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THE KEY: INSIDE HIGHER ED

EP. 56: A NEW PATHWAY FOR WORKING ADULTS?

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DOUG LEDERMAN: Hello, and welcome to this week's episode of The Key, Inside Higher Ed's news and analysis podcast. I'm Doug Lederman, editor and cofounder of Inside Higher Ed. Thanks for joining me today.

In the last few year, educators and policy makers have started paying a lot more attention to the tens of millions of American adults without a degree. There are a variety of reasons why. Employers need more skilled workers. Colleges need more students because the number of high school graduates is flattening and shrinking in many parts of the country. And, oh yes, it's the right thing to do because these people are far likelier than other Americans to be in poverty, they're disproportionately Black and Latinx, and they need more education and training so they can support their families. A wide range of providers are positioning themselves to educate and train these learners. Community colleges and a growing number of nonprofit and for-profit universities are intensifying their efforts. Companies like Amazon, Google, and others are investing in their own programs with and without colleges, and an almost endless array of startups funded by investors seeing a new market by creating shorter, less expensive programs aimed at getting people into well paying jobs fast and without significant time out of the workforce.

Today's episode explores another approach to serving working adults, one that doesn't quite fit into any of the categories I just described. Merit American is a nonprofit organization that connects adults to

short-term certification programs and to professional coaches to help them move quickly into high demand jobs like IT support and data analytics. It's co-CEOs Rebecca Taber Staehelin and Connor Diemand-Yauman join The Key today to talk about their work and how it fits into the larger landscape for working adults. They'll discuss their unusual mix of corporate and philanthropic funding, how they think training providers like them should be judged, and how they plan to go from about 1500 learners this year to 10,000, and ultimately 100,000.

Before we start, here's a message from the ECMC Foundation, sponsor of this week's episode of The Key.

VOICE: This episode of The Key is sponsored by the ECMC Foundation, which supports building a postsecondary education system that works for all learners through its grant-making focus areas of college success and career-readiness.

DOUG LEDERMAN: Here's my conversation with Rebecca Taber Staehelin and Connor Diemand-Yauman. Rebecca and Connor, welcome to The Key and thanks for being here.

CONNOR DIEMAND-YAUMAN: Thanks for having us.

DOUG LEDERMAN: Can you give us the elevator pitch of what Merit America does, and the problem, or situation, or environment that you created it to address?

REBECCA TABER STAEHELIN: Great. Well, we think it's helpful to start with a story of the type of person that we work with. I want to tell you about Jamal, who's someone I met just a few months ago. Jamal graduated from high school and went to college, but he dropped out when it become too expensive to manage all of the various fees in school and work. He now works full time in a coffee shop, earning about $26,000 each year. He's hardworking and talented. He wants a real career that's fulfilling, that he can support a family on, but he doesn't have the time or money to go back to school, or even take off from work and participate in many of the full-time training programs.

And so what we say, if you were Jamal tomorrow, what would you do, if you wanted to go from low-wage work to a great new career, what would you do? And unfortunately, in the country we don't have a clear answer for what someone like that should do, even though there are over 53 million

working adults just like Jamal, disproportionately Black and Latinx, who are really study in low-wage work just like him.

CONNOR DIEMAND-YAUMAN: And we founded Merit America to be that pathway for folks like Jamal. At Merit America, we're building a ladder from low-wage work to in-demand careers. And if you look at our model compared to others in the space, we're unique in two main ways.

So first is that are designed for working adults, folks like Jamal, who need to balance learning with work, childcare, global pandemics, the zombie apocalypse, anything that life will throw at them. And the second is that we're built to scale. From our founding, we designed a direct service model that could scale without requiring major design changes, because we say so many programs that had incredible promise, but had no reliable, realistic way to get above, you know, 1000 learners per year, and we're excited actually to share that we recently passed our 1000 learner mark, and we're on track to serve close to 1500 this year alone. And the majority of our graduates in our program secure new careers in six months, moving from an average preprogram salary of around $23,000 to an average post-program salary of around $49,000, often doubling their income. And we're really excited, because this wage gain that we use to measure our success doesn't even capture the value of benefits and advancement opportunities for these workers, as well as what happens to someone's family and their community when they start earning a living wage.

DOUG LEDERMAN: To get specific, what is it that you're actually delivering to them? What programs are they undertaking and how are you supporting them?

REBECCA TABER STAEHELIN: I think that's a great question we get all the time, because we asked, what are you? Are you an IT trainer? Are you a sales trainer? And when we founded Merit American, the idea would be we are creating a series of pathways for low-wage workers to get into great, upwardly mobile careers. And we're actually agnostic as to what those content areas are. So we started with IT. We have a Java track, and we recently started sales, and we are adding data analytics. And we choose the tracks that we prepare members for based on our analysis of tens of millions of job postings using Burning Glass data, to understand where there are great jobs that pay above living wage, that have upward mobility, and where there is not a hard and fast requirement for a college degree, so that someone who doesn't have a four-year degree but does have the right skills can secure those jobs and thrive.

And then the way that we do it, once we've first mapped backwards to what are the in-demand jobs where we can create efficient, fast and focused pathways, what we do really is combine best-in-class

online learning, curating the great online certificates that are out there from partners like Google, hosted on Coursera, Tech Elevator, a suite of best-in-class online learning providers. But then we couple that with really intensive professional coaching, best-in-class coaching and community support, to really make online learning work for a population that it historically failed in the past.

CONNOR DIEMAND-YAUMAN: It's really important to us that our curriculum and our product is as dynamic as the labor-market that our learners are going to be entering. And that means that we are agnostic to what we teach as long as it's achieving the outcomes that our learners need to start a new career.

DOUG LEDERMAN: I'm glad you clarified Rebecca's use of the work agnostic, because one could hear that and think that you mean that you don't really care what students are studying. I'm pretty sure that's not what you meant. And one of the critiques of many traditional programs and alterative providers is that there isn't enough quality control and assurance that the programs will provide value. It seems like you're being open and maybe expansive in terms of the kinds of careers you prepare learners for. You're agnostic in that way, but still being rigorous about which ones you're putting your stamp behind and pointing learners to to make sure that they're taking learnings where they want to go.

REBECCA TABER STAEHELIN: Exactly. So we are agnostic when we set out to select that tracks that we're going to offer. And we intend and currently do refresh that every one to two years to make sure we're tightly aligned to what we're seeing in the labor market. But once we do that process, we are very tight on these are the opportunities right now that are in demand. They have the volume of opportunities. They have right match to a program like Merit America. They really provide that first step on a ladder that can keep you growing over time, and that's all that we offer our students. So we actually get asked sometimes, so, can I take XYZ? And, no, we only are offering a very specific set of curated tracks.

DOUG LEDERMAN: To what extent do you see Merit America as an alternative to a traditional offering from a traditional institution, versus a near-term better choice that might lead to something, a larger degree, a larger credential down the road, as a supplement to? How do you tend to think about it and what gaps are you trying to fill?

CONNOR DIEMAND-YAUMAN: We very much see ourselves as a complement to higher education, and we've been really excited to explore different pilots with community colleges and four-year institutions to figure out how we can support in this work of helping students get into good work. And it's a big, meaty challenge. And there are different needs for different learners. And especially when you're

working at a community level, I think it can be difficult to place the entire burden of training, upscaling, and placing learners through these institutions without community support. And that's where we come in. You know, we're in active conversations with community colleges right now and figuring out ways that we can be that last mile support, help with that job placement. But then also reach out into the community and support working adults who have been displaced by the pandemic with our program. And so we absolutely see ourselves as complementary. And the conversations we've had to date, we have really tightly aligned goals with these institutions.

REBECCA TABER STAEHELIN: We have some learners for whom this is very much their alterative to higher ed. We got, the vast majority of our learners have tried higher ed and it hasn't worked for them. They've left with debt and no degree. And so for them, this is something that's really designed to meet them where they are. It's fast, it's flexible, it works while they work. They have no intention of ever going and getting that degree. All they want is the better paycheck and the better job. Then we have other learners who maybe never stated higher ed or they did start and stop, and they see this as a way to reignite their learning and their higher education pathways. They're not yet ready to commit to going back and earning a degree, and they do need that economic stability of being in a better job before they can do so. But Merit America is, again, a rung, not a ladder, that they will take advantage of our articulation partnerships to earn credit and continue making progress towards a degree.

DOUG LEDERMAN: For the learners of yours who have not succeeded or have stopped out, or opted out of a traditional institution, what do you tend to find to be the reasons, and what does that tell you about where the sort of the community colleges and other institutions that strive to do some of what you're doing are struggling and falling short?

REBECCA TABER STAEHELIN: Everything that we hear from our learners, the vast majority, it comes down to money. It comes down to the fact that higher education was too expensive in terms of actual costs and fees, or the opportunity costs of not working while in school. And then to some extent, couple that with not really being convinced that time put in and that loss of money on the frontend is going to result in it. So the actual money, the opportunity costs, and then the lack of clarity around the value and the return that you're going to see. And actually, the vast majority of our learners I would say made a very educated decision. They weren't going to institutions that have a proven track record do delivering value for the time and money spent. And not because they're not talented, but because they were unfortunately born into circumstances where they didn't have access to the types of education opportunities that you do when are born into a family with wealth.

And so what we talk about all the time is we have a system now that says, if you want a great career,

you need a college degree. But we know all the data says the folks who are most likely to get a college degree are those who are born into wealth. So we've covered over the fact that, as Brookings Institute said, higher education should be the great equalizer, but in many ways has become the great stratifier. And we have... I think Georgetown Center, Education and Workforce showed that over half a million high school students each year who graduate in the top half of their class but will never go on to earn a college degree because of those challenges. And so we're not talking about folks who aren't academically talented, folks who aren't hard working, we're talking about people who have been failed by a system that was set up to reward wealth over merit.

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VOICE: This episode of The Key is sponsored by the ECMC Foundation, which supports building a postsecondary education system that works for all learners through its grant-making focus areas of college success and career-readiness.

DOUG LEDERMAN: We're speaking today with Rebecca Taber Staehelin and Connor Diemand-Yauman, co-CEOs of Merit America.

There are lots of entities, be they nonprofit organizations, for-profit providers, boot camps, all sorts of entities that are identifying this population of working learners, those with some college, no degree, and the sort of need to help people get skills faster, cheaper, etc., a lot of entities targeting that job. And there's obviously a lot of capacity, the 50 million figure that you cited. But how do you most differentiate yourself from some of those others, and what do you think our listeners should be thinking about as they're looking at the landscape and wondering who to either bet on, or who to feel good about?

REBECCA TABER STAEHELIN: We have three pillars for our work, which we hope to see across the system at large but we think in many ways really differentiates Merit America. And those are impact, scale, and sustainability. And so in terms of impact, what we think differentiates us is laser focus on programs that work for people who work. So the field actually looks super-crowded. I agree there are all these various training providers out and about. But if you double-click and you look at that actual details of how they work, very few of them are designed for working adults. Almost all of them are full-time programs that require you to quit your job and commit many months or years in order to go through those programs. And that's again where we hear that our participants don't have the time or the money, either to pay for the or the opportunity cost of not working, to go through those programs. So that's on impact.

And we then measure our impact based with this laser focus on the wage gains that we are driving for our graduates, both in an immediate few jobs they secure right after our program, and then over time with a five-year time horizon. As Connor shared, we're already seeing these incredible wage gains where folks are going from starting salaries in the 20 K range, which is very typical of the working poor in our country right now, and ending in the 40 K range. And that's just a one year starting salary in jobs that have opportunities for growth and benefits, and all sorts of secondary impacts once they're in them.

CONNOR DIEMAND-YAUMAN: Yeah, absolutely. And I also want to build on that first point around outcome measurement, because that is a real differentiator from us from other providers, I would say both for-profits, nonprofits, universities, other service providers, other for-profit universities or boot camps. I mean at the end of the day, many of them have phenomenal models. Many of them really care about student success, and yet they have investors. They need to meet their bottom line, and that will always pose a conflict at the end of the day. No matter how you dress it up, they care about that balance sheet. Nonprofits, many other nonprofits and universities in this space, they focus on student enrollment. They focus on graduation, right?

And at first glance, these might seem like really powerful aligned metrics, but you talk to the learners, you talk to the working adults, and you ask, what do you actually need? What do you actually care about? They don't care if they get enrolled. They don't care if they get a certain number of credit hours. They often don't even care if they graduate. If you really push on what they care about, they want a better life. They want to be able to support their family. They don't want to have to worry and look behind their shoulder and worry that they're going to lose their jobs and not able to support their kids. And they want to have a career that they can build their lives around.

And so the most transparent accountable metric that we can imagine for that is near-term wage gains. What were you making before our program? What are you making now? And, ideally, for nonprofits, we would love to see more have some sort of efficiency metric. Not only what are the wage gains you're driving, but what are the costs that it took you to drive them? Because if we're driving $20,000 in wage gains, but it cost $50,000 to drive them, we'd probably just be better off just giving that $30,000 or that $50,000 to the learners themselves. But that's impact.

n terms of scale, that is another differentiator that Rebecca mentioned, and that's really tightly linked to that efficiency metric that I said. We have the impact focus and heart of a nonprofit, but we really are running this organization with the efficiency of a for-profit. But if the efficiency is driving towards that near-term wage gain and the social profit. And again, in this space, we think in this sector we can do

much better with the scalability of these programs.

If you add up all of the programs in the United States right now that you mentioned, serving the segment that we are serving, it equals about 100,000 learners per year, 100,000. And there are 53 million working adults in this country who are in jobs without a bachelor's degree, but can't support their families. They're not making a living wage. And so we have to do better. We have to have more sustainable, more scalable models.

And that brings us to the third pillar, sustainability, and it tightly links to the other two. When we think about our sustainability, we need to create a model, a business model that not only is aligned in the best interest of our learners, not only allows us to unapologetically pursue near-term wage gains, but also allows us to sustain ourselves and grow. And this means tapping into a mix of different revenues sources from corporations like Amazon, Mphasis, J.P. Morgan Chase, who are working with us to hire our learners and also working with us to train their incumbent workforce. It requires a learner-centric repayment model that we're happy to talk about and that we're super proud of, and it requires philanthropy. And when you pair that with a relentless focus on lowering costs while maintaining the impact metric that we started to talk about, that's when you start to see the flywheel for growth that we need in this country.

DOUG LEDERMAN: Tell us how learners engage with you, how they afford what you do.

REBECCA TABER STAEHELIN: Our learners pay nothing up front. So the model at Merit America is that you participate with no upfront costs, but you sign what we call a success-sharing agreement, which says that if you get a job earning over a certain salary threshold, and that threshold varies based on the job we're preparing folks for--maybe $40,000, maybe $50,000, usually tightly aligned to what they can expect and what we hear from them they're hoping for coming out of our program. Then you pay back a small monthly fee for 24 months that you're in that job, up to a maximum cap. So for our IT program, which is probably our largest, our bread and butter, that cap is $3900. So you pay nothing to go through the program. If you get a great job and you're in it for two full years, within four years following our program, then you're going to pay a total $3900, it works out to about $163 every month.

And what we love is this was really designed with our learners. We had already started our program when we launched this and we really worked with them to say, what feels fair? What feels like the value you're getting from Merit America, but actually it feels way better than the value you're getting, so it is a very small portion of the wage gain that you're experiencing coming out of our program, and what's

something that's sustainable knowing all the other demands that you have on your life.

And we've just been so delighted that we've seen such great responses from our community. If you actually go and Google Merit American right now, some of the first results that will pop up are, Is Merit America a scam? Because we have thread after thread of folks saying it sounds too good to be true. And truly every graduation speaker we have say now, I was just like you. I thought it was a scam at first. But it really is too good to be true, and we're lucky to be in that position because we are a nonprofit. And so the way we're able to make that work is we are striving to be fully sustainable, but we do have a philanthropic subsidy that allows us to pass on this too-good-to-be-true deal to our learners.

DOUG LEDERMAN: Conner, you said that there are about 100,000 working adult being served by the collection of alternative training providers now. And you all have set yourselves the ambitious goal of hitting that many learners yourselves within the next few years. If you're at, I think you said about 1500 learners this year, how do you get from here to there?

CONNOR DIEMAND-YAUMAN: So our most near-term goal over the next several years is we want to hit 10,000 learners per year. And right now, our focus is on that and we're on track. Last year, after three years we had served around 500 learners. And this year, again, we are going to serve, again, close to 13,000, 15,000 learners in this year alone. We plan to double the year on year to get there. You know, the 10,000 sounds very ambitious, but if you look at our scale trajectory today, it actually feels very doable, and also is very double when you look at the data.

So at the beginning of the interview we talked a little bit about the mountains of research that go into selecting a track and evaluating whether or not there are enough jobs around, and for these different roles. Again, we're talking about it a total addressable market of around 53 million adults. So there's no lack of supply. And this is why, again, we feel that we have to work so closely with the backbone of the American training system, which is higher education. I mean, we, there is... The problem is too large for any one provider, any one system.

If you look on the demand side from employers, we've identified 12 jobs that fit the criteria of Merit America that are within striking range for folks that have a bachelor's degree that can be taught online, that lead to wage gains and economic mobility. And within those 12 jobs, we've found over 3 million job postings, 3 million job postings annually that have the strongest fit with Merit America and the demand. And so when you look through the lens of the 54 million adults in the country, 53 million working adults in the country, and the 3 million job postings, in order to hit this 10,000 mark, which again would make

us one of the largest providers, if not the largest provider serving working adults in this country outside of higher education, we have to capture less than 1 percent of that market. And again, if you look at our trajectory to date, if you look at our costs, it's very doable.

REBECCA TABER STAEHELIN: Just to build on that, so what we did with our very first 15 person alpha pilot, we called it an alpha because it was so early on, not even a beta, the delivery model, this idea of online learning and coaching, and the ratios we use and the cost model is exactly what we're doing now at 1000 people. So we've already 100 X it pretty much. And it's exactly what we will do at 100,000 people. And for those who are alike, okay, just tell us what on earth are you doing. How is it scaling? So really what we're doing is we're offering these short-form programs. There about three to four months long, about 20 hours a week for our participants, but we've experimented with faster and slower program lanes. And through that program, you're getting a best-in-class coach who's working with you and about 30 other students. So you have a 30-to-1 coach-to-learner ratio, that's the best-in-class ratio in our space. You look at high school today. It's 150 to 1. A lot of other programs, community colleges might do 1000 to 1 coach-to-learner ratio. We have that 30-to-1 ratio. That coach with 30 to 35 is working with three cohorts a year, because they're pretty quick. So a given coach can work with 100 learners over the course of a year.

And so for us to be reaching 10,000 learners, it means we need to find, develop, retain and deploy 100 incredible coaches. To get to 100,000 learners, it means 1000 incredible coaches. And today we're only three years old, but when we open up a single coach job opening right now, we'll get over 1000 applicants just for that, because we offer great salary, great benefits, tons of autonomy, and the chance to make a real impact and to see the results of your coaching in a matter of weeks and months, not years. We actually, for those listening to this, have tons of folks who are coming from higher ed, who are coming from being advisers, from adjunct instructors, professors, these folks coming from corporate, from K-12, who really want that autonomous opportunity to coach, coupled with that real tangible impact that they can make in a place like Merit America. So, again, to get to 100,000 learners, the only thing we really need to do, the biggest bottleneck, because we know there are tens of millions of learners who need us, and millions of jobs that are sitting open, is can we are Merit America attract and develop and retain 1000 best-in-class coaches. And we think that's very viable over the next five to ten years.

DOUG LEDERMAN: What could go wrong? What would prevent you from getting where you need to go? You just said hiring, finding the right coaches is one. Are there other things, either internally or externally that could really mess things up?

CONNOR DIEMAND-YAUMAN: Yes, absolutely. [LAUGH] You never think about those, though. No, we think about it all the time...

DOUG LEDERMAN: I'm kidding.... [LAUGHTER]

CONNOR DIEMAND-YAUMAN: We just don't lead with them on an interview. [LAUGH]

DOUG LEDERMAN: Understood.

CONNOR DIEMAND-YAUMAN: You know, I think that, when Rebecca and I talk about in our countless one-on-ones that we have, in the time that we spend together, which eclipses the time that we spend together with our respective husbands, by the way, the number one thing that comes up is people. We have an exceptional team of leaders at the organization right now. And we are planning to double year on year for the next several years to hit our goals, and that means that every, let's say, six months or so we are essentially a new org. We have like shedded the cells of the last body and we are now a new organism. And that kind of growth is exceptionally difficult when you prioritize culture and the quality of talent that we are going after right now.

And so one of the biggest challenges is will we be able to maintain this level of talent at the rate of growth? Will we be able to continually recreate this organism in line with the original vision of what we set out to do at the beginning? And that's really difficult to be able to do that. And I think with that growth and people, there's the questions around can we ensure that our systems processes kind up with the growth as well? So I think that's one big risk that we see.

You know, our model, because we focus at the end of the day, we care about job placements, we care about, and most importantly the wage gains, our model, like all training models, we will to some extent be at the mercy of these macroeconomic trends. And so things like the global pandemic, that really impacts our work, and we have to be poised for those changes. But that could really throw a wrench.

REBECCA TABER STAEHELIN: I think stepping back, one of the things that probably keeps me up at night more anything else is just I do believe Merit American will be successful and we will be reaching 100,000 people each year. What worries me is there's still tens of millions of folks who need opportunities like ours. So we see our role as hopefully having the dual impact of directly impacting over 100,000 people a

year, because there are folks out there who are waiting for interventions like this, are waiting for opportunities like this. And we don't want to let a moment go longer without helping them out, while at the same time getting to a place where we can influence the broader workforce policy and the training landscape, so that we have an ecosystem of programs that work for people who work, and a system that's designed around the underemployed, not just the unemployed, but the underemployed in our country.

DOUG LEDERMAN: So what are the learnings you'd like to see the broader ecosystem embrace?

REBECCA TABER STAEHELIN: Tied to the three pillars we talked about--impact, scale, and sustainability. On impact, we'd love to see the whole system, workforce system move to looking at wage gains, wage gains-driven in the near and long term, less the cost of the intervention to drive those wage gains. So let's really focus on value and efficiency in our space.

On scale, we hope that what we're learning on how we combine technology and touch, tech and coaching can be something that is shared widely and informs other programs, because we see that as the real path to scale. It's being really smart, where you use technology in your model and really smart about what can't be automated and what needs to be that human touch.

And then in terms of sustainability, the idea of new mechanisms that say working learners can go through these programs with no money up front and only pay when they have a successful outcome, that's something we'd love to see across the space at large.

DOUG LEDERMAN: That was Connor Diemand-Yauman and Rebecca Taber Staehelin, co-CEOs of Merit America. Their organization is one of the many players emerging to try to meet the education and training needs of millions of working adults. A lot of people in higher education are suspicious when alternative providers crop up, fearing that they might become competitors who attract would-be learners who would otherwise enroll in community colleges or other institutions that focus on adult learners. It's not an entirely unwarranted worry, but given how great the need is for high quality education and training for this population, I'd much rather see colleges and universities spend their time examining these alternative providers for lessons they might glean from them to serve their own students better. That would be the best way to collectively ensure that the tens of millions of working adults get what they need to provide secure futures for themselves and their families.

That's it for this episode of The Key. Thanks to my guests from Merit America, to the ECMC Foundation for its support, and to you for joining me. I'm Doug Lederman. Until next time, stay well and stay safe.

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