

Under embargo until April 29, 2015, at 12:01 a.m. Eastern Time

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Value-added rankings measure economic impact of college

Brookings releases report evaluating two- and four-year colleges' contributions to alumni economic outcomes

Washington, D.C. — New data and analysis of two- and four-year schools released today by the Brookings Metropolitan Policy Program provides fresh insight into how well colleges prepare students for high-paying careers.

The report, “Beyond College Rankings: A Value-Added Approach to Assessing Two and Four-Year Schools,” by Brookings Fellow Jonathan Rothwell and Senior Research Assistant Siddharth Kulkarni, fills a large information gap in higher education of relevance to state education officials, college administrators, and workforce development leaders. It also offers a new tool to help prospective college students think about where to apply and where to attend.

The report is the first to develop measures of “value added” for a broad array of two- and four-year colleges. To do so, it analyzes data on economic outcomes for graduates of these institutions, adjusting them for the characteristics of their students at the time they are admitted, and other factors. The resulting measures capture the contributions that the colleges themselves make to their graduates’ eventual economic success.

Using a blend of government and private data (from LinkedIn and Payscale), the report’s analysis shows:

- A college’s mix of majors and the skills it provides students are highly predictive of economic outcomes for its graduates. Colleges where many students pursue degrees in fields like engineering, healthcare, computer science, and business see higher earnings among their alumni.
- Colleges can boost economic outcomes for students by encouraging higher completion rates and offering generous financial aid.
- Four-year colleges like Caltech (California), Colgate (New York), MIT (Massachusetts), the Rose-Hulman Institute (Indiana), and Carleton College (Minnesota) add the most value to student earnings potential. At the two-year level, top performers include NHTI Concord (New Hampshire), Lee College (Texas), and Pearl River (Mississippi). Value-added is defined as the difference between a college’s predicted and actual student economic outcomes.

“These college-specific data can be used to learn about, evaluate, and improve college performance,” said Rothwell. “Colleges serve very diverse populations. The advantage of measuring value-added is that it adjusts a school’s rankings based on the type of college and the characteristics of its student body.”

Compared to popular college rankings, the value-added method focuses on how well colleges contribute to student economic success, rather than simply their ability to attract top students. The new Brookings value-added database provides:

- Value-added scores on at least one economic outcome for as many as 4,400 postsecondary institutions, compared to the 600 or fewer ranked by non-academic publications.
- At least two measures of college quality for over 7,000 colleges, allowing prospective students to readily compare four- and two-year colleges on the factors predictive of success.
- More accurate predictors of college performance relative to popular non-academic rankings.

While imperfect, these value-added measures improve on conventional rankings and fill a demand for greater transparency and accountability in higher education. This report identifies those factors that colleges can influence to improve alumni economic outcomes. It also helps close the information gap for the huge number of community colleges and non-selective colleges that conventional rankings fail to acknowledge.

“College is a major investment for individuals and the taxpayers who subsidize it,” said Rothwell. “So, the public has a huge stake in promoting quality. No ratings system can capture everything about a college that matters, but these data can shed some light on how colleges compare in their contributions to student success and, hopefully, spark further research with even better data.”

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