

# Third-Party Credentialing for Higher Education

By Michael B. Horn

July 2020

## Key Points

- As conservatives create space for innovation in higher education, they should be wary of simply writing a blank check to new programs absent some accountability around the value delivered.
- The federal government should foster greater accountability by supporting third-party credentialing entities that validate industry-valued skills.
- Federal and state governments could then pay institutions as students demonstrate mastery on valid and reliable assessments that third-party bodies oversee.

As conservatives consider ways to crash through the growing choke hold that college degrees have held in employers' hiring processes, one idea that has gained currency is allowing federal student aid to follow students to unaccredited providers of education.<sup>1</sup> Conservatives have also shown interest in funding competency-based programs—in which students earn credentials for exhibiting mastery of knowledge and skills, not because of the time they attend an institution.

Even as they create space for innovation in higher education, conservatives should be wary of simply writing a blank check to new entities and programs absent some accountability around the value delivered.

Accreditation—today's answer for traditional colleges and universities—is a poor model to extend to unaccredited providers for two reasons. First, accreditors focus on inputs, such as the pedigree of who teaches students, instead of value in assessing the quality of an institution. Second, accreditors suffer from a conflict of interest because they are membership organizations that act as gatekeepers

to the federal financial aid their members are eligible to receive.

There is another accountability mechanism also worth trying that could gain broader support as a discreet part of the higher education system. The federal government should foster a parallel higher education system by supporting third-party credentialing entities that validate industry-valued skills.

In such a world, institutions would no longer be the sole gatekeepers of credentials. The federal and state governments could pay institutions as students demonstrate mastery on valid and reliable assessments that third-party bodies oversee, which would help clarify the debates about whether learning at one institution is equivalent to that at another. This would in turn shift parts of higher education to a true competency-based learning system in which payment is untethered from inputs such as time and the credit hour, unlike today's versions of competency-based learning in higher education. And it would allow institutions to charge—and governments to pay—based on verifiable

outcomes. This idea would *not* have the federal government mandating a certain set of federal tests, a practice that would allow the federal government to dictate what is taught and learned in higher education.

Rather, the federal government would entrust third-party bodies that oversee assessments—rather than degree-conferring institutions—with real currency with employers. For example, to become a chartered financial analyst (CFA), a meaningful credential in the financial services industry, students must pass a series of three CFA exams. The CFA Institute, a nonprofit association of investment professionals that measures and certifies financial analysts' competence and integrity, administers these exams.

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Conservatives should seek to offer a parallel path to Title IV federal aid funds that colleges and other institutions can opt in to.

Today, the Department of Education doesn't pay the fees associated with taking this exam, and the programs that offer support for passing it—such as Wiley, Kaplan Schweser, and the Princeton Review—don't receive federal financial aid. But the government could begin funding entities that, rather than certifying seat time, offer proof of mastery of a basket of industry-valued competencies and skills.

Similarly, an entity like Pathstream, which offers programs to help students learn digital skills in offerings such as Facebook digital marketing, Unity immersive design, and Salesforce administration—all programs with a certificate and associated assessment that Pathstream itself does not administer—could be paid directly when its students demonstrate mastery on the assessments that have real currency in the labor market beyond the employers that oversee them.

Importantly, the conservative path should not seek to overhaul the entire credit-hour and accreditation-guarded financing system. Instead, conservatives should seek to offer a parallel path to Title IV federal aid funds that colleges and other institutions can opt in to.

In such a system, providers could still set their own prices, and students could use federal financial aid dollars—a mix of Pell Grants and loans—to choose where they enrolled. But full payment would be withheld until a student demonstrated mastery on the external assessment.

To usher in a new era of constructive innovation in higher education, students would ideally not only need a transparent view into what skills they must master to earn a certificate but also be able to take the dollars to a wide array of providers they determine could help them. Programs could produce audited quality assurance reports based on standards around learning outcomes<sup>2</sup> as denoted by passing rates, the percentage of students completing and time to completion, placement and return on investment, and retrospective student satisfaction, among other data to help students make sound decisions about where to enroll.

To facilitate a diverse array of innovative providers from which students could choose, the third-party certification organizations must not act akin to traditional licensing bodies. That is, they must not prescribe the inputs that learners must possess to gain a credential, but focus only on mastery. For example, in legal education today, most state bar licensing authorities require applicants for the bar examination to have a JD from an American Bar Association-accredited law school upon completion of three years of legal education. Health care credentialing bodies specify similar requirements. These sorts of requirements should be abandoned. When there is clarity about outcomes and an ability to know that students have achieved mastery on valid and reliable assessments that are not reductive, then we create opportunities for endless innovation in delivery because delivery doesn't have to be debated, only proved.

As society navigates the current uncertainty caused by a pandemic and the resulting recession, the federal government should not simply support traditional higher education institutions and preserve the status quo during this crisis. It should go beyond by working to establish a more learner-centered future. That means not only opening up federal financial aid to new forms of postsecondary education but also ensuring there's value for individuals and taxpayers as it does so.

## About the Author

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*The opinions expressed in this publication are those of the author. They do not purport to reflect the opinions or views of AEI or the series coordinator, Frederick M. Hess.*

## Notes

1. Frederick M. Hess, “The Next Conservative Education Agenda,” *National Affairs*, Spring 2020, <https://www.nationalaffairs.com/publications/detail/the-next-conservative-education-agenda>.
2. Entangled Solutions, “Education Quality Outcomes Standards (EQOS),” <https://www.educationqa.org/>.

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