Transcription for

THE KEY: INSIDE HIGHER ED

EP. 44: JUDGING COLLEGES BY THEIR STUDENTS' CAREER OUTCOMES

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DOUG LEDERMAN: Hi, welcome to The Key. I'm Doug Lederman, editor and cofounder of Inside higher Ed. I hope you and your loved ones, like me, are starting to feel the pandemic stranglehold on our lives loosen ever so slightly. We're still a good ways off from anything resembling normal, I think, but it sure feels like the skies are brightening, literally and figuratively.

As graduation season approaches, I've been thinking a lot about the students who will complete college this year and the economy they'll be entering. As painful as it is for many humanist and liberal art advocates like me to admit, the main reason why most students pursue a postsecondary education is to get a good job or improve their chances at career success. So while I think it's a mistake to judge the quality or value of colleges or academic programs exclusively by how their graduates fare economically, it's not illogical for that to be a major part of the equation.

Which leads us to a recent report by Third Way, a think-tank here in DC that champions what it describes as quote "modern center-left ideas." The report looks at how long it takes low-income students at each of 2500 colleges and universities across the US to recoup what they pay out of pocket for their educations. Using this so-called pric-to-earnings premium metric, Third Way finds that more than two-thirds of institutions give their neediest students a return on their investment within 10 years. But at roughly one in five institutions, low-incomes students still earn less than a high school graduate in their state 10 years after they leave college.

On this week's episode of The Key, Michael Itzkowitz of Third Way discusses its analysis and how these date or something similar might be used to help students make decisions about their futures, and by governments and others to judge whether colleges and universities are effectively serving their students. We're also joined by Michelle Van Noy, a researcher at Rutger's University, to talk about the landscape for higher education accountability and the importance of focusing on the outcomes of low-income students in particular for policy-makers and campus leaders as well. Without further delay, on to the interviews...

I'm joined first by Michael Itzkowitz, a senior fellow for higher education at Third Way and author of its price-to-earnings premium analysis. Michael, welcome to The Key.

MICHAEL ITZKOWITZ: Thanks, thanks for having me.

DOUG LEDERMAN: Can you briefly describe why you and Third Way came up with the price-to-earnings premium and what it is?

MICHAEL ITZKOWITZ: So we've been doing research over the past couple of years that looked at the quality and value of institutions across the United States. So we've done numerous studies on this. And one of the things that we were particularly interested in was earnings, and whether or not certain institutions of higher education or college programs actually lead students for further employment and a financially secure future. The main reason that we've looked at this is that we know nowadays through numerous studies, I think the most prominent out of UCLA, is that income, in terms of students, their number one reason for going and pursuing higher education today is to get a decent-paying job, and that allows then for a financially secure future.

So in 2015, the Department of Education started producing earnings data, and we thought that this was really interesting to look at. A couple of years back, we did a study that looked at the percentage of students that were able to earn at least as much as the average high school graduate after they attended an institution of higher education. And one of the things that we found that was just stunning and really surprising is that only 52 percent of institutions led the majority of their students to be able to earn more than the average high school graduate within six years of initial enrollment. And so with that study and other ones that we've done that sort brought this, you know, sprung us to think about how can be better evaluate institutions across the United States, and what are the things that we should take

into account while doing so?

DOUG LEDERMAN: In this most recent report, you apply the price-to-earnings premium to low-income students, and I'm curious, why are they are particularly important group for this kind of analysis?

MICHAEL ITZKOWITZ: Well, we wanted to look at specific groups of students. Within our first report, we looked at all students who had attended an institution of higher education. And then we started to think, we know that there is differences between the type of scholarships and grants that different types of students get. They often times pay a different amount to obtain a credential, even if they attend the same exact institution, and we also know that there's different trajectories for whether or not you come from high or low income backgrounds. So the college scorecard data allowed us to look at these specific groups of students. And the types of students that we focused on were ones that came from family incomes between zero and $30,000. And these are often the students, the heavy, heavy majority will receive Pell grants, and they're often pursing a higher education with the hopes of gaining increased socio-economic mobility. So we wanted to use this as a starting point to figure out whether institutions were actually delivering on that promise.

DOUG LEDERMAN: So tell us a little bit about what you found.

MICHAEL ITZKOWITZ: So the good news is that the majority of institutions that were shown to provide their low-income students with the opportunity to recoup their educational investment really quickly, within five years or less. So that's really, really promising in terms of what higher education can deliver. Even our most vulnerable students, most institutions are delivering on that promise. We also found some troubling results across the spectrum, where we saw over 500 institutions within our sample of 2500 institutions, that were actually leaving their low-income students earning less than the average high school graduate, even 10 years after they initially enrolled. So that sort of raises the question of what kind of value is this group of institutions providing low-income students and are they actually being left off economically after they attend?

DOUG LEDERMAN: What does a metric like this tell us about the performance of individual colleges and universities? Is the institution the right unit of analysis or would it be preferable to look at how individual programs perform, as I've heard some people argue?

MICHAEL ITZKOWITZ: Right now we have very, very limited accountability for how well institutions serve

their students. There is really one main law in place, which is known as the Cohort Default Rate, which was a very well intended and effective law when it first came into place 30 years ago. That law is aimed to measure the amount of students that default on their federal student loans now within three years of leaving the institution. And what we've seen with the cohort default rate is that no one failed this, everyone passes it. There is over 5000 institutions, and miraculously everyone passes it and that schools have learned how to manipulate it, and we've seen that it's just become ineffective over time.

We have the optimistic hope that over the next couple of years that the Congress and administration will start to look at student outcomes a little bit more comprehensively and think about ways to effectively, fairly, and thoroughly update laws. So there needs to be more information in terms of how well institutions are actually serving our students as a supplement or a replacement to the worst case scenario, which is students defaulting on their federal student loans.

DOUG LEDERMAN: The gainful employment system put in place during the Obama Administration was one effort to try to impose accountability beyond the default rate, right? And it focused on programs?

MICHAEL ITZKOWITZ: This rule was made to measure the debt-to-earnings ratio, so students within a particular college program, which were all for-profit programs, but only certificate granting programs at public or private no profit institutions, if they showed the majority of their students with too much debt and too little earnings, they would withhold funding from that specific college program. Now this is really effective in the sense that it's a little bit more easily politically and also to gather institutional support, because if you shut down one low-performing college program, it's not necessarily a death sentence for the entire institution. It's identifying programs that are working well as well as one that aren't working so well. And obviously, if they're leaving students with way too much debt that they can't repay over time, it sort to makes sense to look at a program level, on a program-by-program basis to do that. That was scrapped within the last administration, so there was no more accountability that's placed on programs whatsoever at this point in time. Whether or not they will be reevaluated by the Biden Administration if Congress fails to act, we shall see in the next, you know, year or two.

One thing that the last administration did do, which the Obama Administration actually started, was to produce program-level earnings and debt data. This is fantastic. This is the first time that we've seen this across all programs, not just programs that fell under the gainful employment umbrella. So this is really important because we see that, you know, what we've seen with all of our studies is that while for-profit institutions particularly can have disproportionately poor outcomes in terms of earnings and leaving students with unmanageable debt, we do this spread across different kinds of institutions as well, public and private nonprofits included in those. And from a consumer point of view, it doesn't really matter,

you know, if you're attending whatever institution and you're left with too much debt or you're paying too much for something that doesn't ultimately pay off, you're sort of left in the same circumstance.

So Betsy DeVos and folks at the department have produced program-level earnings data. And what we've seen is that, first they produce it for one year after students graduate, so it's only graduates that included within this cohort of students. What does that do? It leaves out the students who don't graduate. Those students often times makes less, those students are the most likely to default on their loans. So it is leaving out a large swath of students, which does need to be addressed for, and that's what institutional earnings and outcomes can help account for in addition to this program-level data.

DOUG LEDERMAN: How does the approach you and Third Way have taken here compare gainful employment and other ways of measuring postsecondary value or quality?

MICHAEL ITZKOWITZ: So I did mention gainful employment, which specifically looked at the debt that students take out. That's a huge issue today. We're hearing it in every political conversation in different contexts that there's $1.7 trillion in debt for 45 million borrowers. I like this approach a little bit better, because rather than debt, we look at costs. So it's the actual amount the students pay out of pocket to obtain their credential, so it's from a consumer perspective, whether that's through loans or personal finance, this helps us gain a better understanding of whether you're getting a return on investment for the type of credential that you're going for at a specific institution.

So I think that this is sort of a step forward and an alternative approach that addresses some of the concerns with what we've seen through the gainful employment regulation, and that that's a step forward. What this also does is it looks at all institutions rather than leaving out some kind of college programs that the gainful employment regulation did. So if Congress wants to hold really hold all institutions accountable, it does need to look at all institutions of higher education.

DOUG LEDERMAN: How much appetite do you see for the equivalent of, we'll call it for shorthand, for gainful employment for all, even if it's a different metric, but applying true accountability metrics to all institutions rather than just the for-profits. We know this administration is going to pick up the banner that the Obama Administration held and go after the for-profits. But how aggressively do you think it's likely to try and apply that more generally?

MICHAEL ITZKOWITZ: You know, Joe Biden worked in the Senate. He likes working with other people

from both sides of the aisle. We have seen some traction gained for this kind of let's hold all institutions or programs accountable in the past from the Republican side as well. So specifically, the head of the Education Committee in 2019, Lamar Alexander, came out and he actually used the words gainful employment for all. That was super interesting to have that sort of terminology, where he actually meant that we should look at whether or not students are able to pay down one dollar on their federal loans within a couple of years of leaving at specific programs. And if they didn't it, he sort of suggested that same thing, that maybe we shouldn't be funding these specific programs with any specific institutions. I think that on both sides of the aisle, politicians want to make sure that our higher education system is preparing students to enter the 21st century economy.

DOUG LEDERMAN: How did you think about accountability for alterative providers? And there's a live conversation in DC right now about extending the Pell grant to more short-term programs, etc. I'm curious sort of how this analysis sort of opens the door to that conversation, if at all?

MICHAEL ITZKOWITZ: I would say that this analysis makes that door a little bit more shut, and the reason being is that we've just done the analysis, you know, what the government should responsible for is the programs that they oversee and provide federal funding for. Get that extended to more programs, and it's definitely the government's responsibility to ensure that these kinds of programs are leaving students better off.

The closest thing that we can look at is short-term programs and institutions that have historically offered these short-term credentials. And what we found within this analysis was very alarming in terms of institutions that primarily award certificates. We actually saw that half of them leave the average low-income student even earning less 10 years after the initially enrolled within a certificate program.

So let's put this in perspective. Certificate programs typically run now 6 to 18 months. You often times pay less, meaning that your return on investment can be even quicker because you paid less to earn your credential. But if you're not earning as much as a typical high school graduate in your state, it hasn't paid off for you, at least financially and economically. A lot of certificate programs are also focused on students obtaining employment immediately. If you're going to try to become an auto mechanic, you want to become an auto mechanic immediately. Ten years later if you're still earning less than someone who never attended an auto mechanic program, you would say that this, from a financial perspective, these programs are not worth it.

And if you were to expand Pell grants to shorter-term programs that show similar outcomes, I would say

that's a bad return on investment from a federal perspective. And with no stronger laws in place to hold shorter-term programs accountable, you're really just kind of throwing money into the wind and rolling the dice in terms of whether or not this is going to better prepare people to enter, you know, a profession and spur the economy at this point. And it could be a very, very risky and expensive investment for yourself.

DOUG LEDERMAN: So for our audience of mostly of people who work in and around higher education, what do you want the sort of higher education people who might look at this study to think about, and conceivably to do, in response to how their own institution fares?

MICHAEL ITZKOWITZ: So first of all, this makes us think about affordability in comparison to employment. So in terms of where you sort of fall on the scale, you can kind of see, okay, my students are able to, as a whole, whether it be all students or low-income students, due to our price-to-earnings, maybe you can see, you know, we're doing really well, where students are able to recoup their costs in 10 years.

But whether or not, if you feel comfortable with at, as an administrator, you still want to dig deeper and figure out what's working really well for students and what isn't. So I did mention this program-level data that just came out. And when you look at the institution as a whole from an administration perspective, it's really its starting point. When you start to dig into your programs to see whether or not, you know, how much are students paying for this specific program or the amount of debt that they're taking out versus the amount that they earn afterwards, it can really help you identify where students or programs are thriving and where students are just struggling to survive within a few years after they leave the institution.

So I think this provides a really broad starting point within the study that we did. I am specifically looking into program level data, since you mentioned it, so think about a certain, you know, a premium that different programs across the United States and within an institution offer. So I hope when we dig into this a little bit more, it will help illuminate and provide information to administrators that will be really helpful in terms of how well their students are performing within every single program within that institution.

DOUG LEDERMAN: And then presumably, because you broke it down into affordability and employability, you could probably, somebody could work on... There's two levers or two dials you could conceivably play with to make sure...

MICHAEL ITZKOWITZ: You're either paying too much, your students are either paying too much, or they're earning too little, or both.

DOUG LEDERMAN: A lot of... There's eternal debate within policy circles, and then between policy circles and people in that industry like higher education about whether better information is sufficient, or whether translating it into some accountability scheme of some kind is essential. Is good information enough or do we need better forms of accountability also?

MICHAEL ITZKOWITZ: Information is one of the best supplements to accountability that we could possibly have. It is in no way an equal substitute for actually holding institutions or college programs accountable for their students. So in terms of college decision-making, you know, the more information, the better. And sort of the last administration thought that students would eventually vote with their feet, use this information, and be able to figure out which college programs were going to work for them. And what we've seen is that that often times doesn't necessary translate as well as we would like it to within higher education, you know, college decision-making processes.

So it's sort of a federal responsibility to ensure that we are accrediting programs and only proving federal funding for programs that are aimed to make students better off. And if we have information that is actionable that says that they are not, then it is a federal responsibility to shepherd those taxpayer dollars effectively and efficiently.

So I think that we need to continue to make more information available. It think it's helpful for students. I think it's helpful for administrators. I think it's helpful for policy-makers, and we're starting to see this information spread wildly, which is amazing. We weren't really talking about value, you know, 10 years ago in a nuanced way that we are today. So we now have a bunch of data, and a lot of it's actionable, so I think it's really important that continue to provide it to consumers, but also think about ways that we could further shepherd our taxpayer dollars in an effective and efficient manner.

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Next up on The Key is Michelle Van Noy, associate director of the Employment and Research Center at the School of Management and Labor Relations at Rutgers University at New Brunswick.

Michelle, welcome to The Key.

MICHELLE VAN NOY: Thanks for having me today, Doug.

DOUG LEDERMAN: So we just spoke with Michael Itzkowitz from Third Way about the price-to-earnings premium as a tool, both for holding institutions accountable and for giving students information about how well different institutions might position them for a financially secure future. As a researcher who focuses on the links between education and workforce and student decision-making, among other topics, what do you make of efforts like this, and this one in particular?

MICHELLE VAN NOY: One of the things is just to start off with to be mindful of the sort of different potential goals and uses of these kind of data. And the way I see it, there are sort of three different uses, and they're related but they're different. So one is thinking about these data for accountability, right, so holding institutions accountable. Another is about sort of thinking about how you can improve situations, so institutions actually looking at their own data and thinking about how they can do better in their outcomes. And then the third one I see is around sort of transparency and sort of making information available to the public, and to consumers and students.

And so I think that one of issues here is thinking about who is the audience and who is going to consume this data. If the goal is for students to use it and the public to use it, I think there's one thing to keep in mind is that sort of information is one piece of the puzzle. So as you mentioned, I study sort of how people make decisions about schooling and careers, and so what we've learned is that, you know, people use a lot of information and a lot of sources, and a lot of it comes down to sort of trust on relationships and people they know, and experiences they've had. And so information is certainly important and it can be informative to their decisions, but it may not necessarily completely move the needle. So it's important to have that information out there, but we have to sort of recognize the complexity of the process. And then think about how the information is used and how to get it to people so that they can consume it, make sense of it, and integrate it into decision-making.

The other two goals I mentioned, sort of institutional improvement versus accountability, I think can sometimes feel like they're at odds with each other. So an institution that's really thinking about improvement may not want to hang out their dirty laundry and show everybody, and make themselves sort of vulnerable to kind of incentives and also disincentives and punishments for poor performance. And so I think there is a delicate line between thinking about how making these data available can encourage institutional improvement, and at the same time also promoting accountability.

DOUG LEDERMAN: The folks at Third Way believe some metric like the price-to-earnings premium might be a useful addition to our current methods of holding institutions accountable beyond the flawed cohort default rate and the gainful employment system, which has been jettisoned for now and only applies to some college programs anyway. Do you see the metric as potentially useful for accountability purposes?

MICHELLE VAN NOY: Yeah, I think it's a mixed bag. I definitely think, you know, information is certainly helpful and it's good to know which institutions are doing really well and which ones aren't. And I think particularly with the focus on low-income students, that's an important one, because those are important student populations, and particularly when thinking about employment outcomes, those are the students who really benefit the most from institutional efforts to help with the transition from education to work. And so I think there is something very helpful in terms of pointing out where colleges are doing well or not on that particular metric.

You know, I think where we get into challenges and concerns is really when you start moving towards sort of punitive measures, because these are difficult outcomes to really quantify and understand and to make sense of and put into context. So, you know, there's certainly the issue of just a mix of programs, for example, that an institution might offer, you know, because the institution is preparing students for occupations that might not be highly paid, like education or some health occupations, do they get penalized because their earnings are lower? I don't know. That's one factor to consider, but, you know, on the other hand I do think that institutions do need to be pushed a little bit to think hard about what their outcomes are for students, particularly when students are taking on debt to pursue college.

DOUG LEDERMAN: The latest report from Third Way focuses on low-income students. And why is that a particularly important audience to get this kind of information about and for?

MICHELLE VAN NOY: Yeah, I think that's a really notable aspect of this report is the focus on low-income students, and particularly looking at their employment outcomes, because, you know, those are students, who, you know, really struggle the most I think in terms of making that transition to work. Those are the ones who don't have all the sort of family contacts and networks that, you know, are often the kinds of things that students use to get jobs. And so I think that for institutions it's particularly important to kind of think about how they can better help low-income students in that transition. And these data, I think, really bring that to light. These are the students who really, who are coming to college looking for that sort of ticket to a good job and to a good career, and the ones who possibly are taking out the debt. And so I think that for them, it's really important that those institutions are being held accountable and that we're understanding kind of what their outcomes are.

DOUG LEDERMAN: Thinking back to what you said earlier about the different uses of data like these, the institutional data may be most important or useful to policy-makers, but I'm interested in how, if you're an institutional leader of some kind, or you're responsible for student success at an institution, what would you want somebody like that to take from these data, or perhaps eventually from program data, what do you think, what might be actionable from an institutional improvement standpoint for somebody looking at data like these?

MICHELLE VAN NOY: Yeah, I think that for institutions these data can really provoke some interesting and important conversations that need to be had within their institutions. So I think just looking at the data as they are right now institution by institution, it's helpful to sort of benchmark where a particular institution is relative to others, and possibly, you know, take a look at what other institutions are doing that may be more effective and if there are others that are having more success in terms of what some of their actual institutions are.

In terms of really digging down into these issues for any given institution, I think the program-level data certainly would be very impactful in terms of being able to understand where there are challenges, greater challenges for students in terms of finding employment. And these are the kinds of data that to me seem like are just really important for institutions leaders to sit down on their campuses and talk about them and try and understand, unpacked them, what's going on underneath these issues. You know, is it the need for stronger relationships with their local employers? Is it a need to change the mix of programs they offer, or the particular skills that their giving to students in these programs?

And this doesn't mean to have to fundamentally reorder everything they do educationally to exactly meet employer needs, but they can look at different ways to help improve that transition to careers for students. I mean, there's many, many ways I think institutional leaders can do that, and so sitting down

and looking at the data can help identify, you know, particular programs where there are more challenges, and then begin those conversations about how to improve them.

DOUG LEDERMAN: How do you think data like Third Way's or some other information about students workplace success might be used as the Biden Administration decides how to approach higher education accountability going forward?

MICHELLE VAN NOY: Yeah, I mean, I think that, you know, where this is most important from a policy standpoint is really to help inform where, you know, there's a particular really bad return on investment for students. And so particularly where students are taking out a lot of debt for very high-cost programs that are not getting a good outcome. I think that's really where these data are most important and most impactful. That's where they can raise the red flags about concerns for students, and particularly for low-income students who could be taken advantage of by particular institutions. And we hope that's not happening in a widespread way, but we need to be able to have checks and balances to make sure that people aren't being taken advantage of.

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DOUG LEDERMAN: That was Michelle Van Noy. Thanks to her and to Michael Itzkowitz of Third Way for their insights about the use of data on workforce success in student decision-making and college accountability.

In the coming weeks, we'll dig into the debate over the possible use of Pell grants for shorter-term programs, whether some colleges are shrinking or rethinking how they use their campuses, and how professors and institutions might sustain some of the compassion and flexibility they built into teaching and learning during the pandemic, even as it recedes. I hope you'll come back soon. In the meantime, stay safe and well. I'm Doug Lederman, and this is The Key.