

Policy Briefing



Pell Grants and Workforce Development

The Issue: Research and outreach by the Richmond Fed indicates that Title IV higher education funding should be revised such that federal Pell Grants can be used at public two-year colleges (community colleges) to pay for noncredit workforce training programs that result in licensure or certification.

Why Now?

- As of June 2021, nearly 9.5 million Americans are unemployed. Net, more than 3.3 million workers remain out of the labor force and there are 6.8 million fewer jobs, compared to February 2020.
- Job losses have been concentrated in sectors where workers tend to have lower educational attainment and lower earnings (e.g., food services, retail).
- Given the considerable uncertainty as to when and if these jobs will come back, we are potentially facing a future in which large numbers of workers without significant resources or prior education will need to train for different careers.
- Our external engagement results in a constant flow of stories from employers about their **unprecedented** difficulty in finding skilled labor. As a result of the COVID-19 pandemic, many lower-skilled jobs were eliminated while the need for higher skilled employees continued to grow. Allowing individuals to use Pell Grants for short-term, noncredit programs would facilitate the quick and efficient training to fill higher-skilled, medium- to high-wage jobs that are also in high demand (e.g., truck driving, diesel mechanics, welding and numerous health care occupations).
- While expanding the Pell Grant would not come without cost, it is a small investment compared with some of the other stimulus and infrastructure programs introduced in the last two years. And the payoff in employment and labor force participation could be sizable.

Why Pell Grant Expansion Matters for Employers, Students and Institutions

- **Employers need workers who can work safely and efficiently in high-tech, fast-moving occupations. Certificates and licensures are a valuable way for employers to identify workers with the necessary skills and for employees to signal their qualifications. The programs that lead to these credentials should be Pell Grant eligible.**
 - Much has changed in the labor force since the initial rules of the Pell Grant were established. One of the most important changes is the increase in technology, which has greatly increased the need for skilled labor. Technology has also increased the efficiency of teaching these skills, and many careers can begin through short-term education programs.
- **Many community college students, particularly minorities and students from low-income households, are required to take remedial courses that do not confer credit toward a degree but do count toward a student's lifetime Pell Grant eligibility. This is an issue in both urban and rural spaces nationwide.**
 - Graduation rates for students enrolled in remedial courses are very low; programs that provide these students with in-demand skills could better serve and enable them to enter

the workforce more quickly.

- **The refundable nature of the Pell Grant matters.**
 - In many states, there are workforce development grants, state scholarships or last-dollar “free” community college programs that can cover the tuition of noncredit programs. However, outreach to community colleges indicates that this is not enough to support the needs of low-income students. Students have additional, nontuition needs such as transportation, housing and child care, which could be partially offset by Pell Grant refunds over and above tuition amounts.
 - In addition, many short-term programs require intensive, full-time study for a short time. Pell Grant refunds would allow students to offset lost wages during the short period they would be required to attend school full time.
- **Colleges may create for-credit programs —even if both students and employers could be better served by short-term, noncredit programs — to ensure that the college and the students receive adequate funding.**
 - A frequent example we hear from community colleges is the pharmacy technician program. Some colleges offer this in a short-term, noncredit format, which typically lasts around four to six months. However, due to the complicated nature of both institutional and student funding, many colleges only offer this as a for-credit program that lasts around two years. It is less efficient for both students and employers and in the end costs more for students and/or the granting authorities.
- ***Schools in areas with lower-income students may be discouraged from offering short-term, noncredit programs that are not Pell Grant eligible, knowing that many students will be unlikely to enroll because of the lack of financial support.***
 - The cost of many short-term noncredit programs is substantial. It is extraordinarily expensive to purchase the tractor trailers, welding equipment, robotics, etc. to successfully train students.
 - Some community colleges have indicated that they don’t offer short-term credential programs in high-demand areas because of students’ inability to pay.
- **Allowing students to pay for noncredit programs that result in licensure or certification with Pell Grants would help to alleviate these constraints and provide schools with needed flexibility and greater funding consistency.**

Background Information

- The federal Pell Grant is awarded to low-income students enrolled in traditional for-credit academic programs at community colleges and four-year institutions. Students may not use Pell Grant funds to pay for noncredit courses or for-credit programs less than 600 hours. Many community college workforce training programs do not meet these criteria, and therefore students cannot use Pell Grant funds.
- Short-term noncredit programs exist in a broad range of high-demand, medium- to high-wage occupations such as commercial driver’s license, welding, and allied health professions. These programs can typically be completed in less time than is required when they are for-credit programs.
- The U.S. Department of Education’s 2011 Pell Grant experiment found that students offered Pell Grant support to pay for very short-term occupational programs (that would normally be ineligible) were 15 percent more likely to enroll than those not offered support via the Pell Grant. In addition, program completion increased by 9 percentage points.¹ Due to Pell Grant related rules, these programs were all for-credit programs, but some were shorter in length and had other characteristics similar to short-term noncredit courses.

¹ <https://files.eric.ed.gov/fulltext/ED609406.pdf>