Post-Secondary Paths: Risks and Rewards to Students

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Key Takeaways

- 4-year college tends to pay for those who complete it.
- But the important thing is people matching to the best path for themselves.
- Predicting the jobs of the future is uncertain, but the labor market is increasingly rewarding general, human skills.
Why is the Fed interested in education?
“Human capital” perspective on post-secondary ed

For individuals, post-secondary education is an investment.

It’s not without risk! (e.g., non-completion risk and earnings risk)
The earnings payoff to 4-year college has increased over time...

Median weekly earnings, workers 25 years and over (2017 constant dollars)

Bachelor's degree or higher
Some college or associate's degree
High school
Less than high school

Source: Bureau of Labor Statistics
... and 4-year college has long inoculated against unemployment.

Unemployment rate, workers 25 years and over

Source: Bureau of Labor Statistics
4-year college pays on average, but:

Caveat #1:

Not everyone earns the average!

Sources: Bureau of Labor Statistics; “Invest in What’s Next: Life After High School” (Richmond and SF Feds)
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4-year college pays on average, but:

Caveat #2:

You’ve got to finish.

Source: Pixabay
Great expectations?

Many who enroll do not complete **any** degree within 6 years of completing high school.

<table>
<thead>
<tr>
<th>Expected Attainment</th>
<th>No Degree</th>
<th>% of No Degree with Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>52%</td>
<td>37%</td>
</tr>
<tr>
<td>Associate’s degree</td>
<td>62%</td>
<td>39%</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>38%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: Avery and Turner (2012)

Data reflect survey results from 2004-2009.
Why so many dropouts?
Three dimensions of preparedness

- Academic ability
- Work habits
- Knowing options
Society could stand to improve “matching”

Some students go to college who “shouldn’t”

- Overstate own preparedness; understate its importance relative to study effort (Stinebrickner and Stinebrickner, 2012).

Some students don’t go to college who “should”

- Overestimate price (sticker price vs. individual net price)
- Low-income, high-achieving students do not apply to selective schools, even when such schools would cost them less (Hoxby and Avery, 2012).
Richmond Fed resources

Free online course for students

INVEST IN WHAT’S NEXT
LIFE AFTER HIGH SCHOOL
investinwhatsnext.org
Community colleges play a crucial role

Inexpensive way to test interests and abilities
- Dropout “option value” (Trachter, 2015)

Relatively quick path to the job market
- And CCs more nimble to what employers demand

Option to transfer to 4-year college
- Engine for economic mobility
Coming “shortage” of trade workers?

- Caused by: Aging workforce? Overemphasis on 4-year college? Stigma?
- If so, better info could help
- If happening, look for prices for those jobs to rise
- Hard to forecast demand
Tradeoffs to vocations

- It eases youth entry into the labor market (Ryan, 2001)...

- ... but specialized skills leave workers less adaptable to labor market change (Hanushek, Woessmann, and Zhang, 2011).
Jobs of the future: Technology has not affected all jobs equally

**Shrinking: Routine jobs**
- **Manual**: machine operator, mechanic, dressmaker
- **Cognitive**: secretary, bank teller, retail sales, data entry

**Growing: Non-routine jobs**
- **Manual**: waiter, groundskeeper, manicurist, health aids
- **Cognitive**: physicians, programmers, managers
Labor market has been “hollowing out”
What does this suggest for jobs of the future?

- Non-routine → adaptability
- “Human” skills increasingly rewarded
  - Question askers, problem solvers, communicators
- To the extent 4-year school better provides **general skills**, college payoff likely intact
# Richmond’s “opportunity jobs”

## Opportunity Occupations Revisited

### Richmond, VA

**Top 10 Opportunity Occupations in 2017**

1. **Registered Nurses**
   - Annual Median Wage: $67,600
   - Opportunity Employment: 9,200

2. **Heavy and Tractor-Trailer Truck Drivers**
   - Annual Median Wage: $40,700
   - Opportunity Employment: 9,000

3. **Secretaries and Administrative Assistants**
   - Annual Median Wage: $37,000
   - Opportunity Employment: 6,000

4. **Maintenance and Repair Workers**
   - Annual Median Wage: $36,900
   - Opportunity Employment: 5,400

5. **Licensed Practical and Licensed Vocational Nurses**
   - Annual Median Wage: $42,400
   - Opportunity Employment: 4,700

6. **Bookkeeping, Accounting, and Auditing Clerks**
   - Annual Median Wage: $40,400
   - Opportunity Employment: 4,900

7. **Supervisors of Retail Sales Workers**
   - Annual Median Wage: $40,900
   - Opportunity Employment: 3,400

8. **Supervisors of Office and Administrative Support Workers**
   - Annual Median Wage: $56,900
   - Opportunity Employment: 3,300

9. **Electricians**
   - Annual Median Wage: $45,200
   - Opportunity Employment: 3,300

10. **Automotive Service Technicians and Mechanics**
    - Annual Median Wage: $46,600
    - Opportunity Employment: 3,200

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Source: “Opportunity Occupations Revisited”

Fee (Cleveland Fed), Wardrip (Philly Fed), Nelson (Cleveland Fed), April 2019
Richmond’s “opportunity jobs”

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Questions?

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