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## The problems with "having skin in the game"

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## Quad 136

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### The Problems with “Having Skin in the Game”



It is natural to want to understand and even quantify the benefits of a college education and to provide consumers (parents and students) with more information to make good choices about where to pursue higher education.

The problem is that a college education is not a widget. The outcomes are very difficult to measure. But this has not stopped policymakers from talking about the need to do so. The White House did earlier this year when they talked about a [plan to pay colleges for performance](#) which would grade institutions on, among other things, “outcomes, such as graduation and transfer rates, graduate earnings, and advanced degrees of college graduates.”

In late December, Senate Democrats announced a [plan](#) to hold colleges more accountable for student debt repayment, including potentially requiring “colleges with high student loan default rates to pay a penalty to the government that is proportional to the defaulted debt.”

The state of Florida has gone beyond talk and implemented a [rating system](#) that requires its universities to “meet the state’s definition of an excellent school to earn state funding.” The definition of excellence includes employment rates for graduates, wages for baccalaureate graduates, academic progress of enrolled students (defined as a GPA above 2.0), the six-year graduation rate for first-time students, and degrees awarded in STEM (science, technology, engineering and math) fields.

This general trend was described by Senator Harry Reid as forcing colleges and universities to “have skin in the game.”

The problems with this model are legion but let me list three of the most important:

1. Education is more than instrumental. This policy discussion focuses on higher education as simply a mean to an occupational end. It is all about jobs and salaries. As the Florida policy states, the objective of their policy is to provide “the best-possible opportunities for graduates to obtain and create good jobs and contribute to a successful Florida workforce.” Education is

about investing in human capital, but it is also about finding meaning in life, developing intellectual curiosity, broadening one's world view, being exposed to new people, experiences and ideas, becoming a better citizen, etc. etc. There are so many significant parts to a meaningful holistic education that to narrowly focus on quantifiable, job oriented outcomes simply turns students into automatons, cogs in an economic system.

2. Education is about a career, not a job. Even if one were to focus solely on the economic benefits of an education, these benefits are realized over a career and rarely within the first few years of graduation. To know which schools and programs succeed in terms of ROI, the data must be gathered over a lifetime. These policy recommendations focus on a timeframe that encourages schools (and by implication students) to choose programs that encourage immediate employment and current job market needs rather than thinking about education for a dynamic and ever changing global economy.
3. Perverse incentives. Finally, and most importantly, all these attempts to require schools to have skin in the game are ostensibly to protect students (and parents) from making bad choices, with a particular emphasis on first-generation students who may have little experience or inside knowledge of how higher education works. Yet it hardly takes a Ph.D. in economics to see the incentive effects of these proposals. Who will schools be loath to **take a chance on** with these kinds of policies in place? One guess per customer: yes, first generation students. Exactly those young people we need to invest in human capital so they and their families can become productive and socially mobile members in the 21<sup>st</sup> century economy.

Finally, I'd simply note that all these policies have a cynical, populist undercurrent. Namely, that institutions do not care about their own outcomes, which is to say they don't care about their students. Such institutions may exist, but in my nearly 40 years in higher education, I have not found one.

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## About the

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Michael Hemesath is the 13th president of Saint John's University. A 1981 SJU graduate, Hemesath is the first layperson appointed to a full presidential term at SJU. You can find him on Twitter [at] [PrezHemesath](#).