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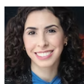
Crossing the (Earnings) Threshold: Post-College Earnings as a Measure of ROI



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If you're talking about the value of higher education today, post-college earnings are a big part of that conversation. Growing public interest in understanding the return on investment a student might get from a college credential has given earnings metrics—notably a high school earnings threshold—a firm foothold across research, regulation, and legislation from both the left and the right.

The push to consider earnings outcomes as part of transparency and accountability policy in higher education reflects both that public demand for colleges to deliver financial returns is at a fever pitch and that earnings offer a tangible and intuitive approach to measuring value. Americans still overwhelmingly view a college degree as important, even as many say it's increasingly unaffordable and out of reach. Prospective students want to know, in straightforward terms, whether they will receive an income boost worthy of the time and money they invest in their education. An earnings test that uses the typical high school graduate as a counterfactual offers a sensible gauge, allowing students to compare their likely earnings *with* a postsecondary degree against what they could expect to make in their state's labor market if they *didn't* go to college.

Thinking about the returns to educational investment in terms of earnings has been a core concept in economics since the 1960s, when the phrase "human capital" was coined to express the idea that education helps people gain skills that boost their value to employers and lead to them making more money. The use of post-college earnings to assess ROI

and ensure taxpayer-funded programs are leaving students better off entered the policy mainstream over the past decade, capturing the attention of lawmakers on both sides of the aisle—and it's clear that earnings-based outcomes metrics for higher education are here to stay.

Timeline of Federal Policy Applications of Earnings Outcomes for Higher Ed Transparency and Accountability

- **2009:** The Obama Administration begins the regulatory process to develop a Gainful Employment (GE) rule to codify how career education programs can meet the *Higher Education Act* standard "to prepare students for gainful employment in a recognized occupation." The resulting 2011 rule is struck down, but as part of the Department of Education's research process, it produces unofficial debt-to-earnings and loan repayment rates in conjunction with the Social Security Administration, which reveal a significant number of programs leaving students with earnings below $20,000 (while the typical high school graduate at the time earned around $27,000).

- **2014:** New GE regulations are finalized, under which career education programs would be required to pass an earnings test based on a ratio of their students' debt to their earnings. The rule never fully takes effect and is formally rescinded by the Trump Administration in 2019.

- **2015:** The Department of Education's College Scorecard consumer data tool publishes earnings data for the first time, including a high school earnings measure that allows prospective students to see the percentage of a college's federally-aided students who earn more than the typical high school graduate six years after enrolling (benchmarked at $25,000).

- **2018:** The US Census Bureau, in partnership with the University of Texas system, releases the first batch of data in the Post-Secondary Employment Outcomes (PSEO) Explorer, providing public access to annual, program-level earnings information for students one, five, and ten years post-graduation. Other institutions and state systems of higher education later join as PSEO data partners.

- **2019:** House Democrats' *College Affordability Act* proposes conditioning federal loan eligibility for certificate programs between 300-600 clock hours on showing that their students' average or median earnings exceed the national average earnings of a high school graduate.

- **2020:** The US Department of Labor launches TrainingProviderResults.gov, a public repository of outcomes data for programs that are Eligible Training Providers under the *Workforce Innovation and Opportunity Act* (WIOA), which includes the earnings of former students three months after leaving the program.

- **2023:** The *Jobs to Compete Act*, introduced by House Committee on Education and the Workforce Ranking Member Bobby Scott (D-VA), proposes expanded Pell Grant eligibility for short-term workforce programs that meet several criteria, including showing that completers earn more than a high school graduate in the state.

- **2023:** Updates to the College Scorecard increase the availability and usefulness of earnings information by expanding field-of-study median earnings data from three to four years post-completion and publishing program-level earnings data for graduate degrees and certificates for the first time.

- **2023:** A legislative package introduced by Senate Republicans includes Senator John Cornyn's (R-TX) *Streamlining Accountability and Value in Education (SAVE) for Students Act*, which proposes prohibiting the disbursement of new federal student loans to undergraduate programs in which more than half of former students do not earn more than the median high school graduate or to graduate programs in which more than half of former students do not earn more than the median bachelor's degree holder.

- **2023:** The Biden Administration's final GE rule applies a high school earnings premium as part of its benchmarks for career education programs to maintain eligibility for federal student aid, requiring that at least half of a program's students earn more than a high school graduate in the state. The regulations also expand financial value transparency requirements for all college programs, which will allow students to see whether any federally-funded program delivers an earnings premium above the typical high school graduate salary before they decide to take out loans or use their Pell Grant to enroll.

FAQs About Earnings Thresholds

Does the use of earnings thresholds in policy have public support?

The use of a high school earnings threshold as a transparency and accountability measure is popular with both the general public and higher education leaders. Last year, Third Way partnered with Global Strategy Group to poll 1,000 likely voters and 200 institutional leaders across the country about their support for the components of the GE rule, including the high school earnings test for career education programs. Using high school earnings as a threshold was extremely popular: 70% of likely voters and 73% of institutional leaders supported requiring at least half of a program's graduates to go on to outearn someone with a high school diploma to maintain federal student aid access. The concept also had broad appeal across the political spectrum, with 64% of Republicans, 70% of Independents, and 76% of Democrats in favor.

Why apply an earnings threshold versus another earnings measure, like an earnings gain?

Without a doubt, students enrolling in higher education programs want and expect to see an increase in their earnings above what they were making before they went to college. But requiring programs to only show an "earnings gain"—in other words, that their students go on to earn some percentage more than they did prior to enrolling—has drawbacks as an accountability measure because the metric looks strictly at the percentage increase, without considering the starting point. If a worker is employed full-time earning the minimum wage, they're making roughly $15,000 a year. That's $13,000 less than the typical high school graduate, who earns around $28,000. To demonstrate an earnings gain of 20%, program completers would only have to make $18,000 after completing their credential. That would still leave them earning $10,000 *less* than the typical worker with a high school diploma, arguably not worth the financial and opportunity costs of their additional education. Worse, if a student was unemployed prior to entering the program, any level of earnings—no matter how low—would be considered a "gain." An earnings gain test alone risks opening the door for predatory colleges focused on maintaining access to taxpayer dollars to game the metric and aggressively recruit unemployed workers to enroll in poor-quality college programs that leave them making dismal wages.

An earnings threshold, on the other hand, sets a clear minimum baseline that uses the typical earnings associated with a lower credential level as the counterfactual. As such, it can be designed to ensure that an undergraduate certificate or degree leads to higher earnings than a high school diploma, or that a master's degree leads to higher earnings than a bachelor's degree, and so on. It's intuitive, hard to game, and promises a reasonable return on investment that is at least commensurate with the time, effort, and cost associated with pursuing that credential.

Isn't an earnings threshold unfair to colleges? They don't control what jobs their students get after they leave school, and public service careers don't pay as much as other fields.

Colleges can't control every decision their students make after graduation, but they *are* charged with equipping students with the training, skills, and resources they need to enter the workforce after graduation. The college-to-career pipeline often starts with flashy promises of future success in marketing materials that entice students to enroll. At high-quality institutions, those promises are put into practice through expert-developed course curricula,

networking opportunities, and career services programming that helps prepare students to find jobs, apply and interview in their field, and design a career path that will increase their earning potential over time.

For most college programs, setting students up to earn more than the national average $28,000 salary of a high school graduate is not a difficult feat—they're already doing it. Early career earnings for bachelor's degree holders across fields of study ranged from $34,000 up to $70,000 in 2018-19, easily clearing that bar, and the median earnings for associate and bachelor's degree recipients employed full-time are 18% and 65% higher, respectively, than for those with a high school diploma.

Of course, not all students will have the same earnings trajectory. Where students live, what they study, and the professional field they enter are all factors in their salaries and projected wage growth over the course of a career. That's why the earnings tests included in policies like the GE rule and proposals like the *Jobs to Compete Act* and *SAVE for Students Act* don't require that every student outearns a high school graduate, just that *most* students do. This allows room for fluctuation in individual salaries and for students' self-selection into career paths across the public and private sectors. If half of a program's graduates can't make more than they would have without the credential, it's probably worth asking whether the credential is achieving its intended purpose and helping students reach their goals—and it's definitely worth asking whether taxpayer dollars should be used to prop up that program.

Conclusion

Earnings measures offer a logical approach to considering a college program's economic value. An earnings threshold that requires the majority of students to go on to make at least the typical salary commanded by a lower credential level offers policymakers an intuitive, justifiable minimum standard for ROI. With the Biden Administration's final GE rule codifying a high school earnings threshold into federal regulation, post-college earnings metrics will continue to play a major role in the policy landscape for higher ed transparency and accountability—and Congress should consider employing them more broadly to protect both students and taxpayers.

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