rate %	Repayment % of Income*	Max. Years of Agreement	Payment Cap Amount	Credential/ Employment Type	Return Capital to Investors	Employer Pays	Living Cost Support
V School 2013 - 2022	\$40,000	6.5 - 13.5%	15 - 20%	3	\$45,000	Web Development, Cybersecurity	✓	✗	✗
Kenzie Academy 2017 - 2023	Variable	5.5%	13 - 17.5%	4	\$42,000	Software Engineering, UX Design, Cybersecurity	✓	✗	✗
Thinkful 2016 - 2023	\$40,000	Variable	15%	3	\$28,000	Software Engineering, Data Science, Data Analytics, UX/UI Design	✓	✗	✓
Prehired 2018 - 2023	\$60,000	—	12.5 - 16%	4	\$30,000	Technology Sales	✓	✗	✗
Academy Pittsburgh 2015 - Present	\$45,000	—	10%	2	—	Full Stack and Front-End Development	✓	✓	✗
App Academy 2012 - Present	\$50,000	9.79 - 22%	15%	3	\$31,000	Software Engineering, Coding Bootcamp, Full-Stack Development	✓	✗	✓
Holberton School 2015 - Present	\$40,000	—	17 - 25%	3.5	\$85,000	Computer Science	✗	✗	✓
Microverse 2017 - Present	\$24,000	—	15%	4	\$15,000	Full-Stack Web Development	✓	✗	✓
Lambda School/ Bloomtech 2017 - Present	\$50,000	—	17%	2	\$30,000	Full-Stack Web Development, Data Science, Backend Development	✓	✓	✓

*Percentage applies to earnings above the minimum income threshold. N/A indicates that repayment amounts are not calculated as a percentage of income.

Table 3: Outcomes-Based Loan (OBL) Nonprofit Programs with a Payment Cap
8 Programs

Institution, Program, and Years	Min. Income Threshold	Interest Rate %	Repayment % of Income*	Max. Years of Agreement	Payment Cap Amount	Credential/ Employment Type	Return Capital to Investors	Employer Pays	Living Cost Support
Climb Hire 2019 - Present	\$40,000	—	N/A	4	\$7,200	IT, Paid Search Marketing	✗	✗	✗
North Carolina Forward Fund - Forward Fund 2023 - Present	\$45,000	0%	N/A	5	Amount Borrowed	Skilled Trades, Health Care	✓	✓	✓
South Carolina Student Loan - BOLD Career Pathways 2021 - Present	Variable	7%	—	6	Amount Borrowed	Nursing and Other Health Care Positions	✓	✓	✗
Social Finance - New Jersey PIFF 2022 - Present	\$40,000	0%	10%	5	Amount Borrowed	Cybersecurity, Nursing, Radiography, Welding, and HVAC	✗	✗	✓
Social Finance - Colorado PIFF 2024 - 2026	\$60,000	0%	N/A	2	Amount Borrowed	IT, Business, Skilled Trades, Health Care	✗	✓	✗
Social Finance - MA Career Ladder 2021 - Present	\$45,000	—	N/A	—	Amount Borrowed	Nursing	✗	✗	✓
Social Finance - Google Career Certificate Fund 2017 - Present	\$50,000	0%	N/A	5	\$5,700	Technology	✗	✗	✓
Social Finance - MA Climate Careers 2017 - Present	\$40,000	0%	N/A	3-5	Amount Borrowed	Skilled Construction Trades	✗	✗	✗

*Percentage applies to earnings above the minimum income threshold. N/A indicates that repayment amounts are not calculated as a percentage of income.

Table 4: Outcomes-Based Loan (OBL) Nonprofit Programs without a Payment Cap
5 Programs

Institution, Program, and Years	Min. Income Threshold	Interest Rate %	Repayment % of Income*	Max. Years of Agreement	Payment Cap Amount	Credential/ Employment Type	Return Capital to Investors	Employer Pays	Living Cost Support
VSAC - Vermont Nursing Workforce Incentive Loan Program 2024 - Present	—	0%	N/A	Variable	N/A	General Education	✗	✗	✗
Social Finance - CT Career Accelerator PIFF 2021 - Present	\$50,000	—	N/A	5	N/A	CDL, Manufacturing	✗	✗	✗
Social Finance - ReNEW 2025 - Present	\$60,000	0%	N/A	Variable	N/A	General Education	✗	✓	✗
Social Finance - Hawaii PIFF 2024 - Present	\$50,000	0%	N/A	5	N/A	Engineering	✗	✓	✗
South Carolina Student Loan - BOLD Career Pathways – ST Teacher and Career Changers 2021 - Present	—	2 - 8.25%	N/A	6	N/A	K-12 Education	✓	✗	✗

*Percentage applies to earnings above the minimum income threshold. N/A indicates that repayment amounts are not calculated as a percentage of income.

Appendix II: Glossary of Terms

Funders: Entities that provide the up-front capital for outcomes-based repayment programs, including governments, philanthropies, impact-first investors, or return-seeking private investors. They assume the financial risk and may seek repayment or social impact depending on their goals.

HEA Title IV Funding: Federal student aid authorized under Title IV of the Higher Education Act, which provides Pell grants, loans, and work-study for accredited, for-credit postsecondary programs. It historically has excluded most short-term and/or noncredit programs.

Human Capital: The knowledge, skills, and abilities workers gain through education, training, and experience that increase their productivity and potential earnings. Investments in human capital — from schools, employers, and government — raise workers' earnings capacity and value in the labor market, shaping their long-term career outcomes.

Income-Share Agreements (ISAs): A financing model in which trainees cover the costs of training over time by repaying a fixed percentage of their post-training income for a set period, without a defined principal amount. Repayments stop at a date certain after the worker exits training or after the worker repays up to a limit on the total amount paid, and payments are required only if the worker earns above a set income level.

Inequities: Systemic disparities created by discrimination or unequal access to credit that limit certain groups' ability to invest in or benefit from education and training. These inequities help to justify public or nonprofit intervention to expand opportunity.

Lifelong Learning Accounts/Skill Savings Accounts: Portable savings accounts, funded by workers and/or employers through regular payroll deduction, to pay for education and training over the course of a career. Unlike outcomes-based financing models, they do not recycle funds or require repayment tied to labor market outcomes.

Market Failure: A situation in which normal market forces do not allocate resources efficiently —for example, when workers lack access to credit or good information or when employers underinvest in skills training due to their own imperfect information. Market failures limit training investment and help to justify third-party funding.

Minimum Wage Floor: A requirement that training programs support jobs paying at least a defined wage level — often tied to living wage benchmarks — to ensure that training leads to “good jobs.”

Outcomes-Based Loans: Loans with a defined principal balance whose repayment obligations are triggered only when participants earn at or above a set income level. The loans have fixed total balances owed, but payments are paused or forgiven if earnings stay below the minimum threshold.

Outcomes-Based Repayment Models: Financing structures in which workers or employers repay the cost of training financed up front by third parties, with repayment contingent on trainees achieving defined outcomes, such as earning at or above a minimum income or retaining employment. These models, including income-share agreements and outcomes-based loans, can reduce risk and in certain cases can recycle repayments for training future cohorts.

Pay-It-Forward Programs: A financing model in which repaid funds are recycled to support future trainees rather than generating returns for investors.

Program Operators: Organizations that manage the delivery of funds, oversee training provider payments, and administer repayment processes for outcomes-based repayment programs. Operators can include nonprofits, for-profit intermediaries, colleges, training providers, and government agencies.

Talent Finance: A broad set of approaches that align the costs and benefits of skills training across workers, employers, and funders. Talent finance models — including outcomes-based repayment, skill savings accounts and lifelong learning accounts, and financial assistance for work-based learning and on-the-job training initiatives — aim to expand access to high-quality workforce preparation.

Workforce Pell / Short-Term Pell: A new federal policy (launching in July 2026) that expands Pell Grant eligibility to high-quality, short-term training programs lasting at least eight weeks and less than 15 weeks.

Wraparound Supports: Services such as tutoring, mentoring, child care, transportation, mental health support, and financial support for living costs that help trainees successfully complete education and training programs. Evidence shows these supports can significantly improve completion rates and workforce outcomes, especially for workers facing economic or personal barriers.

References

- Acemoglu, Daron, and Jörn-Steffen Pischke. 1997. "The Structure of Wages and Investment in General Training." Working Paper 97-24, Massachusetts Institute of Technology, Department of Economics. <https://economics.mit.edu/sites/default/files/publications/structure-of-wages-and-investment-in-general-train.pdf>.
- Azurdia, Gilda, Katerina Galkin, Francesca Ciaramella, and Erick Alonzo. 2025. "Expanding Access to Skills Training: Final Findings from the Career Impact Bonds Study." MDRC. https://www.mdrc.org/sites/default/files/2025_Career_Impact_Bonds_Final_Report.pdf.
- Bahn, Kate. 2025. "Paths to Providing Supports for Women's Inclusion in Workforce Development Programs." In *Workforce Realigned*. Vol. II. Social Finance Institute and Federal Reserve Banks of Atlanta, Chicago, Philadelphia, and Richmond. <https://workforcerealigned.org/chapters/paths-to-providing-supports-for-womens-inclusion-in-workforce-development-programs/>.
- Baum, Sandy, Harry Holzer, and Grace Luttmer. 2020. "Should the Federal Government Fund Short-Term Postsecondary Certificate Programs?" Urban Institute. https://www.urban.org/sites/default/files/publication/103370/should-the-federal-government-fund-short-term-postsecondary-certificate-programs_0_0.pdf.
- Becker, Gary. 1968. *Human Capital*. University of Chicago Press.
- California Workforce Development Board. 2025. "High Road Training Partnerships." <https://cwdb.ca.gov/cwdb-home/our-programs/high-road-programs/high-road-training-partnerships/>.
- Cappelli, Peter. 2014. "Skill Gaps, Skill Shortages and Skill Mismatches: Evidence for the US." NBER Working Paper 20832. <http://www.nber.org/papers/w20382>
- CeniARTH. 2025. "Impact-First Investing." <https://ceniarthllc.com/impact-first-investing/>.
- Colborn, John, Harry Leech, and Deniz Nemli. 2025. "Can Pay For Success Scale Apprenticeships in the US?" In *Workforce Realigned*. Vol. II. Social Finance Institute and Federal Reserve Banks of Atlanta, Chicago, Philadelphia, and Richmond. <https://workforcerealigned.org/chapters/can-pay-for-success-scale-apprenticeships-in-the-us/>.
- Colton, Tara. 2025. "Paying It Forward in New Jersey: Designing and Implementing a New Fund for Talent Development." In *Workforce Realigned*. Vol. II. Social Finance Institute and Federal Reserve Banks of Atlanta, Chicago, Philadelphia, and Richmond. <https://workforcerealigned.org/chapters/paying-it-forward-in-new-jersey/>.
- Courty, Pascal, Do Han Kim, and Gerald Marschke. 2008. "Curbing Cream-Skimming: Evidence on Enrollment Incentives." IZA Discussion Paper 3909. <https://docs.iza.org/dp3909.pdf>.
- Dawson, Rachel, Melissa S. Kearney, and James X. Sullivan. 2020. "Comprehensive Approaches to Increasing Student Completion in Higher Education: A Survey of the Landscape." NBER Working Paper 28046. <https://www.nber.org/papers/w28046>.
- Deming, David, Alexis Gable, Rachel Lipson, and Arkādījs Zvaigzne. 2023. "Navigating Public Job Training." Harvard Project on Workforce. <https://www.pw.hks.harvard.edu/post/publicjobtraining>.
- Fitzpayne, Alistair, and Ethan Pollack. 2018. "Lifelong Learning and Training Accounts: Helping Workers Succeed in a Changing Economy." Aspen Institute. <https://www.aspeninstitute.org/publications/lifelong-learning-and-training-accounts-2018/>.
- Hamilton, Gayle, and Susan Scrivener. 2012. "Increasing Employment Stability and Earnings for Low-Wage Workers: Lessons from the Employment Training and Advancement (ERA) Project." MDRC. <https://www.mdrc.org/sites/default/files/Increasing%20Employment%20Stability%20and%20Earnings%20FR.pdf>.
- Holzer, Harry. 2023. "Should the Federal Government Spend More on Workforce Development?" Brookings Institution. <https://www.brookings.edu/articles/should-the-federal-government-spend-more-on-workforce-development/>.
- Holzer, Harry. 2025. "Workforce Development in the US: Recent Trends and Evidence." IZA Institute of Labor Economics. <https://www.iza.org/en/publications/dp/18061>.
- Katz, Lawrence, Jonathan Roth, Richard Hendra, and Kelsey Schaberg. 2022. "Why Do Sectoral Employment Programs Work? Lessons from WorkAdvance." *Journal of Labor Economics* 40, no. S1 (April 2022). <https://www.journals.uchicago.edu/doi/10.1086/717932>.
- Killos, Lydia, and Jared Cowan. 2022. "Do Direct Financial Supports Impact Our Learners' Key Performance Indicators (KPI)?" Per Scholas. <https://perscholas.org/wp-content/uploads/2023/01/Do-Direct-Financial-Supports--Stipends-Impact-Our-Learners-Key-Performance-Indicator-KPI-Outcomes-.pdf>.

Lerman, Robert, Pamela J. Loprest, and Daniel Kuehn. 2020. "Training for Jobs of the Future: Improving Access, Certifying Skills, and Expanding Apprenticeship." IZA Policy Paper 166. <https://www.iza.org/publications/pp/166/training-for-jobs-of-the-future-improving-access-certifying-skills-and-expanding-apprenticeship>.

Levine, Ilan. 2025. "Interest Surging in Nondegree Credentials but How Do Students Finance Them?" Pew Charitable Trusts. <https://www.pew.org/en/research-and-analysis/articles/2025/10/23/interest-surging-in-nondegree-credentials-but-how-do-students-finance-them>.

Maag, Taylor, and Tamar Jacoby. 2024. "Building a Stronger Workforce: Federal Spending on Postsecondary Education and Training." Progressive Policy Institute. <https://www.progressivepolicy.org/building-a-stronger-workforce-federal-spending-on-postsecondary-education-and-training/>.

Massachusetts Institute of Technology. 2026. "Living Wage Calculator." <https://livingwage.mit.edu/>.

McCune, Elizabeth. 2024. "Evaluating the Impact of Direct Funding for Workers via the SkillUp Together Fund Stipend." SkillUp and Barclays. https://skillup.nyc3.digitaloceanspaces.com/documents/SkillUp-Together-Fund-Report_Barclays_Feb2024.pdf.

Mincer, Jacob. 1974. *Schooling, Experience, and Earnings*. University of Chicago Press.

Mumford, Kevin. 2025. "Distribution of Returns to a College Income Share Agreement: Evidence from Administrative Data." Purdue University. <https://kevinjmunford.com/wp-content/uploads/2025/06/Distribution-of-Returns-to-a-College-Income-Share-Agreement-2025.pdf>.

OECD. 2026. "Public Spending on Active Labour Market Policies as a Share of GDP." <https://goingdigital.oecd.org/en/indicator/42>.

Osterman, Paul. 2022. "How American Adults Obtain Work Skills: Results of a New National Survey." *ILR Review* 75, no. 3. <https://hdl.handle.net/1721.1/144223>.

Pollack, Ethan. 2020. "How Is the ISA Experiment Faring So Far?" Jobs for the Future. <https://www.jff.org/newsroom/in-the-news/jffs-ethan-pollack-in-how-is-the-isa-experiment-faring-so-far/>.

Pollack, Ethan, and Felicia Sullivan. 2022. "Exploring the Racial and Gender Differences in ISA Contract Terms and Repayment Patterns." Jobs for the Future. https://www.jff.org/wp-content/uploads/2023/09/Exploring_Racial_and_Gender_Differences_in_ISA_Contract_Terms_and_Repayment_Patterns.pdf.

Pulsipher, Scott, and Jeannie Virden. 2025. "The ReNEW Fund: Building and Sustaining a Talent Pipeline for Nurses." <https://workforcerealigned.org/chapters/the-renew-fund-building-and-sustaining-a-talent-pipeline-for-nurses/>. In *Workforce Realigned*. Vol. II. Social Finance Institute and Federal Reserve Banks of Atlanta, Chicago, Philadelphia, and Richmond.

Social Finance. 2023. "Case Study: American Diesel Training Center's Career Impact Bonds." <https://socialfinance.org/insight/case-study-american-diesel-training-centers-career-impact-bond/>.

Soetaert, Megan. 2023. "What We Know About the Income Share Agreement Market." Jobs for the Future. <https://www.jff.org/blog/what-we-know-about-the-income-share-agreement-market/>.

Soetaert, Megan. 2024. "What Research Reveals about Income Share Providers' Behavior." Jobs for the Future. <https://www.jff.org/blog/what-research-reveals-about-isa-provider-behaviors/>.

South Carolina Student Loan. 2025. "BOLD Career Pathways." <https://www.scstudentloan.org/career-pathways/bold-career-pathways>.

Tyszko, Jason, and Peter Beard. 2024. "Skill Savings Accounts: A Public-Private Financing Approach for Upskilling and Reskilling in a Dynamic Economy." U.S. Chamber of Commerce Foundation. <https://www.uschamberfoundation.org/workforce/skill-savings-accounts>.

United States. 1965. "Higher Education Act of 1965, Section 496; 34 CFR Parts 602—603." <https://www.ecfr.gov/current/title-34/subtitle-B/chapter-VI/part-602>.

United Way. 2026. "ALICE: Asset Limited, Income Constrained, Employed — Overview." <https://www.unitedforalice.org/overview>.

University of California at Berkeley Labor Center. 2025. "High-Road Training Partnerships." <https://laborcenter.berkeley.edu/labor-management-partnerships/high-road-training-partnerships/>.

U.S. Department of Education. 2026. "Income-Driven Repayment Plans." <https://studentaid.gov/idr/>.

U.S. Department of Labor. 2022. "Good Jobs Principles." <https://learnworkecosystemlibrary.com/initiatives/job-quality-measurement-initiative-good-jobs-initiative/>.

Zaber, Melanie, Elizabeth D. Steiner, and Hana Gebremariam, et al. 2023. "Income Share Agreements: Market Structure, Communications, and Equity Implications of a Student Loan Alternative." RAND Corporation. https://www.rand.org/content/dam/rand/pubs/research_reports/RRA2600/RRA2649-1/RAND_RRA2649-1.pdf.

About the Authors



Harry J. Holzer

John LaFarge Jr. SJ Professor of Public Policy, McCourt School of Public Policy at Georgetown University; Nonresident Senior Fellow in Economic Studies, Brookings

Harry J. Holzer is the John LaFarge Jr. SJ Professor at the McCourt School of Public Policy at Georgetown University and a nonresident senior fellow in Economic Studies at the Brookings Institution. He previously served as chief economist for the U.S. Department of Labor and professor of economics at Michigan State University. Holzer joined the Georgetown Public Policy Institute (now the McCourt School of Public Policy) as Professor of Public Policy in the fall of 2000. He served as associate dean from 2004 through 2006 and was acting dean in the fall of 2006. He is also currently an institute fellow at the American Institutes for Research, a research affiliate of the Institute for Research on Poverty at the University of Wisconsin, a research fellow at IZA, and a National Affiliate of the Center on Poverty and Inequality at Stanford University. He has also been a faculty director of the Georgetown Center on Poverty, Inequality and Public Policy. He received his BA (1978) and PhD (1983) from Harvard University.

Holzer has also been a visiting scholar at the Russell Sage Foundation in 1995 and 2021 and a faculty research fellow of the National Bureau of Economic Research. He has been on the board of directors for the Economic Mobility Corporation and has served as a director of the National Skills Coalition. In 2019, he contributed a paper on the U.S. labor market in 2050 to the Ford and Peter G. Peterson Foundations' U.S. 2050 initiative. Over most of his career, Professor Holzer's research has focused primarily on the low-wage labor market, and particularly the problems of workers of Color in urban areas. He has worked on the quality of jobs as well as workers in the labor market, and on the links between higher education (especially community colleges) and the labor market for disadvantaged students. He has also written extensively about the employment problems of disadvantaged men, advancement prospects for the working poor, and workforce policy more broadly.



David J. Socolow

Head of Policy, Social Finance Institute

David J. Socolow is Head of Policy at the Social Finance Institute, where he leads initiatives in collaboration with policymakers, researchers, and peer learning communities to build knowledge about outcomes-based policies and practices that expand social and economic mobility. Before joining the Institute in 2024, he spent over 30 years in government and the private sector championing education and workforce success. He most recently led New Jersey's Higher Education Student Assistance Authority, where he created the state's tuition-free college program and expanded career pathways and financing options for jobseekers. Socolow previously served as New Jersey's Labor Commissioner, as the state's Unemployment Insurance Director, and in senior roles on Capitol Hill and at the U.S. Department of Labor, Pinnacle Foods, Inc., and the Center for Law and Social Policy (CLASP). He holds a BA from Harvard College and an MPA from Rutgers University.



socialfinance.org/institute