# Examining the Value of a College Degree

PayScale

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# Introduction

PayScale has been utilizing crowdsourced data to create better transparency around compensation for more than a decade. While we've primarily focused this effort on individuals trying to understand their market worth and employers who are actively managing compensation strategy within their organizations, we've always known that education can play an important role in career opportunity and success – and ultimately, yes, compensation. So we have decided to use our data to better understand the relationship between educational choices and career success.

The connection between higher education and career outcomes is a thorny issue – one that's difficult to unravel but one that deserves our attention. With student loan debt spiraling out of control, it's more important than ever for prospective college students to be armed with information that will not only help them decide where and what to study but how much debt they can afford based on their likely career prospects. To this end, PayScale publishes two annual reports on higher ed – the PayScale College ROI Report and the PayScale College Salary Report.

But, the questions surrounding the value of a college degree go far beyond alumni salaries and return on investment. That's why we've asked 12 thought leaders, from college presidents to business executives, to weigh in. Here's what they had to say.

*The views and opinions of the individual contributors included in this publication are their own and do not necessarily reflect the views or opinions of PayScale or its employees.*

Lydia Frank
Editorial Director, PayScale

# Is College Worth It? Yes, But Not Always

By Dr. Bridget Terry Long, Ph.D., Academic Dean and the Xander Professor of Education and Economics at the Harvard Graduate School of Education

Is it still worthwhile to attend college? This has been a constant question, and as an economist and higher education researcher, I can wholeheartedly say yes. The data are clear: individuals with at least some college education make more money than those with only a high school degree. And let us not forget about the non-monetary returns, such as better working conditions, lower rates of disability, and increased civic engagement.

However, the conversation has become more complicated as research has pointed to another important fact: yes, college is worth it, but not always. We no longer think that all educations are financially good investments—the specifics matter. The answer for any student depends upon three important factors: the college attended, the field of study, and the cost or debt taken.

First, the college a student attends makes a difference, as we can see from the Payscale data. But these recent data underscore a longer-term trend. In a 1999 study, a co-author and I documented increasing inequality among college-educated workers1.[1] While those near the top of the income distribution (i.e., the 90th percentile) experienced larger returns to their educations over time, after accounting for inflation, those near the bottom of the distribution (i.e., the 10th percentile) earned less in 1995 than 1972. Our examination of the reasons behind these changes highlights the important role of increasing segregation in higher education, where the top students have become more and more concentrated at institutions with much greater resources. The colleges rated "most competitive" often spend more than three times per student than "less competitive" colleges.

However, selectivity rating alone does not necessarily predict which schools have the highest rates of student success. A 2009 study documents the fact that graduation rates differ not only by college selectivity but also within a selectivity group. For example, among colleges rated as "very competitive," six-year graduation rates averaged from 30 percent for the bottom 10 schools to 82 percent for the top 10 schools.[2] Selectivity does not necessarily guarantee high levels of degree completion.

A large part of the problem to understanding which colleges are good investments is the lack of good measures of college quality. Most existing measures rely heavily on the academic achievements of students before they even step foot on the college campus. Meanwhile, there are few measures of the quality of the postsecondary learning experience or the value-added to the student. Hence, we rely on indicators such as earnings and loan default rates. While it is helpful to have this information to establish minimum thresholds of what might be a financially worthwhile education, they are not sufficient to help students compare possible colleges and make the decision about where they, as individuals, might maximize their benefits.

The second thing that increasingly matters in college investments is the field of study. While many students do not work in the field of their college major, typically, students majoring in engineering and the sciences reap the largest benefits. However, income is not the only thing that varies by major: as emphasized by the Great Recession, unemployment rates also differ by field of study. Interestingly, although Education majors may not make the most money, they have among the lowest unemployment rates.

The first two factors, the chosen college and major, focus on potential benefits, but those benefits must be compared to costs to determine whether a college education is worthwhile. We focus most of our attention on price and debt load as a measure of the burden of college costs. Debt is a reality of higher education today, and some debt is fine if it makes possible a beneficial educational investment. However, the level of debt that is reasonable depends greatly on the school attended and major. One might judge $10,000 of total debt for an engineering degree to be fine, while the opposite would be true for a six-week certificate program.

Unfortunately, students typically have such poor counseling on how much debt is appropriate given their plans, and with large levels of unmet financial need, many turn to multiple sources of debt, such as credit cards and private loans, without fully understanding how this will affect them over the longer term. Moreover, recent graduates (or dropouts) fresh out of school have little appreciation for how their investments may pay off 10 years from now when their current reality is living at home with their parents. In other words, it's difficult to internalize long-term benefits when the costs are so heavily weighed up front.

Ultimately, knowing whether college is a good investment depends on which college, which major, at what price (or debt). Looking at the averages is no longer as meaningful, given the importance of match for an individual student with specific interests, talents, and resources. And while I would underscore the fact that for the vast majority of students, most combinations of college/major/debt they would choose are worthwhile investments, we have reached a time when the benefits of college may not far exceed the costs for increasing numbers of students.

Even if only a small percentage of investments are "bad"—ones in which the college attended has low levels of success and gives credentials with little value while making students take out large amounts of debt—we have reached an enrollment level in which a small percentage translates into thousands and thousands of students each year. And that is a problem that cannot be ignored.

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*Long received her Ph.D. and M.A. from the Harvard University Department of Economics and her A.B. from Princeton University. She is a Research Associate of the National Bureau of Economic Research (NBER) and former Chair of the National Board of Education Sciences (NBES).*

1 Hoxby, Caroline and Bridget Terry Long (1999) "Explaining Rising Inequality among the College-Educated." National Bureau of Economic Research (NBER) Working Paper No. 6873.
2 Hess, Frederick M., Mark Schneider, Kevin Carey, and Andrew P. Kelly. (2009) Diplomas and Dropouts: *Which Colleges Actually Graduate Their Students (and Which Don't).* American Enterprise Institute.

# Colleges, Universities and Career Schools Vary Widely in Their Outcomes

By Martha J. Kanter, Ed.D., Distinguished Visiting Professor of Higher Education at New York University

As they plan for the future, America's students and families keep asking whether college is worth the cost. Hundreds of studies, a robust evidence-base and myriad testimonials from millions of graduates across our nation tell us the same answer: Education beyond high school enables Americans to get more out of life than ever before.[1]

So why do we keep asking the same question? Because all postsecondary institutions are not created equal: they differ enormously in quality, cost, breadth and depth. There is tremendous variation in standards, assessments, overall performance and outcomes.

Too many of us think in 20th century terms. In decades past, earning a certificate or a degree was a stopping point.. In the 21st century, however, there's no finish line to a postsecondary education. Today, degrees, certificates, certifications, and even the new wave of 'badges' crisscrossing both public and private higher education sectors, should mark what people have learned, backed up by demonstrations and portfolios about what they can actually do on the job, in their communities and throughout their lives. We're not only educating students for jobs today, but for their contributions to our nation's civic and social health, for the well-being of our democratic society.

Data sets that measure college outcomes don't take into account four important factors: the varying preparation levels of students when they enter college, the financial resources they can apply to college costs, the amount of time they work and how much time they devote to their studies.

A couple other factors add a complication to measuring outcomes across the various institutions. The majority of college students are juggling work, family and community obligations so many attend part-time. Yet, the outcomes historically reported at the federal level only track first-time, full-time students. And, two out of three students today acquire a postsecondary education at more than one institution.

Many students don't realize that they actually could go to a college with a higher graduation rate at a lower cost if they spent more time on the front end comparing and contrasting their options.[2] Far too many students sell themselves short, thinking they're not smart enough, that it's too expensive, or that higher education is for others, not for them. As a nation, we need to work much harder to dispel these myths.

Students and families should "stretch" their thinking and look at the performance of different postsecondary institutions: a state university compared to a private four-year college compared to a community college compared to a major research university compared to a for-profit institution compared to a career school.

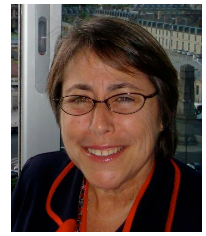
In the first term of the Obama Administration, the College Scorecard was created to help families make better informed choices by looking at postsecondary institutions' graduation rate, tuition cost (net price, not sticker price) and student debt. Albeit these are gross measures that don't account for quality, it's critical that at a minimum, students and families take the time to compare several institutions before choosing which one to attend, and, in doing so, look at as many outcomes as they can. Quality, cost and attention to the needs of the diverse range of students are criteria that should replace location, convenience and "where your friends are going" to identify the best set of options a student should investigate.

I studied career ladders in the nursing profession for five years serving on the Workforce Investment Board in Silicon Valley. Our team learned that registered nurses who graduated from community colleges performed on a par with their counterparts who earned B.S.N degrees from university programs.

Few will quibble with the fact that we need more highly trained nurses in our nation, nurses with baccalaureate, master's and doctoral degrees as well as those with associate degrees. But this is where the comparison gets messy. Time, cost and effort are critical factors that prospective nursing students should consider when deciding whether the best choice is a university, a community college or a training program. Further, many students don't differentiate between a healthcare training program that may offer a certificate, but not the degree or preparation to sit for a licensing exam like the National Council Licensure Examination for Registered Nurses (NCLEX-RN.)

In the healthcare example, the California Board of Registered Nursing publishes by institution how many graduates took the NCLEX-RN and how many passed, important for prospective students to know. They should also look at graduation rates, cost, average student debt after graduating, and the likelihood of employment, to make an informed choice that will help them advance in their careers and in life.

We are fortunate to have premier postsecondary institutions when we compare the United States to any other country in the world. It is because we have diverse pathways and pipelines from entry-level skill building and training for a specific job to higher levels of knowledge and skill that enable critical thinking, reasoning and analytical skills that evolve from a strong general education foundation and specialized study in a wide variety of disciplines.[3] When deciding to invest the time, money and effort in higher education, it's more important than ever to compare and contrast the different institutions on specific outcomes because they differ far more than they are similar. America's students deserve the best.



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*She served as the U.S. Under Secretary of Education from 2009-2013.*

1 Pew Research Center, 2013: 86% of college graduates reported that college was a good investment for them.

2 Caroline Hoxby and Christopher Avery, "The Missing "One- Offs:" The Hidden Supply of High-Achieving, Low Income Students," The Brookings Institution, March 2013.

3 American Association of Colleges and Universities

# Colleges Need Some Skin in the Game

By Richard Vedder, Director of the Center for College Affordability and Productivity

***Richard Vedder*** *is director of the Center for College Affordability and Productivity, teaches at Ohio University, and is an Adjunct Scholar at the American Enterprise Institute.*

When students perform poorly in college, they face significant adverse consequences: for example, if they fail to graduate, their capacity to earn a living in the world of work is importantly reduced. Or, even if they graduate, the poorer students have more difficulty getting good jobs or entering graduate school. They get lukewarm letters of recommendation from professors, fail to get into honors societies that denote superior performance, etc.

Students are held accountable by universities. But are universities themselves held accountable when students end up becoming unemployed or working in a low-paid job usually filled by high school graduates?

If colleges fail to inform students of the post-graduate probability of success of students in various majors, or if they fail to show students the consequences of poor academic performance in their post-graduate careers, they are doing their students a disservice. If the universities consider job placement and counseling of students about course choices and career options of secondary importance, shouldn't the colleges face some adverse consequences, just as their students who fail to perform well do?

In short, why shouldn't colleges have some "skin in the game," prospering if their students are able to secure good post-graduate positions, and suffering adverse consequences if large numbers struggle in "the real world?"

One way to partially achieve that objective is to make colleges absorb some of the losses to taxpayers when students default on student loans. Loan default is usually closely associated with poor occupational experiences after college, so making colleges pay some of the burden of excessive default rates would lead them to take steps to lower defaults, largely by reducing dropout rates or encouraging students to major in subjects with better earnings prospects.

As a long-time college professor myself, I see students all the time picking courses and majors based on some vague liking for the subject matter, totally oblivious to whether the choice of major is practical in any tangible way. And this ignorance works sometimes in surprising ways. My reading of PayScale data suggests majoring in philosophy is not necessarily bad from a long-term financial perspective, but some students might shy away from philosophy thinking it is hopelessly impractical, not justifying paying large tuition fees.

Forcing colleges to share the burden of loan defaults is not the only way of encouraging greater college efficiency in the use of resources to help students. For example, PayScale already computes "rate of return" information by college, relating college costs to post-graduate earnings. Should government subsidies be directed in greater amounts to schools delivering a high rate of return? From an economic point of view, that makes a good deal of sense –rewarding colleges delivering more bang for the buck and getting a better return on scarce governmental subsidy payments to schools.

At various times various political leaders have proposed legislation mandating the greater provision of information to consumers –future students. President Obama has spoken favorably about providing post-graduate earnings data, for example. A bipartisan bill by Senators Ron Wyden and Marco Rubio is similarly intriguing, because it aims to reduce student ignorance relating to the vocational relevance of their prospective school or degree.

Some decry these efforts. They say that providing such vocational information reduces colleges into mere trade schools, not institutions interested in the eternal truths or the sublime but precious fruits of our literary and artistic heritage. Colleges, it is argued, should enhance civic virtue, and even reinforce moral strictures, such as delineating the difference between right and wrong.

There may be some truth in all of this. But isn't denying information to students about career options and opportunities itself wrong? Don't the colleges have a moral imperative to provide students, not to mention lawmakers who grant public subsidies and private philanthropists who confer gifts, valuable information that they can use –or disregard—as they see fit?

There is a huge and growing disconnect between what students expect vocationally when they enter college and what they actually obtain after graduation. Large numbers are leaving college disillusioned and impoverished. The over 115,000 janitors with bachelor's degrees did not go to college aspiring to that vocation.

Colleges: clean up your act.

# Out of Focus: Career Outcomes Should Not Be the Measure of An Undergraduate Degree

By Dr. Joseph W. Childers, Dean of the Graduate Division, UC Riverside

Colleges and universities in the United States have abandoned their core values by focusing on career outcomes for their undergraduates. Rather than providing these students with the tools that will allow them to continue to acquire and synthesize new knowledge throughout their lives, schools are increasingly concentrating on teaching what they perceive to be the technical needs of their students' potential employers.

Unfortunately, according to these prospective bosses, they aren't doing a very good job of it. But despite the evidence that colleges and universities, and the faculty who work in them, are not ideally suited for what essentially amounts to vocational teaching, it has become the new norm. As a result students and employers alike have come to expect graduates to transition without pause from classroom to meeting room.

That expectation is a huge problem with higher education today. Undergraduate education has become driven by what colleges and universities have determined employers need from their workers, instead of by what they actually do well; teach students how to think critically, to communicate effectively, to manage large amounts of information efficiently, and to quickly learn, evaluate, and use new information.

Colleges and universities have decided that in order for their students to be successful job seekers, their education must include at least the rudiments of the specialized training companies once provided to new employees. For those doing the hiring, this seems like a great deal.

Yet schools struggle, and often fail, to deliver this job training. The recent study by Chegg, the Student Hub, and Harris Interactive showed that neither students nor employers believe students are adequately prepared for moving directly into the workplace. One result? Poorly trained and dissatisfied students then return to the universities as master's students for *more* training. More people than ever are now seeking master's degrees, mostly in specialized, technical, professional fields. Good for increasing enrollments, bad for the value of the bachelor's degree or the prospects of improving it.

Another difficulty with this dynamic is that by shaping curricula to produce the most employable graduates, universities are often working harder to supply an immediate workforce for companies than they are at creating lasting value for the students who are actually paying for their educations. Very few universities are nimble enough to match the speed with which the need for new skills and specialized knowledge emerges in business and industry, which can cause curricula to lag several years behind.

Regrettably, we have all become accustomed to thinking about a college degree in terms of utility rather than potential. Universities are called to account for not producing graduates who can walk directly into a challenging position and function with the aplomb of someone who has been doing that job for years. It is no longer enough for a student to have been trained to problem solve, to think critically, to communicate effectively, to absorb and apply new knowledge rapidly, so that he or she can learn to do a wide variety of jobs.

But companies want these problem solvers. An October 2013 *Forbes* article points to a survey by The National Association of Colleges and Employers that found employers most want job applicants to have skills in teamwork, problem solving, communication, organization, and critical processing of information. Technical skills were far down the wish list.

As long as universities continue to think of themselves as training students for careers and measure their efficacy in terms of career outcomes, it is going to be difficult to change course.

As idealistic as it may sound, universities do their best when they send their students out into the world with the tools that will allow them to continually acquire new skills and knowledge. This is especially important since Americans on average change careers seven times during their working lives. It is even further underscored by a May 2013 study by the Federal Reserve Board that indicated only 27 percent of college graduates are in careers connected to their majors.

This is not a rose-colored glasses approach to higher education, nor is it a suggestion that universities should abandon teaching technical skills altogether. But for universities to succeed in education, they should return to their original mission of preparing thoughtful, informed citizens of the world.

After all, it's what the employers want anyway.

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*Childers specializes in Marxist, post-Marxist, and historicist theory and criticism; the English novel; and Victorian studies, with recent focus on working-class and immigrant literature.*

*In 2001, he was honored with the UC Riverside Distinguished Teaching Award.*

# Why More Families Should Ask If College Is Worth It

By Ann McDermott, Director of Admissions, College of the Holy Cross

When it's time for questions during our campus tours and information sessions, the hands go up: How big are classes? What's the food like? Where's the gym? Will I have a roommate?

Those are all questions that should be raised. But what's not asked enough is the question in the back of every parent's mind: Is four years at this college worth the price tag? And for a four-year exclusively undergraduate liberal arts college like the College of the Holy Cross where tuition, room and board rings in at nearly $60,000 a year, it's a question that deserves a detailed answer.

First, don't buy into the myth that a liberal arts degree doesn't lead to a well-paying job. Even though he quickly apologized, President Obama fueled this myth when he said: "[A] lot of young people no longer see the trades and skilled manufacturing as a viable career. I promise you, folks can make a lot more, potentially, with skilled manufacturing or the trades than they might with an art history degree."

Instead, consider the findings in reports such as "How Liberal Arts and Sciences Majors Fare in Employment." The findings demonstrate that majoring in a liberal arts field can and does lead to successful and remunerative careers in a wide array of professions: "Liberal arts majors may start off slower than others when it comes to the postgraduate career path, but they close much of the salary and unemployment gap over time. By their mid-50s, liberal arts majors are, on average, making more money those who studied in professional and pre-professional fields, and are employed at similar rates."

So what should families really be asking on campus tours and looking for on websites? Consider these:

**1. Will I graduate in four years?**

On average, only about 41 percent of undergrads cross the commencement stage in four years, according to data reported by 1,207 ranked colleges and universities in an annual *U.S. News & World Report* survey. (That figure reflects first-time, full-time students who entered as freshmen in fall 2006 and graduated by spring 2010.) One, two, or three additional years to get a diploma means a lot more in tuition and fees. Students should check graduation rates during the college search, and they should enter college with a timeline in mind to keep costs under control.

**2. What happens if I decide to change my college major? Will I lose valuable time?**

Some students know exactly what they want to do in life. Many are not so certain. Still others might not discover until after their sophomore year that their passion really lies in music, not engineering—for example. College is a time of exploration, but depending on timing and credit hours required for a major, a dramatic switch to another career direction can mean extending those four years. According to CollegeBoard.org, most college students change majors at least once, and some even change several times. During the college search, students should get familiar with each school's advising system. How accessible is a student's advisor? Does he/she stay with her students all four years? How flexible or structured are your class choices for the academic programs that interest you?

**3. Will I improve my skills in writing, critical thinking, and analysis? Will I have the opportunity to work productively and successfully in teams?**

These are the skills that are imminently transferable and will carry students through whatever an uncertain future holds. In fact, they are among the top skills cited by hiring managers when the National Association of Colleges and Employers (NACE) asked them to prioritize what they are looking for in college grads. Whether you major in French or computer science, your ability to excel in these areas and demonstrate these skills to potential employers will make a world of difference.

**4. Will I have access to a loyal and supportive alumni network?**

One way to discern this important question is to gauge the level of satisfaction alumni have with their college experience. Check out the alumni giving rate on a college's website. If it's above 50 percent, that's a great sign that happy grads are out there—not only eager to contribute dollars to their alma mater, but also passionate about giving their time and advice to help, mentor, and even hire other graduates.

**5. What financial aid and scholarships are available?**

Researching financial aid, loans, grants and scholarships isn't easy—parents, students, even some members of the media don't fully understand terms like "need blind," "need aware," "merit scholarships" and others. It's important to learn the definitions and find out the policy of each college on your list. Access to aid and scholarships can vary widely. It's smart to start thinking about aid well before senior year so your family is familiar with the types and requirements before it's time to apply. And look beyond the campus for sources of specialized scholarships. The research you put in now could be a life-changing investment.

Students and parents alike should definitely raise their hands to find out about the gym, the dorm room and the dining hall when on college tours. But deciding whether a college is truly worth it for you and your family means looking deeper.

***Ann McDermott** has been the director of admissions at the College of the Holy Cross since 1994.*

*She's worked in college admissions for more than 30 years. McDermott frequently provides commentary to the media on admissions trends, recruitment and retention, high school prep, standardized testing optional policy, and parent involvement in the admissions process.*

# Higher Education Must Be Held Accountable for Student Preparedness

By Susan Brennan, Executive Director, Corporate Relations & Career Services, Bentley University

There should be very little debate about the importance and value of getting a college education today. According to a recent survey by the Pew Foundation, completing college is the key to career and financial success. And, to paraphrase Pew, the only thing more expensive than obtaining a college degree is not obtaining one.

In the end, though, this issue is about more than pure economics, because a college education prepares young people for life – both personal and professional – after campus.

Unfortunately, however, a number of surveys – including Bentley's own recent preparedness study – reveal concerns over the preparation and performance of millennial workers.

Because that had not been our experience with Bentley graduates, we decided to investigate what was driving these perceptions. What we discovered was that, indeed, significant numbers of business executives, higher education influentials, students and parents believe that students in general are not well prepared for the post-graduate workforce.

These disappointing findings are one of the main reasons why my colleagues at Bentley and I feel strongly that higher education must be held accountable for student preparedness, both in terms of career outcomes and the academic experience.

At Bentley, we are able to measure the effectiveness of what we teach, and how well our students learn, thanks to "Assurance of Learning" accreditation standards.

In terms of what we teach, our preparedness study made clear that the liberal arts and sciences are critical for a student's career success.  That's because capabilities associated with them are vital for advancement in so many different jobs in so many different industries.

Recognizing this, Bentley – a business university – offers a rich liberal arts curriculum that is fully fused with our core business offerings. In fact, the liberal arts represent half of every Bentley student's course load – whether the major is accounting, marketing, finance or other business discipline.

Blending business and the liberal arts has, without question, helped make our students more attractive to employers and contributed to our 98 percent placement rate (jobs and/or graduate school) within six months of graduation. And, for the record, that 98 percent figure, based upon responses from 95 percent of 2013 graduates, is one of the best in the nation among all institutions of higher education.

So, of course, we're not shy about focusing on career outcomes for our students.

But, beyond institutional pride, there are two main reasons for doing so.

First, because the cost of a college education demands it.

To put it bluntly, you can't ask families to spend significant amounts of money today, whether in a public or private institution, and not be prepared to discuss post-degree return on investment.

And second, as I mentioned, numerous studies, including Bentley's preparedness study, document widespread concern over just how well prepared for the workforce millennials actually are. To help remedy this, Bentley's preparedness study revealed four key solutions that colleges and universities should adopt if they want to boost their students' career success:

- A greater blending of business or professional education with liberal learning
- A greater use of technology in all aspects of the educational experience
- More hands-on learning, especially through partnerships with business and other organizations
- And an early, mandatory start on career planning

It's also important to note that undergraduate education should prepare students for their first job and beyond; graduate school can enhance that preparation, but it shouldn't be regarded as filling a gap for the unprepared.

When all is said and done, higher education must – without doubt – look to metrics that measure effective teaching, valuable learning and successful career placement and advancement.

But it must also focus on a less quantifiable – but equally important – benchmark. And that's whether the students who graduate have the capacity for personal happiness as adults, as well as the civic virtues that are necessary to change the world.

***Susan Brennan** is Executive Director of Corporate Relations and Career Services at Bentley University. She has more than 20 years of experience managing career development and employer outreach programs in business higher education.*

*Under her leadership, Bentley's undergraduate placement rate has consistently resulted in 98 percent or greater employment or graduate school plans within six months of graduation.*

# Responsibility Trumps Accountability

By Christopher B. Nelson, President, St. John's College in Annapolis

"Accountability" has recently become a buzzword in American higher education. The cost of a college education being what it is, a movement is in progress to determine whether the "product" of a college's degree is "delivering value" to its students. It seems many believe that making this determination is a straightforward task.

And why would they not? Accountability has become the guarantor of quality in nearly everything we do. We count and measure, weigh and rank everything from peanut butter to automobiles, from hospitals to investment firms, from parenthood to places of worship. Some of this numerical evaluation is reasonable, some is pure nonsense.

When applied to liberal education, attempts at accountability lean very much toward nonsense. It's impossible to mathematically massage data points like cost, indebtedness, graduation rates, test scores, and post-graduation income levels in order to determine whether a college is being accountable to its students. This approach—which treats education like a commodity—may well apply to commercial transactions in which the producer promises a certain benefit to a buyer simply in return for a purchase. But a liberal education is not a transaction of this sort. It is true that students pay good money to attend a school where they aspire to learning, but if they don't do their assignments, go to class, and actively engage in the educational process, they won't learn anything. And even if they *do* go to class and hear the lecturers, they may still not get anything out of it, because learning is not consuming. The teacher does not pour knowledge into the student like water into a catch basin. On the contrary, learning is the student's self-sustained effort, mediated by a teacher, to deepen and clarify his or her understanding.

This process often involves giving up more than one receives. To learn, a student must be open to the new and the unknown; must examine and question the ideas he has inherited from others or has been told by others; must even reexamine what he thought he knew on the basis of prior examination. In other words, learning is grounded in a recognition and acceptance of one's own ignorance. A college and its faculty can be held accountable for the curriculum, for opening the classroom doors, and for a host of other things that create the opportunity for students to learn something. But they cannot be held to account for what the student does or does not learn, because learning belongs to the student alone.

The attempt to commodify liberal education gets in the way of seeing the real nature of the relationship between teachers and students. In talking about education, we need to abandon the language of the marketplace. Students are not consumers, colleges are not delivery systems or training centers, and education is not a commodity. Learning is a cooperative activity; it requires commitment and effort on the part of the student as well as on the part of the school—a relationship which is far more complicated than buying and selling goods at the shopping mall. Diplomas are not bought and sold; they are earned.

The true nature of the relation between teachers and students is not one of accountability, but one of responsibility: teachers are responsible for doing everything in their power to make the conditions for learning favorable; students are responsible for doing everything in their power to benefit from the optimal conditions. Accountability is infinitely inferior to this mutual responsibility for one simple reason: the motivation for accountability comes from the outside, whereas the motivation for responsibility comes from within. Responsible people will indeed be accountable, but what is more, they can be counted on, because they have the inner drive to excel in all their commitments. People who are merely accountable cannot possibly rise to the level of responsibility, because their choices and actions are determined by an external authority.

In fact, this difference goes right to the heart of liberal education, which is quite literally education for freedom. The merely accountable person is neither free nor self-determined; the responsible person is both. It is not the aim of liberal education to help students become cogs in a vast hierarchical bureaucracy of accountability in which everyone's free choice and action is circumscribed by the demands of someone else who is higher in the pecking order. The aim of liberal education is to help students become independent agents, capable of making their own judgments, and capable of being responsible to themselves, their loved ones, their associates, and their nation.

Liberal arts colleges rightly treasure the autonomy of the individual. They prize cultivation of the individual intellect and improvement of individual character both as ends in themselves and as means to maintaining the health of our communities. For individuals educated for freedom will, we have found over the years, also improve the conditions of those around them.

Virginia Woolf, a passionate advocate for the autonomy of the individual, had this to say about measuring learning in *A Room of One's Own:*

"No, delightful as the pastime of measuring may be, it is the most futile of all occupations, and to submit to the decrees of the measurers the most servile of attitudes. . . . To sacrifice a half of the head of your vision, a shade of its colour, in deference to some headmaster with a silver pot in his hand or to some professor with a measuring-rod up his sleeve, is the most abject treachery."

I shudder to think how she would respond to the arguments for accountability we are hearing today.

***Christopher B. Nelson*** *has been president of St. John's College in Annapolis, Maryland, since June 1991.*

*Nelson is a national spokesperson for higher education and was invited by The National Association of Independent Colleges and Universities (NAICU) to testify regarding the burden of federal regulations on higher education before Congress' Committee on Education and the Workforce.*

# The Student Debt Problem

By Greg Gottesman, Managing Director, Madrona Venture Group

*The following is adapted from a TEDx Seattle talk originally presented in June 2013.*

$1,000,000,000,000.

That's the amount of student debt we have amassed in the United States over the last several decades, dwarfing the amount of U.S. auto debt and even U.S. credit card debt. For too many students, student loans are a burden they should never have taken on and will never be able to bear.

Two-thirds of students in the United States now take out loans to attend college. The number is higher for minorities: 81 percent of African Americans take out loans to go to college. The average loan is now over $27,000, which is up 58 percent since 2005. Well over a million students owe more than $100,000 in student loans. More troubling, 35 percent of students who are under 30 and who are supposed to be repaying their loans are "seriously delinquent," meaning their payments are 90 days or more overdue.

How did we get here?

Tuition is the major culprit. No expenditure in the United States has increased more over the last several decades than tuition. College tuition has skyrocketed 1,000 percent since 1978. Health care costs, by comparison, have risen 250 percent during this time period.

This rise in the cost of going to college could perhaps be justified if higher wages for college graduates compensated for the corresponding increase. But that simply isn't the case. While tuition at public, four-year universities has risen 72 percent since 2000, wages for those graduates have actually declined in real terms.

How does the average college student pay off a student loan? The average college student today makes $45,000 per year. Most graduates are barely breaking even, let alone having enough extra money to pay off a loan.

So what do student borrowers do? One-third of the time, as we know from the 35 percent serious delinquency rate, they stop paying their loans. For borrowers in other contexts, if the burden of debt becomes too great, they declare bankruptcy and start over. For student loans, that doesn't work. The student loan is the only kind of loan that can't be extinguished in bankruptcy. This bankruptcy loophole is the reason why lenders are so willing to provide loans to students who realistically cannot afford them. With the student loan, lenders have no incentive to figure out whether a student can pay. Student loans follow you forever.

Blaming students would be easier if they weren't so young. Few 20-something kids question the wisdom of taking easy money. They are just doing what they are supposed to be doing: getting a college degree. Colleges and universities should be better policemen, but they aren't. Because students have such easy access to money, colleges have no natural market force on them to keep the cost of tuition reasonable. So we have a vicious cycle. We saw this once before: skyrocketing prices, easy money, and a housing bubble that burst to disastrous consequences in 2008.

So what's the answer?

Less education can't be the answer in our fast-changing, globally competitive world. We need more education, not less. Legislation is part of a solution. Recently, President Obama passed an executive act that allowed students to cap their student loan payments to a percentage of their income, but that cap only applies to government loans, not the $150 billion in private loans that make up a significant percentage of those with large loan balances.

Why don't we allow students to extinguish their loans in bankruptcy? It would force lenders to be more discerning about the loans they make. Lenders might start encouraging more students to get degrees in majors like computer science where the job market is more favorable. It ultimately might mean less kids would have access to college, which is clearly a negative outcome. But is that a better alternative than saddling yet another generation with loans they cannot afford to pay? That's a policy debate we should be having as a country.

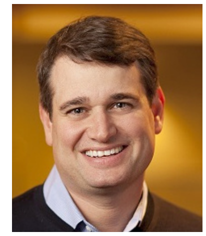
The larger question is: how do we educate more students for less money?

Universities should be doing more, and some are. Schools like MIT, Harvard, Stanford and the University of Washington have been experimenting recently with MOOCs, Massive Open Online Courses. One of my favorite examples is Georgia Tech, which in combination with a startup called Udacity, is now offering an online-only master's degree in computer science for $7,000. $7,000 represents an 80 percent discount to a traditional computer science master's degree from Georgia Tech and is an important step in the right direction.

Twenty years from now, higher education will look dramatically different. It has to. We have allowed an entire generation of students to be placed under an unfathomable amount of debt.

If you are a parent or a student, think about the educational choices that make sense in light of the debt burden that you would have to take on to get those degrees. Does the amount of debt you are taking on make sense? If you are a university president, student debt is the major issue facing your customer, the student. Start a debate about this topic. Prioritize it. We need your help to figure out how we can get the cost to be more reasonable and college more accessible for more students going forward. If you're an employer, are you willing to look at new types of online courses and online degrees with fresh eyes? Or are we going to continue to put a stigma on new, less-expensive forms of education?

We all have a role to play in solving the student debt problem, if not for the current generation of students, then hopefully for the next. Our current path is unsustainable.



***Greg Gottesman*** *is a Managing Director of Madrona Venture Group, a leading venture capital firm based in Seattle.*

*Gottesman currently serves on the boards of 10 private companies, as a board member of Up Global and the W Fund, and as President of the Evergreen Venture Capital Association. He teaches Entrepreneurship at the University of Washington.*

# When the Humanities Are Worth It

By Zachary First, Managing Director of the Drucker Institute at Claremont Graduate University

The ongoing public debate over the value of a college degree in the humanities reminds me of an old horse-racing joke: An owner takes his injured animal to the vet. "Will I be able to race this horse again?" he asks. The vet, taking his question literally, replies: "Of course you will. And *you'll* probably win!"

The right answer to the wrong question might make you laugh, but it won't teach you anything worth knowing.

Here's a question that's hot today—and also wrong: Can we, in economic terms, justify investing in a degree in the humanities? One needn't look far to see how misguided this mindset can be.

Barely a decade ago, the conventional wisdom held that a law degree was, beyond a reasonable doubt, a smart investment. While many sectors of the economy were in upheaval, law firm hiring was on the rise and entry level salaries in large urban areas were surpassing $150,000.

Then, the bottom dropped out.

More than one in eight members of the U.S. law school class of 2012 were still unemployed nine months after graduation. And the unemployment rate for newly minted JD's has worsened every year since 2008.

The median law firm salary for the class of 2012 was $90,000—down dramatically from the class of 2009's median of $130,000. That would be a heck of a pay cut in any industry. But it's especially painful when the average alum exits the commencement stage with about $100,000 in education debt.

Law schools, too, have been paying the price. Applications are down more than a third just since 2011. First-year enrollments are at their lowest levels in almost 40 years. And LSAT registrations, a leading indicator, suggest these figures have not yet hit bottom.

All of which brings me back to that poor racehorse.

The right question to ask of the humanities is not *whether* they are still worth it. The right question is: *When* is a humanities degree worth it?

For starters, it's time to retire the lame stereotype of the impoverished humanities scholar. Yesterday's liberal arts majors who are now at their peak earnings ages (56-60) actually earn more than their peers who chose professional or pre-professional majors, and they are more likely to have attained lucrative graduate degrees. Today's hospital administration jobs may yet turn out to be yesterday's law firm positions. Tomorrow's art historians may carve out entirely new career opportunities by incorporating some analytical courses into their studies.

What's more, economic returns on advanced degrees generally do not account for the massive non-monetary value of having a job you love instead of one you hate. (Economists may finally be starting to take seriously these "unpriced amenities.") Simply trying to maximize your lifetime bet on your future earnings potential is no way to choose a major.

Cycles of economic boom and bust like the recent one in the law are among the few professional sureties in life. Ultimately, you will need more than good data on which degrees garner the biggest salaries to sustain you through the turbulent times. For that, you will also need a passion for learning and a real depth of knowledge about something that is important to you.

Innovative new measures of educational outcomes—PayScale's ROI ranking is one of my favorites—should absolutely serve as guardrails on your decision-making. If you could just as happily study nursing as nineteenth century German philosophy, then by all means, consider what the data tells you about the relative financial security of each option. But asking whether you can beat the humanities in a career-earnings horserace is the wrong question.

Though a degree is an investment, students are not investors. Unlike just about every other consumer decision we make, the choice of a college or graduate degree is one that most of us face only once, no resale or exchange allowed.

The right question, then, is which area of study will prepare you for a lifetime of professional joy and challenge.

If one of the humanities has won your heart, then that's the horse you should ride.

***Zachary First*** *joined the Drucker Institute after a 10-year career in higher education research and administration. He served as the inaugural assistant dean at Olin College.*

*First received his bachelor's in philosophy from Haverford College, and his masters and doctorate degrees in higher education from Harvard. He is a fellow of the National Forum on the Future of Liberal Education; and a trustee and vice president of the board of the Children's Center at Caltech.*

# How a College Education Contributes to Long-Term Success in Life

By Robert Franek, Publisher, The Princeton Review, and Lead Author, *Best Value Colleges*

Is a college degree worth the cost?

It's a question that comes up over and over again in media coverage of the economy, job market, and rising tuition. Anxiety around college costs and value is evident in The Princeton Review's annual "College Hopes and Worries Survey": year over year, the biggest worry reported by respondents has been that they (or their child) will get into their first-choice school but will not be able to pay for it.

With average debt for 2013 graduates totaling close to $25,000, and over $1 trillion in outstanding student loan debt, these worries are warranted. But the benefits of a college education are real, and go far beyond labor and salary statistics.

According to the Bureau of Labor Statistics, college graduates earn more money and experience lower unemployment rates than workers who only have high school diplomas. That might not be a surprise, but studies from the CDC, Harvard University, and Robert Wood Johnson Foundation have all found college grads live longer, too.

These same studies have shown that college grads and their offspring have fewer health problems (likely due to improved health care access). And this becomes a self-perpetuating cycle: healthier children learn better…increasing their own chances to get to college and perform well there.

These benefits are significant, but they don't mean that you should mortgage your future to pay for your bachelor's degree with high interest loans.

While many college applicants and their parents often experience sticker shock as they begin to research schools, the scary price tags of more than $40,000 annually for tuition, room and board, books and supplies, and related expenses are offset by grants and institutional funding at many excellent colleges (detailed cost, debt, and grant information is available in The Princeton Review's annual *Best Value Colleges* book).

Two-thirds of college students use financial aid packages to help cover their costs. Further, colleges are beginning to respond to that sticker shock: prices increased from the 2011-2012 school year to 2012-2013, but by a smaller percentage than in years past.

The rate of inflation was lower this year, but colleges are also reacting to negative feedback about rapidly rising tuition, and to how heavily college-bound students and their families are weighing costs in their search process.

At The Princeton Review, we tell college-bound students to never cross a school off their list due to price alone. We offer resources to help students do their college research, borrow wisely, and prep well for the SAT and ACT (these scores can play a significant role in scholarship eligibility).

Cost and financial aid are only one factor in finding the school that fits you best—academics and campus culture are equally important. Your course of study, and the professors who mentor you, will play a significant role in setting you on your career path.

As for campus culture, the friends you make, the clubs you join, even that randomly-assigned freshman roommate, can all form the backbone of the social and professional network that you will utilize for the rest of your life.

***Robert Franek** oversees The Princeton Review's publishing program. As the company's chief expert on higher education issues, Franek visits more than 50 colleges a year, lectures on college admissions and has been sourced on education issues and trends by a wide range of media from Time to USA TODAY to The Chronicle of Higher Education.*

*He appears regularly on "TODAY" (NBC), "Good Morning America" (ABC) and "This Morning" (CBS) as well as several CNN, FOX, and NPR programs.*

# The (Incredible) Shrinking Support for Higher Education

By Roger P. Paschke, Chief Investment Officer,
Hearst Corporation and Hearst Foundations

Most parents feel that one of the very best investments they can make is in higher education for their children. Similarly, governments often cite higher education as the most direct path to a stronger economic future and a higher quality of life for its citizens. But where the rubber meets the road is in the level of financial support public policy makers are willing to provide for colleges and universities. While government rhetoric has been consistently supportive, the harsh reality is that financial support for higher education provided by state governments has been on the decline for decades.

According to the most recent report from the State Higher Education Finance group (SHEF), state and local appropriations per student (FTE) fell to $5,906 in 2012 (inflation-adjusted), a 25-year low. Over the past five years, SHEF reports that state educational appropriations per student are down in 48 of the 50 states, with an average decrease of 23 percent. Additionally, a recent report by Illinois State University's *Grapevine*, which provides annual compilations of state support for higher education, indicates that total state support for higher education across the U.S. has dropped more than 9 percent from fiscal years 2009 to 2013.

Meanwhile, to help plug the large hole left by declining state support, college revenue generated from tuition has doubled in the past 25 years from 23 percent in 1987 to 47 percent in 2012 (most recent SHEF report). Since tuition is borne by students and their parents, the burden for financing higher education is steadily shifting from the states to college-bound students and their families.

The implications of eroding public funds' support for higher education are sobering and include:

- The increasing portion of higher education costs layered on students and their parents has resulted in higher student debt and longer repayment periods. Student loan debt for graduating seniors is at record levels, approaching $30,000 on average, an increase of 58 percent since 2004 (report by the Institute for College Access & Success).
- Spending on college infrastructure – everything from classrooms to dormitories, technology, and campus maintenance – has been in decline for years, as budgets are stretched to the limit.
- Public as well as private colleges are in a nearly continuous cycle of major fundraising, launching billion dollar capital campaigns to raise funds from private sources in the absence of adequate public funding. The University of Michigan is in the midst of a $4 billion capital campaign, among the largest ever for a public university.
- Compensation for college faculty and staff has been stagnant in recent years, which can undermine both morale and commitment to the college. According to a 2013 report by the American Association of University Professors, salaries for academic positions at U.S. colleges have been flat on an inflation-adjusted basis for the past 10 years.
- College presidents are spending more time supporting fund-raising efforts to build endowments, giving them less time to chart the strategic direction for their universities.
- U.S. global competitiveness is at risk, as the decreasing affordability of higher education threatens to undermine the education Americans will need to compete in an increasingly global business environment.
- The vitality of the U.S. middle class will continue to be under stress, as would-be college students find it increasingly difficult to afford a college education.
- The quality of college degrees may be impacted, with colleges struggling to find the money to afford top faculty and maintain competitive programs and facilities.

Shrinking state support is not the whole problem when it comes to affordability of higher education. Colleges need to prioritize degree programs, become more efficient, and increase productivity to utilize scarce resources more effectively. Higher education costs have historically increased faster than the general rate of inflation, in part because of the different types of college expenditures vis-à-vis the market basket of goods and services represented by the Consumer Price Index. Still, tuition and fees at four-year public colleges over the past decade have increased at nearly three times the general level of inflation. Although some of that increase was to offset eroding state support, colleges clearly need to do a better job of controlling costs and avoid leaning too heavily on tuition for new revenue.

Even if ring-fencing current state support for higher education was feasible, that won't solve the problem, and it's unreasonably optimistic to think that states will ever restore higher education funding to levels in years past. Nevertheless, for the U.S. to retain its global educational advantage that was once so apparent, states and the financial support they provide must play an important role in turning out well-educated graduates that can effectively compete in the global economy.

For certain, colleges must be held accountable for how they utilize public resources. However, unless states also are committed to prioritizing expenditures to ensure meaningful contributions for U.S. higher education, the dream of providing every student with the opportunity to achieve a higher education degree for a brighter future and a stronger economy will remain just that–a dream.

***Roger P. Paschke*** *is Chief Investment Officer for the Hearst Corporation and Hearst Foundations. Recently, Paschke was named to Chief Investment Officer's Power 100 list of the most influential people at pensions, endowments, foundations, insurance funds and sovereign wealth funds worldwide.*

*He also worked at the University of Minnesota for 18 years, most recently as treasurer and associate vice president for finance. Paschke holds a bachelor's in Political Science and Criminal Justice Studies from the University of Minnesota.*

# The Great Unbundling of Higher Education

By Saad Rizvi, Senior Vice President Efficacy, Pearson

The world of higher education is facing an avalanche of change. The cost of getting a degree has increased by 440 percent over the last 25 years (that's four times the rate of inflation) pushing student debt past the $1 trillion mark. At the same time, we haven't seen proportional increases in the quality of outcomes delivered to students, some experts going as far as saying that the relative value of a degree has actually declined over the years.

On top of these external changes, higher education is facing the phenomena of unbundling for the first time in history. If you disaggregate the different elements that make up a traditional university, they're not only being provided by other universities, but are now facing competition by new entrants that weren't in this space at all previously. This kind of competition has dramatically changed other industries in the past: canals used to be the dominant means of transporting cargo until the railway was invented, the advent of Napster transformed record labels, and now this disruption is coming to universities as well.

To explain this unbundling, let's look at the key elements of a traditional university which essentially boil down to:

1. The students

2. The faculty and governance: responsible for keeping the engine of a university humming

3. The four elements of what goes on inside a university:
   a. The curriculum: what you learn (e.g., the syllabus)
   b. The teaching and learning: how you learn it (e.g., lectures, discussion sections)
   c. The assessment: how you demonstrate what you've learned (e.g., papers and exams)
   d. The experience: everything you learn outside of a classroom (e.g., student clubs and sports)

4. The research: An important function for large universities

5. The degree: A validation of these elements from a student's perspective

Now, let's see what's happening to this model today.

First, the students, faculty and governance can now be anywhere in the world. They don't have to be restricted to the physical location of a university campus. The Open University in the U.K. is a great example of how you can reach students globally without having to rely on a campus.

The curriculum used to be proprietary to a university; you went to a certain institution because you got access to the best courses, the best materials in the world. The advent of MOOCs have changed all that. Whether it's through EdX, Coursera or FutureLearn, anyone can now get curricula from top global institutions whenever they want.

The student experience used to be limited to the confines of a university. Now, you can get the same experience – the debate club, the drama club, the sports activities, in other places or through online forums. Meetup.com, for example, allows you to form a group within your city, to partake in any of these activities outside of a university. The teaching and learning used to be restricted to the transfer of knowledge from a professor to a student. Now, there are ways for people to get that knowledge from practitioners in the field (e.g., Learnrev.com) or from other players in the industry (e.g., SkillShare.com). Whether it's bird watching or learning how to program, there's a resource available for free somewhere on the Internet.

When it comes to assessment, previously a university GPA was the proxy of a person's ability or skill, but there are more relevant ways of determining that more accurately. There's the GRE, which many universities require as an entrance for graduate programs, but then you also have employers who are beginning to use their own assessments as a prerequisite to getting a job interview.

There's the university research, which I believe is currently over-emphasized in most college rankings. I would argue that valuing 60 percent of a student's experience from a university on the basis of research is ridiculous. Many universities still provide thought leadership in certain fields, but at the same time many leading think tanks and research institutions (e.g., CERN) are leading the charge in various industries.

And that brings us to the degree, which is still fundamental to the authority of a university and what keeps it relevant. Today, a lot of employers value what's on your LinkedIn profile more than which university you attended. Employers want to know what skills you have on day one and what you can execute today.

A lot of these elements that were previously only offered by universities are now being provided by many players in different parts of the ecosystem. This creates the potential for innovative entrants and, indeed, for students to re-bundle the components to create something that's a higher value for their money, that's more relevant in today's economy and that provides better outcomes for an individual consumer.

For universities, this is not a cause for alarm, it's more a call for change. They need to adapt to this unbundling, perhaps partner with these new providers, and think about what makes them truly distinctive, given their offering will increasingly be available to the world for free.

*__Saad Rizvi__ leads a global team to improve and deliver educational outcomes and performance from Pearson's suite of products, services, investments and acquisitions.*

*Rizvi has authored several publications on the future of education and delivered keynotes at major global conferences. He graduated with distinction from Yale University and currently advises several companies in the education and technology fields.*