Until March of 2020 and the onset of the COVID-19 pandemic, unemployment in the U.S. was the lowest it had been in 50 years. The U.S. had arguably the strongest economy in the world—more Americans had jobs than ever, consumer prices remained low, and the stock market was on the longest economic expansion in history. Despite low unemployment rates, we saw that many San Diegans were struggling to find quality jobs—those with decent pay, benefits, predictable hours, and other important aspects as illustrated in Figure 1. Instead of security, San Diegans, particularly low-wage workers and people of color, were experiencing reduced hours, temporary layoffs, unpredictable schedules, variable earnings, and an overall lack of health and retirement benefits. The gap between the middle class and upper class was widening under massive student loan debt and record levels of inequality.

At the same time, as a leader in workforce development, the San Diego Workforce Partnership knew from employers and participants that access to education, specifically quality, industry-recognized credentials, as well as the related supports (transportation, child care, technology access, etc.)—was key to turning the tide. Quality credentials—those with valid, reliable, and transparent evidence that includes substantial job opportunities, transparent competencies,
Quality credentials—those with valid, reliable, and transparent evidence that includes substantial job opportunities, transparent competencies, and evidence of employment and earnings outcomes—provide individuals with the means to achieve employment and educational goals.

and evidence of employment and earnings outcomes—provide individuals with the means to achieve employment and educational goals.

While our funding has long been centered on the provision of workforce training and job placement, the amount of funding we have available typically falls far short of our need. Annually, we saw an average of 2,500 adults enrolled in our Workforce Innovation and Opportunity Act (WIOA) programs eligible to receive training, but we had sufficient funds to provide only approximately 500 individual training accounts (a type of scholarship) at a maximum of $7,000 per person. Industry-recognized credentials are usually nondegree programs that do not currently qualify for federal grants such as Pell or even federally-backed student loans, so other sources of funding are generally limited.

Lack of access to workforce funding means that workers wishing to study are forced to wait for extensive periods of time, seek support from family, forgo training altogether, or turn to private loans. One career center customer said, “I took a career aptitude test that confirmed my desire for a career change, but the career center did not or cannot provide the resources for training. I was told there are no funds that support education or training at the time despite being eligible.” Another participant shared he had dreamed for years of transitioning from his low-wage job as a stagehand in theatre to a tech job but lacked the funds to do so. Without access to a workforce program, he remained stuck in a job with limited upward mobility. Simply hoping we might have enough funding available to support him or encouraging him to come back next year was not really a strategy. In fact, in reviewing our customer satisfaction scores for our six career centers across San Diego County, we found that the single most frequent reason individuals were unhappy with the services provided was the lack of available training funds.

As we began to explore options, participants shared with us that they lacked access to capital due to credit score or immigration status, are saddled with student loan or medical debt for themselves or their spouse, have experienced predatory lending processes, or have limited ability to borrow additional funds from family or friends. Many of our participants have backgrounds working in retail, hotel, and small business sectors and indicated that the reason they enroll is because they have no room for career or income growth. Training for a career such as tech offers the opportunity to do both. Data shows that low-wage workers—particularly those in the retail sector, which makes up 9% of San Diego jobs—are disproportionately women or people of color. The lack of access to training is putting families at risk and widening the race and gender divide.

One career center customer said, “I took a career aptitude test that confirmed my desire for a career change, but the career center did not or cannot provide the resources for training. I was told there are no funds that support education or training at the time despite being eligible.”
Indeed, 49% of San Diegans make less than $18 per hour,\(^1\) less than one dollar above the Self-Sufficiency Standard for San Diego.\(^2\) In a study of front-line jobs in the retail sector, we found that nonwhite workers are more likely to be placed in low-wage occupations, giving them far less access to the resources needed to advance. If we consider only the top retail occupations, race accounts for 51% of the variation in average occupational wages. These retail workers, as well as workers in tourism and hospitality, are some of the primary consumers of our WIOA services and often most in need of support to advance their careers through education and credentials. Without such career ladders they remain trapped below self-sufficiency.

In response, we began to overhaul our approach to training, starting with reviewing training providers on our Eligible Training Provider List; piloting cohort classes through customized training with adult education; encouraging individuals to leverage free and low-cost community college resources; exploring free, self-paced, online training; negotiating certifications en masse; and even designing pilots with employers themselves. While these were important steps, they did not fundamentally address the financing challenge. To truly fill the gap, we would need to look to a transformative new approach that could bring public and private funds to the table and establish an evergreen model to pay for training—this is how the Workforce Income Share Agreement Fund was born. In the words of our students, the income share agreement (ISA) is truly a unique opportunity because they wouldn’t “have to save upfront to start it, since that would have delayed the process,” pushing them further away from a chance at economic mobility.

**BIRTH OF THE ISA FUND**

In the summer of 2019, after nearly two years of research and program design, we raised $3.3 million in philanthropic capital and launched the first-ever ISA fund run by a workforce board, a pseudo governmental entity. As a board, we design the program, select the education institution(s), recruit the students, provide wrapping supports, and provide job placement support at the completion of students’ programs. This enables us to align the incentives of the education provider and the funders to achieve the best outcomes for the student. As we engaged our community in the design, we saw the power of the ISA through participants’ eyes as “insurance” and “more security in taking a chance and investing in yourself, as opposed to the school loans where they really don’t care if you get a job or not.”

**PROGRAM SELECTION AND DESIGN**

Our program selection is driven by a strong “why”—financing the workforce training and support gap to provide economic mobility access for all. Our design is focused on establishing a student-centric approach to provide maximum student protections while delivering high quality results. We believe ISA programs can strengthen and grow the workforce development system, but only if they are designed in a manner that reflects our values and the lived experience of the communities we serve. To achieve this, we were guided by a set of program design principles and informed by feasibility considerations:

1. **A design with input from those the program will serve:** A workforce ISA should utilize a human-centered design framework, directly engaging those it intends

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to serve in the design process and creating feedback mechanisms, which allow for continual improvement once operational.

2. A minimum income threshold for repayment that reflects the local self-sufficiency wage: A workforce ISA should be a function of sustainable earnings, not just earnings. Participants should not have any ISA repayment obligation when they are earning below a threshold linked to local self-sufficiency wages. While government subsidies such as unemployment insurance may act as a stopgap measure during times of transition, they should not be counted as wages in calculating repayment obligation.

3. A rigorous framework for credential/institution eligibility: A workforce ISA should provide funding for participation in education programs that have a proven track record of participant success and meet a robust, transparent set of quality criteria that are student-centered, evidence-based, and market-aligned.

4. Inclusive, broad access eligibility criteria for participants: A workforce ISA should be broadly accessible and not restricted by credit history or criminal history, except in the limited circumstances where such restriction is required for a target occupation. Character, competency, and need-based eligibility approaches should serve as the standard.

5. Transparent, comprehensible, proactive disclosure and comparison tools: A workforce ISA should be presented to prospective participants in a clear and open manner, alongside other high quality funding options. Demonstrated comprehension of key terms and features by potential participants should be a necessary stage of the ISA application process.

6. A definition of income that excludes benefits and household earnings: A workforce ISA should obligate participants to pay back only a defined percentage of their income, above a minimum threshold. The definition of individual income that informs the calculation of a participant’s payment obligation should be explicitly designed to exclude household earnings and social safety net benefits of any kind.

For more information, visit workforce.org/outcomescenter
7. **A framework for dealing with hardship:** A workforce ISA should be sensitive to individual life circumstances, especially those where the traditional and routine protections in an ISA (e.g., the minimum income threshold) are not sufficient. Participants should have clear, accessible resources for disputing income calculations and presenting mitigating circumstances.

8. **Useful and effective nonfinancial supports:** A workforce ISA should strongly consider bundling funding with a meaningful set of participant support services that contribute to, and are sustained by, positive employment outcomes. These supports can range from internship wages and career coaching to emergency aid and technology. These supports should also consider time horizons that align with the length of the repayment period.

9. **Tools for holding providers accountable for outcomes:** A workforce ISA should shift risk from participants to funders and education providers. Providers should share accountability for participant outcomes, whether in the form of segmented payment (disbursement triggered by milestone), contribution to the ISA fund, or another type of financial involvement.

10. **Clear, constrained payment terms:** A workforce ISA should have a clearly defined payment window—inclusive of limited extensions—that closes regardless of total payments made by a participant. It should also have terms for prepayment and maximum payment, which are transparently presented to participants before signing an ISA contract.

11. **Competency-based assessments:** workforce ISA should employ competency-based approaches to candidate selection that reduce bias and create access to opportunity based on qualifications. They should set participants up for success and include processes to assist those who may need additional support prior to enrolling in a program.

12. **Proactive compliance with federal and state law:** A workforce ISA should perform with the highest possible standard of consumer protection law imaginable in all areas, even where a specific standard does not clearly or obviously apply to ISAs.

Our program is fundamentally a workforce intervention, so beyond covering the cost of the education, it embeds wraparound services for as long as the individual is repaying the ISA. The wraparound supports are intended to be sustained by ISA returns. Currently, $2,000 of the $6,500 face value of the ISA is associated with supports including:

- Mentorship from an employee currently in a relevant career path and interested in connecting the student with networking events in the San Diego technology community
- Guidance from a career consultant who walks with the individual every step of the way
- Career-readiness training, resume assistance, and interview preparation support
- Internship and job placement services
- A support network for technology, transportation, and other services to empower the individual to be successful inside the classroom and on the job

Our program selection is centered on in-demand credentials based on both a review of the labor market

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3 All four initial programs had a face value of $6,500. Additional programs have since been added, and face value may vary based on the educational costs of the program.
data and discussions with local employers. This includes identifying an education provider that has proven results in delivering employer-responsive credentialing programs and achieving high success in terms of student completion and wages. To launch, the San Diego Workforce Partnership collaborated with the University of California San Diego (UCSD) Extension to offer nine 12-month certificate programs in business intelligence, digital marketing, front-end development, and Java programming. Over time, we added programs in database development and user experience design and development. UCSD’s incentives are aligned with the students as the San Diego Workforce Partnership pays UCSD through a service agreement that is tied to specific outcomes for students, such as successful training completion. The program is structured as a cohort to build peer support and is offered primarily online through asynchronous instructor-led coursework. This is coupled with peer learning through study groups on Slack, UCSD-led discussion groups on Canvas, and networking events.

Student selection for the program is focused on competency, need, and grit. Competency is assessed through a set of exams designed by UCSD that provide a view into which candidates have the necessary foundational skills, such as English, math, and digital skills, to succeed in the coursework. In cases where the individual does not possess the necessary foundation, we refer them to available resources through the local community college and adult education system for upskilling. Need is assessed through a review of indicators including public assistance, income, first-generation college, and underrepresentation in career field with a focus on ensuring that those who have the necessary skills and the greatest need receive access to the program. Grit is about the applicant’s willingness to show up and engage with a series of pre-program activities.

While we can use an ISA to remove barriers related to program cost, we realize it is not the right fit for everyone. Our career consultants make a significant investment upfront to ensure the individual understands all aspects of the program, the contract, the workload, and expectations prior to signing a contract. In designing the contracts, we focused on creating transparent, comprehensible, proactive disclosure tools. This starts with making our disclosures available on our website but also includes a two-week process where students communicate with our career consultants about the ISA program. Consultants provide an overview to the student about the ISA program, what it is, and what it is not. They also provide information about other resources available through career centers, community colleges,
UCSD, and other universities in the area. They discuss services and supports that are available through the ISA program and those that are available through external partners. After the initial conversation, the participant receives a sample ISA contract and schedules a follow-up call to discuss the contract. Potential participants are encouraged to take a week to read through it, discuss with family, and come up with questions. During a follow-up call, if the career consultant senses the individual has not yet read the contract, the consultant will not accept a signature and schedule another date to ensure that the participant reads the contract and comes with questions. We formally offer an ISA contract at the end of the second phone call if we are sure that the participant fully understands what an ISA is and what our program does.

PROGRAM FUNDING
Our initial program funding strategy focused on raising philanthropic capital sufficient to achieve a “steady state” for the fund. An evergreen model instead of a return-seeking structure is not only directly aligned with our mission as a nonprofit but enables us to focus on proving the concepts and ensuring a set of ISA terms that are responsive to student needs. We collected student feedback through focus groups and interviews that directly influenced our considerations for the income share, income threshold, and payment windows. We established a $40,000 income threshold that is informed by the living wage in San Diego, which is $17.65 per hour for one individual as of December 2020. We included a three-month grace period and a hardship clause in our contracts to provide further protections to students. Additionally, we enabled students to restart in a later cohort without financial penalty if life’s circumstances prevented them from completing the program during the cohort in which they originally enrolled.

/ FIGURE 3 /
Educational Programs of the Workforce ISA Fund

<table>
<thead>
<tr>
<th>UCSD Extension Certificate</th>
<th>Course Length</th>
<th>Cost (per person)</th>
<th>Income share** (%)</th>
<th>Number of payments</th>
<th>Payment cap+</th>
<th>Payment window~</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Intelligence</td>
<td>9 months</td>
<td>$6,500</td>
<td>8%</td>
<td>48</td>
<td>$11,700</td>
<td>6 years</td>
</tr>
<tr>
<td>Digital Marketing</td>
<td>9 months</td>
<td>$6,500</td>
<td>8%</td>
<td>60</td>
<td>$11,700</td>
<td>7 years</td>
</tr>
<tr>
<td>Front-End Development</td>
<td>15 months</td>
<td>$6,500</td>
<td>7%</td>
<td>40</td>
<td>$11,700</td>
<td>5.5 years</td>
</tr>
<tr>
<td>Java Programming</td>
<td>15 months</td>
<td>$6,500</td>
<td>6%</td>
<td>36</td>
<td>$11,700</td>
<td>5 years</td>
</tr>
<tr>
<td>Database Management</td>
<td>12 months</td>
<td>$6,500</td>
<td>5%</td>
<td>48</td>
<td>$11,700</td>
<td>6 years</td>
</tr>
<tr>
<td>User Experience Design + Development</td>
<td>15 months</td>
<td>$8,500</td>
<td>5.5%</td>
<td>48</td>
<td>$15,300</td>
<td>6 years</td>
</tr>
</tbody>
</table>

**The income share is only payable when a participant is making in excess of $40,000 a year.
+The payment cap is 1.8x the total cost per person and is the maximum that a participant can pay back to the fund.
~The payment window is the period within which the participant can make the required payments. Once this period ends so does their obligation, regardless of overall payment status.

PROGRAM IMPLEMENTATION
Once the programmatic design and fund were in place, we turned our attention to implementation. We started recruitment by focusing first on the populations we were already serving and then on individuals who were recently laid off and receiving unemployment insurance through coordination with our Employment Development Department. As a workforce board, we serve thousands of individuals every year. In FY19 alone, we provided 168,323 services to job seekers and served 25,954 adults and young
adults across San Diego County. We also work closely with community-based organizations across San Diego that are focused on serving special populations, ranging from immigrants and refugees to veterans or those receiving CalFresh or Welfare to Work subsidies. Additionally, we collaborate with our education provider to make the ISA option available to their applicants who may not have the financial means to pursue education on their own or who may need the additional supports embedded in our workforce ISA. As our ISA population grows, word of mouth is also becoming an important tool for recruitment.

To service our ISA, we competitively procured the services of Vemo Education, which provides origination, income validation, and collection support. Students can access a Vemo representative at any time to discuss aspects of their ISA contract and view their account through an online portal.

Throughout the operation of the program, the career consultant plays a critical role in following up with students weekly to discuss not only their educational needs but also provide support and encouragement as life events occur. This can range from providing a computer for an individual who doesn’t have one to connecting individuals to mental health resources (access to meditation app Headspace is provided free to all students) to working with instructors to coordinate additional tutoring, extension of deadlines, or other creative approaches to meet learning needs. Career consultants also keep students abreast of how the labor market and employer demand are evolving, assisting students with finding jobs as well as market exposure opportunities (internships, volunteer opportunities, employer networking) both during and after program completion. Student feedback indicates that one of the most powerful aspects of this model is simply having someone in their court to help reduce stress and smooth the navigation as challenges arise; while students’ desires to succeed are strong, we simply cannot underestimate the power of personal support. Much like a successful personal trainer, consultants understand the individual’s “why” for pursuing the program and flex their style to meet students where they are. A student in the digital marketing program shared, “The [program] is valuable to students because not only is it an opportunity to invest in themselves, learning new skills to take into the workforce, but [it is] an opportunity that comes with so much support.”

PROGRAM EVALUATION
The program is built around establishing multiple levels of evidence to demonstrate success. This started with the creation of a logic model (theory of change) prior to program launch that outlined the outputs, outcomes, and impacts we set out to achieve as an organization for our students, our funders, and our board.

Our theory of change is executed through the ongoing collection, tracking, and monitoring of criteria at every point in the process, from recruitment through graduation as well as the issuance of quarterly reporting on project performance to our board. Evaluation will then be layered on top of performance to understand the impact of the program. Preparations for evaluation are currently in discussion as our first cohort of students in two classes graduated in 2020. We are collaborating closely with our funders on the evaluation process but anticipate it will include a deep dive on which components of the intervention were most meaningful, results by demographic distribution, comparisons to those who chose not to enroll in the ISA, economic mobility generated for the individual, and financial performance of the fund.

Finally, continual process improvement is embedded as an operational component in our model. This includes adapting
practices, approaches, and services both at the workforce board and at the education provider levels “in flight” based on student input. For example, an ISA is just one possible resource in the market. Student choice is critical, and we have seen students decline ISAs for varied reasons, including the ability to pay for the training out of pocket or through other resources (such as veteran benefits), unexpected family issues requiring their focus, lack of interest in the career paths offered, or a desire to access free or lower-cost training, even if it meant waiting for services. This has encouraged us to continue to expand the career paths and wraparound supports available, invest as much time it takes to help individuals decide what is the right route for them, and explore partnerships with organizations such as Microsoft, Coursera, and AWS to make online, self-directed courses available free through our website.

In the program delivery phase, we learned many students were struggling with mental health issues. While referrals and the Headspace app were useful, they could not fully address these issues. We are now exploring how we can provide direct access to mental health support advocates so students can call someone the moment they need help instead of going through a referral process that might take longer and discourage them from seeking support. On the education front, when career consultants heard from students that they were struggling with a concept from the coursework, we rapidly partnered with our education provider UCSD to implement weekly instructor sessions to address these questions. This underscores the importance of identifying an education provider that is not only committed to student success but also flexible and agile in its approach.

With the COVID-19 crisis in full swing, we explored changing our ISA contracts to extend the grace period by three additional months following graduation. However, since our terms require only those who make more than $40,000 a year to repay and our contracts already included a “hardship provision” that would allow participants to defer payments should they need to, we opted not to make changes because those that were most affected financially by the crisis would not trigger the repayment requirements.

LOOKING FORWARD
As we move ahead, our focus is twofold:

- **Closely monitor the performance of our existing programs and adapt or expand as needed.** As the originator of the ISA, we are positioned to select the education provider, the terms, and the programmatic approach to help students succeed. Prior to COVID-19, we were specifically evaluating the application of the ISA model for training in education, health care, and skilled trades as well as for supports such as transportation, child care, and stipends. The COVID-19 crisis rapidly expanded the number of workers out of work, and as the market adapts to the crisis, upskilling will be critical. In two short months, San Diego saw 500 employers impacted and 80,000 individuals laid off. We are actively engaging with our community to determine what the right role is for ISAs to play in response to the surge—including exploring changes to services such as expansion of mental health resources and understanding emerging skill demands, particularly those required for the distance economy.4

- **Grow the infrastructure, tools, and support available to others in the workforce space interested in leveraging ISAs to meet their needs.** This includes program design support, diversification of funding, and even policymaker education. We partnered closely with

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Jain Family Institute to develop a workforce-specific modeling tool that enables workforce boards to simulate the impact of different ISA terms on the student as well as on potential investors. This allows a workforce board to verify that the terms are purpose-aligned with the intent of the program and make strategic decisions about how to use the ISA tool to best serve their community. Through funding from Lumina Foundation, we collaborated with other workforce boards to design not only principles for workforce ISAs but also a detailed feasibility questionnaire to determine when an ISA is the right tool for the need.

We are digging into how both private and federal sources such as WIOA, the Supplemental Nutrition Assistance Program (SNAP), or Community Development Block Grant (CDBG) programs can best be used and creating structures to support how they can be incorporated.

Over time, we intend to raise a $30 million fund to meet the need in San Diego through a blended capital stack that incorporates not only philanthropic funds but also Community Reinvestment Act (CRA) funds, mission-aligned program-related investments (PRI), and impact investments. We will also leverage federal sources such as WIOA and SNAP Employment and Training to either reduce the overall cost of an ISA to an individual or reduce its risk to investors. To achieve this, we established Workforce Ventures, a mission-aligned but legally separate 501(c)(3) dedicated to financing high quality workforce and training programs that lead to quality jobs. Workforce Ventures will support individuals, organizations, and approaches that create quality jobs, foster inclusive growth, and accelerate economic mobility for underserved San Diegans. Workforce Ventures will initially focus on providing innovative financing for ISAs but, over time, will expand product offerings to other innovative financial products. Programmatic delivery will remain at the Workforce Partnership.

Brooke Valle serves as the San Diego Workforce Partnership’s chief strategy and innovation officer, leading the organization’s strategic planning, national partnerships, and advocacy efforts as well as the incubation of innovative financing approaches. She is recognized as a thought leader in the workforce development space for her result-oriented approach to addressing inequities and fostering public-private partnerships.