

Strengthening Training and Advancement of Essential Workers in Low-Wage Jobs

Recommended Actions for Funders

The Beeck Center for Social Impact + Innovation
World Education Services Mariam Assefa Fund

A new term emerged amid the COVID-19 pandemic: essential workers. In addition to health care professionals, these individuals included those who stock our grocery shelves, teach our children, staff our hospitals, maintain our local infrastructure, and operate our buses and subways, among the many others who provide critical services.

The spread of COVID-19 exposed the burdens borne by many in these jobs, particularly those in entry-level positions: the financial precariousness driven by low hourly wages, work hour instability, and schedule unpredictability; lack of access to health care benefits; inadequate, or non-existent, childcare; and limited potential for upward career mobility.

Some of these workers—notably immigrants and refugees—are particularly vulnerable. According to the [Migration Policy Institute](https://www.migrationpolicy.org/sites/default/files/publications/COVID-19-EssentialWorkers-FS_Final.pdf)¹, while those born outside of the United States make up 17 percent of U.S. workers, they are 38 percent of home health aides; 41 percent of janitors; 34 percent of bus, metro, and taxi drivers; and 18 percent of essential retail workers. Additionally, they represent significant shares of

¹ https://www.migrationpolicy.org/sites/default/files/publications/COVID-19-EssentialWorkers-FS_Final.pdf

workers cleaning hospital rooms, staffing stores, and producing food. MPI also notes that an additional six million immigrants work in industries hardest hit by the pandemic's economic repercussions.

In actuality, the pandemic has only heightened the structural barriers and challenges already facing immigrants and refugees who are seeking to build a life in the U.S. These newcomers need “quality” jobs—those that offer growth potential and access to higher wages—to accomplish their goal. However, the current workforce, educational, and support systems include few paths or incentives to help newcomers achieve these goals and forge meaningful careers.

To build back better, **we need these systems to change**. All workers should be able to achieve economic mobility and access better paying, more resilient jobs that can withstand changes in our workforce and economy. To reach this goal, more and different types of capital are needed to generate workforce development, training, learning, and support services that better meet the needs of immigrant and refugee workers.

Over the past 12 months, the [Beeck Center for Social Impact + Innovation](#) at Georgetown University, with the support of the [World Education Services Mariam Assefa Fund](#), explored ways in which catalytic financing tools could increase and adapt the capital available to advance the training and development of entry-level essential workers.

During this process, we collaborated closely with experts from three key stakeholder groups: workforce training, immigrant integration, and finance. We sought their insights for our research and tested our hypotheses through a series of interviews and interactive workshops. In this way, we identified prospective financing options that have potential for scale, and key elements of program design which funders and investors can support to ensure that workforce initiatives deliver maximum impact.

1. Key Takeaways on Current Workforce Financing Context

The workforce development field is large and scattered with many players, misaligned incentives, and fragmented funding. Historically, government at the federal, state, and local levels has been the primary funder of workforce training, especially non-professional programs. This work has been supplemented by philanthropic donors with targeted initiatives, by labor unions focused on specific industries and sectors, and by a few large companies which have established upskilling opportunities for their employees. Of the more than \$300 billion spent annually on workforce training programs, employers' share has steadily declined in recent years. When employers make investments in training, it is primarily for the benefit of

their workers in higher income roles. Very few employers invest in training entry-level employees, let alone address the needs of immigrant and refugee workers.

Even with the funds targeted at workforce training, numerous funding gaps remain, illustrating the urgent need for new sources of capital and new or adapted capital structures. We also need better information; for example, we really don't know how much it costs to train workers for various types of employment. The most recent federal survey of employer-provided training was conducted in 1995, and it lacked important detail about what types of workers these programs were designed to benefit.

At the individual level, the path for immigrants and refugees is particularly complex. They may have difficulty accessing or completing applicable training programs for many reasons unrelated to financing (for example, limited familiarity with English; distrust of government; and with the post-COVID shift to more online instruction, low digital literacy or digital access). We lack significant data on such critical elements as how many immigrants and refugees participate in workforce development programs, as federal data on workforce programs do not separate out immigrants and refugees.

2. Recommendations for Grantmakers and Impact Investors

From our exploration, we have developed several recommendations for grantmakers and impact investors interested in advancing workforce development for essential workers, in particular immigrants and refugees. We focus on the use of **catalytic capital**: capital invested with the aim of motivating the participation of additional funders who might not join an effort were it not for the catalyst.

Grantmakers are important players in creating a structure supportive of effective workforce development. Their capital helps build the knowledge base. They fund data collection, research, evaluation, capacity building, support services, and pilots to test new ideas. Possible actions are:

- **Gather more robust data** on the immigrant and refugee populations in the U.S., including market size. Better and more comprehensive data will support more effective programs. Employers may not know the value of their existing immigrant staff, including immigrant workers whose entry-level positions may not be commensurate with their skills and experience. Tools and support are also needed to help practitioners evaluate the impact of programs at a more granular level, particularly from an intersectionality perspective (for example, by race, gender, immigration status, and so on).
- **Conduct research to build the case.** The workforce development ecosystem and immigrant integration practitioners need support making the case to other grantmakers and impact investors

on their program and service delivery model, the return on investment, and more. For example, experts note the need for deeper research to determine the fully loaded cost of training (including payroll, content development, materials, facilities, stipends to support low-wage workers' childcare expenses and foregone wages, etc.). This research and other related tools, such as case studies, can help unlock overlooked sources of capital.

- Enable **capacity building at the organization level**, such as digital literacy for staff, and **field building**, such as educating workforce boards and impact investors about the needs and opportunities related to immigrants and refugees.
- Fund organizations that think holistically about the needs of workers and that offer **services to scaffold the workers**, including childcare, digital access, English language training, transportation, and more.
- Pilot **new partnerships or replicate** existing successful models that promote economic mobility. These pilots should continue to bring to light the features that work best for which communities, and which incentives are most effective.
 - Existing pilots worth tracking include Social Finance's [Career Impact Bond](#), a student-centric Income Share Agreement (ISA) designed to enable economic mobility. The model has several features intended to increase the likelihood of successful placement: no tuition required from the students, training for high-demand occupations, and inclusion of support services (for example, childcare).

Social Finance's **Career Impact Bond** is a financing model that expands access to quality, industry-recognized career training to people who face barriers to education and employment like low income, criminal justice involvement, and immigration status.

- A variation uses an evergreen fund of philanthropic capital to target the training to entry-level workers. When creating an ISA, it is important to ensure that the structure incentivizes the desired outcome as much as possible.
- A new approach might be providing capital to Employee Stock Ownership Plans or cooperatives to test their potential to generate immigrant wealth. [Research shows](#) that businesses with wealth-sharing models are more stable, more profitable, and more productive in the long term than those with performance-based pay systems.

- Some grantmakers may choose to provide funds as **concessionary capital** in an investment. As noted above, this capital would not require a market rate of return and would facilitate the participation of investors seeking higher returns. In this way, grantmakers can also participate in some of the impact investing opportunities outlined below.

Impact investors seek a defined impact from their involvement (in this case, activities advancing workforce development of immigrants and refugees). Their targeted financial return may range from market rate to below market. There are several ways in which impact investment capital can support better outcomes for immigrant and refugee workers, including:

- Finance direct service organizations' efforts to reach and better support entry-level essential workers, in particular immigrants and refugee workers, with:
 - **Social Impact Bonds (SIB)**, incentivizing workforce-related outcomes, such as the [JVS Boston's English for Advancement](#) whose early results show promise. The patient capital supplied by impact investors would enable the SIB to extend the time needed for repayment.
 - [Impact covenants](#) which are still largely in the conceptual stage, but worth exploring.



Photo from JVS' website

- **Provide equity or debt capital to** Community Development Financial Institutions (CDFIs) to bolster their balance sheets and expand investing. This could be a single investment or part of a regional partnership with other investors and local groups. [Opportunity Finance Network](#), a membership network of CDFIs, partners with various types of investors interested in disbursing capital with impact in low-income communities.

- **Invest in blended capital vehicles.** Investors have different levels of risk tolerance, return targets, and timelines. Connecting a variety of investors can enable patient capital to subsidize more traditional market capital, and bring more funds to bear on the workforce challenge. Institutions such as the [World Bank's International Finance Corporation](#) long allocated blended capital to crowd in private funds that otherwise might not address development challenges. Guarantees or loan loss reserves from impact investors or grantmakers can be particularly helpful in bringing in public and private sector investors.
- **Catalyze new financial products, such as social bonds.** The [Ford Foundation's \\$1 billion Social Bond](#) issued in 2020 attracted more than 100 impact and mainstream investors and enabled the foundation to double its usual annual grants and support organizations impacted by COVID-19. While smaller investors would not have the balance sheet to support such vehicles, creating a consortium of providers of long-term capital could be an option.
- There are also several **borrower-friendly financing tools that can help individual workers pursue** their educational and training goals without resorting to predatory lenders, such as:
 - **Lending circles** like those facilitated by Mission Asset Fund build on the model of lending circles in the developing world (most notably from the Grameen Bank). In the MAF model, individuals first apply and participate in online financial education. They are then placed in small groups and commit to contributing a set monthly amount. Each month, one member receives the loan, interest-free, which they can use for training or anything else. Repayment is reported to credit bureaus, helping the borrower build a credit record. The combination of financial education and social ties to the group reduces the chance of poor performance.



Mission Asset Fund's Lending Circles bring people together to form zero-interest, small dollar loans.

- **Flexible, affordable consumer and microenterprise models coupled with financial coaching** are used by the International Rescue Committee’s Center for Economic Opportunity (IRC-CEO). In 2020, the WES Mariam Assefa Fund invested alongside other impact investors in the Social Impact Fund, a partnership between the IRC-CEO (a CDFI with 15 years of experience successfully lending to low-income communities) and the Refugee Investment Network.

IRC-CEO estimates that **80% of its borrowers will be immigrants and refugees**, with the balance likely from Black, Indigenous, and People of Color (BIPOC) communities.

- **ISAs** such as those offered by the [San Diego Workforce Partnership](#) and Pursuit, an intensive fellowship program for adults from underserved communities interested in pursuing careers in software development. ISAs can specifically support entry-level workers, perhaps by testing various incentives (for example, providing small contributions to tuition, to be repaid at designated points during training).

3. Program Design Elements for Funders and Practitioners to Consider

Over the course of this project, we identified several recurring program attributes that helped increase the likelihood of success. They included best practices in program design—for example, incorporating contextualized English language learning and transferable skills such as digital literacy and customer service, linking training to actual jobs; and other attributes related to program financing. We recommend that funders interested in supporting this work seek out programs that:

- **Involve key stakeholders**—in particular immigrant and refugee workers and workforce organizations serving those constituencies—in the design phase, so that programs meet the needs of all. As noted above, while we concentrate on the role of grantmakers and impact investors, we also see **opportunities for employers and government** to provide more and different types of capital than they currently offer. Public sector agencies should lead **regional collaborations** with immigrants and refugees in mind, and support the efforts of local workforce boards. Employers should actively engage in crafting **training programs that help train workers for the jobs** that will exist.
- Target industries that can utilize immigrants’ experience, such as those requiring a multilingual and multicultural workforce, and consider how typical career pathways programs, such as

apprenticeship and pre-apprenticeship programs, can be designed and implemented with particular attention to the skills, cultural competencies, and needs of immigrants and refugees.

- **Account for all program costs**, including wraparound or scaffolding supports, such as childcare and digital access. As an example, Social Finance's [Career Impact Bond](#) includes the cost of childcare when calculating the price of its program.
- Build trust among immigrant communities by **collaborating with intermediaries** who have already proven themselves to newcomers. For example, [Building Skills Partnership \(BSP\)](#), an alliance of labor and management, had operated a respected Green Janitor Program and was thus well-positioned to launch its Infectious Disease Certification Program. When it recognized that COVID-19 would increase the cleaning requirements of property owners, BSP launched the program with immigrant janitors in mind.



BSP's impactful work with janitors, airport workers, and other property service staff can serve as a model for other organizations looking to create viable career pathways for similar frontline and service sector workers, many of whom earn low wages and struggle to advance economically.

- **Leverage all sources of capital.** Some may be hiding in plain sight, such as the [Ability to Benefit](#) provision of the federal Higher Education Act; and [SNAP Employment and Training \(SNAP E&T\)](#) through which the USDA funds states to operate programs for SNAP beneficiaries to gain skills or experience leading to economic self-sufficiency. Grantors and impact investors can build on these existing but insufficient sources of capital.
- Finance training to **reward and incentivize measurable outcomes.** Be clear about the problem being solved, and match the incentive and the financing model to that problem. As an example, current public funding requirements mean that many adult education programs focus more on increasing the educational grade-level equivalent of participants than on preparing them to obtain higher-paying jobs. However, there are alternative models that incentivize more workforce-related outcomes, such as SIBs and some ISAs.
- Collect **data about the educational and professional experience of workers**, especially workers born outside the U.S. These individuals have much to offer employers and can likely upskill quickly if given relevant training.

- Participate in **regional partnerships** like the [Westside Education and Training Center](#) in San Antonio or the San Diego Workforce Partnership. Create roles for local employers, community investors such as CDFIs and community foundations, local philanthropists, and relevant government agencies. Ideally, require each partner to have skin in the game. These collaborations unite providers of capital, employers, and workers to align interests and address actual needs.

Conclusion

There are many ways for grantmakers and impact investors to support workforce training of immigrants and refugees with an eye toward economic integration and a need for multiple types of capital. While the workforce training and development field is scattered with many players and fragmented funding, and the path for immigrants and refugees can be even more confusing, we believe that if funders commit to both increasing collaboration and investing in one or more of these recommended strategies, they can start to break through the clutter and achieve measurable progress. Funders have a unique ability to gather the expertise and capital needed to drive large-scale investments that enable measurable impact. In the wake of the pandemic, with its health and economic implications disproportionately affecting immigrants and refugees, such an effort is critically important.

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