The Upwardly Mobile Barista

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Starbucks and Arizona State University are collaborating to help cafe workers get college degrees. Is this a model for helping more Americans reach the middle class?

AMANDA RIPLEY | MAY 2015 ISSUE | BUSINESS

MARY HAMM WAS IN PAIN, though it was hard to tell. She bustled around the Starbucks, pouring drinks, restocking pastries, and greeting customers with an unshakable gaze perfected during 25 years of working in hospitality. Her smile said, *How can I help you?* Her eyes said, *I know you're going to order a caramel Frappuccino, so let's do this.*

Occupying prime space in a Fredericksburg, Virginia, strip mall, beside a Dixie Bones BBQ Post, this Starbucks pulls in about $40,000 a week. Hamm, 49, had been managing Starbucks stores for 12 years. The problem was her feet. After two decades in the food-service business, they had started to wear out. She had two metal plates in the right one, installed over the course of five surgeries. Now her left foot needed surgery too. She doesn't like to complain, but when I asked her how often she was in pain, she smiled and said quietly, "All the time."

According to the Fitbit on her wrist, Hamm had walked six miles back and forth behind the espresso bar during the 13 hours she had been at work that day. For years, doctors had told her she needed to get off her feet, so she had applied for more than 15 corporate jobs, within and outside of Starbucks. Again and again, though, she had been passed over in favor of other candidates with more formal education. This was a woman who had raised three children largely on her own and had started a nonprofit to help homeless people in her area. She had experience, competence, and drive. What she didn't have—like three-quarters of Starbucks employees, and an equal share of American adults—was a bachelor's degree.

Thirty-one years ago, Hamm told her parents she wanted to be a nurse. They told her to get married—they had no money for college. By age 19, she was a wife and a mother. Then came more children, a divorce, and medical bills. In 2007, she took out a loan to attend the University of Phoenix, an online, for-profit school. But when the tuition went up, she quit. She is still paying off the loan.

When it comes to college, the central challenge for most Americans in the 21st century is not *going*; it's *finishing*. Thirty-five million Americans now have some college experience but no degree. More Americans than live in Texas, in other words, have spent enough time at college to glimpse the promised land—but not enough to reap the financial bounty. Some are worse off than if they'd never enrolled at all, carrying tens of thousands of dollars in debt, not to mention the scar tissue of regret and self-doubt.

President Obama's recent proposal to have the federal government and states pay for two years of community college is elegantly simple, and would surely prompt more students to enroll. But community college is already close to free for most low-income students, and still only 4 percent of all community-college students earn a two-year degree in two years. (Yes, 4 percent.) Money is just part of the problem.

We like to think of college as a meritocracy, a place where only the dedicated and smart survive. But it seems to be something else. Between 1970 and 2012, the proportion of American 24-year-olds who came from affluent families and had a bachelor's degree rose from 40 percent to 73 percent—quite an enlightenment period for privileged kids. But over the same period, the proportion of American 24-year-olds who came from low-income families and had a bachelor's degree rose from 6 percent to just 8 percent. The country's uneven public-school systems cannot be blamed entirely for this state of affairs. Too many people come to college unprepared academically, it's true. But even those low-income students who outperform their affluent peers on tests are less likely to graduate from college.

Our class-based higher-education divide explains more about America's widening income gap than does any other single factor, according to Anthony P. Carnevale, the director of the Georgetown University Center on Education and the Workforce. Declining union membership, frayed social services, low minimum wages—none matters as much as the unequal distribution of college degrees and certificates. "Income inequality started increasing in 1983," Carnevale told me, "and 70 percent of that inequality is derived from differences in access to higher education. It is both a fountain of opportunity and a bastion of privilege. The problem has gotten worse and worse and worse."

Last summer, in an unusual attempt to reverse this trend in his own corner of the service economy, Howard Schultz, the CEO of Starbucks, announced that his company would team up with Arizona State University, one of the nation's largest public universities, to help Starbucks employees finish college. As long as they worked 20 hours or more per week, any of the company's 135,000 employees in the United States would be eligible for the program. Those who'd already racked up at least two years' worth of credits would be fully reimbursed for the rest of their education. Those with fewer or no credits would receive a 22 percent tuition discount from Arizona State until they reached the full-reimbursement level. Without saying so, Schultz was acknowledging an awkward truth about working at Starbucks: no one wants to be a barista forever.

Schultz shared the news in a PR blitz that featured tear-jerker testimonials from grateful employees, a cameo by the U.S. secretary of education, and a visit to *The Daily Show*. He explained that employees could study any of the 40 majors offered online by Arizona State. They'd be held to the same standards as all of Arizona State's on-campus students, and their degrees would look identical. Most surprising, employees would be under no obligation to stay with Starbucks after finishing. "To build a great,

STARBUCKS COLLEGE ACHIEVEMENT PLAN

Arizona State University

enduring company that is so people-based, as Starbucks is," Schultz told me, "we have to bring our people along on this journey and demonstrate we are sharing the success."

Almost immediately, reporters criticized Schultz for exaggerating his beneficence. After all, the program was going to be relatively cheap for Starbucks, given the discount provided by Arizona State. Plus, only students at the junior or senior level would be fully reimbursed—and only after they'd earned 21 new credits, proving their commitment to college and company. All students would be required to apply for federal financial aid, so taxpayers would be covering some of the cost, too.

But those objections missed the purpose of the program, which, admittedly, Schultz had glossed over in his soaring rhetoric about creating "access to the American dream." The goal was not to print a pile of get-out-of-tuition-free coupons. It was something less expensive and possibly more important: to help more students finish what they'd started.

The most revolutionary part of the program had nothing to do with tuition and got far less media attention. In their announcement, Starbucks and Arizona State also committed themselves to providing all enrolled employees with individualized guidance—the kind of thing affluent American parents and elite universities provide for their students as a matter of course. Starbucks students would each be assigned an enrollment counselor, a financial-aid adviser, an academic adviser, and a "success coach"—a veritable pit crew of helpers. Like a growing number of innovative colleges around the country, Starbucks and Arizona State were promising to prioritize the needs of real-life students over the traditions of academia.

Starbucks and Arizona State granted *The Atlantic* exclusive access to the first semester's students, advisers, and detailed results. Despite all the hype, no one at either institution knew how many employees would sign up—or how they would fare once enrolled. Working students attending college online drop out at notoriously high rates, but if the experiment succeeded, it might suggest that college, designed differently, could still become the equalizer it was meant to be. "We're not trying to save the world," Arizona State's president, Michael Crow, told me. "We're trying to show that the world can be saved."

When the program was initially announced, on June 15, 2014, Mary Hamm read the details in a company e-mail. At first she thought about which of her young employees she could persuade to enroll. But then it dawned on her that this opportunity was meant for her, too—and that it might be her best and last chance to finish her degree. She signed up to talk to an Arizona State enrollment counselor the next day.

IN THE WEEKS following the announcement, Starbucks shipped off posters and information packets to its 7,300 company-operated stores in the United States. District managers gave store managers suggested talking points and asked them to spend 15 minutes with each employee to discuss the new benefit.

From focus groups and internal surveys, Starbucks executives knew their employees made up a fairly representative sample of the national population, educationally speaking. They were disproportionately young and female, and the vast majority did not have a four-year degree. Most were either taking classes on the side or hoped to do so at some point. They were busy, cash-strapped, and yearning for more. (Full disclosure: I briefly worked at a Starbucks in Washington, D.C., after graduating from college in 1996, until I got a much easier job in journalism and quit.)

Most baristas already have a complicated history with college. Allison Hills, an athletic 23-year-old with long, straight black hair that drapes her head like a silk scarf, went to college straight out of high school, intending to become a physical therapist. She attended Arizona State on campus in Tempe, and racked up $26,000 in debt by the end of her sophomore year. This came as a shock. "I really didn't have a grasp on the finances and how many loans I would need to take out," she told me, sounding embarrassed. Trying to be practical, she decided to move back home, to Seattle, and attend college there. But when she couldn't get into the classes she wanted, she figured she would work at Starbucks for a while. Before long, her loans came due, and she found herself sending $320 a month to banks, $270 of which went toward interest. "I've just been in a financial rut," she said, "feeling so hopeless."

Hills explained her failure to finish college as a result of her particular circumstances—as did every Starbucks worker I interviewed. But it's hard to ignore the systemic problems that are also in play. According to an analysis released in December by the Brookings Institution's Brown Center on Education Policy, half of American college freshmen "seriously underestimate" the amount of student-loan debt they have, and about a quarter of students with federal loans do not even know they have such loans. Many just don't know the loans are federal, but some don't realize they have any loans at all, perhaps because their parents filled out the forms for them.

Hills's mother had explained her loans to her, but all the paperwork had seemed very abstract. "I was just so excited to go to college that I didn't really look at it," Hills told me. Even if she had looked carefully, she would not have seen the whole picture. Students have to reapply for financial aid each year, which means they can't tell how much they will have to pay from one year to the next. Hills, like many other students, had literally no way of knowing when she started college how much her whole education would cost. In theory, according to research by Robert Kelchen and Sara Goldrick-Rab of the University of Wisconsin at Madison, by the time students are in the eighth grade, the government has the ability to predict with high levels of accuracy which ones will be eligible for Pell grants—and it could easily inform them of this when it tells them that they qualify for free school lunches. But it doesn't.

Instead, each year, students under age 24 must gather up their parents' tax information and fill out a 105-question form known as the Free Application for Federal Student Aid, or FAFSA. (A bill that would shorten the application to two questions is awaiting action in Congress.) Those who file the form

Half of American college freshmen "seriously underestimate" their debt, and about a quarter of students with federal loans do not even know they have such loans.

early in the year typically receive twice as much money as those who file later, but you of course have to know that bit of trivia to take advantage of it. Hills didn't know it. She also didn't know that after she turned 24, her parents' income would no longer be a factor in decisions about financial aid. As it was, her parents earned too much for her to qualify for federal grants but too little to help her pay for college (a common story among young students I interviewed). "If I had known," she told me, "I never would've gone to college right away."

Several Starbucks employees I met had never previously applied for college financial aid, even though they probably were eligible. (Some 2 million low-income college students who would have qualified for federal grants didn't complete the FAFSA in the 2007–08 school year, according to Mark Kantrowitz, a financial-aid analyst and a senior vice president at Edvisors.com.) They were too frightened of debt—a reasonable anxiety, but one that also kept some from receiving grants.

This past summer, Hills, like all Starbucks employees who applied to Arizona State, filled out the FAFSA form. But applying to college this time felt altogether different, because she had the help of an enrollment counselor and a financial-aid adviser. They walked her through the forms, the costs, and her options. "It's a lot clearer than before," she told me. "They really spelled it out. And they were really patient with all my questions."

After the financial-aid application, the next odyssey for returning students is the transcript hunt. Many American adults now have transcripts scattered near and far, at the various colleges they have attended over the years. To get credit for their previous courses, students must get their transcripts sent to the new college. But getting those transcripts to a new college's admissions office can be an epic process—akin to getting doctors' offices to send medical records.

ALICEA THOMAS, who works at a Starbucks in Perris, California, not far from Riverside, was the captain of her cheerleading squad in high school. This is not hard to visualize. "I like happy people, mad people, sad people," she told me, smiling behind glasses with pink frames—"anyone who is willing to listen to me talk." Her exuberance makes her an ideal barista, but she dreams of starting her own talk show one day. Failing that, she'd like to do PR in the music business.

By the time Thomas, who is now 23, applied to Arizona State through Starbucks, she'd attended California State University at Los Angeles and Riverside City College. She'd dropped out of Cal State after failing a remedial math class three times and feeling isolated on the commuter campus. "I had no real motivation for school," she said. She eventually got an associate's degree at Riverside, and always intended to go back for a bachelor's degree. "I don't want to have a career where I have to work on holidays," she said. "I want to be able to go to my kids' plays and see my family. At Starbucks, you can't do that."

Thomas had always assumed she'd go back to college on a campus, with sororities and football games. But she also knew a bargain when she saw one. Because she had already earned two years' worth of credits, the Starbucks program would be free for her—a savings of about $30,000. So she went online and requested more information.

A few days later, she got a call from Nicki Nosbish, an enrollment counselor based at Arizona State in Phoenix. (Technically, Nosbish works for Xerox, which is under contract to provide enrollment counseling to people applying to Arizona State's online undergraduate program. The university has chosen to outsource much of its advising, because that kind of support is unfortunately not a core competence of Arizona State, or many other schools.) Thomas had never encountered anyone like Nosbish in her previous college attempts. Nosbish *listened*. She assured Thomas that she could indeed walk across the stage on graduation day, even though her classes would be online. She talked her through the application process. "I felt like I was her only student," Thomas told me. "Like she was only worried about me." Nosbish told her she'd check in again in a few days. After they spoke, she left Thomas voicemails reminding her to send in her transcripts so she could get credit for previous classes.

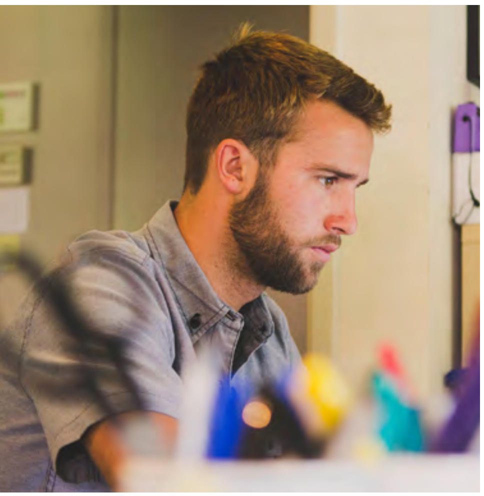
Thomas was actually applying to other colleges that summer, but she had procrastinated and hadn't yet sent in her transcripts, which meant her applications were unfinished. She knew she was sabotaging her own academic future, but she was terrified of being rejected. With Nosbish's help, though, she felt stronger. She made the calls and sent in the forms. When Riverside's transcript didn't come through, she sent a second form. When Cal State notified her that she had to come in person to get her transcript in time for the Arizona State

deadline, she got in her car and drove an hour to get it.

If a student owes money to a college—even a nominal amount from many years ago—the college can hold the transcript hostage until the debt is paid. Thankfully, Thomas did not have any outstanding payments to make, so she figured she had completed her application. Soon afterward, though, Nosbish called again. The transcripts had not arrived. Thomas felt her heart rate rising. But Nosbish did something truly radical for a college adviser—she set about searching for Thomas's transcripts herself, and she found them. They'd been misplaced at Arizona State. Finally, Thomas's application was fully submitted, something she insists never would have happened without her counselor.

WE ASSUME THAT people drop out of college because of the cost. But that's only part of the explanation. Listen closely to former students, and you'll hear them tell stories about bureaucracies losing their paperwork, classes running out of spots, nonsensical tuition bills, and transcript offices that don't take credit cards. The customer service is atrocious.

Simply put, many Americans fail to finish college, because many colleges are not designed to be finished. They are designed to enroll students, yes. They are built to garner research funds and accrue status through rankings and the scholarly articles published by faculty. But those things have little to do with making sure students leave prepared to thrive in the modern economy.



Now, however, there is hope. Ever so slowly, it's getting harder for colleges to neglect their students' needs. That's partly because fewer students are enrolling: the economy is improving, and Americans have other options. The dip in demand means recruiting new students can be more expensive for colleges than keeping the ones they already have. Meanwhile, more colleges are facing embarrassing government and media scrutiny over their students' low graduation rates and high debt loads. For some schools, ensuring that more students stick around is becoming a matter of survival.

"People are starting to realize there is a direct correlation between your customers staying at your store and your bottom line," Neal Raisman, a consultant who has advised colleges on student retention for the past 16 years, told me. Raisman instructs colleges to train their employees in basic customer service: say hello to students in the hallways, conduct exit interviews when they drop out, keep financial-aid offices open past 5 p.m. Most students are looking for a sense of community and are happy to stay put when they find it. The same holds true for people generally—as Starbucks and other service-oriented businesses well know.

JOHN TOBIN, a serious, compact 29-year-old with short brown hair and sideburns, likes to work the espresso bar at his Starbucks, just outside of Phoenix. He can get into a zone that way, and the time goes by faster. The other workers call him Blackjack, a nickname he earned more than a decade ago, when he wore No. 21 as a star on his high-school baseball team. He's been a Starbucks employee for 10 years.

After high school, Tobin received a small scholarship to play baseball at Glendale Community College, a 40-minute drive from his hometown. Neither of his parents had a college degree. This was his chance to get an education without taking on a lot of debt. But during the first week of school, he tore his rotator cuff in practice. A few days later, he was cut from the team and lost his scholarship money.

Tobin's entire life had been about sports. Now, for the first time in his memory, he had nowhere to go after class, no record to break, no opponent to beat. He transferred the next semester to a community college even closer to home. After one semester there, he told himself he needed time to figure out what to do with his life, and withdrew. No one from the college reached out to ask why he'd left.

This past summer, he spoke with an enrollment counselor at Arizona State about the Starbucks program and decided to apply. A couple of weeks after he was admitted, he got an e-mail from his counselor. "I see you haven't enrolled in classes," she wrote,

Thomas had always assumed she'd go back to college on a campus, with sororities and football games. But she also knew a bargain when she saw one. The Starbucks program would be free.

reminding him that the deadline was two weeks away. Tobin read the message twice. "I was literally dumbfounded," he told me. Every day at Starbucks, he gave customers the kind of high-touch service the company promises—emptying a dozen Splenda packets into a latte for one customer, crafting elaborate, off-menu drinks for others, all with a smile and a kind word for the regulars. Meanwhile, he'd had to put up with utterly indifferent treatment by colleges—to whom he was paying a lot more money for services vastly more important than anything offered to customers at Starbucks.

When Tobin got the counselor's e-mail, he'd already been looking at the course catalog. But the message energized him in a way he hadn't expected. "I felt like there was somebody who wanted me to succeed as much as I did," he told me. He signed up for two health-sciences classes. His current plan is to finish his degree and return to sports, this time as a coach.

TWO SUMMERS AGO, Howard Schultz, the Starbucks CEO, and Michael Crow, the head of Arizona State, went to Aspen, Colorado, along with about 50 other business leaders, politicians, and luminaries, among them former Secretary of State Madeleine Albright and Senator Cory Booker, of New Jersey. Officially, they were all serving on a Markle Foundation committee to discuss how to save the American dream in an age when globalization and technology had displaced jobs and stifled social mobility. Unofficially, Schultz and Crow, at least, were tired of waiting for Congress, colleges, and the other formal institutions of change to, well, change.

At the first meeting of the group, the two men broke away and began hatching a plan.

"Howard and I basically holed up in the corner," Crow told me, "and we said, 'Why don't we do something other than just talk about this?' "

The two men had much in common. Both came from working-class homes. Crow's mother died when he was 9, and after that he followed his Navy father around the country, attending 17 different schools before finishing high school. Some of his younger siblings never graduated. Schultz, meanwhile, grew up in public housing in Brooklyn. Neither of his parents graduated from high school, and he was the first in his family to get a college degree.

They both considered themselves anti-establishment pioneers. Schultz had built an empire that was as much about emotion as it was about coffee. It was important to his brand—and his identity—that he be leading something bigger than a caffeinated-

beverage-dispensing platform. Crow was a college president who actively disdained the elitism and status consciousness of other college presidents. “We said, ‘God, let’s do something that hasn’t been done before,’” Schultz told me. They recognized their shared iconoclasm, and saw the potential for inspiring other partnerships nationwide. “Howard and I talked about ‘What if every company did this, and lots of universities too?,’” Crow told me. “We’d take care of this college-completion thing like *that*.” He snapped his fingers.

Over the next year, Starbucks executives vetted the idea. In November 2013, the company surveyed a representative sample of employees about what benefits they wanted. More than 80 percent expressed interest in a benefit that would help them finish college, a strong indication that a college program could help Starbucks attract and retain talent. Then the company held a “bake-off,” as Schultz puts it, inviting a small group of universities, including Arizona State, to pitch their services. Arizona State won the competition for two reasons, Starbucks executives say. First, the school was committed to providing an education to as many Americans as possible, not just the academic high achievers, which appealed to Schultz’s populism and to the company’s needs. Second, Arizona State’s leadership seemed to have embraced online learning as a central element of its entire mission, not just as a shiny accessory.

Arizona State still relies upon many standard college practices, and some faculty members remain more focused on winning grants and publishing than on teaching. But over the past decade, the university’s leadership has gotten unusually creative about circumventing these models and finding new ways to reach students. “We believe that the modern public university, rather than being focused around tradition, must be adaptive to the speed of technological advancements and the changing economics and demographics of the country,” Crow told me. Under his leadership, the school has deliberately become more diverse and less exclusive, and has more than doubled the percentage of low-income students enrolled. Nearly 40 percent of Arizona State students come from low-income families, twice the proportion found at many other large public universities, among them Penn State and Indiana University. Arizona State’s online program, which started in 2010, now has 13,000 students, and one of the highest retention rates in the country.

To help students find their way, the school has developed a tool called eAdvisor—a user-friendly system that provides guidance to all 66,000 undergraduates about which classes they must take to graduate on time, and then tracks their progress along the way. If a student falters by, for example, dropping a required class, eAdvisor automatically e-mails the student and his or her adviser. The system has had an immediate and impressive effect. In 2006, the year before the school began using eAdvisor, only 26 percent of on-campus students from families earning less than $50,000 a year graduated within four years. By 2009, that rate had gone up to 41 percent.

Across the country, dozens of colleges are starting to tap into their own data to find simple and sometimes inexpensive ways to keep their students. When officials at Georgia State University looked at their records, they found that a surprising number of students had quit because they’d owed the university small amounts of money for fees not covered by their loans. So the school started giving out micro-grants to help students who were on track to graduate but had run into minor cash-flow problems. During the past academic year, Georgia State gave out more than 2,000 of these grants, mostly to seniors. The average grant was just $900. Of the seniors who received money, 70 percent graduated successfully within two semesters. For seniors in similar financial straits whom the university did not have the budget to help, the graduation rate was less than 10 percent. So far, the initiative has more than paid for itself, since students who stay continue to pay tuition after getting the micro-grant.

But the most telling part of the story is how students reacted to this news. When the university’s vice provost, Timothy M. Renick, and his colleagues first began making phone calls to offer the micro-grants, they expected shouts of joy. Instead, a handful of students hung up on them. “They thought it was a scam,” Renick told me. It was a sobering glimpse of how students perceived the university and their place in it.

Renick and his team called the students back and convinced them that the grants were real. Over time, the most surprising benefit was the psychological one, Renick said. Many of Georgia State’s minority students from low-income families had concluded that they were on their own in college. When they got the micro-grants, students told him, they felt that sense of isolation lift. “We’ve heard from students,” Renick said, “that it makes them feel like someone is on their side, that we want them to succeed.”

The old model of seeking out help on your own—by tracking down tutors or spending hours in financial-aid offices—doesn’t work for students who have jobs and family obligations, not to mention creeping academic anxieties. “We have set up incredibly complex universities with rules that most of the faculty have trouble figuring out,” Renick said. “Then we hand students a course catalog and say ‘Find your way.’” Like Arizona State, Georgia State and other innovative schools are using data to determine which students need which services and pushing those services to them.

When I met Nicki Nosbish, the enrollment counselor, this winter, she was wearing an Arizona State Sun Devils T-shirt. But she had never actually finished college. She’d tried, years earlier, going from a tiny high school to a Nebraska state college, but she was overwhelmed. “I didn’t do so hot,” she told me. “I didn’t know how to read a course catalog. I didn’t know anyone.” Her adviser, who was also the college’s band director, was of little help. Looking back on it, she acknowledged that she could have used the kind of counseling she now provides. The irony has not escaped her. “If I would have had some support on my time management and what to expect,” she said, “I think I would have been a little more successful.” She recently started the enrollment process at a local community college in hopes of finishing her degree.

BY MID-AUGUST, two months after the launch of the program, the Starbucks enrollment numbers were alarmingly low. Days before the deadline, only 1,500 people—about 1 percent of Starbucks’s American workforce—had completed the

> **“We are employing over 100,000 young people in America, and the majority of them do not have a college degree. We can’t be a bystander, and we can’t wait for Washington…”** *-Howard Schultz*

application. And not all of them would be accepted, of course; they had to meet the same GPA and test-score standards that regular Arizona State students did.

Thousands of employees, it turned out, had started applications but not finished them. Enrollment counselors were reporting that many students were still waiting for transcripts to arrive—or were simply nervous about the decision to return to college. So Arizona State and Starbucks decided to shift the deadline. Whom was it serving, exactly? If students needed more time, they could have until four weeks before the start of classes to apply. “We realized they didn’t need another stress point to make this life change,” Laurel Harper, the manager of global corporate communications for Starbucks, told me.

By October, when classes began, 5,289 employees from all 50 states had started an application to Arizona State, and about half of them had submitted one. Of those, 2,121 had been admitted—an acceptance rate of 85 percent, close to the 90 percent rate for Arizona State’s online applicants overall—and 1,012 had enrolled for the fall semester. They majored in all kinds of subjects, but the most popular were psychology, organizational leadership, health sciences, and mass communications.

Back when Starbucks announced the program, the company put out a powerful video featuring a handful of its employees. It documented emotional phone calls in which the workers told their mothers that Starbucks was going to pay for college. By the time the fall semester started, though, only one of those featured employees had actually enrolled. Some were waiting for transcripts, and others had decided the timing wasn’t right.

Starbucks expects more people to apply as they learn that the benefit is real. “People have been looking for the catch,” Lacey All, the director of strategic talent initiatives at Starbucks, told me. The company has sent out thousands of inspirational e-mails, tweets, and other messages to reassure employees, but skepticism lingers. “We’ve had to do a lot of work,” All added, “to say ‘This is our investment in you. Whether you choose to stay [with the company] or go, you’re going to be better for it. And Starbucks is going to be better for it.’”

Understandably, many Starbucks employees wonder what’s in it for the company. Schultz has insisted the decision was largely driven by a sense of social justice. “We are employing over 100,000 young people in America, and the majority of them do not have a college degree,” he said when announcing the program. “We can’t be a bystander, and we can’t wait for Washington, and I strongly believe that businesses and business leaders must do more for their people and more for the communities they serve.” He readily acknowledges that the new benefit will help Starbucks’s bottom line. “You have to link long-term value for shareholders,” he told me, “with long-term value for employees.” Starbucks already has its pick of employees, hiring just 4 percent of applicants each year. Like many retail businesses, the company’s problem is turnover. In its first two decades under Schultz’s leadership, Starbucks attracted and retained talent partly by offering unusually generous health insurance and stock options to employees, including ones who worked part-time. But those benefits have become less revolutionary, Schultz said, noting that many Americans have now gained access to health insurance through the Affordable Care Act. The college plan, in combination with a January 2015 pay raise for all baristas and shift supervisors, was designed to keep the company attractive to young employees. Starbucks pays more than the minimum wage in each state, and the company recently revised its scheduling software to ensure that managers can give employees their schedules at least one week in advance and never ask them to work back-to-back closing and opening shifts (a practice baristas refer to as “clopening”).

Half of the Starbucks students received federal Pell grants, a good indicator that they came from families in the bottom 40 percent of the nation’s income distribution. And half took out loans—a similar proportion to Arizona State’s entire online student population. But largely because Arizona State was subsidizing their tuition, Starbucks students’ loans averaged only $4,216, an amount 40 percent lower than the average for the rest of the online student body. In any case, the loans were temporary for the 70 percent of Starbucks students who had at least two years’ worth of credits, because they would be fully reimbursed through their paychecks for every class they took at Arizona State. (If they left Starbucks before reimbursement kicked in, they would be responsible for repaying their loans.)

There is a tension between making college accessible and making graduation likely. Most colleges have seen no downside to erring on the side of accessibility and letting millions drop out without a degree. For Starbucks and Arizona State, however, a high dropout rate would be a PR fiasco. The right balance is elusive. “We’re learning as we’re going,” Schultz told me.

THE WEEK BEFORE classes began, Alicea Thomas, the barista in Southern California, had her laptop stolen. The keyboard had stopped working, so she’d given it to a friend who supposedly knew someone who knew how to fix things. Then her friend disappeared. “He changed his cellphone number and blocked me out on social media,” she told me. She was irate. How could she be an *online* student without a computer? The laptop, a MacBook Pro, would cost $1,500 to replace—money that Thomas didn’t have. She was earning $11.64 an hour as a Starbucks shift supervisor. “I don’t get paid well for what I do,” she said.

Many college students today have very little room for error. They don’t live on campus; they attend school online or at a community college. They work full-time and have limited cash. When things go wrong, even small things, a spiral of problems can ensue that ends up causing them to abandon school, the one part of their lives that feels optional. But with a little support—just one or two people in their corner—these same students can prove extremely resilient. “We know if you surround any student with love and attention and good coaching and mentorship, they will succeed,” Daniel Greenstein, who directs college-completion initiatives at the Bill & Melinda Gates Foundation, told me. Over time, Greenstein has become more and more convinced that data-driven, student-centered university cultures can reverse the college-dropout trends. “The research tells us that what really matters for low-income and first-generation students,” he said, “is that you put your arms around them.”

Besides the counseling support, Arizona State also created a special one-week, noncredit orientation class required for all Starbucks students. The course, which I took, involves time-management exercises and inspirational videos, and teaches students basic IT skills to help them cope with the technical glitches that invariably accompany online learning. Much of the content was taken from other places. Like a lot of college classes, it could have been faster-paced and more engaging, but courses like this have been shown to help students succeed in college, and most of the Starbucks students gave it positive reviews in the post-class survey.

After Thomas’s computer was stolen, she dropped out of her orientation class. But then she did something crucial. She reached out to her academic adviser at Arizona State, who got her signed up for another orientation class happening later that month and encouraged her to find a way to get online.

That’s when Thomas began taking her classes on her iPhone. She was amazed at how much she could do on the device. After work, she’d take it to Applebee’s, get a margarita, and start doing her reading and tapping out her discussion posts. Problems arose only when she needed a webcam to take the remotely proctored quizzes. In those cases, she usually borrowed a computer from a relative.

For Mary Hamm, in Virginia, the problems came later, perhaps because she was older and had more life experience, and they were harder to see. On her first quiz in Introduction to Organizational Leadership, Hamm got a 7 out of 10. She felt like she’d failed, even though she hadn’t. She told herself to work harder and not to dwell on it. But then she got a call from Daniel Adams, her success coach at Arizona State. From his office, in Portland, Oregon, where he works at InsideTrack, a company that provides coaching services to Arizona State, he could see on his screen that Hamm had transferred with a high GPA, and that she’d been participating in her classes regularly. He made a throwaway self-deprecating joke, something he does on purpose in all his introductory calls, and then asked her how things were going. He paid very close attention to how she responded. “I call it listening between the lines,” Adams, a former middle-school science teacher, told me. “I have to understand the need.”

Hamm’s answer was upbeat but revealing. “I’m going to have to overcome my own insecurities,” she told him. “The first quiz defeated me just a little bit.” Adams talked with her about her confidence level, and he asked her whether it would be okay if they checked back in on her confidence each time he called in the future. She said that would be fine. Then he asked how she was approaching her reading assignments. When she said she’d struggled to absorb the material, he suggested that she read the chapter summary and discussion questions first, so her brain would have some scaffolding in place to make sense of what was to come. They spoke for half an hour.

During another call, Adams asked about Hamm’s confidence level. She said it had risen. The reading strategies were helping. And she loved making connections between what she was reading in her business classes and what she was doing on the floor of Starbucks, managing her employees. “I have names for things now!” she told him.

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-Daniel Greenstein, Bill & Melinda Gates Foundation

In a subsequent conversation, Hamm mentioned that she wasn’t using her notes in the quizzes. Adams suggested she ask her professor whether notes were allowed. She did, and she learned that the quizzes had been open-book all along. She’d gotten a 7 out of 10 on the first one because she hadn’t used her notes—a realization she might never have made without Adams’s prodding.

When Adams had first started contacting Hamm, she’d been skeptical. “I was like, ‘Why is this guy calling me every week?’ ” she told me. But by the third call, he’d won her over. “Knowing that he’s watching out to make sure I do succeed has been very important,” she continued. “He kind of keeps me level. He’s almost a member of my family now.”

At the Gates Foundation, Greenstein calls this approach the “reintroduction of intimacy”—a return to what worked in the Middle Ages, when *university* meant not a physical place but a collection of dons and students unified by a collaborative sense of educational mission. Ironically, high-tech online programs like Arizona State are finding that they can get better results by creating very human connections via coaches like Adams. He spends most of his time building relationships with students when things are going fine—listening to their stories, making suggestions. That way, when things go wrong, as they almost always eventually do, the students will trust him enough to ask for help.

According to Dave Jarrat, InsideTrack’s vice president of marketing, trust is crucial for students, like Hamm, whose parents did not go to college. “They often have doubts about themselves being college-ready,” he told me. “That manifests itself when they get into college, take a quiz, and get a C and say ‘See? I’m not college material.’ Then they drop out.” To disrupt the pattern, InsideTrack trains its coaches to talk with students before things go wrong, and to warn them about what to expect. The warning, Jarrat said, goes something like this: “College is hard. You will struggle. I just want you to know, it’s not you. Everybody struggles. Even people whose parents and grandparents went to college.”

Unlike so many other education reforms, coaching has been shown to have significant, measurable effects on student results.
In a 2011 study, two Stanford University researchers conducted a randomized, controlled study of the performance of 13,555 students in eight colleges of varying degrees of selectivity. One group of students received coaching from InsideTrack, and a second group did not. After six months, the students in the coached group were five percentage points more likely to still be enrolled. The effects lingered for at least a year after the

coaching ended. Five percentage points might seem small, but compared with the results of other, more expensive efforts to increase retention, it is impressive. Other studies have found that every $1,000 increase in financial aid per student leads to about a three-percentage-point increase in retention; InsideTrack was charging schools $500 a semester and getting better results. When Arizona State started using the company to provide coaching for its online students, its semester-to-semester online retention rate rose seven percentage points, from 75 percent in the spring of 2011 to 82 percent in the spring of 2014.

"Everybody spends all their time talking about money and cost," Michael Crow, Arizona State's president, told me. "That's a variable. That's not the determining factor. The determining factor is creating the culture for success." He's delighted, of course, that Starbucks has teamed up with the university to help students pay for college. But that's just the beginning of the story. He believes that Arizona State needs to do even more coaching and advising than it already does. "With the financial barrier eliminated, now we're into the sociology, the psychology. Those are hard-slogging problems."

BY NOVEMBER, halfway through the first semester of the Starbucks program, the students who had developed a regular study routine were generally doing well. But plenty of others were struggling. Starbucks students dropped 53 classes in October, and another 172 before the semester ended, in December. About a dozen quit their jobs at Starbucks, meaning they will not be reimbursed for any tuition payments they made.

One student who dropped out, an older woman who works at an East Coast Starbucks and asked that her name not be printed, out of concern for her job, told me the experience had been painful. When she'd first heard about the benefit, she'd been thrilled. She'd enrolled in the program full of hope. She'd always wanted to earn a degree. But because she had no previous credits, she would have to take out $10,000 in loans to cover the first two years, and spend about $2,000 of her own money. As the semester progressed, she got more anxious every day. "At this point in my life," she said, "I just really had a hard time taking on more debt. This was making me miserable. I couldn't even focus."

On the last day she could withdraw and still get a full refund, she clicked the "Drop" button on Arizona State's Web site, fighting back tears. "I usually don't give up on things," she said. After that, she would try not to wince when customers would come in and say, "This is incredible! Starbucks is paying for college!" Her reaction: "Well, yes and no."

At Starbucks headquarters, in Seattle, meanwhile, executives had been hearing similar stories. To get employees' feedback, the company surveyed 1,000 workers who had begun the application process but not completed it. The top reasons workers cited for not moving forward were that Arizona State didn't offer their desired major, or that the program was still too expensive. Even the steep discount was not enough to make the program manageable for them. Early this year, therefore, Starbucks renegotiated the contract with Arizona State. Since March, the company has offered full tuition reimbursement to all employees, regardless of how many credits they've accrued. Starbucks has also committed to reimbursing employees immediately after they complete a class, rather than waiting for them to rack up 21 credits. *Finally, Starbucks students will get even more of the kind of coaching that they found so valuable in the first semester.* "We needed to learn," said Lacey All, of Starbucks, explaining the changes. "We're deeply committed to understanding the experience. It's not just about 'Send me to college.' It's about providing support along the way, at every step. We're listening."

This concept of listening to students—and then making structural changes based on their feedback—remains unheard-of at most colleges. By moving quickly to improve, Starbucks and Arizona State are showing that it is possible for large, publicly traded companies and unwieldy public universities to provide better service for large numbers of nonelite students. Making those changes, All admitted, is not easy. "It requires a new way of doing business. It requires partnerships. It requires a lot of unsexy work." But it isn't impossible, and the changes will continue, she told me. "We're not done yet."

Even with the initial, more limited scheme, the mid-semester class-drop rate for Starbucks students was less than 9 percent, slightly lower than the drop rate for Arizona State online students overall. The Starbucks students who stuck it out for that first semester took 1,480 courses in all and passed 79 percent of them, a pass rate similar to that of all new online students at the school.

By the last day of classes in December, Alicea Thomas knew her final grades. "I got two A's on my iPhone!" she reported to me, bursting with pride. Shortly before Christmas, she got a text from her academic adviser, reminding her to register for the next semester's classes before they filled up. She mentioned this while I was interviewing her at her home, and before I left she picked up her phone and started selecting classes, right then and there. She seemed to be as interested in pleasing her adviser as she was in taking the classes.

As of early January, 87 percent of the first class of Starbucks students had registered for the spring semester at Arizona State, including every employee named in this story. In the turbulent world of online learning, that is considered a good success rate. (It's three percentage points higher than Arizona State's overall online retention rate during the same period.) In addition, another 585 Starbucks employees had enrolled, bringing the current class to 1,500.

Those numbers are still lower than Starbucks and Arizona State officials initially had projected. When they announced the program, they'd boasted that as many as 10,000 employees might enroll in the first year. These days, they're predicting something more modest: 3,000 to 5,000 student employees in the first couple of years and 25,000 graduates over the next decade.

Eventually, Schultz expects the benefit to cost tens of millions of dollars a year. But the program remains cheap for Starbucks. By comparison, the company's health benefits cost about $250 million a year. It's hard to imagine the college benefit ever approaching that level.

“It doesn’t take a billion dollars, but it does take an entrepreneurial spirit and a real commitment.”

Since Starbucks announced the program in June, 20,000 people who have applied online for jobs at the company have cited the college benefit as a reason for their interest. One barista I interviewed had quit her office job in Dallas and taken a $4-an-hour pay cut to attend college for free through Starbucks. The company does not have data yet on whether employee retention has increased, but so far, it has spent very little and received significant PR and HR returns.

The Starbucks experiment is unfinished. To help students find more support, the company and Arizona State are launching a new community platform, so students can connect with one another online. To make sure employees know their options, the company sent out 135,000 mailers about the college program to their homes this past fall, and it’s planning another big promotion effort this spring. “We’re trying to show that this is not as hard as you think,” All said.

Half a dozen other companies have reached out to Starbucks to learn more about the program. As the job market tightens, more companies may begin investing in a college education for their employees. Meanwhile, the Obama administration has vowed to rate colleges based on completion rates, cost, and graduates’ earnings, despite widespread objections from colleges. (The first ratings are due from the Department of Education this summer.) “We want people to vote with their feet,” Arne Duncan, the secretary of education, told me. “It’s not just about your kids going to college; it’s about going to the right colleges.” He praised Arizona State and other colleges that focus on student services and results but also continually revisit their efforts in order to do better. “These kinds of best practices, these kinds of cultures, need to be the norm,” he said. “It doesn’t take a billion dollars, but it does take an entrepreneurial spirit and a real commitment.”

In December, in hopes of getting off her feet, Mary Hamm applied for yet another corporate job, this time in the Starbucks recruitment division. The response came swiftly, in an e-mail, just before the holidays: a “more qualified” candidate had been chosen. Hamm read the note without surprise. A few days later, she got another e-mail: she’d made the dean’s list at Arizona State.

She has enrolled for the spring semester and plans to travel to Tempe next year to walk in the graduation ceremony. ■

About the Starbucks College Achievement Plan

The Starbucks College Achievement Plan is a first-of-its-kind partnership that creates an opportunity for all eligible Starbucks employees to earn their bachelor’s degree through ASU Online.

This program is made possible by ASU and Starbucks, by working together to help students overcome any life hurdles that keep them from pursuing their college degree.

Starbucks employees, or partners, thrive in a customized, personalized environment within ASU Online degree programs - choosing from more than 70+ undergraduate degrees.

Interested in learning more about the Starbucks College Achievement Plan? Visit these websites for even more information.

- starbucks.asu.edu
- edplus.asu.edu/what-we-do/starbucks-college-achievement-plan

STARBUCKS COLLEGE ACHIEVEMENT PLAN

Arizona State University

ASU EdPlus
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