

Policy Brief

December 2012

Sub-Baccalaureate Credentials: Financial Aid and ‘Bundled’ General Fund Support

At a time when Indiana faces the need to educate its workforce to fill the skills gap, sub-baccalaureate credentials give students the skills necessary to compete for high-demand jobs. This brief discusses what makes credentials valuable and highlights a two-pronged recommendation to unlock their potential for Indiana.

What are Sub-Baccalaureate Credentials?

While various terms are used to describe sub-baccalaureate credentials, they are best understood by the benefits they bring to students, employers and the state. The terms themselves can be slippery: what is known as a ‘one-year certificate’ in one state may be called a ‘diploma’ in another state. Therefore, we use the umbrella term *credential* to encompass sub-categories such as certificates, certifications, apprenticeships and licenses. We use the term ‘sub-baccalaureate’ to indicate that the credential is earned below the four-year degree level.

Beyond the terminology, what is most important about credentials are their economic characteristics, such as:

- the jobs they lead to;
- the wages that can be earned in those jobs;
- whether they are ‘stackable’ to higher postsecondary degree attainment, and;
- whether they are ‘portable’ within a career and lead to industry-recognized exams or state licensures.

The Economic Impact of Credentials

Credentials bring economic benefits to the students who earn them, to employers who increasingly demand them, and to communities and states. High school graduates who earn credentials can earn an average of 20 percent more than those who do not, nearly \$240,000 over a lifetime.¹ If only half of workers with only a high school diploma were to earn a credential, the state would stand to gain over \$316 million in sales and income tax revenue each year. By 2018, there will be 400,000 job openings in Indiana that will require more than just a high school diploma.

Evaluating the Benefits of Credentials

Indiana can use new data and methodology to determine which credentials are most worth investing in. The Indiana Institute for Working Families (Institute), in its recent report *Credentials of Opportunity: Better Jobs, Better Employability and Better Outcomes for Indiana* collected and evaluated data regarding

¹ Certificates: Gateway to Gainful Employment and College Degrees, Georgetown University Center on Education and the Workforce p.18

credentials from each public college in the state. Using this data, we created a rubric and methodology to track the economic benefits each credential offers. Credentials were given a check-mark for each of the following criteria:

- If the credential leads to a job with *entry-level* wages at or above the state median wage, which for 2011 was \$27,618.
- If the credential led to careers with a median wage at that level.
- If the credential leads to a job on the Hoosier Hot 50 Jobs list
- If the credential has built-in pathway to a further post-secondary degree (PSE Pathway)
- If the credential leads to a state license
- If the credential leads to an industry-recognized exam (I-R Exam)

The following is a snapshot of seven credential programs offered throughout the state. In this example, the common factor is that each credential leads to an adequate median wage of \$27,618 or more.

Credentials that lead to adequate median wages:

School	Name of Certificate	Fin Aid Eligible	Hoosier Hot 50	Entry Level Wage	Median Wage	PSE Pathway	State License	I-R exam
Indiana State University	Piano Pedagogy Certificate	No			✓			
Indiana University	Sports Tourism Development CRT	Yes			✓			
IUPUI	Paralegal Studies	Yes	✓		✓	✓		
Ivy Tech	Alternative Fuels Certificate	Yes	✓		✓	✓		
Purdue University	Organizational Leadership	No	✓		✓	✓		
Purdue University North Central	Carpentry	Unknown	✓		✓			
Vincennes University	Tractor-Trailer Driver Training Externship	Yes	✓		✓			

While the majority of Indiana’s credential programs with these benefits are eligible for some form of financial aid, not all are. Our analysis found the following:

- The credentials leading to 62 career paths on the Hoosier Hot 50 list are ***currently not eligible for financial aid.***
- The credentials leading to 37 career paths that pay an adequate entry level wages are ***currently not eligible for financial aid.***
- 98 credentials have a built-in pathway to further post-secondary education but are ***currently not eligible for financial aid.***
- 169 credentials lead to an industry-recognized test for career development but are ***currently not eligible for financial aid.***

Recommendations to Unlock the Potential for Credentials in Indiana

In order to unlock the full economic potential of credentials, the Institute recommends a two-pronged approach for the state to support the most beneficial programs.

Provide Access to Financial Aid for Credentials that lead to Self-Sufficiency

First, we encourage the Indiana Commission for Higher Education to use the methodology outlined above to provide financial aid to credential programs that lead to economic self-sufficiency for students and help employers fill in-demand skilled positions. We find that a single checkmark on our rubric makes a significant case for state investment, as it would lead to an adequate wage, a filled job opening or a career-boosting certification. However, the strongest and most urgent priority must be given to credentials with multiple checkmarks, those that provide multiple benefits to students, employers and the state.

Using this methodology to allow financial aid for credential programs would allow the state to systematically target high-value credential programs for aid while still allowing institutional and regional discretion in the decision-making process. Currently, each school must petition the state Commission on Higher Education to allow aid for each individual program. This is a useful and needed process, especially for programs that may be uniquely valuable to the school, its local community, or a unique economic sector. However, as the current extent of the state’s policy, this individual petition process is unnecessarily cumbersome and, as our data findings show, leaves out too many programs with demonstrated value.

Provide ‘Bundled’ General Fund Support for Non-Credit Workforce Education

Indiana can make up on a lost competitive opportunity by joining the majority of states that provide general fund support for non-credit workforce education programs. These non-credit programs, which often include credential programs, are quickly growing and frequently enroll more students than for-credit programs. Because students in non-credit workforce education are typically older and more driven by the desire to gain valuable skills, Indiana can specifically tailor policies to meet the needs of these students and their future employers.

Indiana can look to a model used by 10 states in which general funds are ‘bundled’ with college discretion, meaning that individual institutions are given the option whether and how to spend the funds on non-credit workforce education. Benefits of this approach include increased access for students though

lower tuition and support for entry-level training. Schools would therefore have the option to use the funds similar to the way traditional financial aid works, or to tailor the use of funds to the specific workforce development needs of the program and its students.

Read the Institute's full report *Credentials of Opportunity: Better Jobs, Better Employment & Better Outcomes for Indiana* at <http://www.incap.org/credentialreport.html>

Policy Brief Made Possible Through Generous Funding From:



FOR MORE INFORMATION, PLEASE CONTACT:

Indiana Institute for Working Families
1845 W. 18th St.
Indianapolis, IN 46202
Phone: 317-638-4232
Web Site: <http://www.incap.org/iwf.html>