

Yes, a College Degree Is Still Worth It; College graduates continue to command higher wages, but to combat falling enrollment, schools need to emphasize skills over credentials

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FULL TEXT

This month, even as some two million bachelor's degrees are awarded at college commencements in the U.S., the credential itself faces an identity crisis.

In the last year and a half, Maryland, Pennsylvania, New Jersey and Utah have stopped requiring a four-year degree for most jobs in their state governments. The private sector has also moved toward skill-based hiring, with Google, Apple, IBM, Delta and General Motors, among others, dropping the four-year degree as a prerequisite for many positions. Even the federal government is urging its agencies to fill vacancies based on job-seekers' skills rather than on their college credentials.

Some of these moves are the result of a tight labor market after the pandemic, but the push to lower the degree barrier long predates Covid. Its advocates see it as a way to remedy structural inequities in the job market and to combat the "degree inflation"—requiring a bachelor's degree for jobs that historically haven't—that accelerated after the recession of 2007-09. According to a report published last year by the Burning Glass Institute, degree requirements became significantly less common in 46% of middle-skill jobs and 31% of high-skill jobs between 2017 and 2019—a major reset in employers' assumptions about the necessity of a diploma.

This shift has fed the notion that college, and the bachelor's degree in particular, isn't necessary for a successful career. According to Gallup, 10 years ago, 74% of 18-29 year olds said that it was very important to get a degree. Today, only 41% agree. Young adults are getting mixed messages about what kind of education they need after high school—and whether they need more training at all.

The result is that undergraduate enrollment in the U.S. has fallen each year since it peaked in 2010-11, with an especially sharp drop in the first full year of the pandemic. Nationwide, fewer high-school seniors are choosing to enroll in college immediately after graduation. In 2022, only 62% of high school graduates went immediately to college. In some states, not even half of high school graduates are pursuing higher education.

Even in a degree-optional world, however, it's a mistake for students and their parents to think that college isn't necessary. A study we recently completed using data from Lightcast, a labor-market analytics firm, found that the four-year degree is still a valuable commodity, delivering an immediate 25% wage premium within a year of graduation—a difference that held steady over the 12-year period we studied. What's more, we found that having a degree makes it easier for graduates to recover from early career struggles, allowing those who are "underemployed" to move up more easily into jobs where more of their co-workers have a degree.

Still, it would also be a mistake for colleges and universities to simply coast on the degree's legacy as an economic driver for graduates. Our research shows that what employers want out of the degree has changed, and colleges need to rethink the credential so that their graduates can better compete in today's job market.

The economic value of a bachelor's degree has typically depended on the prestige of the college and the market demand for certain majors. While that generally remains true, we also found that a third ingredient is critical to the ultimate payoff: the specific skills students leave college with.

In decades past, employers looked to degrees as indicators of basic capability, training new hires with required skills. Today, people are less likely to stick with a job, so firms expect employees to arrive ready for work. The problem is that colleges tend to speak the language of "learning outcomes" instead of skills. It's not just a matter of what is lost in translation. The absence of a common vocabulary between industry and higher education often makes it difficult to add to the curriculum the skills that can put graduates ahead.

To make a degree more valuable, higher education must spell out the skills that students learn on campus and help them to see where those skills are needed in the workforce. Sometimes this sort of exercise reveals unexpected relevance. When the University of Central Florida compared the skills taught in each of its programs of study with the skills sought by employers, it discovered, for example, that its gender studies majors had acquired extensive experience in project management as preparation for field work, a skill that boosts graduate earnings by 22%. While colleges like to stuff the bachelor's degree with course requirements, sometimes just one skill delivers big value. For instance, a public administration major who also has investment skills can see their wage premium rise by nearly a third, while a liberal-arts major who is knowledgeable about strategic planning gets a 20% boost. Eugene Thomas at Yale University, where he graduated in 2022 with a degree in Mechanical Engineering and a certificate in Statistics and Data Science. The economic value of a bachelor's degree has typically depended on the prestige of the college and the market demand for certain majors, but today employers are also looking for graduates with specific skills. PHOTO: Christopher Capozziello for The Wall Street Journal

Some of the most valuable skills are those that are just emerging in a particular field but are still relatively scarce. Knowing SQL, a database language, delivers an 11% wage premium for a natural resources major (where SQL is a relatively rare skill) but only a 4% return for a math major (where SQL is relatively common). Foundational skills—the bedrock of a liberal arts education—sometimes pay off even more than technical capabilities. Business majors get a greater wage boost from skills in negotiation and influencing others than from studying accounting.

What's clear is that a degree by itself no longer signals that college graduates have the skills employers are looking for. That's why the University of Texas system is beginning to embed "microcredentials"—ranging from data analysis to project management—into the four-year degree, starting with some of its lowest-earning majors.

Last fall, the University of Minnesota at Rochester started offering a two-and-a-half year bachelor's degree in health sciences. It combines in-person and virtual classes, guarantees paid internships at the nearby Mayo Clinic and allows students to track their progress in a digital portfolio, for easy use in explaining to potential employers what they have learned in their classes.

This fall, Georgetown University is starting a bachelor's degree in environment and sustainability. The first two years provide students with an "integrated experience," combining the liberal arts with specialized skills for the major. Credit-bearing "immersions," such as internships and research projects, are built into the beginning and end of the semesters. The final week focuses on helping students understand the knowledge and skills they developed across their courses.

In the 1980s, when college credentials were still relatively rare, a bachelor's degree was a key differentiating factor for newcomers to the job market. Today, for students facing rising costs and growing debt, it's not as much of a slam dunk. Where the degree is from, what it's in and what skills you learn matter far more. To make the degree more valuable for more students, colleges need to bring new focus to how students fare after graduation. The bachelor's degree needs to be remade for our increasingly degree-optional world.

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