J.B. Schramm, Chad Aldeman, Andrew Rotherham, Rachael Brown and Jordan Cross | November 2013

SMART SHOPPERS:

The end of the "College for All" debate?

college summit
connect to your future

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Executive Summary

It's fashionable to question whether it's really "worth it" for students who are at the margins both academically and financially to go to college. But, while the conversation continues at an abstract level about whether high school students should be focused on "college or career," students are, one-by-one, all across the country, quietly making their own decisions, and they are choosing college.

In *Smart Shoppers: The end of the "College for All" debate?* from J.B. Schramm, Chad Aldeman, Andrew Rotherham and Rachael Brown, the authors point out that, thirty years ago, half of all U.S. high school graduates went to college (meaning any form of postsecondary education that leads to a degree or credential), and the other half went directly into the workforce. But today, seven out of ten high school graduates head to college, while only three enter the workforce.

Over time, as more students have attended and completed higher education, experts have repeatedly predicted this would create an over-abundance of college-educated workers. Under this theory, a glut of over-educated workers would struggle to find jobs and depress wages for everybody else. But the exact opposite has happened. Even in the recent recession, employers have voted with their payrolls and are more likely to hire college-educated workers, offer them full-time employment and benefits, and pay them more money than non-college-educated workers.

Beginning in the early 1980s, college-educated workers experienced a dramatic increase in their demand, and the college wage premium rose from 40 percent in the 1970s to upwards of 70 percent by the mid-1990s, and reached bit more than 80 percent in 2012.

The economic insurance that higher education bestows is not some kind of magic shield against job loss or hardship. But, through economic upturns and downturns, including the recent Great Recession, a college education remains the best insurance policy against shifting labor markets, unemployment, and under-employment.

The authors argue we face two real challenges looming in the future: 1) Schools must do a better job identifying those students who are not realizing their promise, a disproportionate number of whom are low-income; and 2) Schools, colleges, nonprofits, and businesses need to do a better job of educating students about their options on which college they should attend, which degrees they should pursue, and how they should pay for it. These aren't arguments against college writ large but rather for thinking differently about college and preparing students to be smart about selecting the right institutions, taking on a manageable debt burden, and finishing their degree.

The report concludes with an analysis of the risks of college as an economic mobility strategy and a set of recommendations for K-12 schools, colleges and universities, state and federal policymakers, and business leaders. It recommends supporting students to become smart, discerning shoppers of higher education information rather than assuming that the college experience is inevitable or interchangeable.

In 2008 David Turner needed help. He came from a low-income family and was a junior at a high school in Inglewood, California where 85 percent of the students were poor enough to qualify for free- or reduced-price lunch. David knew he wanted to go to college—indeed, more than half of his class would go to some college or university, about the national average for low-income students—but he didn't know how to begin the process.

David C. Turner, III, winner of the 2013 Presidential Outstanding Student Award for his extensive research, presentation, and lecture experience, as well as the leadership he has shown as a student at CSU Dominguez Hills.

Fortunately, a program called College Summit helped him navigate the college search and application process and gave him the tools he needed to file for financial aid. His transition to college was still rough, but he sought out tutoring, brought up his grades, got involved in student government, and became a writing tutor. This spring, David earned his bachelor's degree Cum Laude at California State-Dominguez Hills.

It's fashionable to question whether it's really "worth it" for students like David, who are at the margins both academically and financially, to go to college. But, while the national conversation continues at an abstract level about whether high school students should be focused on "college or career," students like David, one-by-one, all across the country, are quietly making their own decisions—and they are choosing college. Decades of progress have led us to a place where we no longer have to convince a student or his parents whether he should go to college. Today's families see college (meaning any form of postsecondary education that leads to a degree or credential) as the logical next step following high school graduation—more than 90 percent of high school seniors have postsecondary aspirations and attend college in steadily increasing numbers.[2]

[1] Part of the debate seems to stem from semantics. In this paper we'll refer to "college" as any form of postsecondary training that leads to a degree or credential. Others may think of "college" as only applying to four-year residential institutions, but we're purposefully using a broader definition.

[2] Ross, Terris, et al. "Higher Education: Gaps in Access and Persistence Study." US Department of Education, National Center for Education Statistics (2012).

Thirty years ago, whether someone chose college or career was a coin toss and it made sense to frame it as an either/or: In 1980, half of all U.S. high school graduates went to college, and the other half went directly into the workforce. But today, seven out of ten high school graduates head to college, while only three enter the workforce. As the percentage of students opting for college continues its slow and steady rise, the old debate becomes increasingly outdated.

Over time, as more students have attended and completed higher education, experts have repeatedly predicted this would create an over-abundance of college-educated workers. Under this theory, a glut of over-educated workers would struggle to find jobs and depress wages for everybody else. But the exact opposite has happened. Even in the recent recession, employers have voted with their payrolls and are more likely to hire college-educated workers, offer them full-time employment and benefits, and pay them more money than non-college-educated workers.

These are steady, long-term trends, not a one-time event. Yet, for all these successes, there are two real challenges looming in the future: 1) Schools must do a better job identifying those students who are not realizing their promise, a disproportionate number of whom are low-income; and 2) Schools, colleges, nonprofits, and businesses need to do a better job of educating students about their options on *which* college they should attend, which degrees they should pursue, and how they should pay for it. Students are already consumers of college; now everyone from teachers to policymakers has a role in helping students become smart shoppers of postsecondary education.

While the national conversation continues at an abstract level about whether high school students should be focused on "college or career," students like David, one-by-one, all across the country, are quietly making their own decisions—and they are choosing college.

Changing the Conversation

People who believe that too many Americans are going to college often cite one or more of the following misperceptions: The increasing number of individuals who decide to go to college are making poor decisions; businesses and employers that want to hire college graduates and pay them more money than their non-college-educated peers should stop doing so; or, the long-running dynamic between higher levels of education and better employment outcomes will somehow change in the near future. The first two can be answered empirically by looking at data on the rates at which students enter and progress through college and their subsequent employment outcomes. The third issue requires a conceptual leap that the world is going to stay more or less the same technologically, will demand less of its inhabitants in the way of knowledge and skills, and that we would be better off if our citizens were less educated.

These are persistent beliefs, but once we embrace the notion that ever-more U.S. high school graduates are going and will continue to go into higher education, we need to think differently about the way our schools and policies support individuals in making smart decisions. Like any high-cost, high-reward investment, earning a college degree and successfully putting it to use requires planning and preparation. Half of all students who enter college will fail to attain any degree within six years [3] and many students take on outsize debt loads or make poor choices in their college or major.

For all the promise of college, the students who can benefit most from higher education are also the most susceptible to the risks of college. Unlike more privileged students who may possess advantages like growing up in families where college-going is an expectation or having parents who themselves have navigated the college experience, lower-income students may be the first in their families to explore postsecondary opportunities, and consequently lack support that can alleviate risks. These aren't arguments against college write large but rather for thinking differently about college and preparing students to be smart about selecting the right institutions, taking on a manageable debt burden, and finishing their degree.

[3] Radford, A.W., Berkner, L., Wheeless, S.C., and Shepherd, B. Persistence and Attainment of 2003–04 Beginning Postsecondary Students: After 6 Years (NCES 2011-151). U.S. Department of Education. Washington, DC: National Center for Education Statistics. (2010)

The Myth of the Overeducated American

The media is filled with anecdotes of graduates who possess enormous student debt and menial jobs. The *New York Times* recently told the story of Kelsey Griffith, a graduate of Ohio Northern University who's now holding two waitressing jobs while she lives with her mother and starts paying off $120,000 in college debt.[4] If it seems like every major U.S. news outlet has featured an over-educated bartender or a barista saddled with enormous student loans, it's because similar articles have appeared in *Bloomberg Businessweek*, CNN, the Huffington Post, Money Magazine, NPR, the *San Francisco Chronicle*, and the *Wall Street Journal*. The stories rarely mention that examples like Kelsey Griffith are, in fact, extreme. The average bachelor's degree recipient with debt owes $27,000, and only 0.2 percent of undergraduates owe debts greater than $100,000.[5]

But even if the examples aren't broadly applicable to all higher education graduates, are articles right to sound the alarm? Is the long expansion of college access finally catching up to us? Should more students forgo education and try to find jobs *now*?

We should remember that today's concerns are not the first of their kind. Around the turn of the 20th century, Americans had similar debates about whether all students needed to go to high school. That debate seems arcane and ridiculous now—*of course* everyone should get a high school diploma—but it's a useful historical note given our current conversations.[6] We're now in the midst of a long-running discussion about college, a debate that has been simmering for decades but which gets louder during recessions. To show just how similar the arguments and media stories of today mirror those of the past, Kevin Carey, the director of the Education Policy Program at the New America Foundation, reviewed the over-educated bartender stories from prior economic downturns for *The New Republic*. It turns out that the college-educated bartender featured in a 1982 *Washington Post* article was, by 2010, a senior manager at an international development company. A 1993 Post story featuring two young women graduating from state colleges and planning to travel the country because "there are no jobs anyway" also had a happy ending: One runs her own human resources consulting firm and the other earned a Ph.D. and is now a senior associate at the Carnegie Foundation.[7]

Neither of their later careers would have been possible without first obtaining a college degree.

Experts have made predictions of a higher education "bubble" for decades. Most notably, in 1976, Harvard economist Richard B. Freeman published a book titled, The Overeducated American, that received national attention from People magazine and *The New York Times.* Freeman noted, "For the first time since the Depression, newspapers report new graduates having difficulty in obtaining college-level jobs," which he predicted would, "herald the end of an era of increasing educational attainment and of significant economic growth via additional schooling."

[4] Martin, Andrew, and Andrew W. Lehren. "A Generation Hobbled by the Soaring Cost of College." *New York Times*, May 12, 2012.

[5] Kantrowitz, Mark, "Who Graduates College with Six-Figure Student Loan Debt?" August 1, 2012.

[6] For some comparison, 100 years ago only about 10 percent of Americans had a high school diploma, and there have been longstanding debates about whether high schools should be focused on academics or on more vocational skills.

[7] Carey, Kevin. "Bad Job Market: Why the Media is Always Wrong about the Value of a College Degree." *The New Republic*, June 9, 2012.

Freeman was writing during a particular time when the supply of recent college graduates was outstripping demand for their services—starting in the late 1960s, the Baby Boomers were swamping college campuses all across the country. Freeman was right to point out that the college wage premium, the amount that employers are willing to pay above and beyond what they pay for workers with high school diplomas, fell during the early 1970s. But at the time Freeman was writing his book, college would have been the best investment he could have recommended. Beginning in the early 1980s, college-educated workers experienced a dramatic increase in their demand, and the college wage premium rose from 40 percent when Freeman was writing to upwards of 70 percent by the mid-1990s. Starting in the late 1990s, the premium increased at a slower rate, and it was a bit more than 80 percent in 2012. [8]

The increase in the college wage premium hasn't stopped pundits from proclaiming that too many students are going to college or that they're making poor choices about which college to attend or degree to pursue. Two recent pieces relied on self-reported earnings data from an online compensation comparison tool called Payscale.com to attempt to track outcomes of individual colleges. A Brookings Institution brief using the Payscale.com figures cautioned that, "By telling all young people that they should go to college no matter what, we are actually doing some of them a disservice."[9] And former Secretary of Education William Bennett released Is College Worth It? in April 2013 using the same self-reported data and asserting that only about 150 colleges out of 3,500 nationwide are worth the investment.

The truth is that there is no broad field of study or even degree category that doesn't pay off as an investment. There may be particular programs within particular institutions that are not wise investments for students, but that's an argument for helping students make informed decisions, not trying to dissuade more students from pursuing college.

In addition to ignoring more reputable data sources like the U.S. Census Bureau, these arguments often rely on cherry-picking extreme examples. The truth is that there is no broad field of study or even degree category that doesn't pay off as an investment.[10] There may be particular programs within particular institutions that are not wise investments for students, but that's an argument for helping students make informed decisions, not trying to dissuade more students from pursuing college.

The World Changes

Despite a long, positive track record using sound data, why do the concerns about college persist? Part of the problem stems from seeing the world in static terms. Projections of any kind—economic, demographic, or social—based on the world staying the same have consistently been proven wrong. Others have and continue to make the same mistake in the current economy by assuming that tomorrow's employers will have the same demands that they do today. The Bureau of Labor Statistics (BLS), for example, runs its projections on the demands for college-educated workers by assuming that employers will want the same mix of college-educated and non-college-educated workers in the future. It categorizes occupations as either "college" or "non-college," and then makes its projections assuming these classifications will stay static over time. But when researchers compared the BLS' predictions for the year 2006 versus what actually happened that year, the BLS was off by 17 million college-educated workers.[11]

[8] James, Jonathan. "The College Wage Premium." Federal Reserve Bank of Cleveland: August 8, 2012. http://www.clevelandfed.org/research/commentary/2012/2012-10.cfm

[9] Owen, Stephanie, and Isabel Sawhill, "Should Everyone Go To College?" Brookings Institution, Washington, DC, May 2013.

[10] See Figures 2-4 of the Owen and Sawhill "Should Everyone Go To College?" paper, or see Carnevale, Anthony P., and Ban Cheah. "Hard Times: College Majors, Unemployment and Earnings." Georgetown University Center on Education and the Workforce: May, 2013.

[11] Carnevale, Anthony P. "College Is Still Worth It." Inside Higher Ed, January 14, 2011.

According to the BLS, those workers were "over-educated," but their employers were willingly paying them wage premiums of 70-80 percent.

In recent years, op-ed columnists and commentators have been quick to echo the oft-cited statistic that 53 percent of recent college graduates are unemployed or under-employed. 2012 Republican presidential candidate Mitt Romney touted the stat as he traveled across the country and even mentioned it in a nationally televised debate. But there are three pieces of crucial context missing from that line. One is that the statistic includes both those who can't find jobs at all (the unemployed) and those who can't find jobs suitable to their college degrees (the under-employed). About half fall into each camp. Second, while the 53 percent figure is shocking, it's actually not that much different from normal times.

In 2000, when the economy was booming and the national unemployment rate was bottoming out at 3.9 percent, 41 percent of recent college graduates were unemployed or under-employed.[12] In other words, recent college graduates always have a hard time finding suitable work, but it's even harder during economic downturns.

The third and biggest reason not to be overly alarmed about the plight of recent college graduates writ large is that they are likely to have much more successful career trajectories than their non-college-educated peers. For example, a recent college graduate who majored in life or physical sciences earned $30,000 a year after graduation, a little less than the average worker with only a high school degree. But that's only for recent college graduates. As they accumulate employment experience, they would make twice as much as someone with only a high school degree and have an unemployment rate half as low.[13] For a real-life example, billionaire venture capitalist Peter Thiel (who has bachelor's and law degrees from Stanford University) offered 20 high school graduates $100,000 grants to start their own businesses provided they remained out of college for two years. However, ironically, when Thiel's investment firm Thiel Capital was hiring new candidates, it went looking for students with a "high GPA from a top-tier university." [14]

Over the last generation, even over the last decade, the amount of education that is expected of our citizenry has increased as domestic and global economies demand more educated workers. Even blue collar jobs, which were once assumed not to necessitate postsecondary credentials, now require them. The world has changed in countless ways and jobs have changed with them. Cars, for example, are far more complex than 25 years ago, relying on computers that can turn on headlights when it's dark outside, sense when the tires are low on air, and detect movement and apply the brake before the driver notices. Many others industries, like manufacturing, have undergone similar transitions.

Jobs change to keep up with technology. Just as today's vehicles operate on computerized systems and evermore sophisticated engineering, the knowledge and skills prerequisite for car mechanics to repair today's cars have also grown more complex. Tomorrow's automobiles may be even more complicated, and we'll need an adaptable workforce that can design and maintain whatever comes next.

The world is not static, and looking around at today's data can mislead us into making poor projections for the future. Students should not assume that their adult world will resemble their parents'. What may seem like "over-educated" today will become tomorrow's "bare minimum."

[12] For a discussion of this statistic's use in politics, see: Jacobson, Louis. "Republican Jewish Coalition says half of recent college grads 'can't find a job.'" Tampa Bay Times / PoltiFact.com: August 2, 2012. http://www.politifact.com/truth-o-meter/statements/2012/aug/02/republican-jewish-coalition/republican-jewish-coalition-says-half-recent-colle/

[13] Carnevale, Anthony P., and Ban Cheah. "Hard Times: College Majors, Unemployment and Earnings." Georgetown University Center on Education and the Workforce, May, 2013.

[14] Yglesias, Matthew. "Thiel Capital Seeks Well-Credentialed Young Analyst." Slate. May 14, 2012. http://www.slate.com/blogs/moneybox/2012/05/14/thiel_capital_seeks_well_credentialed_young_analyst.html

The Value of College

When we hear stories about the value of college, it's easy to think of jobs that have traditionally been reserved for college-educated workers in management, nursing, or teaching. But what's often left out is that college pays across all categories of workers: Executive assistants, plumbers, hairdressers, bartenders, realtors, salesmen, waitresses, firefighters, and cashiers all benefit from higher education. For example, college-educated plumbers make on average 39 percent (or $17,000) more when compared to non-college-educated plumbers and college-educated hairdressers earn 69 percent more than non-college-educated hairdressers.[15] The marketplace values college degrees in every field and at every level.

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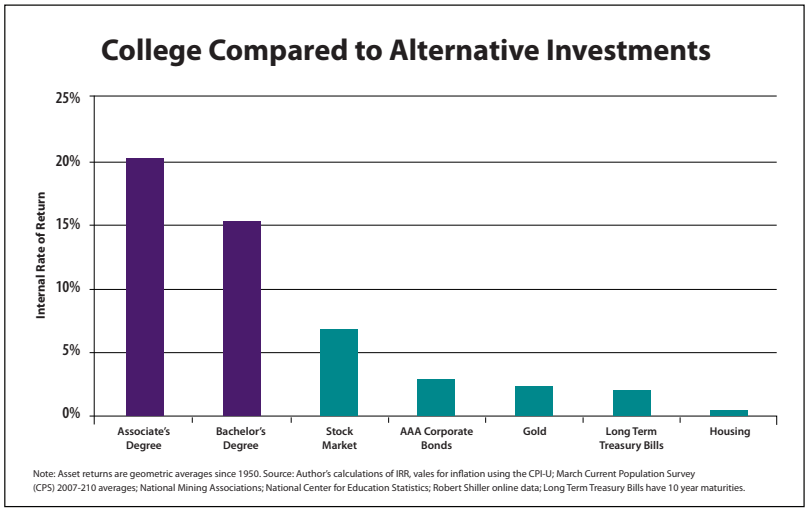
Indeed, education is the tool that will allow today's students to adapt to what's ahead. The economic insurance that higher education bestows is not some kind of magic shield against job loss or hardship. Instead, it is a result of the value that employers place on advanced skills and training. For every multi-millionaire college drop-out who got lucky, there are countless examples of people who used their educations to prepare for high-demand careers—in the long run, a much safer strategy.

In 2011, Brookings Institution's Hamilton Project attempted to compare college as an investment with other options. The authors calculated that a four-year bachelor's degree would cost about $102,000, and they asked whether 18-year-olds would be better served investing that money in their education or something else, like the stock market, housing, gold, or bonds.[16] For college costs, they assumed students attended a public two- or four-year college or university, and they assumed the students did not have any earnings while in college. For both two- and four-year degrees, the investment in college more than paid for itself over the course of a lifetime. In fact, college had a rate of return that is more than twice as high as the average returns over the last 60 years of stock market returns, corporate or government bonds, gold, or housing.

Associate's degrees do particularly well in this comparison because they cost less than bachelor's degrees—$28,000 versus $102,000 in this calculation—and hence look better as a return on investment. In contrast, bachelor's degrees perform better in absolute terms. On average, graduates with a bachelor's degree earn $570,000 more than the average worker with only a high school degree, while an associate's degree is worth approximately $170,000 more than a high school diploma alone. This was not the first time this calculation has been done—Richard B. Freeman's 1976 book cited the finding that bachelor's degrees were worth an extra $100,000 back then—but it does show that college has been and continues to be a good investment, especially when compared to other options.



[15] Carnevale, Anthony P., and Stephen J. Rose. "The Undereducated American." Georgetown University Center on Education and the Workforce, June 26, 2011.

[16] Michael Greenstone and Adam Looney, "Where Is the Best Place to Invest $102,000—In Stocks, Bonds, or a College Degree?" The Hamilton Project, June 25, 2011.

Through economic upturns and downturns, over time, a college education remains the best insurance policy against shifting labor markets, unemployment, and under-employment. In the wake of the Great Recession, trend pieces described college grads with few job prospects being forced to move in with their parents. But overall, the people with the most education have weathered the recession better than those with the least (see chart below). During the recession, those with a bachelor's degree or better gained 187,000 jobs, compared to a loss of 1.75 million jobs for those with associate's degrees or some college and a loss of 5.6 million jobs for those with a high school diploma or less. This trend continued during the economic recovery, as those with bachelor's degrees or better gained 2 million jobs, those with associate's degrees or some college gained 1.6 million jobs, and those with a high school degree or less lost 230,000 jobs.[17]

Education is also the most effective social mobility strategy we have. According to data from the Pew Charitable Trusts' Economic Mobility Project, "Adult children from families in the bottom fifth of the income distribution, for example, are four times as likely to reach the top fifth if they achieve a four-year college degree…With a college degree, their chance of remaining in the bottom plummets by nearly two-thirds."[18] These mobility data also show the extent to which debates like this are a luxury of the privileged, because their children enjoy much more of a safety net. In other words, children from low-income families gain more by going to college than children of the wealthy lose by not going.

For society, the returns of a college education are even higher.[19] College graduates pay more in taxes, smoke less, divorce less, live longer, engage in more volunteer and civic activities, and report higher vocational and life satisfaction. They're more likely to vote, read to their children, have health insurance, and save for their retirement. The value of higher education goes beyond mere finances.

TABLE 1: Job gains by individuals with bachelor's degrees or better made up for over a third of losses by those with high school diplomas.

Educational Attainment	Job Change			Percent Job Change (%)		
	Recession*	Recovery**	Net Change***	Recession*	Recovery**	Net Change***
High school or less	-5,611,000	-230,000	-5,841,000	-10%	0%	-10%
Some college/associate's degree	-1,752,000	1,592,000	-160,000	-4%	4%	0%
Bachelor's degree or better	187,000	2,012,000	2,199,000	0%	4%	5%
All	-7,176,000	3,374,000	-3,802,000	-5%	2%	-3%

Is College for Everybody?

Part of the misunderstanding is that to many people "college" suggests a four-year bachelor's degree in the liberal arts offered at leafy residential campuses. But that's not what college looks like for the majority of students in the U.S. In fact, more than half of all college attendees enroll at community colleges or take night and online classes while working other jobs. Even the best "career" vocational models involve some form of post-high school experience that culminates in a degree or certificate at a postsecondary institution. That counts as college too, and today 70 percent of students who graduate from high school immediately enroll in some form of postsecondary education.

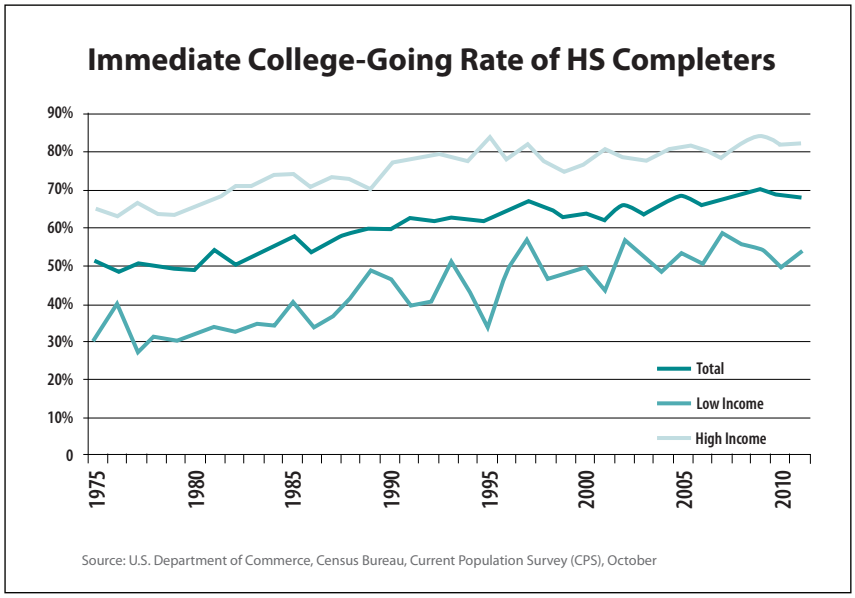
But, while the overall college-going trajectory is positive, there are still large gaps between races and socio-economic classes. The chart below shows trends in college-going rates. It shows that over the last 30 years, as a country, we've gone from 50 to 70 percent of high school graduates enrolling immediately in higher education. High-income students have had an 18 percentage point increase, from 64 to 82 percent, while low-income students have had a 23 percentage point gain, from 31 to 54 percent.[20] These gaps are narrowing, but there are still far too few low-income students enrolling and succeeding in college.

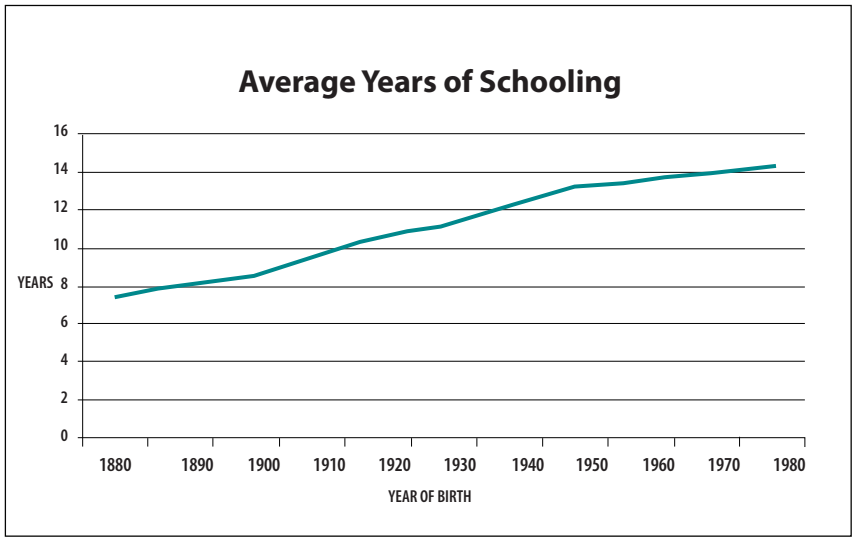
[17] Carnevale, Anthony P., Tamara Jayasundera, and Ban Cheah. "The College Advantage: Weathering the Economic Storm." Georgetown University Center on Education and the Workforce.
[18] Haskins, Ron, Harry Holzer, and Robert Lerman, "Promoting Economic Mobility By Increasing Postsecondary Education," May 2009.
[19] See, for example: Varga, Joel. "The Economic Payoff for Closing College Readiness and Completion Gaps." Jobs For The Future (2013).
[20] U.S. Department of Commerce, Census Bureau, Current Population Survey (CPS), October, 1975 through 2011. (This table was prepared June 2012.)

These gaps are also part of an important, under-appreciated story: While the trends are positive, overall educational attainment of American citizens has slowed considerably. The chart to the right traces the average number of years of schooling attained by Americans adults, based on what year they were born.[21] The line increases rapidly from left to right for birth cohorts from 1880 to 1950, as more Americans attended and graduated from high school. But starting with the children born around 1950 the pace slowed as the percentage of adults with a high school diploma or GED reached nearly 90 percent.

Today, even if every single American adult without a high school diploma went back to school, the average years of schooling could increase by less than half a year. In contrast, there is nearly unlimited upside potential from getting more Americans into and through some form of postsecondary education. Any future increases in educational attainment must come mainly from postsecondary education.

The U.S. has lost its lead on the international stage as well. Where the U.S. once was among the world's leaders in the percentage of its young people with college degrees, we've now dropped to 14th.[22] Young people in Australia, Belgium, Canada, France, Ireland, Israel, Japan, Korea, Luxembourg, New Zealand, Norway, Russia, and the United Kingdom are all more likely to be college graduates than their American peers in the U.S. And while other countries have increased the likelihood of graduating college, in the U.S. it has barely risen at all: 42 percent of Americans ages 25-34 have college degrees, only one percentage point higher than Americans aged 55-64. This has important financial consequences in terms of our economy, social mobility, and the growing disparities between the rich and poor.



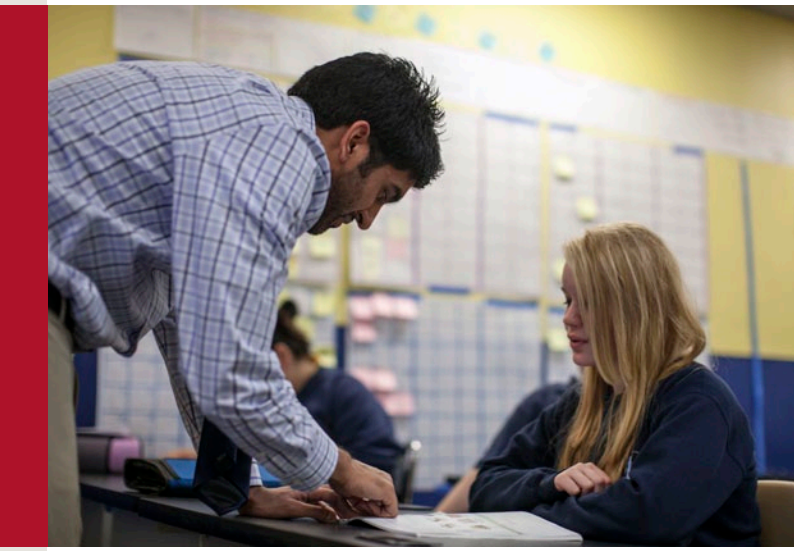


[21] Goldin, Claudia & Lawrence F. Katz. "Long-Run Changes in the Wage Structure: Narrowing, Widening, Polarizing." The Brookings Institution (2007). See Figure 7: http://www.brookings.edu/~/media/Projects/BPEA/Fall%202007/2007b_bpea_goldin.PDF

[22] OECD, Education at a Glance 2012: OECD Indicators, OECD Publishing (2012). http://dx.doi.org/10.1787/eag-2012-en

The Risks of College

The economic and social rewards of higher education are clear, but there are important risks as well. For the students who fail to complete a degree, who take on too much or the wrong kind of debt, or who make poor decisions in selecting a school, major, or degree, college may not pay off as expected. While considering these risks, we should be careful to remember that the risks of not going to college—a greater likelihood of being unemployed, lower earning potential, less job security—are much larger.



According to the Bureau of Labor Statistics, in 2012, the median weekly earnings for someone with only a high school diploma were $652, compared to $1,066 for someone with a bachelor's degree. College graduates are also more likely to be in jobs with better benefits, further widening the divide. Meanwhile, in 2012, the unemployment rate was 8.3 percent for those with only a high school diploma, but 4.5 percent for college graduates. To paraphrase former Harvard President Derek Bok, if you think investing in college is risky, try having only a high school degree. But the real risks of college are important, and they disproportionately affect the most disadvantaged students.

The College Completion Challenge

The biggest risk of a college education is not unemployment or under-employment but *failing to complete a degree*. This is not an insignificant problem: Half of the students who start college fail to finish any degree or certificate program within six years.[23] This happens for any number of reasons, but common factors include lack of academic preparation and financial resources to pay for school, and the absence of a network to offer support through the social transition of college.

Many college students enroll in higher education thinking they are prepared for college-level work, only to find out their college believes they need to take remedial courses first. Students who are deemed unprepared for the academic rigor of college coursework are frequently placed in remediation classes that add time and costs to their education. As many as one in five freshmen report being placed in remedial courses,[24] and half of all college students will take at least one remedial, not-for-credit course during their college career.[25] Students are forced to take out loans and incur debt to pay for their remedial courses, and students who take remedial courses are less likely to stay in school and graduate.

In another common scenario, high-performing students may enroll in colleges that are too easy for them.[26] They may do this for geographic reasons or family pressure, or they may not be fully aware of the financial aid options available elsewhere. This may seem like a benign problem, but this "under-matching" can significantly hurt their chances of graduating.

As many as one in five freshmen report being placed in remedial courses,[24] and half of all college students will take at least one remedial, not-for-credit course during their college career.[25]

Being around similarly high-caliber peers seems to have an effect on students and their ability to progress through college and earn their degree. One study found that about half of low-income students with a high school GPA of 3.5 or higher and an SAT score of 1,200 or higher do not attend a college that matches their ability.

[23] "Six Year Attainment, Persistence, Transfer, Retention, and Withdrawal Rates of Students Who Began Postsecondary Education in 2003-04." National Center for Education Statistics (2011).

[24] Sparks, Dinah, and Nat Malkus. "Statistics in Brief: First-Year Undergraduate Remedial Coursetaking: 1999-2000, 2003-04, 2007-08." National Center for Education Statistics (2013).

[25] "An Overview of Classes Taken and Credits Earned by Postsecondary Students." National Center for Education Statistics (2012).

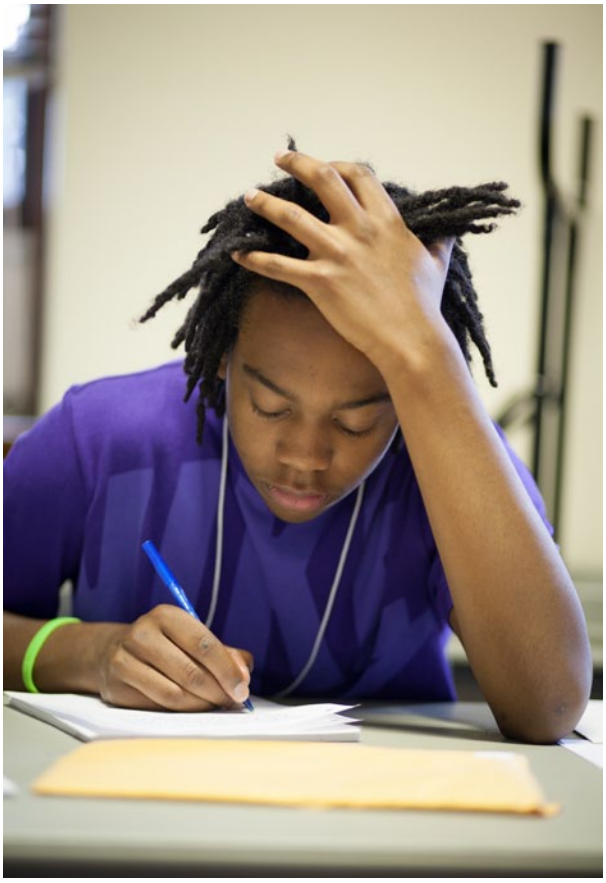
[26] See, for example: Smith, Jonathan, Matea Pender, and Jessica Howell. "The Full Extent of Student-College Academic Undermatch." Advocacy & Policy Center, The College Board. January 2012.

Many of them don't even apply. In the study, low-income, high-achieving students who attended a college or university that matched their ability graduated from college 89 percent of the time, while those who settled for unselective colleges graduated only 59 percent of the time.[27] Similar gaps existed for lower-achieving students, and other research has found evidence of the "under-matching" problem even among twins from the same family.[28] These studies suggest that some students, especially low-income students, have a dangerous tendency of staying in their comfort zone, which can lead them to make decisions that unknowingly reduce their chance of success in college.

Importantly, while the benefits of education accrue for each additional year of schooling, employers place a premium on actual degrees. Workers who report their highest level of education as "some college, no degree" have lower unemployment rates and earn higher wages than workers with only high school degrees, but the gap is not nearly as wide as it is between workers with college degrees and those without.

> High-performing students may enroll in colleges that are too easy for them. They may do this for geographic reasons or family pressure, or they may not be fully aware of the financial aid options available elsewhere. This may seem like a benign problem, but this "under-matching" can significantly hurt their chances of graduating.

College dropouts have the burden of paying for college without the large returns that a degree can provide.



The College Cost Challenge

Without the financial literacy to consider and make good decisions about loans, students may find themselves taking on outsize debt loads. It's true that wage premiums for college-educated workers still outpace the cost of attending college, but tuition rates that rise faster than inflation could put this deal at risk in the future. No investment is a bargain at all prices, and there are some students who take on more debt than they're likely to be able to pay back.

Students who fail to graduate end up saddled with debt while lacking the economic benefits of the education that necessitated that debt in the first place or would help them pay it off. Meanwhile, the number and percentage of students resorting to loans to finance their education have increased and their debt burdens have been rising annually. The number of borrowers increased from 23.3 million in 2005 to 38.8 million by 2012, while at the same time the average student loan balance increased from $15,651 to $24,803.[29] Low-income students are more likely to take out loans from private sources that charge higher interests rates, and low-income students, minority students, and college dropouts are more likely to default on their student loans than wealthy, white, college graduates.[30]

[27] Bowen, William G., Matthew M. Chingos, and Michael S. McPherson, Crossing the Finish Line:Completing College at America's Public Universities, September 2009, Princeton University Press. Assuming the student does graduate, they also miss out on the experiences and social capital that come from attending a top tier college or university.

[28] See Jonathan Smith, "Ova and Out: Using Twins to Estimate the Educational Returns to Attending a Selective College," The College Board, February 2013.

[29] Federal Reserve Bank of New York. "Student Loan Debt by Age Group." newyorkfed.org. March 29, 2013. http://www.newyorkfed.org/studentloandebt/index.html

[30] Nguyen, Mary. "Degreeless in Debt: What Happens to Borrowers Who Drop Out?" Education Sector (2012).

The Challenge of Selecting Majors and Degrees

An overlooked, but incredibly important risk is that students frequently don't have enough information on which degrees they should pursue or which majors are likely to lead them to successful employment. For many, simply getting a college degree has been presented as the goal, with little context around the fact that what one studies and what degree is earned matters nearly as much for future employment as whether one attends college at all.

While Americans have long considered college a place for young people to explore ideas and "find themselves," today's students—especially those self-financing their educations—must be strategic about how they use their time in school. That doesn't mean that students shouldn't pursue their individual interests, but they should do so with an understanding of how those interests might relate to a future career.

Students should have information related to what fields may yield the best options for future employment before they select a major or decide between a technical or liberal arts degree. Today, the fastest growing occupations for college graduates are dominated by the health care and technology fields—of the 30 fastest growing occupations, 17 are in the medical field and six are related to computer technology.[31] Meanwhile, unemployment rates are lowest in majors related to healthcare or education, while students with majors related to architecture are 2-3 times more likely to be unemployed.[32]

A similar story exists for the level of degree that a student chooses to pursue. For example, adults with associate's degrees in STEM (Science, Technology, Engineering and Mathematics) and health fields earned more than adults with bachelor's degrees working in education. But, if a student knew she wanted to work in education, she'd be better off pursuing at least a bachelor's degree, because adults with associate's degrees in education earn little more than education workers with only a high school diploma.[33]

If more students had this type of information at their fingertips, they could more easily understand the true costs of colleges, manage their debt wisely, and make informed decisions about their employment choices.

[31] "Fastest Growing Occupations for College Graduates 2002-2012." College Board http://www.collegeboard.com/prod_downloads/highered/res/cc_tips/FastestGrowingOcc05.pdf

[32] Carnevale, Anthony P., Ban Cheah, and Jeff Strohl. "Hard Times." Georgetown University Center on Education and the Workforce, January 4, 2012.

[33] Carnavale, Anthony P., Stehpen J. Rose, and Ben Cheah. "The College Payoff: Education, Occupation, and Lifetime Earnings." Georgetown University Center on Education and the Workforce, August 5, 2011.

Recommendations

If the United States truly embraced the ongoing demand for college-educated workers, we would think differently about how students are prepared for college in high schools, how postsecondary institutions are designed to serve them, and how policymakers make decisions at the district, state, and federal levels to support them. We would help students become smart, discerning shoppers of higher education information rather than assuming that the college experience is interchangeable.

In order to ensure that students are prepared for college, they must be prepared for both the academic demands of college and the many important choices that they will face in deciding which college they attend, which major they choose, which degree they pursue, and how they pay for it. The onus is typically placed on students and their parents, but high school teachers and guidance counselors should also take on some responsibility and be accountable to the students with whom they are working.

FOR TEACHERS AND ADMINISTRATORS:

Build a college-going culture: If we made preparing students to be smart college consumers a primary mission of high schools, the approach would be entirely different. Schools should begin by focusing on building a college-going culture. This starts with setting high academic expectations for students through Advanced Placement, dual enrollment, or other challenging courses. There are also subtle changes that schools can make to put a greater emphasis on college.

Examples include:

- Setting higher standards for their students by providing verbal cues, labeling students based on their expected year of *college* graduation (i.e. referring to "the college class of 2017" instead of "the high school class of 2013").
- Displaying banners proclaiming their goal of getting all students into college and tracking the data during the winter application season.
- Calling individual classrooms by the college the teacher attended (e.g., instead of "Mrs. Smith's room," it's the "Towson University room") or by emulating major college sports and having a "signing day" where high school students commit to a higher education institution in front of the entire senior class.
- Relying on student leaders to support their fellow students in the college application and transition process. Trained peers can be the most credible source of information on college.
- Withholding recognitions or ceremony participation for a student if he or she hasn't made a college list, completed a Free Application for Federal Student Aid form, visited a college campus, or applied to a postsecondary institution. Research has found that coaches or counselors who get students to complete key actions such as these can improve the high-school-to-college transition, particularly for low-income students.[34] Even if they aren't actual graduation requirements—the student would still earn his or her diploma—they would send a clear message about the importance of taking the necessary steps to be ready for and enter college.

Schools should offer logistical support: Schools should also place a greater emphasis on supporting students through the college application, admissions, and financial aid processes. For example, College Summit and its partner schools provide supports to low-income students, like the concepts around "safety" and "reach" schools and the need to apply to many different colleges in order to maximize their options. High-income families take these steps as a matter of course, but more than half of low-income, high-achieving students fail to apply to schools that enroll students with SAT or ACT scores similar to their own.[35] Wealthier students are also surrounded by peers going through the college application process, so they have many reminders of important deadlines. Low-income students lack the peer or family networks that place an emphasis on these processes.

[34] Stephan, Jennifer L., and James E. Rosenbaum. "Can High Schools Reduce College Enrollment Gap with a New Counseling Model?" Educational Evaluation and Policy Analysis 35.2 (2012).

[35] Hoxby, Caroline M., and Christopher Avery, "The Missing "One-Offs": The Hidden Supply of High-Achieving, Low Income Students." National Bureau of Economic Research, Working Paper No. 18586, December 2012.

Colleges should proactively recruit and support low-income students: In the last decade, many elite institutions have adopted so-called "high-tuition, high-aid" financial models that simultaneously raise the sticker price of attendance and the financial aid awarded to students. Proponents claim this model helps institutions target resources to low-income students, but low-income students have been scared off by the high listed price and failed to apply at all.[36] They need to realize that financial aid alone won't address this problem.

FOR POLICYMAKERS:

Information sharing can influence action: A recent experiment found that mailing information packets about admission standards, graduation rates, and financial aid policies to low-income students can substantially increase the number of low-income students who apply, attend, and graduate from college. Students who received a packet submitted 48 percent more college applications and were 56 percent more likely to apply to a college that matched their achievement level.[37] All of the materials students received were publicly available on websites or other documents, but this study involved actively mailing the information to students and presenting it to them in ways that would be easily understood. These findings could be put to use in a number of ways. States or nonprofit testing companies could assemble similar packets for every high school senior in the state and could even tailor the packets according the student's achievement level and academic interests. States could also include coupons to waive application fees at state colleges and universities.

Tracking college outcomes at the state level: Beyond simply providing information, states should adopt rigorous academic standards and hold schools accountable for preparing students to be ready for college and careers. For example, accountability systems for high schools have traditionally been based only on achievement test results and graduation rates, but these are imperfect measures of college readiness.[38] States like Florida, Indiana, Kentucky, and New Mexico have adopted grading systems that hold schools accountable for things like the rate at which students take and pass Advanced Placement and International Baccalaureate exams and the rate at which they pass college placement tests.

States have also broken down barriers between K-12 and higher education by beginning to track the rate at which students graduate from high school, enroll in college, require remediation, persist in college, earn good grades, or eventually graduate from a postsecondary institution. This ability to match data between K-12 and higher education is now available in 44 states. However, there is wide variance in whether that data is reported publicly, how soon it is reported, and how many colleges and high schools are included. Furthermore, only eight states currently use this data to provide high schools with individual feedback reports on their students' college readiness.[39] States could follow the lead of New York City, for example, which tracks recent high school graduates into local colleges in order to rate high schools on how well their students are prepared for college-level work.

When the U.S. Department of Education allowed states to create new accountability systems as part of flexibility from the No Child Left Behind Act (NCLB), no state incorporated college outcome data in its proposed school accountability ratings. States must begin the transition from merely collecting this data to actually using it.

Enact high standards for college readiness: At the federal level, NCLB required states to adopt a set of academic standards and assessments aligned to those standards, but it was agnostic about the quality of those standards. In the next reauthorization, Congress should require states to adopt K-12 standards that truly signify college- and career-readiness. A student who meets all the requirements of a state's K-12 school system should simultaneously meet the standards of state higher education institutions. In addition, NCLB required states to hold high schools accountable for achievement and graduation rates but did not hold schools accountable for helping students advance to college and be successful once there. The next reauthorization should break down these barriers and track actual college outcomes.

[36] Supiano, Becky, "Many Prospective Students Are Still Hung Up on Sticker Prices," *The Chronicle of Higher Education*, September 25, 2012.

[37] Caroline Hoxby and Sarah Turner, "Expanding College Opportunities for High-Achieving, Low Income Students," Stanford Institute for Economic Policy Research: Stanford, CA, No. 12-014.

[38] Chad Aldeman, "College- and Career-Ready: Using Outcomes Data to Hold High Schools Accountable for Student Success," Education Sector, January 11, 2010.

[39] Hyslop, Anne. "Data that Matters: Giving High Schools Useful Feedback on Grads' Outcomes." Education Sector, November 8, 2011.

Require higher education institutions to be more transparent: Students can be taught to become "smart shoppers" who evaluate cost, likelihood of completion, and career opportunity during the college selection process. For example, a recent study found that directly providing families with information about college graduation rates increased the likelihood that students would choose a college with higher graduation rates.[40] However, their decision-making is ultimately limited by their access to accurate information about college options. Congress should expand the transparency requirements of higher education institutions, particularly around low-income student persistence and graduation rates and the true net price costs of higher education institutions.

Use federal funding strategically: Congress should also use incentives to support the goals of preparing students for college or career. For example, districts currently receive $2.5 billion to provide professional development to teachers or lower class sizes, but Congress could also stipulate that these funds could be spent on equipping teachers to support students in making smart college decisions. Congress should continue to support competitive grant programs that fund the expansion of access to challenging courses like Advanced Placement, International Baccalaureate, or dual enrollment courses. They should also continue their support for the State Longitudinal Data System program—which is designed to help teachers make informed decisions to improve student learning—but transition this program from being about building data systems to putting them to use through accountability and information-sharing efforts.

Partner with businesses to engage and support students: Businesses also have a critical role to play. To begin with, high-profile local businesses should do a better job of explaining to high school students that the vast majority of their job openings require a college degree to help students understand that postsecondary education is a worthwhile investment. Community businesses could develop explicit partnerships with K-12 schools and offer college scholarships, internships, and a leg up on job openings when local students receive a college degree. Businesses should also support and make the case for stronger K-12 and higher education partnerships, particularly in vocational fields, in order for students to get the practical training they need. Finally, businesses could use their philanthropic arms to support and scale interventions that are effective in getting low-income students into and through higher education.

If educators, policymakers, and business leaders followed these recommendations, we could expand the promise of an affordable college education to more Americans, create faster economic growth, and foster greater economic mobility and equality. Americans have already decided that a college degree is a valuable investment and they have collectively voted with their feet to pursue it. They have a strong desire to attain more schooling and a deep understanding of the benefits of education, but we need to create the structures and supports to allow them to make smart decisions about where to go, what degree to pursue, and understand how they can afford it.

[40] Schneider, Mark, and Andrew P. Kelly, "What Parents Don't Know about College Graduation Rates Can Hurt," American Enterprise Institute for Public Policy Research, February 2011.

The College Summit Approach

College Summit is a national nonprofit organization whose mission is to increase the college enrollment rates of youth from low-income communities. In the early 1990s, J.B. Schramm was working in the basement of a low-income housing project in Washington, D.C. as the director of a teen center. Schramm realized that the way to make the greatest impact in college enrollment rates was by having peers empower each other to go to college. He founded College Summit in 1993 to raise the college-going and success rates of lower-income communities, and since then the organization has grown to work in 12 states with 180 schools and 50,000 students annually.

College Summit places an emphasis on peer leadership to help guide students through the college process. At a College Summit partner school, students apply to become peer leaders. Each school designates a College Summit Coordinator, usually a college counselor, who selects a handful of student applicants to be peer leaders based not only on their academic achievement but also on their influence on campus. College Summit staff train these peer leaders between their junior and senior year of high school at a four-day summer workshop. When these students get back on campus in the fall, they encourage their classmates in a college-planning course that shows them how to navigate the college process and teaches them the skills to become "smart shoppers" for colleges. This helps them choose a school that is the best fit for them, academically and financially, helping them stay in school longer and collect less debt.

To support the students, College Summit also provides professional development to teachers and counselors and tracks real-time progress on college application milestones such as creating a college list, completing the FAFSA, and submitting an application. Teachers and counselors are trained in strategies for building and sustaining a robust college-going culture, how to engage peer leaders, and how to support students in the career and college exploration process.

An independent analysis of College Summit's results found that students participating in College Summit increased their high school's college enrollment rates by 12-20 percent. Additional analysis found College Summit's impact is greatest in schools where college enrollments are lowest, helping achieve an improvement on average of more than 25 percent.

About College Summit and Deloitte. Through education and workforce research, and on-the-ground work in communities with students and schools, Deloitte and College Summit have built a case for elevating the purpose of high school. The momentum for that shift will come when every parent and educator in America knows how effectively their high school is sending students to college who succeed in their coursework, and when high schools receive rewards for their students' postsecondary progress.

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About College Summit. College Summit is the national organization that partners with low-income high schools, districts, and states to strengthen college-going culture and increase college enrollment and success rates. The organization trains principals, teachers and the most influential students in the school to put every student on the college-ready path. College Summit works in partnership with 180 high schools in 15 states.

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