

Ramona Schindelheim, WorkingNation editor-in-chief:

You're listening to Work in Progress. I'm Ramona Schindelheim, Editor-In-Chief of WorkingNation. Work in Progress explores the rapidly changing workplace through conversations with innovators, educators, and decision-makers, people with solutions to today's workforce challenges.

Ramona Schindelheim, WorkingNation editor-in-chief:

The State of New Jersey in collaboration with social impact nonprofit, Social Finance and the New Jersey CEO Council, has launched a new workforce development program. New Jersey Pay It Forward, is designed to train more state residents for family sustaining careers. What makes this program unique and the first of its kind in the nation, is how it is financing the training for participants. Joining me now to discuss New Jersey Pay It Forward, are David Socolow, Executive Director of the state's Higher Education Student Assistant Authority, and Tracy Palandjian, CEO and co-founder of Social Finance. David, welcome and Tracy, welcome back.

David Socolow, New Jersey HESAA executive director:

Thank you.

Tracy Palandjian, Social Finance CEO & co-founder:

Great to see you, Ramona.

Ramona Schindelheim, WorkingNation editor-in-chief:

I'm going to start with David. Let's dive right into the details. Tell me what about this program makes it stand out?

David Socolow, New Jersey HESAA executive director:

So thank you so much, Ramona. It's a terrific opportunity for us to get additional workforce training, financed in a unique way to places and programs that individuals otherwise don't have any funding for. So we are filling in funding gaps with this unique public private partnership. We have co-investment from the eight companies of the CEO Council. Those are some of the largest companies in New Jersey that have bought into this program and want to fund this opportunity for workers to get training for in demand skills. And we have some state funding from the state budget, put together in a fund, a recyclable fund, managed by our colleagues at Social Finance. We chose them through an RFP process last summer.

David Socolow, New Jersey HESAA executive director:

The fund will essentially pay for the training through a zero-interest, zero-fee loan and provide other supports that the workers need while they're in training, which will not be a loan, that's a grant. So they will get a stipend of some money to help tide them over as they are presumably going to training and working fewer hours or maybe no hours and don't have money coming in. It's always a problem with job training is, what do people live on in the meanwhile? It'll provide the stipends as well as a career counseling and wraparound services, emergency funds, in case of tragic scenarios for individuals while they're in training. Everything to try to enable student success.

Ramona Schindelheim, WorkingNation editor-in-chief:

So Tracy, how does Social Finance fit into this equation? How are you helping make this possible?

Tracy Palandjian, Social Finance CEO & co-founder:

Ramona, in our last conversation on this show, we talked about the Career Impact Bond, which at the end of the day is trying to realign the system, so that the education and training financing system is centered more around the worker and the individual. We think about three equations. Who's paying? Who's benefiting? And who's bearing the risk? And we want to optimize the system so that the individual worker is bearing as little risk as possible, both in terms of time and money. As David mentioned, New Jersey has been at the forefront of investing in its post-secondary program for decades. And this model, the Pay It Forward model, is just taking that to a whole new level.

Tracy Palandjian, Social Finance CEO & co-founder:

As David mentioned, the governor has been very clear eyed about the sectors of the future that's going to drive the state's economic growth in IT, specifically in cybersecurity, in nursing, in clean energy and the trades. And this program is very much thinking about how we align the workforce development agenda with that economic development agenda. As students enroll at no upfront cost, and I love this phrase that the governor used at the press conference, "The living stipend and the wraparound support services are all on the house." Meaning that it's grant funded, it's not going to be repaid. This Pay It Forward fund that the state has established through Social Finance as the manager, will be paying for all the tuition and other fees for individuals who go through these programs. In nursing and in welding and HVAC, in cybersecurity, et cetera.

Tracy Palandjian, Social Finance CEO & co-founder:

Say you've been stuck in a cycle of low wage jobs as an hourly worker making 30, \$35,000 a year and you've been really excited about entering the IT workforce. So you are now a student accepted into the New Jersey Institute of Technology Cybersecurity Program. It's a nine to 10 month online program to prepare people into wonderful careers in IT and specifically in the high growth industry of cybersecurity. So you borrow, say \$10,000 to get this training, and you also get the living stipends and the wraparound support and the emergency aid funding on the house, if you will, to quote the governor. And when you complete the program, you find a job that pays \$50,000 a year, which is on the low end of cybersecurity, because there's just such a massive labor shortage. Often there are signing bonuses and such, but let's just say \$50,000 a year.

Tracy Palandjian, Social Finance CEO & co-founder:

Based on David's calculation of adjusting for family household side. You have a family household size of two, so your minimum income threshold is \$40,000. So your minimum income threshold is \$40,000, earning \$50,000 a year, you're over that minimum income threshold. The calculation is that you will be paying \$188 per month toward the outcomes based loan, which equates to around four-ish years to repay the entire \$10,000 that the person took out. But for whatever reason, things don't work out and you drop out of the labor force, or you get below the income threshold and drop below that \$40,000 line, you will have no obligation to pay. After five years, you're completely off the hook and the loan is entirely forgiven.

Ramona Schindelheim, WorkingNation editor-in-chief:

These loans, they're going to allow participants to be in, in demand fields. What kind of fields are those, David?

David Socolow, New Jersey HESAA executive director:

Our initial pilot, we are starting with key fields in clean energy, in healthcare and in information technology. In particular, there are HVAC and welding programs that are non-credit at a community college in our state that have very good track record of getting people into those clean energy positions and in other construction positions. There is a cybersecurity boot camp at our New Jersey Institute of Technology, that has a terrific track record of getting people well-paying jobs that are generally located in New Jersey. Companies really want their cybersecurity folks on site. That's not an outsourceable job. A lot of IT, sometimes people say, "Oh, they're going to do that overseas." Not cybersecurity. And that job pays really well. It's an intensive nine month program, but at the end, you're very likely to get a very good job that's highly in demand. Cybersecurity, unfortunately, is a super hot topic right now and every single business that has any kind of computers needs cybersecurity professional.

David Socolow, New Jersey HESAA executive director:

And then nursing. We all know that there is a vacancy crisis for nurses in the healthcare sector, which was going on before the pandemic and was exacerbated by the pandemic. New Jersey, like everywhere, desperately needs more registered nurses, more LPNs, more BSNs. And the ladder to that is the LPN, the Associate in Nursing Program, that is a bridge for a lot of people to become a registered nurse and ultimately pursue a Bachelor's of Science in Nursing. Those jobs, I mean, hospitals are paying signing bonuses. Those are tremendous opportunities for people. But the financing of nursing programs is extremely expensive. We have in New Jersey already, this is by the way, a for credit associates degree program. The other two are non-credit job training programs. This is a traditional college program, but it's one for which there's a financing gap. Even after federal Pell Grants, even after state financial aid, which makes traditional community college tuition free for New Jersey families with incomes under 65,000, which Governor Murphy set up four years ago, that we have created a college promise in New Jersey, that will pay for the basic cost of community college tuition.

David Socolow, New Jersey HESAA executive director:

But what it can't cover is the full cost of an associate in nursing program, because the special fees, the additional special fees for nursing, are more expensive. People have a gap, a gap that today they are either not training to become nurses, because they can't finance it or they're taking out expensive student loans. This program will fill that gap with these extraordinarily consumer protective, student friendly, zero-interest loans, with backend protection that you only pay back as a affordable percentage of your income after you've gotten a good job.

Ramona Schindelheim, WorkingNation editor-in-chief:

How many people do you think are going to be able to take part in this and how do you become eligible for it?

David Socolow, New Jersey HESAA executive director:

We're hopeful that in our initial pilot, upfront, we will train more than 600 individuals, roughly 200 in the IT, the healthcare and the clean energy training programs, which are at separate locations in our state. However, again, it's a recyclable program. If these individuals finish the training and get good jobs, that they will be able to repay those interest-free loans as a affordable percentage of their income. That money comes back into the fund and will be used to train the next cohort. So our hope is to stretch this 12 and a half million dollars that we have, seven and a half from the taxpayers of New Jersey and 5 million in donations from New Jersey's leading private corporations in the CEO Council.

David Socolow, New Jersey HESAA executive director:

We believe that we can stretch that money so that it'll train more people than if we just did traditional job training where you pay the money up front for the tuition and it's gone. The initial cohort would be the only cohort. In this program we hope, just with this initial investment, it's a donation, it's not an investment. The money's never going back to the companies. It's never going back to the state budget. It's going to only be used to recycle to pay for future training cohorts.

Ramona Schindelheim, WorkingNation editor-in-chief:

Tracy, New Jersey's taking the lead in something that other states might want to take a look at.

Tracy Palandjian, Social Finance CEO & co-founder:

We're incredibly excited about the potential of this program and we're just grateful that Governor Murphy is leading with the State of New Jersey here. As you heard from David, Ramona, you can understand why our team at Social Finance is incredibly excited about this program, for three reasons. First, there is a recycling nature that David talked about. The idea that you can amplify and multiply and stretch the impact of each public dollar and each corporate philanthropic dollar, is incredibly exciting for everyone. Number two, the program is designed inherently as an outcomes based structure. We know which students are succeeding, which students are having a harder time, and then we can then refine the program as we go along to make sure that more people can benefit from the design of this program. So this strong feedback loop and outcomes focus that's inherent in the design, is also another exciting feature.

Tracy Palandjian, Social Finance CEO & co-founder:

And then finally, the idea that Governor Murphy has tightly aligned the work force development agenda with the economic development agenda for the state, is just a breath of fresh air. So we hope that as the governor said at the press conference, that this is not the last program in the nation and we're going to learn a lot during the pilot years and hope to continue to refine the program. We're already getting some interest from other states. Everyone is approaching it differently. New Jersey's tuition free community college program is unique and we'll be customizing these Pay It Forward programs to the context of each state. And it's just the beginning, Ramona.

Ramona Schindelheim, WorkingNation editor-in-chief:

This is an important issue, we obviously talked about it at WorkingNation all the time. That's our focus, on solutions. This is definitely one that I hadn't heard before, so I applaud you on that and I'm glad we can share it. So David, how important is this to the economic health of the state?

David Socolow, New Jersey HESAA executive director:

This is absolutely part of our overall economic development agenda. New Jersey is the Opportunity State. New Jersey is all about getting opportunity for individuals to join the middle class and to advance in their career and to identify where we have competitive advantage, competitive strength. Governor Murphy has focused before the pandemic through the Jobs New Jersey initiative, that he started in his first term. And as we've come out of the worst days of the pandemic into the future, that is very bright for New Jersey. We have tremendous job growth, 21 consecutive months of job growth. And we can see that, that's not evenly shared. That we need to make opportunity available to those who are left out, to those on the margins. This is a terrific way of doing that. Because it's a public private partnership,

because we are listening to the voice of employers saying, "Here's where the jobs are going to be, here's where the jobs are right now."

David Socolow, New Jersey HESAA executive director:

One of the largest hospital systems in our state has 5,000 openings that they can't fill right now. That's 38,000 employees and they've got 5,000 vacancies. There's a crisis in hospital systems right now of filling jobs. That one is front and center for everyone, but some of these others with the opportunity, New Jersey is going to be at the forefront of clean energy, because we have hundreds, well 127 miles of coastline, that is going to be key to offshore wind. And Governor Murphy has made offshore wind one of the absolute priorities with enormous projects and investments to capitalize on the opportunity to create wind energy as a renewable source to solve the climate change problem. We know where we can grow jobs in our economy, where there is going to be demand or already is. And we've got to help the workers, who are in the most vulnerable situations or are not otherwise going to be able to self-finance that training, we've got to help them get into those jobs in order to solve their own individual career aspirations as well as help the New Jersey economy.

Ramona Schindelheim, WorkingNation editor-in-chief:

So Tracy, I know the economic mobility and creating family sustaining jobs is key to your mission at Social Finance.

Tracy Palandjian, Social Finance CEO & co-founder:

Absolutely. Ramona, as you know, we have a very unusual mission at Social Finance and we are an unusual nonprofit in the sense that we work at the intersection of finance and policy and we try to blend different kinds of monies, if you will, private capital, public capital, and philanthropy, in new ways to deliver outcomes for our communities. And specifically, something that we hold very dear, is the concept of measurable outcomes. And you're absolutely right. Declining economic mobility is a defining challenge of our times and no matter how you measure it, income inequality, wealth inequality, not least the wonderful research by Raj Chetty over at Harvard around economic mobility metrics, it's just been going in the wrong direction for decades. And the concept that our children will grow up to be better off than their parents, is kind of an eroding notion. So this program with New Jersey, as well as our other programs, focus on rebooting economic mobility in the country, is very consistent with our organizational mission.

Tracy Palandjian, Social Finance CEO & co-founder:

David is absolutely right. Our current postsecondary system is just not only not delivering for American workers, they're also not delivering for business and not giving the talent that they need to power their businesses. So we are very hopeful that this pilot is, we're going to learn a lot, I'm sure we don't know everything quite yet and we're going to learn as we go. But the idea of doing something very different from the status quo to orient the whole system, to benefit the worker, but also benefit the businesses and the economy, is something that we're very excited about.

Ramona Schindelheim, WorkingNation editor-in-chief:

For the person who is applying for this, how do they know that this is going to be a good deal for them? I'm going to put it that simply. It sounds almost too good to be true. So how do they know it's going to be a good deal for them?

David Socolow, New Jersey HESAA executive director:

Yeah, we are confident that the outcomes are going to be good and that this will in fact recycle. The money will come back to the fund, because the worker is going to get a great job and they're going to repay an affordable percentage of their income back into the fund to train future workers, to pay it forward. But, if it doesn't work out for them, they're protected on the back end. First, they only pay if they make at least an income threshold that it depends on the size of their household, but is pegged to the types of jobs we're training people for. We are only investing in training programs that are likely to get people above average wage jobs. And so most people will succeed. Most people will do great in the program and then they will do great in job placement, therefore it's going to work out for them.

David Socolow, New Jersey HESAA executive director:

But if either of those doesn't happen, if they don't finish the program or they finish the program and don't get a well paying job, then they're going to owe nothing at all. But even if they do get a job and now they owe us something, the percentage that they will pay, is only 10% of their discretionary income. An affordable repayment that's based again on household size and subtracting a non-discretionary, 150% of poverty, from that income. Then, because it's a zero-interest loan, there's no accruing interest or amortization where the balance grows and grows and grows, which is the problem with other student loans. This balance can't grow. You're only paying back the original money that was up fronted for your tuition, with zero interest and zero fees.

David Socolow, New Jersey HESAA executive director:

And if as you're going along and paying, you haven't finished paying after five years, any balance will be canceled, forgiven. And so if you're paying an affordable percentage and that turns out to be only 100 or so dollars a month, you probably won't pay in five years the full amount back. That's okay. We'll stop with whatever you've paid after five years. Again, you take all of those together, you have a truly consumer protective, student friendly, downside risk protection in this loan. And again, while they're in the training, we're paying them living stipends to help make up for the fact that training is taking time away from potentially earning.

Ramona Schindelheim, WorkingNation editor-in-chief:

Those are pretty generous terms, Tracy.

Tracy Palandjian, Social Finance CEO & co-founder:

We are able to design these generous terms because of the generosity of the state, frankly. But if you compare it to the status quo, I think David would be first to agree, that from the state's financial perspective, any recyclability, even if it's 50 cents on the dollar, 30 cents on the dollar, it's still financially better than a straight out grant. And I want to double click on what David said earlier about the outcomes focus. How we chose New Jersey Institute of Technology, Hudson and Camden, was after a very strong due diligence process. So we partnered with David's agency as well as other state agencies, to look at completion data, job placement data, and importantly, the earnings data of graduates at a lot of training providers throughout the state. We interviewed graduates and current students and staff at some shortlisted providers and then ultimately selected these three state higher ed partners, based on their commitment to student success and their track record of actually serving students well.

Tracy Palandjian, Social Finance CEO & co-founder:

So while we're very, very excited about the due diligence and we are so confident at their ability to produce strong outcomes for our students, we still want to insert in this quote unquote, "guarantee," but if it doesn't work for the student, they shouldn't be on the hook to repay, hence this Pay It Forward outcomes based loan structure. I hope that we'll come back to your show, Ramona, next year to report on some progress.

Ramona Schindelheim, WorkingNation editor-in-chief:

Same. David, who's eligible and how do people apply?

David Socolow, New Jersey HESAA executive director:

We're focusing on individuals with barriers to workforce participation. The first threshold is the income of below \$65,000 a year. New Jersey residents who are 18 years old or older, who do not already have a bachelor's degree. If their income was above 65,000. Then we have a few other criteria, veterans and people have suffered from homelessness or are returning from incarceration for other categories. But basically we are targeting this at low and moderate income New Jersey families and New Jersey future workers, who need this job training.

David Socolow, New Jersey HESAA executive director:

We have a webpage, there's an application which they will do in conjunction with their training provider. Their first step should be to go to these training providers to first find out if there's free grant money. I mean, if people can get these programs paid for with some grant money, there's no loan, even a 0% loan isn't as good as a grant. So they should start with that. But for those for whom there is a financing gap, which these training providers tell us happens all the time, they will now have a tool in their arsenal to get someone who qualifies the opportunity to pursue and complete that training program.

Ramona Schindelheim, WorkingNation editor-in-chief:

I hope both of you do come back and share results with us. I would love to know how this works out, because I do think it's great. Thank you, David. Thank you Tracy, for joining Work in Progress. I'm Ramona Schindelheim, Editor-in-Chief of WorkingNation. Thanks for listening.