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# A letter that transforms: a look at the Pell Letter initiative

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“In a 21st-century economy where the most valuable skill you can sell is your knowledge, education is the single best bet we can make not just for our individual success, but for the success of the nation as a whole.” These words were uttered by then-president Barack Obama in May 2009, reflecting his administration’s commitment to promoting educational opportunities. That same month, the U.S. government introduced the “Pell Letter” initiative, a program designed to increase postsecondary training among unemployment insurance (UI) recipients. In a recently published study, “A letter and encouragement: does information increase postsecondary enrollment of UI recipients?” (*American Economic Journal: Economic Policy*, vol. 10, no. 3, August 2018), economists Andrew Barr and Sarah Turner examine whether the program made UI recipients more likely to pursue new training.

In May 2009, the U.S. Departments of Labor and Education issued guidelines encouraging states to inform UI recipients about their eligibility for federal funding of postsecondary training. In line with that guidance, states sent UI recipients a Pell Letter, which included information about the Pell Grant and other training opportunities. Specifically, the letter stated that UI recipients did not to have to report their benefits as income when applying for federal financial aid. (In other words, UI recipients were treated as having zero income, thereby increasing the amount they could expect to receive in financial aid.) The letter also provided contact information for resources helpful to students seeking financial aid.

The primary data source for this study was the 2008 Survey of Income and Program Participation (SIPP), a survey of school enrollment, employment, and earnings that contains information on the timing of UI receipt. By isolating respondents ages 20 to 40 who had not been enrolled in a postsecondary training program prior to collecting UI benefits, Barr and Turner found that Pell Letter recipients were about 40 percent more likely to enroll than those who had not received a Pell Letter. The effects were larger for women and more pronounced for Blacks and those with lower baseline earnings. In addition, the effects were larger in states where labor market conditions were worse and during months in which conditions were least favorable to jobseekers. The authors found similar results when they looked at datasets outside of SIPP: specifically, the Department of Labor’s Benefit Accuracy Measurement survey and the Department of Education’s Free Application for Federal Student Aid filings.

Barr and Turner conclude that because the Pell Letter initiative disproportionately increased enrollment for those most vulnerable to poor labor market conditions, unequal access to information about the Pell Grant program may contribute to income inequality. Their broad takeaway is that information-access policies, like the Pell Letter initiative, are likely to be most helpful to those for whom the opportunity cost of pursuing postsecondary education is relatively low (that is, those already out of work, in situations where the prevailing conditions make finding a new job difficult or less rewarding than pursuing new training opportunities).