Post-Secondary Paths: Risks and Rewards to Students

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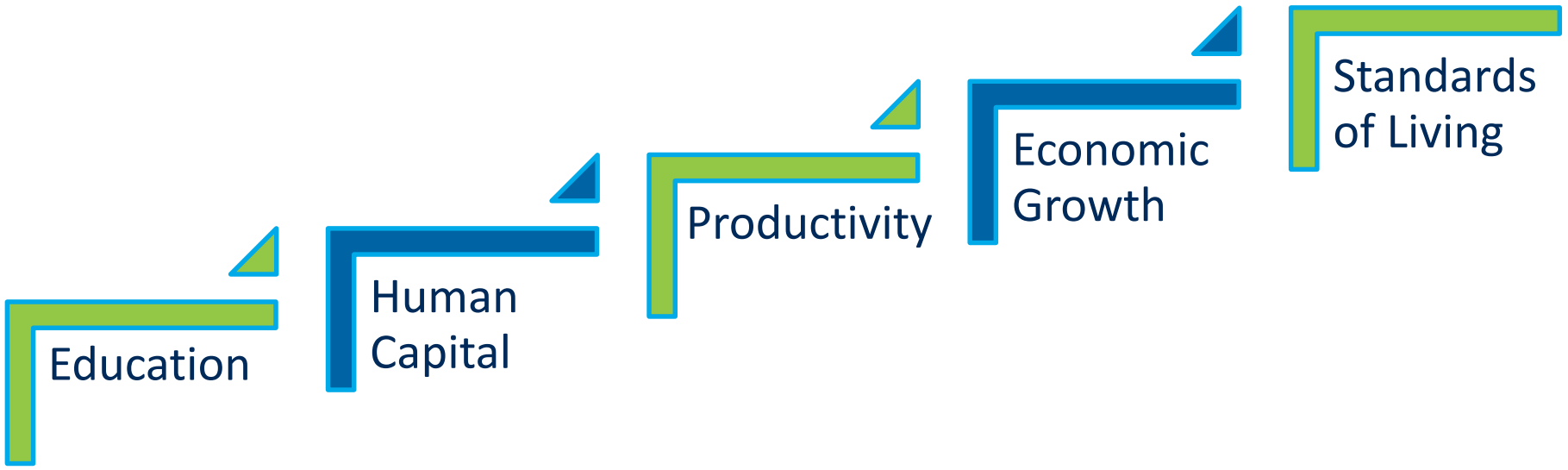
Key Takeaways

- 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?

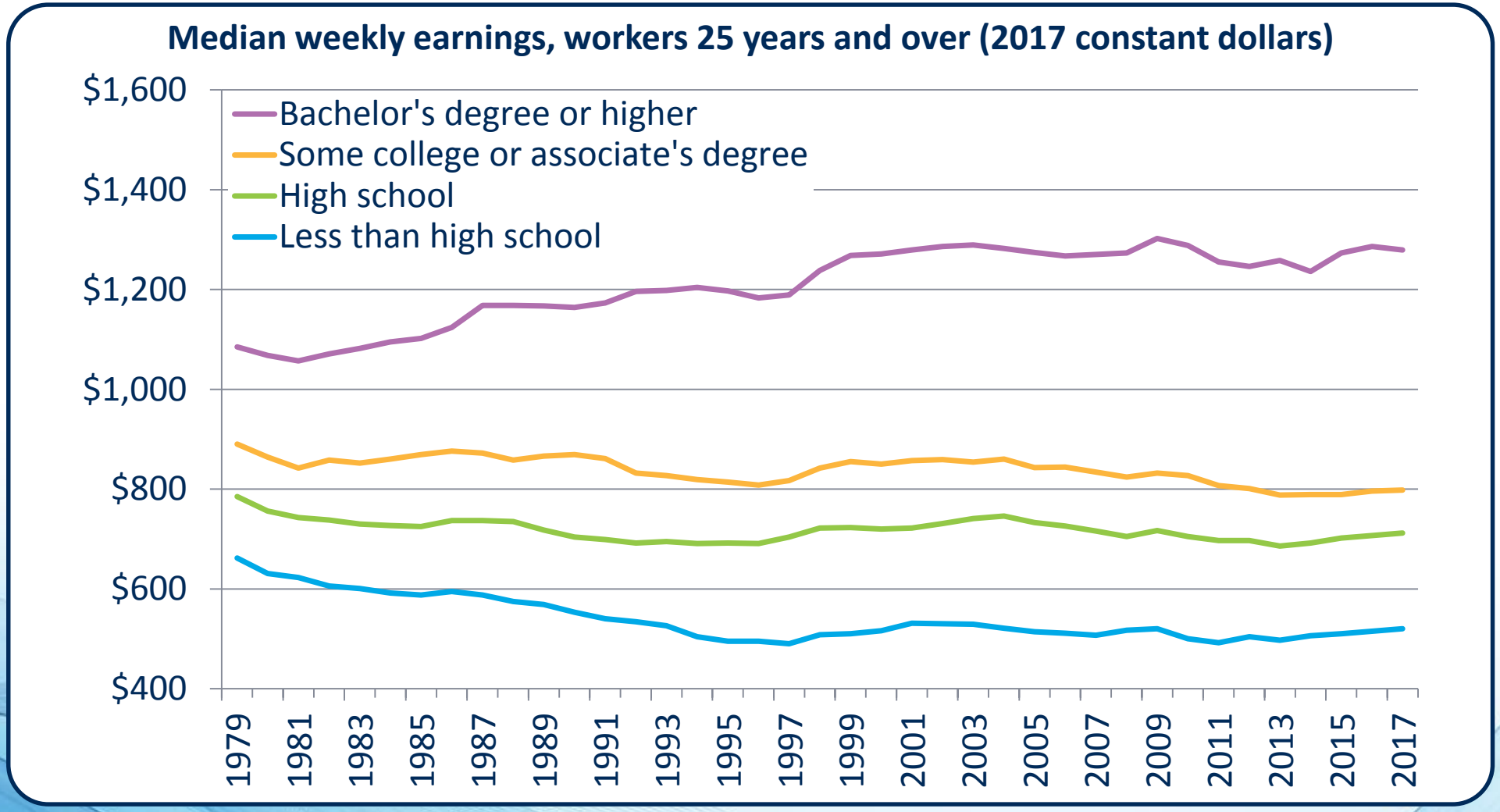


“Human capital” perspective on post-secondary ed

For individuals, post-secondary education is an **investment**.

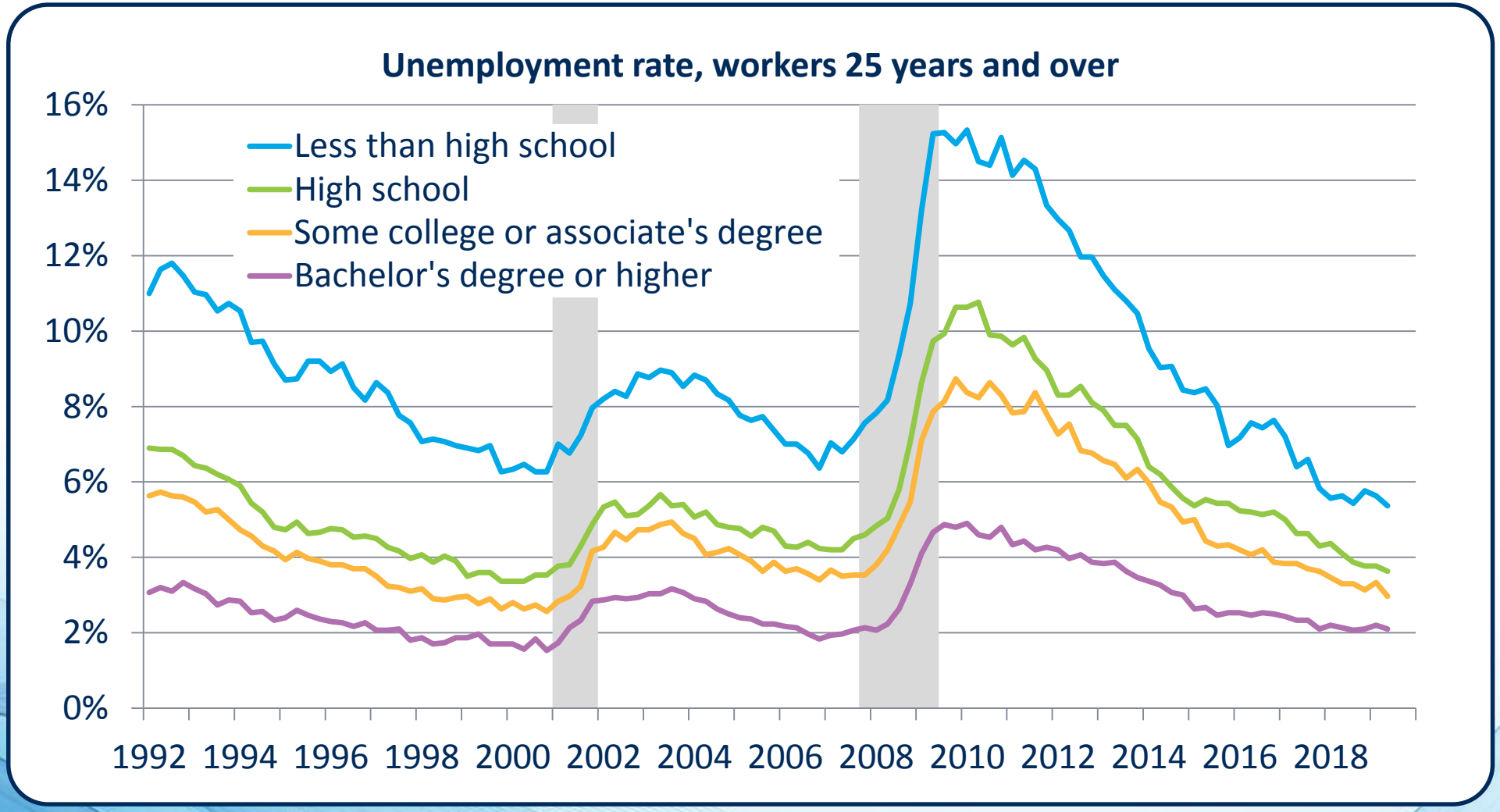
It’s not without **risk**! (e.g., non-completion risk and earnings risk)

The earnings payoff to 4-year college has increased over time…



Source: Bureau of Labor Statistics

… and 4-year college has long inoculated against unemployment.

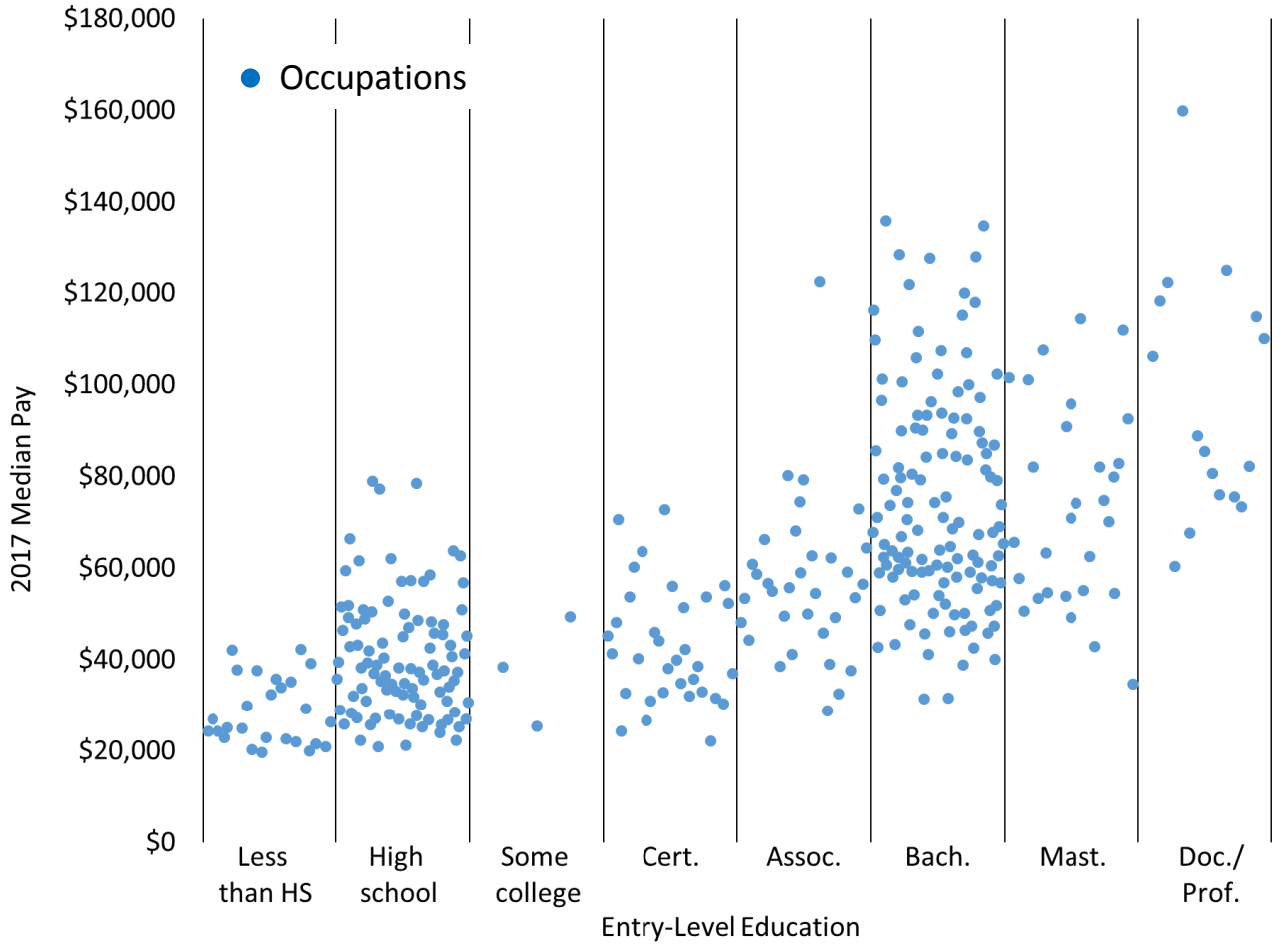


Source: Bureau of Labor Statistics

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)

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.

Expected Attainment	No Degree	% of No Degree with Loans
Certificate	52%	37%
Associate's degree	62%	39%
Bachelor's degree	38%	51%

Data reflect survey results from 2004-2009.

Source: Avery and Turner (2012)

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

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

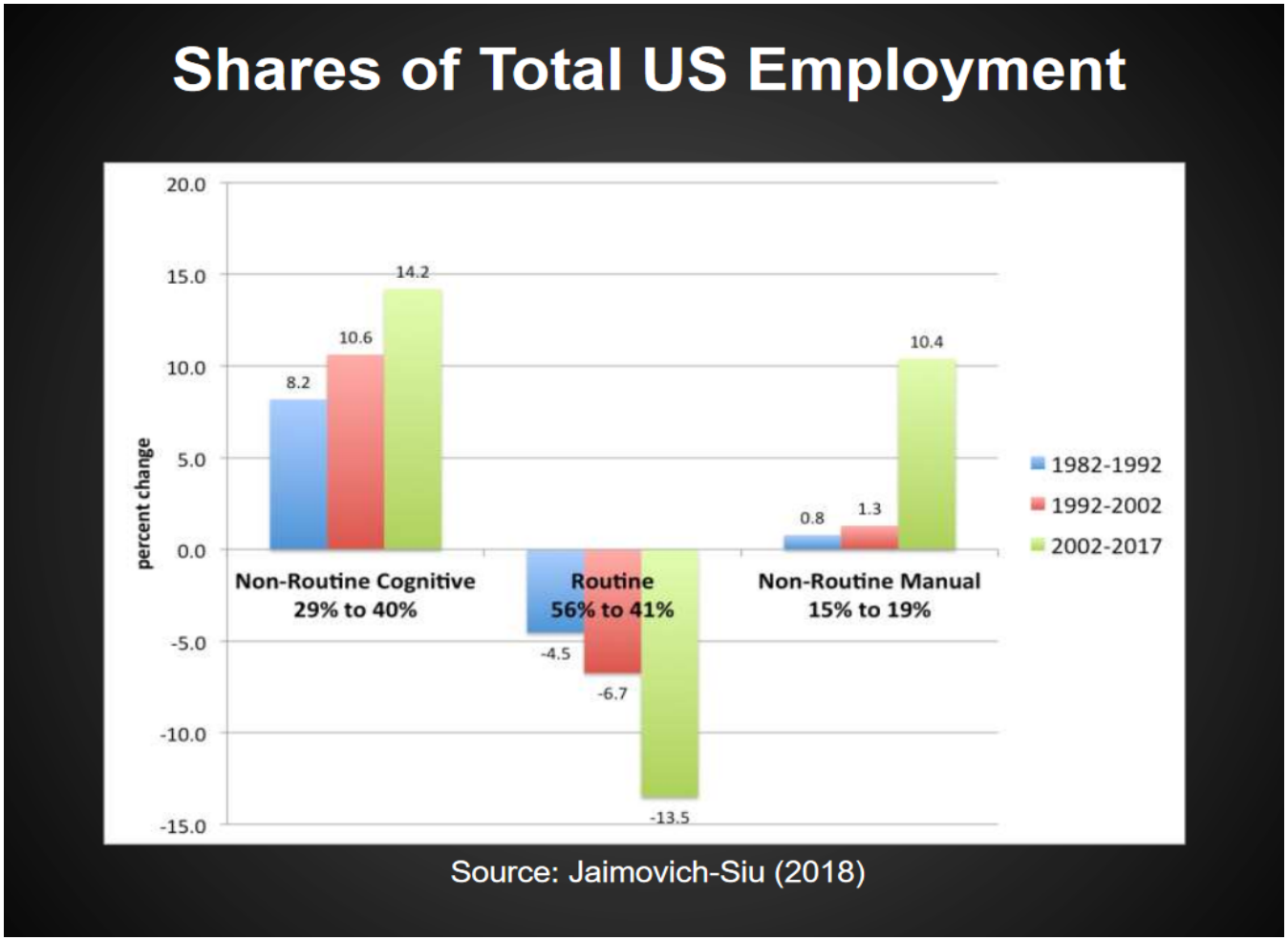
Shrinking: **Routine** jobs

- **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”



Source: Conference hosted by the Richmond and Dallas Feds, May 22, 2019

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"

Source: "Opportunity Occupations Revisited"
Fee (Cleveland Fed), Wardrip (Philly Fed), Nelson (Cleveland Fed), April 2019

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Questions?

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