



PUTTING CAPITAL TO WORK:

*A guide for investing in people,
pathways, and prosperity*

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**SOCIAL
FINANCE**



Since its founding in 2011, Social Finance has designed partnerships that bring together government, philanthropy, and business leaders, and put capital to work in new ways to improve systems and expand opportunity. Our workforce and education investments practice designs, builds, and manages outcomes-based investments that sustainably finance workforce training, address labor market needs, and promote meaningful job placement and economic mobility for people who face barriers. This body of work has grown significantly in the past five years to encompass over \$325M in capital raised across 12 funds that serve all 50 states. Our goal across this diverse portfolio is to deploy capital to create real, lasting value for workers, employers, and the communities where they live and work.

A. Introduction

The Challenge

Across the United States, too many people who want to work struggle to access the skills, training, and jobs that would put them on a path to economic mobility. The barriers they face are real and varied: the rising cost of training and education, the financial challenge of going without income while upskilling, the erosion of trust in traditional degree programs, and growing anxiety that automation and AI may eliminate the very jobs for which they are training. At the same time, employers in healthcare, skilled trades, advanced manufacturing, and other high-demand fields face persistent talent shortages that hamper economic growth and productivity.

Finally, and most importantly, there is far too little capital to resolve these disconnects. The public and philanthropic resources available to help people train for and access good jobs fall far short of addressing the problem. To close that gap, we must direct existing funds toward the programs that genuinely deliver economic mobility, seek ways to stretch those scarce dollars further, and bring in new funding sources.

Our Approach

Since its founding in 2011, Social Finance has designed partnerships that bring together government, philanthropy, and business leaders, and put capital to work in new ways to improve systems and expand economic opportunity. Our Workforce and Education Investments practice designs, builds, and manages outcomes-based investments that sustainably finance workforce training, address labor market needs, and promote meaningful job placement and economic mobility for people who face barriers.

About This Paper

Our team has learned a great deal designing models that finance learners and training. This paper shares six principles we have found to be critical in structuring funds and investing in distinct opportunities. These principles, while sequential, are not always linear; in practice, they can be applied iteratively and revisited as new information emerges, partnerships evolve, and market conditions shift. The accompanying case studies illustrate each principle in practice.

Several of these principles were shaped as much by what we tried and walked away from as by what worked. To be truly catalytic and drive innovation, capital must be willing to take risks, make bets, and abandon what doesn't work. We hope our candor about what we learned will help others apply these lessons to their own work.

A Resource for Workforce Practitioners and Funders

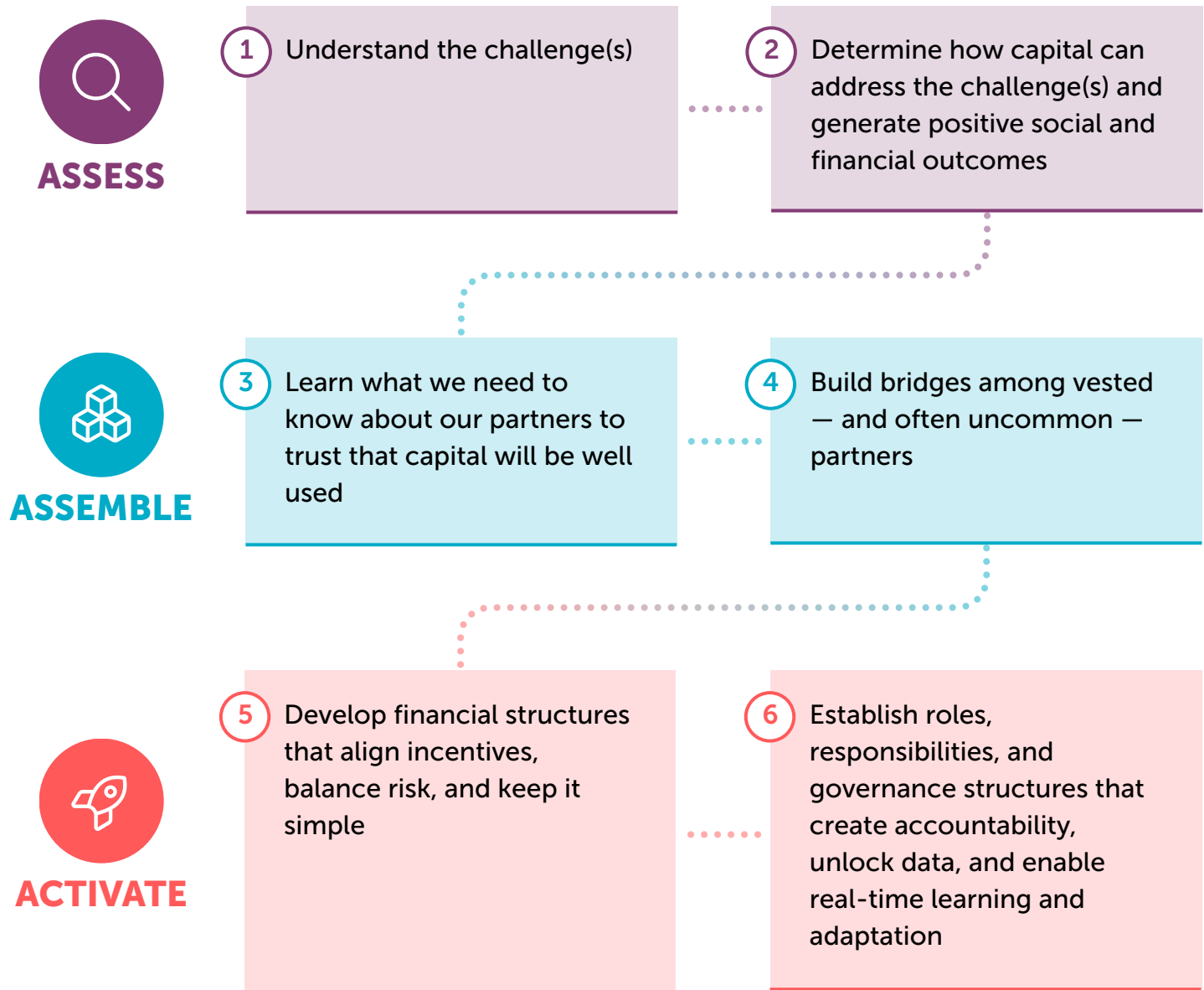
We have written this paper as a working set of principles that workforce funders and practitioners can adapt to their own context. This paper is for:

- **Funders**, interested in stretching capital further and creating opportunities for reuse;
- **Training providers**, assessing financial health, operational capacity, and impact, and considering how thoughtful financing can strengthen rather than strain programs;
- **Public-sector partners**, considering how private and philanthropic capital can complement public budgets and share risk through outcomes-based structures; and
- **Practitioners** designing or managing such investments, to draw on the principles, tradeoffs, and lessons we have gathered over many years of doing this work.

Why Now

We share this paper now because the need has never been more urgent and capital continues to be scarce. Inspired by recent conversations in the field about new models (including ["Lessons Learned: Financing Workforce Education and Training through Outcomes-Based Repayments"](#) by Harry Holzer at Georgetown University's McCourt School of Public Policy and the Social Finance Institute's David Socolow), we are pleased to share our own insights here. We hope they will provide actionable, practical guidance to those seeking to achieve impact in workforce development.

B. Design Principles: Overview



During our engagements, we apply these principles iteratively; they do not always follow the linear order presented here. For example, we might conduct an initial assessment, begin to assemble partners and data, and then return to assessment to learn more about a specific industry or geographic context.

C. Design Principles: Deep Dive



ASSESS PRINCIPLE ONE:

Understand the challenge(s).

Based on targeted research, labor market analyses, and discussions with local stakeholders: what is the economic development status quo in the geography or industry of focus? Where are there unexpected opportunities for talent to access good, resilient jobs? What barriers are getting in the way of providers, employers, funders, and participants achieving that impact?

TACTICAL APPROACH:

We start every design engagement by speaking with local stakeholders and conducting targeted research to tease out a set of initial hypotheses. First, we conduct an analysis of the industry and/or geography where we are focusing to understand the labor market — key employers and training providers, jobs in need of talent, roles that pay a living wage, and barriers preventing local talent from accessing those jobs. That analysis forms the blueprint for our discussions with diverse stakeholders who can validate, refine, or reject our findings. We also seek input about recent trends (new investments, changing workforce needs, artificial intelligence) that may shape the relevant geography, industry, and workforce in the future, even if their effects are not yet fully felt. This allows us to balance publicly available workforce data sets, which are detailed but retrospective, with a forward-looking (though often anecdotal) view into future workforce needs.

TENSIONS AND TRADEOFFS:

This work requires a heavy upfront investment of time, energy, and resources. Additionally, our initial assumptions may be rejected by local stakeholders — for example, in the retrospective data a job pathway may appear to be growing and paying strong salaries, but local experts may clarify that it is imperiled by macroeconomic or regional changes. We frequently revisit our research and push toward a clearer, locally vetted perspective on workforce realities on the ground. This iterative process is critical in laying the groundwork for an investment thesis that appropriately responds to the needs and gaps of a given geography or industry. Our [case study on the Colorado Pay It Forward Fund](#) provides a real example of this work in action.

LESSONS LEARNED:

Through this work, we come to appreciate the complexity and sheer number of problem statements within economic mobility. We are humble about our toolkit and sphere of influence, which means acknowledging problems that we are not well-positioned to address. A lack of focus and precision here can create missed opportunities. For example, in prior engagements, we have sometimes lacked candid input on the barriers learners faced in persisting in and completing programs. In those instances, we offered an array of supports, including case management, technical interview preparation, access to a recruiter, and behavioral health supports. However, these services lacked the precision needed to address the most critical demands and created a sense of "intervention fatigue" among learners, ultimately leading to limited uptake and impact. A key learning from these experiences is to focus on one or two key challenges our capital is best positioned to remedy and acknowledge there may be many other challenges we cannot effectively address.

KEY INSIGHT: *Diagnose one or two specific challenges that your capital is genuinely positioned to solve — and stay humble about the myriad challenges it cannot.*



ASSESS PRINCIPLE TWO:

Determine how capital can address the challenge(s) and generate positive social and financial outcomes.

Given the barriers identified, how can available capital be deployed to drive economic mobility? Who is best positioned to deploy it effectively, what impact could be achieved (and for whom), and how might that value sustain or repay the investment?

TACTICAL APPROACH:

If we allocate capital to address a given challenge, the result may include impacts measurable in social outcomes (such as people holding more durable jobs with higher earning potential) and financial outcomes (such as more value being created for various stakeholders). We and our partners continually assess and quantify these impacts. Successful investments that drive economic mobility for individuals can create a "ripple effect" that may benefit multiple additional parties: their families, employers, and the communities where they live and work. Once we define the specific problem and intended impact, we identify how investments could create value and which stakeholders would benefit most.

TENSIONS AND TRADEOFFS:

Financial value often accrues around those closest to the barrier being addressed; investing in people primarily benefits their future selves and employers. However, other stakeholders, such as community or statewide workforce systems, may gain substantial, sometimes unexpected value, especially where talent shortages are acute. Our challenge is sizing the lens appropriately: too narrow, and we miss ecosystem-level value that could support investment; too broad, and value becomes diffuse and hard to attribute. We must also identify the right amount of capital for the specific challenge we are addressing in a given geography or industry. If the funding need is small, creating a bespoke fund may not be worthwhile.

LESSONS LEARNED:

There are many industries where structural labor market shortages exist for entry-level roles such as allied health and early care and education. These roles are in very high demand; filling them with qualified talent creates tremendous value for employers, for the beneficiaries that they serve, and for the communities where they work. However, the wages for these entry-level roles can be insufficient to enable even the most successful individuals to absorb any incremental financial burden. In such instances, we try to build financing around employer repayment — such that if we can address their labor market need (for example, more medical assistants), they share in the value. This is an example of designing financing that reflects how and where the financial value of new talent pools accrues — see the [case study on the Massachusetts Career Ladder Program](#) for a real example of this work in action.

KEY INSIGHT: Match the capital to the problem; the wrong tool risks sending money where it won't have the intended impact.



ASSEMBLE PRINCIPLE THREE:

Learn what we need to know about our partners to trust that capital will be well used.

What data do we need to know about our prospective partners to ensure they have the organizational capacity and mission alignment to use this capital well? What do we need to know about them so we can structure financing to remedy the challenges we have identified?

TACTICAL APPROACH:

Our work brings together the rigor of diligencing and closing investments with the explicit intention of having a positive impact on people and communities. Whether we are considering investing capital in an organization or in its learners, we seek to understand whether the organization is responsibly run (financially stable, well-managed, and operationally capable of executing on the proposed project), and whether its programs are genuinely producing the outcomes we are trying to achieve (strong program persistence and graduation, high job placement rates, and strong post-program wages). Where data is incomplete or a program is young, we supplement formal diligence with direct observation and close engagement with program leadership. Diligence does not end at closing; we monitor investee outcomes and financial health throughout the life of an investment and adjust based on performance.

TENSIONS AND TRADEOFFS:

Many organizations best positioned to serve low-income populations are new, are small, or have not invested heavily in outcomes tracking. Holding every investee to the same standard risks excluding organizations doing strong work but lacking data infrastructure, while applying a lower bar risks funding programs that have not proven they can deliver economic mobility results. Similarly, we must balance our desire to engage in detailed diligence and fully understand a prospective investee's work with the awareness that deep diligence can place an unintended burden on the bandwidth-constrained investees whom we are trying to support.

LESSONS LEARNED:

Organizational health and program quality are dynamic, and one does not guarantee the other. We have encountered well-run organizations whose programs were not yet delivering consistent outcomes, and strong programs housed within organizations whose financial position introduced meaningful investment risk. We have also seen organizational health shift over time as an organization's success is impacted by changing macroeconomic conditions. For example, in the last decade, coding bootcamps seemed to be stable training providers with a strong business foundation, but this situation quickly eroded during the pandemic and as IT hiring dynamics shifted. We have also encountered challenges that occur when training providers scale their offerings. Scaling tests an organization's recruitment and enrollment infrastructure, its training and delivery modalities, and its employer engagement apparatus. Additionally, for nascent providers, early-participant results may not reflect the results achievable at scale if, for example, early cohorts differ systematically from later ones. These factors need to be heavily scrutinized to increase the likelihood that capital has the desired impact — that learners can be appropriately trained today for good jobs that will still exist tomorrow. Where a mismatch exists, implementing a different structure or deciding to hold off on investing is often the right choice.

KEY INSIGHT: *Diligence is about understanding the "head" and the "heart" of a prospective partner — their organizational health and program quality, as well as their orientation toward impact, mission, and outcomes.*



ASSEMBLE

PRINCIPLE FOUR:

Build bridges among vested — and often uncommon — partners.

How can we engage additional partners to leverage complementary efforts and resources within the ecosystem? What other partners will maximize the likelihood of achieving our intended impact — for example, employers and governments who may benefit downstream, or participants who can share their lived experience to inform our approach?

TACTICAL APPROACH:

We approach partnerships with humility, recognizing that economic mobility requires many actors and that numerous organizations already lead critical efforts. Our role is focused: We bring expertise in fund design, capital deployment, and workforce financing innovations, while others are experts in delivering training, determining employment needs, or understanding the lived experiences of underemployed individuals. For many prospective partners, our most honest value proposition is a demonstration of how our structures can help them deploy capital more effectively — for example, showing a hospital system how outcomes-based financing lowers its net cost of training and retaining new hires relative to the status quo. Additionally, when designing new programs, we always encounter a complex patchwork of legacy programs and existing funding streams that already serve these communities. Our capital is usually most effective as last-dollar funding layered onto existing resources, allowing us to complement rather than replace established programs.

TENSIONS AND TRADEOFFS:

Some partners are skeptical of using financing tools for low-income participants; others may understand scholarships or return-seeking funds but struggle with the idea of workforce recycling funds. As such, we work hard to find the right local coalition, build enough alignment to maintain momentum, and accept that not all desired partners will participate.

LESSONS LEARNED:

We have found that working with established nonprofits and higher education institutions can offer a reliable channel to support learners on a large scale. However, building trust and focusing on the strongest programs takes time, so scale tends to be incremental rather than immediate. Similarly, employer engagement is among the strongest drivers of outcomes; of all the partners we convene, employers have the most influence on our objectives by validating the talent pipeline and (increasingly across our portfolio) participating directly in repayment for hires they retain. Yet employer traction is difficult, and often what works in one industry does not work in another. Employers in sectors like healthcare and skilled trades have been our most enthusiastic participants to date, as they look to address shortages impacting their bottom lines. We engage them early and often to align program design with their needs.

KEY INSIGHT: *Our capital works best as last-dollar funding layered onto existing efforts, not as a replacement for them — and it is most effective when deployed in partnership with established training provider institutions and engaged employer partners.*



ACTIVATE PRINCIPLE FIVE:

Develop financial structures that align incentives, balance risk, and keep it simple.

How can we redirect risk away from individual participants and toward the stakeholders best positioned to absorb it? What features can align incentives between operators, participants, and funders toward the intended impact? What design best balances the need for context-specific solutions with simplicity for participants?

TACTICAL APPROACH:

We develop financing structures that tie the flow of capital to clearly defined outcomes, ensuring that funders, training providers, participants, and employers all succeed only when measurable results are achieved. Practically, we identify and secure the upfront risk capital (government, philanthropy, impact capital) and structure an investment (for example, a loan to an organization, a zero-percent interest loan to an individual learner, financing with an employer) such that payments are made based on the achievement of defined outcomes. In these investments, measurement of social impact and of financial impact operate hand in hand.

TENSIONS AND TRADEOFFS:

Helping people achieve economic mobility is deeply human, complex, and contextual. What works in one place, for one program, and in one industry is very likely not the perfect solution in another place, for a different program, in another industry. This reality suggests that the right economic mobility solution in any given location is likely to be bespoke and complex. Over time, however, we have observed a different imperative at work: simplicity and durability tend to outperform complexity and particularity. Bespoke structures can confuse training providers, employers, and learners, leading to limited uptake; hyper-local designs cannot generally be ported over to other industries or geographies, driving costs up and efficiency down. We are constantly grappling with the tension of how to "standardize" as much as we can, while retaining the ability to adapt and adjust as context requires.

LESSONS LEARNED:

In instances where we selected the most sophisticated tool, we often found that obligations were unclear to learners, structures were administratively burdensome, complex tools were less known by consumers and thus more often misunderstood, and tools did not work cleanly across different industries and worker earning profiles. Additionally, more complex tools may scale poorly because they are too bespoke to be applied to new circumstances; they are also commonly the most expensive to design and implement. Conversely, we found that simpler tools could provide the same benefits while addressing most of their downsides. For example, in an early program we designed a sophisticated income share agreement that precisely linked individual earnings to monthly payment amounts. We later determined that outcomes-based loans were a better-known tool that remedied some of the regulatory uncertainty surrounding income share agreements. In another early example, we determined workers' monthly loan repayment amounts through a complex calculation that took into account discretionary income and number of dependents; ultimately, we found that a simpler, flat monthly repayment amount for all learners was clearer to convey and less burdensome to administer. The choice among tools is not only a question of implementation and regulation; it also reflects a deliberate judgment about affordability for participants and sustainability for the fund. Our [case study on the Colorado Pay It Forward Fund](#) provides a real example of these tradeoffs as we pivoted away from providing learners with income share agreements and instead offered outcomes-based loans.

KEY INSIGHT: Simple and elegant tools that do the job usually beat more complex, bespoke ones.



ACTIVATE PRINCIPLE SIX:

Establish roles, responsibilities, and governance structures that create accountability, unlock data, and enable real-time learning and adaptation.

What data and partners are critical for monitoring impact? How can that information be captured and shared to measure success, inform continuous improvement, and drive toward a future strategy?

TACTICAL APPROACH:

Governance and access to high-quality data go hand in hand, and are the basis upon which management decisions and accountability are anchored to real-world results. We codify governance structures among project partners that establish roles, decision-making processes, and accountability. We also work with partners to understand what data is available, where it exists, and how it can be aggregated to understand performance. Lastly, we use the data we gather to inform future investment strategy. This includes shared alignment with all of our partners on performance expectations — for example, stating upfront how many learners we expect a given initiative to graduate and place in good jobs within a set number of years — and clear and defined processes if those expectations are not met. Our [Upswing case study](#) provides a real example of this tactical approach in action.

TENSIONS AND TRADEOFFS:

Program and outcomes data is imperfect, both in terms of its availability and its quality. We build off what is available and layer in additional sources where possible, yet regular gaps still exist. Our challenge is to make sense of the data we have and act upon it thoughtfully. For example, if outcomes or participant uptake of funding is more anemic than expected, we must decide whether we redirect funding elsewhere or stay the course. We are aided by an understanding of common trends and patterns as we launch and manage more funds and investments.

LESSONS LEARNED:

In our work, things rarely go according to plan, and success often depends on the ability of partners to learn and adapt. Where we have access to good programmatic outcomes data, we can notice successes and failures, adapt programs and funding, and continuously improve programming. For example, in several of our Pay It Forward Funds, certain training providers have not achieved the intended learner outcomes. By virtue of an established governance process with our partners, we were able to identify this early, attempt to intervene, and — if improvement is not realized — reallocate funds to more effective providers in the portfolio. We strive to ensure that data is available and shared with appropriate stakeholders, enabling transparent communication and allowing us to change course or scale as circumstances allow. Importantly, such data informs our future investment strategies. When we have seen some early learner financing efforts struggle to achieve the impact and financial results we sought, we have adjusted our approach — leading to new strategies with less complex products, heavier emphasis on employer engagement, and direct investments in training organizations and partners.

KEY INSIGHT: *Good governance turns data into action, catching problems early and allowing redeployment of capital toward what works.*

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About Social Finance

Social Finance is a national nonprofit and registered investment adviser. We bring government, philanthropy, and business leaders together to put capital to work in new ways to improve systems and expand economic opportunity. Since our founding in 2011, we have mobilized more than \$500 million in investments to create measurable results in workforce and education, health, and housing.

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