Reinventing the Career Center: How College Graduates Can Better Find Jobs That Utilize Their Skills

Part 1 of the "Empowering American Workers" Series

an insight report from VillageCapital

supported by Lumina FOUNDATION

Authors:
Allie Burns, CEO, Village Capital
Rustin Finkler, Communications and Research Manager, Village Capital
Marissa Lowman, Future of Work and Learning Practice Lead, Village Capital
Stephen Wemple, Investment Analyst, Village Capital

Contributors:
Ben Wrobel, Communications Director, Village Capital
Matt Zieger, Head of US Ventures, Village Capital

INSIGHT BRIEF

American colleges and universities are struggling to prove their ROI. New tools like digital credentialing, alternative internship programs, and job matching software can help augment — or even replace — the college career center.

ABOUT THIS SERIES

This series will explore **emerging technology that has the potential to empower American workers and create new pathways to the middle class.** The series is informed by the work of our Future of Work and Learning Practice where our team has conducted due diligence on more than 750 entrepreneurs building solutions in higher ed, job matching, and career growth as part of our US accelerator practice. Our analysis here is supplemented by additional interviews with entrepreneurs, investors, education focused philanthropies, employers, universities and other industry stakeholders.

Each brief will highlight a key challenge area around the future of work that also represents a major market — career services, corporate upskilling, and shift workers. We will highlight emerging technologies in each market that show both meaningful traction and high potential to create *systemic* change.

Finally, in each brief we will attempt to define what impact investing looks like for the market in question. If there is indeed a “right way” and a” wrong way” to unleash new tools, what should investors with an impact focus look out for in the process of diligence? We’ll lift up the solutions that are helping workers gain the skills and tools they need to navigate tomorrow’s workplace.

INTRODUCTION

In 2018, the AFL-CIO, the largest federation of unions in the United States, held the first meeting of their newly formed commission on the future of work — the first time they had held such a commission since 1983.

During this first meeting, union leaders spoke about how technology is creating opportunity for American workers — new products, supply chain improvements, new jobs — while at the same time disrupting traditional pathways to the middle class. At one point AFL-CIO President Richard Trumka said:

> *“Our experience has also taught us that there is a right way and a wrong way to unleash new tools. Will we let the drivers of inequality pervert technology to foster greater economic injustice and social unrest? Or will we demand that technology improves lives and raises standards and wages across the board? This commission believes technology must be used for good, not greed.”*

We know that technology is changing the nature of work — as we’ve written before, automation, robotics and machine learning will make obsolete tens of hundreds of millions of jobs in the coming years. But we also know that there are thousands of entrepreneurs and researchers working to harness these same technologies to improve job quality, empower workers through education and job training, improve employee earning potential and ultimately create new pathways to the middle class.

Allie Burns
CEO, Village Capital

The Context

AMERICAN COLLEGES ARE HAVING A HARD TIME PROVING THEIR ROI.

The website for Lambda School, the popular for-profit online coding school, is a challenge to traditional colleges and universities from the start: “We believe that education should invest in you, not the other way around.”

This messaging might seem aggressive, but Lambda School’s founders know that they have a receptive audience: students have been increasingly questioning the value (specifically, the return on investment) of a traditional college education for many years. It’s a fair concern: the unemployment rate for US college graduates aged 25 or older has nearly doubled since 2000, and student loan debt recently reached $1.5 trillion dollars.[2]

81% of students attending public institutions and 90% of students attending private schools reported that higher education institutions need to do a better job demonstrating the value of a college degree

Source: Lumina Foundation [3]

The excitement around online coding programs and boot camps has spurred some colleges to revisit core assumptions around the value they provide to students — and focus more on helping students graduate with the skills they need to be successful in today’s job market.

THE COLLEGE CAREER CENTER IS READY FOR REINVENTION.

There has long been a consensus that colleges are underutilizing and underinvesting in career services or any systematic internal support to help students find and secure gainful employment.

There is strong evidence that career services work when they are used - students who interacted positively with them report that they are more prepared to find a career and believe their education was worth the price.[1]

Perhaps, more importantly, as we work to close racial wealth divide, Black and Latino students are more likely to benefit from their interaction with career services. However, according to a Gallup-Lumina poll, fewer than 20% of undergraduate students reach out to their school’s career center for advice on finding work.

“Jobs are the first thing on students’ minds these days. The price of college has never been higher, which means students are expecting more return on their investment. What business do you know that charges $60,000 and then says goodbye? Instead of asking, “what’s the payoff for college in my fourth job or fifth job” students are now asking how schools can get them their first job.”

Jason Palmer
New Market Ventures

The Context

A "SECOND WAVE" OF CAREER SERVICES INNOVATION

The past two years has seen a growing market for technology that helps recent college graduates find employment that utilizes their skills and provides them with opportunities for growth. In this report we focus on tools that augment colleges and universities, rather than replacing them (such as online coding academies).

We see this as a second wave of tech-enabled innovation related to career services and the college to career connection point. The first wave, in the late 1990's and early 2000's coincided with the dot com era and featured companies like JobTrak, HotJobs, Experience.com and others that, among other things, sought to create two-sided marketplaces between colleges and employers. These companies laid the groundwork for how we think about job matching today but ultimately failed to get buy-in from employers.

This second wave, as we'll explore below, has been spurred by a few factors: digitally-literate students who are comfortable sharing that data in exchange for minor incentives; a more mobile workforce (a recent study found that 43% of millennials plan to leave their current jobs within two years); a move towards skills-based hiring; and a more transparent job market with tools like Glassdoor that force employers to put more thought into their college hires.[4,5,6]

Several venture funds have pivoted to focus more directly on education technology in the past few years, many with a stated interest in higher education. In July 2018, **Reach Capital** launched an $82 Million education technology investment fund while in May 2019 **Rethink Education** announced that they are currently raising a $150 Million education technology focused investment fund. Additionally, **ETS,** the world's largest private non profit educational research and assessment organization, recently made its first impact investments in two startups: Knack and NurseDash.

Investor Insight:

"Entrepreneurs have their ears to the ground - they can drive an idea and pivot quickly. They're flexible and can respond to market needs. Our investments are mission-oriented: we're seeking collaborations with startups looking to solve critical education problems while driving equity and opportunity for learners."

Amy Tevere
Educational Testing Service

The Market

SUMMARY OF THE SECTOR

- The global spending by higher education on hardware, software, and services is expected to grow from **$47.9B in 2015 to USD $70.62B by 2020,** at a CAGR of 8.1%.[7]
- The total spend on academic support services by US universities in 2016 was **more than $28B.**[8]
- The Global Human Capital Management market is expected to become a **$20B market by 2020** and at a CAGR of 9.2%.[9] In the US, the industry is expected to **surpass $10B** in the next two years and is expected to rise to a CAGR of nearly 6.5% from 2016-20.[10]

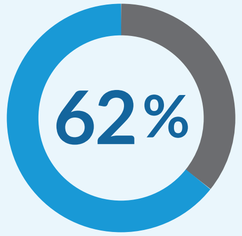
RECENT DEALS

Trilogy Education Services, which partners with universities to offer skill-based technology courses, was acquired by 2U for $750 Million. Previously they raised a $50 Million Series B round led by Light Capital with participation from Exceed Capital, Highland Capital Partners, ReThink Impact, and Macquirie *(April 2019).*

Handshake, a job matching platform that allows employers to connect to 468+ universities across the country (with a range of sizes, degree programs, and rankings) raised $40 Million in a Series C round led by EQT Ventures with participation from Omidyar Network, Reach Capital, Chan Zuckerberg Initiative and others *(October 2018)* .[11]

Yello, which is used by employers to track a candidate's journey at various touchpoints using predictive analytics in order to provide insight into the talent pipeline, raised a $31 million Series C round led by JMI Equity with participation from First Analysis *(July 2017).*

Inside Higher Education's annual survey examines the views of 2,360 faculty members and 102 administrators who oversee digital learning at a range of institutions -- public, private nonprofit and for-profit, two-year and four-year -- across the United States. Below are some findings from their most recent survey.



A solid majority agrees with the statement *"I fully support the increased use of educational technologies."*

33% agree; 29% strongly agree;
Just 8% disagree or strongly disagree.

Two-thirds of professors agreed that administrators and vendors *"exaggerate the potential financial benefits"* of instructional technology and *"play down the risks to quality"* posed by it.

Half of digital learning leaders agreed with the statement about vendors and administrators exaggerating the potential financial benefits (perhaps a moment of self-criticism), but otherwise the administrators included in the survey take a much more favorable view of online education and instructional technology.

Source: Inside Higher Education [12]

The Market

CUSTOMERS: WHO IS PAYING?

Higher Education Institutions

Colleges and universities spent $6.6 Billion on IT spending in 2015, and they are spending more each year on technology: the global higher education spend on hardware, software, and services is expected to grow at a CAGR of 8.1%.

Challenges: Higher education institutions can be notoriously difficult customers: decision making is often decentralized, and sales cycles can last up to 18 months to align with annual budget cycles.

Investor Insight:

"Higher education institutions often want to support bold new ideas but are wary of purchasing untested products. There's a catch-22: Edtech startups can't scale effectively without customer feedback, but customers often demand that the kinks are worked out before they make a purchase. There is a need for patient capital to help these companies get to scale."

Marissa Lowman
Village Capital

Investor Insight:

"Budgets at career centers can be incredibly small, and often the choice to implement new tools is constrained within the broader confines of the politics of a given college or university. These two factors make higher education career centers challenging clients for startups to work with."

Jennifer Carolan
Reach Capital

Employers/Corporations

College recruiting is resource intensive for employers: the median cost to fill an entry level position is $4,129, and much of that cost is directly associated with college recruitment.[13] The average millennial is spending far less time in his or her first few jobs, and turnover costs can be high, so employers are increasingly incentivized to get hiring right the first time.

Challenges: Large companies move slowly and often have predefined systems in place to recruit recent college graduates. Successful startups in this space tend to build on pre-existing human resources and processes — for instance, Handshake plugs directly into an employer's CRM platform.

Individual Students and Parents

According to a recent survey, only 17 percent of college graduates said they found their college career centers to be "very helpful".[14] As a result, students from wealthier backgrounds (often supported by their parents) are opting to use external services to help augment their career search.

Challenges: The typical college student gets an average of **$757** a month from jobs, parents, or other sources.[15] Stripping out expenses, discretionary spending comes to roughly **$211** per month.

Case Studies

PARKER DEWEY

Micro-Internships: Solving The Challenges of College-To-Career Transitions

"The so-called skills gap doesn't exist. Students have the skills. They just can't prove them." Jeffrey Moss, founder of Parker Dewey, argues that schools often are preparing their students for jobs in the marketplace - it's just hard for students to prove those skills. "Students are graduating job ready. But the process right now discourages or even eliminates opportunities for students to explore for fit or to prove to companies that they have the right skills."

Moss' solution - and one that has been gaining traction - is Micro-Internships. Parker Dewey offers quick, one-off projects that have lower stakes for an employer. These projects help students understand how classroom skills translate to job responsibilities and how to effectively communicate those skills on resumes and in job interviews.

Micro-Internships can be particularly helpful for students with majors that don't sound like job titles. "Take philosophy - you're learning to make an argument." He says, "In fact, 'soft skills' are the ones most in demand by employers – in the NACE survey, the first technical skill was ranked number eight."

Read Full Case Study

the whether by Better Weekdays

A Peer Advising Community for Diverse Student Talent

It's expensive, time consuming, and complex to implement quality career services at scale: on average, universities have an annual operating budget of $34K for career services and only reach 52% of students. Most of the budget is generated via career fair registration revenue.

Students from less elite schools have the support of less elite career centers so the students who apply to jobs through traditional means aren't necessarily interview ready. Chris Motley of Better Weekdays believes the situation is in a downward spiral. "Enrollment is down across the board so no funding is allocated to career services. This impacts the school's ability to prepare students, recruiters lose confidence in the quality of candidates, placement rates suffer, and prospective students decide to go elsewhere. Repeat!"

The Whether by Better Weekdays is a peer advising platform where diverse students network and share resources with peers that have similar backgrounds and career goals. This safe space fosters collaboration while providing an opportunity for diversity and inclusion and talent acquisition leaders to promote their employer brand to instantly build pipelines for internships and entry level opportunities. The platform's content is categorized by attributes that tie into job requirements and workplace culture. Over time, the platform learns the hiring preferences of employers and makes recommendations based on student assessments and their engagement with content and individuals in the app.

Their employer revenue model allows them to do something interesting: partner with schools at no cost to the school. "Everyone would agree that assessments that help students get clarity around their strengths, values, and personality are beneficial. However, they cost money so schools aren't incentivized to promote them. We make ours free because it improves students' self-awareness and helps us make great recommendations to our corporate clients."

Read Full Case Study

Case Studies

Credly

Digital Credentials To Validate Learning

According to a report by the University Professional and Continuing Education Association (UPCEA), one in five institutions now offers digital badges.[16] And when it comes to issuing digital badges, one company leads the market: Credly.

“Digital credentials are fast becoming the new currency of the labor market,” says Credly founder and CEO, Jonathan Finkelstein. “Colleges and training providers are issuing credentials to provide more granular evidence of what their graduates know, and can do. And employers are not only issuing credentials to recognize the acquisition of skills -- they are relying on credentials for critical promotion and hiring decisions.”

Today, thousands of higher education institutions, employers, and associations use Credly badges to recognize and validate learning. The resulting digital credentials help connect individuals to career and training opportunities, and help employers to discover untapped talent.

Read Full Case Study

OTHER STARTUPS TO WATCH:

Knack *(Tampa, FL)*: enables college students to build, offer, and showcase their skills for success in the classroom and the 21st-century workplace.

MindSumo *(San Francisco, CA)*: helps companies connect with college students through real world, skill-based competitions.

MintMesh

MintMesh *(Fairfax, VA)*: a platform for talent sourcing through employee referrals from trusted networks to hire high-quality talent, drive employee engagement and lower the cost of recruitment.

Nexus Edge *(Santa Monica, CA)*: a career development platform for lifelong learning powered by artificial intelligence that aims to empower community college students.

PAIRIN *(Denver, CO)*: a social enterprise company that uses friendly science to personalize career exploration, hiring, and professional development.

Quinncia *(Boston, MA)*: an AI-based career development platform that helps students improve interview skills, polish resumes and find jobs.

Suitable *(Pittsburgh, PA)*: quantifies soft skill competencies and uses gamification to help universities prepare their students for the job market.

Wisr *(Cleveland, OH)*: helps universities build connections to engage alumni and prepare students for careers.

TAKEAWAYS FOR IMPACT INVESTORS

Village Capital has always been focused on companies that have impact "baked into their business model". We've run several accelerator programs focused on the future of work, and our affiliated venture fund, VilCap Investments, has invested in startups including Landit, Upswing and Knack.

Every time we run an accelerator, we bring together an advisory board that includes investors and nonprofit leaders to gauge the scope of the problem that we are trying to solve, and to screen startups that apply for "impact" — to make sure that they are in fact solving a problem, and not making it worse.

We know that "impact" is difficult to measure, particularly for education technology and the higher education space. While there is no perfect system, below is a set of takeaways for investors who want to screen for companies that will ultimately create more pathways to the middle class, and do more good than harm.

1 Does the company's business model depend on serving schools beyond the Ivy Leagues?

The American system of elite colleges and universities is one of the most visible ways that wealth and power are entrenched in society: a recent study revealed that at some of the best colleges across the United States, more students were from the top 1% than from the bottom 60% of income groups.[17] There are more than 4,000 higher education institutions in the United States, including more than 100 HBCUs and 1,400 community colleges, and recruiters already overlook them: look for business models that seek to level the playing field.[18]

Investor Insight:

"Lumina Impact Ventures is especially interested in supporting entrepreneurs who are focused on all students, not just first-time students. The people we call today's students represent a wide spectrum. They are adult learners, students of color, many are working, low-income and have children."

Elizabeth Garlow
Lumina Impact Ventures

2 Does the company's business model raise privacy concerns?

As we've seen with Facebook and other high-profile cases, any data-heavy business model raises ethical concerns about privacy. According to a recent survey, 89% of Americans think they should be able to choose whether technology companies can share their online personal data.[19] This trend continues in higher education. For instance, Handshake, a talent-recruitment startup, received some backlash when students who had profiles on the platform said they didn't remember listing their grades or even signing up. Make sure companies are taking extreme caution with user data.

3 Does the company have an effective system for impact measurement?

Measuring impact in education technology is difficult for a variety of different reasons, from student privacy policies to difficulty quantifying the impact of the tool versus that of other factors. As a result, it's not surprising that companies and investors often default to traditional business metrics, such as revenue and number of product users to determine impact. However, to determine whether impact is a priority for a company and whether there's credible evidence to support it, investors need to ask the difficult questions: What outcomes do you care about? How will the product credibly drive improvements in those intended outcomes? What research supports this theory of impact?

ENDNOTES

2 https://news.gallup.com/poll/199307/one-six-grads-say-career-services-helpful.aspx?g_source=Education&g_medium=lead&g_campaign=tiles

1 https://www.theatlantic.com/education/archive/2018/01/why-arent-college-students-using-career-services/551051/

3 https://www.hanoverresearch.com/wp-content/uploads/2017/04/Higher-Ed_Industry-Trend-ReportFINAL-_WEB.pdf

4 https://news.stanford.edu/2017/08/03/pizza-privacy-stanford-economist-examines-paradox-digital-age/

5 https://www.independent.co.uk/life-style/millennials-jobs-career-work-salary-quit-young-people-study-a8361936.html

6 https://www.insidehighered.com/news/2018/12/14/survey-finds-increasing-interest-skills-based-hiring-online-credentials-and-prehire

7 https://www.marketsandmarkets.com/Market-Reports/higher-education-market-192416446.html

8 https://nces.ed.gov/ipeds/trendgenerator/tganswer.aspx?sid=9&qid=39#

9 https://www.prnewswire.com/news-releases/human-capital-management-market-to-reach-22-billion-by-2022-analysis-by-component-software-service-deployment-model-organizational-size--vertical-300489828.html

10 https://globenewswire.com/news-release/2016/06/07/846581/0/en/U-S-Online-Recruitment-Market-To-Rise-At-6-47-CAGR-Between-2016-And-2020-Leading-Players-LinkedIn-CareerBuilder-Monster-MarketResearchReports-biz.html

11 https://www.edsurge.com/news/2018-10-31-college-career-startup-handshake-shakes-out-40m-funding-round

12 https://www.insidehighered.com/news/survey/faculty-buy-builds-bit-bit-survey-faculty-attitudes-technology

13 https://www.shrm.org/about-shrm/press-room/press-releases/pages/human-capital-benchmarking-report.aspx

14 https://www.insidehighered.com/news/2016/12/13/only-17-percent-recent-graduates-say-career-centers-are-very-helpful

15 https://www.stateuniversity.com/blog/permalink/The-Spending-Habits-of-College-Students.html

16 https://mailtrack.io/trace/link/a9f724642bd97726137a7382044e5eba90312102?url=https%3A%2F%2Fupcea.edu%2Fupceapearson-survey-demographic-shifts-in-educational-demand-and-the-rise-of-alternative-credentials%2F&userId=3399975&signature=6842a10fd0ae5bb5

17 https://www.nytimes.com/interactive/2017/01/18/upshot/some-colleges-have-more-students-from-the-top-1-percent-than-the-bottom-60.html

18 https://www.npr.org/2019/03/06/697098684/one-reason-rural-students-dont-go-to-college-colleges-don-t-go-to-them

19 https://efficientgov.com/blog/2019/01/18/survey-americans-on-privacy-regulation-in-2019/

DISCLAIMER