

Talent Finance for the New Economy

More affordable, less debt, better outcomes

BY SARAH MILLER

OUR ECONOMY COMPETES nationally and globally on talent – this was the case even before pandemic shocks shifted many jobs to a remote posture. Now, in 2021 and beyond, we’re entering the most dynamic labor market we’ve ever experienced. One in which access to talent has been democratized now that more and more employers are hiring for remote positions, education programs have shifted to virtual delivery models lowering barriers to enrollment and skills and short-term credential currency in the labor market is on the rise. We are moving toward an innovation-based global economy that will be driven by talent. This fundamental economic shift will bring major disruptions for employers, learners, students, and workers alike. Ultimately, employers will increasingly compete on innovation, agility, and resilience, also driven principally by talent. Therefore, talent development and engagement will be key factors in their success.

The current systems and methods for developing our talent which fuels our businesses and economy are structured for a different time –

not the fast-paced, evolving market we have today. Now, more so than ever, in-demand skills are constantly changing, the jobs we’ve lost in the pandemic might not come back at scale or will fundamentally change in their structure – this creates opportunity for employers and workers, but it also creates greater risk in the labor market. Simply put, the current approaches we have to finance the necessary education and career readiness for the talent supply our economy demands fail to adequately meet labor market needs. We need to create different ways to invest in people and skills that keep pace with innovation and advance economic opportunity, enhance diversity and inclusion in the labor market and increase our global competitiveness.

This is why the US Chamber of Commerce Foundation, in close partnership with the Federal Reserve Bank of Atlanta’s Center for Workforce and Economic Opportunity, the Greater Houston Partnership, WorkingNation, the National Association of Workforce Boards (NAWB), and the Education Finance Council (EFC) are leading a movement in

the field we're calling Talent Finance. This work started with a call to action in our white paper, *Talent Finance: A New Consensus and Return-to-Investment*, where we lay out nine guiding principles for engaging stakeholders and developing new financing approaches which create more equitable, affordable and fair, accessible financing options which expand choice in funding instruments for both worker and employer. We offer 16 recommendations for new public-private approaches focused on enhancing upside talent investments, managing downside employment and income risks, human capital accounting and reporting, and data and technology infrastructure we'll need to gain wider adoption and scale of new talent finance investments.

Now that we have a foundation from which to ideate and iterate the solutions, we hope to see in the field we are moving into action. Over the course of the next few months the Talent Finance initiative is working with several pilot teams from across the country to develop their plan for new financing mechanisms. We are working with a broad range of stakeholders from state systems of higher education, to business collaboratives, to county commissioners, workforce boards, colleges and independent school districts to help them design alternative financing approaches to develop their talent. Ideas in development include income share agreements, Pay for Success career impact bonds, creating a fund of funds, revolving loan funds, lifelong learning accounts – the list goes on and we're just touching the tip of the spear. Our work with this cohort will continue over the next several weeks and will result in joint fund raising to implement some ideas and scale others for broader impact.

Throughout our process it's the objective of the partners to help to advance on-the-ground ideas, document case studies, gather stories from stakeholders and learners, use our platforms and bullhorns to share best practices across our networks and the field at large. Ultimately, we are working towards building innovation co/labs focused on necessary state

and federal policy changes to incent more private investment, accounting standards and data infrastructure to streamline and gather insight from these investments and the development of a fund of funds investment strategies.

Scaling the innovations in these financing approaches will require all of us – state and federal policy

NINE GUIDING PRINCIPLES

1. Public and Private
2. Shared Value and Risk
3. Expands Choice
4. Affordable and Fair
5. Data-Driven and Outcomes-Based
6. Transparent and Accountable
7. Empower Workers
8. Accessible
9. Equity-Based

Source: Tyszko, Jason (2020). *Talent Finance: A New Consensus and Return-to-Investment*, U.S. Chamber of Commerce Foundation

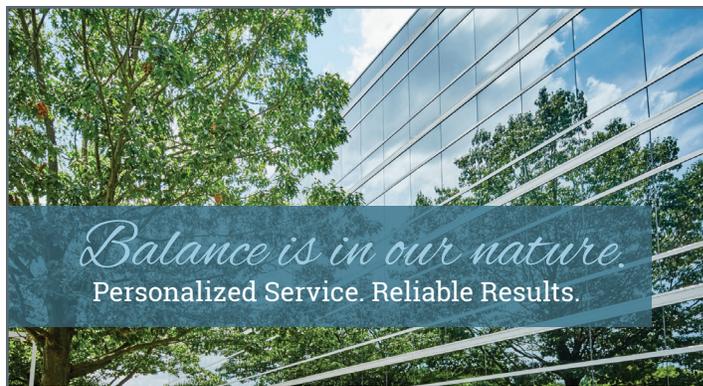
makers and changers, employer networks and collaboratives, new data and HR infrastructures to capture insights and partnerships with workforce intermediaries. Innovating how we finance talent development is crucial to the Federal Reserve system as it expands choice for workers and learners,

creates a more equity-based approach for more low-income workers to access the skills that they need and works in service of our full employment mandate. Similarly, these innovations are critical in the private sector to ensure business and industry are investors in, not just consumers of, talent which is why the US Chamber of Commerce Foundation is leading the movement. We expect the weeks and months ahead to gain a lot of insight, be positioned to foster innovation and scale and create a new way we can finance the talent development we need now and into the future as we recover from the pandemic shocks and help to guide us into an economy that will work for everyone.

If you have new financing strategies underway or are interested in piloting something in your region or organizational footprint please join the movement with us. We know there is much hard and interesting work ahead – we are excited to go on this journey to change the way we finance talent with you. ■



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