Jason Altmire (00:05):

Hello, and welcome to another edition of Career Education Report, I am Jason Altmire. We have a guest today, who I think everyone's going to enjoy. We are thrilled to have Michael Itzkowitz, he is a Senior Fellow of Higher Education at Third Way. Which is a think tank, which we will talk more about. Interestingly, he worked in the Department of Education for several years during President Obama's term. Most famously, he was the Director of the College Scorecard. Which we have all taken for granted now that it exists. We all use it, and can scan it, and sort data, and compare institutions and look at outcomes. Of course, it didn't used to be that way, and Michael played a key role in getting that up and running. We are going to talk about that as well. I wanted to start Michael, maybe you could tell us a little bit about Third Way.

Michael Itzkowitz (00:58):

Thanks so much for having me on the show. I really appreciate it. I do work now as a Senior Fellow for Third Way, where I focus on their completion and value agenda. I've been doing a lot of work with them since 2016, after leaving the administration. Essentially, what we were noticing at the time, this narrative of what has been really important in higher education, has slowly began to shift. We were all super and rightfully focused, on college completion within five or 10 years ago. We know that there are so many correlations between students that complete, and their ability to get good paying jobs, and be able to pay down their loans.

After working at the department, and doing a lot of this work with data through the College Scorecard. One of the things that we did notice, is that while there is definitely a relationship between completion and good outcomes, we also started to notice that there were some institutions that were providing degrees to students. Ultimately, weren't leaving them with decent paying jobs, and also not the ability to pay down their loan. My work has shifted in terms of return on investment, from a consumer and a taxpayer perspective. Putting out information, to help ensure that students are getting a good bang for their educational buck. That's been some of the stuff I've been working on over the past few years.

Jason Altmire (02:28):

Third Way started in the early 2000s, I think it's worth pointing out. Of course, there's different types of think tanks, and different ideologies that go along with it. The name Third Way means in theory, that it is taking the third approach. You have the more Liberal progressive side on one end, and you have the more conservative Republican side on the other. Third Way as it was founded, was meant to be a bridge and be a more thoughtful middle. I was wondering if you could talk a little bit about, is that still the way that Third Way views itself?

Michael Itzkowitz (03:03):

We are essentially a little bit less leaning I think, when it comes to some policy areas. Something that was super attractive to me, is that we are able to work across both sides of the aisle. Which as you know as a former congressperson, is so important and necessary to get a lot of policy things done in Congress. Something that's a little bit more advantageous about Third Way, is we do look for practical approaches. That are ultimately good for students, but also focusing on taxpayer dollars, to make sure that they're used effectively and efficiently. Rather than some other places to where I could have found employment, I just found over the past few years, it's really been super advantageous to talk with folks on both sides of the aisle. That are very reasonable, and think about how we can actually get things done. Really working across the aisle, is something that we focus on. I think that we try to do as effectively as possible.

Jason Altmire (04:01):

Our audience are folks of course, who pay attention acutely to higher education. Many of them are interested in issues related to the proprietary sector, but higher education more generally. Not all of them of our listeners are active on social media, I would guess. For those of you that are, I would highly recommend you follow Michael. He is really considered to be the guru, of the College Scorecard of data analysis. He's come up with a return on investment metric, that has gotten a lot of media coverage. I wonder Michael, if you could talk about when you ran the data. Why you did it with regard to looking at return on investment, for students and for taxpayers, what you found in where you foresee that going in the future?

Michael Itzkowitz (04:50):

One of the things that we hear about all the time, and we're going to continue to hear about. Rightfully so, is that there is about $1.7 trillion in debt. We hear a lot of these horror stories, where students are entering programs. A lot of them aren't finishing the programs. Some of them do finish the programs, but they're ultimately just struggling to earn enough to be able to reasonably pay down the student debt over time. We know that it's really been a consumer issue that's on everyone's mind, especially heating up over the past couple years. A lot of this, we see that certain institutions and certain programs, ultimately will lead students with a better chance to have a good ROI or return on an investment. I wanted to use the data that we've been putting out for years, to figure out how can we best do this.

I don't think that there's a complete right way to do this with any metric, but we're really giving our best shot. One of the things that we've looked at, is how much are students actually paying out of pocket? I'll just tell folks, what we call our metric is the price to earnings premium. It's something that you probably heard in the stock market. The thought process was if stock analyst can evaluate a stock, why can't college consumers evaluate the potential ROI, that they might get after making one of the biggest investments of their life? One of the things that we can look at, is how much are they actually paying out of pocket? It's something in higher ed that we call net price. It's how much are students paying, after all grants and scholarships are deducted.

It's their actual money that they're paying, that can either be used through student debt. You can finance it through that, or you can actually use personal finances, but it's the money that you're paying year after year to obtain a credential. The other thing that I wanted to look at is, we also know that the number one reason year after year that students attend college. Whether that be a career college, or a more traditional college. Whether you're studying to be a social worker or a welder, is to get a good paying job that provides you for a financially secure future. The survey results just are consistently. This is the number one reason, whether we like it or agree with it or not, why folks are attending and enrolling in post secondary education. We have data available that shows, what's the actual earnings boost that they're getting. Whether they're attending University of Georgia, in comparison to someone who lives in the state of Georgia. With a high school diploma, but no college experience. Are they actually getting a boost by attending this specific institution?

Now we even have more data to say, if I'm studying social worker engineering at University of Georgia, how much are students making then? You can actually see this and compare this, to someone who has a high school diploma, but no college experience whatsoever. I consider that a earnings premium. Just to give you a short example how this may work in a hypothetical situation, let's just say you spend $15,000 a year to attend university of Georgia out of pocket. You typically would take four years. We know it's a little bit longer. National Student Clearinghouse, is just about 5.1 years to get a bachelor's degree. Let's just say you pay four years out of pocket, $15,000 a year. It's going to cost you about $60,000 out of pocket, to get that four year degree. Sounds like a lot of money, and it is a lot of money.

It's a huge investment. However, if you're getting a earnings boost, you can quickly make that back. I actually use data to look at former University of Georgia students to say, if they have a $20,000 earnings boost, they're making $20,000 more than someone in Georgia, with only a high school diploma but no college experience. That's their earnings boost is $20,000, by attending that institution. If it costs them $60,000 to obtain that four year diploma, they can use that $20,000 to recoup those costs within three years. It's $20,000 times three years. They are already earning that earnings boost. Anything after that is really an ROI, that they'll be able to carry on with them for their lifetime. That's the essence of the price to earnings premium. Is figuring out how much a certain school or degree might cost, relative to the earnings boost that it provides a student, to calculate how long it's going to take them to recoup their costs.

Jason Altmire (09:12):

You broke that down in a number of ways. One of the ways you broke it down was by sector. The public sector, the private, nonprofit, and the for-profit sector. When you first came out with this a few months back, a lot was made about your results relating to the for-profit sector. I was wondering if you could talk about what did you find, with regards to return on investment for students attending for-profit schools?

Michael Itzkowitz (09:38):

First I just want to say, the overall finding of this is college is still worth it. We found that 63% of all institutions provide enough of a earnings boost, to allow students to recoup their educational costs within five years or less. Very quickly. That's encouraging. The verdict is still out, in terms of generally obtaining a postsecondary degree. We also know that a heavy majority of jobs, require some postsecondary education nowadays. We did see differences in breakdown by sector, and some of them were disproportionately better. Quote unquote, better. Or quote unquote, discouraging more than the other. Just for example, one of the ways that we do our calculation, is we do have a category called no ROI. Basically we measure the earnings of students, 10 years after they've enrolled in an institution. How much are you making 10 years after you've initially enrolled? Whether that be a trade school, or a community college, or a four year school. How much is your average student making, your typical student?

If they are making less than the average high school graduate, in the state where their institutions located, we call that no ROI. Now at public and private nonprofits, we saw that only 4% of public and private nonprofits, led the majority of their students earning less than the average high school graduate, 10 years after they've initially enrolled. That means that 96% of those schools, are showing at least some ROI for their students. One thing that did pop out, is that we also saw that there were 51% of for-profit institutions in our sample, that left the majority of students still earning less than the average high school graduate, in their state even 10 years after they've enrolled. I think that that's a whopping number that caught a lot of people's attention, just because it did happen to be the majority of schools within that specific sector.

Jason Altmire (11:37):

You mentioned in the narrative that goes along with your study, that there is a argument that could be made with regard to cosmetology programs on unreported income. Our listeners are certainly familiar with that issue. It involves graduates of cosmetology schools, not reporting tips and those types of earnings. Therefore, when the IRS or a researcher like Michael would look at their earnings data, it's actually underreported. You mentioned in your study, that that is a legitimate public policy debate that occurs. There's also the discussion about cosmetologists, needing to build a client base. Taking some time after they graduate... They don't earn a lot in the beginning, but they build a client base and earn more later on. Leads me to ask, when you say 51% of for-profit schools have no ROI at any point. They never make up that money, that was initially invested in their education. Do you have an idea approximately, what percentage of those schools were cosmetology schools?

Michael Itzkowitz (12:47):

One of the things that we were able to break down, was to actually look at programmatic data. We know that not every school, maybe more cosmetology schools than others, they offer multiple programs. We actually have earnings on cosmetology schools themself. I did run the same analysis, looking at 38,000 college programs. To see how much students make, relative to the cost that they pay. What we saw is that within the for-profit sector, these are graduates of programs. These are students that have graduated from a program, including cosmetology, but also other programs. Within for-profit sector itself, we saw that 46% of all for- profit programs, including cosmetology. Left the majority of their graduates, still earning less than someone that has no college experience whatsoever. We're limited to two years after they graduated, from a cosmetology program or any other program.

They are in the beginning of their career. What is this answer? It answers, these are students that have done everything right. They've paid their tuition, they've got their credential, now they've entered the workforce. We do know that the number one reason, whether you be a cosmetologist, or a social worker, or engineer. Is to obtain a good paying job, that's going to allow you to pay down your loans, and have a financially secure future. It does raise some flags, specifically for this profession. We also looked at just all programs, and grouped them together. What we saw is that actually 97%, I believe of cosmetology programs, left the majority of their graduates earning below this minimum economic threshold. To your point, there have been some regulations through the Department of Education, that actually ties federal funding. To say, if schools aren't performing, if they're leaving students with too much debt and too little earnings, maybe they shouldn't be receiving federal loans and grants.

The Cosmetology Associations have sued the department in the past. One of the main arguments that they made to your point, was that this is a profession to where, there's typically paid in cash and there's underreported income. They actually made this argument to the Department of Education. I thought that it's something that needed to be acknowledged within the report. It was actually under the DeVos administration, and she argued back against them. To say that there's really no widespread evidence at this point, that this specific profession under reports, more than any other profession.

That was the argument that the department made under the Trump administration. There hasn't been strong evidence, rather than specific arguments that have come out of things, that are funded by the Cosmetology Association since then. I think it is an ongoing debate, that we're still seeing as the department is thinking about future regulations. How to treat certain types of programs, and the timeframe that they even measure where this income should come from. Whether that be two years, or three years, or four years. We're still seeing that play out through the department. I think it's something that we're going to continue to see play over the next year or two.

Jason Altmire (16:07):

I won't belabor the point about cosmetology, because I do think it's widely accepted. That there are ancillary factors that go into that. There's certainly differences of agreement of opinion, on how much of a factor that plays in outside income, unreported income. Again, that ability over time to build your client base is important. What we did when we looked at your numbers, which your study's incredible. Is we took your data, and we eliminated cosmetology programs from that data. We ran the numbers from everybody else. What we found at that point was, if you look at ROI your first category is within five years.

Are you able to get a return on your investment to pay back that money, and make a positive income beyond that within five years? What we found is on the for-profit side, 36% of the schools that remained in that data set were able to do that. In the public sector, it was 56%. Within five years, 56% of public sector graduates get a positive return on their investment. For private nonprofits, it was 31%. For-profit it was 36, nonprofits was 31%. I assume you probably ran these numbers as well. Did that result surprise you?

Michael Itzkowitz (17:31):

I just looked at it in a little bit of a different way, and you looked at it in a very quick way. How quickly are graduates able to recoup their costs, which is the best case scenarios. I actually did it like a quick run. What about the schools that have no ROI? We know that they're just heavily concentrated within this specific field. Those are just the stats. We do know that they're also heavily concentrated cosmetology programs, under the for-profit umbrella, for whatever reason that may be. I actually removed these programs. Before removing them, I could see just at the programmatic level, that 46% of all for-profit programs left the majority of their graduates, still earning less than someone with no college experience. When you remove the cosmetology programs, which are just so plentiful within the specific sector.

I saw that number go down from 46 to 33%. From a public policy standpoint, I think that it still presents a high risk, of whether or not they're included in the data itself. I oftentimes put out data for objective reasons, so that folks like yourself and other policy makers can use it. To think about, what's the appropriate way to approach this. There's legitimate differences between different types of professions, and when they may start earning more or earning less. There's also questions that in terms of the training, that goes into these programs. Some folks have said, there's extensive training. Sometimes rightfully so, because they're dealing with complicated things in certain types of cosmetology. There are other pieces of cosmetology programs, that could possibly benefit from a shorter timeframe, which would make the cost less.

It also just raises the question of, with any type of program cosmetology included, if we're preparing students for jobs that don't necessarily exist, or that they don't pay as much as they should. That's the interesting thing about the programmatic data that folks can use, whether at the institution level itself. If you're offering a number of different programs, you can see which ones are working really well. And then where you see more students struggling, in terms of economic ROI. You can make smart operational decisions. That with actionable data, to at least at the minimum dig deeper. To figure out whether it's the program itself, whether it possibly it's the professors, or whether you're offering programs to where jobs don't necessarily exist within your geographic region. We're starting to scratch the surface, we're going to get more years worth of data.

I do hear consistently that folks are interested from all different levels. They're using the data. They're just starting to understand that the data's even there. I think that it's normalizing that the data's there before. If you don't know it's there, you can't use it. They're starting to see it and think, operationally how can I improve? How can I incorporate this into my strategic plan? Think about long term outcomes, just to help students succeed. I do generally believe that a lot of folks in the college industry, are there to help students succeed. We have some more better and actionable data, that can hopefully help do that.

Jason Altmire ([20:55]):

I wanted to close by talking about the next step in this process. You've done something very interesting, that also got a lot of national attention. Where you looked at these numbers and you extrapolated them, based upon the college rankings that we hear so much about. Everybody follows the US news. Rankings every year, and other publications that do that. Parents and students rely on that, when they make their decision. You looked at social mobility as part of the ranking system. You applied some of the data that we're talking about, and added some new factors. I wonder if you could talk a little bit about, how that research came to be. What you found, and where you hope to go from here.

Michael Itzkowitz ([21:38]):

This has all been an evolution. As you start to do this and thinking about value, you see that there's different metrics that you can dig into. One of the things that I and I think many others are interested in, is are we providing students with mobility, and how are institutions actually serving low and moderate income students? Not just the more affluent students, who get into the schools that top the US news rankings every year. It's the same schools, the same well resourced schools that are shuffled around. I decided to run the price to earnings premium on low income students, which the department defines as students whose families make between zero and $30,000 a year. Really the lower income students, some of our most vulnerable students, and you can actually see how much they're paying. Which is different than your average student. You can also see how much they're making, and use that earnings boost to also calculate this ROI.

How much are they paying for a credential, relative to how much are they making? That's obviously going to be different, than an average or higher income student. I wanted to see where are low income students getting the best ROI. I ran these numbers, and I was super excited about this project. What did I find where students were getting the best ROI? It happened to be places like Harvard, Stanford, Duke, University of Chicago. I basically recreated the US news rankings again. And I'm like, great job Mike, you just mimic the US news rankings. That was something that I was really excited about. Then I started to look at the percentage of lower income students, and proportion that they actually enroll every year. If you are gifted and lucky enough to get in some of these schools, you are going to do very well. You are going to have the best ROI. If you're also gifted enough to get into these schools, you're probably going to do very well and succeed in many other colleges.

I noticed these low proportion of Pell Grant recipients at these top ROI, was for low income students. I thought, what's the purpose of higher education and even rankings? Is it to just reproduce the same well resource schools year after year? Or is it actually to leave this generation, better off than the previous generation? I always thought that was what a lot of us think is the purpose. To ultimately lift folks up, rather than just reproduce the same affluent folks. In the same very well, highly exclusive, rather than inclusive schools. I decided to take this index of this ROI for low income students. Look at the proportion of Pell Grant students that each of them enroll, and create an index by multiplying those numbers. What happened, is while Harvard was ranked number four on the best ROI for low income students. In terms of economic mobility, they went from number four to number 847.

You had university of Chicago. Who if you get in there, you are going to do great. They're ranked number eight, in terms of ROI for low income students. But when you take the percentage of low and moderate income students into account, they drop from number eight to number 860. Who are the schools that rose up, and shown themselves as strong engines of socioeconomic mobility? The top 10 schools in this index, happen to be all Hispanic serving institutions, that were specifically located in New York, California, and Texas. They're often very affordable institutions, like CUNY and Cal State and Texas Rio Grande. They provide a very affordable education for lower income students, but they enroll a tremendous amount all over 50%, and they help them succeed economically. These are some of the things that we're seeing. They're highlighting schools to where, if you know these schools, you know that they've been doing the work and delivering on the promise. Now we have the data to show that. One of the other things that I'll just mention is, HBCUs also jumped up on these lists in terms of economic mobility.

These are traditionally under resource institutions, that serve a very high percentage of students of color. They've been under resourced, and having to use their money as effectively and efficiently as possible. They're usually highlighted on US news rankings, or pretty much any ranking that folks are looking at. When you take it in terms of economic mobility, and how well the proportion of lower income students that they're enrolling, and how well they're serving them. We noticed that seven of these HBCUs popped up to the top 100. Which is just something I've never seen. I'm starting to hear from lots of folks, that know that these schools are doing the work. It's really encouraging just to see them highlighted as great opportunities for students across the nation, that are really delivering on the promise and helping a lot of students succeed.

Jason Altmire (26:43):

This has been a fascinating discussion. For anyone that's interested in what we've talked about, I would encourage you to go to Third Way's website, or visit Michael's social media accounts. You can learn a lot more. If you get into this data, you could spend a lot of time sorting it, and searching it, and thinking about your own perspective on things. Michael, we're grateful for you being here today. Really appreciate your time. Michael is a Senior Fellow for Higher Education at Third Way. Michael, it's quits. Thank you for being with us.

Michael Itzkowitz (27:16):

Thank you so much for having me. I really appreciate it.

Jason Altmire (27:23):

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 @career.org, and follow us on Twitter @CECUed. That's, @C-E-C-U-e-d. Thank you for listening.