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EMPLOYER PAY-FOR-SUCCESS

TAKING THE RISK OUT OF WORKFORCE PARTNERSHIPS IN PHILADELPHIA

/ **CAIT GAROZZO** THE SKILLS INITIATIVE
TYRONE HAMPTON, JR. PHILADELPHIA WORKS
ASHLEY PUTNAM FEDERAL RESERVE BANK OF PHILADELPHIA

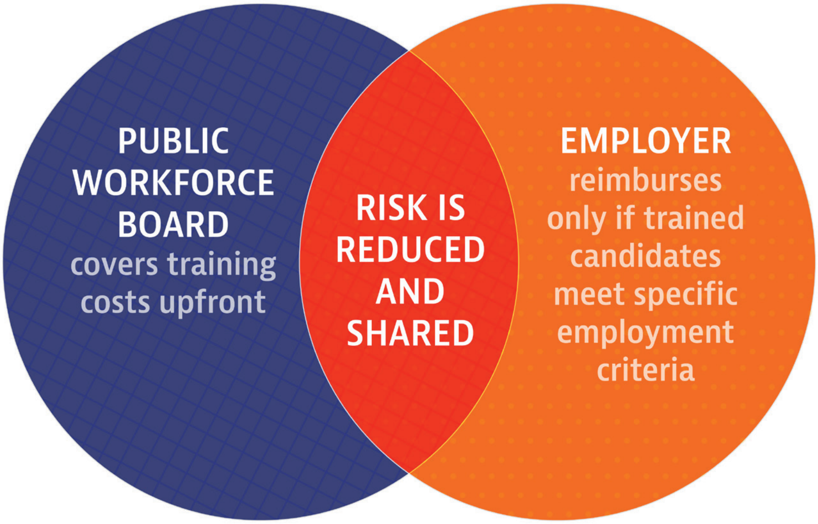
INTRODUCTION

In the current workforce development system, employers are often considered partners and advisers but not investors. What would it look like if employers were equally invested in the outcomes of workforce training programs external to their own organization? We profiled one such innovation in a previous edition of this book, exploring the role of the employer as an investor in traditionally publicly funded workforce development. Five years have passed since the initial creation of the pilot employer pay-for-success model. This chapter will review lessons learned from the initial pilot, how the model has been shared, and why employers should consider these types of partnerships in developing and retraining skilled talent.

Although employers offer input into workforce programming — they sit on workforce boards, provide insight into industry needs, and participate in industry partnerships — they are not frequently financially invested. In the partnerships discussed in this chapter, the employers act as investors in workforce programs, paying back the provider at mutually agreed-upon milestones like six months or one year of job retention. This model is unique in that all parties have a stake in the outcomes of the training program and make investments to achieve those goals. The result is that employers in Philadelphia continue to be engaged as investors in workforce programming, helping create more customized training programs, creating feedback loops for the workforce organizations, and reducing the risk of turnover through stronger partnerships.

/ FIGURE 1 /

HOW PAY-FOR-SUCCESS (PFS) BRIDGES PUBLIC AND PRIVATE INVESTMENT IN WORKFORCE TRAINING



THE PAY FOR SUCCESS PILOT: PHILADELPHIA WORKS

In focus groups leading up to this pilot, Philadelphia employers reported two significant workforce challenges: a shortage of workers with digital skills and limited understanding of the workforce training ecosystem. Employers also struggled with high turnover costs, which made investments in workforce development riskier. To address these issues, an innovative workforce partnership was piloted to address the skills gap through employer-driven pay-for-success training.

Social Finance initially developed this funding model in partnership with the Federal Reserve Bank of Philadelphia and Philadelphia Works, with Comcast serving as the employer partner. Comcast agreed to reimburse Philadelphia Works based on hiring and retention outcomes, much like they would a staffing agency. Unlike traditional workforce programs that receive up-front employer funding or philanthropic grants, this model links public workforce investments to private sector employment outcomes. Comcast's HR department (rather than its philanthropy division) funded the payments, demonstrating a shift in employer investment from charity to talent development. The model created a feedback loop in which training programs can be adjusted based on hiring needs and retention.

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After 12 months of project design, funding structure technical assistance, and subject matter expertise from Social Finance and the Sorenson Impact Center, Philadelphia Works signed a master service agreement (MSA) with Comcast during the fall of 2019. The signed MSA outlined shared performance outcomes, including payment of up to 40% ($2,600) for employment at Comcast and 60% ($3,900) for a six-month retention. Using Workforce Innovation and Opportunity Act (WIOA) funding, the program enabled Philadelphia residents to receive customized customer service training from an external provider, Educational Data Systems, Inc. (EDSI), for in-demand sales roles at Comcast that pay above the local median wage. Once hired at Comcast, individuals earned a family-sustaining hourly wage and had the potential to boost earnings through a commission-based salary structure. The PFS or outcomes-based funding model was the first of its kind implemented at Philadelphia Works.

PILOT RESULTS AND LESSONS LEARNED

Owing to the impact of COVID-19, the PFS pilot faced challenges launching. While the initial pilot had identified one subset of jobs, the partners had to revise the project timeline and rethink needed skills based on Comcast's fast-changing hiring needs in a pandemic. This included shifting to virtual work and training, updating the training curriculum, finalizing invoicing, and navigating a new remote working environment. To ensure training met labor market demands, the partners collaborated to broaden the sales roles to include remote opportunities, strengthening the talent pool and expanding the accessibility of the positions.

Throughout 2021 and 2022, Philadelphia Works, Comcast, and EDSI (the training provider) met regularly to plan, strategize, and resolve project challenges. Candidates from cohorts in August and September 2022 began employment in October 2022 (see Figure 2).

/ FIGURE 2 /
COHORT OUTCOMES, AUGUST 2022-MARCH 2023

Cohort	Info Session Attendees	No. of Cohorts	Participants Enrolled	Graduates	Offered	Hired	Retained at Six Months	Dollar Amount Paid to Date
Aug. 2022	21	3	11	9	4	4	2	$18,200
Sept. 2022	28	2	8	5	1	1	0	$6,500
Dec. 2022	40	1	3	2	0	0	0	-
March 2023	23	1	2	2	0	0	0	-
April 2023	22	1	8	7	0	0	0	-
Total	174	9	35	28	5	5	2	$24,700

The contract between Comcast and Philadelphia Works expired at the end of December 2022, with Comcast paying Philadelphia Works a total of $24,700. While the initial numbers were low, the pilot provided several valuable lessons that have been shared with other workforce providers to help inform and adapt to improve performance outcomes:

1. **Aligning Timing and Hiring Needs:** As outlined previously, a critical challenge of this initial pilot was the impact of the COVID-19 pandemic on jobs and training. While the partners did pivot and adjust curriculum, ultimately targeting remote jobs, the pandemic did impact the pace of hiring at the employer. To best align workforce programs and employer needs, it is important to assess hiring changes as business needs often shift faster than training. Timing is also important with a cohort model to ensure graduates at different times have access to opportunity.
2. **Maintaining Consistency of Leadership and Staff:** One critical element of an employer workforce partnership is the buy-in from leadership. In a larger corporation like Comcast, the individual in charge of hiring graduates shifted several

times during the pilot. That said, Comcast's leadership remained committed to the pilot program and partnership with Philadelphia Works. For others looking to create similar partnerships, employers need to be committed at several levels of the organization for a PFS partnership to work.

3. **Prioritizing Retention:** To shift a typical workforce partnership from a train-and-place model to a PFS model takes time and organizational shifts for both employers and training providers. Most workforce training focuses on hiring as the sole measure of success, but the PFS model is a major departure from this. Shifting to a retention payment model requires accountability and communication beyond the hiring event. Creating a feedback loop between workforce training providers and employers is important to ensure that employees are supported beyond hire.

The PFS partnership with Comcast is a testament to how this funding model can work when workforce boards and employers have the dedicated staff, organizational trust, and patience to achieve a return on investment. The flexibility of the funding model allows employers and organizations to create successful program design across sectors and organizational sizes.

Ultimately, the success of the pilot can be understood through the lens of individual lives impacted by this partnership. Shaynise, who enrolled in the program in August 2022 after a period of unemployment, completed the short training and was hired as an outbound sales representative for Comcast. She started off earning $14 per hour, augmented by uncapped commissions. "I would say that my experience was nothing but success," she said. "It allowed me to provide for my son and move out of my mother's home into our own apartment. It made me hungry for more." Shaynise's success demonstrates the power of public-private partnership models that increase economic mobility potential and community impact.

Shaynise's Story

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EXPANDING AND ITERATING THE PFS MODEL: THE SKILLS INITIATIVE

This innovative model piloted by Philadelphia Works and Comcast informed work that has continued in the city of Philadelphia. Building on the lessons learned from the pilot, The Skills Initiative, a community-based workforce training nonprofit, launched its own PFS programs tying a service fee for employers to employee retention benchmarks. This model ensures that training programs are tailored to the employer's specific operational, cultural, and strategic needs and that The Skills Initiative builds a sustainable funding stream that is not dependent entirely on philanthropic and public dollars.

In an effort to further minimize the risk of onboarding new hires, The Skills Initiative iterated two components of the Philadelphia Works model. First, the retention payments were shifted to six months and 12 months. Rather than commodifying the hiring of an individual, this payment schedule commodifies the value the employee drives to the firm. The clearest signal of an employee's value to a firm is their wage. To that end, Skills Initiative PFS contracts are based on a percentage of the employee's annual wage. This approach strengthens the shared commitment to long-term success between the employer and The Skills Initiative.

This model also pushes workforce training providers to be accountable for substantial outcomes. Traditional funding approaches often incentivize training completion or job placement without focusing on the broader impact. By contrast, PFS realigns incentives to prioritize meaningful career connections, using retention as a proxy for success. This shift ensures that training providers like The Skills Initiative deliver holistic solutions that benefit both the job seeker and the employer for a longer term.

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The Skills Initiative first engaged with the PFS model through insights gained from the Philadelphia Works and Comcast pilot, introduced via the Federal Reserve Bank of Philadelphia. As The Skills Initiative broadens its work across different sectors, expands partnerships with additional technical training providers, and collaborates with a greater number of employers, ensuring program sustainability has become a central focus. While philanthropy and public funds remain critical to operations, addressing systemic workforce challenges requires diversifying funding models to support long-term growth.

An investment in The Skills Initiative from The Pew Charitable Trusts included specific funds for business planning, and The Skills Initiative chose to direct a portion of those funds to developing a robust and consequential PFS strategy. By working directly with Social Finance, The Skills Initiative team was able to build off what was learned from the Philadelphia Works pilot. As a smaller and more nimble entity, The Skills Initiative was able to apply lessons from this pilot and refine the approach across multiple training programs and employers.

Now, as The Skills Initiative continues its PFS engagements, it is sharing these insights with Philadelphia Works to drive systems-level change and inform future workforce development strategies.

ADDRESSING EMPLOYER CONCERNS: THE VALUE PROPOSITION

As The Skills Initiative transitions to a model that leverages employer contributions, some employers could express concerns about paying for services that were previously supported entirely by philanthropic and public dollars. The Skills Initiative addresses these reservations through a clear articulation of the model's value proposition of solving real talent needs by providing robust post-hire support and cost savings through retention. Employer contributions ensure that The Skills Initiative can scale its efforts, expanding access to economic mobility for more Philadelphians and solving complex talent needs for employers.

For employers, the PFS model is more than just a workforce investment — it's a strategic hiring approach that generates tangible cost savings, productivity gains, and long-term workforce stability. High turnover rates cost companies thousands of dollars per employee, with expenses tied to recruitment, onboarding, lost productivity, and retraining. The PFS model directly mitigates these costs by delivering pretrained candidates who are already equipped with the necessary skills, reducing the onboarding period and increasing early stage productivity. Additionally, the type of customized training programs The Skills Initiative designs in collaboration with employers improve job fit and employee satisfaction, leading to higher retention rates and lower churn.

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Beyond direct hiring costs, investing in structured workforce development helps businesses build stronger talent pipelines tailored to their operational, cultural, and strategic needs. Rather than relying on external recruitment firms or reactive hiring strategies, companies using PFS develop a sustainable, long-term approach to workforce planning. Moreover, this model ensures that employers only pay for success — they are not investing in training programs that may not yield results but are instead funding outcomes tied directly to hiring and retention milestones.

For larger corporations, the return on investment of PFS is amplified through scalability — the ability to integrate this approach across multiple departments, regions, or business functions, standardizing talent acquisition and improving workforce diversity. For small and midsized businesses (SMBs), the customizability of the PFS model allows for tailored payment structures that align with financial constraints while still ensuring a steady supply of skilled workers. Ultimately, the PFS model moves workforce training from a cost center to an investment, in which employers see measurable improvements in retention, productivity, and overall business performance, positioning them for long-term success in an evolving labor market.

/ FIGURE 3 /
COHORT OUTCOMES, SEPTEMBER 2022-JANUARY 2025

Cohorts	Applicants	Participants Enrolled	Graduates	Offered	Hired	Retained at Six Months	Retained at 12 Months	Dollar Amount Paid to Date
Sept. 2022	430	17	13	9	8	7	7	$49,950
Sept. 2023	244	18	14	9	9	9	9 Est.	$75,600 Est.; 12-Month Payout in April 2025
June 2024	322	18	14	11	11	July 2025	Jan. 2026	–
Jan. 2025 In Program/Active	602	12	TBD					

PROGRAM RESULTS TO DATE

In 2022, The Skills Initiative launched its first PFS pilot with a single company for one specific role. This marked the first engagement with the employer, and following the success of the initial contract, three additional programs have been completed, with three more scheduled for 2025 (see Figure 3).

Encouraged by these outcomes, The Skills Initiative has expanded efforts to introduce the PFS model to long-standing employer partners. As of February 2025, an additional large health system has committed to the model, funding six training programs throughout the year. This commitment enhances sustainability, allowing The Skills Initiative to plan for a higher volume of programs and trainees that might not have otherwise been possible. The shared risk and mutual commitment embedded in the model are reshaping workforce strategies.

A key lesson learned is that employers are not only willing but able to invest in high-quality talent, moving workforce development beyond public funding and philanthropy into a recognized business strategy. However, a notable challenge has been the extended decision-making timeline: When programs are available at no cost, employer commitments come quickly, but financial investments require more deliberation. As a result, securing agreements at least a year in advance is essential for effective program planning.

CONSIDERATIONS FOR SCALABILITY

Although the PFS model presents a promising innovation in workforce development, its scalability varies across different sizes of employers. Large corporations like Comcast have the financial flexibility to absorb initial workforce investments and operate with long-term strategic hiring plans, making it easier to commit to outcomes-based funding models. Those firms often have dedicated HR and workforce development teams, allowing them to track performance metrics and manage retention-based payments without disrupting business operations. Additionally, their higher hiring volume enables them to spread risk across multiple hires, making the model more cost-effective.

For SMBs with fewer resources, however, investing in PFS partnerships can pose financial and operational challenges. SMBs typically operate on tighter budgets, and workforce investment decisions are often immediate and transactional rather than long term. The up-front training costs and the delayed return on investment in a retention-based model may deter smaller firms. Furthermore, SMBs may lack internal HR capacity to manage workforce training partnerships, making it difficult to track success metrics or adjust hiring strategies in response to workforce program outcomes.

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However, the PFS model is infinitely customizable, allowing businesses to tailor structures to fit their operational constraints. The Skills Initiative demonstrated this adaptability by evolving the original Philadelphia Works pilot, shifting the payment schedule from hiring and six-month retention to six-month and 12-month retention, ensuring greater alignment with employer priorities. Smaller businesses could similarly modify payment structures to reduce the financial strain. For example:

- **Lower up-front training costs:** SMBs could implement tiered reimbursement schedules that tie payments to shorter retention benchmarks, such as three months and nine months, rather than a full year.
- **Shared risk models:** Workforce boards could provide co-funding or staggered payments, where a portion of training costs is covered by public funds or philanthropic grants until the business can assume full investment.
- **Industry-aligned adaptations:** Businesses in high-turnover industries (e.g., retail, hospitality) could structure a PFS program around performance milestones rather than rigid retention periods, rewarding job progression or promotions.
- **Consortium-based models:** Smaller firms could pool resources with industry peers to create collaborative PFS partnerships, distributing costs and risk while still accessing skilled labor.

Ultimately, a PFS program requires flexibility, industry-specific customization, and strong support networks. By leveraging public-private partnerships and innovative funding structures, businesses of all sizes can participate in outcomes-driven workforce development, ensuring both economic sustainability and building a talent pipeline.

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THE FUTURE OF PFS

The PFS model represents a bold step toward sustainable workforce development. The Skills Initiative and Philadelphia Works are committed to refining and expanding this approach, exploring custom solutions that meet the needs of diverse industries and employers. By aligning financial incentives with meaningful outcomes, the model ensures that all stakeholders share in the success of Philadelphia's workforce transformation.

Finding and retaining skilled talent are among the greatest challenges businesses face today. High turnover rates, recruitment inefficiencies, and workforce misalignment can significantly impact a company's bottom line. The PFS model outlined in this case study offers a comprehensive talent solution that goes beyond traditional hiring methods, ensuring employers have access to well-prepared, highly trained individuals who are ready to contribute from the outset. By addressing key workforce challenges, this model provides sustainable benefits to businesses across industries.

TAKEAWAYS FOR EMPLOYERS

- **Solving real talent needs:** The employer PFS model is designed to meet specific employer needs through customized recruitment and training programs. By aligning training with real job requirements, new hires arrive with the skills, knowledge, and confidence needed to perform effectively, reducing ramp-up time and improving productivity.
- **Cost savings through retention:** Turnover is a costly challenge, with average one-year employee turnover costs ranging from 30% to 40% of an employee's salary. This model focuses on long-term retention, significantly reducing replacement costs by ensuring employees are the right fit and prepared to succeed.
- **Sustainability and growth:** Employer contributions to workforce partnerships help sustain and expand the program, allowing more businesses to access high-quality talent while driving economic mobility for the region. This creates a scalable pipeline of skilled employees who are aligned with business needs.
- **Building relationships, not making transactions:** Traditional hiring can often feel like a transactional process, in which candidates are placed without a true understanding of long-term fit. This PFS partnership creates a feedback loop between workforce providers and employers, ensuring a continuous improvement process and better alignment of training with industry needs.

- **Community impact:** Investing in workforce partnerships doesn't just benefit employers — it strengthens the local workforce ecosystem. Participating companies contribute to economic development, creating pathways for individuals who might otherwise face employment barriers. This commitment to corporate social responsibility enhances brand reputation and strengthens ties with the community.
- **Derisking hiring decisions:** Employers often struggle with uncertainty in hiring, particularly in industries with high turnover rates. PFS partnerships mitigate risk by providing prescreened, trained candidates, allowing businesses to quantify the value a candidate brings before hiring.
- **Competitive edge:** Employers that integrate a PFS partnership can gain a competitive edge by securing highly trained talent, reducing turnover costs, and fostering long-term workforce sustainability. By moving beyond traditional hiring approaches, businesses can benefit from a steady pipeline of skilled workers, increased retention rates, and a stronger connection to their local workforce. Investing in structured workforce solutions like the partnerships outlined previously are not just about hiring but also about building a sustainable, high-performing team.

INVESTING IN WORKFORCE NEEDS FOR THE FUTURE

In an era of labor shortages and evolving workforce demands, businesses are rethinking traditional hiring strategies and embracing innovative partnerships that build a sustainable talent pipeline. Macroeconomic trends, such as demographic shifts, an aging workforce, and increasing skills gaps, make it more difficult for companies to find and retain the right talent. At the same time, rapid advancements in technology are reshaping job roles, requiring workers to develop new digital skills to remain competitive. By investing in workforce training programs like The Skills Initiative, employers can take a proactive approach to talent acquisition, creating a steady pipeline of skilled workers while reducing their dependence on reactive hiring practices.

A key advantage of the PFS model is its ability to future-proof businesses against technological change. As automation, AI, and digital tools become more integrated into every industry, companies must ensure their workforce is equipped with the right technical and analytical skills to adapt. The PFS model enables employers to take an active role in shaping workforce development, ensuring new hires are trained not just for today's needs but also for the evolving demands of tomorrow. By strengthening employer investment in workforce training, businesses can stay ahead of industry changes, build a resilient workforce, and reduce long-term hiring costs. This model is not just a solution for filling jobs — it is a strategic investment in long-term growth, innovation, and workforce sustainability.

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Cait Garozzo is the Executive Director of The Skills Initiative.

Tyrone Hampton, Jr. is the Director of Workforce Partnerships at Philadelphia Works.

Ashley Putnam is the Director of the Economic Growth & Mobility Project (EGMP), a strategic initiative of the Federal Reserve Bank of Philadelphia dedicated to promoting equal access to economic opportunity.