



PRIVATE EQUITY PERFORMANCE IMPROVEMENT

# A Higher Education Degree: To Go, or not To Go, That is the Question

Higher education in the United States is at a critical juncture. The ballooning cost of a four-year degree, record student loan debt and the income disparity among various disciplines and those who pursue them are all unsustainable and a potential drag on the nation's global competitiveness as well as a wake-up call for educational institutions.

The symptoms of this problem are starting to show up in several areas, not the least of which is current enrollment in bachelor's degree programs. Four-year degree student enrollment has declined since the arrival of COVID-19, but precursing underlying issues may have caused a shift in Americans' minds that could lead to permanent declines.

For many reasons, parents, students and educators must now consider if a four-year degree is worth the money or the effort.

Until recently, the assumption — backed up by historical data — was that a college education substantially improved income and quality of life when compared to that of high school graduates or those with less overall education.

That may no longer be the case. While there are other reasons to consider a four-year college experience — alumni networking, learning in community, social skill building and more — the financial return on investment (ROI) may not be as compelling in the current environment.

Five trends are influencing prospective students' and their parents' decision making. These developments will continue to evolve, making it easier for students to opt out of traditional higher education.

From the ubiquity of online learning to the ability of students to leverage the power of social media to create revenue streams, as well as the devaluing of four-year degrees by employers seeking a wider pool of talent, these phenomena and others are changing the value of the ROI from the traditional college education.

## The State of Higher Learning and How We Got Here

While it may have been assumed that a college degree meant a one-way ticket to the American Dream, there have been more than 1.23 million fewer post-secondary students enrolled since the pandemic.<sup>1</sup> The drop in enrollment for four-year colleges and universities fell just 0.6 percent, indicating a slowdown, but the downward trend is expected to continue if the labor market cools.

Several reasons may account for the decrease, including changing student preferences, other professional education options and the sky-high costs of higher learning at a four-year institution, which on average costs 180 percent more than in 1980.<sup>2</sup>

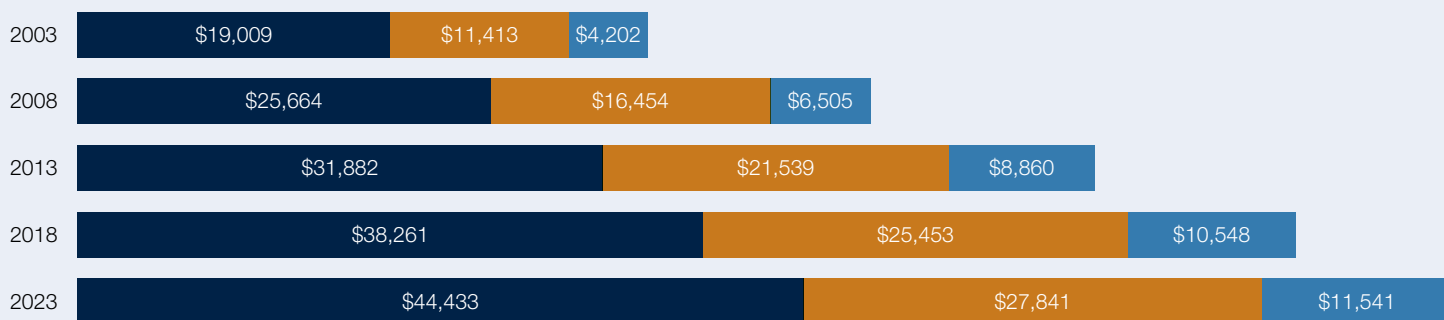
The cost to attend college has far outpaced the rate of inflation. Tuition for in-state students at public four-year universities and colleges doubled from \$4,202 in 2003 to \$11,541 in 2023, according to U.S News.

1. <https://nscresearchcenter.org/current-term-enrollment-estimates/>

2. <https://www.bestcolleges.com/news/analysis/7-challenges-threatening-future-of-higher-education/>

## Average Tuition

■ Private ■ Out-of-State ■ In-State



Source: College Board

The rising student debt crisis may also affect decisions to attend a four-year school. As costs have ballooned, the Millennial and Gen Z generations have had to take on more debt than their parents. Americans are burdened with a record aggregate student loan debt of \$1.76 trillion, with the average student responsible for \$37,575 in education loans when they graduate or leave a school.<sup>3</sup> Student loans are highly susceptible to default, since they cannot be disposed of in bankruptcy as home and other consumer loans can, leaving millions of post-college workers exposed in tough financial times.

The burden is heavy for college graduates, 69 percent of whom say they are concerned about student loan payments.<sup>4</sup>

While the increase in availability of student financial aid improved access to a college education, it may have also contributed to the inflationary costs of higher education, along with rising labor costs and other factors.

Case in point: In the 1960s, the Higher Education Act was signed into law, paving the way for financial institutions to provide more resources for education. Title 4 of that act authorized student financial aid to colleges and universities meeting qualifications detailed in the law. Since that time, qualifying loans have been backed by the federal government. There is some concern that these subsidized grants and loans could be a factor in rising education costs since the amount of state appropriations for student aid have risen and fallen over the years from, yet tuition only continued to rise.<sup>5</sup>

## How the Population Crash Will Affect Higher Education

The population replacement rate in the U.S. is at an all-time low. U.S. births average 1.6 children per woman, far below the 2.1 children required to replace the population.<sup>6</sup>

Colleges and Universities have been well aware of the looming enrollment cliff, a demographic shift accounting for 15 percent fewer college eligible students, and, therefore, substantially lower enrollment rates by 2025.<sup>7</sup>

The lack of prospective students will put pressure on institutions to either shut down or innovate, according to Harvard Business Review. Universities will look to employ technology to improve first-year student retention rates and faculty-student encounters, yet one thought leader worries that some technology efforts may devalue degrees for a sizable portion of the student population: “Kevin Guthrie, president of the education non-profit ITHAKA, warn(s) against cheap (as opposed to low-cost) technologies that create a “two-tiered system” in which a few students receive an expensive high-quality education while the masses suffer in a poorly designed imitation.”<sup>8</sup>

3. [https://educationdata.org/student-loan-debt-statistics#:~:text=The%20average%20federal%20student%20loan,financial%20quarter%20\(2021%20Q4\)](https://educationdata.org/student-loan-debt-statistics#:~:text=The%20average%20federal%20student%20loan,financial%20quarter%20(2021%20Q4))

4. <https://www.intelligent.com/1-in-7-college-grads-earn-less-than-the-poverty-threshold/>

5. <https://freopp.org/why-college-is-too-expensive-and-how-competition-can-fix-it-cb2eb901521b>

6. <https://thehill.com/opinion/immigration/3819844-america-its-time-to-pay-the-demographic-piper/#:~:text=The%20U.S.%20fertility%20rate%20is,woman%20in%20the%20late%201950s>

7. <https://www.bestcolleges.com/news/analysis/looming-enrollment-cliff-poses-serious-threat-to-colleges/>

8. <https://www.bestcolleges.com/news/analysis/looming-enrollment-cliff-poses-serious-threat-to-colleges/>





## 5 Big Trends May Lead to the Devaluing of a Four-year Degree

Beyond the rising costs, student loan debt and the inevitable decline in enrollment, the industry faces five evolving trends that threaten to devalue a college education. For Gen Z, the first generation of digital natives, traditional roles and educational patterns are just not as appealing as they were for previous demographic groups.

These trends are worth watching as parents, in tandem with their students, calculate the new ROI of a college degree.

### 1. The Explosion in Online Learning Opportunities

The increase in Massive Online Open Curriculums (MOOC) — large scale online learning programs — translates into free or extremely affordable coursework. These educational options are offered via many sources, including Coursera, Udemy, EdX and others that provide direct, unfettered and targeted access to top-line professors, institutions and subject matter experts. This access and curriculum can be consumed directly and on-demand, providing a compellingly convenient and cost-effective way for Gen Z and others to learn.

These programs are growing quickly. Coursera, one the largest of the MOOCs, added 20 million new learners from 2020 to 2021, totaling 91 million students, a phenomenon the company attributes to the COVID-19 pandemic. That's up from 21 million in 2016.<sup>9</sup>

Interest in online education is only expected to grow. According to a survey by the non-profits Quality Matters and Encoura's Eduventures, 90 percent of the chief online officers employed by institutions and academic organizations in the industry anticipate the typical student on campus will learn in a hybrid educational format that includes online instruction. That's up considerably from about 20 percent before the pandemic.<sup>10</sup>

Harvard Business Review estimated there were 2,500 colleges and universities offering online courses in 2020, and Best Colleges, a news and information organization focused on higher education, counted 422 fully online colleges with 14 percent of their enrollees considered full-time students.

9. <https://www.weforum.org/agenda/2022/01/online-learning-courses-reskill-skills-gap/>

10. [https://www.chronicle.com/article/online-education-is-booming-but-colleges-risk-lapses-in-quality-report-says?emailConfirmed=true&supportSignUp=true&supportForgotPassword=true&email=dhokrein%40alvarezandmarsal.com&success=true&code=success&bc\\_nonce=nu7n8i86txu5ecj2wgk3j&cid=gen\\_sign\\_in](https://www.chronicle.com/article/online-education-is-booming-but-colleges-risk-lapses-in-quality-report-says?emailConfirmed=true&supportSignUp=true&supportForgotPassword=true&email=dhokrein%40alvarezandmarsal.com&success=true&code=success&bc_nonce=nu7n8i86txu5ecj2wgk3j&cid=gen_sign_in)

## 2. The Monetization of Social Media and the Rise of Internet Influencers

You may not have heard of MrBeast, but your son or daughter probably has. At the age of 24, he's the biggest YouTuber in the world, according to Make Use Of, an internet and technology lifestyle site.<sup>11</sup> Jimmy Donaldson, his given name, dropped out of university to pursue his YouTube passion. The North Carolina resident now uses multiple YouTube channels to attract millions of dollars in income. He tapped into a niche audience and now his videos, which can now cost \$4 million to \$5 million a month to produce, focus on outlandish stunts and over-the-top philanthropic events.

In the age of TikTok, Instagram and YouTube, social media has become a way to make a living, or strike it rich for some influencers, as well as a very attractive alternative to traditional careers and a four-year college education. Just consider these [top social media stars](#) who dropped out of high school or college.

Ask a Gen Zer what her career goals are, and you're less likely to hear traditional job titles like accountant, business leader or astronaut and more likely to hear her say 'influencer.' Approximately 49 percent of this generation aspires to own a business or make a living off of social content they produce.<sup>12</sup>

The inspiration comes naturally. According to Pew Research Center, 95 percent of teens say they use YouTube and 67 percent say they use TikTok, the two most used sites where they consume and share content. Fifty-three percent say they find it "very hard" or "somewhat hard" to leave social media.

### Social Media Patterns

**Social Media Usage**  
(% of U.S. Teens Who Say They Ever Use The Following App)

Social Media Platform	2014–15 (%)	2022 (%)
YouTube	–	95
TikTok	–	67
Instagram	52	62
Snapchat	41	59
Facebook	71	32
Twitter	33	23
Twitch	–	20
WhatsApp	–	17
Reddit	–	14
Tumblr	14	5

**Social Media Usage Pattern**  
(% of U.S. Teens)

Social Media Platform	Have Used the App or Site (%)	Use Constantly (%)
YouTube	95	19
TikTok	67	16
Instagram	62	10
Snapchat	59	15
Facebook	32	2

**Social Media Usage**  
(% of U.S. Teens Difficulty in Leaving Social Media)

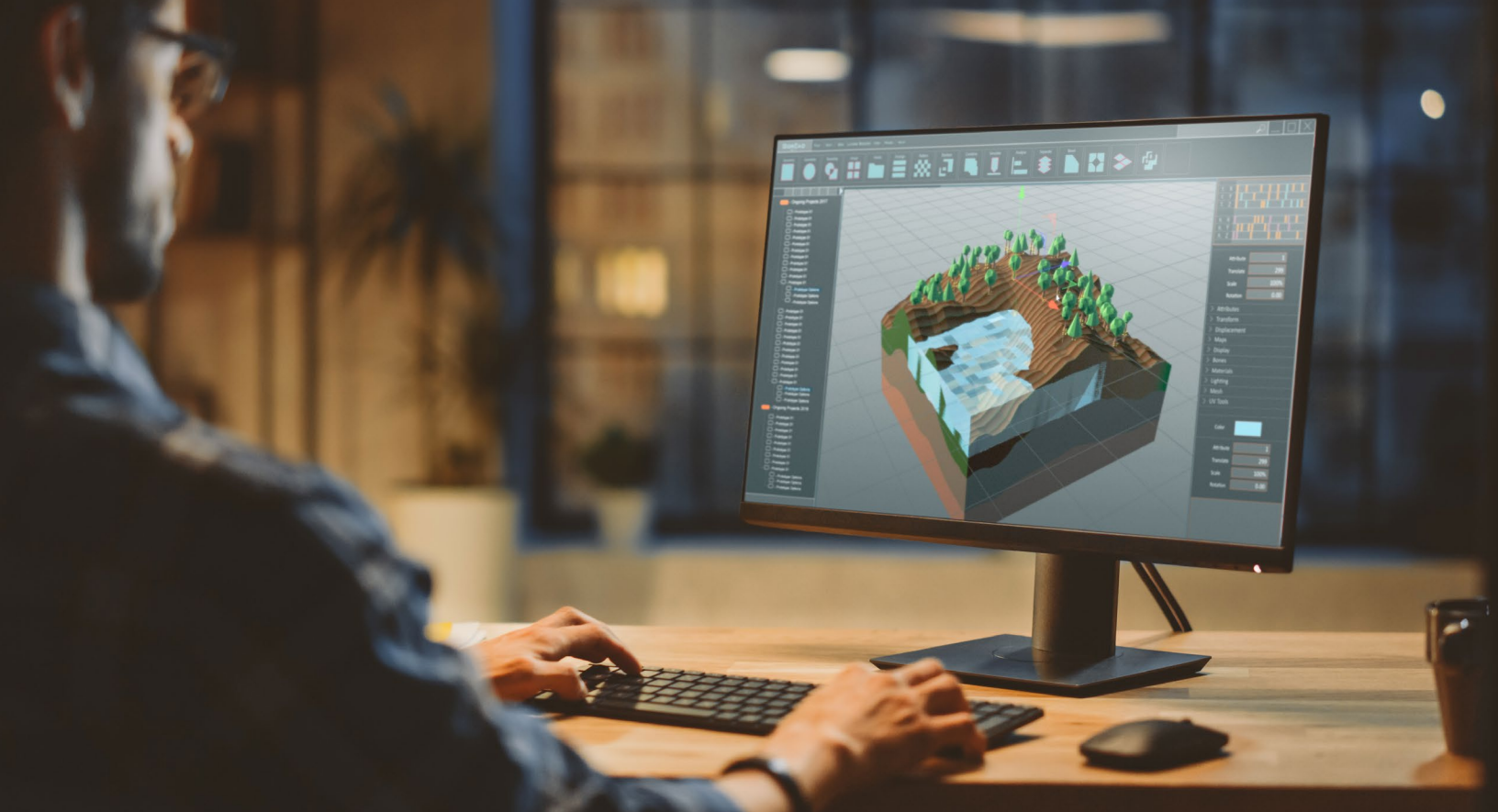
Difficulty Level	(%)
Net Easy	54
Very Hard	18
Somewhat Hard	35
Somewhat Easy	26
Very Easy	20
Net Easy	46

Source: Pew Research Center

11. [https://www.chronicle.com/article/online-education-is-booming-but-colleges-risk-lapses-in-quality-report-says?emailConfirmed=true&supportSignUp=true&supportForgotPassword=true&email=dhokrein%40alvarezandmarsal.com&success=true&code=success&bc\\_nonce=nu7n8i86txu5ecj2wgk3j&cid=gen\\_sign\\_in](https://www.chronicle.com/article/online-education-is-booming-but-colleges-risk-lapses-in-quality-report-says?emailConfirmed=true&supportSignUp=true&supportForgotPassword=true&email=dhokrein%40alvarezandmarsal.com&success=true&code=success&bc_nonce=nu7n8i86txu5ecj2wgk3j&cid=gen_sign_in)

12. <https://www.bloomberg.com/news/articles/2022-08-25/gen-z-wants-careers-as-influencers-content-creators-but-have-to-go-all-in#xj4y7vzkg>





### 3. The Monetization of in-App Technology Creation

Social media, technology, gaming and augmented reality applications have created lucrative opportunities for teens and young adults to make money, providing another reason for many to dismiss a tradition educational path after high school.

The growth in users of Roblox, an online game platform that combines gaming, game creation and social media, has skyrocketed since its debut in 2006. Between the end of 2019 and the last quarter of 2022, daily active users have nearly tripled from 19.1 million to 58.8 million, according to Roblox's own reporting.

If Roblox users aren't making money from YouTube channels, they're procuring dollars on the platform by creating and selling avatars, avatar accessories — like clothes — or creating content and games. While it may be more difficult for kids and other users to make money on the platform, the company said 600 developers made more than \$85,000 a year selling game experiences and avatars.<sup>13</sup>

**Daily Active Roblox Users by Age**

Time Period	Under-13 (in million)	Over-13 (in million)	Unknown (in million)
Q4 2019	11.0	7.7	0.4
Q1 2020	13.3	9.7	0.6
Q2 2020	17.9	14.6	0.9
Q3 2020	19.3	16.1	0.8
Q4 2020	19.5	17.2	0.4
Q1 2021	21.3	20.5	0.3
Q2 2021	21.5	21.4	0.3
Q3 2021	23.1	23.8	0.4
Q4 2021	23.6	25.6	0.3
Q1 2022	25.5	28.3	0.3
Q2 2022	24.2	27.7	0.3
Q3 2022	26.4	31.9	0.5
Q4 2022	26.0	32.4	0.4

*Source: Roblox Q4 2022 Supplemental Materials (Page 22 & 23)*

13. <https://www.wired.com/story/on-roblox-kids-learn-its-hard-to-earn-money-making-games/>

## 4. Vocational Tuition Costs Are Temptingly Inexpensive

Another trend threatening the traditional four-year degree is continued demand for vocational training and education worldwide. The global market for such education is expected to grow at a compound annual growth rate of 9.8 percent, fueled mostly by demand in Asia.<sup>14</sup>

In the U.S., however, demand has been flat, despite the need for more vocationally trained workers in the economy. Yet, more young men seem attracted to the trades, as evidenced by lower enrollments in four-year schools. Female students enrolling in traditional university and college coursework began to outpace male students in 1980. Today, male students make up only 42 percent of the student population in four-year programs.<sup>15</sup>

While Gen Z doesn't yet seem interested in vocational training, supported by applications declining by 49 percent from 2020 to 2022,<sup>16</sup> the cost to finish a training program at a vocational school is less than a third of a traditional four-year degree and vocational tuition has grown at half the rate of traditional college tuition.<sup>17</sup> And in a seemingly, counter intuitive fashion, the career path of someone who attends and graduates from a vocational training school is likely to be more independent, self-funding and ultimately entrepreneurial in nature, making it a less desirable version of the influencer/entrepreneur path that Gen Z is looking for.

Similarly, more workers are finding that certifications of skill training are sufficient to get a job. These certificates prove that workers have the skills needed for technical jobs in high demand, such as computer coding, without the need for a bachelor's degree.

Half of all undergraduate students are enrolled in a certificate or associates degree program, and 94 percent of certificates are awarded in career-related fields.<sup>18</sup>

## 5. Employers Are Waiving the Four-year Education Requirement

A recent study by Harvard Business Review and a leading education data company reviewed 51 million job postings from 2017 to 2020 and found that a growing number of companies are dropping the bachelor's degree requirement for both middle-skill and high-skill roles.

In 2017, 51 percent of job postings required the degree, but in 2021, only 44 percent did.<sup>19</sup> This analysis also showed that by waiving the education requirement, 1.4 million more jobs would be available to workers without college degrees over the next five years.

That trend is showing up among America's biggest employers. At Accenture, for example, the share of postings requiring a bachelor's degree or higher fell from 54 percent in 2017 to 43 percent in 2021.<sup>20</sup>

Among the well-known companies following suit are Bank of America, AT&T, Hilton Hotels, Ernst & Young, Tesla, Oracle and many others.

Even government employers, who face an even bigger worker shortage than private companies, are waiving the educational requirement. Pennsylvania Gov. Josh Shapiro ordered the removal of the four-year degree requirement for 92 percent of state jobs.<sup>21</sup>

With so many new opportunities to find work without the traditional degree, more workers who have the skills but not the required degree can now find gainful employment.

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14. <https://www.yahoo.com/lifestyle/vocational-education-training-market-projected-143000455.html>

15. <https://www.statista.com/statistics/236360/undergraduate-enrollment-in-us-by-gender/>

16. NPR

17. U.S. News & World Report

18. <https://cew.georgetown.edu/cew-reports/subba/>

19. Harvard Business School

20. Yahoo

21. <https://www.usnews.com/news/the-report/articles/2023-02-03/ditch-the-degree-many-employers-are-just-fine-with-that>

## ROI: Is the Traditional Four-year Degree Worth the Cost?

With these trends in mind, is a bachelor's degree the sure path to success in today's economy? Parents and students should carefully crunch the numbers and take a nuanced and critical look at the intended career objectives.

For example, though people with bachelor's degrees earn 67 percent more than workers with only a high school diploma, the average conceals variation among various fields of work and disciplines, according to a study by FREOPP.org, a think tank focused on encouraging economic opportunity.<sup>22</sup> From their report:

“Some bachelor's degree programs vault their graduates into jobs that pay two or three times as much as a high school graduate earns. But other programs leave their students with incomes barely above high school level. Once again, the most pertinent question isn't “does college pay?” but “when does college pay?”

To illustrate this, the report compares the median salary of a 35-year-old graduate in finance from the University of Pennsylvania — one of “the most lucrative programs anywhere” for finance majors — who makes \$288,000 to a someone with a degree in film and photographic arts at the same school, who should expect to make \$45,000 at the same age.

Predictably, graduates in business, engineering, computer science and healthcare make more than those in the humanities. The report from Intelligent indicated that 38 percent of business and science, technology, engineering and medical (STEM) majors make \$90,000 or more annually, while only 17 percent of graduates in the social sciences, communications and education break that threshold.

### Average Salaries by Discipline / Bachelor's Degrees

Broad Category	2022 Salary Projection	2021 Salary Projection	% Change
Computer Sciences	\$75,900	\$72,173	5.2%
Engineering	\$73,922	\$71,088	4.0%
Math & Sciences	\$66,760	\$63,316	5.4%
Social Sciences	\$61,173	\$59,919	2.1%
Business	\$60,695	\$58,869	3.1%
Agriculture & Natural Resources	\$57,807	\$54,857	5.4%
Communications	\$55,455	\$58,174	-4.7%
Humanities	\$50,681	\$59,500	-14.8%

Source: NACE Salary Survey – Winter 2022 | National Association of Colleges and Employers

Furthermore, one in seven college graduates makes \$15,000 or less, considered the poverty threshold, and nearly half report living paycheck to paycheck and are concerned about paying bills.<sup>23</sup>

22. <https://freopp.org/is-college-worth-it-a-comprehensive-return-on-investment-analysis-1b2ad17f84c8>

23. <https://www.intelligent.com/1-in-7-college-grads-earn-less-than-the-poverty-threshold/>



## The Way Ahead Will Require Discourse and Innovation

Parents and students must take a hard look at potential career paths and consider the ROI of a chosen discipline, especially in light of the varied salaries, ballooning cost of college, additional options to traditional bachelor's degrees and the connected economy that allows content creators to earn an income.

It's important for them to understand how the educational sector arrived at this current point. Broadly speaking, the solution isn't only to make higher education more affordable, but to maintain a multi-pronged approach to improve the system and its impacts on educators, employers, students and institutions.

Thinking through what alternatives to a four-year degree mean on a large scale would imply re-examining some of the government led programs that are currently making it far too easy for education institutions to charge ever increasing tuitions.

Enhancing early childhood development efforts, as well as K-12 education, would likely have a significant positive affect on creating a sustainable balance that would allow people to forego higher education without giving up on the American Dream.

Ultimately, any solution must begin with active and frank discussion about education and encourage market innovation in order to create real answers to these substantial challenges in higher education.

### Author:



#### Vadim Tsysin

Managing Director,  
Education Sector Lead

+1 847 287 8690  
[vtsysin@alvarezandmarsal.com](mailto:vtsysin@alvarezandmarsal.com)

Vadim Tsysin is a Managing Director with Alvarez & Marsal Private Equity Performance Improvement Group in Chicago. He is the Education Lead and specializes in performance improvement, carve-out and TSA advisory and operational due diligence, as well as overall M&A and capital markets advisory. With over 20 years of experience, Mr. Tsysin has executed 100+ transactions ranging from \$1.2 million to \$16 billion. He has substantial cross-border deal experience, having executed deals in Brazil, Mexico, Russia, the U.K. and Australia.

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