

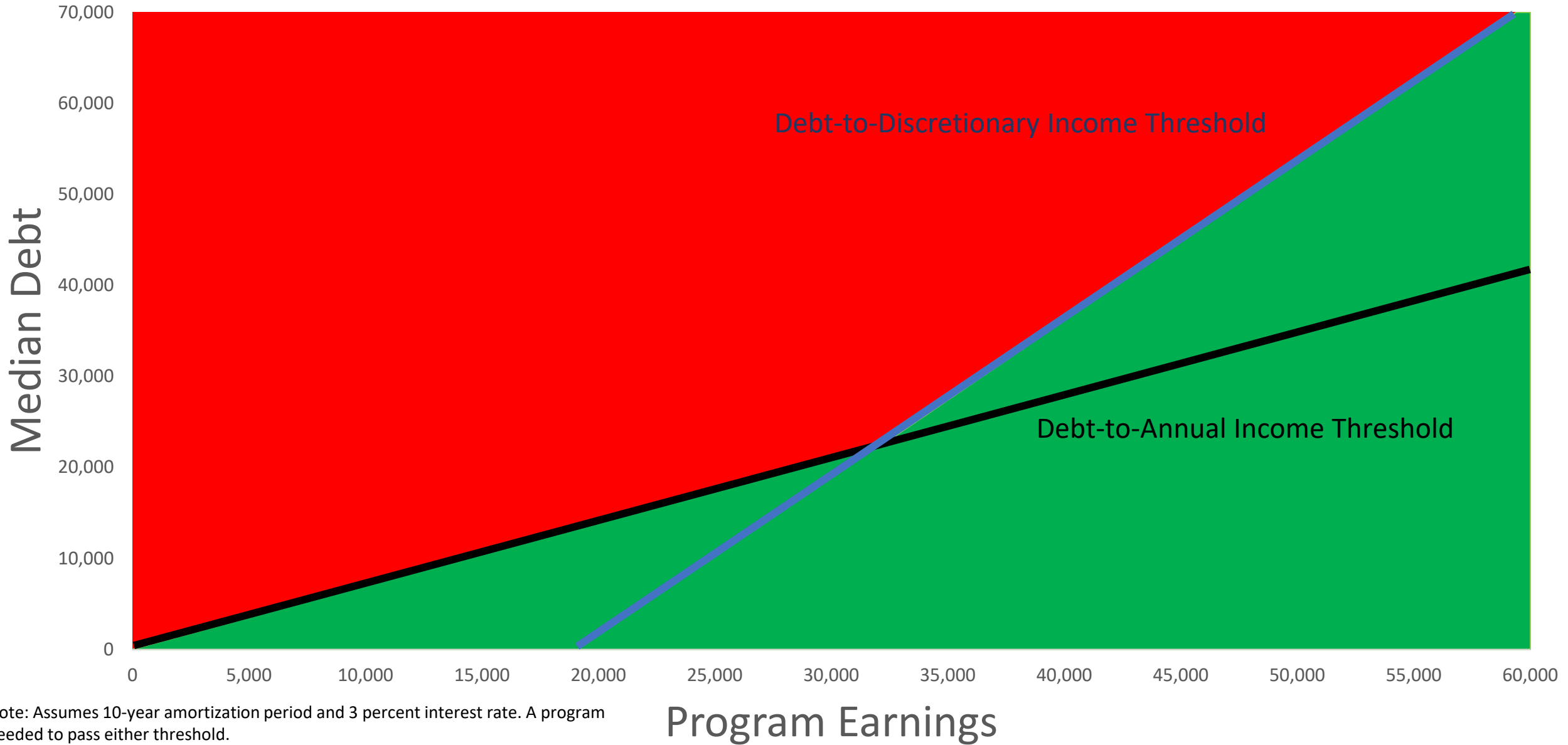
Gainful Employment

Adam Looney
University of Utah

The Role of Accountability Policy in Postsecondary Education

1. Education can be a vehicle for economic opportunity.
2. But many programs and institutions leave their students worse off.
3. Poor student outcomes are primarily caused by low-quality institutions and programs; the problem is the school, not the students.
4. Federal accountability policies are an effective way of improving student outcomes by shifting enrollment to better programs.
5. Rules based on appropriate and robust measures of student outcomes, like debt-service-to-earnings or student earnings, would improve outcomes for students and taxpayers.

2014 Gainful Employment rule

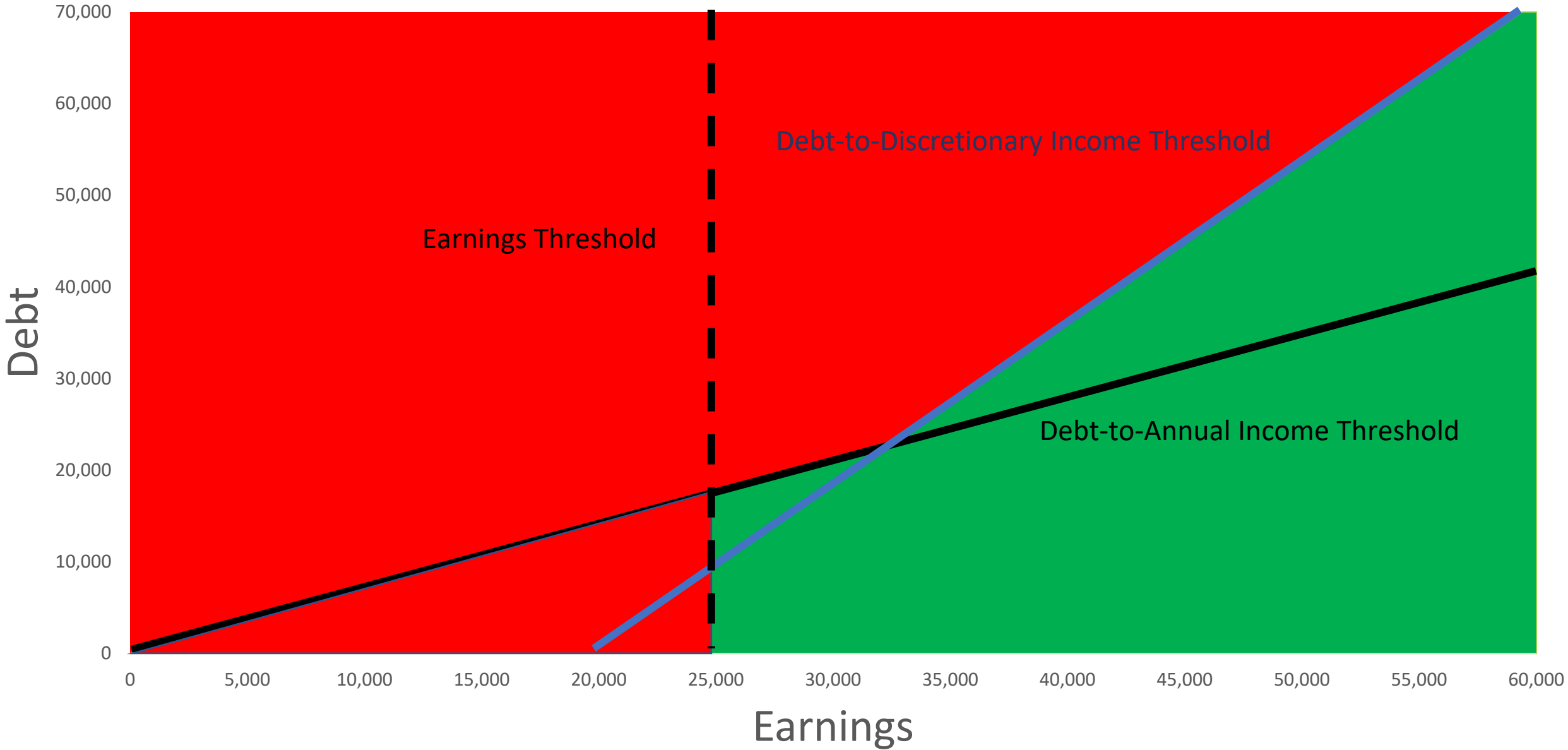


Note: Assumes 10-year amortization period and 3 percent interest rate. A program needed to pass either threshold.

Advantages, disadvantages, and uncertainties of the 2014 rule

- Programs with low earnings and low median debt may pass a D/E rule, but still impose large costs.
 - Median vs. average debt; opportunity costs of enrollment at low-quality program; direct costs of time and money of students; costs of grant aid for state and federal taxpayers.
- Completers versus non-completers.
- Role of unreported income.
- Interaction with state licensing rules.
- 3-year reporting timeframe.

2014 Gainful Employment rule + Earnings Threshold



Scope of the rule and who is affected

Which Programs Fail Under Alternative GE Rules?

	All Programs					% of Programs		% of Degrees	
	Total Programs	Degrees Completed	GE Programs	Fail 2014 Rule	Fail 2014 + \$20,000 Threshold	Fail 2014 Rule	Fail 2014 + \$20,000 Threshold	Fail 2014 Rule	Fail 2014 + \$20,000 Threshold
All Programs	218,077	5,052,702	8,637	2,149	3,779	1.0%	1.7%	3.8%	5.5%
Private, Not-For-Profit 2 To 3 Years	879	30,777	173	49	73	5.6%	8.3%	20.6%	29.7%
Private, Not-For-Profit 4 Years Or More	70,957	1,133,930	212	35	73	0.0%	0.1%	0.3%	0.6%
Private, Not-For-Profit Less Than 2 Years	216	13,535	78	9	39	4.2%	18.1%	10.6%	29.2%
Proprietary 2 To 3 Years	4,205	174,836	2,042	720	1,104	17.1%	26.3%	30.8%	49.5%
Proprietary 4 Years Or More	5,692	339,158	2,174	1,001	1,101	17.6%	19.3%	28.3%	30.2%
Proprietary Less Than 2 Years	4,073	186,595	1,460	320	982	7.9%	24.1%	15.7%	31.8%
Public 2 To 3 Years	58,999	1,179,098	1,898	9	345	0.0%	0.6%	0.0%	0.7%
Public 4 Years Or More	71,071	1,963,325	302	2	26	0.0%	0.0%	0.0%	0.0%
Public Less Than 2 Years	1,985	31,448	293	3	35	0.2%	1.8%	0.2%	2.5%
HBCUs	4,320	51,614	24	-	7	0.0%	0.2%		

Source: 2017 Release of 2015 GE Data and IPEDS

Which Programs are more likely to fail?

- Programs with very low earnings.
- **Not** “public service” sectors like teaching, social work.
- Most institutions with failing programs also have passing GE programs, so students often have better options.

Programs that fail 2014 + \$20k Threshold with Most Students

Program Name	Credential Level	Average Earnings
Cosmetology/Cosmetologist	Undergrad Certificate	\$ 16,297
Medical/Clinical Assistant	Undergrad Certificate	\$ 20,397
Medical/Clinical Assistant	Associates Degree	\$ 23,175
Massage Therapy/Therapeutic Massage	Undergrad Certificate	\$ 19,766
Dental Assisting/Assistant	Undergrad Certificate	\$ 21,860
Culinary Arts/Chef Training	Associates Degree	\$ 28,040
Medical Insurance Coding Specialist/Coder	Undergrad Certificate	\$ 22,715
Business Administration And Management	Associates Degree	\$ 35,059
Computer Systems Networking	Associates Degree	\$ 36,834
Medical Insurance Specialist/Medical Biller	Undergrad Certificate	\$ 22,151
Barbering/Barber	Undergrad Certificate	\$ 11,995
Medical Office Assistant/Specialist	Associates Degree	\$ 24,078
Automobile/Automotive Mechanics	Undergrad Certificate	\$ 30,748
Medical Administrative/Executive Assistant	Undergrad Certificate	\$ 17,535
Aesthetics/Esthetician And Skin Care Specialist	Undergrad Certificate	\$ 19,775
Medical Office Assistant/Specialist	Undergrad Certificate	\$ 19,935
Health Information/Medical Records	Associates Degree	\$ 25,257
Criminal Justice/Law Enforcement Administration	Bachelors Degree	\$ 38,028
Criminal Justice/Law Enforcement Administration	Associates Degree	\$ 25,423
Motorcycle Maintenance And Repair	Undergrad Certificate	\$ 30,080

References

1 Education can be a vehicle for economic opportunity.

Council of Economic Advisers. 2016. "Investing in Higher Education: Benefits, Challenges, And The State of Student Debt." https://obamawhitehouse.archives.gov/sites/default/files/page/files/20160718_cea_student_debt.pdf

Carnevale, A., S. Rose, and B. Cheah. (2011). "The College Payoff." <https://cew.georgetown.edu/cew-reports/the-college-payoff/>

Haskins, Ron. 2008. "Education and Economic Mobility." Economic Mobility Project: An Initiative of The Pew Charitable Trusts. The Pew Charitable Trusts, Philadelphia, PA. https://www.brookings.edu/wp-content/uploads/2016/07/02_economic_mobility_sawhill_ch8.pdf

Chetty Raj, Friedman John N., Saez Emmanuel, Turner Nicholas, Yagan Danny, "Mobility Report Cards: The Role of Colleges in Intergenerational Mobility," Stanford University Working Paper, 2017. <http://www.equality-of-opportunity.org/college/>

2 But many programs and institutions leave their students worse off.

Cellini, Stephanie Riegg and Nicholas Turner (2018). "Gainfully Employed? Assessing the Employment and Earnings of For-Profit College Students Using Administrative Data." The Journal of Human Resources. <http://jhr.uwpress.org/content/early/2018/01/31/jhr.54.2.1016.8302R1.abstract>
Summary:<https://www.brookings.edu/blog/brown-center-chalkboard/2018/02/09/gainfully-employed-new-evidence-on-the-earnings-employment-and-debt-of-for-profit-certificate-students/>

Wessel, David. (2015). "How to find out what graduates of that cosmetology program actually make." Brookings Up Front Blog. The Brookings Institution. <https://www.brookings.edu/blog/up-front/2015/06/25/how-to-find-out-what-graduates-of-that-cosmetology-program-actually-make/>

Miller, Ben. (2017.) "Who Are Student Loan Defaulters?" The Center for American Progress. <https://www.americanprogress.org/issues/education-postsecondary/reports/2017/12/14/444011/student-loan-defaulters/>

Scott-Clayton, Judith (2018). "The looming student loan default crisis is worse than we thought." Brookings Evidence Speaks Reports, 2(34). <https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/>

3 Poor student outcomes are primarily caused by low-quality institutions and programs. The problem is the school, not the students.

- Armona, Louis, Rajashri Chakrabarti, and Michael Lovenheim (2018). “How Does For-Profit College Attendance Affect Student Loans, Defaults, and Earnings?” *Federal Reserve Bank of New York*. https://www.newyorkfed.org/research/staff_reports/sr811.html
- Cellini, Stephanie Riegg and Cory Koedel (2017), “The Case for Limiting Federal Student Aid to For-Profit Colleges,” *Journal of Policy Analysis and Management: Point/Counterpoint*, 36(4): 934-942. <https://onlinelibrary.wiley.com/doi/full/10.1002/pam.22008>
- Cellini, Stephanie Riegg and Rajeev Darolia (2016). “Different degrees of debt: Student borrowing in the for-profit, nonprofit, and public sectors.” *Brown Center on Education Policy at Brookings*. <https://www.brookings.edu/research/different-degrees-of-debt-studentborrowing-in-the-for-profit-nonprofit-and-public-sectors/>
- Chakrabarti, Rajashri, Nicole Gorton, Michelle Jiang, and Wilbert van der Klaauw, (2017a). “Who Is More Likely to Default on Student Loans?” *Federal Reserve Bank of New York Liberty Street Economics* (blog), November 20, 2017, <http://libertystreeteconomics.newyorkfed.org/2017/11/who-is-more-likely-to-default-on-studentloans.html>
- Chou, Tiffany, Adam Looney, and Tara Watson. (2017.)_“[Measuring Loan Outcomes at Postsecondary Institutions: Cohort Repayment Rates as an Indicator of Student Success and Institutional Accountability](#)” 2017. (with Tiffany Chou and Tara Watson.) NBER Working Paper 23118.
- Chetty Raj, Friedman John N., Saez Emmanuel, Turner Nicholas, Yagan Danny, “Mobility Report Cards: The Role of Colleges in Intergenerational Mobility,” *Stanford University Working Paper*, 2017. <http://www.equality-of-opportunity.org/college/>
- Goodman, Joshua, Michael Hurwitz, and Jonathan Smith. 2015, February. “College Access, Initial College Choice and Degree Completion.” Working Paper 20996, National Bureau of Economic Research, Cambridge, MA. https://scholar.harvard.edu/files/joshuagoodman/files/jole_preprint.pdf
- Hoxby, Caroline. (2015). “Computing the Value-Added of American Postsecondary Institutions.” *IRS-SOI Working Paper*. <https://www.irs.gov/pub/irs-soi/15rcompvalueaddpostsecondary.pdf>
- Deming, David J., Noam Yuchtman, Amira Abulafi, Claudia Goldin, and Lawrence F. Katz (2016). “The Value of Postsecondary Credentials in the Labor Market: An Experimental Study.”*American Economic Review*. 106(3): 778-806.https://scholar.harvard.edu/files/ddeming/files/dyagk_audit_final_aer.pdf
- Darolia, Rajeev, Cory Koedel, Paco Martorell, Katie Wilson, and Francisco Perez-Arce (2014). “Do Employers Prefer Workers Who Attend For-Profit Colleges? Evidence from a Field Experiment.” *Rand Working Paper*. https://www.rand.org/pubs/working_papers/WR1054.html

4 Federal accountability policies are an effective way of improving student outcomes.

- Looney, Adam and Constantine Yannelis (2015). "A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions They Attended Contributed to Rising Loan Defaults." Brookings Papers on Economic Activity. <https://www.brookings.edu/bpeaarticles/a-crisis-in-student-loans-how-changes-in-the-characteristics-of-borrowers-and-in-the-institutions-they-attended-contributed-to-rising-loan-defaults/>.
- Looney, Adam and Constantine Yannelis 2022. "[The Consequences of Student Loan Credit Expansions: Evidence from Three Decades of Default Cycles.](#)" *Journal of Financial Economics*.
- Cellini, Stephanie R., Rajeev Darolia, and Lesley J. Turner. 2020. "Where Do Students Go When For-Profit Colleges Lose Federal Aid?" *American Economic Journal: Economic Policy*, 12 (2): 46-83. <https://pubs.aeaweb.org/doi/pdfplus/10.1257/pol.20180265> Summary: <https://www.brookings.edu/blog/brown-center-chalkboard/2017/01/06/the-government-is-sanctioning-for-profit-colleges-what-happens-to-the-students/>
- Darolia, Rajeev. (2019). "What Happens to Students When the Federal Government Sanctions Colleges?" Thirdway. <https://www.thirdway.org/report/what-happens-to-students-when-the-federal-government-sanctions-colleges>
- Whitman, David (2017a). "Truman, Eisenhower, and the First GI Bill Scandal." *The Century Foundation*. <https://tcf.org/content/report/truman-eisenhower-first-gi-bill-scandal/>
- Whitman, David (2017b). "Vietnam Vets and a New Student Loan Program Bring New College Scams." *The Century Foundation*. <https://tcf.org/content/report/vietnam-vets-new-student-loan-program-bring-new-college-scams/>

5 Rules based on appropriate and robust measures of student outcomes, like the 2014 Gainful Employment rule, would improve outcomes for students and taxpayers.

- Chou, Tiffany, Adam Looney, and Tara Watson (2017). "Measuring Loan Outcomes at Postsecondary Institutions: Cohort Repayment Rates as an Indicator of Student Success and Institutional Accountability." *NBER Working Paper 23118*. https://www.nber.org/system/files/working_papers/w23118/w23118.pdf
- Cellini, Stephanie R. and Kathryn J. Blanchard. (2022). "Using a High School Earnings Benchmark to Measure College Student Success Implications for Accountability and Equity." The Postsecondary Equity and Economics Research Project. <https://www.peerresearchproject.org/peer/research/body/2022.1.18-PEER-HSEarnings.pdf>
- Matsudaira, Jordan D. and Lesley J. Turner (2020). "Towards a framework for accountability for federal financial assistance programs in postsecondary education." The Brookings Institution. <https://www.brookings.edu/wp-content/uploads/2020/11/20210603-Mats-Turner.pdf>
- Webber, Douglas. (2021). "When Do Students and Taxpayers See a Return? Optimal Accountability Thresholds in Higher Education?" The Postsecondary Equity and Economics Research Project. <https://www.peerresearchproject.org/peer/research/body/2022.1.12-Webber-Paper.pdf>

References: Advantages, disadvantages, and uncertainties of the 2014 rule

Advantages and disadvantages of alternative accountability metrics:

- Matsudaira, Jordan D. and Lesley J. Turner (2020). "Towards a framework for accountability for federal financial assistance programs in postsecondary education." The Brookings Institution. <https://www.brookings.edu/wp-content/uploads/2020/11/20210603-Mats-Turner.pdf>

The prevalence and implications of underreported income:

- Cellini, Stephanie R. and Kathryn J. Blanchard. (2022). "Hair and Taxes: Cosmetology Programs, Accountability Policy, and the Problem of Underreported Income." The Postsecondary Equity and Economics Research Project. https://www.peerresearchproject.org/peer/research/body/PEER_HairTaxes-Final.pdf

The interaction of occupational licensing regulations and gainful employment program enrollment and debt.

- Acevedo, Nicolas, Stephanie R. Cellini, and Kathryn J. Blanchard. (Forthcoming). "Occupational Licensing and Student Outcomes Forthcoming"
- Bae, Kihwan and Edward Timmons (2021). "On Borrowed Time: How Occupational Licensing Affects Student Loan Debt." The Knee Center for Occupational Licensing. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3815308

Is a 3-year outcome-measurement window sufficient for accountability policy?

- Chou, Tiffany, Adam Looney, and Tara Watson (2017). "Measuring Loan Outcomes at Postsecondary Institutions: Cohort Repayment Rates as an Indicator of Student Success and Institutional Accountability." NBER Working Paper 23118. https://www.nber.org/system/files/working_papers/w23118/w23118.pdf
- Matsudaira, Jordan D. and Lesley J. Turner (2020). "Towards a framework for accountability for federal financial assistance programs in postsecondary education." The Brookings Institution. <https://www.brookings.edu/wp-content/uploads/2020/11/20210603-Mats-Turner.pdf>