

# Policy, Legal, and Regulatory Factors Contributing to **Degree Inflation** in Organizations

SHRM Research Institute



Supported by: **Stand Together Trust**

The background of the slide features a repeating pattern of white graduation caps (mortarboards) with black tassels, arranged in a staggered grid. The caps are rendered in a light, semi-transparent style, creating a subtle texture across the entire page.

## **degree inflation**

the rising demand for a four-year college degree for jobs that previously did not require one

# Key Findings

- **The reasons why organizations implement degree requirements are wide and varied.**

In addition to federal, state, or local regulations that require degrees, many organizations implement degree requirements to find the best talent (32%) or because competitor organizations are doing it (22%).

For example, organizations in Government & Education and Healthcare & Social Assistance are more likely to be bound by federal, state, or local regulations that rely on degrees. Organizations in the Professional, Scientific, and Technical Services industry may be bound by customer or client preferences for degrees.

- **Contributors to degree inflation are intertwined and complex.**

As one participant aptly put it: “[You] need to be licensed to bill, [you] need a degree to be licensed, you know where this is going.”

- **Many HR professionals think at least some jobs at their organization could have degree requirements removed with little to no impact.**

On average, HR professionals say 25% (median: 20%) of jobs that require college degrees at their organization could eliminate this requirement with little to no impact. However, this percentage drops when asked about jobs that require a certification or occupational license with a degree pre-requisite.

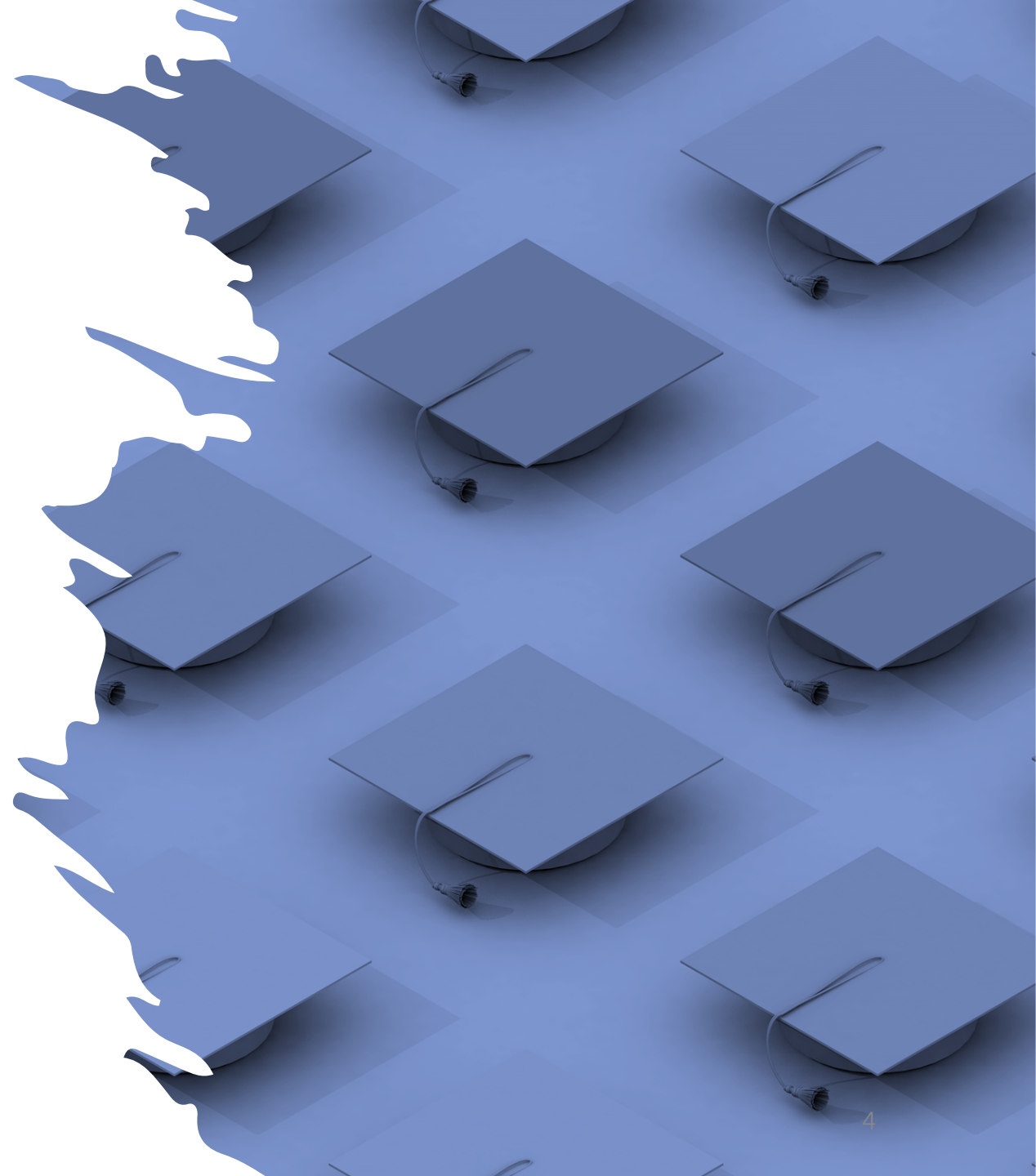
- **HR professionals give mixed reviews on whether degree requirements are a help or a hindrance.**

Around a third of HR professionals believe eliminating college degree requirements for certain positions would hinder their organization’s productivity and performance. However, around half believe eliminating these requirements would help their organization’s ability to find qualified talent and recruit more diverse talent.

- **Few HR professionals currently recognize degree inflation as a major problem.**

Most of the HR professionals surveyed say degree inflation has either not been a problem (60%) or has only been a small problem (23%) for their organization’s ability to operate as a talent sourcing function.

# Degree Inflation: **Setting the Stage**



# Most organizations use college degree requirements to screen at least some job candidates, among other criteria.

## Criteria organizations use to screen job candidates



**85%**

A high school diploma or GED requirement

*More common in Government & Education (94%) and Healthcare & Social Assistance (91%)*



**78%**

A college degree requirement

*More common in Government & Education (92%) and Healthcare & Social Assistance (91%)*



**63%**

A non-degree credential requirement

*More common in Government & Education (76%) and Healthcare & Social Assistance (75%)*



**60%**

A licensure requirement

*More common in Government & Education (83%) and Healthcare & Social Assistance (85%)*



**32%**

Pre-employment assessment scores

*More common in Manufacturing (43%)*

# Why do organizations use college degree requirements to screen candidate?

- 1** We've determined that a degree is necessary to perform the job **(57%)**
- 2** There are federal, state, or local regulations that require us to use degree requirements for certain positions **(36%)**  
*More common in Government & Education (58%) and Healthcare & Social Assistance (68%)*
- 3** These degree requirements help us find the best talent **(32%)**  
*More common in Construction (48%) and Finance, Insurance, & Real Estate (45%)*
- 4** Competing or similar organizations use a degree requirement to screen candidates **(22%)**  
*More common in Finance, Insurance, & Real Estate (36%) and Government & Education (28%)*

## Other reasons:

- Customers or clients *require* that certain employees hold a college degree **(18%)**  
*More common in Professional, Scientific, & Technical Services (42%)*
- We require degrees for some positions to reduce safety and security concerns **(17%)**  
*More common in Construction (28%) and Manufacturing (25%)*
- Customers or clients *prefer* to work with employees who hold a college degree **(13%)**  
*More common in Professional, Scientific, & Technical Services (31%)*
- Degree requirements save us money in the long run (e.g., on training) **(12%)**
- Degree requirements help us find talent more quickly **(11%)**  
*More common in Professional, Scientific, & Technical Services (17%)*

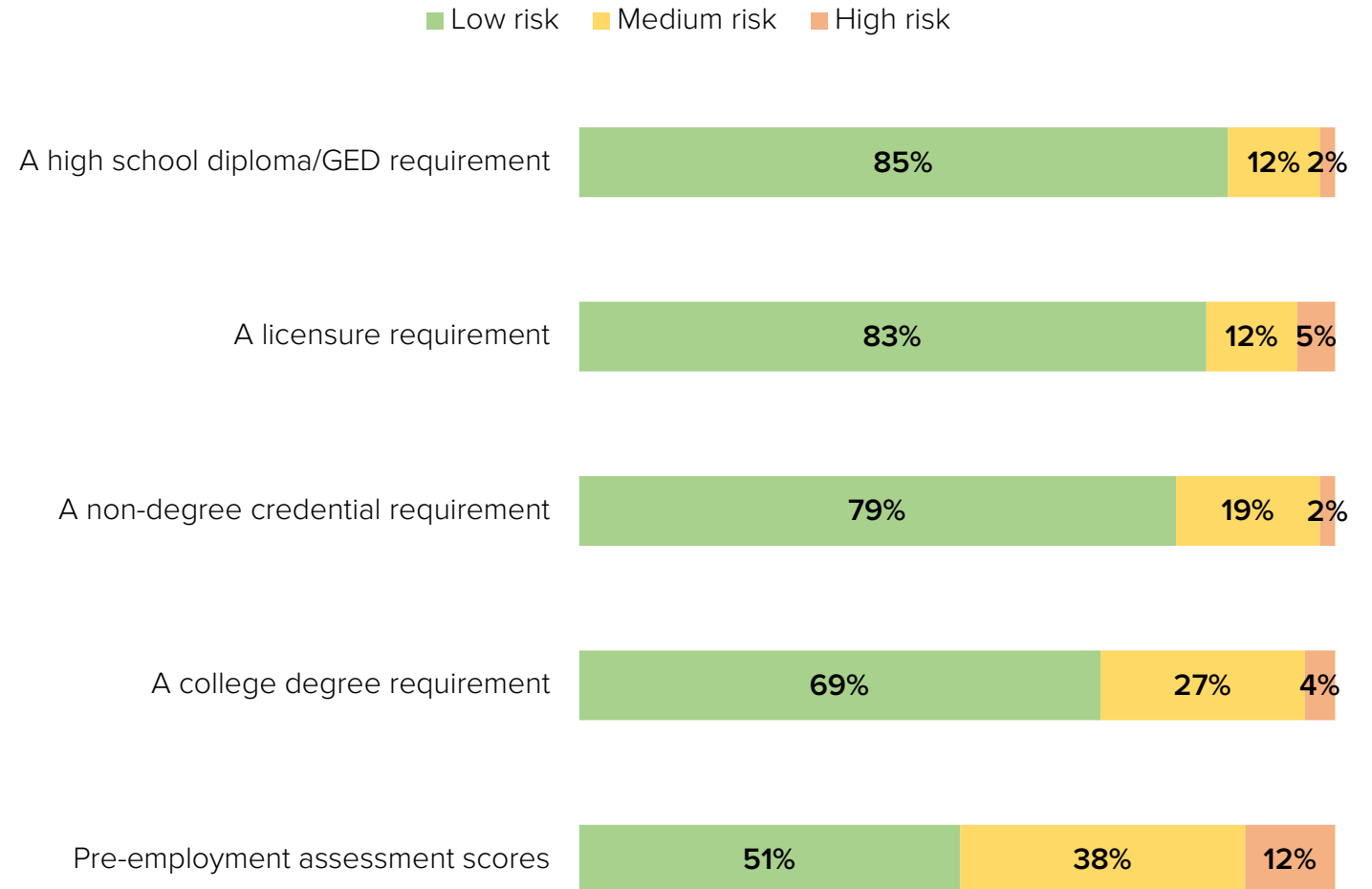
## Reasons why organizations don't use the following criteria to screen job candidates:

Reason	A college degree requirement	A high school diploma/GED requirement	A non-degree credential requirement	A licensure requirement	Pre-employment assessment scores
We don't believe this screening method would improve our ability to find quality talent	40%	39%	25%	14%	35%
This screening method isn't applicable to our workforce	28%	33%	38%	58%	26%
Concerns this screening method would exacerbate talent shortages our organization is experiencing	24%	13%	14%	10%	20%
Concerns this screening method would increase our time to fill	12%	7%	10%	8%	18%
Concerns about potential legal risks associated with this screening method	5%	6%	3%	2%	22%
Concerns this screening method wouldn't meet the requirements of our clients or customers	5%	3%	4%	1%	4%
None of the above	13%	18%	22%	18%	16%

**Nearly 1 in 3 HR professionals say screening on college degrees can be risky.**

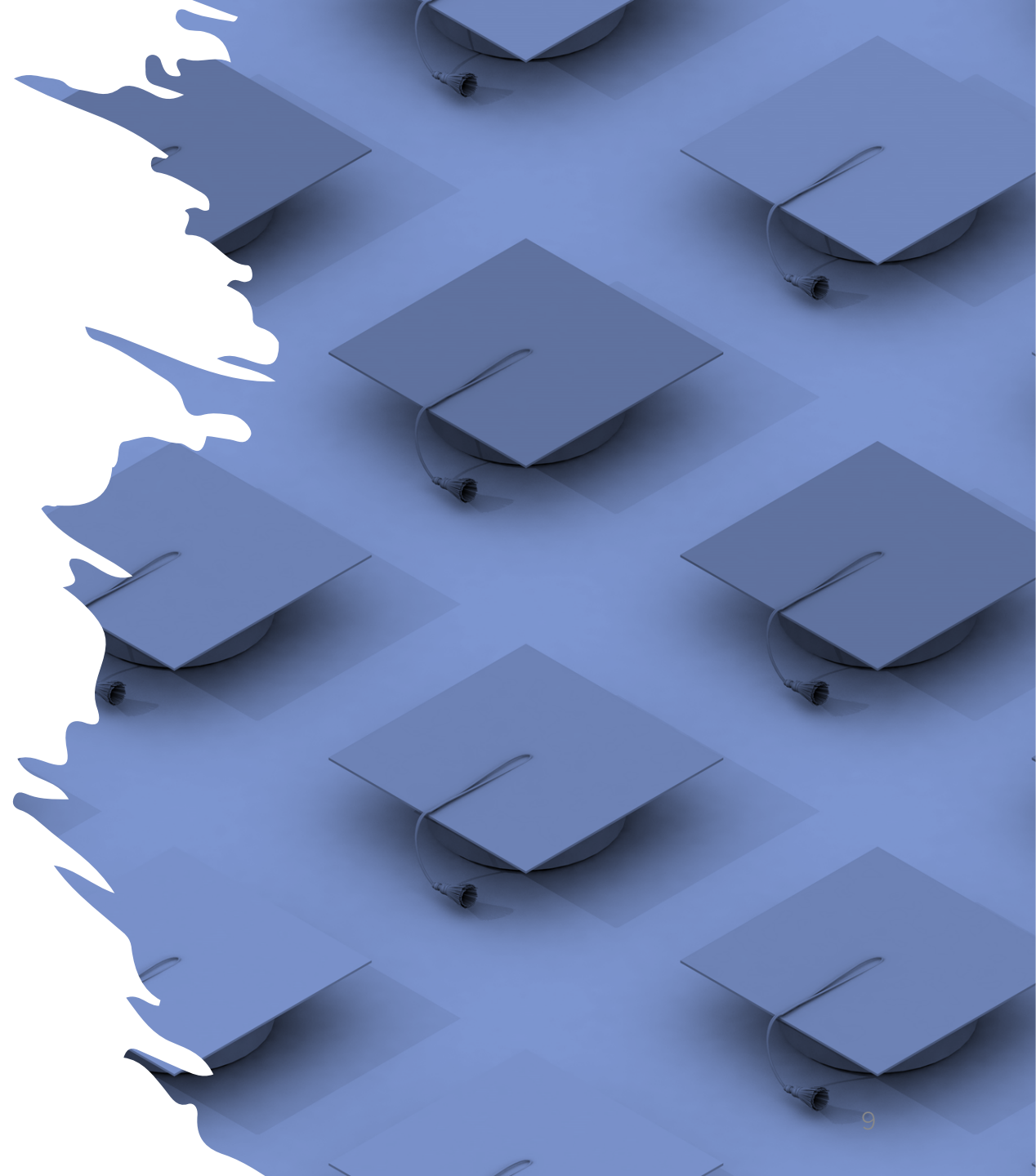
**However, more (50%) see risk in screening on pre-employment assessment scores, a commonly touted alternative to degrees.**

**How much potential legal risk (e.g., risk of discrimination, bias, or disparate impact) would you say there is to your organization using the following criteria to screen job candidates?**





# Degree Inflation: **Perceptions & Internal Practices**

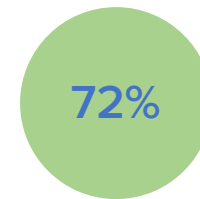


# Many HR professionals think at least some jobs at their organization could have the degree requirements removed with minimal impact.

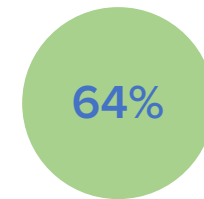
On average, HR professionals say **25%** (median: **20%**) of jobs that require college degrees at their organization could eliminate this requirement with little to no impact.

Nearly **1 in 5 (18%)** say none of the jobs requiring college degrees at their organization could have this requirement removed with only minimal impact.

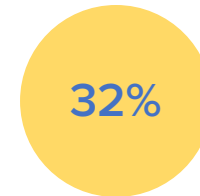
## Types of jobs HR professionals say could have the degree requirement removed with little to no impact



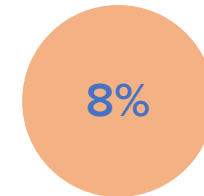
Entry-level positions



Mid-level (non-managerial) positions



Mid-level (managerial) positions



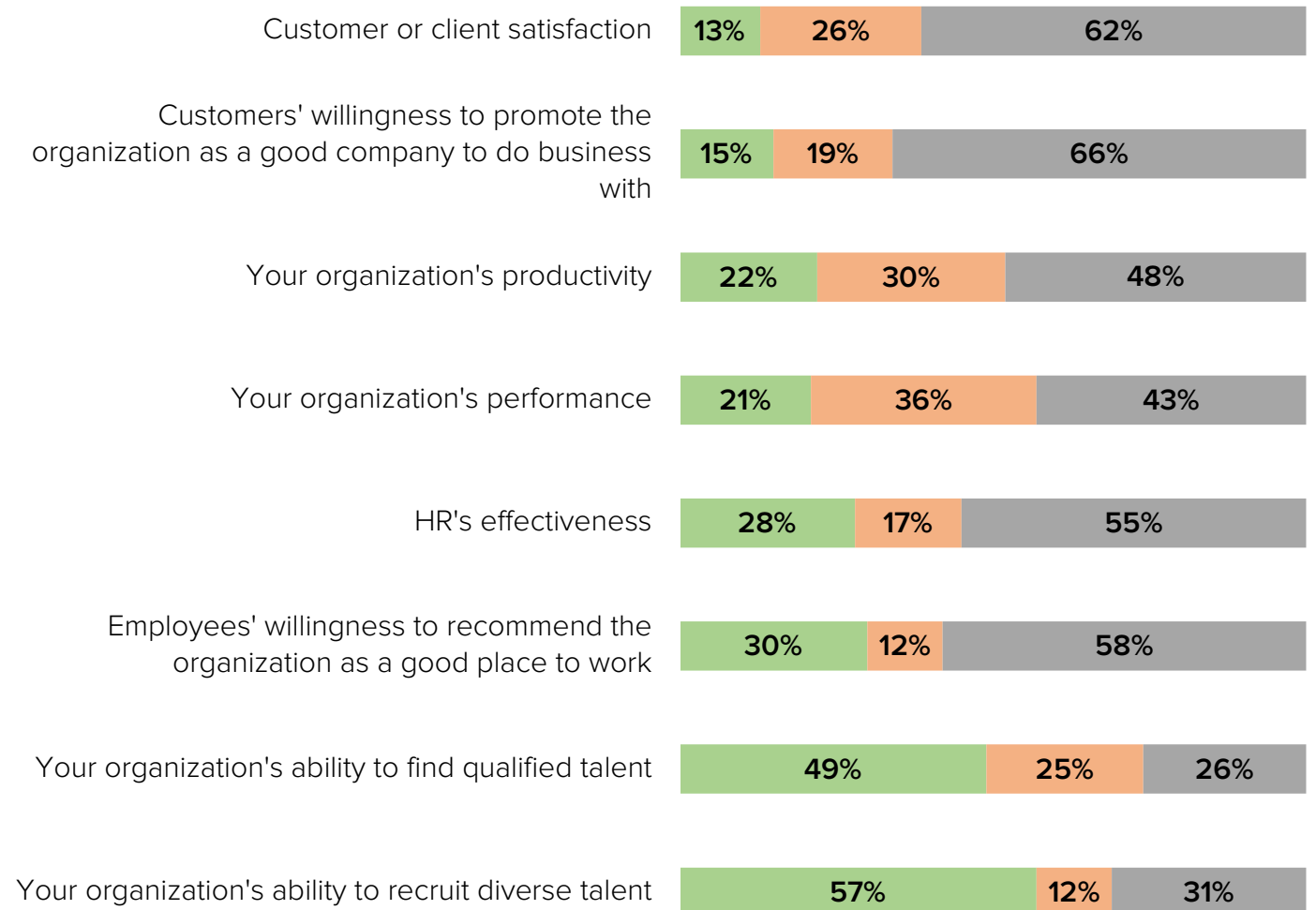
Senior / executive-level positions

Assuming that there were no legal barriers to consider, would eliminating college degree requirements for certain positions at your organization help or hinder the following?

■ Help ■ Hinder ■ No Impact

Around a third of HR professionals believe eliminating college degree requirements for certain positions would **hinder** their organization's productivity and performance.

However, around half believe eliminating these requirements would **help** their organization's ability to find qualified talent and recruit more diverse talent.



# Degree requirements receive mixed oversight.

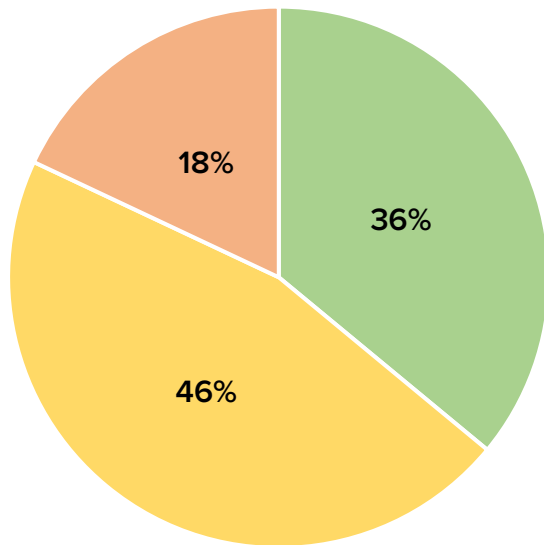
Nearly 2 in 3 HR professionals believe they should be the ones most responsible for setting degree policies. However, less than half say this happens in practice.

	Group currently most responsible for setting organizations' degree-related policies	Group HR thinks <u>should</u> be most responsible for setting these policies
<b>HR</b>	47%	63%
<b>Hiring Managers</b>	25% <i>More common in Manufacturing (36%)</i>	26%
<b>Executives</b>	28% <i>More common in Professional, Scientific, &amp; Technical Services (37%) and organizations with fewer than 100 employees (43%)</i>	11%

Fewer than 2 in 5 HR professionals say their organization *often* reviews the degree requirements outlined in their job descriptions.

How often does your organization review the degree requirements outlined in job descriptions to determine if those requirements are still appropriate for the role?

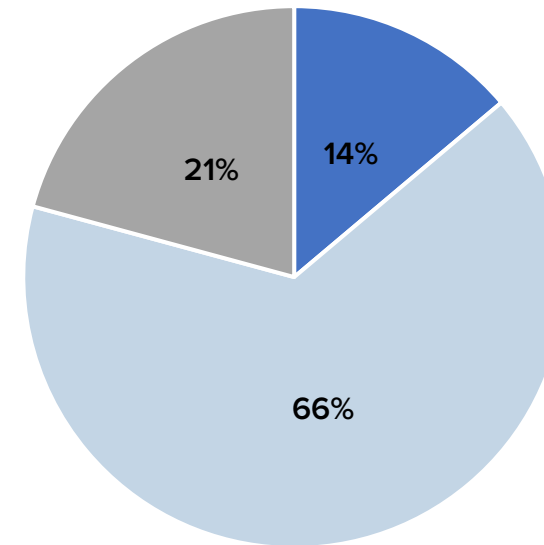
■ Often ■ Sometimes ■ Never or Rarely



It's uncommon for organizations to require their vendors or partners to hire staff with college degrees.

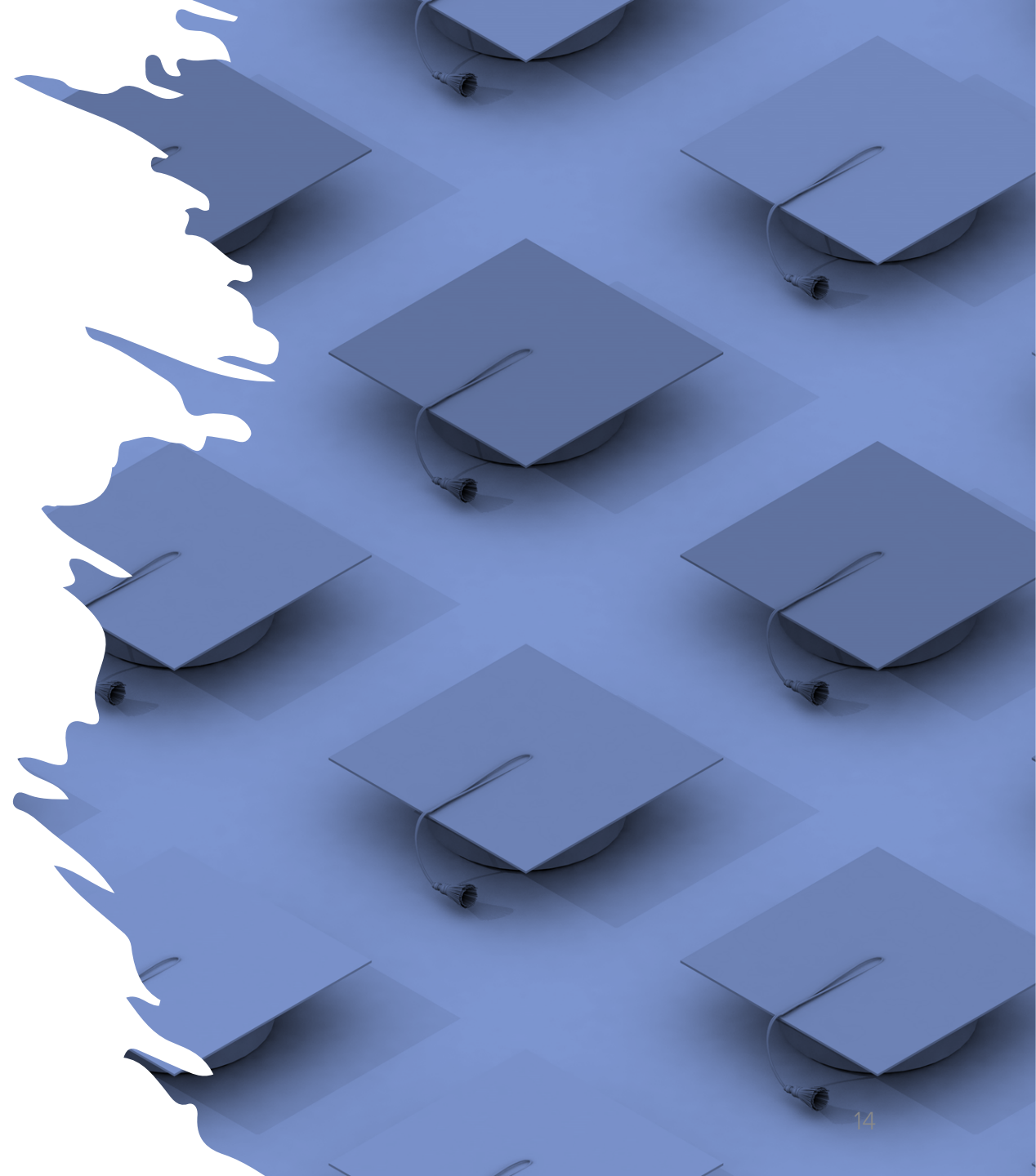
Does your organization require any of your vendors or partners to hire staff with college degrees for certain positions?

■ Yes ■ No ■ Unsure



*This practice is more common in Healthcare & Social Assistance (23%)*

# Degree Inflation: **Government Contracts**



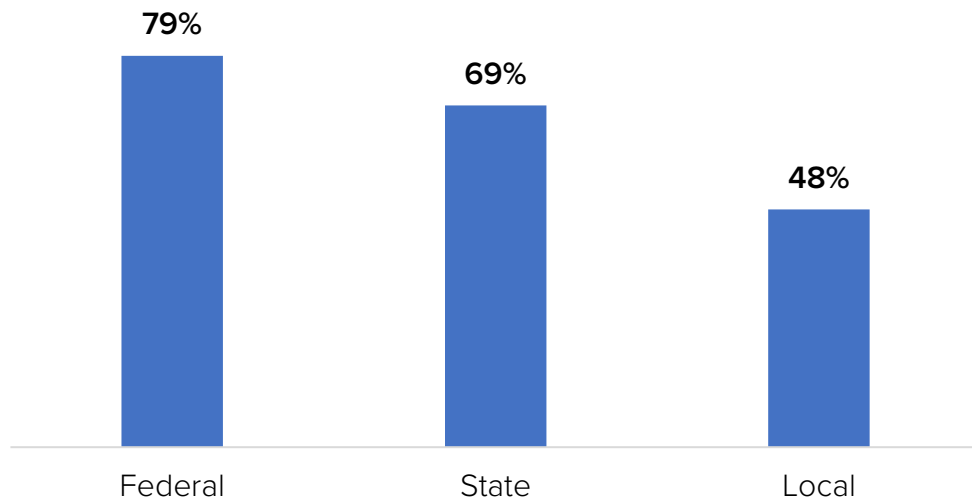
# Among HR professionals whose organizations contract with the government, nearly 2 in 5 say these contracts require certain employees to hold degrees. 1 in 3 are unsure.

**43%** of the HR professionals surveyed said their organization has government contracts.

*More common in Government & Education (57%), Healthcare & Social Assistance (54%), and organizations with 5,000+ employees (65%)*

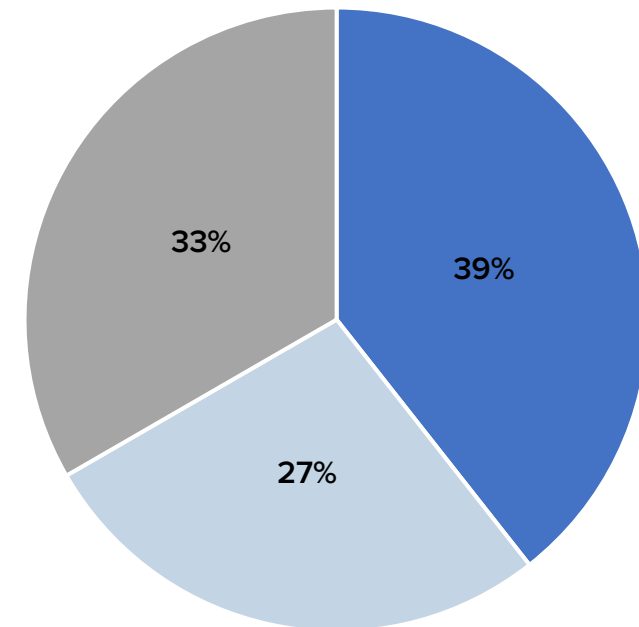
**With which level(s) of the government does your organization hold contracts?**

*Select all that apply.*



**Do any of your organization's government contract(s) require that certain employees working under these contract(s) hold college degrees?**

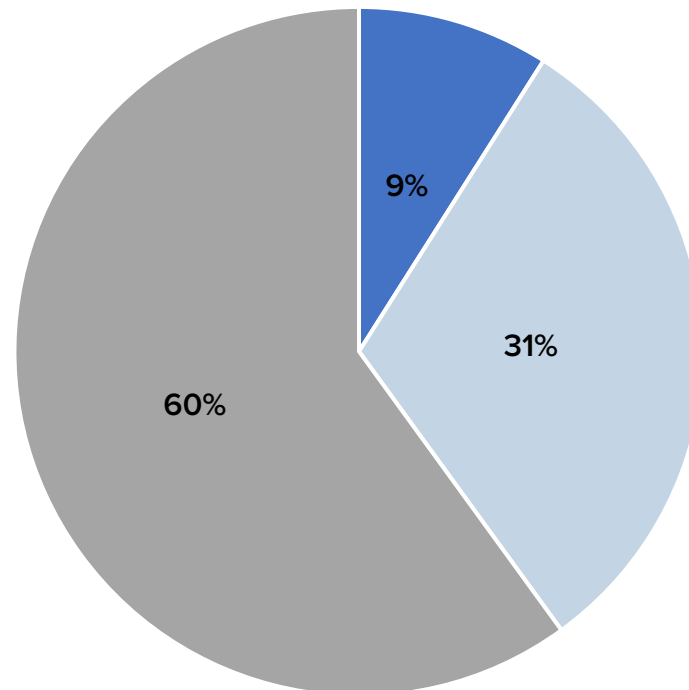
■ Yes ■ No ■ Unsure



**2 in 5 HR professionals say their organization has *sometimes* or *often* been unable hire an otherwise qualified candidate without a degree because of a government contract requiring employees in certain positions to hold one.**

How often has your organization been unable to hire an otherwise qualified candidate without a degree because of government contract requirements?

■ Often   ■ Sometimes   ■ Never or Rarely





## In Participants' Own Words:

“Federal and state contracts that we bid on often require positions where it is specifically stated the job must hold a 4- or 2-year college degree.”

“Our federal contract requires us to hire the "most qualified candidates available" for certain positions [...] there is no way to assess candidates for higher-level knowledge [...] without requiring a degree.”

“We’re a federal contracting company - our customer requires a degree about 90% of the time for positions.”

“We are a government contractor and all the contracts we are awarded require degrees.”

“This would be tied back to specific client requirements in the Federal award sector. Certain contracts we service require a specific degree and/or degree level and proof of must be maintained.”

## If government contracts eliminated their college degree requirements...

### Keeping with the status quo?

Among HR professionals who say their organization's government contracts require certain employees to hold degrees, **around 2 in 5** say removing these requirements would help their organization access more qualified talent and be better equipped to fulfill their work agreements.

Yet **only 14%** say their organization would be **very likely** to remove these degree requirements even if their contracts no longer required them.



**49%**

My organization would be able to fill open positions more quickly



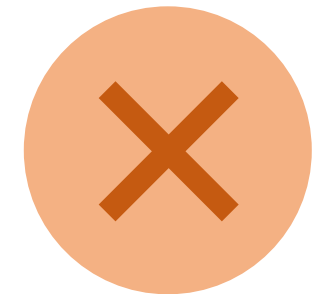
**42%**

My organization would be able to access more qualified talent



**41%**

My organization would be better equipped to fulfill our work agreements

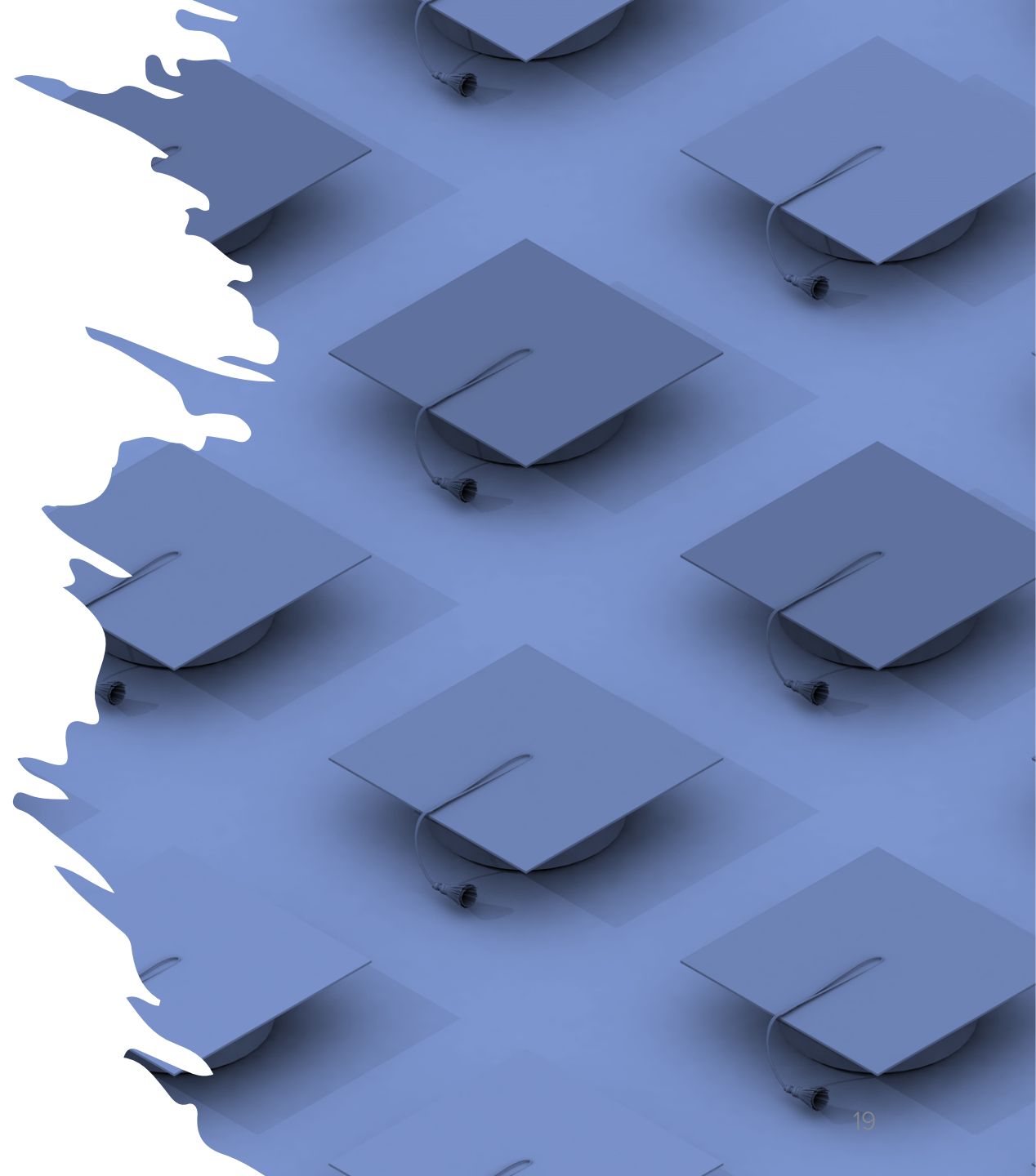


**14%**

My organization would be *very likely* to remove these requirements when hiring

(38% somewhat likely; 49% not too/not at all likely)

# Degree Inflation: **Certifications & Licensing**



**Many HR professionals say that at least one or more jobs in their organization have certification (68%) or occupational licensing requirements (57%). Around 2 in 5 say that at least some of these certifications or licenses have a degree pre-requisite requirement or allow a pathway where degree holders can earn it more quickly.**

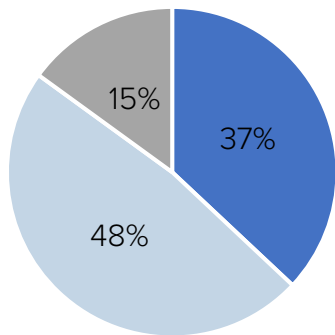
Certification requirements more common in Government & Education (86%) and Healthcare & Social Assistance (88%)

Occupational licensing requirements more common in Construction (68%), Government & Education (76%), and Healthcare & Social Assistance (85%)

**Do any of the certifications or licenses required at your organization have a degree pre-requisite requirement?**

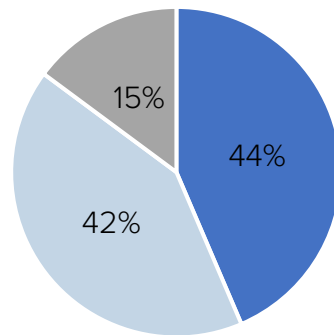
Certification with degree pre-requisite

■ Yes ■ No ■ Unsure



License with degree pre-requisite

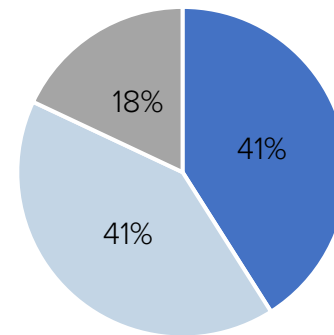
■ Yes ■ No ■ Unsure



**Do any of the certifications or licenses required at your organization allow a pathway where those with a degree can qualify more quickly?**

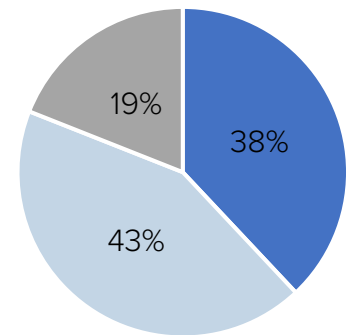
Certification with faster degree pathway

■ Yes ■ No ■ Unsure



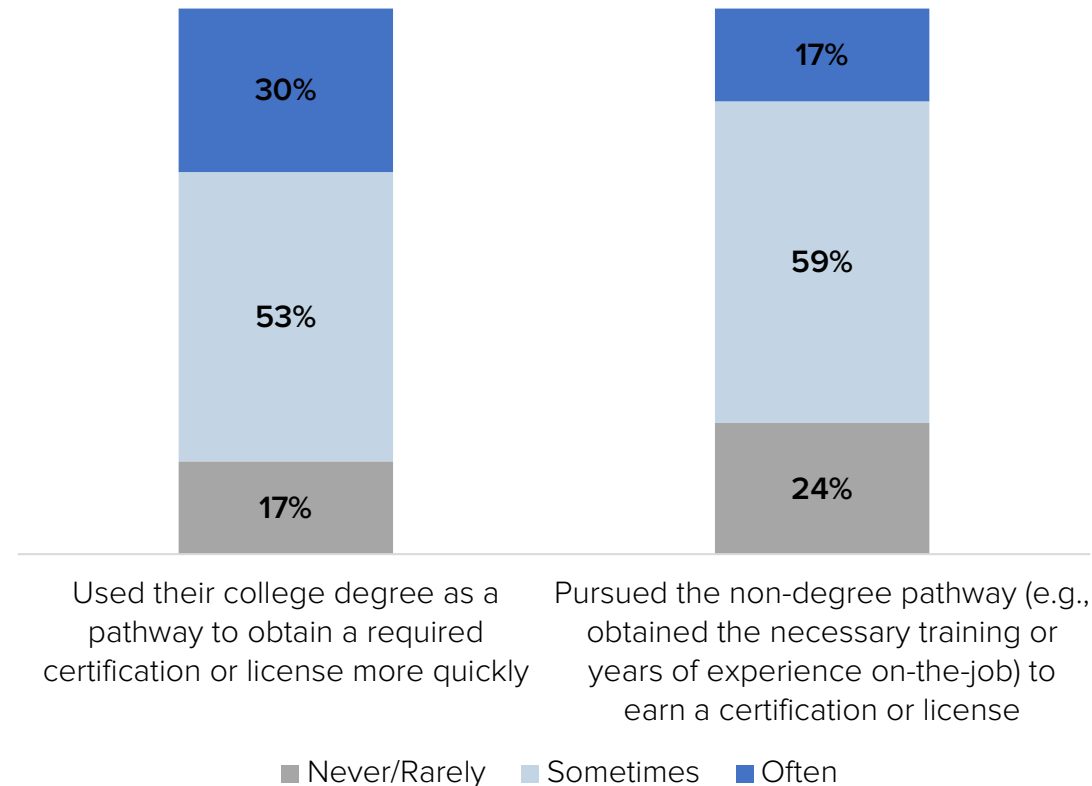
License with faster degree pathway

■ Yes ■ No ■ Unsure



# HR more frequently encounters candidates who pursue the degree pathway to certification or licensure than candidates who take the non-degree pathway (if applicable).

How often does your organization encounter candidates who...



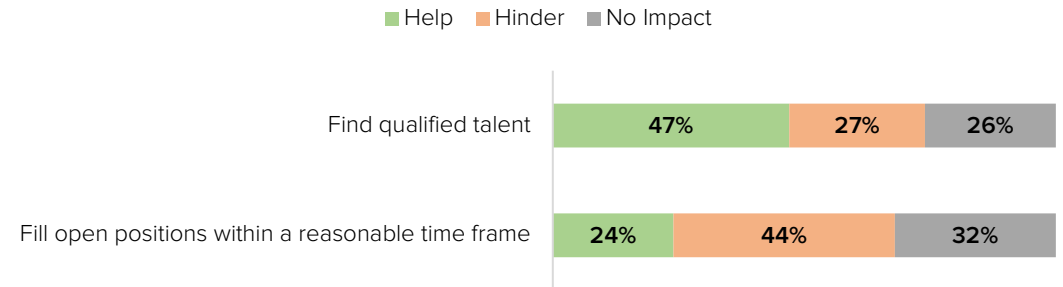
## Organizations' reasoning for using certification requirements vary by industry.

- 1** The state(s) or localities in which we operate require employees to hold these certifications **(59%)**  
*More common in Government & Education (72%) and Healthcare & Social Assistance (83%)*
- 2** Our organization prefers to use this requirement **(38%)**  
*More common in Finance, Insurance, & Real Estate (52%)*
- 3** Competing or similar organizations use this requirement to screen candidates **(30%)**  
*More common in Finance, Insurance & Real Estate (42%)*
- 4** Our customers or clients prefer to work with those who hold these certifications **(25%)**  
*More common in Professional, Scientific, & Technical Services (57%)*

## HR professionals are mixed on whether certification or occupational licensing requirements help or hinder when hiring.

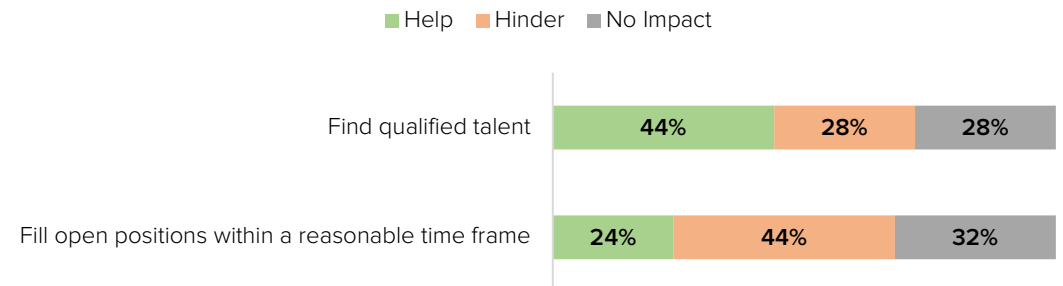
### Would you say certification requirements help or hinder your organization's ability to...

*\*Asked to those whose organizations have position(s) requiring certification*



### Would you say licensing requirements help or hinder your organization's ability to...

*\*Asked to those whose organizations have position(s) requiring licensing*



## Few HR professionals believe jobs requiring a certification or license with a degree pre-requisite at their organization could eliminate this degree requirement with little to no impact.

On average, HR professionals say **15%** (median: **5%**) of jobs that require a certification or license with a degree pre-requisite at their organization could eliminate this degree requirement with little to no impact.

**43%** of HR professionals say none of the jobs that require a certification or license with a degree pre-requisite at their organization could eliminate this degree requirement with only minimal impact.

## In Participants' Own Words

“Many of our projects are with state and local governments. The majority of our projects require a licensed engineer which by nature of the licensure requirement requires a degree.”

“We hire Engineers for certain jobs. We must have licensed Engineers per law to complete certain projects, which in turn requires a college degree.”

“As a public school district, school level administrators and certified teachers are required by state law to hold licensure and college degrees.”

“Physical Therapists must be licensed in the state of Washington, and they must pass their boards after getting their doctorate degree.”

“The state requires us to hire CPAs to sign tax returns. In order to become and maintain a CPA license a person first has to have a 4-year degree.”

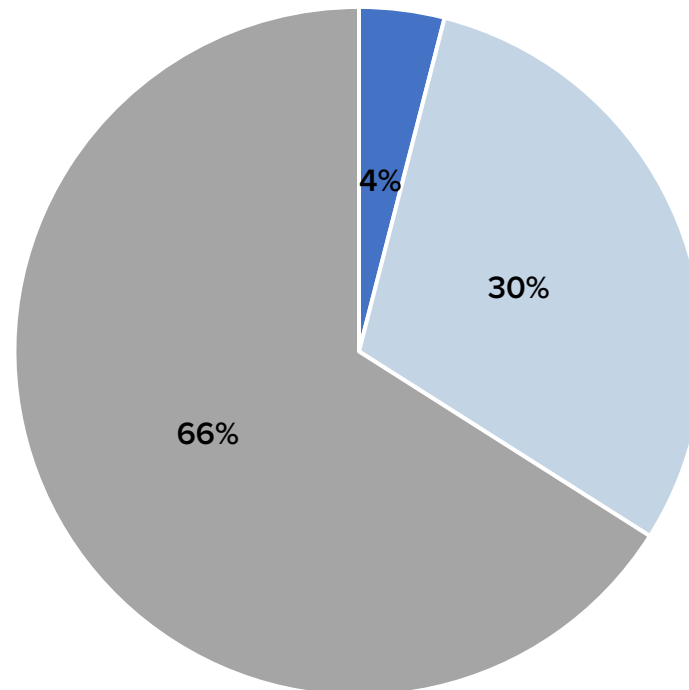
“We have childcare/daycare within our facilities, and some positions require the degree as part of our ability to operate such programs.”



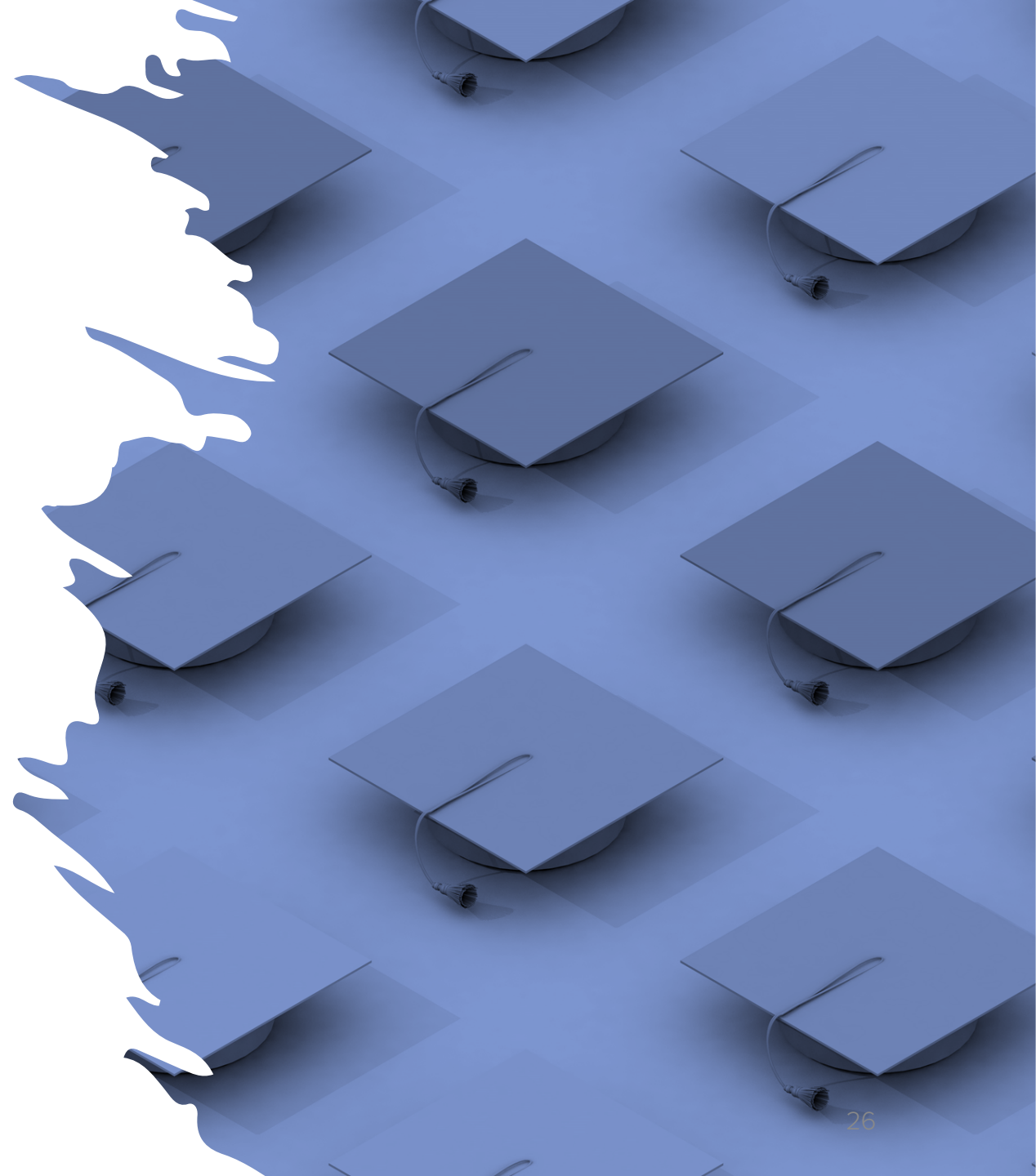
**Over 1 in 3 HR professionals say their organization has *sometimes* or *often* been unable hire an otherwise qualified candidate without a degree because of a certification or occupational license's pre-requisite degree requirement.**

**How often has your organization been unable to hire an otherwise qualified candidate without a degree because a certification or occupational license had a degree pre-requisite?**

■ Often   ■ Sometimes   ■ Never or Rarely



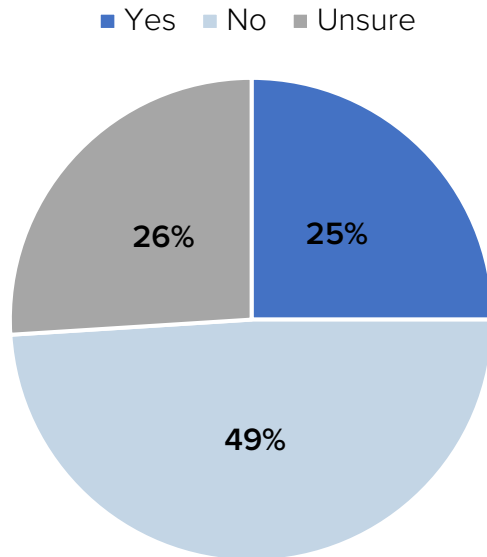
# Degree Inflation: **Public Funding Regulations**



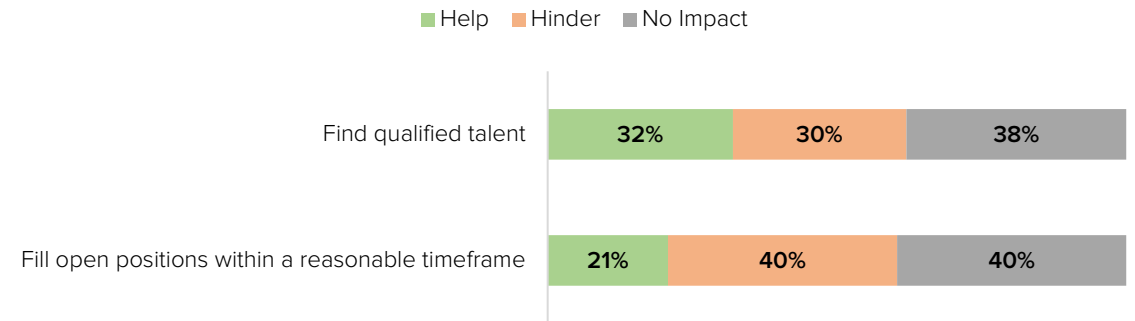
# 1 in 3 of the HR professionals surveyed say their organization receives public funding\*. Of those, 1 in 4 say the amount of funding they receive depends on whether certain employees hold college degrees.

*Note: Receiving public funding more common in Government & Education (77%) and Healthcare & Social Assistance (84%)*

**Does the amount of public funding your organization receives depend (either directly or indirectly) on whether certain members of your workforce hold college degrees?**



**Would you say these public funding requirements help or hinder your organization's ability to...**



\*E.g., federal, state, or local funding, a government grant, Centers for Medicare and Medicaid Services funding, etc.

## In Participants' Own Words

“Department of Health and CMS regulations specify that certain healthcare providers must have a specific degree to be able to deliver required services or serve as a supervisor.”

“We receive Medicare and Medicaid funding. Both have degree requirements for staff providing reimbursable services.”

“The medical and behavioral side of the clinic are 100% Medicaid and require that providers be fully licensed by the state in order to bill for and practice their trade.”

“If the staff does not hold the degree required by CMS, services rendered by that staff member are non-reimbursable by Medicaid/Medicare.”

“Skilled Nursing Facility regulations require specific licensure for nursing, social services, and administration which can only be achieved via college degrees - associates and bachelors.”

“State library funding requires certain positions to have a Masters in Library Science.”

“As a school, we receive additional funding for our special education program, which has strict requirements for teacher credentialing.”

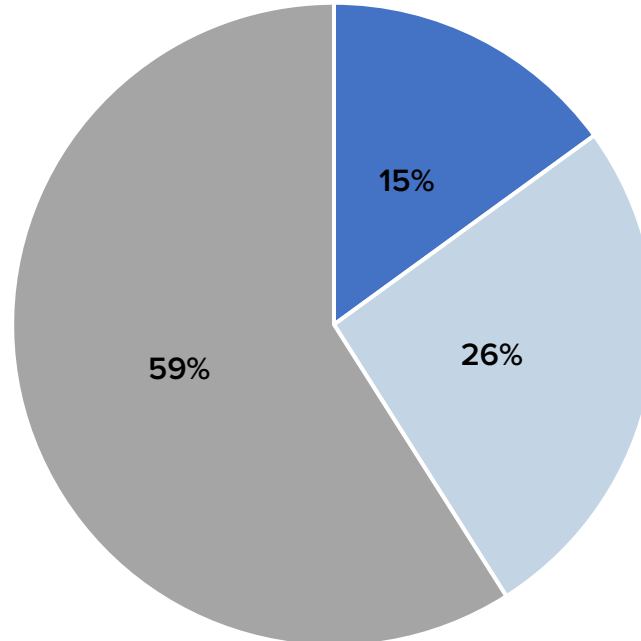
“We participate in the Federal Employee Program for health insurance and there are requirements for our case management and nursing positions.”

“We are a school and the state requires teachers to be credentialed, one way to comply with this is a college degree in the content area they teach.”

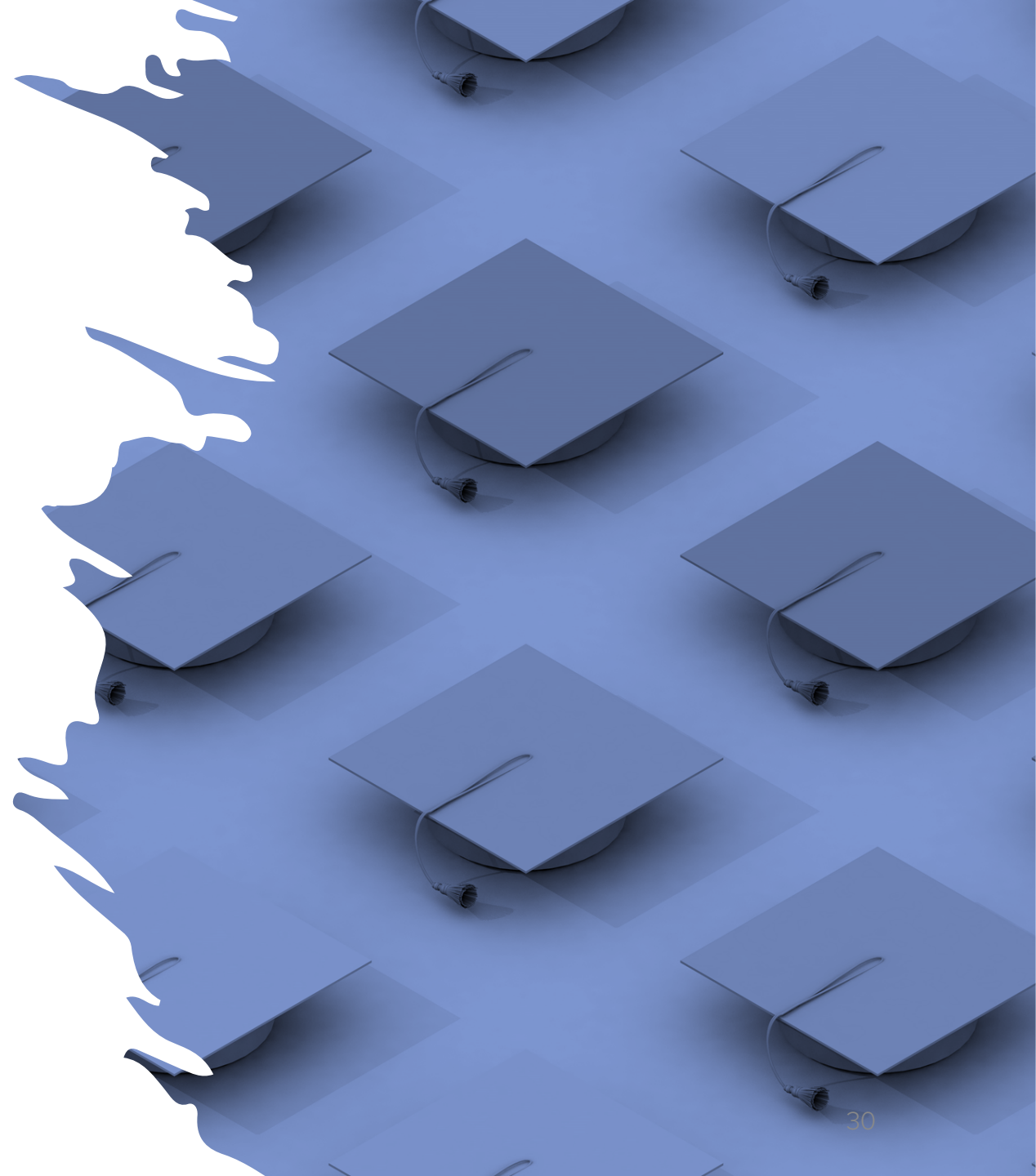
Among HR professionals who say their organization receives public funding contingent on certain employees holding degrees, around 2 in 5 say this has *sometimes* or *often* led their organization to screen out an otherwise qualified candidate without a degree.

How often has your organization screened out an otherwise qualified candidate without a degree because of how the candidate's lack of degree could impact the amount of public funding your organization receives?

■ Often   ■ Sometimes   ■ Never or Rarely

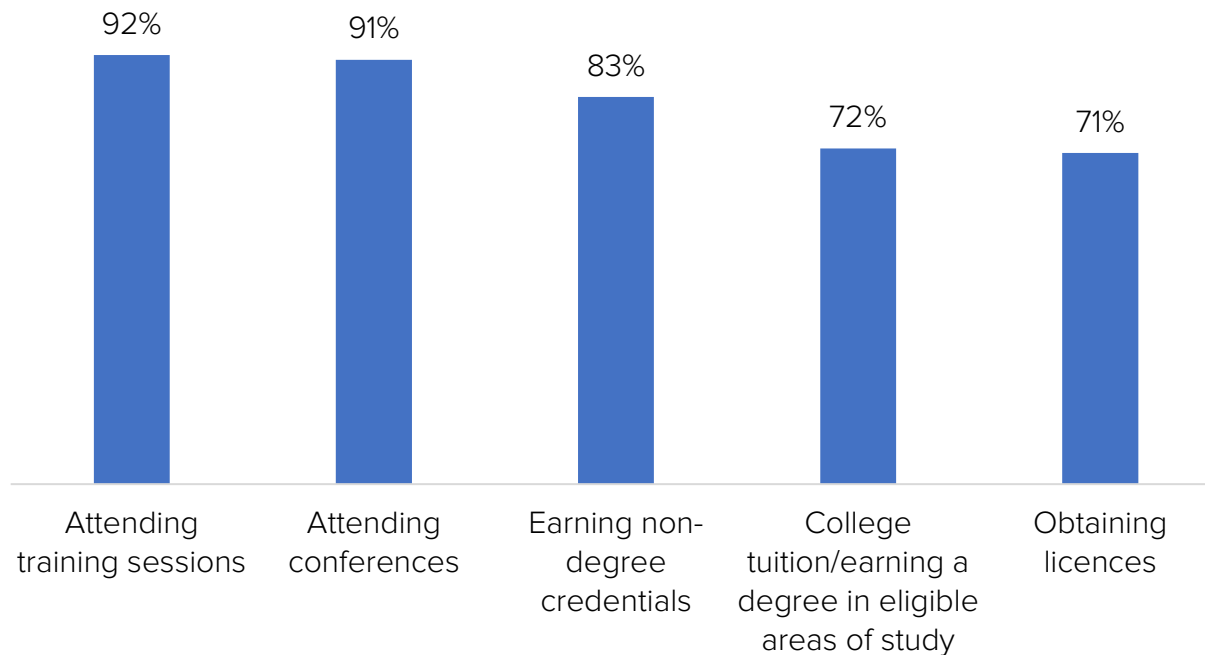


# Degree Inflation: **Tax Incentives**

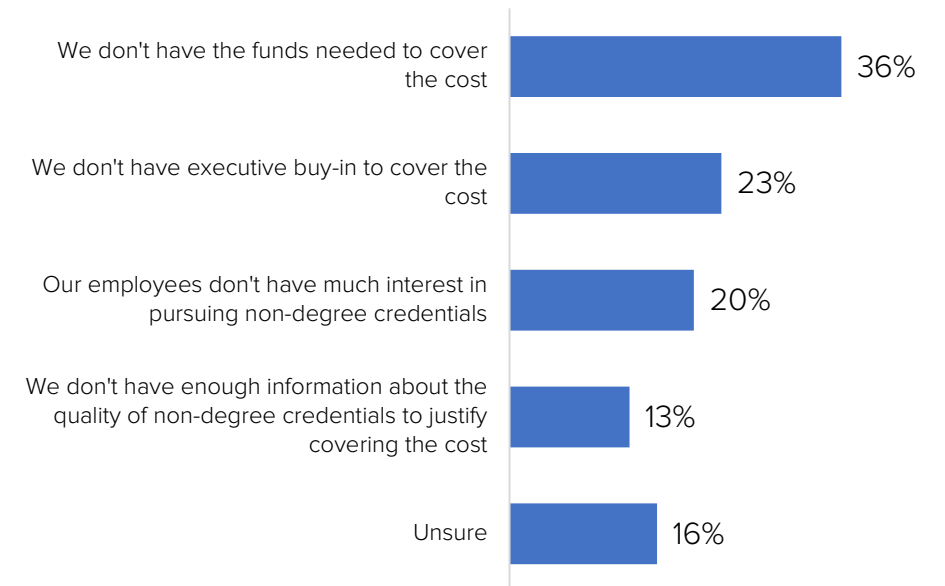


# Over 4 in 5 (81%) of the HR professionals surveyed said their organization offers funds to employees for professional, educational, or career development.

Types of costs organizations' professional, educational, or career development funds cover or reimburse



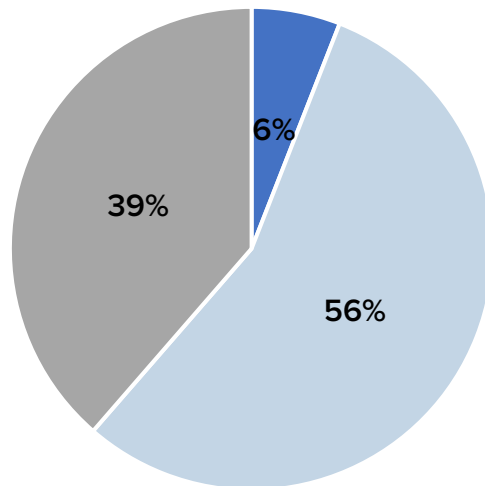
Reasons why organizations don't cover costs associated with earning non-degree credentials



# Many participants were unsure if their organization receives tax incentives for offering professional, educational, or career development funds.

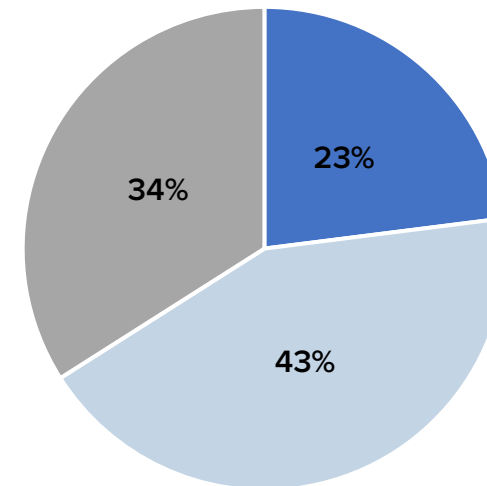
Does your organization receive any tax deductions, incentives, or credits for offering professional, educational, or career development funds to your employees?

■ Yes ■ No ■ Unsure



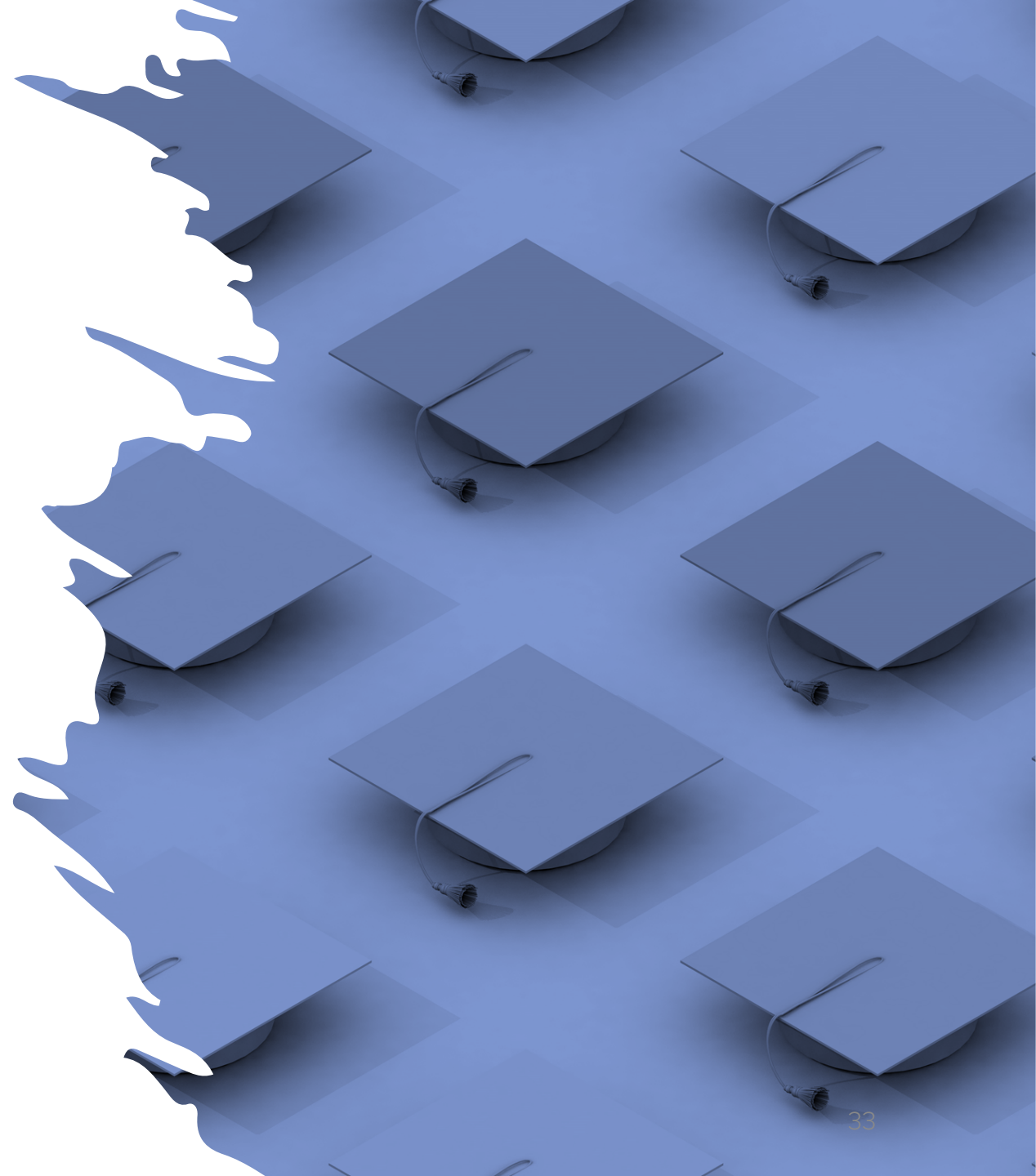
Can any of the professional, educational, or career development funds your organization provides to your workforce be considered taxable income for the employee?

■ Yes ■ No ■ Unsure





Degree Inflation:  
**Does HR Think It's  
a Problem?**



**Most HR professionals say that degree inflation has not been a problem or has only been a small problem for their organization's ability to operate as a talent sourcing function.**

**62%** of the HR professionals surveyed were unfamiliar with the term "degree inflation."

**After being provided a definition, HR professionals were asked how much of a problem, if at all, it has been for their organization's ability to operate as a talent sourcing function...**

- **60%** say it has **not been** a problem
- **23%** say it has been **small** problem
- **14%** say it has been a **moderate** problem
- **3%** say it has been a **large** problem

# Methodology

The survey was fielded electronically to HR professionals who are members of the SHRM Advocacy Team from October 11, 2022 to November 6, 2022. A total of **954** members responded to the survey.

Respondents represented organizations of all sizes in a wide variety of industries across the United States.