THE HAMILTON PROJECT

Advancing Opportunity, Prosperity, and Growth

POLICY BRIEF 2017-06

Labor Force to Lecture Hall: Postsecondary Policies in Response to Job Loss

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We believe that today's increasingly competitive global economy demands public policy ideas commensurate with the challenges of the 21st Century. The Project's economic strategy reflects a judgment that long-term prosperity is best achieved by fostering economic growth and broad participation in that growth, by enhancing individual economic security, and by embracing a role for effective government in making needed public investments.

Our strategy calls for combining public investment, a secure social safety net, and fiscal discipline. In that framework, the Project puts forward innovative proposals from leading economic thinkers — based on credible evidence and experience, not ideology or doctrine — to introduce new and effective policy options into the national debate.

The Project is named after Alexander Hamilton, the nation's first Treasury Secretary, who laid the foundation for the modern American economy. Hamilton stood for sound fiscal policy, believed that broad-based opportunity for advancement would drive American economic growth, and recognized that "prudent aids and encouragements on the part of government" are necessary to enhance and guide market forces. The guiding principles of the Project remain consistent with these views.

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Labor Force to Lecture Hall: Postsecondary Policies in Response to Job Loss

Adults who go back to school—including the newly unemployed—typically do so to improve their prospects in the labor market. During economic downturns, this tendency is amplified: for example, from just before the onset of the Great Recession through 2010, total postsecondary enrollment increased by 19 percent, from 7.5 million to 9.0 million.

However, adult students often attend institutions that are particularly low performing, as measured by program completion rates. Turner reports that two thirds of older students (ages 30–34) in 2007 enrolled at schools with completion rates in the bottom 40 percent of institutions, and most of the new growth in enrollment following the Great Recession was concentrated at these schools. Many adult students fail to obtain postsecondary credentials and are particularly likely to default on their student loans.

The current system of supports for unemployed workers seeking postsecondary training is inadequate. In a new Hamilton Project policy proposal, Sarah Turner of the University of Virginia proposes a program to better coordinate workforce and education policies, with a particular focus on the needs of unemployed workers.

The program, called Enrollment for Employment and Earnings (EEE), would:

- Cover the cost of tuition and fees for participating unemployment insurance (UI) beneficiaries;
- Provide customized guidance to ensure that prospective students are matched to high-quality postsecondary programs that complement their skills, interests, and financial constraints;
- Improve data collection and dissemination to help facilitate participants' program selections;
- Increase EEE funding during economic downturns to offset states' budget shortfalls.

The Challenge

Eligibility for Federal Financial Aid for Adult Students Is Poorly Designed

A student's eligibility for federal financial aid depends, in part, on a distinction that current policy makes between dependent students, for whom parental income is a required part of needs assessment, and independent students, who are either ages 24 or older, have dependents, or have served in the military.

Turner observes that federal support for independent students is particularly poorly designed due to its backward-looking orientation, with eligibility based on past income and wealth. For adults who lose their jobs, past income is a poor indication of their current financial situations. At precisely the moment when they most need retraining, adult prospective students are least able to pay for it.

Moreover, unemployed workers are often interested in pursuing postsecondary training opportunities. Calculations from the Survey of Income and Program Participation suggest that between 15 and 20 percent of UI recipients ages 20 to 30 enrolled in postsecondary training within six months of initial UI receipt. One study of permanently dislocated workers receiving UI found that 23.5 percent of women and 16.8 percent of men under the age of 35 completed at least one community college course.

Public Support for Retraining Is Weaker during Recessions

Economic downturns, which often feature periods of high unemployment, are especially attractive times for workers to enhance their skills: when jobs are scarce, training has a lower-than-usual opportunity cost for unemployed workers. However, public postsecondary institutions experience diminished state financial support at such times—particularly on a per pupil basis—making it difficult for them to accommodate the increased number of enrollees. In addition, individuals are more likely to face credit constraints during these periods than when the economy is growing.

Turner presents evidence that rising postsecondary demand during recessions constrains the extent to which unemployed workers can seek additional education or training. For-profit education providers have emerged to meet the excess demand for postsecondary training, but have not always served adult students well. Graduates of for-profit institutions are more likely to have limited employment prospects, lower earnings, and greater debt burdens than students who graduate from public and nonprofit institutions.

Adult Prospective Students Are Often Not Well-Informed about Postsecondary Options

Regardless of labor market conditions, adult prospective students are by definition more removed from the support network of high school than are younger, traditional students. As a result, they often lack the necessary information to make informed decisions about what programs to pursue and where to study. Such decisions require weighing multiple factors, including prospects for success in different programs, job opportunities, and the cost of attendance versus alternatives, as well as individual preparation and preferences.

The author argues that existing workforce programs are not comprehensively prepared to offer postsecondary guidance to UI recipients seeking additional training. States lack both the back-end data infrastructure on program characteristics, program costs, expected outcomes, and labor market conditions, as well as the front-end support tool for users deciding on a training program or program of study. Despite massive federal education investments through the State Longitudinal Data System program—totaling $700 million since 2006—few states have accessible state systems for calculating the labor market outcomes of various training programs. Moreover, even if states have the requisite data infrastructure, none has an easy-to-navigate decision support tool that meets basic user requirements.

Unemployment Insurance Recipients Face Particular Barriers

The relationship between UI systems and postsecondary programs varies across states and is often complicated. States have different guidelines for what constitutes approved training that maintains UI eligibility. In Alabama and South Carolina, for example, only vocational programs meet eligibility criteria, whereas in Delaware and California virtually any undergraduate program qualifies. UI recipients can nonetheless pursue unapproved training, as long as they are able and available for employment should an opportunity present itself. The high share of UI recipients who pursue unapproved training points to the desirability of better alignment of training approval restrictions with the needs of workers.

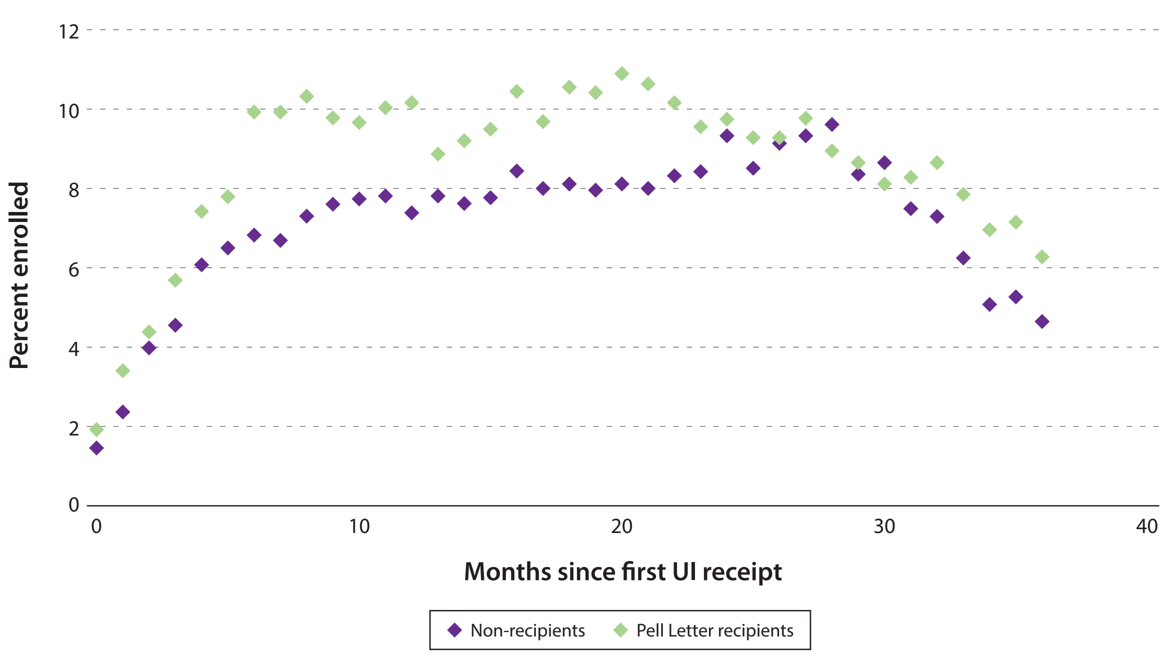
Turner stresses that the lack of coordination between employment and education agencies is another barrier to workers seeking training. At the federal level, the only sustained cooperation occurred in May 2009, when the U.S. Department of Labor directed states to send UI recipients a letter describing their likely financial aid eligibility and encouraging their enrollment in postsecondary courses. Letter recipients were 4 to 5 percentage points more likely to enroll in courses than were nonrecipients (figure 1), which Turner argues is grounds for additional collaboration between workforce and education agencies.

A New Approach

In a new policy proposal, Turner proposes to integrate labor market policies and postsecondary financial aid and assistance to improve earnings and employment prospects for the

FIGURE 1.

Enrollment by Months Since First UI Receipt



Source: Andrew Barr and Sarah Turner (2015), "Aid and Encouragement: Does a Letter Increase Enrollment Among UI Recipients?" Working Paper Series No. 40, EdPolicyWorks, Curry School of Education, University of Virginia, Charlottesville, VA.

unemployed. The author's proposal, called Enrollment for Employment and Earnings (EEE), would combine guidance on program selection and labor market options with financial aid and income support during enrollment. It would also replace the Pell Grant program and federal tuition tax credits for independent UI-eligible students, and would partner with UI and other income support programs.

Enrollment for Employment and Earnings

Turner's proposal makes a number of improvements to existing training programs. First, it requires that all UI recipients receive notification of potential eligibility for EEE at the point of UI application. A short skills inventory and an employment interests survey would be included as part of the required registration with the state workforce services agency. Those UI recipients who express an interest in training or enrollment would then receive more comprehensive information and guidance regarding postsecondary choice.

Second, UI recipients choosing to enroll in approved training under the EEE program would be eligible for an educational supplement to cover tuition, fees, and direct educational expenses up to an annual cap of $7,400 (this is 1.25 times the current Pell Grant, allowing for full-year enrollment) and a lifetime cap of $15,000 in educational expenditures. UI recipients demonstrating successful advancement in the program based on full-time enrollment would be eligible for 26 weeks of additional UI receipt; a part-time provision would allow for reduced training benefits to extend over a 52-week horizon. EEE program recipients would remain eligible for federal student loans, with the maximum availability dependent on expected postcompletion earnings and program duration.

Third, EEE applicants would be required to complete an enrollment choice module that provides personalized information on program characteristics related to skill prerequisites, program duration, completion statistics, and future earnings. The module would directly link to program applications, with EEE covering application fees for up to five programs.

Fourth, Turner proposes that recipients be required to complete an academic and financial planning module upon acceptance to and enrollment in a covered program. Receipt of the EEE supplement would be conditional on an assessment that the individual is academically qualified to succeed in the program and would have a reasonable expectation of employment after graduation.

Finally, to continue receiving EEE benefits students would be required to provide weekly reports of program attendance, while also making satisfactory academic progress as certified by the program provider.

Roadmap

- Congress will enact an Enrollment for Employment and Earnings (EEE) program, to replace the Pell Grant program and federal tuition tax credits for independent UI-eligible students.
- Congress will require states to notify UI recipients of their potential eligibility for EEE.
- EEE will provide an educational supplement to cover tuition, fees, and direct education expenses up to an annual cap of $7,400 and a lifetime cap of $15,000. Receipt of the supplement will be conditional on satisfactory progress as well as completion of an enrollment choice module and academic and financial planning module, to ensure that students have the requisite baseline skills to complete the program and that there are reasonable employment opportunities in the student's selected course of study.
- States or groups of states will build efficient decision-support tools that link information about different programs of study—e.g., costs, duration, and completion rates—with program outcomes, to facilitate students' selections. States' workforce agencies will limit institutional eligibility for EEE based on programs' performance records.
- Congress will allocate EEE funding based on changes in the business cycle, so that institutions will have sufficient resources during economic downturns when enrollment typically rises.

Build an Efficient Decision-Support Tool

To facilitate implementation of the EEE program, Turner calls for an effective decision support tool for UI recipients who seek training or are making career transitions. The tool would focus students on choices that are geographically feasible, match students' preparation, align with students' interests, and provide strong labor market opportunities. The information provided should facilitate clear comparisons of costs, program duration, completion rates, and expected labor market outcomes.

Learn More about This Proposal

This policy brief is based on The Hamilton Project policy proposal, "Labor Force to Lecture Hall: Postsecondary Policies in Response to Job Loss," which was authored by

SARAH TURNER
University of Virginia

Support High-Quality Postsecondary Institutions, Especially during Enrollment Surges

The EEE program would experiment with a per student subsidy to institutions that would be tied to the business cycle. As discussed, the demand for education and training is cyclical. During downturns, rising unemployment raises enrollment at institutions just as state funding for higher education becomes scarce. Turner suggests that cyclical institutional funding could be further targeted to high-demand subjects such as health sciences and information technology.

Notably, EEE eligibility would be determined at the institution level—based on Title IV federal aid status—and at the program, certificate, or degree level. States' workforce agencies would have the ability to limit institutional eligibility based on performance record, which could be determined by loan default rates, program completion rates, or employment rates of graduates.

Conclusion

A thoughtful policy redesign—including better coordination between workforce and postsecondary policies—can help unemployed workers acquire the skills they need to thrive in the modern labor market. For these adults, while adverse postsecondary experiences contribute to downward spirals into poverty and dependency, strong experiences can boost employment and earnings trajectories. The returns to policies that effectively improve postsecondary enrollment decisions of the unemployed are potentially enormous.

Questions and Concerns

1. How costly are EEE grants likely to be, and what factors will play a role in determining the overall cost?

Turner explains that the cost of the EEE program would depend on enrollment demand and the extent to which enrollment demand would change after implementation of the program. EEE grants would explicitly tie grant availability to program duration, which would serve to reduce expenditures by providing incentives for timely completion. While some guidance and information might reduce demand for poorly performing programs, it is plausible that overall enrollment demand would increase, particularly in periods of slack employment demand.

2. Do the challenges discussed here have broader implications for federal financial aid policy?

The author focuses the proposal on issues facing the unemployed as they attempt to access postsecondary enrollment options. However, this group represents a minority of adult and independent students receiving federal financial aid through the Pell Grant program, federal student lending, and tuition tax credits. An overall restructuring of the federal student aid available to adult and independent students would be a logical extension. The current backward-looking needs analysis mechanism for allocation of Pell Grants and subsidized student loans is poorly structured to meet the needs of students who experience labor market disruptions or see opportunities to invest in postsecondary programs to improve their career trajectories.

The one-size-fits-all approach that places independent and dependent students under the same umbrella may also serve recent high school students poorly. Both groups could be better served, allowing a more efficient use of public resources. The author argues that a good starting point for such an approach would be the recommendations of the College Board's Rethinking Pell Grants 2013 Study Group, which proposed the division of the Pell Grant into two different aid vehicles: Pell Y, serving students through the age of 24; and Pell A, serving students ages 25 and older returning to school.

Highlights

Sarah Turner of the University of Virginia proposes to better align workforce and postsecondary policies, helping adults who have lost employment to more effectively invest in their human capital through additional education and training.

The Proposal

Restructure federal student aid for workers who lose their jobs. Turner proposes an Enrollment for Employment and Earnings policy that would make income support and student financial aid available to unemployment insurance recipients, replacing Pell Grants and tuition tax credits for these individuals.

Provide systematic, customized guidance to help workers choose and complete postsecondary programs. Using emerging data infrastructure, adult potential students would be provided with a clear comparison of costs, program duration, completion rates, and expected labor market outcomes associated with different postsecondary choices.

Discourage UI recipients from enrolling in postsecondary programs with a record of poor performance. Eligibility for the author's EEE assistance would be contingent on enrollment in postsecondary programs with sufficiently high completion rates and beneficial labor market outcomes.

Benefits

This proposal would help adult workers to acquire new skills in the immediate aftermath of adverse labor market shocks. By facilitating these timely skill investments, workers' earnings would be increased. Guidance regarding postsecondary options and limitations on poor-performing programs would reduce loan default rates, benefiting both students and taxpayers.

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