Executive Summary

As the demand for skills increases in the U.S. economy, more individuals are turning to occupationally-focused sub-baccalaureate postsecondary programs to boost their earnings or improve their prospects for employment. Employers too increasingly view these credentials as an efficient way to verify that employees are prepared with the skills they need for specific occupations.

Responding to these demands, postsecondary institutions are developing and expanding short-term and noncredit occupational programs that are preparing students with the skills that are in-demand in their local or regional labor markets. In many cases, however, these programs are ineligible for federal student aid, despite being offered alongside aid-eligible longer-term or credit-bearing postsecondary programs, and in spite of the value they are producing for students and employers. This paper explores the growth and role of occupationally-focused postsecondary programs, and offers the following recommendations to policymakers on how to make these programs more accessible to working learners and to employers seeking to sustain or grow their businesses:

- Make short-term occupational certificate programs eligible for Pell Grants
- Consider making demand-driven noncredit programs eligible for Pell
- Use sector partnerships to help ensure that short-term and noncredit programs are demand-driven
### Introduction

Postsecondary credentials are rapidly becoming a prerequisite for workers seeking success in today’s labor market. Changes in technology and globalization over the past four decades have led to increasing skills demands in the U.S. economy, particularly for “middle-skill” jobs, which are jobs that require more than a high school diploma, but less than a 4-year degree. Increased employer demand for middle-skilled workers has in turn driven an increase in middle-skill credentials, with associate’s degrees and certificates now accounting for nearly half of all undergraduate awards. Certificates in particular have become the fastest growing credential in postsecondary education, making up 25 percent of all postsecondary awards, up from just 6 percent in 1980.¹

Businesses have increasingly come to rely on career-oriented postsecondary programs that culminate in industry-recognized credentials and verify that an employee or potential employee possesses the particular skills that the employer is seeking. Employers use these types of credentials when making hiring decisions, and decisions regarding promotions or wage increases for incumbent workers. For workers, career-oriented programs offer an efficient way to obtain and document the essential skills they need to do the job they are ultimately seeking at the end of their training. Because career-oriented programs are designed with

#### Jobs and Workers by Skill Level, United States, 2012

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<thead>
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<th>Skill Level</th>
<th>Workers</th>
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1. Estimated.
immediate labor market needs in mind and can have a direct impact on wages and employment, they are particularly valuable for students juggling work, school, family, and other responsibilities who wish to quickly upgrade their skills.

Many postsecondary institutions, including community and technical colleges, proprietary and private nonprofit schools have added to their course offerings programs designed to meet the needs of working learners and local and regional employers. These institutions offer career-oriented programs alongside their more traditional academic programs. However, many of these programs do not meet the federal requirements for financial aid, either because they are short-term, or because they do not award academic credit. This includes Pell Grants, which provide up to $5,7753 annually to low-income undergraduate students to help finance their postsecondary education.

Career-oriented postsecondary programs have become an integral part of postsecondary education. As Congress reflects on how best to modernize and make effective use of our nation’s investments in higher education, policymakers should update Pell to reflect both the changing role of postsecondary education and the changing needs of the U.S. labor market.

Working Learners: The New Normal
Postsecondary education, and federal financial aid for such education, has historically been structured to accommodate the “traditional student;” one who attends college full-time, lives on campus, and enrolls immediately after high school in pursuit of a four-year degree. In reality, the range of students seeking postsecondary education is incredibly diverse, both in terms of demographics and educational goals.

Traditional students are no longer the dominant population in postsecondary education. The National Center for Education Statistics (NCES) reported in 2002 that 7 in 10 students had at least one characteristic of a nontraditional student.3 NCES further estimates that there are as many highly nontraditional students (those possessing four or more characteristics of a nontraditional student) in the undergraduate population as traditional students.4

In terms of educational goals, more students are pursuing postsecondary education for the explicit purpose of finding success in the labor market. A recent report from the New America Foundation estimates that nearly one-third — or $10 billion — of federal Pell Grants are going to support students enrolled in career-oriented programs.5 This figure does not even take into consideration the many students enrolled in occupationally-focused programs that are not eligible for Pell.

The individuals enrolling in these programs — who are broadly categorized as “working learners” in this paper — are looking to quickly and efficiently upgrade their skills, so they can transition back into or move up in the labor market. Working learners may be nontraditional students, disconnected youth, immigrant workers, or simply individuals whose educational goals don’t fit within the traditional paradigm.

Though working learners have become more prevalent, higher education policy — particularly need-based financial aid — has been stagnant, and where changes
have been made in recent years, they have come at the expense of working learners. For example, recent federal efforts to reduce funding for the Pell Grant program have included eliminating year-round Pell Grants, which help working learners accelerate their education, and eliminating — then partially restoring — the “ability-to-benefit” provisions under the Pell grant program, which allow students who have not obtained a high school diploma to access Pell if they can demonstrate college readiness. Congress has also considered proposals eliminating Pell for students attending school less than half-time. These policies all make it more difficult for a working learner to realize their educational goals.

Working learners who seek short-term and noncredit industry-recognized credentials face even greater challenges of figuring out how to pay for their education. These types of career-oriented programs are often ineligible for Pell Grants or other Title IV aid and as a result, are less accessible to working learners than other types of postsecondary education.

Meeting the Needs of Working Learners: Occupational Certificate Programs

Much of the career-oriented education geared toward labor market demand is offered through certificate programs. In 1998-1999, postsecondary institutions awarded 550,000 certificates. By 2011-2012, that number had grown to nearly one million. Certificates are now the fastest growing segment of postsecondary credentials, accounting for 25 percent of all postsecondary awards, and 41 percent of all community college awards.

While not all certificates are occupational in nature, much of the growth in certificates, at least those offered not for credit, has been in courses related to the workforce. According to the Department of Labor, certificates measure attainment of measurable technical or occupational skills. This paper adopts a similar definition of certificates — as occupation-specific instruments.

CASE STUDY

Virginia Marine Skills Trades Training Program Consortium

Under the leadership of Thomas Nelson Community College in Virginia, the Marine Skills Trades Training Program Collaborative was formed with Newport News Shipbuilding, a Division of Huntington Ingalls Industries, along with Eastern Shore, Paul D. Camp, Rappahannock, and Tidewater Community Colleges, the Virginia Community College System office, and the Southeastern Maritime Transportation Center. This collaborative developed and delivered four courses to fill demand for Marine Electricians, Marine Painters, Outside Machinists, and Marine Welders training 388 individuals in accelerated program that replicated the equipment, tools, culture, and 7:30 a.m. to 3:00 p.m., 40-hour week work schedule. The program had a 98% completion rate, and a 94% hire rate.

A shared vision, shared resources, commitment, and generous replication are the cornerstones for this model of a dynamic regional business-industry-government collaboration that leveraged resources and resulted in permanent jobs starting at $32,000 with full benefits after two to three weeks of training for 363 previously unskilled workers in Southeastern Virginia.

The average cost per student is nearly $5,000. Even though this program has been a success in terms of preparing students for available jobs, it is not Pell eligible. As a result, funding from the students, the state, colleges, and the shipyard was needed to support the program.
Even among occupational certificates, there is an incredible amount of diversity in terms of structure, industries, and the actual credentials that are awarded. Certificate programs vary in length, lasting up to four years, or as little as 40 hours. In most cases though, certificate programs are less than two years in length. Certificates that are less than one year in length are generally regarded as short-term. Certificates are also available across numerous industries, like health care, manufacturing, engineering, and informational technology, and are offered across a range of institutions. Community colleges award about half of certificates, followed by proprietary colleges, which award 43 percent, and private non-profits, which award 3 percent of certificates.10

Certificate programs are attractive to working learners for a number of reasons. Because these programs tend to be shorter than other postsecondary programs, they offer flexibility and the potential to fit more seamlessly into a working learner’s life. Indeed, a study of postsecondary outcomes in Florida shows that certificates tend to have higher completion rates than associate’s degree programs, suggesting that the shorter program length may make these programs easier for students to complete.11

Certificate programs are also attractive because of the impact even a short-term program can have on a working learner’s wages and employment prospects. An analysis of certificate programs offered through the Virginia and North Carolina community college systems found that on average, students who completed a short-term certificate program saw a $222 and $293 quarterly wage increase, respectively.12 In the Florida case study, individuals who held certifications in technical fields actually had stronger earnings and employment outcomes than individuals holding an Associate of Arts (AA) degree.13 Short-term certificates can even provide a greater return on investment in the longer term, compared to associate’s degrees. For example, a study of California community college students found that over the span of 9-12 years, students who earn short-term certificates on average see a 13 percent increase their earnings, while associate’s degree holders see their earnings increase by 7 percent.14 Even when certificates don’t result in better wages, they can increase an individual’s probability of employment. For workers seeking a certificate in order to transition into a new occupation, the employability outcomes may be just as beneficial as an increase in wages.15

Certificates are also an effective educational option for individuals who have struggled academically in the past. The Center for Education and Workforce reports that while certificate holders are academically similar to individuals for whom high school completion is their highest level of educational attainment — both groups demonstrate lower academic skills or preparation than other types of degree holders — the wages of certificate holders are 20 percent higher than the wages of high school graduates.16 This suggests that certificates are a good option for high school graduates seeking to boost their wages or move into a better job.

Certificates and Career Pathways

While a single certificate on its own can be valuable in the labor market, it may also be sequenced and stacked as part of a career pathway. Career

Middle-skill certificates pay off

| Wage Premium from a Middle-Skill Certificate vs. High School Diploma |
|------------------------|------------------------|------------------------|
| Hispanic               | Asian                  | African American       |
| 41%                    | 20%                    | 11%                    |
| 44%                    | 24%                    | 27%                    |
| White                  | Women                  | Men                    |
| 21%                    | 14%                    | 14%                    |

Source: Anthony P. Carnevale, Stephen J. Rose and Andrew R. Hanson. Certificates: Gateway to Gainful Employment and College Degrees.
pathways, which align and integrate education, job training, counseling, and support services to create accelerated pathways to postsecondary credentials and employment in in-demand occupations, can help students continue to build upon the earnings and employment gains they’ve made through a certificate program. Across the country, many postsecondary institutions organize their certificate programs into career pathways aligned with the needs of the local or regional labor market.

For example, Oregon has developed a career pathways framework to help the state reach its 40-40-20 goal, which states that by 2025, 40 percent of residents will earn a 4-year degree, 40 percent will earn a postsecondary certificate or associate’s degree, and 20 percent will earn a high school diploma or equivalent. To achieve the postsecondary certificate and associate’s degree attainment goal, the state’s community colleges have developed career pathways programs with short-term certificates that are designed in partnership with local employers and led to an Associates of Applied Science (AAS) degree. In a recent analysis of the program, the state found that half of certificate completers went on to continue their coursework within a year, and 20

### CASE STUDY

**Training Machine Operators in Cincinnati**

Established by Partners for a Competitive Workforce — a partnership in the Ohio, Kentucky, and Indiana tristate region focused on closing the skills gap — the Advanced Manufacturing Industry Partnership is a sector partnership made up of regional manufacturing companies, education providers, and community organizations. The partnership brings together a diverse set of stakeholders to identify and meet the skills needs common to the manufacturers participating in the partnership. For example, working with the Cincinnati State Workforce Development Center, the partnership developed a Machine Operator Level 1 (MO1) program that was able to meet the basic job qualifications for the companies engaged in the partnership. The partnership was deeply involved with the design of the curriculum, and met with Cincinnati State on a regular basis to ensure that the program was tailored to their skills needs.

Following the success of the MO1 course, the partnership developed a year-long apprenticeship program that includes MO1 and MO2 curriculum at Cincinnati State, as well as ongoing on-the-job training. When students complete the program, they receive a National Institute for Metalworking Skills (NIMS) certification, as well as college credit.

Using one-time funding provided by Partners for a Competitive Workforce and Hamilton County, Richards Industries — a small Cincinnati-based manufacturing company and a member of the Advanced Manufacturing Industry Partnership — was able to put 10 incumbent workers through the MO1 program, and had several workers go through the MO2 program as well. The company also hired two new workers upon completion of the program. In a return-on-investment analysis of the program, Richards found that the trainees who went through the programs were able to become productive in a quicker amount of time.

The cost of the MO1 and MO2 programs is $4,000, respectively. Without the availability of funding from PWC and Hamilton County, companies like Richards would have had to evaluate sending additional new hires through the program on a case-by-case basis, depending on the budget and how business is doing. Richards continues to have a future need for machine operators. For smaller companies that lack a large training budget, having access to reliable funding to support worker training is critical.
percent of completers continued their coursework in the same field of study. Despite an 11.5 percent state unemployment rate at the time of the study, nearly half of completers found employment, and half of those employed were earning slightly above the state’s median wage.

The Employer Role

Whether offered as a stand-alone program or as part of a career pathway, the best certificate programs have strong ties to employers and are aligned with the local or regional labor market. Certificates communicate to an employer that an individual possesses a specific set of skills, so it is critical that those skills are what employers in a particular industry are seeking. In order to ensure that postsecondary institutions are developing programs that are targeted to the needs of employers in the local and regional labor market, employers must be at the table to help develop or validate the credential.

Employer engagement is particularly critical for certificate programs because the wage premium a certificate offers is typically observed when an individual is working in their field of study. According to the Center for Education and the Workforce, certificate holders earn 37 percent more than the average high school graduate, but only when that individual is working in the field in which their certificate was awarded.

Employers are already engaging with postsecondary institutions in a number of ways. Employers may work with an institution to develop a program, or they may partner with an institution after the institution has developed a certificate program, if the program meets their skills needs. Employers may also be involved in designing the credential or communicating to the institution what certification or license the program should prepare students for. Across the country, these partnerships between community colleges and other postsecondary institutions and employers are occurring both formally and informally.

For example, one way that employers are engaging with postsecondary institutions to develop certificate programs is through industry or sector partnerships. Sector partnerships organize multiple employers and key stakeholders in an industry cluster to address skills shortages while developing talent pipelines for future demand. Sector partnerships promote industry growth and competitiveness by developing cross-firm skill standards, career pathways, job redefinitions, and shared training and support capacities that facilitate the advancement of workers at all skill levels. An estimated 1,000 sector partnerships already exist across the country, and the newly-passed Workforce Innovation and Opportunity Act (WIOA) requires the more than 600 local workforce development board in the U.S. to “convene, use, or develop” sector partnerships, ensuring that sector partnerships will be brought to scale once WIOA is implemented. Institutions of higher education are among the partners required by law for an industry or sector partnership.

Accessing Federal Financial Aid for Certificate Programs

Preparing individuals with specific skills and credentials that are in-demand by employers is now a core function of the postsecondary system. At the same time, federal financial aid policy often doesn’t recognize short-term and noncredit career-oriented programs as part of the mission of postsecondary institutions. For low-income and working students who depend on Pell Grants and student loans to finance their education, current policy effectively creates a barrier to access for this particular type of postsecondary education. While community colleges and other postsecondary institutions are becoming more responsive to the labor market, federal financial aid is not.

Current law dictates that in order to be eligible for financial aid, a program must be offered for credit, and the program must also be of a certain length. Credit-bearing programs undergo an approval process that
includes state licensing, approval by an accrediting body, and certification by the U.S. Department of Education. Programs that do not go through this process cannot award academic credit. Many institutions offer programs not-for-credit. Noncredit course offerings can include continuing education programs offering personal enrichment, but in many cases, they are programs that intended to lead directly to a job. Noncredit course offerings represent a growing share of community college offerings, and it is on the noncredit side that many institutions have chosen to expand their occupationally-focused offerings. Many of these noncredit courses equip students with skills and credentials that are highly valued by employers.

There are several reasons why an institution might choose not to offer a career-oriented certificate program for credit. Because noncredit programs are not subject to the standard approval process, they can be developed and implemented quickly, making them more responsive to the immediate skill needs of employers and workers while also permitting swift adjustments to reflect changes in the local or regional labor market.21

In addition to academic credit requirements, current law also requires Pell-eligible programs to meet certain seat time requirements. Programs must be at least 600 clock hours22 and 15 weeks in length, or a minimum of 16 credit hours or 24 quarter hours to be eligible for federal student aid.23 Similarly, competency-based programs that are the equivalent of one year may be eligible for federal aid. Programs that do not meet this threshold are generally not eligible for aid. Short-term certificate programs can be eligible for aid if they are stackable, as part of a career pathway that culminates in a degree, but students must state up-front that their end goal is a degree.

Limited Options, Limited Access

The impact of current law is clear. Consider a student who generally qualifies for Pell Grants, but has chosen to enroll in a career-oriented certificate program that is not eligible for student aid. That student will either have to find a way to pay out of pocket, find another funding source — most of which are costly or unreliable or not pursue the credential at all. The public workforce system, authorized by the Workforce Innovation and Opportunity Act, does offer resources for occupational training, in the form of Individual Training Accounts (ITAs). However, access to ITAs is quite limited — just 7 percent of the 1.1 million adults exiting the program in 2012 received an ITA for training.24 If an ITA or other funding source isn’t available, the student may choose to turn to private student loans. But these loans often carry higher interest rates than federal loans, particularly when the borrower is low-income.

If those options fail, the student may end up enrolling in a longer term program, even if it is not aligned with their skills needs or the labor market. Consequently, the student will end up using more federal resources than they need to pursue their goals, causing the federal government to make inefficient use of limited federal financial aid resources. A study by Learning Works and WestEd of community college students in California suggests that there are many students who are enrolling in longer-term programs that are not tailored to their needs.25 The report’s authors found that an entire subset of students, termed “skill builders,” are enrolling in aid-eligible postsecondary programs, performing successfully, and then exiting once they are satisfied with the skills they’ve gained — without obtaining the credential.26 At best, current policy that drives students into programs that don’t meet their needs makes inefficient use of students’ time, and of state and federal resources, and perhaps worse, it encourages students to misrepresent their educational objectives in order to receive financial aid.

Most troubling, if the student cannot afford to pay for the credential, they may choose not to enroll in the program at all, even if it would mean better earnings and employment opportunities. This outcome is at odds with nationwide efforts to boost postsecondary
attainment. Indeed, research from the Center for Education and the Workforce shows that low-income students have the academic potential to complete certificate programs, but are not fulfilling that potential. Current aid policies may have a hand in the limited uptake.

**Recommendations**

The role of the postsecondary system in workforce development has changed. Postsecondary institutions across the country have adapted to the increased skill demands of workers and employers by offering more career-oriented programs, and by working with employers to develop programs that meet their talent needs — many of which can be completed in under a year. Federal higher education policy, however, has not kept pace with changes on the ground. Our federal policy must be inclusive of a broad range of postsecondary programs that are preparing students to advance their educational goals or move into or up in the workforce.

**Make short-term occupational programs eligible for Pell Grants**

The first step is to make short-term career-oriented certificate programs eligible for Pell Grants. As part of HEA reauthorization, policymakers should reconsider the time requirements for Pell eligibility. It is not clear that the time requirements in law actually help demonstrate that a program is of good quality. There are many programs across the U.S. that are less than 600 clock hours or 16 credit hours — and thus do not meet the time requirements for Pell in statute — that are equipping workers with skills that are in-demand and employers with a pipeline of skilled workers. For example, California emergency medical technicians (EMTs) can meet licensing requirements after completing 160 hours of training. The Department of Education is currently conducting an experiment to determine whether providing Pell Grants to individuals enrolled in short-term occupational training programs that include at least 150 clock hours of instructional time will help improve the employment rates or wages of the students enrolled. Congress could use the results of this experiment to examine whether a federal time requirement is appropriate, and if so, what threshold the government should apply. Similarly, Congress should consider adjusting the requirements for competency-based programs to make programs that are less than the equivalent of one year eligible for Pell.

**Consider making demand-driven noncredit programs eligible for Pell**

More than 5 million community college students are enrolled in programs that are not offered for credit. Often, these noncredit programs are career-oriented and are leading to jobs in locally or regionally in-demand industries. Institutions generally choose to offer programs on the noncredit side because of the flexibility they permit. Unlike for-credit programs, these programs are generally not subject to the lengthy and arduous state licensing, accreditation, and federal certification process, and thus, can be adjusted on a moment’s notice to respond to changing industry or labor market conditions. Congress should consider making career-oriented noncredit programs that are in-demand by local or regional employers eligible for Pell Grants. In developing a policy for noncredit programs, Congress should seek to balance institutions’ need for flexibility with the need for appropriate oversight over eligible programs. Congress should also ensure that is a mechanism in place to ensure that eligible programs are demand-driven. Congress should consider how tools such as labor market information, direct communication with local industries, and career pathways models can be used to identify and meet employer demand.

**Use sector partnerships to ensure that short-term and noncredit certificate programs are demand-driven**

The best occupational programs have strong connections to employers and to the local or regional labor market. Congress should ensure that as
institutions are developing career-oriented short-term and noncredit programs, they are partnering with local and regional employers to ensure the program is of high quality and is tailored to meet the needs of industry. One way to facilitate these collaborations is through industry or sector partnerships. Under WIOA, local workforce boards are required to develop, use, or convene industry or sector partnerships. Congress should seek to leverage the capacity of these partnerships to inform the development of short-term and noncredit certificate programs, and other credential programs as well.

Endnotes
2 Academic Year (AY) 2015-2016 maximum award.
3 Nontraditional Undergraduates, Definitions and Data. National Center for Education Statistics. https://nces.ed.gov/pubs/web/97578e.asp. NCES defines non-traditional students as individuals who delay enrollment, attend school part time, work full time, are financially independent, have dependents of their own, is a single parent, or lack a high school diploma or equivalent.
5 McCarthy, Beyond the Skills Gap.
15 Trimble, What About Certificates?


18 Ibid.

19 Carnevale, Certificates: Gateway to Gainful Employment and College Degrees.

20 P.L. 113-128.


22 See 34 U.S.C. 600.2 for a complete definition of a clock hour.


26 Ibid.

27 Carnevale, Certificates: Gateway to Gainful Employment and College Degrees.


National Skills Coalition organizes broad-based coalitions seeking to raise the skills of America’s workers across a range of industries. We advocate for public policies that invest in what works, as informed by our members’ real-world expertise. And we communicate these goals to an American public seeking a vision for a strong U.S. economy that allows everyone to be part of its success.

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