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Upskilling for Small and Mid-Sized Businesses

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Overview

Small and medium-sized businesses (SMBs), those with fewer than 1,000 employees,¹ [employ about 50%](#) of the US economy and are responsible for [55% of role creation](#) in the past decade. More than 99% of the businesses registered in the United States are SMBs, and these organizations contribute [\\$5.9](#) trillion in economic activity each year. Despite their importance, relatively little research has been completed to identify how SMBs address their skill development needs and what can be done to best support SMBs and their employees.

The moment is ripe for focused effort in support of SMB upskilling.

- Although relatively more workers [over the age of 65 are working](#) longer, the baby boom generation will soon retire, creating significant gaps in the workforce.
- According to the [World Economic Forum](#), skills churn is increasing, with an estimated 39% of core skills changing by 2030.
- SMBs are struggling to recruit and retain qualified employees, especially in markets with much competition. Of our survey respondents, 37.5% indicated they were struggling to find candidates with the right skill sets.

Further, the business benefits of upskilling are clear:

- **Improved retention:** Employees are [more likely to remain](#) with their employer because of tuition assistance.
- **Improved internal mobility:** Employee education and training can support growth from within the company. Within four years of the launch of [Disney's Aspire](#), more than 3,000 employees had received at least one promotion, filling in-demand roles within the company.
- **Improved employee engagement:** Support for education increases employee engagement. Ninety-two percent of [Desert Financial](#) employees participating in education programs agree that education has “increased their desire to grow their career with Desert Financial.”
- **Return on investment:** Resulting from improved talent management outcomes, employee education programs have [consistently positive ROI](#).

¹ There is no universal definition of SMBs in the US. For the purposes of this report, we use a filter of up to 1,000 employees, regardless of revenue, and we consider organizations with more than 1,000 employees as “larger businesses” for comparative purposes.

For SMBs that are not able to support employee education in all its forms, they are not only unable to compete in a rapidly changing ecosystem, but they also do not benefit by having a more engaged and resilient workforce.

This brief shares findings from a national survey of SMBs across industries and sectors and from multiple focus groups with SMB leaders. It focuses on identifying the current state in SMB upskilling practice, the primary barriers SMBs face in supporting upskilling, and initial insights into how SMB leaders and local advocates can best support skill development for these businesses and their employees. This brief is the first in a series.

Current State: SMB Upskilling

Although the approaches that businesses take toward supporting skill development for their employees are as unique as the businesses themselves are, programs can generally be organized into three areas:

1. **Internal education and training programs:** These programs are typically designed and delivered in house or, if supported by a third party, are closely monitored and heavily influenced by the company. These programs are usually intended to support skill development for advancement, address the broad needs of the workforce, and address employee skill development to retain in current roles.
2. **Apprenticeship and Work-and-Learn:** Apprenticeship programs may be registered with the US Department of Labor or may lack registration and be administered independently. (We include Work-and-Learn here as an indication of nonregistered programs.) These models typically blend structured work-based learning with academic or technical training. Apprenticeship models are squarely focused on employee upskilling and, particularly for large employers, on improvement and diversification of talent pipelines.
3. **Tuition assistance:** Tuition support programs are typically administered under Sections 127, 117, and/or 132(d) of the tax code and are designed to support incumbent employees' access to education at reduced or no cost. Under tuition assistance programs, employees will typically enroll with a third-party organization, including colleges, universities, and training organizations, and pursue a credential that is broadly recognized in the economy, such as a certification or degree.

SMBs are far less likely than larger organizations to offer upskilling programs:

Business size	Percentage offering tuition assistance	Percentage offering apprenticeships	Percentage offering internal training
Fewer than 100 employees	36%	18%	36%
Between 100 and 999 employees	64.3%	14.3%	64%
Fewer than 1,000 employees	50%	15%	50%
More than 1,000 employees	75%	44.6%	82.6%

Further, smaller organizations indicate they are less satisfied with the outcomes of their upskilling programs than larger organizations. Seventy-four percent of SMBs are dissatisfied or neutral about the success of their tuition assistance programs, whereas 66% are dissatisfied or neutral about their internal education and training programs. We do not have adequate data for apprenticeship programs for SMBs to report program success.

SMBs are also less likely to use practices that [past UpSkill America research](#) has associated with program success. For example, businesses that provide direct tuition and training fee payments on behalf of employees are more than four times as likely to report their program is successful than businesses offering reimbursements. SMBs with tuition assistance programs provide upfront payment directly to the education provider on behalf of the employee about 16% of the time, compared with 45% of the time at large businesses.

Because the risks are higher for SMBs, this makes sense. The employer, if they are able to offer education assistance at all, will want to make sure that they pay only for success and that they do not shoulder the full load of the risk or expenditure for the tuition payment. But from a program design perspective, this risk mitigation will likely result in fewer employees being able to participate and reduced impacts on talent management outcomes, resulting in a less successful program.

SMBs are caught between a rock and a hard place in supporting skill development, often unable to devote the time, energy, and resources to develop scaled programs, while having great need for both the skills and business benefits of investments in education.

Barriers to Upskilling for SMBs

SMBs face a variety of barriers in supporting upskilling opportunities for their employees and developing adequate talent pipelines. Based on focus groups, we identify both internal and external barriers.

External Barriers

Information Access

SMBs repeatedly indicated that information about publicly supported programs designed to incentivize and support their training and skills development needs was “not on their radars.” What SMBs seem to understand, however, is that those programs require significant paperwork.

“I don’t really know how to access those things. Sometimes, when you put in the time and you do the paperwork and all of the things involved in a workforce grant, you have to ask whether it’s worth it. The reporting is very burdensome. Or that just may be my perception,” one focus group participant commented.

Support and Guidance

Without intensive support and guidance across the entire process of identifying, applying for, and managing workforce training grants, some SMBs just do not feel like they can engage. “The role that [our local workforce leader] is willing to play as a facilitator for some of these processes is huge. There is no substitute for a concierge approach.” We found several examples during our focus groups of well-designed and highly functional intermediary and industry groups that can support the needs of individual SMBs while also elevating the local industry. Absent these groups, which can help SMBs connect, leverage each other, and solve common problems, SMBs appear to feel much like they need to “go it alone.” A focus group participant noted, “Small business leaders are so used to doing everything themselves. Sometimes they need help to tap into supportive resources, and the way around that is through relationship building.”

Roanoke Cooperative, an organization of about 80 employees, provides access to electric and broadband across rural northeastern North Carolina. With a relatively small workforce, and big responsibilities, President and CEO Marshall Cherry takes a broad approach in creating the culture and skills Roanoke Cooperative and its customers need. And Cherry knows the organization’s culture and needs. As a 31-year veteran, he has held a wide variety of roles and responsibilities.

A high priority for any utility is creating a steady and sufficient pipeline of line workers. Cherry and his team use apprenticeship programs supported by the sector's trade association and partner locally with Nash Community College for training. They focus first on finding people who are a good fit for behavior and attitude, then support employees to engage with the apprenticeship program. Cherry commented, "We learned after some turnover that it was best for us to hire for fit, rather than trying to find specific skills. We had good success with folks who had worked on farms, in the trades – they showed a level of soft skills and that made us confident about bringing them on."

Roanoke Cooperative faced challenges with its call center workforce. Call center employees are customer-facing and require strong communication and technical skills. However, the existing structure limited opportunities for advancement. Recognizing this, the team worked together to create clearer pathways for professional growth.

"We created the talent around everyone to be successful," said Cherry. "We needed to focus on progression for folks. They have earned something that says they've reached a significant milestone in their career. As a former call center leader, I understand the burnout that comes with the role. The team and I worked together to implement changes that provided employees with opportunities to develop and grow."

Internal Barriers

Leadership Time

Overwhelmingly, SMB leaders are pressed for time. They simply do not have enough of it. One focus group participant noted, "The biggest barrier for me is not money. It's time."

Another noted, "Time capacity is our biggest issue. We have to figure out how to staff so people have the capacity to take a day and learn something new. The way we've chosen to structure ourselves, our leaders have a job to grow a team, and they also handle clients. So, you can guess what comes first for them. We have to figure out a way to free them up to share knowledge."

Employee Time

SMB leaders recognize that their employees are pressed for time during work hours and that skills development may not be a priority for employees during their personal time. One focus group participant commented:

Lean staffing is the name of the game. The capacity of individuals to step away from the day-to-day requirements to make sure that customers are taken care of is very limited. We definitely place a large focus on development—we have internal professional development, leadership development, internal training—but it can almost create a burden for the people it should reward and for whom it should be a positive thing. Everyone is stretched really thin on

what they need to be doing. Even if you culturally place a high priority on development, you still have to keep your business running and customers happy. That will always win out.

Employers also noted that employees are approaching skills development opportunities with a different set of priorities. “They are not necessarily interested in sacrificing their personal commitments in order to take advantage of things that are offered. But they have work-life balance in better check than I did. They’re way better off for that. They want to learn differently and at their own pace. It makes for a tough scenario.”

Capacity and Resources

Although employers always prioritized time over financial resources, they operate with significant constraints with both financial and human resources. They do not have the capacity to keep up with the latest trends and products, and they often do not have the people power to support complex skilling programs.

Further, because of their small size and limited scopes, it appears that SMBs may be less able to compete for the attention and services of local training providers. Although this is certainly not true for every workforce training organization, it speaks to the unique situation that SMBs face. Their talent needs are acute, but their scale is small. We heard numerous times in our focus groups that training organizations were not responsive to SMB leaders. One participant noted, “From the employer side of things, I was disappointed. I could not get people to call me back or give me details about what’s involved. I couldn’t track the organization down. I want to see these organizations be successful. I might get an initial response, but the follow-through just doesn’t happen. We also tried to recruit through some local data/IT technical training programs, and we never received any applicant referrals.”

Internal Prioritization

SMB leaders are constantly balancing, and in the words of one focus group participant, “deciding which fire to put out.” In deciding where to invest money, time, and people resources, constraints and business priorities often mean that skills programming takes the back seat. A focus group participant said, “What I’m hearing is that employers are prioritizing on the direct labor side. They would rather bring in people who can work on the floor than people who are doing the paperwork. They’re prioritizing work that is touching the product and choosing the personnel who will bring in more money.”

Another SMB leader addressed how she is negotiating the trade-off between work and learning while employees are on the clock. “When I was coming up and looking to advance, I welcomed the opportunity even if it was outside of work hours. Because now there is a focus on work-life balance, that has necessitated our thinking about how development opportunities happen within the structure of the workday. But time away from work means it’s harder to make a profit because you have to make sure you’re taking care of customers and you’re operating with a lean staff. It’s a vicious cycle, and things are competing against each other.”

Because the returns to the business for supporting skill development are not clear, SMBs may consider doing skills work riskier than continuing to prioritize business as usual.

Insights and Conclusions

Although small and mid-sized employers make up most businesses in the US and employ about half of the US workforce, we do not know much about how SMBs deploy skills development for their current and potential employees. What is clear is that the strategies and tactics that show promise for large organizations, especially those with workforce strategy and talent teams, are not “plug and play” solutions for SMBs, and they may even be out of the realm of possibility for many smaller organizations without significant support and guidance.

Additional research and exploration are needed to gain a better understanding of how the needs of SMBs differ across industries, geographies, policy environments, and even size, but our early insights suggest the following:

1. SMB solutions should **comprehensively address barriers** of information access, time, capacity, and resources. Solving for one of these factors—for instance, building information sharing activities or sharing best practices—will likely not move the needle for SMBs.
 - a. SMB leaders should reach out to intermediary and industry groups in their regions to determine if supports exist and where opportunities can be leveraged to create more capacity and resources. Where those opportunities do not exist, consider sharing concerns and needs with groups and encouraging other SMB leaders to share their concerns as well.
 - b. Advocates should consider opportunities not just to share information or insights but to design programs and infrastructure to add capacity and resources where they are needed. This might include the following:
 - c. Reorganizing staff to provide administrative support directly to SMBs
 - d. Creating new infrastructure within communities and regions to enable collaboration, leveraging, and sharing across SMBs
 - e. Creating new funding pools that enable SMBs to afford high-quality upskilling opportunities while mitigating the risks of individual company programs
2. SMBs deserve a **tailored understanding of the returns and business benefits to upskilling**. Although larger companies may be easier to study, the lack of data and information for informed decision-making by SMBs is probably hindering SMB interest and investment.
3. SMBs likely need opportunities to **band together to create more** demand for upskilling. This could create more reception and responsiveness among local training providers and could help them share the load, especially in building emerging skills. Industry associations and intermediaries are likely the best place to start. We spoke to several intermediaries working in various industries and regions. One representative

commented, “We do some crowdsourcing to find good options. We’re seeing as a trend that when businesses are looking to build leadership skills, they’ll look around the region for opportunities. They’ll stay more local. If they’re leaning toward technology skills, there tends to be a real need for clarity—they want us to help identify what are good programs that I can plug my folks into and let them go, especially around AI.”

In many respects, these insights are not groundbreaking. Any organization that works with or has insights into an SMB will see how stretched they are and how many demands on their time, resources, and capacity exist. This brief represents our first effort to articulate where SMBs currently focus their upskilling, where they face barriers, and opportunities for both SMBs themselves and those operating in their service to remove those barriers.

The question is not “Should SMBs invest in upskilling?” They must for their own continued competitiveness, for the good of their employees, and for the good of our society and economy. The question is “How should SMBs invest in upskilling?” Going forward, UpSkill America will continue to explore this question and others to help level the playing field and support SMBs and the communities they support to benefit from the learning and growth that upskilling enables.

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UpSkill America, an initiative of the Aspen Institute [Economic Opportunities Program](#), supports employers and workforce organizations to expand and improve high-quality educational and career advancement opportunities for America's frontline workers.

We seek to create a movement of employers, civic organizations, workforce intermediaries, and policymakers working collaboratively to implement education, training, and development strategies that result in better jobs and opportunities for frontline workers, more competitive businesses, and stronger communities. Follow us on [LinkedIn](#) and learn more at upskillamerica.org.





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