



# Can HEA Reauthorization Help Close America's Skills Gap?

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OCTOBER 2019

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House Democrats yesterday introduced major legislation to reauthorize the landmark Higher Education Act. Although reauthorization is long overdue, the new legislation, called the College Affordability Act, proposes mainly marginal improvements to a broken higher education financing system. Moreover, it doesn't do enough to help people who don't go to college – the majority of young Americans – acquire the skills they need to land solid, middle-class jobs. To help close America's skills gap and allow tens of millions of alienated Americans to join the dynamic economy, progressives need bolder, more innovative initiatives. This report assesses conventional remedies and presents creative alternatives: a new Progressive Skills Agenda for all young people, whether or not they are college-bound.

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## INTRODUCTION

**Perhaps more than ever before in our history, too many Americans feel that the American dream is out of reach. Active participation in America's dynamic, growing, increasingly tech-centric economy appears to require – at a minimum – four-plus years of college. While that sounds good to those who have successfully completed and benefited from that extended journey, it is often well beyond the capability of low-income Americans, for whom life has a habit of getting in the way of a four-to-six year journey in the form of health, family, or personal financial issues**

(often compounded by the soaring cost of tuition). Over the past half century, America's primary message to those who most require a leg up economically is that mobility hinges on your ability to make it through 120 credits in a classroom of an accredited postsecondary institution. Not only is this test unreasonably limited and rigid, but many who complete the college journey find themselves indebted and [out-of-position relative to employer needs for good first jobs](#). And it turns out that underemployment in the first job usually means [underemployment five and 10 years later](#).

The monolithic institution of college now dominates the job-seeking landscape. It sorts Americans into [economic winners and losers](#), creates an educational class divide, and leaves the majority of young people who don't attend college feeling disenfranchised and left behind. There's evidence that the crushing burden of student debt, plus diminished job prospects of college graduates, are prompting [Millennials to give up on capitalism](#). The college fixation

also has allowed the [right](#) to rally low-income Americans against the elites who dominate America's economy and politics, and higher education in particular.

Perhaps worst of all, government policies that tilt the scales heavily toward college-going youth have helped to create a yawning skills gap in America, as millions of young workers fail to acquire technical and "soft" skills in high demand today. Overall, the real cost of the skills gap has been borne by populations who disproportionately lack the skills employers are seeking – Millennials, underrepresented minorities, and the tens of millions of Americans outside our most dynamic metropolitan areas – and who would otherwise most benefit from the policies promoted by the Democratic Party.

Monolithic college has had a similar effect on public policy. America's colleges and universities capture nearly all public spending on human capital development beyond high school. For every [federal dollar](#) spent on workforce development, the U.S. government spends [\\$100](#) at colleges and universities. This spending largely falls under the auspices of the Higher Education Act (HEA). First enacted in 1965, HEA has been reauthorized at least once a decade ever since – [until the current decade](#). The last reauthorization was in 2008, making the current 11-year gap the longest on record.

In HEA reauthorization debates over the past several decades, the two parties have demonstrated different perspectives on college. As their new HEA reauthorization bill demonstrates, Democrats have focused primarily on college access and equity issues while Republicans have focused on college competition and outcomes. But by limiting their debate to the rules of the current college

game rather than the bigger picture of how best to deploy public resources to help Americans get good first jobs or better jobs in growing sectors of the economy, we are losing a major opportunity.

Ironically, one of the many likely casualties of the current impeachment process and tribal paralysis is an important source of this polarization: America's skills gap. For in addition to addressing important access, equity, competition, and outcome issues, HEA reauthorization has greater potential to better align educational opportunities with employment – and therefore to help close the skills gap – than any other tool in the federal government's arsenal. As a result, if policy makers are interested in taking action to help the tens of millions of Americans currently out-of-position relative to the skills employer believe they require, HEA reauthorization is the right place to start.

## THE SKILLS GAP

Since publishing [America's Skills Gap: Why It's Real, And Why It Matters](#) in March 2019, I've continued to encounter skeptics who don't believe U.S. Department of Labor statistics that 7.3 million jobs are unfilled – many of which are high-paying, high-skill positions – or [survey](#) after [survey](#) of employers who say they're unable to find skilled workers. I've been told on several occasions that any unfilled "good" jobs are simply a matter of employers not paying enough (and if they did, qualified candidates would appear).

But because [University Ventures](#) is involved with a number of staffing and placement companies, I see the data firsthand: thousands of job requisitions sent to staffing firms where average fill rates may be no higher than 20%. The vast

majority of these positions are jobs that – if not formally “IT jobs,” require discrete digital skills – which is consistent with reports that we’re seeing near-zero job growth in what’s supposed to be our most dynamic industry. According to the [TechServe Alliance](#), the national trade association of technology staffing and services companies, IT employment is currently [up just 0.06% on a year-over-year basis](#) – a net increase of only 3,000 jobs from July 2018 to July 2019. TechServe lays the blame entirely on the supply of technical talent: “the rate of growth remains anemic due to an acute talent shortage.”

America’s skills gap remains primarily a technical or digital skills gap – not general, but rather specialized across thousands of specific technologies, some of which haven’t even been around for a year. Secondly, there’s an element of understanding business processes. Much of the digital skills gap involves utilizing complex business software that replicates existing business functions and processes in digital form. So candidates who don’t understand how industries or businesses function are often lost when it comes to utilizing the requisite software. Finally, employers perceive a soft skills gap. Hiring managers want candidates who can work professionally and productively, requiring skills like teamwork, communication, organization, creativity, adaptability, and punctuality.

In the prior whitepaper, I introduced two related concepts to explain why America’s skills gap persists. On the job-seeker or talent supply side, there’s what I call “Education Friction.” We fail to upskill ourselves with the necessary digital, business, and soft skills due to Education Friction i.e., the time, the cost and – most important – the uncertainty of a positive employment outcome from education and training. If we could wave a magic wand

and eliminate Education Friction, millions of us would immediately seek to acquire the skills we perceive employers are demanding.

The talent demand corollary of Education Friction is “Hiring Friction.” Hiring Friction reflects the growing reluctance of employers to hire candidates who haven’t already proven they can do the job. It’s a natural consequence of employers feeling like employee churn is higher than ever; they feel the same way about the cost of making a mistake i.e., a bad hire. Hiring Friction helps to explain all the unfilled good jobs, and why employers are increasingly requiring years of relevant experience for positions that should be (and once were) entry level. One survey shows that 61% of entry-level positions appear to be asking for at least [three years of experience](#).

My conclusion was that any solution to closing America’s skills gap must address both Education Friction and Hiring Friction at scale.

## HIGHER EDUCATION ACT REAUTHORIZATION

In anticipation of reauthorization, Democrats and Republicans have floated various proposals for improving our current system of higher education. These ideas address college accessibility, equity, and completion – all of which are important goals. Throughout much of our history – and most prominently for the Greatest Generation and Baby Boomers – college has always been about more than getting a good first job, or a better job. It’s about ensuring we have an educated citizenry, about distinguishing what’s real and true from fake news, about being capable of voting and serving on a jury. It’s also very much about discovery, serendipity, wonder, and self-realization. Millions of Americans have discovered and developed new interests – and made careers out of them

– as a result of experiences in college. Finally, colleges support the economies of hundreds of small towns and cities; without them, many already economically challenged communities would be further imperiled.

But to my mind, none of these priorities are as essential as addressing the alienation and polarization stemming from the skills gap and loss of the American Dream among young workers who don't have college degrees. When tens of millions of Americans who are out-of-position for good jobs are told that the only pathway to active participation in the dynamic economy involves at least four years in classrooms at an accredited college or university (and the concomitant debt), and when there are few signs that colleges are serious about launching alternative pathways to good jobs that might be faster or cheaper, then the discovery and wonder of college may be more than offset by the economic harm caused by this social norm.

I've always believed in triage when confronted with a complex problem. If you've seen a medical show on television, you know what I mean by triage: patient comes in with a dozen medical problems, ER docs address the most life-threatening one first. Closing the skills gap and opening up new pathways to economic opportunity is the life-threatening issue we now face. Once we've addressed the issue of providing better pathways to better jobs for tens of millions of Americans, we can worry about the rest. College access should remain an important social goal. But when it comes to closing the skills gap and helping Americans get better jobs, it's no longer sufficient nor a panacea.

So in reviewing the following assessments, keep in mind that policy ideas that receive low grades

may be useful tools for addressing issues of access, equity, competition, or outcomes like completion, but are unlikely to move the needle on perhaps the most urgent issue within the ambit of the Higher Education Act: America's skills gap.

My framework for evaluating HEA reauthorization policy ideas is:

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1. Will it reduce Education Friction?

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2. Will it reduce Hiring Friction?

.....

3. Could it help millions get better jobs?

By applying this framework to the various ideas for improving HEA, I hope to underscore which policies are most likely to help close America's skills gap. In order to rank the ideas, I suggest a score for each criteria from 0 to 10, with zero being no impact and 10 maximum impact. So each proposal receives a single score out of a maximum 30.

What jumps out from the framework is a number of bold policy ideas that are currently unclaimed by either party, and that could be leveraged by progressives and Democrats to become the "skills party," not just a "college party."

These ideas, elaborated at the end of this report, include:

- Requiring colleges and universities to restructure degree programs to ensure students achieve industry-recognized (stackable) credentials.
- Mandating colleges and universities to provide experiential learning (work experience) as part of degree programs.

- Limiting short-term Pell funding to programs offered in conjunction with a qualified employer or industry group, to make sure that beneficiaries acquire the skills that lead to good, middle income jobs.
- Providing a new basis for government aid to education: not for delivering educational programs, but for achieving graduate placement into a “good job.”

## I. BIPARTISAN POLICY IDEAS

### A. Simplifying FAFSA

The current Free Application for Federal Student Aid (FAFSA) has 108 questions which reportedly has a chilling effect on applying for financial aid. Although 20 million families fill out the FAFSA each year, simplifying the form to [as few as 15 questions](#) – and ensuring that it’s easily accessible via a mobile app – has the potential to increase access to existing federal grants and loans to millions more Americans.

#### ***Does it Reduce Education Friction?***

Streamlining applications has the potential to significantly improve access to and awareness of existing federal grants and loans, which could increase enrollment in Title IV-eligible programs. But it won’t reduce the time required to earn credential, or address uncertainty of employment outcome. [Grade: 4/10](#)

#### ***Does it Reduce Hiring Friction?***

No. [Grade: 0/10](#)

#### ***Could it Help Millions Get Better Jobs?***

Simplifying applications would help underserved and underrepresented populations get access to financial aid, but not employment. [Grade: 2/10](#)

**Overall Grade: 6/30**

### B. Student Unit Record

This proposal authorizes the Department of Education to track students across all higher education institutions they attend, along with subsequent employment, thereby linking learning and institutional performance to meaningful student outcomes. The 2008 Higher Education Act specifically blocked the creation of a federal unit record database due to privacy concerns, but also concerns by colleges and universities over what a unit record system would reveal. However, with [Senator Lamar Alexander \(R-Tenn\) now signing on](#), there may now be sufficient [bipartisan support](#) for a student unit record database to include in the next reauthorization.

#### ***Does it Reduce Education Friction?***

Not directly, but it could be a stepping stone to greater performance-based funding of higher education at federal and state levels, which could have an impact on cost of upskilling and time to upskill. [Grade: 6/10](#)

#### ***Does it Reduce Hiring Friction?***

Does nothing to reduce Hiring Friction. [Grade: 0/10](#)

#### ***Could it Help Millions Get Better Jobs?***

Performance-based funding would presumably incorporate employment outcomes, which could direct more students through programs and credentials that yield better employment outcomes. [Grade: 7/10](#)

**Overall Grade: 13/30**

### C. Increasing Investment in Minority-Serving Institutions (HBCUs)

Both parties support increasing support for minority-serving institutions, although we're still awaiting specifics. The [Trump Administration](#) wants Congress to write into the HEA the President's Board of Advisors on HBCUs and the Interagency Working Group responsible for improving the capacity of HBCUs. House Democrats would like to invest in HBCUs and Minority-Serving Institutions "so that traditionally underserved students have access to the same quality experience as others." Let's assume this bipartisan goodwill results in material additional funding for these colleges and universities.

#### ***Does it Reduce Education Friction?***

Assuming institutions utilize additional funding to reduce the student loan debt burden of graduates (in the vein of billionaire Robert Smith's [surprise announcement](#) at Morehouse University's 2019 commencement), this idea could expand college access but by itself wouldn't reduce time to completion or uncertainty about employment outcomes.

Grade: 3/10

#### ***Does it Reduce Hiring Friction?***

Additional funding could be targeted at new employment initiatives. Grade: 2/10

#### ***Could it Help Millions Get Better Jobs?***

Minority-serving institutions enroll (and have the potential to enroll) millions of the neediest Americans. However, link to employment remains tenuous. Grade: 5/10

**Overall Grade: 10/30**

### D. Codify Income Share Agreements In Law

Although some Democratic presidential candidates have come out against Income Share Agreements (ISAs), there have been

multiple bipartisan bills in the House and Senate to provide legal and regulatory certainty for students, institutions, and sources of capital. The consensus seems to be that various laws and regulations need to be amended in order for ISAs to be widely adopted. This should be a goal of the next HEA reauthorization. One bill, the [ISA Student Protection Act of 2019](#), would create a federal income floor (below which there are no payment obligations), as well as a cap on payment obligations. It would also provide the Consumer Financial Protection Bureau with oversight authority, as well as allow ISA contracts to be dischargeable in bankruptcy.

#### ***Does it Reduce Education Friction?***

If widely adopted, ISAs could significantly reduce Education Friction by providing financial guardrails (i.e., little or no repayment in the event of poor employment outcomes, and a cap on repayment), and also by signaling to students that the institution's interest is fully aligned with student employment outcomes (because schools don't get paid unless students get paid).

Grade: 8/10

#### ***Does it Reduce Hiring Friction?***

Indirectly in two possible ways: (1) To the extent colleges and universities are motivated by ISAs to do much more to reach out to employers (including, perhaps, providing employers with the opportunity to work with students before making a hiring decision); and (2) Codification of ISAs would accelerate the growth of faster and cheaper alternatives to college, like bootcamps, many of which currently do much more to reduce Hiring Friction than colleges and universities. Grade: 6/10

#### ***Could it Help Millions Get Better Jobs?***

Once these protections are in place, it's likely that ISAs will become a standard component

of financial aid packages across all forms of postsecondary education and training – and the only one signaling to students that the institution has confidence in employment outcomes. [Grade: 9/10](#)

**Overall Grade: 23/30**

## II. REPUBLICAN POLICY IDEAS

### A. Require Accreditors to Focus on Student Outcomes

Republicans have various proposals for focusing the accreditation process on student outcomes. Senate Republicans have proposed tracking borrowers' progress in repaying their student loan debt – a metric that would be tracked for every program at every accredited institution. The Trump Administration would probably support this idea, although it hasn't put forward specifics on how it would [“reorient the accreditation process to focus on student outcomes.”](#)

#### ***Does it Reduce Education Friction?***

This idea could eventually result in the closure of programs and even institutions failing to achieve minimum employment outcomes. As such, it could bolster student confidence in employment outcomes. In addition, colleges would be required to consider whether programs take too long or cost too much, so an outcomes focus could reduce Education Friction along these dimensions as well. But the accreditation process works very slowly, requiring years to determine whether programs are failing to meet benchmarks, and providing second and third chances. [Grade: 7/10](#)

#### ***Does it Reduce Hiring Friction?***

This approach does nothing to directly reduce Hiring Friction, although colleges and universities would be incentivized to do more to help graduates get better jobs. [Grade: 1/10](#)

#### ***Could it Help Millions Get Better Jobs?***

If executed fully and correctly, no students would receive federal financial aid for enrolling in a postsecondary program that fails to meet minimum employment outcomes. Although the proposal doesn't address talent demand, it would be a huge improvement over the status quo. [Grade: 8/10](#)

**Overall Grade: 16/30**

### B. Risk Sharing

Republicans have introduced legislation that would require colleges to pay off a percentage of borrowers' defaulted student loans (and would prohibit schools from raising tuition to pay for it).

#### ***Does it Reduce Education Friction?***

Risk-sharing could result in the closure of underperforming programs and colleges, encourage new initiatives to improve employment outcomes, and boost student confidence to enroll. But all this would take time. [Grade: 8/10](#)

#### ***Does it Reduce Hiring Friction?***

This idea does nothing to reduce Hiring Friction. [Grade: 1/10](#)

#### ***Could it Help Millions Get Better Jobs?***

It has significant potential to reorient colleges and universities to employment outcomes. [Grade: 8/10](#)

**Overall Grade: 17/30**

### C. Automatically Deduct Student Loan Payments

Senate Republicans would like to streamline student loan repayment and offer all borrowers the option of automatically deducting a set percentage of income from their paycheck.

#### ***Does it Reduce Education Friction?***

Although income-based repayment (IBR)

programs already enroll [approximately 30% of borrowers](#), to the extent IBR becomes the default (and simpler), it could further reduce financial friction, although not time to complete nor employment certainty. [Grade: 2/10](#)

#### ***Does it Reduce Hiring Friction?***

No. [Grade: 0/10](#)

#### ***Could it Help Millions Get Better Jobs?***

Although deducting loans from paychecks could have significant reach, it does nothing to improve employment outcomes of graduates beyond increasing certainty around loan repayment (which could allow some graduates to find better jobs). [Grade: 1/10](#)

**Overall Grade: 3/30**

#### **D. Reform Federal Work Study**

The Federal Work Study program (FWS) provides \$1.1 billion in wage subsidies to students at 3,400 colleges and universities. Current rules favor on-campus employment in jobs that have nothing to do with a student's program of study or career goals. (Earlier this year, there was a [dust-up](#) over low-income Harvard students cleaning toilets.) Less than 0.1% of FWS students are employed off-campus in private sector businesses. The Trump Administration has urged Congress to [reform FWS](#) to change the rules to support relevant, career-advancing employment, not just on-campus jobs as a means of financial aid (and a federally subsidized payroll for custodial and dining services).

#### ***Does it Reduce Education Friction?***

An effective FWS program would require participating postsecondary institutions to engage with employers, thereby increasing student confidence in employment outcomes.

This also has the potential to help more students pay college costs. [Grade: 7/10](#)

#### ***Does it Reduce Hiring Friction?***

Many participating employers would be seeking to hire graduates. FWS has the potential to become a primary way of allowing employers to try before they buy. [Grade: 8/10](#)

#### ***Could it Help Millions Get Better Jobs?***

This proposal only reaches 600,000 low-income students, though that number could be expanded. [Grade: 5/10](#)

**Overall Grade: 20/30**

#### **E. Short-Term Pell**

Pell Grants are currently limited to programs that are the equivalent of two-thirds of an academic year (600 clock hours/16 credit hours). The Trump Administration has proposed [expanding Pell eligibility](#) to "high-quality, short-term programs that provide students with a credential, certification, or license in a high demand field." While many Democrats support some form of short-term Pell, they would exclude all for-profit providers, which would significantly limit the range of eligible programs.

#### ***Does it Reduce Education Friction?***

What's not to like about faster and cheaper programs that lead directly to good jobs? Assuming providers are on the level (a major assumption), short-term Pell has the potential to reduce the cost, time, and uncertainty about employment outcomes. [Grade: 8/10](#)

#### ***Does it Reduce Hiring Friction?***

As with ISAs, short-term Pell Grants would accelerate the growth of alternatives to college, many of which currently do much more to reduce Hiring Friction than colleges and universities. [Grade: 8/10](#)

***Could it Help Millions Get Better Jobs?***

Probably very helpful, although mitigated by potential abuses if for-profit providers are included. If for-profit providers are excluded, short-term Pell will have less reach and impact.

Grade: 5/10

**Overall Grade: 21/30**

**III. DEMOCRATIC POLICY IDEAS****A. Protecting Borrowers from Unscrupulous Lenders**

Many Democrats want to reinstitute an Obama-era rule offering debt relief if student loans were made based on fraudulent, misleading, or illegal acts by postsecondary institutions. The rule established a process for debt forgiveness that was automatic if the school closed, and expedited if schools were found to have made false promises about career prospects. Under the new Trump Administration rules, the burden on students seeking debt forgiveness is significantly higher.

***Does it Reduce Education Friction?***

This idea has some potential to increase consumer confidence in employment claims made by Title IV-eligible institutions, which could conceivably increase confidence in employment outcomes. It also marginally reduces financial friction. Grade: 3/10

***Does it Reduce Hiring Friction?***

Not directly, although colleges and universities would be incentivized to do more to help graduates get better jobs. Grade: 1/10

***Could it Help Millions Get Better Jobs?***

Perhaps, but it's hard to see this helps employment at scale. Grade: 1/10

**Overall Grade: 5/30**

**B. Gainful Employment**

Democrats also want to reinstitute another Obama-era rule [repealed](#) by Trump Administration that based program-level eligibility for Title IV funding on defined student debt-to-earnings ratios. The rule applied to all programs at for-profit universities, but only non-degree programs at traditional colleges and universities. Gainful Employment was a version of the Republican push to require accreditors to focus on student outcomes that was simultaneously more and less targeted: targeted to curtail for-profit universities, and less targeted in basing eligibility on broad ratios rather than borrowers' actual progress repaying their student loan debt.

***Does it Reduce Education Friction?***

While many of the for-profit programs that failed Gainful Employment have already closed, Gainful Employment written into a reauthorized HEA would probably result in the closure of [hundreds of additional for-profit programs](#) that fail to achieve positive employment outcomes. As such, it could bolster student confidence in employment outcomes amongst students enrolling in for-profit colleges. In addition, for-profit colleges would be required to consider whether programs take too long or cost too much, which could reduce Education Friction along these dimensions as well. But the rule's impact would be limited to for-profit colleges.

Grade: 4/10

***Does it Reduce Hiring Friction?***

Not directly, although colleges and universities would be incentivized to do more to help graduates get better jobs. Grade: 1/10

***Could it Help Millions Get Better Jobs?***

Reinstating the rule would reduce poor employment outcomes at for-profit colleges.

But the effect likely would be limited because many of these programs have already closed.

Grade: 3/10

**Overall Grade: 8/30**

### C. Revive the 85/15 Formula

Currently, for-profit colleges and universities must generate at least 10% of their revenue from non-Title IV sources (i.e.). Veterans Administration (VA) funding counts towards reaching the 10% threshold. Democrats have proposed closing this loophole by returning the requisite non-Title IV percentage to 15% (which it was prior to 1998), and – more pertinently – allocating all federal government funds (including from the VA) to the 85%.

#### *Does it Reduce Education Friction?*

As with Gainful Employment, this proposal would probably result in the closure of [hundreds of additional for-profit colleges](#), or limit the ability of these institutions to enroll students utilizing federal funds. But it wouldn't materially reduce Education Friction. Grade: 0/10

Does it Reduce Hiring Friction? No. Grade: 0/10

#### *Could it Help Millions Get Better Jobs?*

This idea would reduce poor employment outcomes at some for-profit colleges, although many of these programs have already closed or been downsized. Grade: 3/10

**Overall Grade: 3/30**

### D. Expanding College Access

Various [Democratic proposals](#) aim at increasing access to colleges and universities by encouraging high school students to earn college credits early (perhaps via dual enrollment programs), and strengthening college access programs that provide services for vulnerable

student populations, such as underrepresented minorities and single parents.

#### *Does it Reduce Education Friction?*

Modestly. Earning college credits in high school via dual enrollment can shorten time to degree by as much as a year. Support services can help alleviate financial risk. Grade: 3/10

#### *Does it Reduce Hiring Friction?*

No. Grade: 0/10

#### *Could it Help Millions Get Better Jobs?*

Improving college access without holding colleges accountable for student outcomes is unlikely to materially improve employment. Grade: 1/10

**Overall Grade: 4/30**

### E. Investing More in College Completion

Various [Democratic proposals](#) including improving remediation, tutoring, counseling, food security, housing, child care – reducing the likelihood that life gets in the way of earning a postsecondary credential.

#### *Does it Reduce Education Friction?*

Few students enroll thinking life will get in the way, so these important supports are unlikely to reduce Education Friction upfront, even if they have the potential to meaningfully increase completion. They could also help alleviate financial risk. Grade: 2/10

#### *Does it Reduce Hiring Friction?*

No. Grade: 0/10

#### *Could it Help Millions Get Better Jobs?*

A material increase in college completion rates could improve employment outcomes for millions currently dropping out without a postsecondary credential. Grade: 3/10

**Overall Grade: 5/30**

## F. “Free” College

Many Democrats are pushing free college proposals, starting with free two-year community college and progressing to free four-year public college. Current tuition and fee revenue at public colleges and universities is [approximately \\$80 billion](#). So assuming the federal government would pay the bill, and assuming enrollment at public institutions would increase (probably at the expense of private colleges and universities), the annual cost could easily be \$100 billion or more (although some of this would be paid by states rather than the federal government). Free college proposals favor public colleges and universities over private universities while doing nothing to inhibit spending or further tuition increases by public colleges and universities. They also tilt public policy even further toward college-bound youth at the expense of the much larger percentage of young Americans (about 70%) who don't graduate from college.

### ***Does it Reduce Education Friction?***

Whatever its other shortcomings, by eliminating tuition free college could significantly reduce Education Friction at public colleges and universities. However, it does nothing to incentivize colleges and universities to achieve better employment outcomes, and rather than speeding completion could encourage public colleges to increase emphasis on longer (higher revenue) degree programs. [Grade: 3/10](#)

### ***Does it Reduce Hiring Friction?***

No, and in fact free tuition could make hiring friction worse by producing higher numbers of graduates with uncertain skills. [Grade: 0/10](#)

### ***Could it Help Millions Get Better Jobs?***

More graduates should mean better employment outcomes overall, but at what cost?

Grade: 1/10

**Overall Grade: 4/30**

## G. Student Debt Forgiveness

Several Democratic presidential candidates have taken a step further and proposed that free college be matched with student debt forgiveness. [Senator Warren's](#) plan would cost \$1.25 trillion over 10 years, and [Senator Sanders'](#) would cost \$2.2 trillion. In addition to the tax increases implied by such heavy costs, debt forgiveness raises serious equity questions. It favors:

- Those who've attended college over those who haven't.
- Those who opted to attend graduate or professional school in the past decade, as they have by far the most student loan debt.
- Those who haven't paid down or paid off loans over those who've worked hard to do so.
- Today's absolved debtors at the expense of tomorrow's – who are unlikely to get a second bite of the apple.

### ***Does it Reduce Education Friction?***

Debt forgiveness is unlikely to have any positive impact on Education Friction unless students somehow believe it's likely to happen again.

[Grade: 1/10](#)

### ***Does it Reduce Hiring Friction?***

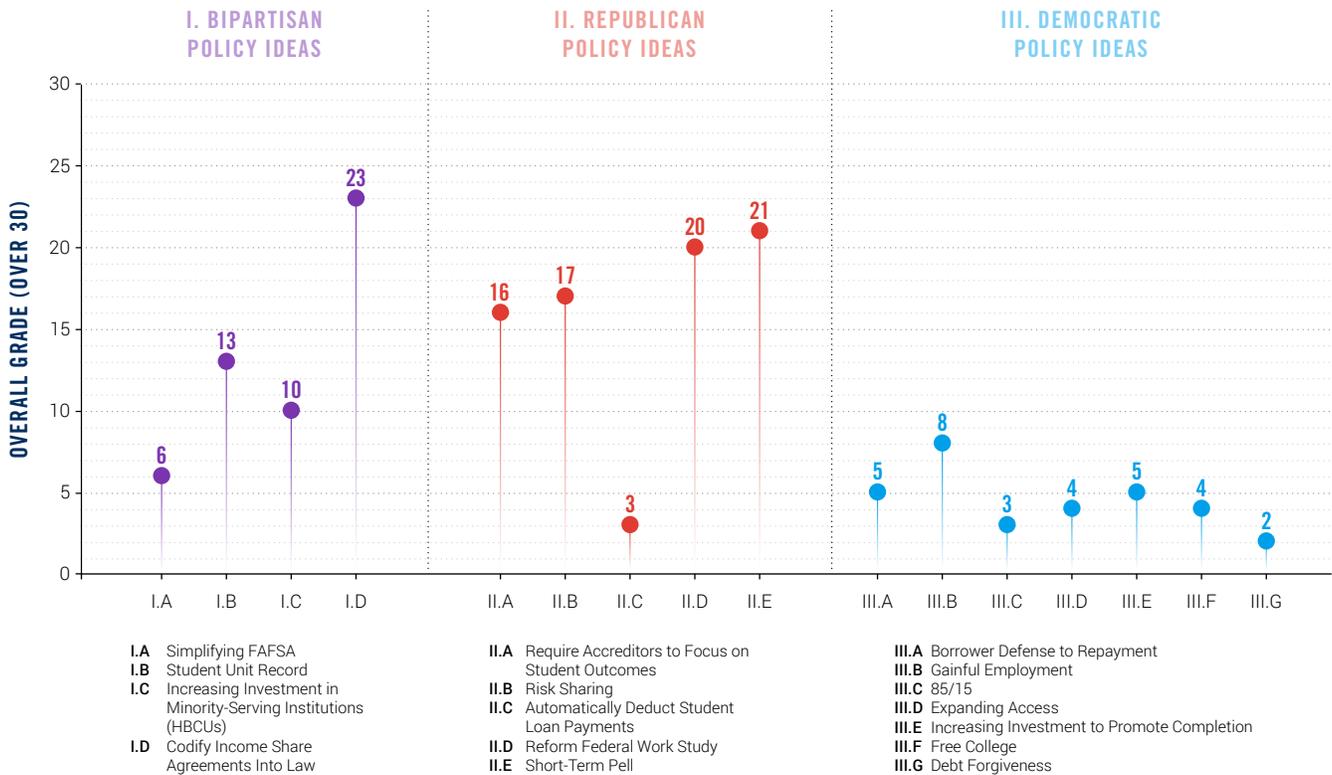
No. [Grade: 0/10](#)

### ***Could it Help Millions Get Better Jobs?***

Its potential reach is very large and could allow some graduates the financial breathing room to find better jobs. However, this effect must be weighed against the exorbitant cost. [Grade: 1/10](#)

**Overall Grade: 2/30**

## EVALUATION OF POLICY IDEAS FOR HEA REAUTHORIZATION



### FRESH IDEAS FOR CLOSING THE SKILLS GAP

As this survey of today's higher education policy landscape shows, neither party has made closing America's skills gap a high priority. Of the top five potentially most impactful policy ideas, four are Republican and one is bipartisan. No Democratic proposals score more than 8/30.

Democrats can chalk it up to Republicans taking a more instrumental view of higher education; that is, that it's all about helping Americans get better jobs. The problem for Democrats is that this view is increasingly the view of the American public. The single biggest change in higher education in the past decade is the percentage of students who say they're enrolling for job, career, or income reasons. Today, in [survey](#) after [survey](#), more than 90 percent of students provide this as the critical reason for going to college – what I call the “employment

imperative.” More and more students don't want to be wowed by star faculty, lazy rivers, or even championship sports teams. They want to be wowed by a good first job.

Part of this change is due to the fact that Generation Z has seen the impact of student loan debt and underemployment on Millennials, a generation that has fallen behind Gen X and Baby Boomers on virtually [every economic metric](#). And part is due to the fact that only 29% of college students are what most people think of when they picture college: 18-22 year-olds attending a four-year college or university on a full-time basis. [Thirty-seven percent of students are over the age of 25](#). Most of the rest are younger students who attend community colleges (45% of all undergraduates). And the vast majority of this majority think of college as

an instrument or pathway to a good first job or a better job.

Given the increasing prominence of the widening skills gap and its implications, Democrats should not allow Republicans to become identified as the party that cares about workforce development and closing America's skills gap, while Democrats become known as the party that cares about the college ideal, colleges, and the (mostly liberal) people who work there. That's why progressives and Democrats urgently need to supplement their college access proposals with fresh ideas for closing the skills gap. What follows are examples that are both innovative and as yet unclaimed by either party.

#### IV. A NEW PROGRESSIVE SKILLS AGENDA

##### A. Upside-Down Degrees / Stackable Credentials

Require Title IV-eligible institutions to restructure degree programs by ensuring that students achieve an industry-recognized credential (i.e., certificate, not "certification") in the first year. This will turn degree programs "upside-down," from general education first to certificate first. BYU-Idaho has shown what's possible with its online offering: [BYU-Pathway Worldwide](#), which starts each degree program with a five-course certificate program so students begin building marketable skills immediately. After the certificate, students complete a second certificate and an associate's degree in year two. Then in years three and four, students complete a third certificate plus general education courses. Every academic department at BYU-Idaho was required to redesign each degree program to this upside-down model.

##### ***Does it Reduce Education Friction?***

Marketable certificates increase student confidence in a positive employment outcome and redefine time to completion (for example,

the relevant period could be after first or second certificate). [Grade: 8/10](#)

##### ***Does it Reduce Hiring Friction?***

This proposal would significantly increase the percentage of students graduating with industry-recognized skills. [Grade: 6/10](#)

##### ***Could it Help Millions Get Better Jobs?***

By mandating that higher education institutions front-load certificates, this idea would better position millions of "graduates" (people who earn both degrees and certificates) for employment.

[Grade: 9/10](#)

**Overall Grade: 23/30**

#### B. Requiring Experiential Learning

Many colleges and universities have invested in experiential learning (co-op) programs in which students earn academic credits for work with employers. But few employers are willing to engage. That's all changing with the rise of new marketplaces that make it easy to connect students and faculty with real jobs offered by real private employers. For example, one new platform – Riipen – incorporates employer projects directly into college and university courses so faculty can choose which projects from which employer to incorporate. HEA could require colleges and universities to do this for a certain percentage of courses.

##### ***Does it Reduce Education Friction?***

Knowing that they'd be completing multiple projects for multiple employers as part of their academic program, students would gain confidence in the employment outcome.

[Grade: 4/10](#)

##### ***Does it Reduce Hiring Friction?***

Experiential learning provides employers opportunity to try out students with real projects before making a hiring decision. [Grade: 9/10](#)

***Could it Help Millions Get Better Jobs?***

Assuming these new platforms continue to scale – and they would if HEA made experiential learning mandatory – there's potential for major impact. [Grade: 9/10](#)

**Overall Grade: 22/30**

**C. Limit Short-Term Pell to Employer/Industry Partnerships**

There is no question that guardrails are needed to achieve bipartisan support for expanding Pell Grants to shorter training programs. Students must be protected from unscrupulous operators more interested in capturing government funding than delivering strong employment outcomes for students. This proposal goes farther than the short-term Pell idea discussed earlier by restricting funding to training programs offered in conjunction with a qualified employer or industry group. For example, Santa Monica College offers a cloud computing certificate program in [partnership with Amazon World Services](#). Defining what constitutes a “qualified” employer/industry group will take work, but this idea has the potential to resolve current disagreements around Short-Term Pell.

***Does it Reduce Education Friction?***

It would provide greater confidence in employment outcomes than Short-Term Pell programs that presently lack connections to private employers. [Grade: 9/10](#)

***Does it Reduce Hiring Friction?***

Yes, because employers would have opportunities to see what students are capable of before permanently hiring them. [Grade: 9/10](#)

***Could it Help Millions Get Better Jobs?***

Given the burgeoning private marketplace for [“last mile” training](#), there's no reason why these new programs wouldn't quickly enroll millions of students. Importantly, this approach does

not distinguish between for-profit and non-profit providers of post-secondary skills, but instead focuses laser-like on outcomes. [Grade: 7/10](#)

**Overall Grade: 25/30**

**D. Paying for Placement**

HEA should provide public funding to postsecondary providers not for delivering educational programs, but for achieving graduate placement into a “good job” (one that is full-time, offers middle income pay and benefits and multiple career paths). Realistically, this would only make sense for shorter Last-Mile Training programs (similar to those being considered for Short-Term Pell). But a new paradigm of paying for placement could have significant ramifications across the postsecondary education landscape. Payment would be over time as new hires persist.

***Does it Reduce Education Friction?***

Almost entirely, because students would have confidence in providers that have “skin in the game” and only get paid for a positive job outcome. It would dramatically increase the number of faster and cheaper upskilling programs. [Grade: 9/10](#)

***Does it Reduce Hiring Friction?***

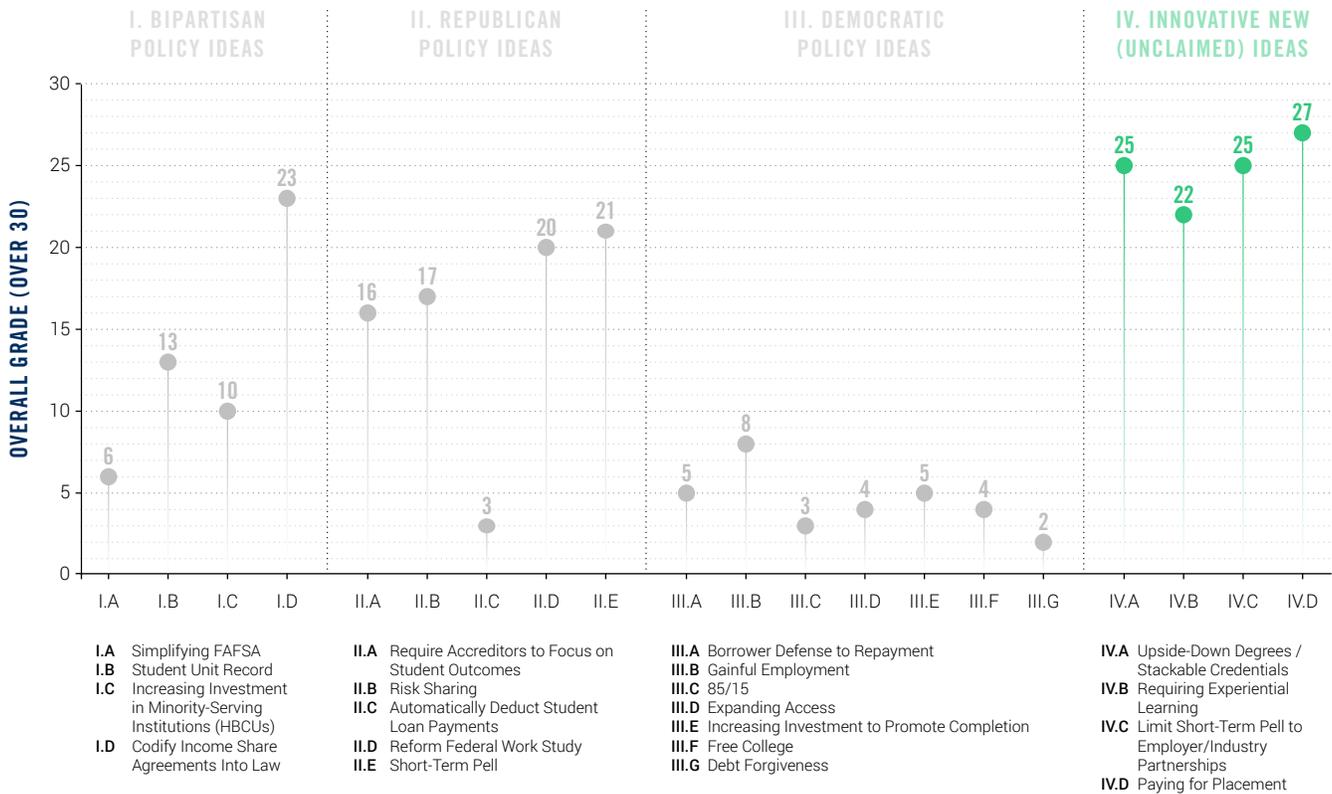
If properly constructed, employers will want to run these themselves (investing in entry-level hiring, thereby changing hiring criteria), and education/training providers will adopt a staffing model, hiring graduates and allowing employer-clients to try before they buy. [Grade: 9/10](#)

***Could it Help Millions Get Better Jobs?***

Paying for job placements has huge potential for launching thousands of new pathways to better jobs. Could serve tens of millions of Americans. [Grade: 9/10](#)

**Overall Grade: 27/30**

EVALUATION WITH NEW (UNCLAIMED) IDEAS



Over the last decade, Republicans and the conservative news media have done an excellent job of propagating the fiction that the Democratic Party is in thrall to coastal elites, all of whom have college degrees, and many of whom live a cloistered life of leisure on college and university campuses, fearful of American values like free speech. Look no further than polls which now demonstrate a [significant majority](#) of self-identified conservatives or Republicans have a negative view of American colleges and universities.

One obvious solution is to hearken back to a proven Democratic strategy. To paraphrase James Carville from President Clinton’s successful 1992 election: “It’s the job, stupid.” There’s no reason Democrats can’t incorporate at least a few of these new unclaimed proposals that have real potential to help narrow America’s skills gap, hopefully showcasing them on par with their existing college access policy ideas. By doing so, Democrats can become the party of workforce development in addition to the party of college. If they can, not only will they help return economic power to their traditional working class base, they’ll have a shot at winning back those voters in 2020 and beyond.

# Appendix

	REDUCES EDUCATION FRICTION?	REDUCES HIRING FRICTION?	HELP MILLIONS GET BETTER JOBS?	OVERALL GRADE
<b>I. BIPARTISAN POLICY IDEAS</b>				
A. SIMPLIFYING FAFSA	4/10	0/10	2/10	6/30
B. STUDENT UNIT RECORD	6/10	0/10	7/10	13/30
C. INCREASING INVESTMENT IN MINORITY-SERVING INSTITUTIONS (HBCUS)	3/10	2/10	5/10	10/30
D. CODIFY INCOME SHARE AGREEMENTS INTO LAW	8/10	6/10	9/10	23/30
<b>II. REPUBLICAN POLICY IDEAS</b>				
A. REQUIRE ACCREDITORS TO FOCUS ON STUDENT OUTCOMES	7/10	1/10	8/10	16/30
B. RISK SHARING	8/10	1/10	8/10	17/30
C. AUTOMATICALLY DEDUCT STUDENT LOAN PAYMENTS	2/10	0/10	1/10	3/30
D. REFORM FEDERAL WORK STUDY	7/10	8/10	5/10	20/30
E. SHORT-TERM PELL	8/10	8/10	5/10	21/30
<b>III. DEMOCRATIC POLICY IDEAS</b>				
A. BORROWER DEFENSE TO REPAYMENT	3/10	1/10	1/10	5/30
B. GAINFUL EMPLOYMENT	4/10	1/10	3/10	8/30
C. 85/15	0/10	0/10	3/10	3/30
D. EXPANDING ACCESS	3/10	0/10	1/10	4/30
E. INCREASING INVESTMENT TO PROMOTE COMPLETION	2/10	0/10	3/10	5/30
F. FREE COLLEGE	3/10	0/10	1/10	4/30
G. DEBT FORGIVENESS	1/10	0/10	1/10	2/30
<b>IV. INNOVATIVE NEW (UNCLAIMED) IDEAS</b>				
A. UPSIDE-DOWN DEGREES / STACKABLE CREDENTIALS	8/10	6/10	9/10	25/30
B. REQUIRING EXPERIENTIAL LEARNING	4/10	9/10	9/10	22/30
C. LIMIT SHORT-TERM PELL TO EMPLOYER/INDUSTRY PARTNERSHIPS	9/10	9/10	7/10	25/30
D. PAYING FOR PLACEMENT	9/10	9/10	9/10	27/30



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The Progressive Policy Institute is a catalyst for policy innovation and political reform based in Washington, D.C. Its mission is to create radically pragmatic ideas for moving America beyond ideological and partisan deadlock.

Founded in 1989, PPI started as the intellectual home of the New Democrats and earned a reputation as President Bill Clinton’s “idea mill.” Many of its mold-breaking ideas have been translated into public policy and law and have influenced international efforts to modernize progressive politics.

Today, PPI is developing fresh proposals for stimulating U.S. economic innovation and growth; equipping all Americans with the skills and assets that social mobility in the knowledge economy requires; modernizing an overly bureaucratic and centralized public sector; and defending liberal democracy in a dangerous world.

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