



THE INVESTMENT PAYOFF:

Reassessing and Supporting Efforts to Maximize the Benefits of Higher Education for Underserved Populations

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EXECUTIVE SUMMARY

Almost a decade ago, public debate about the importance of investing in higher education rose to the forefront as demand for a highly skilled workforce became increasingly important. More students aspired to higher education, believing that a postsecondary degree was the best pathway to prosperity. The individual and societal benefits of higher education were well documented in research conducted by several prominent national organizations.¹

The benefits of higher education over the past few decades have become increasingly apparent, as the unemployment rate for individuals with a college degree is consistently below their counterparts with only a high school education. With current economic conditions, however, concerns have emerged about whether the investments needed to increase the number of credentialed Americans still make sense both for individuals and the larger society. It seems timely, therefore, to re-examine the individual and public payoffs of investing in higher education, especially for the underserved, low-income, and first-generation populations, who have become an important focus of college completion efforts. To this end, the Pathways to College Network and the Institute for Higher Education Policy (IHEP) convened the “National Summit on the Investment Payoff: Supporting Efforts to Increase the Benefits of Higher Education for Underserved Populations” on Dec. 3, 2012 in Washington, D.C. This paper summarizes the issues surrounding the payoff of higher education investments for underserved groups and highlights discussions from the December summit.

CHANGES IN THE PAYOFF OF A COLLEGE DEGREE

Over the last several decades, the definition of a college degree has changed—along with the benefits that accrue from obtaining a degree. Today’s disagreement about the benefits of a college education focuses on several issues:

- **Definition of a College Education**—Historically, a college education meant a bachelor’s degree or higher. Today’s definition encompasses a wide range of postsecondary offerings, including associate’s degrees, certificates and job training.
- **Labor Market Value of a College Credential**—While the value of a college degree in terms of lifetime earnings and higher tax revenues is undisputed, the earnings of college graduates by degree type and field vary considerably. For example, the average annual salary for a recent mechanical engineer graduate is \$50,000, compared with only \$30,000 for a recent social work graduate.²
- **Amount Borrowed to Pay for College**—Over the past two decades, borrowing to pay for college has become a more important issue both in the media and on the minds of students. While the media often reports on student loan burden,

¹ S. Baum and K. Payea. 2004. *Education Pays 2004: The Benefits of Higher Education for Individuals and Society*. Washington, DC: The College Board; Institute for Higher Education Policy (IHEP). 2005. *The Investment Payoff: A 50-State Analysis of the Public and Private Benefits of Higher Education*. Washington, DC: IHEP; National Center for Public Policy and Higher Education. 2004. “The Education Pipeline: Big Investment, Big Returns” Policy Alert. Retrieved from <http://www.highereducation.org/reports/pipeline/>.

² A. Carnevale, B. Cheah, and J. Strohl. 2012. *Hard Times: College Majors, Unemployment and Earnings. Not All College Degrees are Created Equal*. Washington, DC: Georgetown University.

approximately 40 percent of students do not borrow student loans at all to pay for college.³ However, with escalating college costs and stagnant family incomes, borrowers often find themselves with increased debt burden upon graduation compared with students from previous generations. In fact, two-thirds of those who graduated in 2011 accumulated debt averaging \$26,600, up from \$16,928 in 2000—a 57 percent increase.⁴ On the higher and lower ends, less than 1 percent of students have debt burdens in excess of \$100,000, and 42 percent have less than \$10,000 in debt.⁵ Questions remain, however, as to whether the amount a student borrows—be it large or small—is worth the long-term investment.

CHANGES IN ECONOMIC AND SOCIAL CONDITIONS

Changes in U.S. economic and social conditions also have influenced views of higher education's payoff.

Economic Conditions

Economic contraction, changes in the workforce, and greater movement of jobs overseas in the past decade underscore the importance of higher education for the United States to maintain a strong position in the world economy. During the 2007–09 recession, the nation lost 7 million jobs, unemployment rates doubled, and jobs became increasingly clustered at the high-skill and low-skill levels.⁶ Fewer people working meant declines in state tax revenues and increased expenditures on public benefit programs; these factors contributed to the steep rise in public higher education costs. Despite these negative trends, there is still a widely held belief that postsecondary education is the most viable strategy for helping people develop the knowledge and skills to compete for jobs in the global economic environment.⁷

Social Conditions

Education is one of the greatest catalysts for social mobility across class, socioeconomic status, and ethnicity. Today, the nation's demographics are rapidly shifting; increasing numbers of first-generation and low-income students, students of color, and older adults are attending college at higher rates than a decade ago. By ethnicity, from 2000 to 2010, the number and percentage of young Americans of color grew rapidly, while the number of young White Americans was essentially flat.⁸ In addition, college participation and bachelor's degree completion rates for students from low-income families increased from 2000 to 2010, although these rates still fell far short of the rates of students from higher-income families.⁹

During the past decade, new pathways to postsecondary credentials have also emerged. There is now a greater shift from bachelor's and master's degree completion as the primary entry into the workforce to multiple postsecondary credentials, including associate's degrees and certificates.

The changing economic and social conditions including the increasing diversity of students pursuing higher education credentials underscores the need for an updated, more nuanced understanding of the relationship between higher education investment and potential benefits—one that recognizes the impact of these changes on the investment payoffs for students and society.

³ S. Baum and J. Ma. 2012. *Trends in College Pricing 2012*. Washington, DC: The College Board.

⁴ T. King and E. Bannon. 2002. *The Burden of Borrowing: A Report on the Rising Rates of Student Loan Debt*. Washington, DC: State PIRGS' Higher Education Project; M. Reed and D. Cochrane. 2012. *Student Debt and the Class of 2011*. Washington, DC: The Institute for College Access and Success, Project on Student Debt.

⁵ S.M. Dynarski and S. Turner. 2012. "Ignore the Hype: College Is a Great Investment." CNN Money. Aired on June 12, 2012; Federal Reserve Bank of New York. 2012. *Quarterly Report on Household Debt and Credit, 2012*. Retrieved from <http://www.newyorkfed.org/newsevents/news/research/2012/an120531.html>.

⁶ N.P. Fogg and P. E. Harrington. 2011. "Rising Mal-Employment and the Great Recession: The Growing Disconnection between Recent College Graduates and the College Labor Market." *Continuing Higher Education Review* 75; N. Jaimovich and H. Siu. 2012. *The Trend Is the Cycle: Job Polarization and Job Recoveries*. Cambridge, MA: National Bureau of Economic Research; D. Kurtzleben. 2012. "Study: Job Market Growing More Polarized." *U.S. News & World Report*. October 11.

⁷ A. Carnevale, J. Stone III, B. Steuernagel, N. Smith, P. Kotamraju, and K. Green. 2011. *Career Clusters: Forecasting Demand for High School through College Jobs, 2008–2018*. Washington, DC: Georgetown University; J. Immerwahr and J. Johnson. 2009. *Squeeze Play 2009: The Public's Views on College Costs Today*. New York, NY: Public Agenda.

⁸ W. Frey. 2011. *America's Diverse Future: Initial Glimpse at the U.S. Child Population from the 2010 Census*. Washington, DC: Brookings Institution.

⁹ T. Mortenson. 2012. "Bachelor's Degree Attainment by Age 24 by Family Income Quartiles, 1970–2010." *Postsecondary Education Opportunity*. Retrieved from <http://www.postsecondary.org/spreadsheet.asp>.

RECONCEPTUALIZING THE INVESTMENT PAYOFF

When considering the investment payoff for higher education, it is especially important to focus on underserved students and the ways in which they can maximize their postsecondary investments. A new concept, the “Pathways to Postsecondary Benefits Model” (see **FIGURE 1**) adds dimensions to the ways in which higher education benefits relate to students’ backgrounds before entering college, the pathways students take to and through postsecondary education, and the risks and trade-offs they face along the way.

This model offers a nuanced approach to understanding the factors that affect the benefits of higher education. It outlines the diverse circumstances that students face as they proceed along the college pathway and provides opportunities for all stakeholders to identify intervention points and provide the appropriate support services and policy solutions. . These intervention points are places where policies and practices can help maximize postsecondary education benefits for specific groups of students. The individual components of the model help to unpack the dynamic aspects of today’s higher education landscape: Precollege experiences, paths taken to and through college, trade-offs faced along the way, and the accrual of higher education benefits.

Precollege Experiences: Where Students Start

Students who aspire to college increasingly include both the “traditional” and “nontraditional” students. Traditional students are high school graduates who enroll immediately as full-time students at a four-year residential institution after graduation. However, there is a growing population of nontraditional students who range in age, background, and starting places as they enter into higher education and often include more adult, first generation, low-income, and immigrant students—many of whom have been traditionally underserved. Historically many nontraditional students face challenges to accessing higher education without an adequate foundation for college coursework, financial literacy, and at times the cultural and social capital to navigate the college environment. Returning adults, who delay college, and/or whose first priorities are supporting families, often do not have the information, time, or funds needed to enroll. Traditional students are not immune to challenges to access either. Many traditional students who have also been underserved throughout their educational journey face significant financial, cultural, and/or academic challenges in their pursuit of higher education. All of these challenges affect every student’s postsecondary choices and behavior before they even begin.

FIGURE 1: The Pathways to Postsecondary Benefits Model



Paths: Which Route Students Take to and Through College

There are many more postsecondary options today than in the past. Today’s students oftentimes enroll part time or a mixture of part time and full time, take courses at a physical campus location and online, live off-campus, work a full-time or part-time job, and oftentimes take longer to earn a credential. Students may also shorten their time spent in college through accelerated learning, dual enrollment, prior learning assessments, or credit for life experiences. These different routes have implications for how students experience college, and each option has trade-offs in terms of the postsecondary benefits that individuals accrue.

Trade-Offs: What Choices Students Make at What Costs and Risks

Based on their precollege experiences and postsecondary choices, students seeking a degree or credential oftentimes make trade-offs along the way—such as taking time off from their studies, deciding to obtain student loans, engaging or disengaging with the campus environment, attending one institution type over another, and asking for support when needed, to name a few. These trade-offs can make their investment more or less risky. Some trade-offs influence where students go to college and how much they have to borrow; others affect students' persistence to a degree. Regardless, such trade-offs have implications for the investments that students make in their education and the benefits they receive upon graduation.

Benefits: What Advantages Students and Society Accrue

Students' precollege backgrounds, postsecondary pathways, and the trade-offs they make all play a role in the time it takes them to earn a degree and the resulting benefits for both themselves and society. What students major in, how much they pay, how long they attend, and whether they complete their degree will affect the payoff of their investment. From an individual perspective, the benefits of higher education vary substantially based on these and other factors. Government, higher education institutions, and other stakeholders that invest in higher education also accrue varied benefits. If students do not complete college or repay their student loans, public benefits such as increased tax revenues, increased workforce diversity, or health improvements may not materialize.

MAXIMIZING THE BENEFITS FOR STUDENTS AND SOCIETY

Understanding the dynamic realities underlying the Pathways to Postsecondary Benefits Model offers a powerful lens for taking on the important work facing the higher education community—helping to increase efficiency and maximize the investment payoff for everyone who stands to benefit from increasing the number of individuals with high-quality postsecondary credentials. The model helps us identify key intervention points at different stages that move students along the pathway to success, anticipate and mitigate barriers, and encourage and support better decision-making.

The benefits of higher education remain significant. By 2018, it is projected that only 37 percent of all jobs will require up to a high school diploma, of which only one-third will pay \$35,000 or more. By contrast, 54 percent of workers with an associate's degree and 69 percent of those with a bachelor's degree are projected to earn more

than \$35,000 a year.¹⁰ Therefore, it is not surprising that the majority of American parents think that college is important to their children's future success.¹¹ This success can be measured not only by more jobs and higher salaries for individuals, but also by a wide array of public and private economic and social benefits.

Given the numerous individual and societal benefits of college completion, it is reasonable to expect that multiple stakeholders will contribute to maximizing the investment payoff. Higher education institutions, all levels of government, community organizations, local businesses, and other entities can provide information, programmatic activities, funding, and other support to help students along the postsecondary pathway. Exactly what each sector can do to enhance the investment payoff was the focus of discussions at the National Summit on the Investment Payoff. Participants identified and recommended the adoption of promising policies and practices in four sectors: (1) Precollege, (2) Higher Education Institutions, (3) Government, and (4) Workforce Development.

Precollege

The path to college begins early in a student's educational journey, and so the precollege efforts of teachers and guidance counselors, families, and community-based nonprofit organizations make a difference. The challenge is putting into place interventions that will have the greatest impact on helping students enter college positioned to gain maximum benefit from their postsecondary experience. Summit participants offered the following recommendations for professionals and organizations working to ensure that students complete high school ready for college:

- Focus on interventions that, according to research, matter most to students' college success. Examples include not having to take remedial courses in college; applying to colleges that are a good match and fit for students' strengths, interests, and needs; and having one-on-one support from a caring adult throughout the college planning process.
- Educate students and parents on college affordability issues beginning in ninth grade and culminating with personalized financial aid advising and application assistance for all 12th graders and transition support during the summer before students enter college. Recent college graduates could be trained as postsecondary coaches to assist high school

¹⁰ A. Carnevale et al. 2011. *Career Clusters*.

¹¹ J. Immerwahr and T. Foleno. 2000. "Great Expectations: How the Public and Parents—White, African American and Hispanic—View Higher Education." *Public Agenda*. San Jose, CA: Higher Education Policy Institute.

counselors with these activities, as exemplified by success of the National College Advising Corps, which in 2012–13 has more than 300 recent graduates assisting 117,000 high school students in 14 states.

- Hold school staff, including guidance counselors, accountable for the college enrollment and achievement of their graduates. College readiness is one of the measures included in the New York City high school performance metrics, an example others could replicate.
- Embed college advising into high school classrooms rather than making it exclusively the domain of guidance counselors, especially in schools with high student/counselor ratios. College Summit, a national nonprofit, works with 180 high schools in low-income communities across the United States to incorporate a college-going culture into every classroom.
- Equip community-based, youth-serving organizations with the resources to help students plan and prepare for postsecondary education. YMCA branches and Boys and Girls Clubs have signature programs focused on nurturing and supporting the college and career aspirations of the teens they serve.

Higher Education Institutions

Higher education institutions offer students a multitude of support services to meet their financial, academic, social/emotional, and psychological needs. Yet, given the large gaps between the college completion rates of students by family income and race/ethnicity, it is clear that institutions need to re-examine these supports and identify what changes they need to make to increase the completion rates of 21st-century students who are not achieving this goal. Some recommendations for institutional leaders are to:

- Develop a deeper understanding of the situational context of low-income students, first-generation students, and students of color, and use this knowledge to determine the ways in which institutions can facilitate students' progress along the path to completing a postsecondary credential. For example, the Gateway to College Network involves 33 colleges in 20 states offering college transition programs for high school dropouts and those who are on the verge of dropping out, built on an understanding of the environmental and family challenges that such students face and the often overlooked assets they bring to a learning situation.
- Improve student data management systems to allow for comprehensive evaluations and approaches to interventions based on evidence of students' campus engagement and achievement. The National Association of System Heads' Access to Success

project has worked with 22 public systems of higher education to improve their use of data as a primary means for increasing the college enrollment and completion rates for low-income and minority students.

- Engage students at the various points from which they enter the institution, including schools, community organizations, faith-based organizations, and employers, to facilitate their smooth transition to college. Early-college high schools and summer bridge programs provide useful models for this type of intervention.
- Collaborate with school systems to provide students with consistent supports, beginning in K–12 and continuing through postsecondary completion, to facilitate student success. The El Paso (TX) Collaborative for Academic Excellence, a partnership of the University of Texas at El Paso, 12 school districts, and El Paso Community College, exemplifies the benefits of such an approach. The Collaborative focuses on building the capacity to offer all students in the region high-quality education from kindergarten through college completion. Collaborative initiatives emphasize system-wide and sustainable improvements and fall into three areas: (1) Rigorous and Aligned Curriculum, (2) Teacher and Leader Development, and (3) K–16 partnerships.
- Spread research-based effective practices through replication and dissemination. The Pathways to College Network, in collaboration with the National College Access Network, has produced a series of research-to-practice briefs summarizing findings on topics related to college success and highlighting models worthy of replication.

Government

Federal, state, and local government policies play a critical role in many aspects of the investment payoff. At the federal and state levels, the most important lever in higher education funding is the provision of need-based financial aid. In addition, noteworthy state policy efforts have focused on the adoption of rigorous academic standards for high school graduation. Such standards ensure that all students, regardless of income, race/ethnicity, or geographic location, finish high school well prepared for college and careers. Summit participants offered several recommendations for policymakers:

- Use federal and state fiscal policies to incentivize changes in institutional behavior directed toward reducing student attrition and increasing degree attainment rates, particularly among populations least likely to finish college. One example of this approach is California's requirements that institutions participating in the Cal Grant program have a federal

student loan cohort default rate below 15.5 percent and a graduation rate above 30 percent.

- Foster regional and local multisector partnerships focused on developing a shared agenda to help youth and young adults complete postsecondary programs with credentials that qualify them for decent-paying jobs. Eleven major cities, including Boston, Memphis, Philadelphia, Riverside (Calif.), and San Francisco, are using this approach. In every instance, the city's mayor has championed the initiative, convening stakeholders from school districts, higher education, the business sector, city agencies, and nonprofit organizations to set measurable goals for which they take collective responsibility to achieve.
- Target policies to improve the efficiency of higher education institutions on students who have not been served well by the postsecondary system (i.e., students from low-income backgrounds, first-generation students, students of color, and students with disabilities). Tennessee's Public Agenda for higher education rewards institutions for improving outcomes for targeted student subpopulations, including those from low-income families, students of color, and individuals completing programs related to the state's economic development needs.
- Hold postsecondary institutions accountable for the workforce readiness of their graduates by linking state education and employment records and putting this data in the public sphere. The State Council of Higher Education in Virginia website provides wage information on the state's public college graduates by field of study 18 months after completing a degree or certificate.

Workforce Development

Perhaps the most common force driving investment in higher education and the benefits that people derive from it is the demand for skilled labor. Employers have many tools at their disposal to help high school and college students prepare for workforce success, from work-based learning and internships to cooperative education and tuition reimbursement for employees. Business, higher education, and high school leaders can work collaboratively to improve the workforce readiness of students completing postsecondary education in several ways:

- Improve the alignment between the career aspirations of high school students and the academic programs of higher education institutions with workforce needs. A recent project of the Business Higher Education Forum and ACT found that fewer than 10 percent of high school students showed an interest in current high-demand jobs. Improved alignment will result in students completing postsecondary programs well-

prepared for jobs in today's high demand fields.

- Strengthen the career and technical education system by bringing together state policy leaders to develop grade 9–12 career pathways. European countries have many examples of highly successful vocational education programs that include apprenticeships that pay training wages. Currently, six states are developing career pathways systems in a project led by Jobs for the Future and the Harvard Graduate School of Education.
- Emphasize regional approaches to workforce development. Such approaches provide opportunities for employers and educators to leverage the resources of each sector for collective impact in a focused economic area. The St. Louis STEM Higher Education and Workforce Project, which has forged strategic partnerships among business and industry, higher education, and government to strengthen STEM higher education and enhance the STEM workforce, exemplifies this approach.

NEXT STEPS IN THE INVESTMENT PAYOFF DISCUSSION

Although the conversation about higher education investment and benefits is not new, changes in economic and social conditions and the diversity of students in the 21st century make it all the more important. The recommendations above affect students all along their path toward a postsecondary credential so they can ultimately reap the benefits of their educational investment.

Through the national summit and other initiatives, IHEP and the Pathways to College Network hope to energize and elevate work that maximizes the benefits that individuals and society derive from higher education. Together, we focus on new efforts and policies that can better target students who have the greatest needs and seek to find actionable means to support their success. Realization of the maximum benefits of higher education will mean greater returns for both individual students and our nation as a whole in terms of international competitiveness, social justice, and workforce development. As we start recovering from the economic and social upheavals of recent years, and recognize that important factors will continue to affect students in the 21st century, it becomes imperative to double our efforts to discover the best ways to further this goal.

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