

Employment Outcomes for Students Participating In a Series 7 Examination Preparation Class During College

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ABSTRACT

This paper explores whether any advantages are gained by students who take and pass the Series 7 Brokerage Exam while still in college. Several colleges and universities are offering this type of course assuming the benefits are that students are hired more quickly and have a higher starting salary. The study seems to indicate that students may not find jobs more quickly, but they do in fact have higher first year salaries.

INTRODUCTION

It has become increasingly common to find professional preparation classes as part of the curriculum in business schools and programs (Johnson, Squires, & Troughton, 2003) Included in the list are preparation classes for the Certified Financial Analysis (CFA) Level I Exam, the Certified Public Accountant (CPA) Exam, Human Resource Management (HRM) Exam, and the Series 7 Stock Broker Exam. While many studies look at the advantages students receive from Business School accreditations such as AACSB (Rose & Delaney, 2005), few look at the potential gain students may receive for achieving standards set by industries such as human resource and financial planning organizations.

Schools use these professional programs as ways to set their programs apart. Students take these classes expecting to be rewarded upon graduation by finding jobs more easily and receiving higher starting salaries. Most schools provide anecdotal evidence that students are in fact getting jobs more quickly in their field and higher starting salaries. However, there has not been much of an attempt to statistically quantify the benefit of these classes.

This study looks at the Series 7 Exam which is the profession test administered by the NASD that must be passed to become a stockbroker, financial planner, or other job that involves working with private clients in the financial services field. The exam tests a wide variety of subjects including SEC rules and regulations, investment products, financial market operations, economic theory, corporate finance, portfolio theory, customer account types, and tax treatment of investments. The exam is made up of 250 multiple-choice questions divided into two 125 question segments. A total of three hours is given to complete each exam section which must be taken on the same day. A score of 70% or better is needed to pass the exam. The test is taken on a computer at a testing center and results are reported immediately.

DEVELOPMENT OF HYPOTHESIS

Some colleges and universities have been offering a class that prepares students for the Series 7 exam for several years including Ashland University, Taylor University, and Cornerstone College. Students are told that these classes will help them when they graduate because the class directly relates to a career field. Thus, a student who has passed the series 7 exam would have an advantage over students who have not.

Students who have the license in hand can become productive for a company more quickly and an employer does not have to worry about a new hire failing the exam after several months of employment. Thus, hiring a student who has passed the exam becomes less risky for an employer. These students would be more attractive hires than those interviewing for a position without the exam passed.

Ho1: Students who graduate with the Series 7 exam passed are able to find a job in the financial services field in the same amount of time as those who have not taken passed the exam.

Further, the organization where the student will go to work does not need to pay for all of the testing and registrations. The organization will also not need to pay about three months of salary while the new hire studies for the exam. Thus, it would seem likely that the student would be given a higher starting salary reflecting these advantages to the company. It is not uncommon in the industry practice to pay a higher starting salary to someone with a license. Thus, this study examines if students do receive jobs more quickly and at higher salaries than do students who do not take the class and exam.

Ho2: Students who graduate with the Series 7 exam passed begin their financial services career with the same first year salary as those who have not taken passed the exam.

METHODOLOGY AND DATA

This study surveyed students who had graduated from a small private university in the Midwest. The goal of the survey was to measure the impact of taking the Series 7 exam while still in school on a student's financial services careers in terms of starting salary level and time to being hired for their first job out of college. The survey was completed by e-mailing both those students who took the Series 7 class and those of their business major peers that elected not to take the class. The survey asked past students 25 questions about employment, starting salaries, and the usefulness of classes as it pertained to their financial services career (appendix a).

The sample included students who chose finance as a major or those who chose finance as a concentrating in a Business Administration major. A list of these students was obtained from the university registrar and addresses were found from the alumni data base. Random sampling was used to select 400 business majors with active e-mail accounts to participate in the survey. These students all were enrolled from 1996 to 2006. Of the 400 contacted, 121 responses were gathered.

The survey was developed by upper-level finance students under the supervision of two statistics professor and a finance professor. The survey consisted of 25 questions. The formats for the questions were multiple choice, true/false, and short answer. An e-mail was sent directly to each business alumni requesting participation in the survey along with a link attached to ensure ease of response. A time period of one month was allowed to accumulate responses. The questions were both attitudinal and quantitative.

RESULTS

Of the 121 responses to the survey, 76% were from males. The average GPA of the respondents was 3.34 on a 4.0 scale. The average age of the participants in the survey was 28.91. All of the students in the survey graduated between the years of 1994 and 2006.

ATTITUDINAL RESULTS

The questions asked of the participants were a combination of survey questions and quantifiable questions. Some of the survey questions were trying to determine the opinions of the former students while the other questions were trying to quantify actual results after graduation. The students who took the series 7 class during college were asked if they would recommend it to students today who want a career in the financial services field. All of those responding recommend that the class should be taken, and 86% would strongly recommend it. It was also asked how students would rank the class among the others that were taken at their university. The survey showed that 73% of students believe it was in the top 50% of classes and 56% believe it was in the top quartile.

The subjects were also asked what class at their university best prepared them for a career in financial services. The responses showed the three classes were the overwhelming choice; the series 7 class was answered 31% of the time, corporate finance was answered 29% of the time, and investments was selected 23% of the time.

It was asked if students believed that taking the Series 7 exam would speed up the time it took them to find a job. It was hypothesized that students who have passed the exam would have an advantage against other graduates who did not have the license in place. Of those surveyed, 61% believed they found a job more quickly than they would have found a job without the license. There were no graduates who thought that the class hindered them from finding a job. The remaining 39% simply believe they would have found a job in the same amount of time if they had not taken the class.

Finally, it was asked what effect having the Series 7 class had on a graduate's first year income. Of those that responded, 23% believed they received a higher salary because they had the series 7 license when they started working. About 10% believed their salary was significantly higher. The remaining 77% believe that the class had no effect on their income. Overall, it seems that graduates who took this class believe it was beneficial in their early career.

MULTIVARIATE RESULTS

The goal of the study was to determine if taking the Series 7 class and getting the license prior to graduation aided in students finding a job more quickly and receiving a higher first year salary. In order to control for differences in demographic information a multivariate analysis was performed:

Dependent Variable = $f(\text{GPA, series 7, prior sales experience, gender})$.

The first dependent variable was time until the first job was found. The R-Sq on was 62.5%. The results are in the table below.

Predictor	T	P
Series 7	1.58	0.14
Sales Exp.	-2.41	0.03
Gender.	-2.38	0.03
GPA	3.50	0.00

The results indicate that at the 5% level taking the Series 7 class was not beneficial to finding a job more quickly. It seems to indicate the prior sales experience increased the time it took to find a job and that having a higher GPA shortened the time to find a job. Also, males seem to find jobs more quickly than did females.

The second dependant variable was first year salary which had an R-Sq of 21.2%. The results are in the table below

Predictor	T	P
Series 7	2.81	0.01
GPA	3.48	0.00
Sales Exp.	1.84	0.07
Gender.	1.75	0.08

The results of this regression seem to indicate that having the Series 7 license did, in fact, lead to higher starting salaries. This was true at the 1% level. GPA was again found as a significant variable indicating that those students who had a higher GPA also had higher starting salaries. Neither sales experience nor gender was found to be a significant variable for salaries.

CONCLUSIONS

Colleges and Universities are turning more often to professional preparation classes to give students an advantage. This study attempts to begin quantifying some of the advantages to using the Series 7 brokerage preparation class. The hope of students taking this type of class is that they can find the job they want more quickly and gain a higher starting salary.

The study is tempered by the fact that it took place at only one University. It would be beneficial to add several more school to this sample and see how that affects the outcome. However, this seems like a relevant question considering the outcomes of the study.

This study does indicate that there may, in fact, be some advantages to taking such a class and obtaining a brokerage license prior to graduation. Students who had successfully taken the class believe it to be beneficial. They feel it probably helped them find a job more quickly and that they received a higher salary in their first year.

When the findings were quantified, it seemed to indicate that having the Series 7 license prior to graduation did not help students find a job in their field more quickly, but that students did receive higher first year salaries. Therefore, it would appear that the class is beneficial to students.

REFERENCES

Johnson, R., Squires, J. & Troughton, G. "Using Learning Outcome Statements to Guide Learning and Testing: The CFA Program". *Advances in Financial Education, I. Fall 2003*.

Rose, J & Delaney C. "Meeting the Mandate(s): Using a Project/Case Study to Comply with the New New AACSB Accreditation Standards." *Journal of Financial Education, 31. Summer, 2005*).

Appendix A

Series 7 Survey Questions

1. Are you currently employed in the financial services field?
Yes/no
2. How long have you been employed in the financial services field?
(drop down box; 1-15)
3. What college class best prepared you for a financial services career?
(text box)
4. Did you take a Series 7 class while in college?
Yes/no
5. Compared to other college classes taken in preparation for your career, how would you rate the Series 7 class?
1 = In the top 5%
2 = In the top 10%
3 = In the top 15%
4 = In the top 25%
5 = In the top 50%
6 = In the top 75%
7 = At the bottom
6. What would your recommendation be to students considering the Series 7 class as preparation for a career in the financial services field?
1 = Strongly recommend
2 = Somewhat recommend
3 = Not sure
4 = Recommend against
5 = Strongly recommend against
7. Did you study business abroad during your undergraduate years?
Yes/no (explain)
8. How many countries had you visited prior to first job out of college?
(1-5; drop down box)
9. Did you hold a significant leadership position at your university?
Yes/No (Explain)
10. Have you held a management/entrepreneurial position before first job out of college?
Yes/no (explain)
11. Did you have an internship in the financial services field prior to graduation?
Yes/no (with what firm? Briefly describe nature of position..)
12. Did you have any type of internship in sales prior to graduation?
Yes/no (describe)

13. Have you held a sales position prior to your position in financial services?
Yes/no (explain)
14. Did you acquire a job before or after graduation?
Before/after
15. If you were hired after graduation how many weeks did it take until you were hired?
(Enter Approx. week number)
16. Compared to others, how quickly do you believe that your participation in the Series 7 class allowed you to be hired after graduation?
More quickly/About the same/Less quickly
17. What was your starting salary for your first job?
(Enter exact or approximate as you recall)
18. In what year were you hired?
(enter year)
19. How did your starting salary compare with what it would have been without the class?
1 = Significantly higher
2 = Somewhat higher
3 = About the same
4 = Somewhat lower
5 = Significantly lower
20. What was your cumulative G.P.A. upon graduation?
(Enter exact or approximate as you recall)
21. Did you attend graduate school?
Yes/No
22. What is your gender?
M/F
23. In what year did you graduate?
(Enter year)
24. How old are you?
(Enter number)
25. Additional comments:
(add text box)