

Are university degrees still worth it?

Summer is nearing a close and millions of people preparing to go to university have one question in mind: is a degree still worth it?



Google, Apple and dozens of other companies recently reported they no longer require their employees to hold a [degree](#) and economists are predicting an ever-improving prospect for workers without a formal university [certificate](#). The importance of hands on experience and other forms of vocational training are increasingly being considered in addition to formal education. And those organisations who still like candidates to have a degree may be starting to hire from a broad range of [subjects](#).

So with summer coming to a close and many students in the northern hemisphere preparing for university, it's an interesting time to ask what degrees are most useful for, and whether they are still worth, not only the monetary cost, but also the time and effort.

Higher wages

In 2013, British research suggested that, for the average student, a university education was still worth the investment, if the benefit was considered to be higher lifetime wages. [Ian Walker](#) at Warwick University estimated that men with degrees earn, on average, 23% more than men with just two A-levels. Equivalent to an extra £168,000 over a lifetime. For women, the payoff was calculated to be even greater. They earned an average of 31% more than women with A-levels, equivalent to a quarter of a million pounds over a lifetime.

Surprisingly, this payoff hasn't changed much, despite a massive increase in the number of graduates since the early '90s. The percentage of the population which has a degree has been growing for some time, up from [2%](#) in 1945 to just over [43%](#) in England in 2017. [Economists](#) at the Institute for Fiscal Studies in 2016 said that the graduate pay premium has stayed essentially unchanged since the early '90s.

Subject choice

Taking a more global view however, a recent [OECD study](#) demonstrated that it's not only whether you have a degree, but the subjects you study which influence later earnings.

And this speaks to the experience of learning as an important part of the university experience, in addition to the job and wages found on completion. Business, administration and law are most popular subjects across the 16 OECD countries but fewer than 5% of students choose to study the subjects that are statistically linked to a higher probability of finding a job; information and communication technologies.

Clever signalling

Having the opportunity to learn and explore new ideas is a fantastic privilege and of course the prospect of higher wages helps, but some graduates also see their degree as a leveraging tool. While graduates may start off in an entry level role, the qualification can come in handy later in their career. For example, there may be a [ceiling](#) at a certain stage that you can only pass through with an extra level of education.

Putting in the hard work at university is also a great way to send a message of commitment and intent to future employers, though [signalling effects](#) aren't always positive. People who do an arts subject, for example, could send a message that they prefer to pursue their own interests. Of course, dropping out could signal an inability to stick at a task.

Worth remembering

People who get degrees are generally considered clever and hard-working. We would therefore expect them to earn good money even if they didn't have a degree. The raw wage gap between graduates and non-graduates therefore overstates the true extent to which going to university increases your future earnings. Research by Nobel laureate [James Heckman](#) shows that by controlling for differences in ability – the benefits of a degree are reduced by half.

The bigger picture

Still, a degree is rarely enough on its own to help someone jump into a well-paid and interesting position. [Experience](#) and personal qualities also play a role. There are also many other factors to consider within the job market such as national minimum wages, union power, division of jobs between the public and private sectors, or job shortages in specific areas just to name a few.

Lessons learnt

So, what does all this mean for people starting university? We can't say for sure exactly what the link is between university and better jobs. It may be the skills learnt, the signals we send, the additional work experience picked up along the way or something else. But until we know for sure, this is an expensive investment, for both students and government. Going to university doesn't

guarantee success in life, but may improve your chances.