Q&A with Ryan Craig, author of new book on faster, cheaper college alternatives

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When he co-founded University Ventures in 2012, Ryan Craig [1] took turns describing the private equity fund as focused on "establishing next-generation postsecondary education companies through partnerships with traditional colleges and universities" and as a "fund focused on innovation from within higher education."

The investment firm seemed to be betting that, with the right mix of outside help from Silicon Valley-backed companies, colleges and universities could meet the growing demands on them to provide affordable, high-quality education and training to satisfy graduates and employers alike.

Six years later, Craig's doubts about higher education's ability to step up to that challenge appear to have grown, to judge by his new book, A New U: Faster + Cheaper Alternatives to College (BenBella Books). In it, he explores the emergent landscape of new credentials, providers and pathways aimed at helping people find jobs, which he describes as part of a "revolution that will transform -- or make obsolete -- many colleges and universities."

Language like that might lead some higher ed partisans to dismiss Craig as another latecomer to Clay Christensen's "disruption" bandwagon, drawing lessons from other industries to write higher education off from the outside as doomed.

That would be a mistake, though. While Craig is, as his subtitle suggests, enamored of (and bankrolling) "faster and cheaper alternatives to college," he writes thoughtfully about traditional higher education's virtues as well as its perceived flaws, and has a vast store of knowledge about the postsecondary education and training ecosystem. Disagree with him if you like, but don't ignore him.

Craig agreed to answer questions about his book via email; the (lightly edited) exchange follows.

Q: In the book you argue that colleges are bad at adapting to the changing job market. Why? And are some colleges bucking this trend?

A: Determining what skills are required for a particular job is difficult. Most hiring and HR managers aren't particularly adept at this -- which is clear from looking at job descriptions and seeing that there's little correlation to top performers in those roles. A second complication is that employers aren't particularly interested in having a conversation with colleges and universities about their talent needs. And the few conversations that occur are probably with a philanthropic or external-facing arm of the employer -- not with anyone directly involved in a large number of hiring decisions.

Having said this, higher education's official interface to the labor market -- career services -- is suboptimal. The concept of "career services" as a separate office, distinct from every other part of the institution, conveys to students that they aren't expected to think about employment until senior year. Not surprisingly, only half of all students ever visit career services. When they do, they're not meeting with professionals in their fields of interest (with relevant experience and networks), but rather with career services lifers, who are probably best positioned to help students get jobs working in career services.

Of course, adapting to employer needs means adapting academic programs and curricula, which the career services function -- well outside the academic structure -- has never done. So it's left to individual faculty to take the initiative, even though they're never measured or incentivized on graduate employment outcomes.

One of my favorite stories, which I recount in the book, is an article by The Chronicle of Higher Education on Texas A&M's effort to launch courses in cybersecurity. While the first part of the article was laudatory, the second part takes

an ominous tone: "Work-force demand can lead some institutions to teach students the skills needed for today's entry-level jobs. But those tools may well be obsolete five years from now."

The implication -- one that I believe is absolutely in the mainstream of faculty thinking -- is that updating curriculum to reflect current employer needs may be a waste of time because such needs will change in five years. Can you imagine similar thinking in any other sector of the economy? Does Apple let a year go by without a new iPhone, let alone five? Do health-care professionals skip continuing medical education for years at a time because the new information will be outdated? That would cost lives. Likewise, it should be unacceptable to sacrifice one class of college graduates, let alone five.

Q: What is a "last-mile" program, and why can they better bridge the gap between colleges and employers?

A: Last-mile training is the inevitable by-product of two crises, one generally understood, the other less so. The crisis everyone understands is affordability and unsustainable levels of student loan debt. The other crisis is employability. Nearly half of all college graduates are underemployed in their first job. And we know that underemployment is pernicious and lasting. According to the recent report from Strada's Institute for the Future of Work, two-thirds of underemployed graduates remain underemployed five years later, and half remain underemployed a decade later. So today's students no longer buy that tired college line that "we prepare you for your fifth job, not your first job." They know that if they don't get a good first job, they're probably not going to get a good fifth job. As a result, today's students are laser-focused on getting a good first job in a growing sector of the economy.

One reason for the crisis of employability is that colleges haven't figured out how to align academic programs and curricula with what employers want. But the other reason is that while colleges and universities continue to do an unparalleled job of preparing graduates with key cognitive skills like critical thinking and problem solving, employers have moved the goalpost. Technology has fundamentally changed hiring in two ways, particularly for entry-level jobs.

First, as enterprises have digitized, digital skills now outnumber all other skills in entry-level job descriptions, across nearly every industry. Second, because every job is posted online and generates hundreds of résumés, employers utilize keyword-based filters called applicant tracking systems to determine which résumés are actually seen by a human. If you don't have sufficient keyword density, you're not visible. And without the digital skills employers are increasingly listing in their entry-level job descriptions, too many college graduates are invisible.

Last-mile training is the missing link in that it provides immersive training on the exact digital skills employers are listing in job descriptions -- from SQL and Python to Salesforce, Marketo or any of thousands of SaaS platforms increasingly utilized to manage business functions. Increasingly, this digital training is occurring in conjunction with education on the industry in question. So you might see a program training students on Salesforce for employers in the insurance industry, and they'll not only be equipped as a Salesforce administrator, they'll also understand the business processes of an insurance company in order to be productive on day one.

Finally, because last-mile training always occurs in an in-person setting, with students working on real projects derived from employers, it also helps build key soft skills that employers care a great deal about in the hiring process and in the early months of employment. These are skills like teamwork, communication, organization, creativity, adaptability and punctuality. The combination of digital and soft skills is what most employers are seeking in entry-level hires.

Q: Where do you see income-share agreements -- arrangements in which students agree to repay percentages of their future incomes in lieu of tuition -- playing a role in alternative pathways to jobs?

A: Why do we have such underemployment among college graduates when there are nearly seven million unfilled jobs in the U.S.? The persistent and widening skills gap can best be explained by two distinct frictions in the talent market. On the candidate side, you have what I call "education friction." Education friction is why individuals fail to upskill themselves. This is a result of the time, the cost and -- most important -- the uncertainty of a positive employment outcome. Education friction is a major cause of the continuing skills gap.

On the employer side, there's also "hiring friction." Hiring friction is why employers are loath to hire candidates who haven't already proven they can do the job, due to risk of a bad hire, or higher churn. And given the rapid growth in the number of (primarily digital) skills in job descriptions over the past decade, because so few candidates check every single box, many employers have convinced themselves that they can really only hire candidates with directly relevant experience. Of course, this defeats the point of so-called entry-level jobs. This is why so many entry-level sales jobs require Salesforce experience (even though few of current salespeople knew Salesforce before starting their positions). A recent survey found that 61 percent of all full-time jobs seeking entry-level employees require at least three years of experience.

The key to closing the skills gap is to reduce or eliminate these frictions. All good last-mile training programs reduce the uncertainty of the employment outcome, thereby reducing education friction. Income-share agreement (ISA) programs practically eliminate education friction by addressing the financial risk for candidates: you don't pay if you don't get a good employment outcome. That's a great message for any postsecondary education institution to send to students. And we see from the market that ISA programs have a much easier time attracting a large number of very talented students; it's simply a better value proposition for students.

In a few years, outside of the most selective colleges and universities, tuition-only models may become anachronistic. Failure to include ISAs as at least one component of the total cost of a postsecondary program may be seen as a lack of confidence in employment outcomes, and perceived by students as a negative market signal.

Q: You suggest that more employers are willing to pay for outside providers to train their employees and potential hires. Why? In which fields?

A: While last-mile training boot camps, and especially ISA programs, go a long way to eliminating education friction, they don't do much about hiring friction. Employers still struggle to hire candidates without directly relevant work experience from these programs, and certainly in the hundreds of thousands. This is where employer-pay models enter the picture. Closing the skills gap at scale isn't just about seven million unfilled jobs. It's about moving tens of millions of Americans from declining or stagnant sectors of the economy to dynamic sectors like technology and health care. And streamlining the path to work requires eliminating hiring friction.

We are seeing new intermediaries like staffing companies and service providers -- organizations that had very little or nothing to do with education or training previously -- starting to close the skills gap at scale in sectors like technology and health care. Think about a staffing company. They're in the business of having their finger on the pulse of employers' talent needs. They have relationships with hundreds or thousands of employers. And they're accustomed to taking risk: hiring the talent themselves and staffing the talent out to clients. The best way to eliminate hiring friction is for intermediaries like staffing companies to provide the last-mile training (preferably for free, thereby reducing education friction) and to hire the talent directly (thereby eliminating education friction), and then -- crucially -- to provide employers with the opportunity to "try before they buy." What was previously a tough hiring decision for employers becomes a no-brainer. Often, these new employer-pay pathways are able to circumvent the HR function (which increasingly has become a compliance/risk-management gatekeeper) by working directly with hiring managers and business units (because the hiring decision comes later, after the talent proves they can do the job). We know employers are willing to pay a premium (over a limited period of time) for this lower risk (which is how tuition and debt are eliminated from the equation). By absorbing the hiring risk away from employers, intermediaries like staffing companies and service providers with outsourced apprenticeship models are producing new friction-free pathways to employment that we are certain will close the skills gap over the next decade.

Many of these employer-pay models will seek to partner with traditional colleges and universities, as our company Revature has done. But others may partner with community colleges or even high schools -- particularly for entry-level jobs that are best described as "middle skill." And there you'll find faster and cheaper alternatives to college that will significantly alter enrollment patterns. As these new pathways become more prevalent, nonselective universities -- and particularly nonselective private schools charging "selective" tuition -- will be increasingly challenged to attract students.

Q: The book describes "placement colleges" -- what would they look like and how could such programs better prepare graduates for first jobs?

A: Community colleges are certainly cheaper, but rarely faster: only 20 percent of community college students earn an associate degree in three years (and only 16 percent eventually earn a bachelor's degree in six years). Last-mile training should already be a common feature of community colleges. But it's not. The fundamental reason is that community colleges maintain a split personality. On one hand, they're supposed to be vocational and labor market aligned. And many do a great job with a range of shorter certificates and industry certifications, although primarily in old-economy blue-collar professions. But most community college students are enrolled in academic programs conceived of and led by academics who, by and large, would prefer to work at a four-year college or university, and a selective one at that. (My mother taught sociology at a community college for over 30 years and certainly falls into this category.) Most community colleges have been firmly established on an academic foundation with presidents or chancellors, registrars and bursars, not to mention sociology departments.

A placement college is a reconceptualization of the community college, not as a vocational school as President Trump might like, but away from an academic paradigm and toward a focus on placement into good jobs in growing sectors of the economy. Placement colleges are a hybrid of today's community colleges and the work-force investment boards responsible for placing unemployed workers in open jobs but which fail to provide meaningful training. Rather than starting by asking faculty what curriculum they might like to offer, placement colleges start with employers and available jobs, then aim to provide the last-mile training that students need to be considered for these

jobs. Whether or not students would receive a recognizable academic credential for such training would be a secondary concern. Pathways to good first jobs in growing sectors of the economy don't need to be shoehorned into credentials.

Q: Have we passed "peak credential"?

A: In certain sectors, like technology, we've already passed "peak credential." When it comes to software development, only the choosiest employers care where you went to school (or whether you went to school). They look at your GitHub account and evaluate your code.

Once faster and cheaper alternatives to college become common paths to good entry-level positions across a wide range of growth sectors, the natural question is how will these 20-something new workers land their second and third jobs without a recognized credential? What we're seeing is that -- beyond coding and GitHub -- there are many ways in which candidates are establishing a record of their competencies. This could be with an eportfolio, or digital credentials, or even recognized assessments; archiving the record and making it digitally accessible to employers goes a long way to mitigating the credential concern for the second and third jobs. Many employers in technology and other sectors care much more about the first job, performance in the first job and the digital record of competencies than about whether a candidate has a traditional credential.

It used to be we'd wonder whether we had passed "peak oil." Then came the fracking revolution, and it was clear those concerns were misplaced. Colleges and universities who share my view that we've passed "peak credential" should connect with employers and especially intermediaries like staffing companies and service providers, think out of the box and develop innovative and more market-relevant credentials. Then maybe we'll look back on this "peak credential" scare in the same way.

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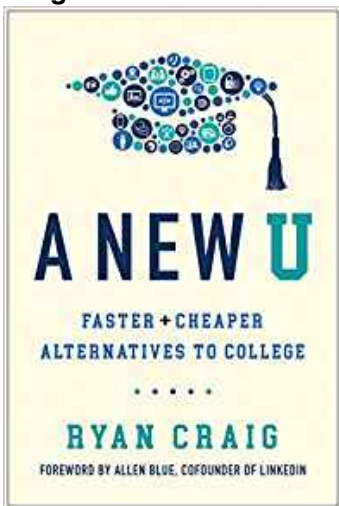**Ad keywords:**
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