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# Prospective Students Deserve Real Facts Up Front From Colleges And Universities

**Trevor Carlsen**  
*Senior Research Fellow*

# KEY FINDINGS



COLLEGE CAN PROVIDE A PATHWAY TO HIGHER LIFETIME EARNINGS, BUT IT IS NOT NECESSARILY A GOLDEN TICKET.



FIELD OF STUDY MATTERS AND THERE ARE PATHWAYS TO GOOD-PAYING JOBS OUTSIDE OF THE COLLEGE TRACK.



COMPLETION RATES CAN TELL PROSPECTIVE STUDENTS ABOUT WHAT THEY ARE SIGNING UP FOR.



INFORMATION ON AVERAGE INCOMES WILL HELP PROSPECTIVE STUDENTS DECIDE IF THE PRICE OF THE SCHOOL AND THE FIELD OF STUDY ARE WORTH THE INVESTMENT.



PROVIDING PROSPECTIVE STUDENTS WITH INFORMATION ON AVERAGE STUDENT DEBT HELPS PAINT A PICTURE OF THE FINANCIAL BURDEN THEY ARE UNDERTAKING.

## THE BOTTOM LINE:

PUBLICLY FUNDED COLLEGES AND UNIVERSITIES SHOULD DISCLOSE STUDENT COMPLETION RATES, AVERAGE INCOMES BY DEGREE RECEIVED, AND AVERAGE STUDENT DEBT.

## Enrolling in college is not a golden ticket

While college degrees are often lauded as the best pathway to higher earnings and financial wellbeing, enrolling in college is not necessarily a golden ticket.<sup>1-2</sup> Generally, workers with higher levels of education earn more money and find employment more readily.<sup>3</sup>

But that is only part of the story. The value of a degree depends on many factors, including the field of study. And that can be offset by high costs—especially when students need to take out loans. Tuition and fees, as well as other expenses, such as room and board, are constantly on the rise, with increases far outpacing inflation.<sup>4-6</sup> Thanks to exploding prices, the college wealth premium is weakening.<sup>7</sup>



**FOR STUDENTS WHO HAVE SHOULDERED HIGH COSTS TO OBTAIN A DEGREE, NOT REALIZING THE WAGE AND EMPLOYMENT PREMIUM CAN BE A MAJOR SETBACK.**

For students who have shouldered high costs to obtain a degree, not realizing the wage and employment premium can be a major setback.<sup>8</sup> Even for students that eventually do realize higher earnings after obtaining a degree, the high up-front cost of college can dig a hole that takes years to overcome—on average it takes student loan borrowers two decades to pay off the debt.<sup>9</sup>

Fortunately, policymakers can ensure prospective students are armed with the facts by requiring publicly funded colleges and universities to disclose completion rates, average incomes by degree received, and average student debt so that students and parents can know before they go.

## FIELD OF STUDY MATTERS

Many graduates end up in jobs that do not apply the training they received in college. Less than half of bachelor's degree recipients work in a job closely related to their major.<sup>10</sup>

College graduates should know to expect different earning outcomes depending on the major they pursue. Students graduating with liberal arts degrees may struggle to find employment compared to majors with coursework that more directly connects to jobs, like engineering and business.<sup>11</sup>



**LESS THAN HALF OF BACHELOR'S DEGREE RECIPIENTS WORK IN A JOB CLOSELY RELATED TO THEIR MAJOR.**

For several majors, the underemployment rates exceed 50 percent.<sup>12</sup> And there are a few majors, like criminal justice and performing arts, with underemployment rates that even exceed 70

percent.<sup>13</sup> Prospective students should be aware of these differences to help them understand which fields of study are worthy of the tuition investment.

## THERE ARE PATHWAYS TO GOOD-PAYING JOBS OUTSIDE OF A COLLEGE DEGREE

Prospective students should also be aware of the opportunities outside of higher education. Many good-paying jobs do not require a college degree.<sup>14</sup> For example, the Bureau of Labor Statistics projects that the health care and social assistance sector will add the largest number of new jobs by 2030.<sup>15</sup> While some of those jobs will require additional schooling, there are plenty that require less than a college degree.<sup>16</sup>

Underemployment figures further underscore the availability of good-paying jobs. More than 40 percent of underemployed college graduates are in jobs that never required a college degree.<sup>17</sup> These graduates would likely be in a better financial position if they had taken these jobs without incurring the cost of obtaining a degree, especially if they took on loans.

## Completion rates matter for the true costs students should expect to face

Prospective students deserve a reasonable estimate of how long a degree program will take to complete. While the “four-year degree” implies a completion time of four years and 90 percent of college enrollees expect to meet that mark, that is not the reality for many students.<sup>18</sup> **Instead, only two in five students complete a four-year degree in that timespan.**<sup>19</sup> And colleges move the goalpost to match up with that reality by advertising their six-year graduation rate to the public while still maintaining the four-year degree rhetoric.<sup>20</sup> Sadly, the completion rate is not much better six or even eight years after enrollment, with the completion rate edging up to only three in five for that timeframe.<sup>21</sup>

### 4-year Completion Rate



*Only 2 in 5 students graduate within 4 years.*

Those additional school years come at high costs. More years means more money spent on tuition, which means larger loan balances for students and families. Even for students who are not relying on student loans, additional years in school delay expected earnings.

By providing prospective students with realistic completion rate data and reporting the four-year graduation rates for undergraduate degree programs, colleges can provide a more realistic picture of what the degree will cost.

## Providing prospective students with information about average incomes will help them decide if the price of the school is worth the investment

For students shouldering the cost of higher education, the payoff is important. This is especially true for students who take on loans. Knowing the average incomes for graduates, specified by area of study, will signal whether a particular school or program is worth the cost. This information must be furnished upfront. At present, **current college students expect to earn twice the average starting salary for a college graduate.**<sup>22</sup> Making students wait until they have already assumed the program's cost leaves them with poor prospects for digging out of the financial hole.

Providing prospective students with average student debt figures for enrollees offers a picture of the financial burden they are undertaking.



**Total student loan debt now stands at \$1.6 trillion, and that heavy burden is a problem for millions of Americans.**



Total student loan debt now stands at \$1.6 trillion, and that heavy burden is a problem for millions of Americans.<sup>23</sup> More than half of bachelor's degree recipients graduate with student debt.<sup>24</sup> High loan balances can take decades to pay off and will be a lingering burden on families. Nearly a quarter of the total outstanding federal loan balance is held by borrowers aged 50 and older.<sup>25</sup> And with federal student loan default rates being highest for borrowers with low balances, even smaller loan balances are concerning.<sup>26</sup>

Student loan debt can have profound consequences for wealth building.<sup>27</sup> Instead of growing retirement savings and buying homes, student loan borrowers expend much of their income paying back their debt.<sup>28-29</sup>



**INSTEAD OF GROWING RETIREMENT SAVINGS AND BUYING HOMES, STUDENT LOAN BORROWERS EXPEND MUCH OF THEIR INCOME PAYING BACK THEIR DEBT.**

Providing debt levels can help prospective students better understand the true cost of attending a particular institution. For example, a school may charge lower annual tuition, but if students generally end up paying for additional years before they can graduate, the true cost is much

higher.<sup>30</sup> Average debt levels for program participants would be an indicator that gives students a better picture of the full price they could end up paying.

Requiring colleges to disclose average student debt figures will give potential enrollees a better picture of the financial situation they can expect upon graduation. Instead of blindly enrolling in a degree program, prospective students can consider the tradeoffs and may choose career paths that allow them to learn skills while earning a wage instead of pursuing a costly degree.

## **THE BOTTOM LINE: Publicly funded colleges and universities should disclose student completion rates, average incomes by degree received, and average student debt.**

College degrees can be worth the investment, but they do not always pay off the way students think they will. At a time when there are more than 11 million open jobs, and employers are moving away from requiring college degrees for employment, potential enrollees are well-positioned to weigh the costs and benefits of pursuing higher education.<sup>31-32</sup> They could instead consider earning new skills through other avenues, especially since many employers do not think college adequately prepares students for the workforce and employer confidence in higher education is declining.<sup>33-35</sup>

Efforts to provide information to prospective students are trending in the states.<sup>36</sup> Tools like the MyFloridaFuture dashboard help students and families explore the differences between schools, fields, and programs.<sup>37</sup> Other states should follow Florida's example and give students the tools to make informed decisions that work best for their situation.



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15275 Collier Boulevard | Suite 201-279  
Naples, Florida 34119  
(239) 244-8808

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