

RESEARCH SUMMARY

Rethinking Higher Education Orthodoxies: Returns on Investment, Skills Mismatches, and Vocational Alternatives

In the United States, a widespread belief that a traditional college education is a “human capital investment” that produces greater lifetime earnings has led to proposals for a significant expansion in higher ed funding aid. In “[Higher Education and the School-Work Mismatch in an Evolving Labor Market](#),” Veronique de Rugy and Jack Salmon challenge this view as they address the college payoff, graduates’ skills and market needs, and education alternatives.

The Payoff from a College Education versus a High School Diploma Has Flattened

For the past 15 years the relative economic returns from a college degree have grown very little. During this same time, the cost of education has grown by more than 50 percent.

- For the one in four college enrollees who fail to graduate, *the college payoff can even be negative*, with students incurring a large debt burden with little or no wage premium.
- STEM (science, technology, engineering, and mathematics) graduates still enjoy *high wage premiums*. However, they account for only one-fifth of students.
- An advanced degree, however, can double the wage premium and more than compensate for the additional burden of student debt incurred.

The Future of Work Will Not Be about College Degrees—Increasingly It Will Be about Skills

There has been a mismatch between the abilities of graduates and the in-demand skills of an evolving labor market.

- The current higher ed model *does not effectively match graduate skills* to labor market demand—especially for graduates with degrees in the humanities, languages, and the arts.
- The top-down push to increase college enrollment rates has led to *underemployment*. Most employment gains among graduates have been in low-skilled (and often low-pay) jobs.
- A traditional college degree will not protect future generations from the *unpredictability of technological change* and disruption.

There Is a Need for Nontraditional and Vocational Education Options

Continual training, work experience, and apprenticeships provide important alternatives.

- Skilled tradespeople, engineers, IT professionals, and technicians have ranked among the *hardest jobs to fill* in recent years.

- Many of these in-demand jobs do not always require a college degree, but rather *continual up-skilling* as traditional roles are supplemented with new technologies.
- Legal and regulatory modification to facilitate new and innovative private financing options would allow people to *fund their skills-based education* instead of relying on one-size-fits-all federal financial assistance programs.