

Testimony in support of LD 741, “An Act to Prohibit Training Repayment Agreements by Employers.”

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Arthur Phillips and I am an analyst at the Maine Center for Economic Policy. I am here to testify in support of LD 741, “An Act to Prohibit Training Repayment Agreements by Employers.”

In 2019, Maine passed a law to limit the use of noncompete agreements, acknowledging the unjustifiable burden they place on low-income workers. Similarly, Maine has taken significant strides to limit the debilitating impact of student debt on working-class people, by expanding access to student loan forgiveness and ensuring transcripts and diplomas aren't wielded as debt collection tools. This bill can be viewed as an extension of those laudable efforts.

Training repayment agreement provisions, sometimes referred to as TRAPs, require workers to pay back the cost of on-the-job training if they leave their job before a period set by the employer, which can range from months to years. The details of these provisions are often found in complicated employment contracts that may not be perfectly understood when deciding whether to accept a job, particularly in entry level positions. Unlike noncompete agreements and the highly regulated student debt sector, training repayment agreements are largely overlooked, even though they cover nearly 10 percent of US workers, and their use has grown significantly in recent years.¹

Training repayment agreements are especially onerous for low-wage workers in industries with high turnover, where the average worker may not stay in their job for the duration of the repayment period. Some workers have reported not knowing whether the agreement would be enforced; others have challenged employers' asserted cost of training, finding the true cost far lower than what they were being called to repay. These agreements can also be wielded as leverage against employees who speak up about mistreatment or seek to organize their workplace, as the fear of retaliatory termination is compounded by the fear of debt.

Last year, National Nurses United, of which Maine State Nurses Association is an affiliate, conducted a survey of its membership and found that around half of respondents were or had been in a training program that was required as a condition of employment. Among registered nurses who reported having to enter a training program as a condition of

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employment, more than half reported that their employer expected them to pay back the cost of training.ⁱⁱ Beyond health care, training repayment agreements are also widely used in transportation, retail, hospitality, and financial services.

Maine places significant value on workforce training and provides substantial public resources for these efforts. Fundamentally, these training repayment agreements shift the cost of job training away from employers and onto individuals. Workers, especially lower-wage workers, should not be forced to bear this burden.

Employers may argue these agreements are simply a way to recoup the costs of training workers who pursue other opportunities. In practice, however, they incentivize workers to stay in jobs with otherwise unsatisfactory working conditions and penalize workers who switch jobs. This is the opposite of what we should want for our labor market.

The ability of workers to seek out better opportunities that more closely fit their skill sets and future goals is a critical component of a vibrant economy. We should be encouraging, not discouraging, the ability of workers to switch jobs when better opportunities arise. Doing so would not only optimize workers' productivity, but it would incentivize employers to compete for workers by improving job quality and working conditions.

For these reasons, we urge you to support LD 741. I am happy to take any questions you may have.

Notes

ⁱ <https://www.reuters.com/world/us/more-us-companies-charging-employees-job-training-if-they-quit-2022-10-17/>

ⁱⁱ Comment from National Nurses United to CFPB, September 23, 2022, available at <https://www.regulations.gov/comment/CFPB-2022-0038-0048>