
Title X:

A New Federal-State
Partnership in
Higher Education for
Working Adults in the
21st Century

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PREFACE

In 2001, FutureWorks began investigating the barriers to post-secondary educational access and success for working adults. We found that there are an estimated 60 to 65 million adult workers without post-secondary credentials. Most of them understand that they will not reach the middle class or stay there unless they acquire the post-secondary skills and credentials required in the 21st century economy. Few receive any support to get them.

Our initial research focused on financial supports to assist working adult students in gaining post-secondary credentials; specifically, we engaged in a comprehensive analysis of the Title IV programs in the federal Higher Education Act, including Pell Grants and student loans. However, as we developed recommendations for changes to these programs that would allow more working adult students access to federal student aid, we quickly encountered the harsh realities of the "zero-sum game" that dominates the context of financial aid in the post-secondary community. Simply, most higher education interest groups will not support any expansion of student aid programs to more students for fear that, without additional government appropriations, the current beneficiaries of the system will receive even less aid. Few see real prospect of much more federal student aid money in the next several years.

Additionally, in taking a hard look at the wider higher education systems and policies that affect working adults, we began to understand that it will require much more than tinkering with existing student aid policies to meet their needs. We have, therefore, widened our examination of post-secondary education access and success for working adult students. Our focus has shifted from simply expanding access to the current limited student aid pie to broadening higher education *systems* to better include and serve working adult students.

This paper focuses on how to help post-secondary institutions develop the policies and programs that will promote access and success for working adults. We see this as one component of a much-needed aggressive policy response from federal and state governments that has three critical dimensions.

First, millions of *individual workers* need better information about the returns to post-secondary education and how to get it. Most importantly, they need greater incentives to invest their own energy, time, and money into earning post-secondary credentials. It is unreasonable to expect workers who are struggling daily to balance work, family, and life to be persuaded by the theoretical and long-term pay-offs to traditional college education; they need to see practical and more immediate returns to their investments, as well as better support to complete post secondary credential programs.

Second, *employers* must understand more fully the productivity returns to investments in workforce skills, and they must help their workers understand the importance of these investments. Employers will need direct financial incentives as they step up to a higher standard of responsibility for helping their employees gain credentialed and portable skills.

Third, *post-secondary educational institutions* need strong encouragement and assistance in developing the programs and credentials that work for working adults. That is the focus of this paper — promoting changes and reforms in the regulatory and policy frameworks of higher education that will help those institutions respond better to the needs of the millions of working adults who lack any post-secondary credentials and who will fall further behind in this economy.

We have called this vision "Title X" because we think it is best achieved though a new title in the federal Higher Education Act. This title could begin to set a new standard for a working adult-friendly post-secondary education system. It carries promise for turning the rhetoric of lifetime learning into reality.

SUMMARY

Why Do We Need a New Federal-State Partnership?

Few working adults have the post-secondary education and skills required for today's and tomorrow's Knowledge Economy.

Few working adults have the post-secondary education and skills required for today's and tomorrow's Knowledge Economy. Although employers are demanding more highly skilled workers, only 40 percent of the 110.5 million adults in the U.S. workforce in 2000 had any post-secondary degree, associates or higher. While 19 percent of adult workers indicated that they had "some college but no degree" and may have received a post-secondary credential below an associate degree, we estimate that approximately 60 to 65 million working Americans have no post-secondary degree or credential of any kind.

This is a serious economic problem for America. The next few decades will see growing skill gaps that will not be filled by the projected number of new college graduates. Even assuming that high school graduates continue on to college at the same or higher rates, the US likely will see a net gain of perhaps 3 million workers with college credentials by 2020. This gain does not come close to covering the estimated 15 million new jobs created by 2020 that will require college education.

Quite simply, employers, workers, and post-secondary education systems must invest in adults currently in the workforce if we are to maintain our competitive edge in a skilled economy.

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However, today's workforce and post-secondary systems are not positioned to meet this challenge. The primary national workforce development program – the Workforce Investment Act (WIA) – focuses on employment services and basic training for unemployed and, to some extent, entry-level workers. Much of WIA funding is reserved for *employment services*, such as job search and assistance with resume writing, and there is little money available for training of current workers. Additionally, most WIA funding is for unemployed adults; currently employed workers generally do not have access to these services.

Most post-secondary education programming and financing systems were designed for young students attending college directly after high school graduation, not for working adults. Higher education programming revolves around two- and four-year credentials; there is very little room for innovation with short-term or modularized programs that could provide greater access and completion rates for working adult students. Student financial aid programs under Title IV of the Higher Education Act (HEA) are also structured to serve more traditional students. This aid is typically unavailable for working adult students, who often

attend school on a limited part-time basis, take occupationally-focused non-credit courses, or enroll in programs that are not eligible for financial aid through Title IV.

Policy analyses and briefs by FutureWorks and others have recommended changes to Title IV of the Higher Education Act, and some of these changes have been proposed in current legislation to reauthorize this Act. However, they are only a start. Providing more aid to working adult students helps to create a new “market” to which colleges, universities, and other accredited training providers may respond. But expanding Title IV eligibility does not directly solve the programming and scheduling constraints that are just as significant for working adult students as financial challenges. It is clear that a more direct, assertive, and immediate approach is required.

What Would the New Partnership Look Like?

We recommend the creation of a new title in the Higher Education Act to compliment changes to Title IV. This new title – Title X – would provide incentives to state governments to structure their higher education systems and policies - including governance, financing, licensing, programming, and accreditation - to better meet the education and skills training needs of working adult students.

A new Title X in the Higher Education Act would be an innovative partnership between the federal government and states designed to meet the credentialed skill development challenges threatening this county’s economic growth, working families’ quality of life, and employers’ bottom lines. This title would not create any new entitlement programs - for either students or states. Rather, it would be a six-year effort to encourage and assist states to examine their higher education systems and policies with a focus on working adult students; this title would not reappear in the 2010 reauthorization of HEA. Key features would include the following:

- » A sharp focus on working adults, credentials, and system reform;
- » One-year planning grants, followed by annual, formula-based implementation grants to states. They would use these grants to develop and implement plans for changing systems of governance, formula financing, student aid, curricula and program development, accreditation, credentialing, and faculty development to promote access and success for working adults seeking post-secondary credentials;
- » Incentives for states to assess the needs and opportunities for the credentialed education of working adults;

Title X... would provide incentives to state governments to structure their higher education systems and policies...to better meet the education and skills training needs of working adult

- » Modest federal formula funding for time-limited, state-managed demonstrations to test new ideas and approaches. States would use this funding to develop, test, and implement plans to change their higher education systems and policies to promote access and completion for working adults seeking post-secondary credentials;
- » Incentive funding for high-performing states and sanctions for low-performers;
- » Waiver authority and funding for competitively awarded research grants and demonstration programs for institutions, to learn more about what works for working adults at those institutions and to test new approaches to increasing their credential development.

Over the six-year period after the 2004 HEA reauthorization, total federal support of between \$500 million and \$1 billion could make an enormous impact by helping states improve post-secondary access and success for working adults. For less than \$167 million annually - 0.3% of current total federal student aid every year - the federal government, in partnership with states, can address the education and skills challenges of the knowledge economy.

TITLE X: A NEW FEDERAL-STATE PARTNERSHIP

Problem Statement

The 2000 census revealed that of 110.5 million adults in the U.S. workforce, only about 40 percent had any post-secondary degree (associate, bachelor's, or advanced). About 10 percent of all adult workers had not even finished high school, and 31 percent had not attempted college after high school graduation. An additional 19 percent had "some college, but no degree."¹ Some may hold certificates from programs shorter than two years or hold industry recognized credentials, but most probably attended college briefly after high school and dropped out before achieving any credential.²

We can assume that about 60 to 65 million working Americans have no post-secondary educational degree or credential of any kind. Without it, they are at risk of slipping into the bottom ranks of the economy and staying there. Just a few decades ago, a high school diploma, a strong back, and a good attitude may have been adequate to guarantee entry to middle class occupations. But this is no longer true. Over the last 20 years, men with only a high school degree have seen their wages fall by nearly one-fifth (from \$679 per week to \$559).³

Additionally, the wage premium for skills and credentials has grown. Average earnings for workers with associate degrees are nearly one-third higher than earnings for workers with only a high school degree. Earnings for those with a four-year degree are nearly two-thirds higher than high school graduates with no college. Moreover, the earnings gap between those with college credentials and those without is growing at an accelerating pace. The Bureau of Labor Statistics estimates that the real wages of men in the bottom ten percent of full-time workers fell by 22 percent from the late 1970's through the mid-1990's. In the late 1990's, these workers earned an average of \$275 per week, compared to \$1,200 per week for the top 10 percent of workers.⁴

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Over a lifetime, these huge gaps in annual earnings translate to crushing disparities in the accumulation of assets. The Census Bureau estimates that individuals with a bachelor's degree will earn on average \$2.1 million over their work-life (40 years of full-time, full-year work). This is about a third more than workers with only some college education and nearly twice as much as those with only a high school diploma.⁵ Consigned to low-wage labor markets, few non-college-educated workers will be able to buy their own homes or send their children to college.

This is a serious economic problem for America. The next few decades will see growing skill gaps that will not be closed with the small increases in the numbers of high school students entering and graduating from college. Simply, the percent of high school graduates gaining post-secondary credentials is edging up very slowly - too slowly to meet the growing skill demands of employers and the American economy. Moreover, the size of the graduating high school cohorts is much smaller than the older baby boomer cohorts now making their way through the work force toward retirement.

Even if more students attend college directly after high school and graduate, they will add only a net gain of perhaps 3 million workers with college credentials to the workforce by 2020.⁶ At the same time, the skill-based economy will continue to shift inexorably toward occupations requiring post-secondary education. For example, the BLS projects a 22 percent increase by 2008 in jobs that will require at least some college. As Anthony Carnevale of ETS points out, the continuation of that trend until 2020 will produce about 15 million *new* jobs requiring college preparation and will result in a huge deficit of workers with post-secondary credentials.⁷ This estimated gap of 12 million college-educated workers will have a crippling impact on the U.S. economy. It can be filled only by a new commitment to helping adults already in the workforce get access to post-secondary education and gain the credentials associated with economic success.

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At a time when U.S. trade policy is shifting our economy away from low-skilled jobs by allowing - and even encouraging - employers in manufacturing and other lower-skilled industries to locate in other counties, it is unwise and unfair to turn our backs on the low-skilled workers displaced by these policies. If the structure of the U.S. economy will depend on high-skilled jobs, then this country will need a higher education structure that creates high-skilled workers for these jobs. It will be a necessity for workers, their employers, and our economy.

Millions of working Americans know that they need these additional skills and education and that the economy is producing good jobs for those with good skills. According to the National Household Education Survey, 90 million adults were in some form of adult education in 1999, a stunning increase from just 58 million in 1991. Almost half were enrolled in work-related education and 18 million were seeking a post-secondary credential. About 3.5 million were seeking their first post-secondary credential.⁸

Unfortunately, their efforts to gain credentials are not well supported by federal or state governments or by most of the institutions of higher education that ought to encourage adult students. Notwithstanding the rhetoric of "lifelong learning," higher education financing, credentialing, and governance policies still are skewed narrowly toward traditional students moving directly from high school into college. Working adults, because they have full-time job and family

responsibilities, often lack the time, money, and flexibility of schedule to fit into this traditional model of higher education.

Recent studies by FutureWorks and MDRC discovered that working adults get very little financial aid from federal or state sources. First, those that hold full-time jobs are typically able to attend school only on a less than half-time basis, which renders them ineligible for most aid. Loan programs authorized by Title IV of the HEA are available only for those attending accredited institutions at least half-time. Eligibility guidelines and institutional practices preclude Pell Grants to all but a tiny group of very poor less than half-time working adult students.⁹ Most state financial aid programs follow federal eligibility guidelines and, therefore, result in the same limitations for working adult students.¹⁰

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Education tax credits are not helping. The more generous credit — the Hope Scholarship Credit — demands half-time or more attendance and is designed for middle income parents of traditional students who are in their first two years of college. The Lifetime Learning Tax Credits available to less than half-time students are far less generous than Hope, they are not familiar to most adults, and they are not effectively targeted to modest income families. Recent research by FutureWorks has validated these findings using IRS tax data and national surveys of adults on post-secondary education participation.¹¹ Moreover, because they are not refundable, they do not benefit low-income families.

But the problem is not just the absence of financing. Few institutions of higher education have developed programs and schedules that work for working adults. Programs that lead to degrees and academically recognized credentials are frequently campus-bound; and, if not, they often have prerequisites that are tough to fit in the schedule of adults with full-time work and family responsibilities.

Degree and other credential requirements often seem too daunting for a working adult attending part-time. Associate degrees that require 60 to 75 credit hours can seem an almost impossible goal to a student who can take only three or four credits at a time. Adults who have been out of school for several years often require developmental or remedial courses. Few colleges have integrated such basic skill building curricula into their for-credit, credential, or degree-oriented courses, and many are encouraged to reduce their remedial offerings by policy-makers who view such programs as evidence of the public secondary schools' failure to adequately educate students.

Many programs continue to require seat time in lieu of competency demonstration as a chief criterion of credentialing. Extended use of evening and weekend classes often requires programming arrangements that can raise accreditation problems for institutions. Their response frequently has been to make those offerings "non-credit" and to deny working adult students the opportunity to build a pathway of credentials to advance their career.

Few public colleges have successfully integrated preparation for industry-based certification into their for-credit, academically credentialed programs. Students who choose to pursue such credentials, *e.g.*, in information technology fields, are often required to pursue these programs in more flexible but also more expensive proprietary training schools. Those who choose proprietary schools sometimes sacrifice the ability to articulate their study into higher level academic programs in favor of short-term credentials. Workers seeking continuing credentialed education as they navigate toward higher paid positions are often frustrated to discover that credentials earned in one institution cannot be applied to advanced study at another school.

There are some colleges in the higher education system that are working adult-friendly, in spite of the limitations and barriers in higher education policy. Notwithstanding a decade of increases in tuition and fees that exceed the rate of inflation, some institutions, especially two-year community colleges, are more financially accessible for limited income families. Several colleges, four-year as well as two-year, have worked hard to develop affordable programs that work well for working adults. These pace-setting institutions have structured credentialed programs with one or two years of full-time study organized into shorter modules, each with distinct credentials that can be "stacked" together over time into more conventional degrees and certificates. These schools are making more extensive use of "career ladders" in high-growth occupations. This approach enables students to earn basic, industry -recognized certification quickly and gain entry to higher wage occupations with the credits to continue training for more advanced credentials.

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Additionally, some program offerings include open-entry/open-exit classes that allow students to progress at their own pace, classes that meet on weekends, and course offerings that combine distance-learning and on-campus support. Some colleges have created short-term intensive programs with curricula and scheduling formats that can better accommodate the schedule limitations of working adults.

However, these working-adult friendly institutions are exceptions – best practice, not common practice. Federal policy should explicitly support and encourage these institutions and remove barriers to serving non-traditional students. We should strive to understand and replicate strategies that work, and change the direction of current policy to better meet the educational needs of workers, employers, and our economy.

There appears to be little enthusiasm in the Congress or the current Administration — or among post-secondary institutions — for significant changes in Pell Grant or student loan eligibility that might better accommodate the financing needs of working adults. Concerns about the budget deficit will likely preclude any authorization changes leading to increases in available funding. Groups representing the higher education institutions see Title IV of the HEA as

a "zero sum game" and will oppose any efforts to "divert" federal support from traditional to non-traditional students.

Even more importantly, we are increasingly convinced that squeezing a little more money out of Title IV will not help much. The problems that discourage access and success for working adults seeking post-secondary credentials go deep into the governance and financing of higher education. Solutions must come through reforms in how the states manage their higher education responsibilities.

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Basic Features of a New "Title X"

Given the political barriers to changing Title IV student financial programs and the policy limitations to that approach, we have shifted our strategy toward the concept of a new title in the Higher Education Act aimed explicitly and exclusively at working adults. This new "Title X" would provide formula-driven grants -- with incentive kickers -- to states. These grants would help states develop and implement plans to change *systems* of governance, formula financing, student aid, curricula and program development, accreditation, credentialing, and faculty development in ways that would promote access and success for working adults seeking post-secondary credentials.

This title would not create new federal student financing programs - it does not include new entitlements. Nor would it seek to divert existing programs like the Pell Grants or direct and guaranteed student loans away from traditional students toward working adults. Rather, this new approach would be focused on helping the states – the biggest financial stakeholder in higher education – explore how changes in the way they govern and finance higher education can create better opportunities for working adults. Title X would provide modest formula-based grants and incentive funding to support states that choose to make these changes.

The federal initiative embodied in Title X would be time-limited (only for the six years after the 2004 reauthorization). Under this program, each state would receive a planning grant in year one followed by annual, formula-based implementation grants in years two through six. There would be monitoring, assessment, and enforcement mechanisms to keep states on track in their plans. Grants could include incentives for states to make linkages through the higher education system to other parts of the workforce and economic development systems, *i.e.*, the Workforce Investment Boards, TANF agencies, and community-based organizations. These linkages are currently encouraged through the Workforce Investment Act and TANF legislation, but not reinforced through higher education legislation.

In addition to the state grants, resources might also be set aside for competitively awarded research and demonstration grants awarded directly to colleges and universities. For example, states could fund demonstration programs at the regional level to test and seed partnerships between workers, employers, and post-secondary institutions. We also would recommend the creation of a reserve for additional allocations to high performance states, providing incentives for outstanding work, as well as sanctions for poor performance.

Alternatively, the entire process could be made competitive, with grants going only to those states prepared upfront to make a strong commitment to the post-secondary education of working adults. Under any approach, our recommendation is to make the federal grants annually renewable, subject to performance, rather than allocating each state full funding in one large grant.

Basic Features of Title X

- » Sharp focus on working adults, credentials, and system reform;
- » Limited to 6 years: State planning (year 1) and implementation grants (years 2-6);
- » Support for states to develop and implement plans to change higher education systems and policies to better support working adult access and success;
- » State incentives to assess needs and opportunities for credentialed education of working adults;
- » Some funding for time-limited, state-managed demonstration programs to test new ideas and approaches;
- » Incentive funding for high-performers; sanctions for low-performers;
- » Competitive research and demonstrations grants to institutions through states to test promising practices;
- » Administered by DOE (OVAE and OPE); coordination with workforce and welfare agencies; and
- » \$500 million to \$1 billion over six years (\$83 to \$167 million annually).

This concept is loosely modeled after the State Systemic Initiative (SSI) for math and science education carried out in the 1990's by the National Science Foundation, a program that was viewed favorably by the Congress, by the states, and by the state level K-12 education establishments that were its beneficiaries. First, SSI was explicitly "systemic" in its orientation. It gave state grantees wide authority and discretion to deal comprehensively with all aspects of the multiple challenges of improving student performance in math and science. Second, it was not financially open-ended. The SSI had a fixed duration and the budget was planned in advance and known to all the key organizations in the process. Third, it had a mechanism to hold states accountable to their own performance objectives. The SSI was not heavy-handed but it did monitor performance, assess results, and enforce corrective action as necessary.

The SSI model lends itself well to our proposed initiative. Use of Title X federal grants would vary from state to state depending on their particular diagnosis of problems and opportunities. Some states might place a special emphasis on developing new financial aid instruments aimed at working adults. Others might choose to focus their efforts around the development of new programs and credentials that fit the schedules of working adults. Some states might look chiefly at their community or technical colleges to implement this new Act while others might ask their four year state colleges to play a major role. This diversity of approach would provide a rich learning environment, and state teams working on these issues could be brought together regularly to exchange information and experience.

While this new legislation should avoid prescription and support flexible responses by the states, it should insist, like the SSI, on a *systemic* approach. Barriers to access and success for working adults are not just financial or curricular or schedule; they are all of these and more. States should be encouraged to examine a wide range of problems and solutions. The first year planning grant will be an especially important device to encourage the states to look widely at how their system of post-secondary education could better meet the needs of working adults.

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The Department of Education would administer this program. Both the Office of Vocational and Adult Education and the Office of Postsecondary Education should be directly involved in its design and management. The Department may find it useful to establish an external authority to help monitor and assess the work of the states. An independent authority such as a commission may find it easier to make critical assessments when necessary and to enforce rigorous performance standards.

Additionally, coordination with the Workforce Investment Act, Temporary Assistance to Needy Families, and Perkins Vocational Education programs will be important to the success of any state efforts to assist working adults in their educational pursuits. Representatives from these programs should be part of each state's planning and implementation process.

This does not have to be a costly program for the federal government. Providing the states modest discretionary funding to assess their current adult education needs and higher education policies and to help their institutions with the design, testing, and piloting of new programs would be enormously important to states facing serious fiscal constraints.

We project that this program could cost between \$500 million and \$1 billion over the entire six-year period. This translates into between \$83 million and \$167 million annually, which is 0.3% of the amount of federal student financial aid made available annually. Of course, grants would be allocated on a population-adjusted formula and could range from \$5 million for small states to \$50 million for large ones over the six-year period.

Defining Program Success

The objective of this program is not simply getting adults to pursue continuing studies while they work; they are doing that in huge numbers, especially those who already have some post-secondary education. Rather, the challenge is to help significantly larger numbers of working adults with only high school diplomas gain recognized post-secondary credentials. The objective is to get them into and through programs leading to a degree, certificate, or other credentials that can help them improve their standard of living and that can improve productivity in the U.S. economy. The initiative proposed here should encourage the emergence of portable credentials that are recognized by both industry and academia.

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This new federal-state program would be both good economics and good politics. It does not require a large or open-ended financial commitment from the federal government. It would build a federal partnership with states and their institutions of higher education, which already see working adults as a significant new market segment. This strategy would find enthusiastic support from business groups, as well as labor organizations. Facilitating the entry of adult family members into post-secondary education would also send an important message to their children about the value of education and lifelong learning. As our economy continues to shift toward education and skills as the basis of competitive success, we cannot afford, economically or politically, to ignore the post-secondary educational needs and aspirations of millions of adults already in the workforce.

FutureWorks has engaged in a partnership with the National Governors Association to jump-start this process. In the Pathways to Advancement initiative funded by the Lumina Foundation for Education, we will work with eight states over the next two years to assist them in making their post-secondary education systems more working adult-friendly through some of the ideas contemplated in this paper.

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¹ Bosworth, B. and V. Choitz. 2002. "Held Back: How Student Aid Programs Fail Working Adults." FutureWorks: Arlington, MA. www.futureworks-web.com

² Over the past decade, more high school graduates (almost 75 percent) are going on to college but a third fail to return after their first year and only one-half of the rest earn any degree.

³ US Department of Labor. 1999. "Futurework: Trends and Challenges for Work in the 21st Century.

⁴ Ibid.

⁵ Cheeseman Day, Jennifer and Eric C. Newburger. 2002. "The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings." US Census Bureau Special Study # P23-210. US Department of Commerce: Washington, DC.

⁶ Judy, R. and C. D'Amico, 1997. *Workforce 2020: Work and Workers in the 21st Century*. Indianapolis IN: Hudson Institute.

⁷ Carnevale, Anthony and Richard Fry, 2001. *The Economic and Demographic Roots of Education and Training*. National Association of Manufacturers: Washington D C

⁸ See Bosworth and Choitz, 2002.

⁹ FutureWorks discovered that of 270,000 working adults with children and with family income of less than 200% of the poverty level who were enrolled at Title IV eligible institutions in Title IV eligible programs, only 7.7% got any form of aid – federal, state, private, institutional, grant or loan. Only 3.5% of these, 34,000 families, got any Pell grant aid.

¹⁰ See Bosworth and Choitz, 2002.

¹¹ See forthcoming report by FutureWorks on the Higher Education Tax Credits and working adult students at www.futureworks-web.com.