



Implementing Workforce Pell

Facilitating Public-Private Partnerships Toward Student Success

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PROGRESSIVE POLICY INSTITUTE
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EXECUTIVE SUMMARY

- Higher education remains an important avenue for individuals to build the skills and knowledge to succeed in careers and create upward economic mobility for themselves and their families. However, rising costs and rapidly evolving workforce needs have made the conventional four-year degree path impractical, and unattainable, for many.
- Over the past two decades, post-secondary institutions have made steady progress to align with labor market demand and the “toolbelt generation’s” preferences. The rise of alternative education options — trade and vocational schools, certificates and badges, and “micro-credential” programs — is helping better prepare Americans for in-demand jobs of today and tomorrow.
- This rethinking of education and training after high school promotes *opportunity pluralism* — the idea that students should have access to many paths to a good job, not just the traditional degree pathway. It integrates rigorous academics, technical skills, practical experience, and professional networks.
- The Workforce Pell Grant program, which was officially launched this year, promises to help more people from more backgrounds access higher education options that meet their learning and career goals. The program’s success will largely depend on implementation, which policymakers and stakeholders alike should help shape.
- Public-private partnerships — which enable schools to draw on the private sector’s expertise and share risk — are critical to both the Workforce Pell’s success and the continued growth of non-traditional learning options.
- Lawmakers should protect these relationships, and thereby empower institutions to continue to innovate and better serve students, by codifying current governing guidance into law, which will eliminate uncertainty and remove the potential for politicization.

INTRODUCTION

Education reformer Horace Mann famously called education the “great equalizer,” and that continues to hold true today.

Higher education remains a pathway to upward economic mobility. Post-secondary degree holders, on average, earn more over their lifetimes than individuals with only a high-school diploma. An analysis by Georgetown University’s Center on Education and the Workforce found that median lifetime earnings increase with every level of education, with bachelor’s degree holders making 75% more than a high school graduate — or about \$1.2 million more during their careers.¹

The benefits of a post-secondary education are not only monetary, either. Research shows that college graduates tend to live healthier and longer lives,² are more likely to be civically engaged,³ marry at higher rates and experience lower levels of divorce,⁴ and even report higher levels of happiness.⁵

However, rising tuition costs and rapidly evolving labor market demands have reshaped the higher education landscape. In 2023, a *Wall Street Journal*-NORC poll found that most Americans (56 percent) no longer believe a conventional four-year college degree is worth the cost.⁶ Another survey last year found over half of hiring managers feel recent graduates are underprepared for the workforce, and eight in ten said a recent grad did not work out at their company in the prior year.⁷

In 2021, the *Harvard Business Review* conceded: the “archaic” four-year degree model of higher education “simply no longer works in our modern world.”⁸ And, with the advent of generative artificial intelligence and large language models, now more than ever practical, career-focused education is more relevant and necessary than ever.

In response to shifting demand, both from employers and students, higher education itself has progressed. Over the past two decades, institutions have added programs intended to better cater to students’ learning and career goals. Between 2002 and 2022, schools added nearly 23,000 academic programs, even as college enrollment fell nearly 20% from 2010 to 2023.¹⁰

Indeed, schools have found they must better align with student and labor market demand, especially as competition and technologies have created more consumer choice. For many Americans, a four-year degree has lost its shine, and institutions can no longer rely on the presumption that high-school graduates will be knocking at their door, as evidence shows. Since 2000, more than 520 colleges have merged or been taken over.¹¹

Much of this recalibration is due to student preferences. *The Wall Street Journal* reported in 2024 that Gen-Z students — what it calls the “toolbelt generation” — is increasingly choosing “trades over college study.” The article cites a survey in which three-quarters of high school- and college-age individuals said they would be interested in vocational schools that offer paid, on-the-job training.¹²

The same year, *Inside Higher Ed* reported that schools are increasingly offering short-term badge and certificate programs to meet demand of the “micro-credential generation” and employers’ expectation of job-ready skills.¹³ Over 70% of college presidents surveyed said they planned to expand such stackable programs to bridge the gap between traditional degrees and workforce needs.

The shift seems to be working. In a separate article this year, *Inside Higher Ed* reported that 87% of graduates who hold micro-credentials secured a job in their field of study within a year, and 83% of employed graduates said having the credentials factored significantly into getting a job.¹⁴

Student attitudes, and schools’ move to accommodate them, reflect changes in the labor market. Softening demand for white-collar jobs, a trend that economists caution could be exacerbated by artificial intelligence automation,¹⁵ has created a challenging outlook for graduates from traditional four-year programs.¹⁶ Meanwhile, skilled-trade careers continue to grow.

A report this year found that demand for general trades, including electricians, welders and construction specialists, grew 30% on average between 2022 and 2026, significantly faster than the broader market.¹⁷ The National Trades Jobs Report projects as many as 1.4 million trade job vacancies by 2030 as labor demand outpaces supply.¹⁸

A report by the James G. Martin Center for Academic Renewal notes employer partnerships are a key driver to “integrate classroom learning with real-world applications” and “move

students from school into the workforce.” A likely necessary step to filling 1.4 million job vacancies. The report cites North Carolina Commerce Department research of public high school graduates from 2000-2014 showing that students who participate in an internship program are 49% less likely to be underemployed after finishing a bachelor’s degree, and North Carolina students who completed an apprentice program earned more and were 13% more likely to be employed a decade after graduation than the comparison group.

Last year, for the first time since the Bureau of Labor Statistics started tracking this metric, the unemployment gap between workers with a bachelor’s degree and those with occupational degrees flipped.²⁰ Unemployment levels among trade workers remained lower than white-collar jobs for six months of the year.²¹

OPPORTUNITY PLURALISM

This democratization of higher education has improved student choice and created greater access to a wider range of degree paths. It is fostering a system that promotes **opportunity pluralism**. Rather than urging a single, standardized route through a specific institution type, this vision is not only pro-education but also pro-mobility, pro-choice, and pro-institutional diversity.

Opportunity pluralism focuses on providing students with not only the knowledge, but also the relationships they need to pursue a range of successful careers. It acknowledges that individuals need tailored educational options to achieve their learning and career goals — that higher education should not be “one-size-fits-all.” And recent data reaffirms that student behaviors have quickly galvanized around this idea.

A survey in January 2022 found only about half (50%) of Gen-Z high school students planned to attend a four-year college, a 20-point decline from less than two years before.²² Nearly a third of respondents preferred a post-secondary experience lasting two years or less.

It's not only students who are questioning the status quo. Parents, employers, educators, and the general public are, too. In the 2022 *Purpose of Education Index* survey, ensuring that "students are prepared to enroll in a college" fell from Americans' 10th-highest priority (out of 57) for K-12 education in 2019 to 47th. The highest priorities were developing practical skills, problem-solving and decision-making, character building, and basic reading, writing, and arithmetic, in that order.²³

Likewise, an American Compass poll found that 85% of parents believe there should be "more educational options available for my child." Families preferred apprenticeships after high school leading to a "valuable credential and a well-paying job" over free college. The report concludes: "Americans want a public education system less focused on college, more focused on preparing people to build decent lives in their communities."²⁴

The rise of trade and vocational schools, certificate programs, training badges, and the host of alternatives to a four-year degree are helping reshape post-secondary education around the principles of opportunity pluralism.

Today, nearly 134,500 institutions offer more than 1.85 million types of unique credentials, supporting some \$2.34 trillion of economic activity.²⁵ Last year alone, 30 states invested a combined \$8.1 billion into short-term, job-

market-aligned programs, a more than 30% increase over the previous year.²⁶ Fall enrollment in undergraduate certificates has risen by 14.7% since 2023, outpacing any other degree path by at least 6.5 points.²⁷

As of this year, more than 19.4 million people are enrolled in an undergraduate or graduate program.²⁸ One in three college students is older than 24, meaning they are more likely to balance work, family, and other responsibilities, which often make conventional four-year, in-person programs impractical.²⁹

THE POLITICAL LANDSCAPE

Recognizing the need for more educational paths aligned with market demand, Washington has responded. The *One Big Beautiful Bill Act*, which was passed by Congress and signed into law last year, established the **Workforce Pell Grant** program. The program provides Pell Grants — need-based federal student aid that is usually not required to be repaid, historically reserved for two- and four-year programs — for high-quality, short-term educational programs.³⁰

Previously, traditional Pell Grants could only be used for programs longer than 15 weeks. Under the expansion of the Workforce Pell program, funding can be used for programs as short as eight weeks. Eligible programs must align with state-defined high-skill, high-wage, or in-demand occupations.³¹

The National Skills Coalition called the creation of the Workforce Pell Grant program "one of the largest shifts in federal higher education policy in decades."³² The Business Roundtable said it is a "powerful step toward building the future-ready talent development system needed to sustain a world-class workforce."³³

“Pell Grants will now reach high-quality, short-term workforce programs in high-skill, high-wage, and in-demand fields,” said Acting Secretary of Labor Keith Sonderling. “This opens doors for Registered Apprenticeships, career and technical education, and targeted-skills training—programs that lead to good-paying jobs, fast.”³⁴

Expanding Pell Grant eligibility will not only make more programming available to students; it also promises to make a post-secondary degree more accessible to low-income families, minorities, first-generation college-goers, and other non-traditional students — populations that, as a whole, have lower enrollment and completion rates at conventional colleges.³⁵

In a 2024 survey, two-thirds of Latino undergraduates said they considered dropping out of college, and about one-third took a leave of absence. Rates were even higher among single parents; 77% considered dropping out, and 44% did.³⁶ A recent Gallup poll found that cost was the third-leading reason students considered stopping their education (behind emotional stress and mental health).³⁷

As All4Ed (formerly the Alliance for Excellent Education) notes, a Pell Grant once covered 80 percent of the cost of a four-year public college, on average. But now, due to rising tuition, it only covers about a third, and the decision to take on student loans has dissuaded many prospective low- and middle-income students from pursuing a degree.³⁸

The Workforce Pell Grant program widens the path to a post-secondary degree by providing eligibility for career-focused education. A 2024 Gallup poll found that Black and Hispanic adults are most likely to have considered a certificate

or associate degree program—about ten points higher than a bachelor’s degree — and nearly six in ten said financial aid is “very important” in their decision of whether to enroll.³⁹

“If implemented properly, expanding Pell Grant access could create new pathways for Americans to gain in-demand skills, increase their earning potential, and access greater economic mobility in today’s economy,” said Representative Robert Scott (D-Va.), ranking member of the House Committee on Education and the Workforce. “We must also ensure the Department provides states with the resources and guidance they need to administer these programs efficiently and effectively to maximize the impact.”⁴⁰

“Workforce Pell is a smart, bipartisan reform rooted in the realities of today’s economy,” Kristoffer Adams, a board member of the Black Legislative Leaders Network, wrote this year. “[The program’s] success will depend entirely on immediate execution—on whether schools can cut through state bureaucracy and secure the tools, partnerships and flexibility they need to deliver results.”⁴¹

IMPLEMENTATION

The success of the Workforce Pell Grant program, and, arguably, by extension, opportunity pluralism in higher education, depends heavily on its implementation.

Workforce Pell was designed with reasonable, yet meaningful, accountability guardrails. To qualify for funding, programs must maintain a 70% completion rate and a 70% job placement rate within 180 days. They must meet an earnings premium benchmark, whereby graduates earn more than the cost of the

program plus 150% of the federal poverty line three years after completion. And they must align with employer hiring needs, provide “industry recognized” credentials, and count towards continued degrees.

The program represents one of the largest structural policy changes in federal financial aid, and much interpretation is left to the states. The National Governors Association noted earlier this year that states are left with “considerable leeway in the details of implementation, giving them an opportunity to ensure that workforce programs work for their residents and drive economic growth.”⁴²

Adding to the task is uncertainty about the program’s funding. The Department of Education projects significant utilization; it estimates about 100,000 recipients during the preliminary years, which could grow to nearly 200,00.⁴³ A Congressional Budget Office (CBO) analysis forecasts that financing those grants could create an \$11.5 billion funding shortfall by next year, which could grow to \$132 billion by 2036.⁴⁴

Education Under Secretary Nicholas Kent acknowledged implementation challenges earlier this year. “We don’t know what the behavioral change will be, which makes costing this out a little bit of an imperfect science at the very beginning.”⁴⁵

Both factors — adoption uncertainty and financing — present obstacles for policymakers, but also schools. And they underscore the importance of public-private partnerships to ensure the Workforce Pell program delivers the educational opportunity intended in a sustainable fashion.

PUBLIC-PRIVATE PARTNERSHIPS

The Workforce Pell program is likely to produce a significant increase in demand for career-education programs. As noted above, the Department of Education predicts about 100,000 beneficiaries in the first years and even more once the program is well established. Meeting that demand will require more programming, which will necessitate not only more student-facing factors, like instruction, but also more scaffolding — administration, operations, and other “blocking-and-tackling” inputs.

Building the infrastructure could strain institutions, which often lack the resources, capacity, and know-how in-house to deploy new programming — a reality that is even more glaring for smaller schools, which many trade and vocational schools are.

As the *Chronicle of Higher Education* reported, many schools “lack the data-tracking and staffing capacity necessary to meet [reporting] requirements quickly.”⁴⁶ It’s reasonable to add that many also lack the operational inputs necessary to launch new programs: design, IT, marketing, employer engagement, and student supports and career counseling, to name only a few.⁴⁷

As an example, the 2023 *Changing Landscape of Online Learning* report found two-thirds of colleges planned to add new online courses, but none had institution-wide adoption of the technologies needed to launch those. Fewer than a quarter said a majority of their faculty was experienced in online coursework design.

In 2024, *Inside Higher Ed* reported that 90% of Hispanic-serving institutions reported “at least one technological or financial challenge”

in providing hybrid courses, and a lack of “IT personnel was a problem for 69% of those institutions.”⁴⁸

Public-private partnerships — arrangements between schools and private sector leaders to develop programming and educational resources — can provide a lifeline to help institutions bridge capability gaps. These “P3s” involvement could largely determine whether Workforce Pell is a success, or whether it creates a bureaucratic mess that could ultimately hurt both schools and the students they serve.

By leveraging the expertise and scalability of the private sector, public-private partnerships help schools adapt to market demands faster than they could on their own. In a survey last year, nearly three-quarters of higher education leaders said public-private partnerships are better equipped than in-house teams to deliver speed, innovation, and specialized expertise.⁴⁹

Ashish Vaidya, former president of Northern Kentucky University, summarized the value of public-private partnerships: These relationships “are paramount to the future of higher education. They deliver new services efficiently, meet vital student interests, respond to local urgencies and leverage assets of different types of institutions around a common purpose.”⁵⁰

Many public-private partnerships are structured around revenue-sharing agreements — an arrangement that allows institutions to offload risk and financial burdens to the third party in exchange for a share of a program’s revenue. Such agreements are a practical means for schools to overcome roadblocks that otherwise might prevent them from introducing new programming.

Estimates show that launching a new academic program costs \$200,000 to \$500,000, on average.⁵¹ Even once created, programs have a high likelihood of *not succeeding*. One study found that 30% of new programs failed within five years, and about half produced fewer than five graduates annually after five years.⁵²

Private partners allow schools to hand off risk and focus their energy and resources where it matters most — on delivering a high-quality education and preparing students with the skills and knowledge they need to succeed in the workforce.

And it’s not only on the administrative side where public-private partnerships add value for institutions. They can also improve the student experience, enriching classroom instruction and providing practical, real-world application. Think a diesel mechanic or an electrician program partnering with local businesses to provide on-the-job training. Many schools are employing exactly that kind of relationship to move instruction beyond the classroom and into the real world.

Likewise, by pulling industry leaders into the fold, schools can better ensure programs are aligned to the labor market — a key qualifier for Workforce Pell Grants. As one expert noted, “colleges have spent decades adding academic programs the way a retailer adds SKUs, stocking the shelves without asking whether anyone wants what’s on them.”⁵³ Partnering with the private sector, schools can tailor education to meet employers’ actual needs, not what they think employers need.

CASE STUDIES

Across the country, institutions are leveraging public-private partnerships to better prepare students, bridging funding gaps to make infrastructure projects possible and creating more access to real-world learning experiences.

In 2024, the National Association of Colleges and Employers (NACE) reported that over two-thirds of graduating college seniors engaged in an internship during their academic career, the highest level in the past six years. This year the internship-to-employment conversion rate exceeded 63%, a nearly 13-point increase over the previous year.⁵⁵

Schools, too, recognize the value of public-private partnerships. A recent *Inside Higher Ed* survey of college presidents found one in five respondents said workforce development and increasing employer partnerships was a key component of rebuilding public trust in higher education.⁵⁶

Laurie Shanderson Evans, former chancellor of Methodist College, explained in the survey, institutions “need to move beyond symbolic employer engagement to true co-ownership of workforce outcomes.”

Across the country, public-private partnerships are taking root, and to good effect. Transformative state-level frameworks are also on the horizon as Ohio explores landmark legislation.

Oklahoma

In Oklahoma, schools, public authorities, and the public sector are working collaboratively to build and expand programs designed to prepare students with job-ready skills. This year, the Oklahoma State Regents for Higher

Education recognized 16 businesses and higher education partnerships that “strengthen the state’s workforce and expand educational opportunities.”⁵⁷

“Partnerships between local businesses and our public colleges and universities strengthen our workforce, benefiting both our state and individual students,” said Chancellor Sean Burrage. These collaborative efforts “drive economic growth, foster innovation, and expand career opportunities for Oklahomans.”

In 2020, the Oklahoma Energy Workforce Consortium launched the Energy Career Cluster, one of 17 concentration areas that connect industries and education to help meet worker demand.⁵⁸ Oklahoma CareerTech, one of the organizations behind the initiative, reports that students in “career cluster” programs had a 94% placement rate in 2024.⁵⁹

Virginia

At Old Dominion University in Virginia, the Monarch Internship and Co-Op Office connects students with paid internship programs. The Office was established in 2023 to support the school’s goal of having all students participate in internships or work-based learning before graduating, which it hopes to achieve by next year.⁶⁰

Virginia recently relaunched the InternshipsVA initiative, a public-private collaboration led by the Virginia Economic Development Partnership. First established in 2019 and revamped this year, the initiative seeks to provide all Virginia post-secondary students with one or more paid internships during their undergrad studies.⁶¹

Funding allocated by the General Assembly allows the Virginia Economic Development Partnership, which administers the program, to provide matching grants of up to \$7,500 to help employers cover costs.⁶²

"Connecting a student early and often to businesses not only helps their social capital and their network, but it also helps their drive to complete their program of study," Lieutenant Governor Ghazala Hashmi said. "Internships level the playing field so that every student, regardless of background or ZIP code, can access the same on-ramps into high-growth careers."

Maine

In Maine, the Harold Alfond Center for the Advancement of Maine's Workforce has a similar goal: to speed the delivery of critical training for workers. Part of the University of Maine, the program provides high-quality, short-term workforce training at a reduced cost. As much as 90% of residents qualify for matching funds, and the initiative aims to reach 100,000 residents by 2030.⁶³

Across the country, schools are leveraging public-private partnerships to enhance student learning, build relationships with employers, deliver real-world experience, and better meet labor market demand. And as many states continue to focus on workforce alignment, these partnerships will continue to become increasingly valuable.

Ohio

In Ohio, policymakers are going a step further, scaling and institutionalizing public-private partnerships through legislation.

The State Legislature recently introduced the *Joining-Opportunities Businesses and Schools (JOBS) Act*. The legislation would establish criteria for "Qualified Education Partnerships," which outline expectations for employers to work with schools. In return, these businesses would be eligible to receive tax credits, both for expenses related to the partnership and for hiring and retaining QEP program graduates.⁶⁴

"This legislation will close the gap between educational institutions and employers," said State Senator Jane Timken, who authored the bill. "By allowing educational institutions and employers to partake in Qualified Education Partnerships, we can ensure Ohio's students have the skills needed to live, work, and thrive in our great state."

The JOBS Act recognizes the important role of revenue sharing to create successful public-private partnerships. The framework and assumptions are underpinned by bundled services, but it is just guidance and should be codified into law by Congress.

NEXT STEPS: CODIFY THE BUNDLED SERVICES RULE

As institutions continue to prioritize market-aligned programs, a trend that will undoubtedly be accelerated by Workforce Pell, public-private partnerships can provide the tools to better equip students for today's modern economy — to fashion higher education around the idea of opportunity pluralism.

However, lawmakers must safeguard these relationships by writing into law clear, practical guidelines and protections, which will eliminate any uncertainty and establish "rules of the road" to ensure accountability and transparency.

In 2011, the Obama administration distributed a “Dear Colleagues” letter, which protected public-private partnerships and built upon long-standing bipartisan support for P3s in higher education, and specifically tuition-sharing agreements, under a “bundled services” rule. The guidance, which remains in effect, was an acknowledgment of schools’ need to freely contract with the private sector in order to keep pace with market forces.

The intent and scope of the Obama administration’s guidance were clear. Ted Mitchell, who, as Under Secretary of Education from 2014 to 2017, led the administration’s accountability efforts, wrote later that the Dear Colleague letter “clearly articulates” what activities should be allowed to engage in revenue sharing and which should not. The guidance “has helped countless students and institutions achieve quality educational outcomes,” he added.⁶⁵

The guidance, however, is not law or regulation. That leaves lingering uncertainty for schools, whose partnership agreements often span years. A real possibility exists that their contracts could be effectively nullified should an administration decide to rewrite the rules.

Such a situation is not a hypothetical. In 2023, the Biden administration issued its own Dear Colleagues letter, which sought to revise its predecessor’s guidance. The proposal — which Representative Virginia Foxx (R-N.C.), chair of the House Committee on Education and the Workforce, called the product of “fringe advocacy groups”⁶⁶ — was ultimately scrapped following overwhelming pushback from schools, experts, and employers.⁶⁷

Lawmakers should eliminate uncertainty and provide confidence to students, institutions, and private sector partners by codifying the Obama administration’s guidance into law. And they should act quickly. As higher education and the platforms that deliver it continue to become more sophisticated, policy changes will only become harder, and more costly, for the higher education sector to adjust to.

CONCLUSION

Higher education has long been, and remains, an avenue for individuals to build the skills and knowledge for the careers they want and to build a better quality of life for themselves and their families. But the rigid four-year degree path is no longer working for many. In response to rapidly evolving workforce demands, students are opting for options that accommodate their circumstances and goals and that provide applicable, real-world training.

This fast-emerging new model promises to support opportunity pluralism — creating multiple student-centered education and training pathways to opportunity. As such, it has immense potential to open the door to more students from more walks of life and strengthen our country’s economy to continue to lead into the future.

The Workforce Pell Grant program represents a groundswell change to the federal student aid system, which can further accelerate progress. But its success is largely dependent on implementation. Schools can’t go it alone. To continue to grow and innovate, they need the ability to partner with the private sector, informed by the appropriate guardrails and best practices to ensure accountability.

Leaders in Washington have an opportunity to provide the certainty the industry needs by codifying the 2011 guidance into law. As recent Congressional action indicates, there is an appetite to do so. Lawmakers should move quickly. Kicking the can down the road will only allow uncertainty to persist, which, in turn, will hold back the full potential of this new era of post-secondary education.

U.S. higher education is on the cusp of historic reformation, which promises to strengthen every corner of our economy. Washington should not let the moment pass.

ABOUT THE AUTHOR

Bruno V. Manno is a senior advisor at the Progressive Policy Institute and a former U.S. Assistant Secretary of Education for Policy. He speaks and writes about the relationship between education, training, career pathways, and opportunity pluralism. He's especially interested in how our education and training organizations, employers, and civic institutions help young people build knowledge, networks, and identity to flourish as workers, citizens, and contributors to their communities.

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