The Return on Returning: The Economic Benefit of Baccalaureate Degree Completion after Stopping Out

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ACT Enrollment Management Conference
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Overview

- The current environment: Demographics and policy environment
- Relevant research
- Data and methods
- Results
- Implications and limitations
- Future research directions
An interstate compact formed 65 years ago
Look who’s KNOCKING AT THE COLLEGE DOOR

with support from

WICHE
Western Interstate Commission for Higher Education

ACT

CollegeBoard
Strong production of H.S. grads for two decades

Projected slowdown/stagnation

Projected declines

Slowdown and Decline of Traditional-Age Students
Where is this coming from?
U.S. birth rates over time

Source: World Bank, via Federal Reserve Bank of St. Louis

Shaded areas indicate U.S. recessions

Source: World Bank

myf.red/g/nQAI
Slowdown and Decline of Traditional-Age Students

- **1976:** 3.14M
- **1986:** Strong production of H.S. grads for two decades
- **1996:**
- **2006:**
- **2016:**
- **2026:**

Projected slowdown/stagnation

Projected declines

18 Years
Significant Regional Variation

South:
- 2000-01: 776,820
- 2010-11: 862,000
- 2020-21: 1,352,600
- 2030-31: 1,352,600

West:
- 2000-01: 647,036

Midwest:
- 2000-01: 862,000

Northeast:
- 2000-01: 776,820
So where does higher ed turn for new students?
The policy environment

Degree completion by near completers

- Economic development
- Economic competitiveness
- Increased individual income
- Increased tax revenue
- Meet future workforce needs
I have a friend who is considering a return to college. He stopped out of Big State U several years ago and has worked in unsatisfying jobs since. He is wondering if the time, effort and money he would have to invest to complete his degree are worth it. Will it really make a difference in his career options? Will he just accumulate more debt and be stuck in the same place? Is completing a bachelor’s degree worth it?

The answer is, “Yes, of course it is!”
While the value of a college degree is being consistently brought into question, the statistics show degree-holders are significantly better off in tough economic times.
Existing “data”: Wage gains

Unemployment rates and earnings by educational attainment, 2017

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>Unemployment Rate (%)</th>
<th>Median Usual Weekly Earnings ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctoral degree</td>
<td>1.5</td>
<td>1,743</td>
</tr>
<tr>
<td>Professional degree</td>
<td>1.5</td>
<td>1,836</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>2.2</td>
<td>1,401</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>2.5</td>
<td>1,173</td>
</tr>
<tr>
<td>Associate’s degree</td>
<td>3.4</td>
<td>836</td>
</tr>
<tr>
<td>Some college, no degree</td>
<td>4.0</td>
<td>774</td>
</tr>
<tr>
<td>High school diploma</td>
<td>4.6</td>
<td>712</td>
</tr>
<tr>
<td>Less than a high school diploma</td>
<td>6.5</td>
<td>520</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>3.6%</strong></td>
<td><strong>All workers: $907</strong></td>
</tr>
</tbody>
</table>

Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.

Existing “data”: Wage gains
Research questions

- Is going back to finish a degree worth it to the individual?
- Which individuals come back?
- Do findings/impacts differ across groups?
Existing Research and Hypotheses
Return to education settled; returns to degree, more nuanced

No rigorous research on near completers
Data, Methods, and Results
Costs matter!

- Direct: Tuition, fees, books, housing, etc.
- Indirect: Foregone wages
- Usually ignored
The model

Wages depend on:
- Degree status (near completer, enrollee, graduate)
- Time-varying control variables
- All time-invariant characteristics

Spoiler alert: No significant differences by gender, SES, sector
Methods and Data (the boring stuff)

- National Longitudinal Survey of Youth (1979)
- Individual-level fixed effects model
  - Controls for time-invariant factors
  - Allows for beginnings of a discussion on causality
<table>
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<tr>
<th>Returnees who finish bachelors vs. Near completers</th>
<th>Effect on wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foregone wages (while enrolled)</td>
<td>-16%</td>
</tr>
<tr>
<td>Wage premium (after completion)</td>
<td>17%</td>
</tr>
</tbody>
</table>
## Equity considerations

<table>
<thead>
<tr>
<th>Near-completer sub-group</th>
<th>Effect on wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American/Hispanic foregone wages</td>
<td>-11%</td>
</tr>
<tr>
<td>Other race/ethnicity foregone wages</td>
<td>-19%</td>
</tr>
<tr>
<td>African American/Hispanic wage premium</td>
<td>31%</td>
</tr>
<tr>
<td>Other race/ethnicity wage premium</td>
<td>Insig.</td>
</tr>
</tbody>
</table>
Wage premium vs. Economic return

Return equals:

Graduate’s earnings – Non-graduate’s earnings - Costs
Non-graduate’s earnings
Rate of return: African American/Hispanics
Limitations

- Combined racial/ethnic groups
- Blunt instrument
- Definitional questions
- Dated findings
- Direct cost measurement
So what?
States and institutions promoting degree completion must do further research before promising income gains
  • Should programs be broadly aimed or narrowly targeted?

African Americans/Hispanics: Positive economic returns
  • Protection from racial/ethnic bias in non-degree labor market?
More research is needed

- Wage gains:
  - What do more recent data from state data systems show?
  - What institutions/programs have most benefit? Least benefit?
  - How are different sub-populations affected?
  - Are there differences by sector (i.e. public, non-profit, for-profit)?
How should we define and measure completion and progression rates for near completers?

How do online learning, competency-based education, and other innovations affect indirect costs?

What are economic returns to Associate’s degrees and certificates for near completers?

What about near completers who return and don’t finish?

Other societal & individual benefits
What’s else is needed?

- Practice-level data
  - What’s working? What’s not?
  - What needs are we meeting?
  - What gaps remain?
Questions and Discussion

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