



â??Misallocatedâ?? Higher Education Spending

Description

As part of an investigation into the world of work and the promise shown by digital platforms in connecting talent with suitable employment, a new [report](#) from **McKinsey** has uncovered some worrying statistics relating to higher education.

â??A labor market that works: Connecting talent with opportunity in the digital ageâ?? focuses on the value of online talent platforms, arguing that sites such as LinkedIn and *Monster.com* could be worth US\$2.7 trillion, or 2% of global GDP, by 2025 for their ability to inject momentum into international labour markets.

Part of this growing contribution will come, the **McKinsey Global Institute** says, from providing employers with better matches for their vacancies and, by the same token, better job opportunities for individuals to test and develop their skillsets.

Report finds â??cracksâ?? in assumptions over higher education

But, itâ??s on this note that the report delves into the higher education experience to find that there may be â??cracksâ?• appearing in the â??long-held assumptionâ?• that a college or university education is the best way to boost your earning potential.

The premise of McKinseyâ??s argument is that not all graduates enjoy an advantage over their degree-less peers in the job market. In the US, this number may be over 25% – the proportion of workers holding bachelorâ??s or advanced degrees found to earn less than the median annual wage for two-year associate degree holders (those who leave college without majoring, namely after two years of the four years it would take to receive a full bachelorâ??s level qualification).

Money is one thing, but using the skills acquired during a degree is another. Yet, the report cites the UK's **Office of National Statistics**'s 2013 [estimate](#) that almost half (47%) of recent graduates were in jobs that did not require a university education.

In fact, by comparing annual spending (both public and private) on higher education in seven key countries (the US, the UK, Germany, Japan, India, Brazil, and China) against unemployment and underemployment among degree holders, the report concludes that as much as US\$89 billion of annual spending from a total of US\$625 billion at undergraduate level is currently being *misallocated*.

Does *misallocated* spending signal misinformation?

McKinsey knows there's a whole lot more to the higher education experience than its resultant effect on the jobs and salaries of graduates. Its *misallocation* estimate, however, is meant to flag up the potential cost of students making poor choices in the education market – either through erroneous judgment or lack of information on the prospects of studying a particular subject, or at a particular institution.

This problem, of course, will be felt more acutely in countries – like the US and the UK – in which levels of student debt are rising and it's no surprise to learn that students are already becoming [more fixated on career outcomes](#) than they once were.

So, what does all this have to do with online talent platforms? Well, according to the McKinsey report, they can help prospective students to make more informed decisions about their choice of program or institution. This is because they provide an accessible way for individuals to keep tabs on the skills and qualifications employers really want, as well as the kinds of job titles and salaries associated with graduates of a particular degree or institution.

Indeed, McKinsey's report goes as far as to suggest that having this information in the public domain could, in time, spur calls for new standards of accountability from higher education providers – something that could ensure their offerings have clearly defined aims and outcomes that remove the possibility of being accused of being a source of *misallocated* spending.

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