Ensuring a Living Wage Through Higher Education

The number one reason why students attend college is for greater employability to obtain a financially secure future. However, over the past several years, confidence in whether college is actually delivering on that promise has dwindled. In fact, most Americans now doubt that college is worth the cost of attendance.

Is it possible that college isn't producing the outcomes to inspire such confidence?

In this paper, we examine the economic outcomes that students obtain by pursuing a postsecondary credential within the United States. Specifically, we look at several minimal economic benchmarks to see just how many colleges exceed — or fail to meet — basic financial outcomes for the students who attend.

Methodology

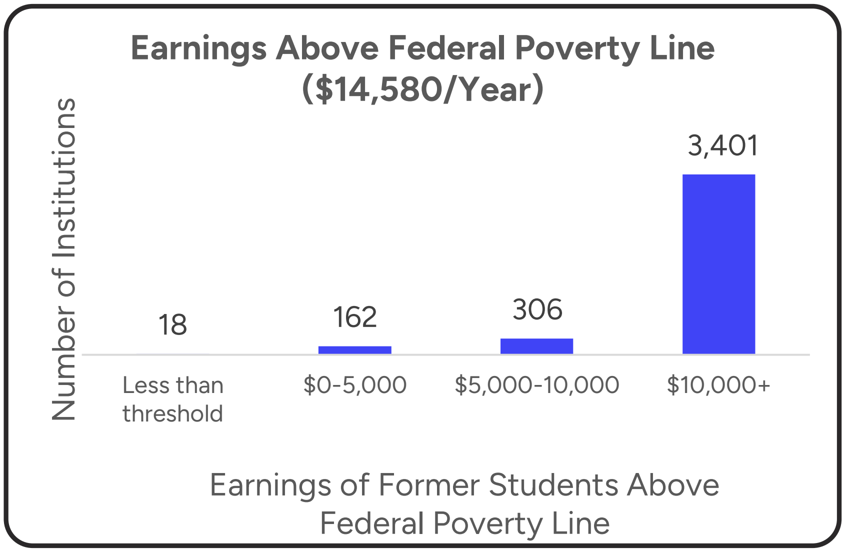
This analysis uses data from the US Department of Education's College Scorecard to assess the earnings outcomes of approximately five million students at 3,887 institutions of higher education across the United States. Specifically, we measure whether institutions show most of their students earning more than:

1. The federal poverty line, measured at $14,580;
2. 150% of the federal poverty line, measured at $21,870;
3. A $15 minimum wage for 50 work weeks, measured at $30,000 per year; and
4. The earnings of a typical high school graduate, measured at $32,000 per year.

To evaluate whether institutions meet these minimal economic outcomes, we examine the median earnings of former students 10 years after they initially enrolled in an institution to see if they exceed these benchmarks.

Earning Above the Federal Poverty Line

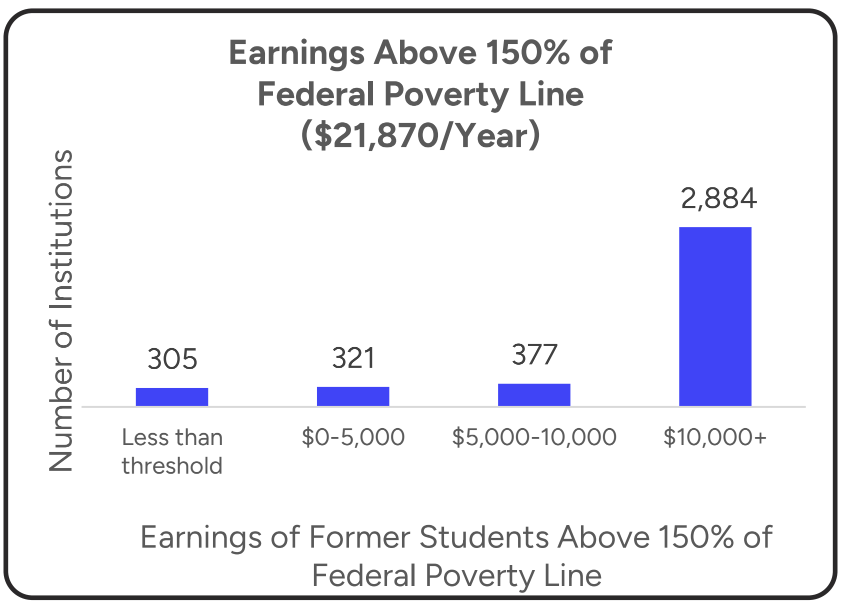
The government uses the federal poverty line or multiples of it — e.g., 150%, 225% — to determine eligibility for certain programs, including subsidized health insurance, Medicaid, and the Children's Health Insurance Program (CHIP). Those who earn below it generally have shorter life expectancy, higher mortality rates, and an increased risk for mental health disorders. Poverty also contributes to limited educational and employment opportunities for individuals, perpetuating socioeconomic inequality for those who experience it.



Fortunately, the vast majority of colleges show their students earning more than the federal poverty line — only 18 show most students earning below it. However, 162 institutions show earnings just slightly above poverty levels for their students 10 years after they've initially enrolled.

Earning Above 150% of the Federal Poverty Line

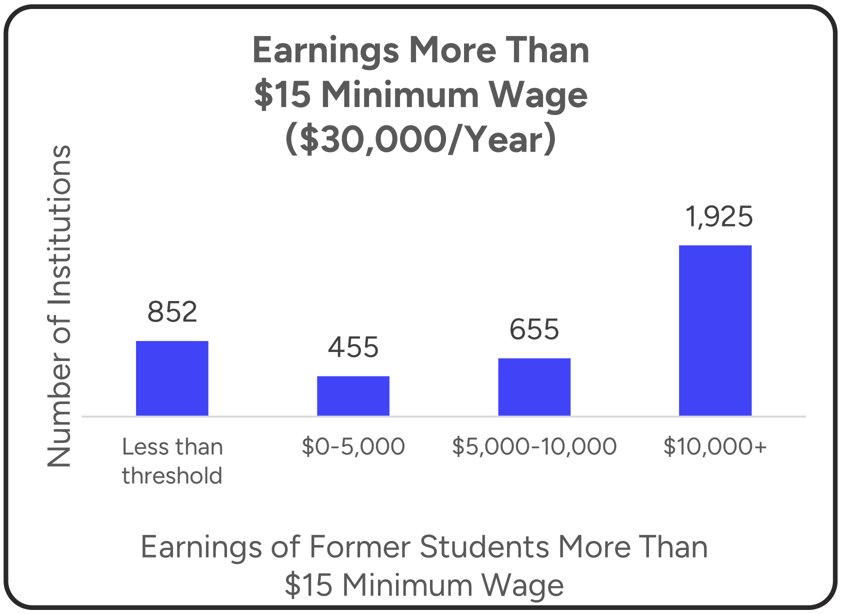
For a single individual, 150% of the federal poverty line totals $21,870 in annual income. Individuals earning below this amount are eligible for a number of government programs, including a reduction on their federal student loan payments issued through the US Department of Education.



A substantial amount (8%) of institutions show their students failing to earn more than $21,870 — 150% of the federal poverty line — 10 years after they've initially enrolled in an institution. This lack of earnings potential indicates that these students may have to rely on government programs, even as many of them wished to obtain greater employability and financial security by enrolling in an institution of higher education.

Earning More than a $15 Minimum Wage

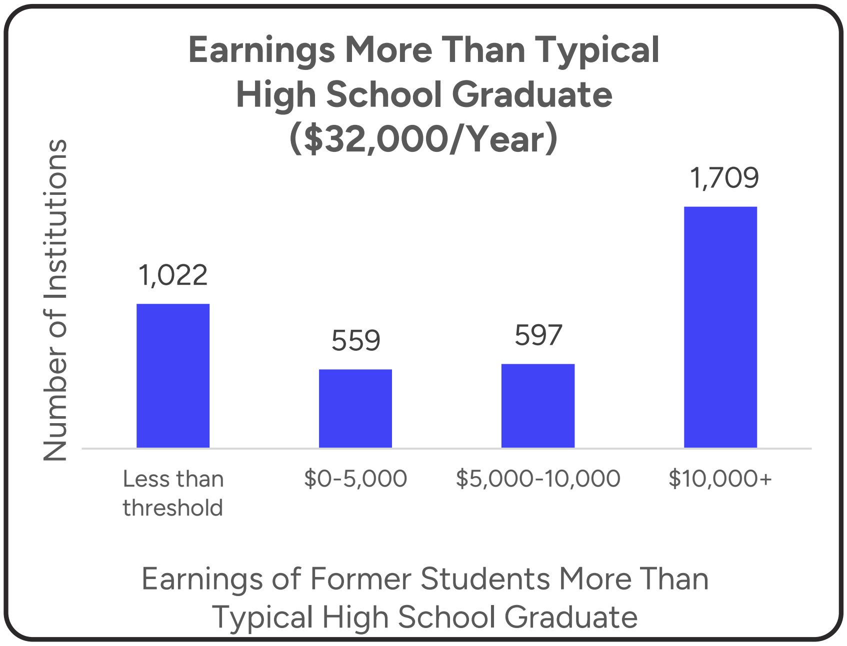
In order to meet basic living expenses, some states have increased their minimum wage to $15 per hour — much higher than the federally required rate of $7.25. If individuals work a full-time schedule for 50 weeks throughout the year, it results in an annual salary of $30,000. Yet, 10 years after students enroll, many colleges show their students failing to earn above this amount.



Out of 3,887 institutions, 852 (22%) show the majority of students earning below a $15 minimum wage. Another 455 colleges show most of their students netting just above this threshold, earning between $30,000 and $35,000 per year.

Earning More than a Typical High School Graduate

The primary reason students attend college is for greater employability to obtain a financially secure future. One way to measure whether an institution has provided an earning premium is to assess whether its students now earn more than someone with a high school degree but no college experience whatsoever.



Unfortunately, many colleges leave their former students earning less. Over a thousand institutions (1,022) show the majority of their students failing to earn as much as a typical high school graduate 10 years after they've enrolled. Less than half of schools (44%) show an earnings premium of $10,000 or more for those who attended.

More Nuanced Ways to Measure Economic Outcomes

Beyond national averages, there are more intricate ways to evaluate whether institutions are adding economic value to those who enroll. One of the most basic ways is to take more specific geographic regions into account.

- State Outcomes: Each state offers a different cost of living — and different salaries — in comparison to others. For example, people in Mississippi will likely earn a different wage than those living in Connecticut. Some researchers have adjusted for this by only comparing the economic outcomes of college students to others in the same state who have graduated high school but have no college experience. The US Department of Education also uses this methodology in its Gainful Employment regulations, which compare the economic outcomes of career education programs to high school graduates located in the same state in which it is offered.
- County Outcomes: Others suggest that an even more targeted wage rate comparison is appropriate, as different localities can vary substantially on what's needed to meet a minimum standard of living. Most notably, the MIT Living Wage Calculator incorporates the local wage rate — by county — that's needed to cover costs, such as housing, food, child care, and medical expenses. Rather than just comparing college outcomes to those who have not attended, this method aims to ensure that people actually make enough to cover their basic needs.

Conclusion

Most people enroll in a postsecondary institution with the primary purpose of bettering themselves financially. While there are plenty of other benefits of obtaining a college degree beyond economic outcomes, if most students at an institution fail to earn enough to even make ends meet, it's less likely that they'll be healthier, happier, and civically engaged within their community. It's important that students leave better off — and with more confidence — after they attend. And earning a reasonable salary is a starting point to know that college was, indeed, worth it.