Chapter Six
Two Key Actions to Align Postsecondary Education with the Labor Market

By Anthony P. Carnevale

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As the United States grinds its way through a painful, halting economic recovery, one concern has become abundantly clear: the recession of 2007 is still reshaping the economy in ways both dramatic and permanent. Perhaps the most profound change has been the accelerating disappearance of well-paying jobs that require a high school education or less. Many of these jobs are gone, and they are not coming back. An ever-growing share of jobs will be reserved for workers with some kind of postsecondary education and training.

Background

Job opportunities for American workers with no better than a high school diploma have been disappearing for years. In 1973, only 28 percent of jobs required postsecondary education and training. By 2007, that percentage had ballooned to 59 percent. Moreover, by 2018, 63 percent of all jobs in the United States will require workers with at least some college education.[1]

Postsecondary education and training used to be the preferred route to middle-class earnings. Today, it is becoming the only route. In 1973, almost 75 percent of workers in the American middle class had a high school education or less. By 2007, that percentage had dwindled to just 39 percent. As a result, the ability of these workers to obtain postsecondary education has become a major cause of income inequality. Workers are not only finding it difficult to climb the economic ladder but are also dropping out of the middle class.

The postsecondary system is adapting to this new reality. For example, only 10 percent of bachelor's degrees are awarded in the liberal arts and humanities. All graduate degrees begin with an occupational focus and virtually all the growth in postsecondary education now occurs among programs delivering associate's degrees, postsecondary certificates, and industry-based certifications for postsecondary skills below the baccalaureate level.

Access to postsecondary education and training is unquestionably a critical gatekeeper in accessing middle-class jobs and earnings. But more postsecondary education does not necessarily translate into more earnings power and career choice. Degree levels matter, but curriculum choices matter even more for gaining access to the best paid and most desirable jobs. Education and occupation have a complex interaction, and it is not unusual to find circumstances in which workers with less education out-earn those with more.

Matching Higher Education Curriculum to Career Opportunities

Four basic facts should guide workers' decisions in matching degrees and curriculums to career opportunities:

- **Degree level matters on average.** Individuals with higher levels of education earn more than those with lower levels. For example, a person with a bachelor's degree makes 84 percent more than a high school graduate during a lifetime of work. That translates to a tidy sum of one million dollars.
- **Majors typically matter even more than degree levels do.** Within and across degree levels, people have vastly different earnings. For example, the highest-earning major, a bachelor's degree in petroleum engineering, garners $120,000 a year at the median, compared with $29,000 a year for a bachelor's degree in counseling psychology.
- **Occupation matters as well.** People with less education can earn more money than better-educated colleagues, depending on their occupation. For example, an engineering technician with an associate's degree can make more than a guidance counselor with a master's degree.
- **Within occupations, degree level still matters in determining earnings.** For example, a person with an associate's degree in engineering is paid less than someone with a bachelor's degree, who in turn makes less than someone with a graduate degree in engineering.

So, in a world where postsecondary education is more important than ever but less and less affordable, how can policymakers craft policy to match postsecondary programs with productive career pathways, especially in our diverse and highly fragmented postsecondary education system? Policymakers can and should disseminate better information that ties particular curriculums, certificates, degrees, licenses, and industry-based certifications to labor-market outcomes. We need to know the employment status and earnings of workers in all labor-market categories, as well as the extent to which graduates are working in fields that align with their postsecondary curriculum.

Measuring these career-related outcomes is the most practical way to curb runaway growth in postsecondary spending. Employability metrics are all the more necessary given the fragmented American postsecondary system and the current lack of transparency and alignment with the labor market driving that demand. The U.S. higher education system is a kaleidoscope of institutions and interests, loosely bound and largely autonomous from federal policymaking. Most higher-education policy originates at the state level, and that is likely to remain true. Moreover, labor-market metrics can help maintain the balance between efficiency and equity in postsecondary funding. If we don't achieve more postsecondary efficiency, we won't be able to afford equity. Left to its own devices, current budgetary stringency is driving the system toward access and completion based on ability to pay and admission test scores; ultimately, postsecondary education will become polarized by race and class.

Predictably, tight budgets are encouraging a version of efficiency that crowds out equity, an outcome inconsistent with our nation's goals. To better align postsecondary education with labor markets, two key actions are now needed:

- **Key Action One:** Tie college programs to career pathways
- **Key Action Two:** Leverage existing data to create a matching system

Key Action One: Tie College Programs to Career Pathways

Tying college programs to career pathways can be a strategy that meets both efficiency and equity goals. Labor markets have always been more democratic than selective college admissions. Economic mobility has become more dependent on postsecondary completion since the 1980s, but the relationship is not only about where a student goes to college or the level of his or her degree.

Selective colleges and higher degrees nevertheless do confer advantages. However, the notion that hierarchical selectivity conforms perfectly to economic opportunity is wrong. A teacher with a bachelor's degree from Harvard is still going to make less than an engineer with an associate's degree from a community college.

The federal government is not powerless as a venue for promoting stronger alignment between postsecondary programs and labor markets. Its leverage derives from student loans and grants allotted under Title IV of the Higher Education Act.[2] To date, however, the federal government has not maximized its leverage to enact systematic reform. One way to use this leverage is to link postsecondary education data to employment outcomes. The U.S. Department of Education is taking a step in this direction with its new gainful employment rule, which aims to tie program performance, measured by employability and earnings, to Title IV student-loan eligibility.

This healthy development indicates the movement—although painfully slow—of the nation's higher education system toward greater accountability. The question is not one of federal control or takeovers of independent institutions, but providing essential incentives to better align postsecondary education programs with employment opportunities.

Critical to these efforts are information systems that help:

- Students understand what kinds of education and training the economy demands
- Educators shape their programs to better serve their students
- Employers find the skilled workers they need to fill their increasingly complex occupational needs

Key Action Two: Leverage Existing Data to Create a Matching System

Ultimately, both state and national policymakers need to promote new mechanisms for aligning postsecondary education with the labor market. One way to achieve alignment is to tie job exchanges (online job-search engines) to learning exchanges that match job openings and career pathways to available courses offered by postsecondary institutions in the classroom and online.

These matching systems will:

- Demonstrate disclosure and preserve healthy market competition
- Help minimize the need for aggressive federal oversight or expensive, additional state regulation
- Be sensibly grounded in public institutions and mitigate privacy issues for the use of wage data

Over the past decade, the information systems and technology necessary to connect postsecondary programs and career pathways have become available at a reasonable cost. But they are grossly underutilized because of the autonomous policy and operational silos among programs and government agencies. This problem manifests most clearly in the disconnect between the U.S. Departments of Education and Labor and trickles down to state and local government.

An essential connection is now missing between wage records employers report to state agencies that administer unemployment insurance and secondary and postsecondary school records (transcripts). Once transcript and wage data are connected, we will discover the extent to which particular programs or courses of study result in tangible employment outcomes: employment in field, wages, hours worked, and duration of employment. Connecting these data would allow us to tell a young person that dropping out of school will mean X dollars in lost income compared with $Y salary for people who have completed their education.

Wage records have been available for more than 70 years, and electronic transcript data are increasingly available online because of federal funding and measures that seek accountability in education. Many states have made the connection between wage records and transcript data, but almost none use the data effectively to advise youth or encourage program accountability. In fact, the Department of Education's proposed gainful employment rule, which emerged from the controversy over the quality of for-profit schools, seeks to do just that by linking wage data with program information and penalizing institutions and programs that fail to help their students obtain jobs that will allow them to pay back their student debt. But the gainful employment rule applies only to for-profit programs and community college certificates.

The federal government is already distributing money to the states to improve educational data systems, and 26 states are now able to connect wage data to postsecondary transcripts. But even states (e.g., Florida) that use these systems for policy decisions limit access to the data. For example, a broad array of institutions or individuals that could use the data to improve program delivery and placement services has been left out of the loop.

While these information systems are no substitute for customized programs required by diverse populations, they are an essential input in all these programs, ranging from after-school tutoring to juvenile justice to job-training. Moreover, the systems have a broader and more immediate economic utility for workers who are dislocated, disabled, unemployed, or looking to change jobs.

These information systems should also increase graduation rates, reduce student-loan defaults, lower unemployment insurance costs, and reduce costs in other government programs that use education and training to leverage work and wages. Ultimately, these systems will help individuals and institutions better decide how to use education and training funds.

Many are concerned that connecting postsecondary programs and careers will shortchange the intrinsic value of learning as well as education's cultural and civic goals. However, if postsecondary education does not make students employable in our work-based society, educators are unlikely to make students good citizens or good neighbors.

Dr. Anthony P. Carnevale *directs the Center on Education and the Workforce at Georgetown University. He has served on the White House Commission on Technology and Adult Education and chaired the National Commission on Employment Policy.*

Notes

1. Anthony P. Carnevale, Nicole Smith, and Jeff Strohl, *Help Wanted: Projections of Jobs and Education Requirements Through 2018,* June 2010, p. 13.

2. Title IV authorizes federal financial assistance for students, such as student loans and grants, including the Pell grant and Perkins loans (subsidized and unsubsidized). It also establishes standards for institutions that accept Title IV money.