

Education Inflation: Analysis of the Return On Investment of Higher Education

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Abstract. In recent years, higher education has been considered a fundamental requirement for economic stability. However, as more and more people have access to college and even graduate degrees, the job market has become saturated, a phenomenon now known as “education saturation”. This has led to a discussion about whether higher education translates to higher salaries for university graduates in today’s society. This study, drawing on literature and data analysis, celebrity interviews, and government labor data, explores the evolving relationship between higher education and income in today’s society. The results indicate that while higher education is essential for future employment, the salary differentials between different degrees have remained relatively stable. The impact of professional fields and job market demands on income is gradually increasing. The findings conclude that higher education no longer guarantees higher salaries, highlighting the need to consider the return on investment of higher education. The study highlights the increasing importance of practical skills and professional adaptability for career success in a changing economy.

Keywords: ROI, higher education, labor market saturation

1. Introduction

Higher education has traditionally been seen as the cornerstone of economic and income stability. Most people invest in the next generation’s education, hoping it will lead to higher salaries and options. This concept is known as return on investment (ROI). While studies from the 2000s have shown a positive ROI, more recent research has shown inconsistencies across industries, suggesting that a higher degree doesn't necessarily translate to higher salaries. For decades, especially from the 1950s to the early 2010s, college graduates consistently earned more than those with only a high school diploma or less, leading to a widespread belief that education inevitably leads to success. In an era where nearly everyone pursues advanced degrees, greater attention needs to be paid to the link between education and wages in today's job market. This study, drawing on literature analysis, statistical analysis, and analysis of government labor data, rationally examines how field of study, job market demand, and internship experience influence earnings. It reassesses the value of higher education and provides insights for future research on the evolving role of education in career success.

2. Global education inflation and regional responses

2.1. Expansion of higher education

Globally, the number of students who received tertiary education has increased rapidly over recent decades. This increases the concerns about the oversupply of degree holders relative to job openings. Studies have shown that as the number of people worldwide receiving higher education increases, degree inflation occurs, leading to a decrease in the signaling value of degrees in job selection [1]. As more and more people obtain similar degrees, employers are relying more on abilities beyond the degree itself, such as work experience and specific job skills.

2.2. Cost and politics in the United States

The United States is a typical example of education inflation with uprisings in cost. According to Education Data, the total cost of obtaining a bachelor's degree in the United States, including tuition, living expenses, and any additional fees, can exceed \$250,000 [2]. An increasing number of American leaders are questioning this, and current U.S. President Donald Trump has publicly questioned the high cost of college education and advocated for vocational schools, which he believes can provide a quicker economic return. He signed the executive order to demolish the Department of Education [3]. His voice reflects part of the needs and concerns of society, specifically whether traditional education remains an effective path to stable employment.

2.3. United States' responses to declining ROI

Meanwhile, the U.S. government is also committed to reducing student financial burdens and improving the affordability of higher education. At the same time, the U.S. government is also committed to reducing student financial stress and improving the affordability of higher education. The government emphasizes that high education costs can weaken economic mobility, leading people to forgo higher education. Research shows that significant financial stress on students can lead them to delay home ownership and achieving long-term financial stability [4]. This political move indicates that people are gradually realizing that the return on investment in education is not guaranteed, and higher education no longer automatically leads to higher salaries. More people are viewing higher education as a public investment that requires reform to remain economically viable for a larger segment of the population.

2.4. ROI of higher education in Asia

It's not just the United States; some Asian countries are also plagued by educational inflation, especially in graduate education. In countries like India, competition for Master of Business Administration and master's degrees is fierce, but the job market cannot absorb the increasing number of highly educated students. As the number of degree holders increases, MBA salaries have declined [5]. This mismatch between degree level and market demand also demonstrates that, like the markets in Europe and the US, the Asian market is beginning to place more emphasis on work experience and specific job skills rather than just academic qualifications.

3. Return on investment in higher education

3.1. Financial cost (burden) of higher education

The investment required for higher education is also increasing globally. Families who plan ahead typically save over the long term to provide their children with the best possible higher education. Rising education costs can significantly impact the net return on investment of a degree, especially if the child's salary growth after graduation does not keep pace with the increase in education costs. If considering the opportunity cost of a degree, such as the lost wages of graduate and doctoral students during their studies, the burden of higher education becomes even heavier. This makes higher education a serious economic decision. Beyond direct tuition costs, higher education involves several hidden expenses. These include costs for housing, transportation, and necessary technology and equipment. Many students and their families even need to take out loans to cover these additional expenses. The pressure to repay these loans intensifies when graduates enter internships with slow wage growth. Therefore, more families are now viewing higher education not only as an academic investment but also as a long-term financial burden with uncertain economic returns.

3.2. Decreasing returns of higher degrees

Studies show that while those with advanced degrees still earn more than those without them, the marginal wage increase associated with additional degrees has declined in many industries [6]. Although the MBA project once guaranteed a large increase in salary, recent studies have shown that the increase in salary has gradually become unable to offset the cost of education. This trend reflects the increasing number of people with degrees in the professional labor market, with more and more individuals obtaining master's and doctoral degrees. The competitive advantage that higher education once provided in the job market has gradually weakened. Employers are increasingly considering higher education (at least a bachelor's degree) as a necessary condition, while simultaneously believing that higher education does not necessarily reflect a candidate's exceptional abilities. Furthermore, technological advancements have shortened the effective lifespan of academic knowledge, making continuous learning increasingly important. This indirectly demonstrates a decline in the economic return on higher education and challenges the notion that higher education automatically leads to higher income.

4. Importance of skills and specialization

In today's society, employment choices in the labor market are primarily determined by an individual's skills rather than their level of education. Employers place greater emphasis on technical abilities, problem-solving skills, and the capacity for hard work. These qualities are not necessarily acquired through advanced degrees. Vocational training and skills often yield a higher return on investment than traditional academic pursuits [7]. This approach aligns education with market demands, contrasting formal education with technical training, and emphasizes specialized skills over advanced degrees as the path to economic success. As every industry continues to develop rapidly, the importance of specific roles and skills is increasing, and advancements in automation and artificial intelligence are reshaping many companies' labor needs. This makes workers who can adapt quickly to changes in the work environment and possess deep expertise in their skills more competitive. Nowadays, many employers place great emphasis on project experience, internship experience, and mastery of professional skills during the hiring process. This

approach encourages students to make educational choices that are better suited to them, focusing on continuous improvement of professional abilities and personal skill development, rather than spending exorbitant amounts of money to obtain higher degrees. Ultimately, skills-based education provides flexibility in the labor market and enhances the adaptability of job applicants.

5. Conclusion

In today's society, higher education no longer guarantees higher salaries. While the importance of education remains undeniable, its economic return has become increasingly unstable. Education has experienced a degree of inflation; rising education costs and a saturated job market have weakened the link between degrees and salaries. As a result, families and governments need to focus more on the return on investment in education when making educational choices, rather than blindly pursuing higher degrees. Over time, practical skills and usefulness will determine the value of education, not simply a high-level degree certificate. Higher education remains important, but its role needs to be redefined to meet the demands of the ever-changing labor market. This paper could also focus more on the timeliness of the ROI, specifically examining the years in which it began to increase significantly. In the future, this research can be expanded to include the job market and the broader economic environment, focusing specifically on the employment situation of those with higher education degrees, to further support or refute the arguments presented in this paper.

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