

# The University Degree: Societal Expectations vs. Reality

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## Abstract

In many countries, especially in the West, this faith in higher education appears to have begun to waver. Disenchantment is rising as tuition costs climb but graduation incomes remain flat. The value of a degree is now being seriously questioned in the USA, where a 'college degree' means having to take massive loans. Clearly, the value proposition of a 'college degree' is not what it once was.

There are arguments put forward that what one earns upon graduation should not be the only indicator of success because universities are there to prepare people for their future lives and to make a worthwhile contribution to the greater good of society.

Despite these laudable societal outcomes, most higher education students now want to develop practical, tangible skills; use critical thinking to solve problems; and make ethical judgements. They also want to be 'career ready.' Getting individuals 'career ready' has been the domain of professional qualifications, but in more recent times these require a university degree as an entry criterion. Today, there is also the ability for individuals to pursue a range of interests outside of a traditional university degree.

## Introduction

Globally, and especially in Asia, there seems to be unwavering faith that higher education—especially a university degree—was a pathway to a good job and better lifestyle. 'College' or 'University' has been hailed by governments as a catalyst for social mobility and economic expansion.

However, in many countries, especially in the West, this faith in higher education appears to have begun to waver. Disenchantment is rising as tuition costs climb but graduation incomes remain flat. According to a survey conducted by the Wall Street Journal on March 31, 2023, 56% of Americans now think a degree is not worth the time and money spent on it [1].

Whilst for most students, and in most places, higher education continues to offer very substantial financial returns, earning a degree now carries more risk. Although both monetary and intellectual rewards (e.g., developing intellectual curiosity, having a sense of worth) for top performers are rising, a concerning large percentage of students experience unfavourable outcomes from their study [2].

The first blow to what was once the impenetrable degree edifice was the 2009 financial meltdown that destroyed most economies—aptly called the 'global financial crisis' (GFC). In its aftermath, by 2011, more than half of university graduates in the West were unemployed or working part-time.[3]

While a bachelor's degree may have been a ticket to success for some, it was not of much value for many others. In fact, the value of a degree was seriously questioned in USA, where a 'college degree' came at an astronomical price, with some having to take loans that stayed with them for the rest of their lives [4] Too many Americans still struggle to pay for a university education due to the prohibitive costs and lengthy time requirements. Americans now prioritise affordability and jobs when it comes to higher education.

In Australia, whilst the cost of a degree is also substantial, and often required a loan from the government, it was nowhere near the USA costs. Also, the repayment was linked to ones' income. If you lost your job, the loan repayments temporarily halted until a loan recipient found another job.

In the subsequent years post GFC, as the global economies recovered, this questioning of the value of a degree died down. Then it was dramatically brought back to life by Covid-19, the so-called "once-in-a-lifetime worldwide epidemic". Those holding some university degrees, especially in the 'Arts' got more of a raw deal this time. Conversely, some degrees, especially in the health sciences and STEM (science, technology, engineering, and mathematics) became more resilient.

Therefore, making the appropriate subject choice was seen as essential to increasing earning potential. The Economist magazine reported that about 10% of men who study the creative arts, social work, or agriculture in Britain are likely to have negative returns. Music and visual arts seem especially prone to have negative returns. In contrast engineering, computer science, and business degrees were by far the highest-paying degrees.

## The Value of a Degree

In the developed world, the 1980s saw the beginning of a boom in graduate salaries. The so-called "college-wage premium" started to rise during that time. In the 1970s, an American with a university degree made, on average, 35% more money than someone with only a high school diploma. That edge had increased to 66% by 2021.

Recently, post-Covid pandemic, this wage premium has either stalled or started to decline in several countries. Simultaneously, the course fees for degrees have increased. Arguably, the highest tuition in the developed world, at £9,250 a year, is now charged in England, where it was once free in the late 1990s. The average cost of a bachelor's degree in America climbed from \$2,300 per year in the 1970s to almost \$8,000 in 2018. Students at private non-profit institutions may pay somewhat more; those at public universities frequently pay significantly less [5].

A 2019 survey by Populace, a nonpartisan think tank in the USA, found the value proposition of a 'college degree' was not what it once was. Whilst the data did not specifically indicate that degrees were not valuable, it appeared that 'careers' have taken precedence over 'degrees' per se in the search for fulfilling employment. For example, in the past, one might have picked 'medicine' as a degree choice, and then accepted whatever career (including long-hours) that came with it. Now many will pick a career with, say, flexible hours, and then choose a degree that will get the career with a work-life balance of their choice [6].

The Populace (2019) study also found that students in the USA wanted to develop "practical tangible skills" like managing money and cooking – which were ranked high as the most desired skills. Using 'critical thinking' to solve problems and making 'ethical judgements' were other highly regarded skills. The sixth-highest ranking desire, up from rank 27 prior to the epidemic, was "career readiness".

## Professional Qualifications – The 'Career Ready' Pathway

Historically, 'career readiness' has been the domain of professional qualifications in fields such as medicine, engineering, law, and accountancy. All these professions initially had alternative pathways to a career that did not involve a university degree. American medical schools of the early and mid-nineteenth century were generally doctor-owned institutions that varied widely in their standards and methods of education. The Institution of Civil Engineers in the UK – the world's first professional engineering body – did not require a degree to enter the profession. One had to go through a period

of 'apprenticeship'. In the United Kingdom, law was developed as a profession by specialized legal societies in London called the Inns of Court; and through lectures and apprenticeship, individuals were admitted to practice before the royal courts.

The modern profession of the accountant originated in Scotland in the nineteenth century. The world's first accounting professional body, Institute of Chartered Accountants of Scotland, does not require a degree to obtain membership. In fact, most UK accounting bodies still have alternative pathways to membership that do not require a degree to obtain membership. One undertook exams conducted by the professional body itself, and then undertook a period of 'articles' in a professional firm before being admitted as a member.

Australia was one of the first countries that required a degree to be admitted to the accounting profession. One of the driving forces behind this change was the desire for accountancy to be seen as a profession rather than a trade. Unfortunately, most accounting graduates are now not 'career ready' upon graduation, and thus have to undertake a further period of training and examination, and also obtain relevant practical experience, prior to being able to use the 'chartered accountant' title.

Whilst accounting, legal and engineering professional education in many Commonwealth countries still have non-degree pathways; the profession of medicine has only an arduous degree pathway. Unfortunately, even after 5-years or more of university study, medical graduates are not 'career ready', and need to have significant further education and internship training to be career ready.

## **The Transformative Nature of a Degree**

Traditionally, universities helped students broaden their horizons and experiment with various career possibilities. This is still an essential and beneficial step before embarking on a career.

Analytical thinking, active learning, and sophisticated problem solving are just a few of the 'power skills' (formerly referred to as "soft" abilities) that universities excel at developing. For many individuals – especially first-generation university students – such power skills can be transformative. Furthermore, research in the area shows that those with a university degree typically have a stronger sense of identity than those with merely a high school diploma. They also tend to earn more money and have better employment rates. In contrast to individuals with only a high school diploma or less, a 2023 Pew Research Centre study found that workers with postgraduate degrees or bachelor's degrees feel that their occupations offer them a sense of identity [7].

At a time in history when hopelessness and pessimism seem to be the cloak that is worn too frequently, identity and purpose are not ideals to be laughed at. In reality, however, there are numerous methods to develop identity and purpose – acquiring a college degree is just one. University recruitment campaigns today focus on higher education as a means of working "smart" rather than "hard," featuring pictures of a grubby plumber next to a gleaming university graduate. However, such advertisements fail to consider the cost of tuition as well as the time and abilities required to obtain a degree [8].

But not everyone needs to spend two or four years in school, just as not everyone is cut out to be a doctor or a plumber. Further, even if earning a degree is not just about getting a job, it is still important for students to find stable employment after spending four years and thousands of dollars on a university education. Also, too many students drop out and are unable to find excellent employment afterwards.

In the USA, about 38% of students who enrol in a college or university do not complete it, leaving them with debt and an unfinished education (no degree) [9]. Dropping out without any credentials is

a clear-cut method to lose a lot of money. Additionally, taking longer than typical to graduate reduces value because it takes years away from time that could have been spent working.

The primary causes for dropping out are expenses, worry, uncertainty, employment pressures and becoming parents. College students in the USA must manage job and study because one-fifth of them are parents and about 40% of them are employed. Universities can do a lot better at assisting those who begin a degree in completing it, including having shorter exit paths with lesser level qualifications.

In Australia, there are many exit paths such as undergraduate certificates, diplomas, and associate degrees, so that undergraduate students do not leave empty handed. Further, Australian post-graduate students have Graduate Certificate and Graduate Diploma exit options if they need to drop out before completing a master's degree.

Up until recently, questionnaire surveys were the main tool used by economists looking to pinpoint the winners and losers in the higher education sector. However, new big data sets, like tax and social security records, can be used in the future by governments to monitor the earnings of students who enrol in particular courses in particular universities. The publication of such information for public consumption will enable students to avoid the worst outcomes and take advantage of the best.

Current research indicates that the choice of the degree program and timely graduation are very important; whilst institution choice is less important. With such focused information, Governments can crack down on "low-value degrees" and stop funding them with taxpayer money. Disaggregated data in the UK and Norway show that a large percentage of students earn degrees that are not worth the money they spent on them [10].

Interestingly, the return from a degree in Britain is normally higher for South Asian students than for white students because they frequently study business-related disciplines. Asian students in America appear to have the easiest time repaying their student loans when compared to white and black students [11].

## Marks to Market

What effects does all of this analysis in the higher education sector have? There are indications that the higher education market is changing globally. Students at various educational levels are already independently seeking out higher returns. Between 2011 and 2021, there was a roughly one-third decrease in the number of English and History degrees awarded each year in the United States. In that time, the number of Computer Science degrees more than doubled. *[More on the value of tech degrees later].*

Programs in 'Humanities' are being eliminated as institutions change to cater to market conditions. English, History, Philosophy, and Theology are programs that are being considered for elimination in many universities. Among the universities that have given up on classics are Calvin University in Michigan and Howard University in Washington, D.C. The future of archaeology at the University of Sheffield in Britain also appears bleak.

Some would say this is a very worrying trend. Universities dating back 1,000 years used to focus on these 'Humanities' areas. They underpin civil society. It was believed that a knowledge of philosophy and history is much more likely to produce a well-rounded person who will make a worthwhile contribution to society.

Do governments need to promote these trends? The Australian government aims to guide students to make socially useful choices by giving financial incentives. In 2021, the cost for students to study

communications, political science, law or social sciences (including accounting) was doubled as these were seen as less socially desirable, while the cost for undertaking a nursing or teaching degree was cut in half. However, due to Australia's generous student loan payback arrangements described earlier, students have resisted taking careers that are perceived as more 'challenging' at the coalface. Another example of social engineering is that of the British government which believes that by providing everyone in England with an online account that details the maximum amount of money they are permitted to borrow from the state for educational purposes throughout their lifetimes, it can change behaviour. Making school-leavers more frugal is the goal.

## Value of Tech Degrees

Students graduating with computer science (tech) degrees [12] from top universities in the world most often wanted to work for "faang" companies, which stand for Facebook (now Meta), Apple, Amazon, Netflix, and Google. Then there were layoffs in late 2022.

The time is not right to enter the tech job market right now. Career fairs are where Job seekers go with a stack of resumés to hand out to prospective employers. But by the end of 2022 none of the faang businesses were present at these fairs. Spotify, Salesforce, Uber, and Microsoft were also not present [13]. In just January and February 2023, there were 120,000 tech layoffs in the Tech sector; 10% of those jobs were lost at Alphabet, Google's parent firm. Meta had 10,000 layoffs.

The tech sector has long combined enormous earnings with significant investments in growth. Big tech went on a hiring binge during the pandemic, intoxicated by its own success: In a short period of time, Meta increased its workforce significantly. The enjoyable moments are now over. The digital titans are facing harder economic conditions, including manufacturing shortages and high interest rates, as well as fiercer competition. The tech businesses have shed almost 300,000 personnel over the past 1.5 years, the biggest since the dot-com crash two decades ago. Job offers from Amazon and Meta have been withdrawn. The sector is under pressure from investors to embrace foreign concepts like "fiscal responsibility" and "long-term growth" [14].

All around the world, tech graduates from universities are experiencing similar effects. For example, in career fairs in Europe, the German software behemoth SAP was the only big name in technology having a booth. Others that had set up booths were financial institutions, government organisations, transportation companies and smaller specialised digital firms. These less glamorous suitors have benefitted by the absence of the biggest personalities in technology.

As a result, tech graduates have toned down their goals and are now accepting any company that will hire them. The Economist magazine reports a case of a graduate accepting a job in network security. This person in the past would never have chosen a job as dull – as unsparkly! – as security [15].

## MBAs are also Changing.

The Graduate School of Business (GSB) of Stanford University takes pleasure in providing the most exclusive MBA programme in the world. Its 420-student cohort is less than half the size of its fiercest rival, Harvard Business School, and just 6% of applications are accepted, as opposed to 10% or so at HBS. Many of them will follow alumni like Asia's richest man, Mukesh Ambani, or Detroit's most powerful woman, Mary Barra of General Motors, into corporate fame. Of course, its alumni Rishi Sunak, became Britain's prime minister [16].

The GSB is therefore the ideal location to get a peek of management's future. The most crowded courses in the MBA curriculum may be the best lens through which to see it.

The GSB's MBA curriculum comprises compulsory classes in accounting, finance, and computer modelling, which must be finished within the first two of the program's six terms of instruction. In these courses students wade through multiple case studies, studying financial figures, and creating complex spreadsheets. The three most popular elective courses at the institution, however, paint a more intriguing picture of the manager of the twenty-first century. All three do not really involve any number-crunching. Instead, they seek to develop in students a mixture of ruthlessness, self-awareness, and tact. The future MBAs seem to be indicating that these triad of qualities—rather than any technical knowledge—will determine success. The fourth quality is “selfless ambition”, but no course can teach steely determination—not even at the GSB.

At the GSB, “Paths to Power” is the course name of the triad's first component. The course syllabus's introductory paragraph laments that “insufficient sensitivity to, and skill in, coping with power dynamics” have prevented many competent people from receiving promotions and even losing their jobs. Interestingly, “avoiding grooming successors” is one strategy taught to students for retaining power.

How can you avoid cunning competitors? The course says that holding “multiple overlapping roles” within an organisation is one approach, because multiple teams reporting to you make it more difficult for you to be ousted by competitors. Although it is unknown if Australia's former Prime Minister, Scott Morrison—who secretly appointed himself to five ministerial positions without the knowledge of the public or his own government—had attended the GSB seminar, he appears to have internalised its lessons.

The second component of the triad, “Touchy Feely” tells students to focus on their own reputation. Its purpose of the course is to assist students in determining how they desire to be seen. Unstructured group discussions of 12 students make up the majority of the class, and there is also a weekend retreat. Nothing is off limits; past relationships, mental health, and political views are all fair game. Students are told to watch each other's behaviours, including their ability to communicate their emotions and solve problems. This exercise in brutal love has also the potential for self-discovery. Students can only take steps to lessen their shortcomings only if they are aware of them. This can require some people to speak more firmly. For others, it can entail smiling more and frowning less.

The third component of the triad is a well-liked course, “Managing Growing Enterprises”. This is not about small-business accounting as its name may imply. Instead, the emphasis is on how to behave diplomatically in delicate circumstances, when many prospective managers stumble due to a lack of the appropriate phrases. How do you terminate a person? How can you tell a big investor no to their unwanted and useless advice? What do you say to a snooping journalist? Role-playing is a major component of the curriculum. Asian applicants, many of whom have been raised to avoid conflict, seem especially interested in the lesson, taking detailed notes as the role actors in the classroom attempt to be courteous but tough.

## **Alternative Non-Degree Career Choices**

Today, there is the ability for individuals to pursue a range of interests outside of a traditional university degree. We must recognise that this variation is a strength, not a weakness, if we want them to thrive in society. In the West, parents today also want more opportunities for their children, and they want a wider range of outcomes. Their children also are in favour of more action, possibly because trying new things helps them figure out the type of work they want to undertake.

The renewed need for skills in most Western nations is supported by structural factors as well. Because of the extraordinarily tight labour market post Covid-19 in Western economies, companies are less likely to insist on degrees. Clearly, many jobs do not require a bachelor's degree at all.

In 2022, Harvard Business Review predicted that in the next five years, 1.4 million jobs will be open to people without college degrees.[17] In fact, President Barack Obama himself tweeted about “unnecessary college degrees”.[18] Conversely, the Australian government is currently saying that the country will need many more degree qualified people to do the jobs of the future given the rise of AI etc. [19].

## Other Non-Degree Options

Decades of ‘Social Engineering’ in Asia have championed higher education – especially in Medical and STEM degrees – whilst stigmatising vocational alternatives. In these societies, the value of the person was based on the degree earned. Although not to the same extent, these value systems also prevail in USA, UK and Australia. But not all Western countries subscribe to this value system. About half to two thirds of students in Germany [20] and Switzerland [21] enrol in vocational programmes.

Today, the options for learning and training that are currently available are much more varied than they once were. For example, Coursera – an organisation that offers online courses, certifications, and degrees in a variety of subjects –used to add roughly two million new students every quarter prior to the Covid-19 pandemic. After the outbreak, that number has climbed to five million every quarter, with 113 million students currently enrolled. This platform offers courses on everything from computer science to the secrets of happiness. Over 50% of degree searches in 2022, according to Google’s own search statistics, were for non-traditional pathways [22].

## Summary

Globally, there has been an unwavering faith that a university degree was a pathway to a good job and a better lifestyle. Going to college or university has been hailed by many as a catalyst for social mobility and economic expansion.

However, in many countries, especially in the West, this faith in higher education appears to have begun to waver. Disenchantment is rising as tuition costs climb but graduation incomes remain flat. The value of a degree is now being seriously questioned in the USA, where a ‘college degree’ means having to take massive loans. Too many Americans still struggle to pay for a university education due to the prohibitive costs and lengthy time requirements. Clearly, the value proposition of a ‘college degree’ was not what it once was.

There are arguments put forward that what one earns upon graduation should not be the only indicator of success because universities are there to prepare people for their future lives and to make a worthwhile contribution to the greater good of society. Moreover, there have been studies to show that university-qualified people on average are more likely to take on important roles in society such as public office, live healthier lives, be more progressive in their views, and exhibit less of the undesirable attributes such as not being open to change, being racist etc [23].

Despite these laudable societal outcomes, most higher education students now want to develop practical tangible skills; use critical thinking to solve problems; and make ethical judgements. They also want to be ‘career ready.’ Getting individuals ‘career ready’ has been the domain of professional qualifications, but in more recent times these require a university degree as an entry criterion. Today, there is also the ability for individuals to pursue a range of interests outside of a traditional university degree.

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