

While Graduate Degrees Yield the Highest Median Earnings of All Educational Credentials, Costs Have Tripled Since 2000, Georgetown University Report Says

Stronger regulations and greater transparency would minimize the financial risks associated with Grad PLUS loans.

(Washington, D.C., Sept. 25, 2024) Higher earnings, lower unemployment rates, career advancement, and a genuine curiosity for learning all drive interest in graduate education, but high costs and rising student debt levels undermine the perceived value of graduate degrees. Without clear information about degree programs' debt and earnings outcomes, prospective students are unable to make informed choices about their graduate education and future careers, and policymakers are unable to hold graduate programs accountable for leaving program completers in precarious financial positions.

Graduate Degrees: Risky and Unequal Paths to the Top examines median earnings, costs, and debt across different types of graduate degrees in different fields of study, along with equity gaps in graduate degree attainment and earnings outcomes by race/ethnicity and gender. The report, supported by Arnold Ventures, also proposes improvements to transparency and accountability in graduate education through a new regulatory framework for Grad PLUS loan eligibility. This framework builds upon the US Department of Education's 2023 Gainful Employment (GE) and Financial Value Transparency (FVT) Regulations.

Graduate students have two federal loan financing options: Direct Unsubsidized Stafford loans and Grad PLUS loans. While Stafford loans currently make up a larger portion of total graduate student loan disbursements (68%) compared to Grad PLUS loans (32%), the latter have a greater potential to exacerbate the ongoing student debt crisis. Grad PLUS loans broaden access to graduate education and provide financing options with more protections than the private loan market. But unlike Stafford loans that have aggregate limits, Grad PLUS loans are limited only by the cost of attendance.

"Due to scientific and technological advancements, the economy of the future will increasingly require professionals with advanced degrees, but graduate costs have increased 233% since 2000. The current trajectories of cost and debt put graduate education out of reach for too many students," said CEW Director and report co-author Jeff Strohl. "Grad PLUS loans are an important resource for many graduate students who may not otherwise have access to private lending. But they can also be a source of excessive debt—limited only by the cost of attendance, which universities have few incentives to rein in."

To better regulate federal graduate student loans, CEW researchers propose that graduate programs—including master's, professional, and doctoral degrees—undergo both an in-field earnings premium test and a debt-to-earnings test. For a program to pass the in-field earnings premium test, its graduates would need median earnings that exceed the median earnings of young workers with a bachelor's degree in the same broad field of study and state. For a program to pass the debt-to-earnings test, its graduates' median federal loan payments would need to be less than 10% of their median discretionary earnings.

Under CEW researchers' proposed regulatory framework, all programs would be required to notify potential students of their performance on these tests, and if a program fails either test for two out of three consecutive academic years, its students would lose eligibility for Grad PLUS loans. To further improve transparency, CEW researchers recommend that the Department of Education consider instituting a pass/fail approach using our proposed in-field earnings premium and debt-to-earnings tests for smaller graduate programs for which earnings and debt data are currently unavailable due to student privacy concerns.

“Some critics call for ending the Grad PLUS program altogether, but this would be akin to using a hatchet when a scalpel is a more appropriate tool,” said Artem Gulish, lead author of the report and senior federal policy advisor at CEW. “Our approach would ensure that valuable programs can continue to operate, while putting the brakes on runaway costs and borrowing.”

CEW's evaluation of programs with available data in the College Scorecard reveals that 14% of master's degree programs and 4% of professional degree programs would fail the proposed in-field earnings premium test. Among graduate programs with available data, 41% of master's degrees and 67% of professional degree programs would fail the proposed debt-to-earnings test. The fields of study with the largest numbers of programs that would fail the proposed tests include social work, teacher education, psychology, counseling, music, religious and theological studies, law, and some allied health professions.

“Some of the worst-performing programs fall under the broad field of education and public service—representing professions that are critical to a well-functioning society. Social work, student counseling and personnel services, and teacher education and professional development have high numbers of master's programs that would fail our proposed debt-to-earnings test,” said Catherine Morris, report co-author and senior editor/writer at CEW. “We recommend that federal and state governments fund targeted grant programs to support graduate education in fields leading to work in these critical yet often underpaid professions.”

In some cases, graduate education worsens existing earnings disparities. Median earnings among Black/African American and Hispanic/Latino workers with graduate degrees are \$16,000 below the median among all workers with graduate degrees. And while women are more likely to attain graduate degrees than men, the gender wage gap is larger among graduate degree holders than among workers with lower levels of educational attainment. Occupational segregation and in-field earnings disparities both contribute to greater earnings inequality.

“Students and taxpayers invest staggering amounts of money in higher education, raising important questions about program value,” said Kelly McManus, Arnold Ventures' vice president of higher education. “Arnold Ventures is proud to support CEW's important research into these issues and the identified reforms that can preserve access and prevent families from having to take on unmanageable debt.”

To view the full report and a searchable online data tool on graduate degree outcomes, visit:

<https://cew.georgetown.edu/graduatedegrees>.

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