

POLICY FOCUS

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Fighting Degree Inflation

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HIGHLIGHT

For decades, the four-year degree was considered the best pathway to the middle class. Today, workers and employers increasingly recognize that not possessing a college degree can be a barrier to opportunity for many workers. A degree also fails to be a reliable signal of job readiness or to serve as a proxy for a desired skillset. The private and public sectors are fighting back against “degree inflation” to expand employment opportunities to more Americans.

INTRODUCTION

The U.S. economy has been bleeding workers for decades. However, the Great Recession from 2008 to 2010 and the coronavirus pandemic in 2020 led to fundamental labor force shifts that have worked both against and for workers without a college education.

Currently, **70 million** workers do not possess a college degree. Over the past three decades, non-grads have largely lost ground in the labor force. The **unemployment rate** for those with less than a high school diploma is 5.8 percent and 3.6 percent of high school

graduates. Their **labor force participation rates** are just **48.3 percent** and **56 percent**, respectively. Comparatively, 3.2 percent of workers with some college or associate degree and just 2 percent of college graduates are **unemployed**. Their labor force participation rates are **63.6 percent** and a significant **72 percent**, respectively.

Meanwhile, the U.S. economy is suffering from a severe worker shortage. Currently, **5.9 million** people are unemployed despite there being **10.8 million** open positions. The national unemployment rate is 3.6 percent, and the labor force participation rate stands at **62.5 percent**, below pre-pandemic levels and pre-Great Recession levels.

Worker shortages predate the pandemic but have certainly worsened. They exist across nearly all industries, regardless of skill level. Occupations and industries requiring specialized skills and training are dealing with more severe labor shortages. An analysis from the U.S. Chamber of Commerce found that just **10 percent** of the unemployed population has experience in financial activities, information technology, and transportation industries, which often require specialized skills and training. According to the National Federation of Independent Business, nearly half (**47 percent**) of small business owners reported job openings they could not fill in January 2023. There were few or no qualified candidates for available positions.

Millions of non-college-educated people could be gainfully employed in upwardly mobile careers, but degree requirements stand in their way. Others could be trained to obtain desired skills without ever needing to step onto a college campus.

DEGREE INFLATION

The widespread proliferation of degree requirements for jobs over the past decade

is referred to as “degree inflation” or the “paper ceiling.” This phenomenon refers to when employers seek a bachelor’s degree as minimum education for positions that previously required less education. The actual skills and expectations of the job have not materially changed.

Degree requirements serve multiple purposes. They operate as a filter to reduce the pool of applicants for a position. Busy HR professionals with limited time rely on the degree as a shortcut to filter candidates for closer consideration. They also serve as a **proxy** for certain hard and soft skills such as critical thinking, teamwork, data interpretation and analysis, and communication through writing and as a screen for candidates.

Degree inflation is **concentrated** in millions of jobs that are between high-skilled professions that require a high level of education such as doctors and civil engineers and low-skilled positions that require no higher education including retail workers, cooks, and warehouse workers. Middle-skilled jobs typically require only a high school diploma (or some college) such as customer service representatives, trade workers (electricians, plumbers, and carpenters), drivers of delivery and construction vehicles, support specialists, supervisors, sales representatives, clerks, and administrative assistants.

History of Degree Inflation

Due to several forces going back to the 1980s, the workforce had been trending toward prioritizing soft skills such as handling interpersonal interactions, problem-solving, and teamwork. Globalization offshored low-skilled jobs at the same time that automation and technology replaced routine (or repetitive) and non-routine jobs demanding higher skills from workers. Over the past two decades, the percentage of non-degreed workers in so-called “gateway” jobs, or middle-

wage jobs that lead to higher-paying careers, shrank from **54 percent to 46 percent**, representing a loss of 7.4 million jobs. Workers needed different skills and more education for new jobs.

The rise in degree requirements picked up steam during the Great Recession from 2008 to 2010. Millions of jobs were lost, primarily among those without college degrees or education.

When job openings were scarce, degreed job applicants were willing to apply for positions for which they were overqualified. Think of the college-educated coffee shop barista. Employers took it as an opportunity to raise the education level for new positions to attract more educated workers regardless of whether the diploma met a specific job function. Of the nearly 12 million positions that were created from 2010 to 2016, **three out of four** required a bachelor's degree or higher.

Today, there is a severe shortage of middle-wage workers due to the degree gap. Only about a third of the adult population possesses a college degree, but millions of jobs require a college diploma. A Harvard Business School analysis of more than **26 million** job postings identified about 8 million jobs that varied in educational requirements from a bachelor's degree or higher to no college at all for the same positions suggesting that a degree is not necessary for the function of the job. They also found that more than 6 million jobs are currently at risk of degree inflation.

Research presented in a 2020 National Bureau of Economic Research working paper found that non-degree-holding individuals skilled through alternative routes (such as work experience, certifications, and training) comprise almost **70 million workers** in the

U.S. economy. This impacts their earnings potential and their ability to transition into higher-paying opportunities. Millions of people are stagnant in roles or excluded from middle-skill, middle-wage jobs that lead to middle-class lifestyles and upward mobility.

Also, consider the demographics of non-degreed individuals. Men, in particular, have suffered from the loss of middle-wage jobs due to degree inflation. The labor force participation of males without bachelor's degrees declined more dramatically than the decline for those with them.

Degree inflation also hurts populations with college graduation rates that lag behind the national average such as blacks and Hispanics aged 25 years and older.

Unfortunately, a bachelor's degree joins other forms of credentialing, such as occupational licenses, in creating a significant barrier to opportunity for people.

Employer Costs of Degree Inflation

A bachelor's degree has become a shortcut in the hiring process, but there are hidden costs to degree inflation. In an economy with millions of available positions, degree inflation makes middle-skill jobs more difficult to fill, and that can, in turn, lead to wage inflation as employers pay a premium to attract degree holders. Employers pay college graduates more (between **11 percent and 30 percent** more) for jobs that non-degree holders fill.

Worker reliability also suffers. College grads are perceived by employers as having a higher turnover rate than non-grads and a greater propensity to defect to competitors in search of higher pay or more work-life balance. Employers also say that degree holders are more likely to feel unengaged or underutilized compared with non-degree holders.

Ironically, despite paying them less, many employers **report** that “non-graduates with experience perform nearly or equally well on critical dimensions like time to reach full productivity, time to promotion, level of productivity, or amount of oversight required.”

DEGREE INFLATION RESET

During the lackluster job growth following the Great Recession, degree requirements remained high but eventually started to recede. Employers began to perceive that a college diploma did not guarantee higher productivity in middle-skilled jobs, relevant experience was more valuable, especially for hard-to-fill roles, and hidden costs were high. A reset began to occur in the mid to late 2010s that was accelerated by the onset of the COVID-19 pandemic and continues today.

In one large-scale analysis of over **50 million job postings**, researchers discovered that between 2017 and 2019, degree requirements declined overall in 63 percent of occupations, but more specifically in 46 percent of middle-skill and 31 percent of high-skill occupations. These occupations featured significant technical or analytical requirements. Finance, business management, engineering, and health occupations experienced the most significant declines. Researchers consider this a structural reset reflecting that over time employers had rethought job requirements and decided that a degree was unnecessary. Structural resets are considered permanent.

The onset of the COVID-19 pandemic led to massive unemployment as government mandates forced the closures of millions of workplaces. The pandemic also shifted employment demand to areas such as healthcare, online retail, and warehousing. According to the same analysis, in 2020 employers suspended degree requirements in 27 percent of occupations. This reset is a

cyclical reset marked by its direct response to the Covid-19 pandemic and job market crisis. Unlike the structural reset, the pandemic’s cyclical degree reset could be reversed. Time will tell.

Pandemic-induced degree requirement removals were most pronounced among middle- and high-skill occupations, particularly in the healthcare sector. Many health roles require occupation-specific credentials such as licenses and certifications, so a degree requirement could more easily be eliminated without sacrificing competence. Positions requiring a degree dropped from more than a third (35 percent) in 2019 to less than a quarter (23 percent) in 2020. For example, job postings for Registered Nurses in 2020 requiring a degree declined by 5 percentage points, from 38 percent to 33 percent compared to 2019. Even among other credentials, such as occupational licensing, the pandemic spurred states to **temporarily suspend or remove** requirements. Whether cyclical or structural, the momentum is now behind degree deflation. If trends continue, a projected additional **1.4 million jobs** could become available to non-degree workers over the next five years.

Eliminating degree requirements pushes employers to take a skills-based approach. They must seek out applicants with specific skills such as hard (technical) and soft (social) skills for the jobs they seek to fill. Increasingly, soft skills—ranging from written and oral communication to commitment, self-discipline, and collaboration—have emerged as the most coveted skills. The complexity of work does not change.

PUBLIC AND PRIVATE SECTOR EFFORTS

In the private sector, a growing number of companies, such as IBM, Google, Accenture,

and LinkedIn, have abandoned college degree requirements in pursuit of a skills-based approach. Common industries that are banning the degree box include technology, healthcare, banking, and financial services.

Increasingly, the public sector has recognized that like occupational licenses, degree requirements can also be a barrier to opportunity and has begun to eliminate them. As with occupational licensing, fighting degree inflation enjoys bipartisan support.

In June 2020, President Donald Trump issued [Executive Order 13932](#) to reform civil service employment to replace degree-based hiring with skills- and competency-based hiring approaches. This effort was viewed as a merit-based reform to end the exclusion of qualified candidates and the “unnecessary obstacles to opportunity” that “disproportionately burden low-income Americans and decrease economic mobility.”

At the state level, several states have eliminated degree requirements for state jobs. In 2022, under former Republican Governor Larry Hogan, [Maryland](#) became the first state to remove college-degree requirements from tens of thousands of state positions. Both [Utah](#), led by Republican Governor Spencer Cox, and [Pennsylvania](#), led by Democratic Governor Josh Shapiro, implemented similar initiatives.

WHAT EMPLOYERS CAN DO TO FIGHT DEGREE INFLATION

Abandoning degree requirements will require more work on the part of recruiters and employers, but the benefits of hiring better candidates are critical. Here are several steps employers can take:

- **Audit the hiring process.** Evaluate all positions to determine if a degree requirement is warranted, review

job descriptions to better signal to applicants key competencies, right-size roles based on competency instead of credentials, and reevaluate processes for how candidates are found and vetted including recalibrating search and screening tools so that they no longer filter out non-degreed candidates.

- **Look for talent in non-traditional places.** By taking a skills-based approach employers can identify applicants from other industries with desired skills or training. Partnering with community-based organizations that develop talent can help identify and train young or marginalized people from the local community who need opportunity.
- **Groom talent.** Some [companies](#) create their own internal educational programs to develop the skills needed for positions. For example, John Deere launched a two-year associate's degree program with hands-on experience to build the skills that can land a job with a company dealership. CVS combined pre-employment and in-house training to develop the skills of employees irrespective of their educational attainment. They developed a curriculum for each role. Also, by charting career paths within companies, employers like Chipotle have found success in hiring and retaining non-grads.

Residual effects of the pandemic, automation and artificial intelligence, offshoring of jobs, and retiring Baby Boomers will only worsen the mismatch of available jobs and workers. However, combatting degree inflation can reverse shrinking labor force participation, boost productivity in the public and private sectors, and expand middle-class opportunities to people who are excluded from pathways to upward mobility.

WHAT YOU CAN DO

Get Informed

Learn more about the degree requirements policy. Check out:

- [The Burning Glass Institute](#)
- [Opportunity@Work](#)
- [Harvard Business School](#)

Talk to Your Friends

Help your friends and family understand these important issues. Share this information, tell them about what's going on and encourage them to join you in getting involved.

Become a Leader in the Community

Start an Independent Women's Network chapter group so you can get together with friends each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

Remain Engaged Politically

Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

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