

Competing on Value

Enrollment Growth in the ROI Revolution

Enrollment Management Forum



Navigating the Changing Enrollment Landscape Series

Sep. 20

Competing on Value

Enrollment Growth in the ROI Revolution

Oct. 4

Achieving Sustainability

Emerging Business Models for Four-Year Colleges and Universities

Nov. 3

Evaluating Your Team's Effectiveness

Enrollment Management Forum Benchmarks for Enrollment Operations and Performance

Philosophers vs. Welders, Round 2

Recurring Complaints about the Uselessness of Higher Education



Nov 2015

Election Year Rhetoric

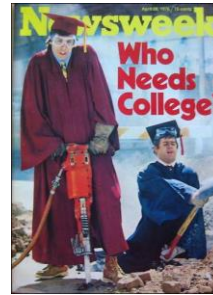
"Welders make more money than philosophers. We need more welders and less [*sic*] philosophers."

Marco Rubio, Former GOP Presidential Candidate

Fact Check

"20 years after graduation, philosophy grads have a median salary of \$97,000 while welding grads make \$58,000."

Forbes



April 1976

Recession Rhetoric

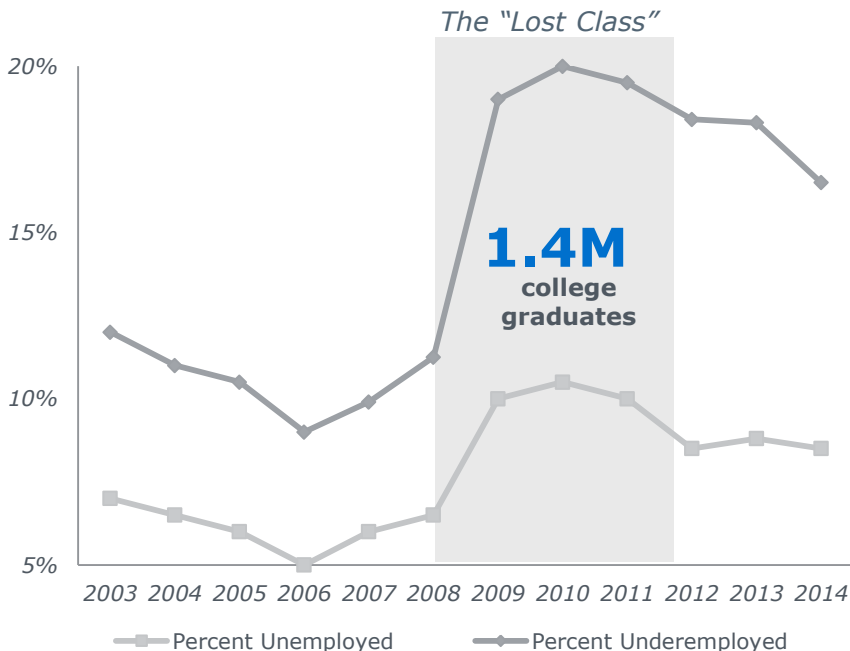
"By all estimates, the rising costs of college have been paced by diminished economic returns on the college investment."

And 40 years before Rubio's comment: *Newsweek* chronicles an English Ph.D. working as a welder

The Lost Class

The Long-Term Consequences of Graduating in a Recession

Un- and Underemployment by Graduation Year



Lasting Consequences to a Late Start



*Lisa Kahn,
Associate Professor of Economics
Yale University*

↓ 7-25%

Percentage starting income of new graduates falls for every one point increase in national unemployment

10%

Percent less earned on average after 17 years than those who graduated in a strong economy

\$100,000

Present value of lost income

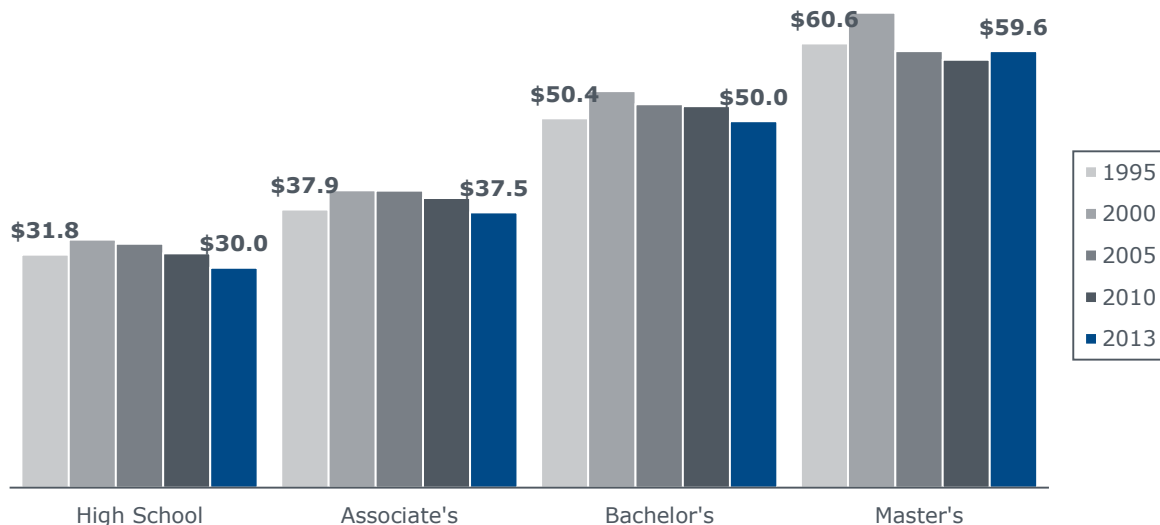
Sources: Davis, A, Kimball, W, Shierholz, H, "The Weak Economy Is Idling Too Many Young Graduates," Economic Policy Institute, May 2014; Gould, E, "Job Seekers Ratio Holds Steady at 2-1," Economic Policy Institute, November 2014; Fino, N, Shierholz, H, Sabadish, N, "The Class of 2013: Young Graduates Still Face Dim Job Prospects," Economic Policy Institute, April 2013; "Online College Students 2016," The Learning House, Inc., and Aslanian Market Research; Peck, D, "How a New Jobless Era Will Transform America," *The Atlantic*, March 2010.

Pay More, Earn Less

Median Pay for Recent Graduates At All Levels Below 1995 Levels

Median Annual Earnings of Full-time Year-Round Workers 25 to 34 Years Old, by Educational Attainment

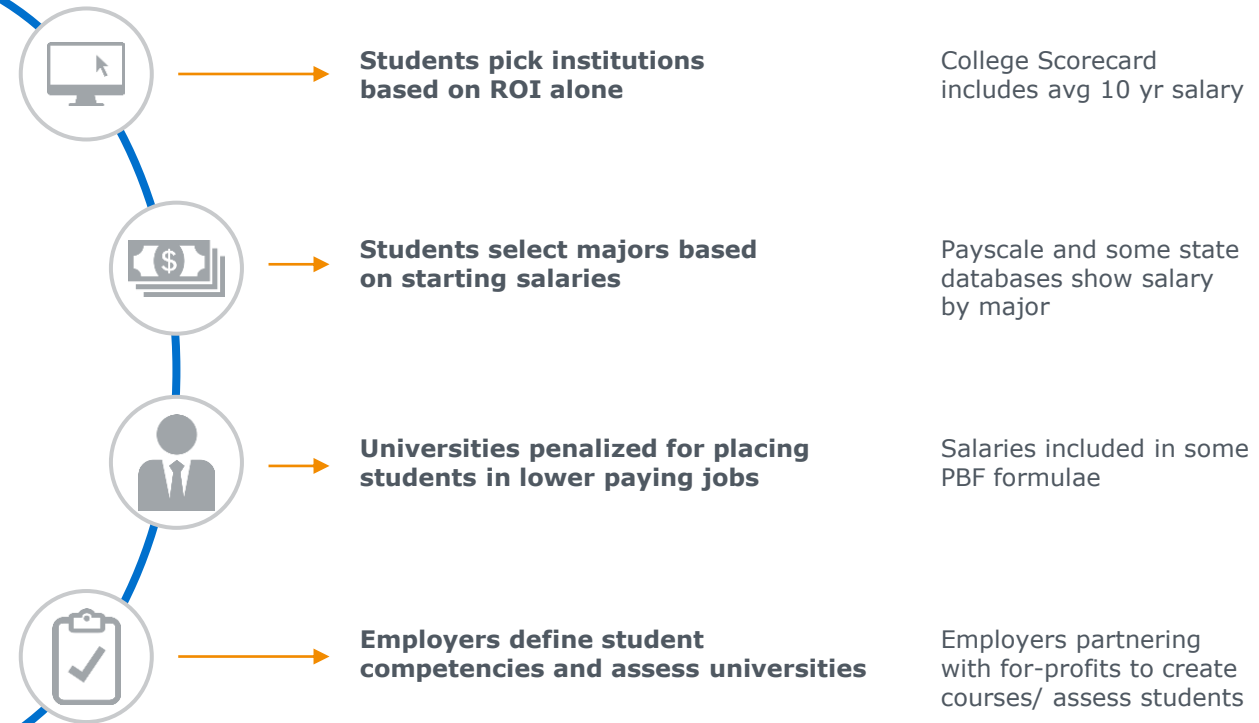
Constant 2013 Dollars



Sources: "Median annual earning of full-time year-round workers 25 to 34 years old," IPEDS, https://nces.ed.gov/programs/digest/d14/tables/dt14_502.30.asp; EAB interviews and analysis.

A Pundit's Dream and an EM's Nightmare

Where the ROI Focus Could Lead



Early Warning Signs

College Scorecard
includes avg 10 yr salary

Payscale and some state
databases show salary
by major

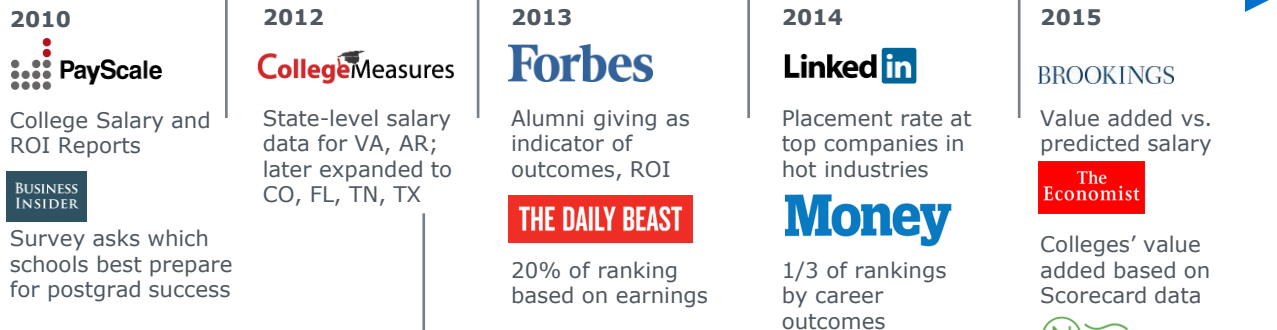
Salaries included in some
PBF formulae

Employers partnering
with for-profits to create
courses/ assess students

A New Kind of Ranking

Proliferation of Rankings and Search Tools Based on Career Outcomes

New Resources to Measure ROI Emerge Post-Recession

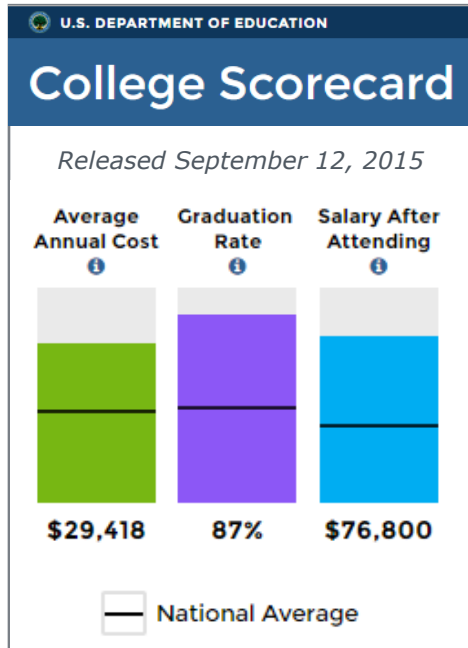


College	Salary	State	City	Type
Rice University	\$53,200	Texas	Houston	Private, not for Profit
Texas A&M University	\$50,200	Texas	College Station	Public
Prairie View A&M University	\$49,300	Texas	Prairie View	Public
The University of Texas at Austin	\$48,800	Texas	Austin	Public

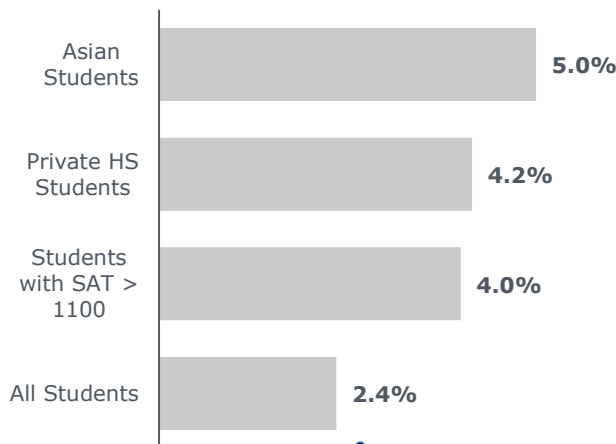
The Data Do Make a Difference

ROI Data Changing Student Application Decisions

Scorecard Immediately Affects College Shopping



Increase in SAT Score Sends for Every 10% Increase in Salary



No impact for students with SAT below 1100, first generation students, African American students, or Hispanic students

Data ≠ Transparency

Severe Limitations for Salary Data

Methodology Limitations



Not adjusted for program mix



Not adjusted for subsequent masters or professional degrees



Focus on early career salary
(Scorecard: 10 yrs, PayScale 20 yrs)



Limited Sample
(Scorecard: federal aid recipients,
PayScale: self reported)

Which Universities Benefit?

Those with more engineering
and health professions majors

Those where more students
who get professional degrees

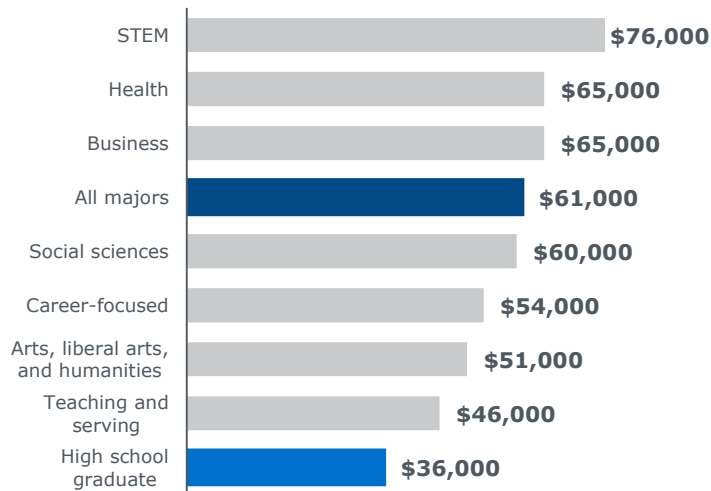
Those who send students to
high paying entry-level jobs

Those with more highly paid
students who self report

Majors Matter

Students Recognize that ROI Varies Significantly by Discipline

Median Annual Wages of College-Educated Workers Age 25-29 by Major Supergroup



Difference in lifetime earnings between highest and lowest-earning major (\$3.4M) exceeds difference between college and HS degree (\$1M)

An Information Experiment



Sample of students asked to predict their earnings at age 30



Students then exposed to data showing their major's expected earnings



12%

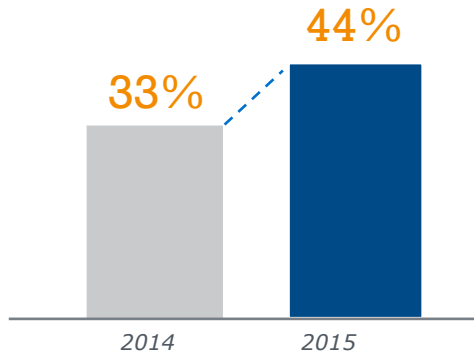
Percentage of students who decided to change major in response to earnings data

Source: Georgetown University Center on Education and the Workforce, "The Economic Value of College Majors" 2015; Matthew Wiswall and Basit Zafar, "Determinants of College Major Choice: Identification using an Information Experiment," Federal Reserve Bank of New York Staff Reports (June 2011; revised August 2014)

The Parent Problem

Parents Willing to Pay More for Career-Aligned Majors

Percentage of parents who said they were **more likely to fund their child's education** if they majored in a field with a higher likelihood of employment



— Discover Student Loans Annual Survey (2015)

“When I assigned an 800-page biography of Andrew Carnegie for a new undergraduate course on wealth and poverty at George Mason University a few years ago, I wasn’t sure the students would actually read it. Not only did most of them make it to the end, however, but many thanked me for giving them the chance to read a popular work of history. Curious, I inquired how many were history majors. Of the 24 honors students in the seminar, there were none. English? Philosophy? Fine arts? Only one. How was this possible? I asked. Almost in unison, half a dozen replied: **‘Our parents wouldn’t let us.’**”

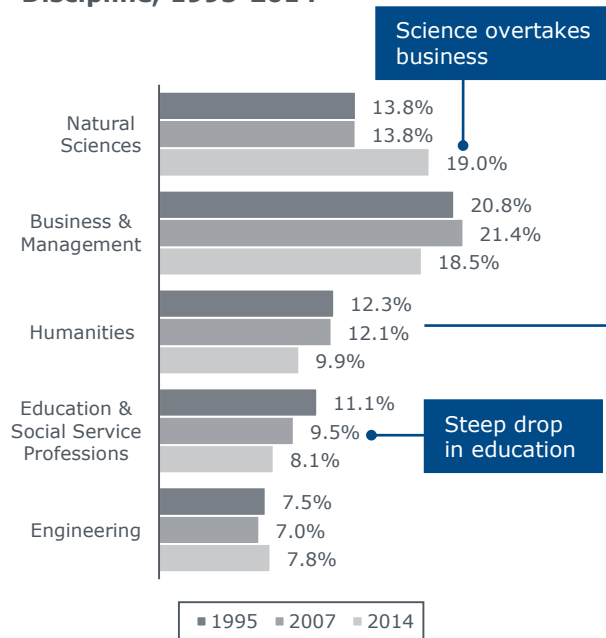
—Steven Pearlstein, *Meet the parents who won’t let their children study literature*

Sources: Pearlstein, S, “Meet the parents who won’t let their children study literature,” *The Washington Post*, https://www.washingtonpost.com/posteverything/wp/2016/09/02/meet-the-parents-who-wont-let-their-children-study-literature/?utm_term=.e77e8015cbb3, 2 September 2016; “Discover Student Loans Annual Survey,” <http://www.businesswire.com/news/home/20150608006741/en/DiscoverStudentLoansAnnualSurveyParentsContinue>; EAB interviews and analysis.

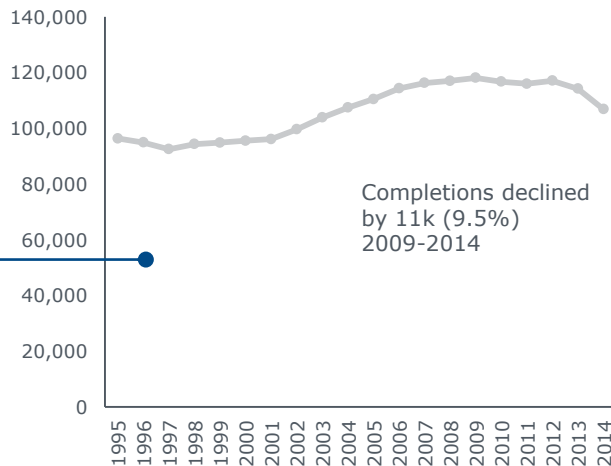
Looking for Lucrative Majors

Economy Driving Enrollment Shifts

Change in Share of Completions by Discipline, 1995-2014



Degree Completions in Core Humanities Disciplines, 1995-2014



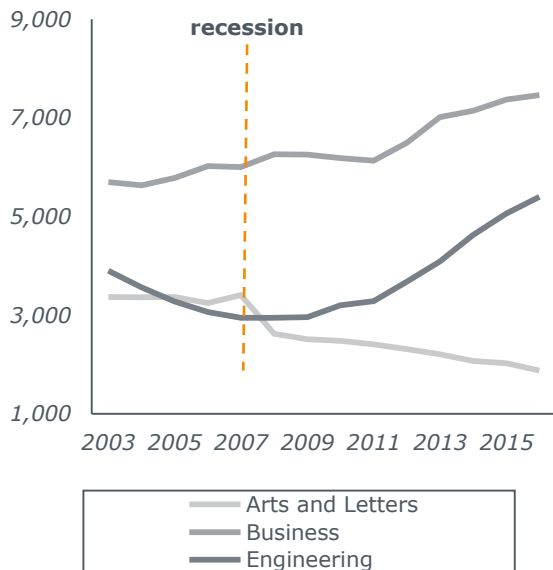
1) Core humanities: English language and literature, history, languages and literatures other than English (including linguistics and classical studies), and philosophy

Cross-Disciplinary Tensions

Academic Program Capacity Unresponsive to Changing Student Preferences

Changing Program Enrollments at Michigan State University

Undergraduate Enrollment by College, 2003-2015



Pointing a Finger: Faculty Frustration Directed at EMs



"We only got two new students? Unacceptable!"



"We don't admit to majors, we admit to university!"



"You are intentionally favoring STEM students!"

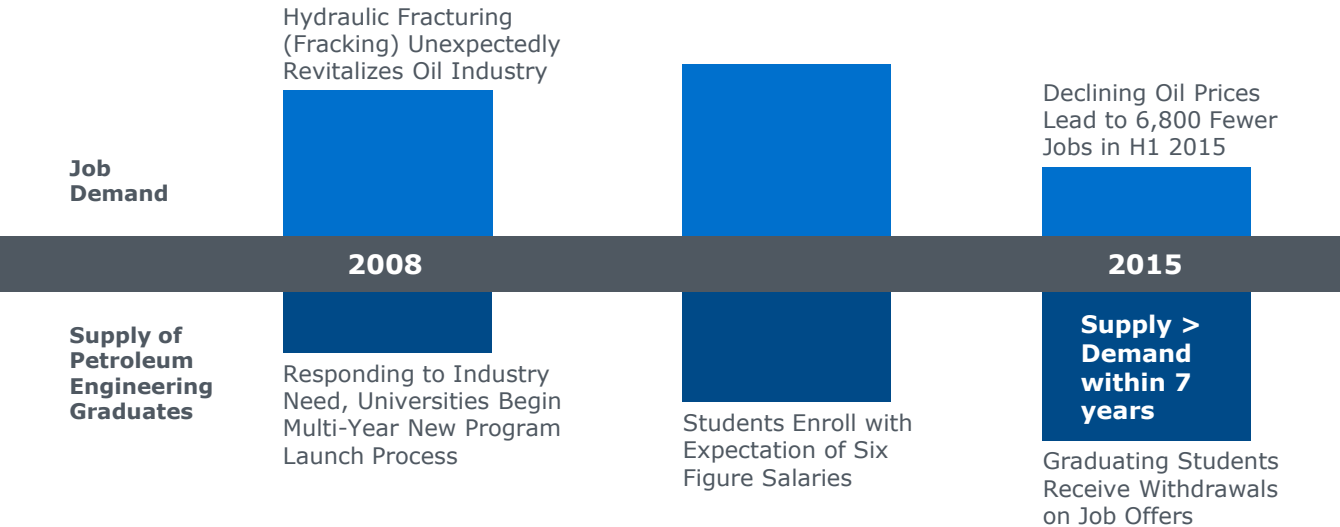


"Students are intentionally favoring STEM majors!"



The Difficulty of Chasing “Hot Jobs”

The Case of Petroleum Engineers



“The economy bounces all over the place in terms of jobs that we hear are ‘hot’ all the time, like tech jobs. The reason that they’re hot is precisely because you can’t predict them.”

Peter Cappelli, Professor, Wharton School of Management

More Strings Attached

Early Attempts to Link Funding to Career Outcomes

Federal Proposals on the Table



Ratings tied to federal funding



Risk-sharing proposals requiring institutions to pay for student loan defaults

The Danger of Misrepresenting Outcomes

Law Schools Under Fire for Inflating Job Placement Numbers

- Students accusing law schools of over-selling through inflated job outcomes data that included graduates in part-time service jobs
- 15+ lawsuits filed against law schools across the country
- Thomas Jefferson School of Law student loses case against school March 2016

States Beginning to Take Notice



- Florida PBF scoring system yields \$16.7M for FSU in 2015
- If median first-year earnings (\$31,600) had been \$400 less, would have scored 1 point lower on formula and gotten zero dollars



- Financial sustainability at risk for schools not focusing on high-earning majors?

Preventing Low-Paying Majors from Being Cut



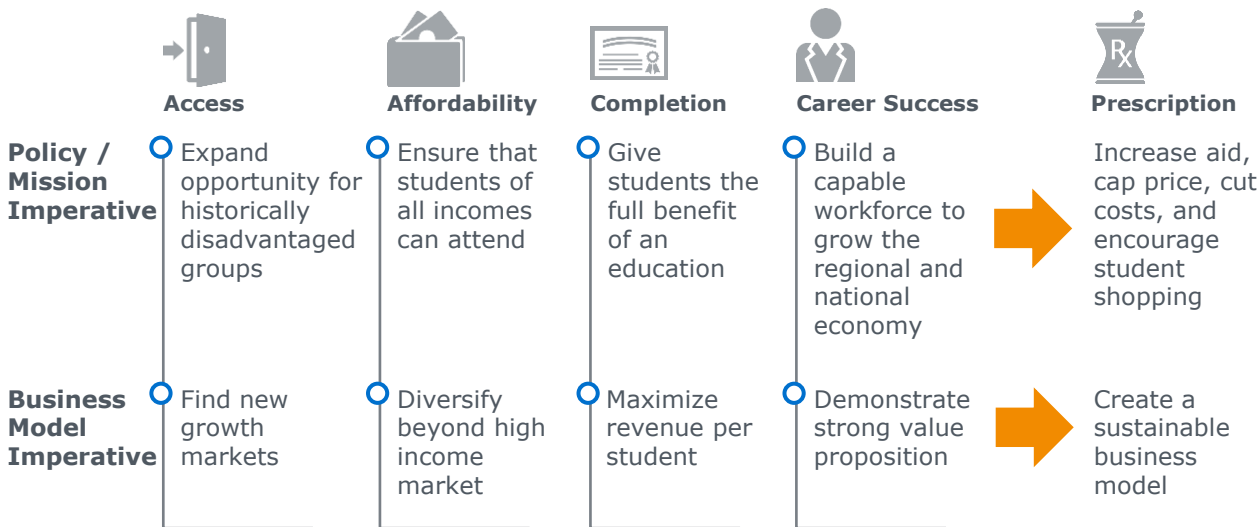
Social Utility Index

"How do we calculate the social good of programs that lead to low-paying jobs but are important to communities?"

Source: "The New College Scorecard," *Inside Higher Ed*, September 14, 2015; Yanan Wang, "Is a law school lying about employment data? A struggling grad sues, and an unprecedented trial begins," *Washington Post*, March 8, 2016; Elizabeth Olson, "Law Graduate Who Sued Her School Loses at Trial," *New York Times*, March 24, 2016; kaitlin Mulhere, "Some gain, others fall in Florida's performance-based funding system," *IHE*, April 10, 2015.

Mission and Margin

Affordability, Access, and Outcomes as Business Model Imperatives



Redefining Affordability Through ROI

Income Share Agreements Shift Risk from Students to Investors

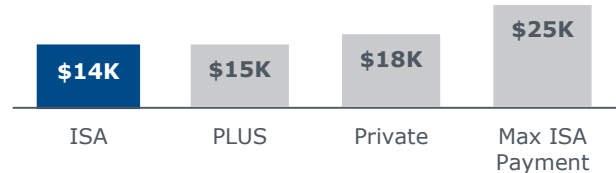
“Back A Boiler” Program Finances Students’ Education with Future Earnings

PURDUE UNIVERSITY

- Alumni pay a portion of a student’s costs in exchange for share of income later
- Repayment rate and schedule vary according to major’s expected average starting salary
- Contracts last no longer than 9 years, less than Federal PLUS
- Graduates who earn less pay less

Sample ISA Parameters, \$10K Principal

- Major: Chemical engineering
- Average starting salary: \$68,000
- Rate: 2.57%; repayment cap at 2.5x principal
- Time: 88 months



But Will It Raise Costs?

“[Income-based repayment plans] conveniently skirt the issue of high college costs by emphasizing the flexible, long-term nature of the repayment plan, and obscure discussions of rising tuition entirely. In fact, college graduates will pay under this plan—and they will pay far too much.”

Sara Goldrick-Rab



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