Jason Altmire (00:05):

Hello again, everybody. And welcome to another addition of Career Education Report. I'm Jason Altmire. And today we are going to be talking to Preston Cooper and Preston is with the Foundation for Research on Equal Opportunity. He's a research fellow, and I want to tell you a little bit about the foundation and I would encourage everyone to go check out their website and certainly check out Preston's writings, which we'll get into momentarily. But the Foundation for Research on Equal Opportunity, conducts original research on expanding economic opportunity to those who have it least. And they're committed to deploying the nation's scholars to the tools of individual Liberty, free enterprise, technological innovation, and pluralism to serve that mission. So the research conducted by the foundation considers the impact of public policies and proposed reforms on those with incomes or wealth below the US median. So think about that when you think about what we're going to talk about with Preston. And Preston is a research fellow for the foundation. And Preston, first of all, welcome. Thank you. We're glad to have you.

Preston Cooper (01:13):

Thank you. I'm glad to be here.

Jason Altmire (01:15):

And you've done a lot recently on return on investment in higher education. You've kind of made that one of your niches that your known for. And we had in our most recent podcast, Michael Itzkowitz from Third Way, who also has done some research along these lines. We of course have a good relationship with the Center for Education and the Workforce at Georgetown University. They've also done some work along these lines. You've done a tremendous amount recently, put out several articles. You have an article titled, Is Community College Worth It? Comprehensive Return on Investment and Analysis. You asked a similar question about graduate school. Is grad school worth it? You get into the calculated return on investment for 17,000 associate degrees and certificates and other things related to ROI in higher education. Of course The Wall Street Journal has taken a look at some of these issues. So I guess the first question would be just about your methodology and your findings. How are you different and what have you found related to these issues in comparison to some of these other studies?

Preston Cooper (02:29):

Well, thank you for the kind words about my work and for your interest. So our ROI analysis differs from prior ROI analysis in a few different ways. So most of the data available on the earnings of college graduates and the earnings of community college graduates and certificate program completers is just looking at the first one or two years after students complete their education. And we know that the first one or two years are not necessarily going to be representative of the full life cycle of what people are going to earn with that particular credential. So we take that data as a starting point, but we also use data from the US census and other sources to extrapolate those earnings out over your entire career. So we say not only what do you earn one or two years after school, but what do you earn 10, or 20, or 30 years after school?

That's one of the ways that we're different. We try to take advantage of the full life cycle and look at what is a college degree or another higher education credential going to get you over your full career. And another way that we're different is we look at well, what is the counterfactual? If you hadn't gone to college and you just had a high school degree and gone through your career with only that high school degree, what would you have earned? And that's an important question to ask because people who choose higher education and people who only have a high school degree tend to be different. So if you just look at the average earnings of a high school graduate and then compare them to the average earnings of a college graduate, you're not necessarily getting an accurate representation of the full value of college.

So we make a number of adjustments for demographics, family background, age, race, sex, location, all sorts of different factors, different ways that the population of college graduates is different from the population of high school graduates and construct an individual counterfactual earnings profile for each individual program. And so once we have those two factors in hand, both the earnings and the counterfactual, we can kind of say, well, what is the lifetime financial value of each program out there, each of about 60,000 different bachelor's degrees, graduate degrees, and sub baccalaureate credentials. And we can say, the value of college and the value of higher education tends to depend a lot on what program you choose and what institution you're going to.

Jason Altmire (04:46):

And before we get into the results of this, which are incredibly interesting, I wanted to ask about the similarities and differences between undergraduate and graduate programs, because you did separate papers on both of those issues. How do they relate to each other with regard to return on investment?

Preston Cooper (05:04):

That's a great question. So the number one difference between those two is the counterfactual. For a graduate program, by definition, a graduate student has to have a bachelor's degree in order to go on to graduate school. So when we're talking about, well, what is the value of a graduate degree, we should be comparing that to somebody who already has a college degree, not necessarily somebody who has a high school degree. So if you look at a graduate degree program with say $60,000 in earnings for the first couple years after graduation, that looks a lot less impressive if your counterfactual is somebody with a college degree versus somebody with a high school degree.

If we talk about a certificate or an associate degree program, and your average earnings are $60,000, that's going to be, that's awesome. That's an excellent return on investment. But if we're looking at a master's degree or even a doctoral professional degree with $60,000 earnings, that's going to look a lot less impressive because the counterfactuals are going to be different. And that's why it's so important to not just consider, what are people earning in each of these programs, but what is the next best alternative available to them? Because that's going to make a huge difference when we're calculating, what is the real financial value of higher education?

Jason Altmire (06:15):

You did all this work. You looked at institutions, but you really dug in the program level as well across all sectors, thousands of institutions. Tell us what you found?

Preston Cooper (06:26):

That's a great point. Yeah. So program level, just to clarify that means college majors or individual programs at different schools. So what our analysis did is we didn't just tell you what is the return on investment for a degree from Penn State, but what is the return on investment for a political science degree versus an economics degree versus a theater degree? And so basically what we found is that field of study makes a huge difference in terms of whether your higher education is going to pay off. So let's take the bachelor's degree level to start. So if you get a degree in engineering, computer science, nursing, economics, business, it is over 90% likely that that degree is going to pay off. Even after you take into account the high cost of college, even after you take into account the risk of not completing, those degrees in those very high value fields are almost certainly going to pay off. The same is not necessarily true for other degrees, such as arts, theater, philosophy, psychology, these degrees have a much smaller return on investment.

And once you take into account the cost of college, the opportunity cost, you have to spend a few years out of the labor force to get that degree. Once you take into account the risk that you might not finish, those degrees are not always going to pay off. There are some that do of course, but over 50% of degrees in those fields are not going to pay off. And we also find similar results for graduate degrees and associate's degree certificates, that the returns to these credentials really vary by field. And we can get into that too.

Jason Altmire (07:56):

And we at CECU as you know, we represent the career schools, private career schools, and we have this debate both with the department directly, but sort of in the public town square about the role of accountability measures and the fact that we believe they should be applied across all sectors and should apply to all schools so that all students can benefit. And the department and some of the critics of the for-profit sector of course have a different point of view, that it should only apply to certificate programs at all schools, but the rules should apply to all for-profit schools.

And everybody else should be sort of exempt from that. And what you just said, you talked about a degree, whether it be anthropology, or theater, or the arts, and these are important professions and there of interest to students and nobody's saying you shouldn't go into those professions, but we believe that those programs should be held to the same accountability standards as everybody else, not different, but just everyone should have to live and play by the same rules. So talk a little bit about your view on, you said what the findings were, what's your view on how schools should be held accountable to those outcomes?

Preston Cooper (09:11):

Well, I think that right now in Washington, a lot of accountability conversation is focused around institutions and types of institutions. We say, oh, we want to hold the proprietary sector accountable, but maybe not the public sector or the private nonprofit sector. And I think what my research shows is that's really the wrong way to go about it because you can have a single institution that offers multiple programs and those programs can have huge differences in returns, huge differences in performance, just for the same institution. To give you an example, the electrical engineering program at the University of Arizona has an ROI of around $800,000. The same institution, the anthropology program there as an ROI of essentially zero. So we're talking about the same public institution, two different programs, two very different outcomes. So that idea kind of holds across the board that the choice of program is much more important than choice of institution when it comes to what the return on investment is.

So as for accountability and how this should be designed, I'm sure we could probably go on for hours and hours talking about this, but just to give some broad strokes about what kind of the lessons are from this ROI research for accountability, number one, we should be focusing on student outcomes. When it comes to accountability, we should be looking at what are loan repay rates? What are earnings after graduation? How much debt are people taking on and is that debt kind of commensurate with the returns that they're getting? And we should kind of be moving away from factors like inputs, like how many books are in the library? What's your curriculum like? What's your tax status? These inputs are really not what matters and not what students are after. What students are really after is they want high earnings.

They want to be able to get a return on a significant investment in their higher education. And I think another lesson from this is that when we're talking about accountability, we should really be doing this at the program level. Because as I mentioned, have mentioned many times, there are huge differences in outcomes for two different programs at the same institution. And lastly, those accountability rules should be applied equally across sectors. Because if we realize that the choice of program is much more important than the choice of institution, it makes sense that we should be holding programs equally accountable, no matter whether they're being provided by a public or a private institution, because what really matters is the outcomes for the students. And we should be making sure that we're holding all programs equally accountable for whether they're actually serving students well.

Jason Altmire (11:42):

In one of your papers, you get into a really thoughtful discussion on the fact that some of these schools are producing students through programs that society considers to be valuable, they're worthwhile programs, but they don't pay a lot of money. And when you look at return on investment, you reference teaching for example, and the fact that I'll let you explain, but as I interpreted it, you don't believe that schools should be off the hook on accountability because they're producing teachers, even though society believes teachers are really important. And of course, we all agree that they are. You take a different tactic. And again, if I read you correctly, you think that society has a role in increasing the salary level of teachers, that they should look at the results of a study like yours and say, we have a responsibility to pay these folks more, but that the university or the college that's producing that profession, and it could be other professions besides just teaching, they should still be held to strict accountability standards based on the outcomes as they currently are. Am I accurately portraying what you've researched?

Preston Cooper (12:56):

Yes, I think that's right. So, there are often objections to broad based accountability where people will say, well, this program is very socially valuable, even though graduates aren't making a lot of money and therefore it should be carved out. It should be exempt from accountability rules. And I didn't really agree with that perspective, but when we're talking about whether a program is socially valuable, we should be asking, why do we think that program is socially valuable? And usually the answer will be, this program is preparing students to enter professions that we think are really important, but might not pay a lot of money. So teachers are one example, social workers another example. Let's stick with the teacher example for now. So my research shows that about 40% of bachelor's degrees in education do not pay off. They're a negative ROI.

And so this is a pretty high number. This is pretty significant. And it's undoubtable that a lot of bachelor's degrees in education would probably get penalized under an accountability regime. And so rather than just saying let's just give bachelor's degrees in education a clean pass, and let's say, we're not going to care about outcomes for this group of programs. What we should really be saying is, well, why are they doing so poorly? And if they're doing so poorly, even though they're providing a socially valuable function, maybe we should look at the socially valuable function they provide and make that a more rewarding pathway to go down. So, one idea out there would be to say, Congress could create, say a tax credit for teachers and say, if you're working in the teaching profession, you can take a refundable tax credit, say of two or $3,000 and increase your after tax income that way.

And maybe you can even include that tax credit in your income so that we can say, when we're looking at the return on investment for various programs, we can say, oh, people in this program are getting this teacher tax credit, which will enable them to earn more money. And we can say, okay, well, this program is going to look better on ROI. And might be more likely to survive the accountability adjustment. But even after you subsidize the teaching profession, even after you do all that, and if a program still is not showing positive results, I think that's a sign there's something wrong with the program. It's not something wrong with the profession that it's feeding into. And therefore that program should still be held accountable.

Jason Altmire (15:18):

And that's a very thoughtful and nuanced look that you're taking that I don't think others have considered. So I would hope that in the public discourse and certainly the negotiation on what these accountability measures are going to look like, that they would think about things like that. And for us with career schools, of course, we have dental assistants and medical assistants. We have veterinary assistants. We have cosmetology and culinary. And those are fields that I think society considers to be important, right, that the public utilizes. Again, they don't pay a lot of money and many of them do not fare well when we look at these return on investment issues and studies.

And we have this discussion with the department, right? I mean, those are two different things. We have folks who are graduating with certificates or other credentials that are required within states to be certified, right, to have a certain number of hours the state requires them to be educated and have a certain level of proficiency and credibility of experience. That's required by the state. And then socially, they are a value to people. All of those fields I mentioned, I think everybody would agree, we use them and they're of value. Again, they don't pay a lot of money. That's the problem that we have. So how would you suggest with regard to those type of professions that the Department of Education, when thinking about accountability as it relates to outcomes, especially earnings address issues like that?

Preston Cooper ([16:53](16:53)):

I think that one thing that we should be thinking about here is when we see higher earnings for one profession and low earnings for another profession, I think sometimes that can be a reflection of, well, for teachers for example, they're mostly paid by the government and maybe the government, not being subject to market forces is not giving them the salary that they really deserve for filling that role. But I think it might be a little bit different for programs that are graduating workers into the private sector. And I think that when we talk about cosmetologists, we talk about medical assistance and so forth. When we see high or low earnings for a specific profession, that is actually the labor market telling us something. That is the labor market telling us, if there are high earnings for this profession, that means we need more of these people.

If we see high earnings for nurses, that means we need more nurses. If we see high earnings for engineers, that means we need more engineers because we need people to build bridges, we need people to run our healthcare system and to take care of the aging population. If we see low earnings for fields such as cosmetology or medical assisting, I think part of that could be maybe we're not valuing those programs enough, but part of it could also be that there's a supply demand issue. That if we see cosmetologists getting average earnings of only 20, $25,000 a year, maybe that means that we are producing too many cosmetologists relative to what the market can bear.

Maybe that also means that schools should be shifting their emphasis from programs in low return fields to programs in high return fields, not just for the purpose of increasing students' earnings, but maybe also for the purpose of us supplying society with the workers that we need to make the economy grow more and make the economy more productive. So I think that, while it's certainly important to consider the social value of these professions, it's also important to consider, what is the labor market telling us with regards to different wages for different professions? And how should institutions of post-secondary education take that information to consider how better to educate their students in order to supply the professions that society most needs?

Jason Altmire ([19:05](19:05)):

Last thing I wanted to ask before we wrap is we talked in the beginning about what's different about your studies to other folks who've looked at ROI, and I think you have taken a very thoughtful look at what accountability should look like, not just talk about outcomes and kind of measure and show data on different types of outcomes at different institutions and programs, but you actually offer up some I think, pretty unique recommendations regarding what accountability measures should look like. And one of them, you talk about accountability rules should use graduated penalties rather than termination for enforcement. Can you talk a little bit more about that and any other thoughts you might have on what preferred accountability measures you would recommend?

Preston Cooper (19:49):

Most of the accountability measures that are currently in use are currently under consideration. I'm talking specifically about cohort default rates, gainful employment. They're using termination for enforcement. So they say that if your cohort default rate is above 30% for three years, you're out of the program. If this program has a debt to earnings ratio above X level for two out of three consecutive years, then we're not going to enable you to get grant and loan dollars anymore. And I think that this is not necessarily the best way to go about accountability policy for a couple reasons. Number one is political. If you are suddenly starting to terminate institutions and programs from federal grant and loan programs right and left, Congress is probably going to have a few things to say about that. Congress is probably going to say, oh, well, I'm for accountability in principle, but there's this college in my district that I really think should be exempt.

And so you create this massive political incentive for various carve outs. And then soon your accountability policy looks like Swiss cheese and it's not much good to anybody. And the second reason is that I think that we want to create incentives for colleges and institutions, schools to be constantly improving their offerings, to be constantly improving their programs. And I'm not sure if just termination is the right way to go about that. If you just have an on, off switch, you're either going to be in the loan program or you're not. And that's why I suggest using a system of graduated financial penalties. And what I mean by that is we can say, if your outcomes are below a certain level, we're not going to terminate you from the program, but we are going to have you pay a fine that's maybe equal to a certain percentage of your title four aid for the last year.

And if you improve that fine it's going to go down. And if you improve a lot, then that fine is going to go away entirely. So what you do is you basically make it part of college's bottom line, make it part of their financial incentives to continuously improve their programs. And so, rather than just saying, if you get above a certain hump, some certain low bar, we're not going to penalize you anymore, you're saying we're going to make sure that if your outcomes are below a certain level, you're going to have this incentive to continuously improve your offerings, to continuously emphasize programs that are doing well and kind of de-emphasize programs that are not doing so well. And you're going to have this continuous financial incentive to serve your students better.

Jason Altmire (22:12):

We have been talking to Preston Cooper. He is a research fellow at the Foundation for Research on Equal Opportunity. And again, I would encourage any listener, go check out their website, check out Preston's writings. He's very thoughtful on issues that people are working very hard on in Washington to come up with a solution and really appreciate your time today Preston. Thank you very much for being with us.

Preston Cooper (22:37):

Thank you. Thank you for having me on.

Jason Altmire (22:39):

Thanks for joining me for this episode of the Career Education Report. Subscribe and rate us on Apple Podcasts, Google Play, Spotify, or wherever you listen to podcasts. For more information, visit our website at career.org and follow us on Twitter @cecued. That's at C-E-C-U-E-D. Thank you for listening.