New Study Shows ROI of College Education Should Be Measured in Years, Not Dollars

Using years to measure ROI, UCF’s Rosen College found graduates with hospitality management degrees can recoup their costs in as little as two years.

Orlando, FL (Jan. 13, 2015) – A new study published in Tourism Economics from the University of Central Florida’s Rosen College of Hospitality Management shows that the popular method of using dollars to measure the return on investment for college education is flawed; instead, it should be measured in years and consider more social aspects to avoid confusion and disservice to certain industries.

Websites like Payscale, College Reality Check, Bankrate and Salary.com provide information for potential students and their families to assist in decision-making for higher education, but several issues arise upon closer analysis:

1. They use different ROI formulas and metrics (dollars, rate or years) with no standardized measurement.
2. They use data from different sources, which may not be representative of the entire population nor specific colleges or majors.
3. It’s unclear how they determined their figures, which makes it difficult to verify their reliability or validity.
4. They consider salary increases from inflation, but overlook salary increases from promotions.
5. They overlook variations among different majors within colleges and among similar majors in different locations in terms of opportunities to excel.
6. Their calculations only consider money and disregard important, non-financial aspects like job satisfaction, satisfaction with education, etc.
7. Those that calculate ROI as additional dollars when comparing college graduates to those who begin a career immediately after high school assume that every high school graduate is capable and can secure a job with an average annual salary of $30,000.
8. They assume zero additional income during education and thus, all education costs are presumed outstanding debt.

Therefore, many people consulting these sources for guidance may base educational and career decisions on questionable information. In addition, many individual and situational circumstances determine the actual ROI of education, so generalizing certain college degrees as having a better or worse return on investment can be misleading and biased.

Survey data from 590 Rosen College alumni showed that with 6.8 percent interest on student loans, along with earned income from mandatory paid internships and part-time work while in school, graduates who choose a repayment plan equal to 20 percent of their salary can pay back their debt in as little as two years.

Rosen College’s study also measured alumni satisfaction with their job and education. About 75 percent reported to be satisfied or enthusiastic about their current position and 73 percent said their education was worth every penny.

To request the full study or interview one of the authors, please contact Kathy Dorf at 407-903-8151 or katherine.dorf@ucf.edu.

About the UCF Rosen College of Hospitality Management

The Rosen College of Hospitality Management at the University of Central Florida, located in Orlando, provides students with an unrivaled opportunity to learn and work in the heart of hospitality. Ranked in the top three hospitality management programs worldwide, Rosen College has been an educational leader for over 30 years. Uniquely positioned in America’s top tourism destination, we educate the next generation of industry leaders through internationally-recognized faculty, innovative academic programs, cutting-edge research and strong industry and community partnerships. To learn more, visit hospitality.ucf.edu.

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