Economic Confidence, Education, And Student Debt
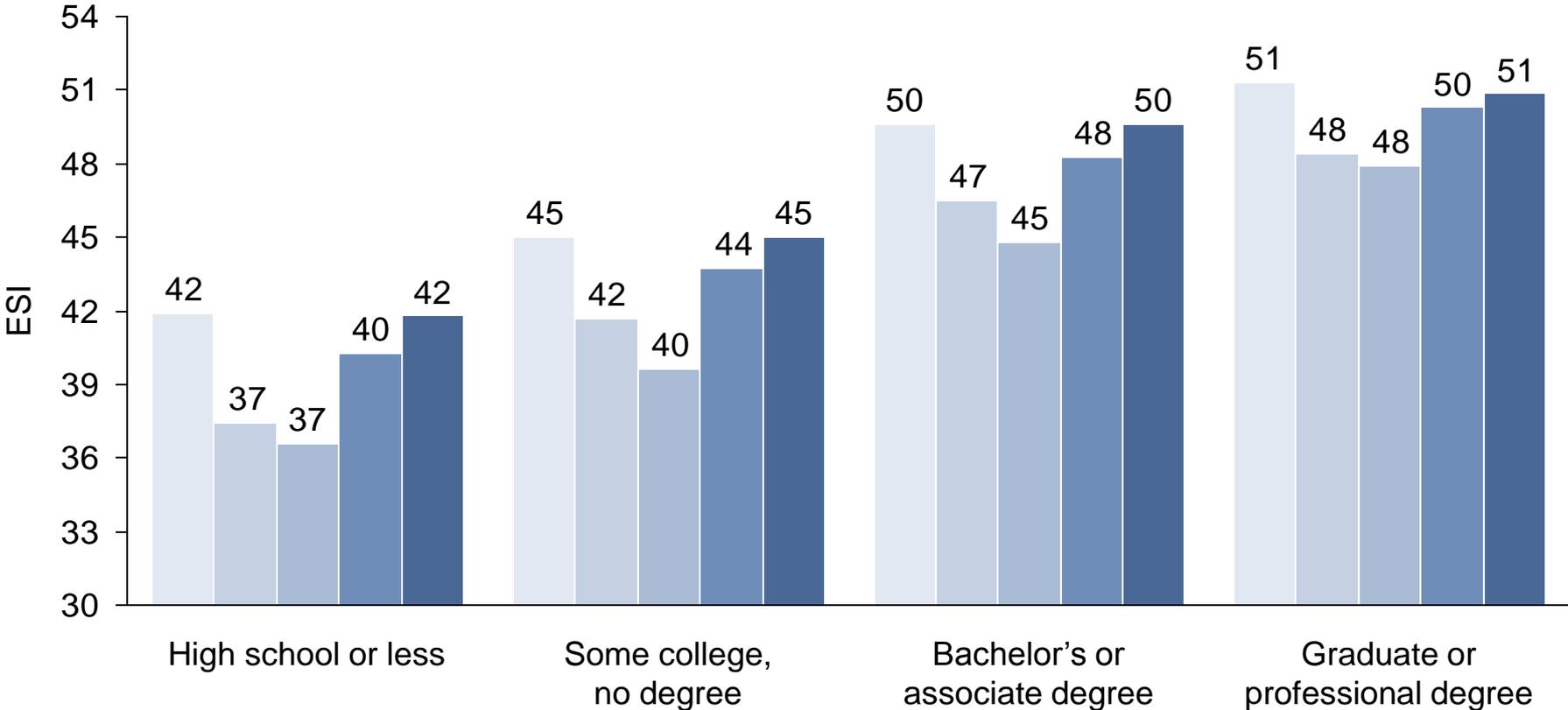
Is College Worth The Debt?

With increased attention given to rising student debt levels, the question "Is college worth it?" is being asked more and more. To help answer this question, we examined the impact of both education levels and student debt on individuals' economic confidence, using the HPS-CivicScience Economic Sentiment Index (ESI). Key findings are:

- **Economic confidence rises with education-level.** College graduates' ESI is five points above individuals with just some college and eight points above those with just a high school degree or less. Those with a post-graduate degree exhibit some diminishing returns with an ESI just one-point higher than those with just a college degree.

- **Having a degree is a stronger predictor of confidence than student debt.** Overall, those with student debt have lower economic confidence than those who don't. However, college graduates with student debt have slightly higher economic confidence than those with just some college and no student debt.

- **The dominant strategy for maximizing economic confidence is to get more education**. Higher education leads to greater economic confidence, even if it requires taking on debt.

- **Student debt may impact confidence in buying a house.** College graduates without student debt have a more optimistic view of the housing market than those with student debt. Still, those with a college degree and student debt are slightly more optimistic than those who have just some college, but have no student debt.

- **Student debt most likely impacts consumer and career choices.** Of the 44 percent of people ages 18 to 54 that have student debt, nearly three-fourths of respondents indicated that student debt impacted consumer and career choices. Note, 56 percent of respondents reported no student debt.

- **Overall, these findings confirm intuition that all else equal, student debt may impact consumer and career decisions. But regardless of the debt, going to college is worth it.** The findings also point to the importance of students finishing. Those with a college degree – student debt or no student debt – have a higher level of economic confidence than those with just some college.
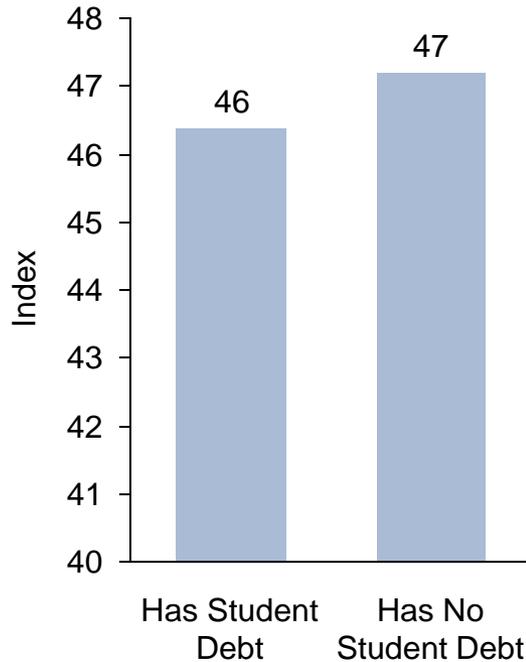
# Pursuing Higher Education Is A Dominant Strategy For Students, Even If It Means Taking Out Debt

Looking at overall confidence levels, one might conclude it is better not to go to college at all if you have to take out debt …

… But breaking out confidence by education-levels shows that those with a degree still have higher levels of confidence even with student debt burdens

ESI

ESI Of College Degrees Or Higher

Sample: 5,237 US adults between the ages of 18 and 54 from 6/5/14 - 8/8/14

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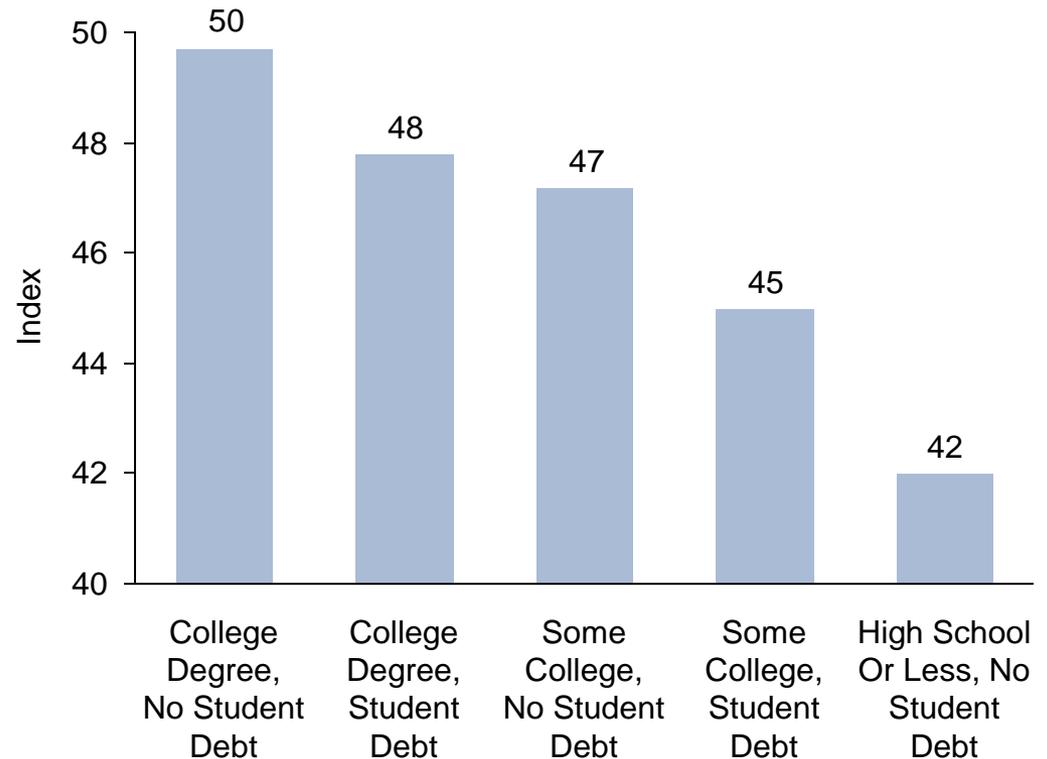
Having Student Debt May Reduce The Likelihood Of Homeownership, But Age Is A Confounding Factor
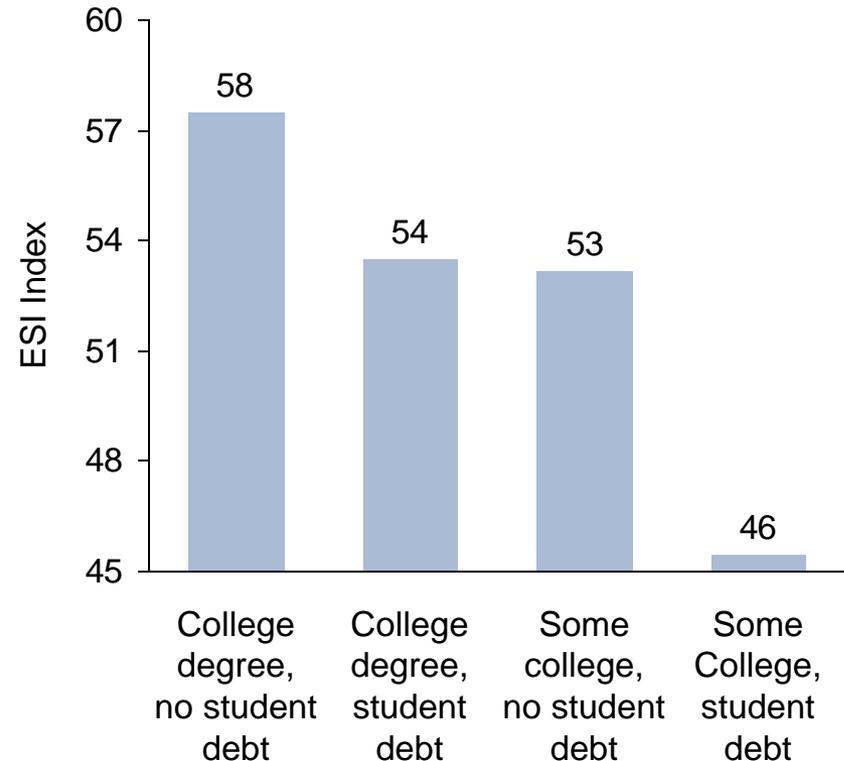
While overall, those with student debt are less likely to own a home, this could be due to age…

However, looking at optimism in the housing market, college graduates without student debt have more confidence than those with debt

Living Situation

View Of The Housing Market

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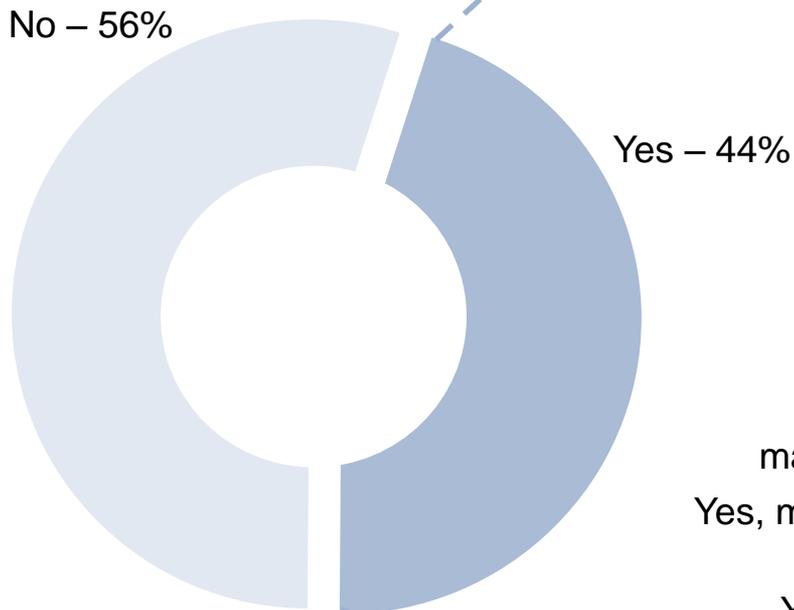4
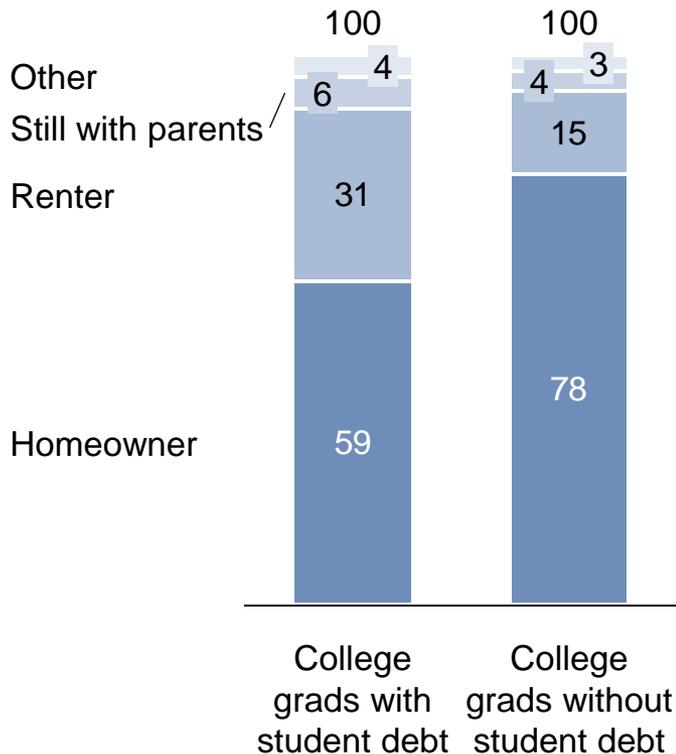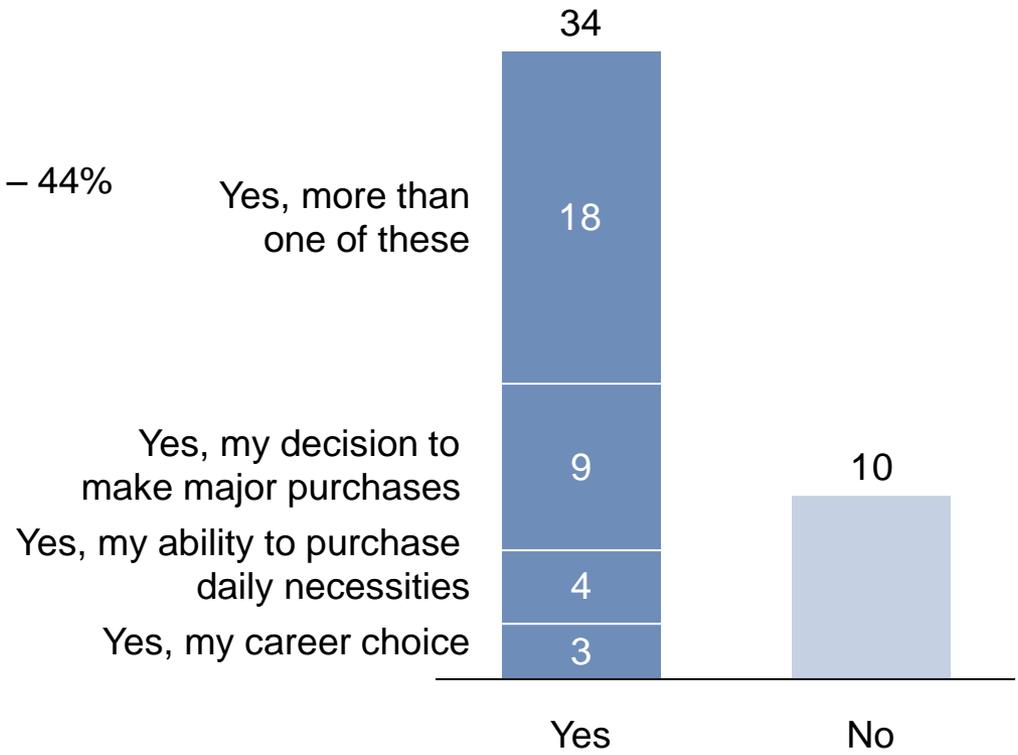
Overall, Student Debt Is More Likely Than Not To Impact Consumer And Career Decisions

Do you have student debt?

No – 56%

Yes – 44%

Has your student debt impacted your choices?

34

Yes, more than one of these — 18

Yes, my decision to make major purchases — 9

10

Yes, my ability to purchase daily necessities — 4

Yes, my career choice — 3

Yes   No

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About Hamilton Place Strategies

Hamilton Place Strategies is a policy, advocacy, and communications consulting firm with a focus and expertise at the intersection of government, business, and media. For more information, visit Hamilton Place Strategies by clicking here and follow them on Twitter – @HPSInsight.

About CivicScience

CivicScience, Inc. provides the leading intelligent polling and real-time consumer insights platform, the InsightStore™. Its proprietary platform powers the world's opinions and quickly gets that data to the decision makers who care. Every day, CivicScience polls ask millions of people questions related to thousands of topics, while its powerful data science and big data technology analyzes current consumer opinions, discovers trends as they start, and accurately predicts future behaviors and market outcomes. CivicScience polls run on hundreds of premier websites, in addition to its own public polling site at www.civicscience.com. CivicScience's InsightStore™ is used by leading enterprises in marketing research, advertising, media, financial services, and political polling. For more information, visit CivicScience by clicking here and follow them on Twitter – @CivicScience.

The ESI Is The First *Living* Index, Because It Is Real-Time And Can Cross-Tab With Virtually Any Variable

The ESI is the first living consumer confidence index because…

It Provides Real-Time Updates

- **Unlike other indices, the index is available in real-time.** Michigan and the Conference Board are available monthly and Gallup and Rasmussen provide a daily average.

- **Questions targeting sub-groups can be scaled up immediately to provide targeted insights.** Reaction to events in real-time can be gauged by targeting subgroups unavailable in other indices.

It Can Cross-Tabulate With Virtually Any Variable

- **ESI can target specific sub-groups by:**

- **Demographic:** Income, age, gender, etc.

- **Brand:** Consumers of Netflix, Nike, Apple products, etc.

- **Cultural:** Political views, religion, etc.

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Developed By Experts At Three Top Universities Over Two Years, The ESI Is A Robust And Sophisticated Tool

Factor	Description
Statistical Expertise	• **Experts developed and refined the model over two years**. Statisticians from Carnegie Mellon University worked in conjunction with academic advisors from UCLA School of Management and University of Washington and St. Louis.
Sample Size	• **The index is based on a sample of 10,000+ randomized respondents a month** that are representative of the U.S. economy.
Multiple Processes To Eliminate Bias	• **The polling widget is distributed across several hundred websites** allowing us to collect a diverse sample according to age, geography, race, income, etc. We are not privy to the extreme biases of those who respond to telephone surveys. • **Our respondents are not incentivized** in any way to answer our questions unlike many panel surveys. • **We randomly distribute questions to a pool of thousands within each strata**, reducing risk of bias induced by priming.

Full Questions

Throughout the course of each month, CivicScience collects approximately 3,000 responses to five separate tracking questions, developed and tested in conjunction with Hamilton Place Strategies.

- Looking ahead six months, do you think the U.S. economy will get better, stay the same, or get worse?
- Over the next six months, do you think it will become easier or more difficult to find a new job?
- Over the next six months, do you expect your personal financial situation to get better, stay the same, or get worse?
- Given the current state of the economy, is now a good time or a bad time to make a major purchase like a new car or home improvements?
- Given the current state of your local market, is now a good or bad time to purchase a new home?

Each question contains optimistic, pessimistic, and neutral response options.

How We Collect The Data

- CivicScience manages a network of web-based polling applications distributed across third-party websites, social media assets, mobile applications, and a proprietary web portal to engage consumers ("respondents") in attitudinal research. A strong consideration in the recruitment of participating web assets is the demographic and geographic composition of its visitors.

- CivicScience polls deliver three questions to respondents during each session, including two attitudinal questions. The first is designated as an "Engagement" question, designed to compel respondents to participate. The second is a "Value" question, designed for commercial purposes. The third is the "Profile" question, which asks respondents about more general attributes, such as demographics and personality traits. Respondents, who receive no monetary incentive, can only view results after completing all three questions.

- Through its network and methodology, CivicScience collects a high volume of quality responses on a wide-range of topics.

Full Methodology

Calculation: Any time the index is calculated – either for a fixed time period, such as August 2013, or for any custom period such as the previous ten days – for each question the percentage of pessimistic responses is subtracted from the percentage of optimistic responses and converted to a 0 to 100 scale. The Index number represents the mean score for all five questions. If all respondents give optimistic answers to all five questions in a given time period, then the Index will be at 100; if all are pessimistic, then 0.

Stratification: Further, for each question, U.S. adults are targeted by stratified random sample according to U.S. Census weights for gender, age and region. Post-stratification weights are then used for gender, age, region, and gross household income. The following groups are used in post-stratification for age and income:

- Age: 18-24; 25-34; 35-44; 45-54; 55-64; 65 and older

- Income: Below $25,000; $25,000-$34,999; $35,000-$49,999; $50,000-$75,000; $75,000-$100,000; $100,000-$150,000; $150,000 and over

While income is not incorporated in the initial respondent targeting, historically the average discrepancy across all seven income groups for each question has been less than three percent. Post-stratification is done via iterative survey raking.

Note: An important consideration with CivicScience's collection method is that the five questions are not necessarily answered by the same respondents within a given month. Each question will have a different group of 3,000 respondents, some of whom will have answered other questions, but most of whom will have not.