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Why are free college, or Promise, programs becoming more common? **Value of Degrees**

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College degrees and credentials increase earnings.

Getting a college degree is one of the best steps a person can take toward upward mobility; even a single year of college can increase one's earnings, especially if it results in a credential that is valued by employers. People with college degrees are more likely to be employed, earn more money, enjoy better health, and live longer. Of course, the returns to college vary across different types of institutions and majors, so it is important to make good choices in these areas using some of the tools in the Recommended Readings section below.

Policy Considerations

- Because college is such a major investment, students need good information not just about costs, but also about the returns to attending different types of institutions and pursuing specific degrees or credentials. Promise programs can help provide this.
- To best serve their students, Promise programs should identify eligible institutions based on whether students at these places have strong graduation rates, good employment opportunities, and the ability to manage and repay any student loan debt they accrue.
- Promise programs can help students identify the pathways that link educational programs to career aspirations.
- Regular communication between area employers and local colleges can help ensure that educational programs prepare students with the skills needed to thrive in their workplaces.

What We Know

Research shows that a college degree contributes to increased earnings and to social mobility.¹ Further, the importance of a college education has grown over time, with the earnings gap for people with

¹National Center on Educational Statistics. (2021). [Annual earnings by educational attainment](#); Wolfe, B. L., & Haveman, R. H. (1998, 2002). [Social and nonmarket benefits from education in an advanced economy](#). (Conference Series) Federal Reserve Bank of Boston, 47.

college degrees relative to those with high school diplomas roughly doubling over a 30-year period. The widening of this income difference is due both to a stagnation in real earnings for workers with at most a high school degree and substantial growth in real earnings for workers with a bachelor's degree or more.²

Individuals with a college degree have higher rates of employment, have higher earnings, and pay more in taxes compared to those with only a high school degree.³ Higher education also has been linked to a host of positive nonmonetary outcomes, including civic engagement, family stability, health, and longevity.⁴ On average, returns are even positive (but smaller) for those who obtain some college-level schooling but do not earn a degree.⁵

Given the tremendous variety of institutions that comprise the U.S. system of higher education, it is no surprise that there is variation in the returns to attending different institutions. A recent set of studies that used federal income tax records for over 30 million college students and their parents provided an unprecedented look into the returns to attending particular institutions in the United States. This work revealed that substantial economic mobility—defined as moving from the bottom 20% of household income to the top 20% of household income—is generally

most likely for low-income students who enroll in elite private and public flagship institutions. However, these institutions enroll a relatively small share of students from low-income backgrounds. In contrast, certain public, mid-tier institutions both enroll a large share of low-income students and provide educational experiences that propel many of these students into the top 20% of earners.⁶

There is also variation in the degrees and credentials that students can earn. Considering two-year colleges, not all sub-baccalaureate degrees yield positive labor market returns. Research points to returns being particularly sizable for women but more modest for men. This likely relates to gender differences in chosen degree fields as well as preferred labor market fields that individuals may pursue absent higher education.

For women, earnings are substantially increased by earning an associate degree in nursing, for example, whereas associate degrees in other fields, including humanities, social or information sciences, or communication and design yield much more modest returns. In general, where positive earnings effects are observed, they are driven by both an increased likelihood to be employed and increased wages for those who are employed.⁷

² Autor, D. H. (2014). *Skills, education, and the rise of earnings inequality among the "other 99 percent"*. *Science*, 344(6186), 843–851.

³ Ma, J., Pender, M., & Welch, M. (2019). *Education pays 2019: The benefits of higher education for individuals and society*. *Trends in Higher Education Series*, College Board; Scott-Clayton, J., & Wen, Q. (2019). *Estimating returns to college attainment: Comparing survey and state administrative data-based estimates*. *Evaluation Review*, 43(5), 266–306.

⁴ Haskins, R., Holzer, H. J., & Lerman, R. (2009). *Promoting economic mobility by increasing postsecondary education*. The Pew Charitable Trusts; Hout, M. (2012). *Social and economic returns to college education in the United States*. *Annual Review of Sociology*, 38(1), 379–400. Ma, op. cit.

⁵ Heckman, James J., Humphries, J. E., & Veramendi, G. (2018). *Returns to education: The causal effects of education on earnings, health, and smoking*. *Journal of Political Economy*, 126(1), S197–S246;

Carruthers, C. K., & Sanford, T. (2018). *Way station or launching pad? Unpacking the returns to adult technical education*. *Journal of Public Economics*, 165, 146–159.

⁶ Chetty, R., Friedman, J. N., Saez, E., Turner, N., & Yagan, D. (2017). *Mobility report cards: The role of colleges in intergenerational mobility* (Working paper No. w23618). *National Bureau of Economic Research*.

Chetty, R., Friedman, J. N., Saez, E., Turner, N., & Yagan, D. (2020). *The determinants of income segregation and intergenerational mobility: Using test scores to measure undermatching*. (Working Paper No. w26748). *National Bureau of Economic Research*.

⁷ Dadgar, M., & Trimble, M. J. (2015). *Labor market returns to sub-baccalaureate credentials: How much does a community college degree or certificate pay?* *Educational Evaluation and Policy Analysis*, 37(4), 399–418;

Liu, V. Y. T., Belfield, C. R., & Trimble, M. J. (2015). *The medium-term labor market returns to community college awards: Evidence from North Carolina*. *Economics of Education Review*, 44, 42–55.

“ From the beginning, free college in Tennessee was framed ... in terms of economic development. State leaders found that companies considering locating in Tennessee wanted a broad base of skilled workers more than just about any financial incentive they could offer.

Benjamin Wermund, [Politico](#)⁸

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In sum, even one year of college can lead to increases in earnings. Moreover, a college degree, especially from a well-chosen institution and in a well-chosen program and major will likely be well worth the investment of time and resources in the long run.

Recommended Reading

Chetty, R., et al. (2017). [Mobility report cards: The role of colleges in intergenerational mobility](#). National Bureau of Economic Research.

This research paper and accompanying interactive data tool analyzes intergenerational income mobility for each college in the United States based on data for over 30 million college students. The data tool allows users to explore the household income of students who attend specific colleges as well as the economic returns associated with those specific colleges.

Ma, J., Pender, M., & Welch, M. (2019). [Education pays 2019: The benefits of higher education for individuals and society](#). Trends in Higher Education Series, College Board.

This report, produced and updated regularly by the College Board, provides an overview of college-going in the United States and provides a general-audience summary of the research on individual and societal benefits to higher education.

Matsudaira, J. (2021). [The economic returns to postsecondary education: Public and private perspectives](#). Postsecondary Value Commission.

This paper, produced for the Postsecondary Value Commission, provides a nontechnical discussion of how economists assess the returns to higher education from both public and private perspectives.

U.S. Department of Education. [The college scorecard](#).

This website, hosted by the U.S. Department of Education, provides a simple-to-use, web-based tool to research colleges and universities in the United States. Students and families can learn about colleges' fields of study, their costs, admission rates, graduation rates, typical student debt burdens, and the success with which their graduates are able to repay their student loans.

Webber, D. (2018). [Is college worth it? Going beyond averages](#). Third Way.

This report shows how a college education pays off on average, but points out that enrolling in college is an investment of time and money, and this investment might not pay off for everyone. School, major, and degree completion are important factors in the likely returns to enrolling in college.

⁸ Politico website: <https://www.politico.com/agenda/story/2019/01/16/tennessee-free-college-000867/>