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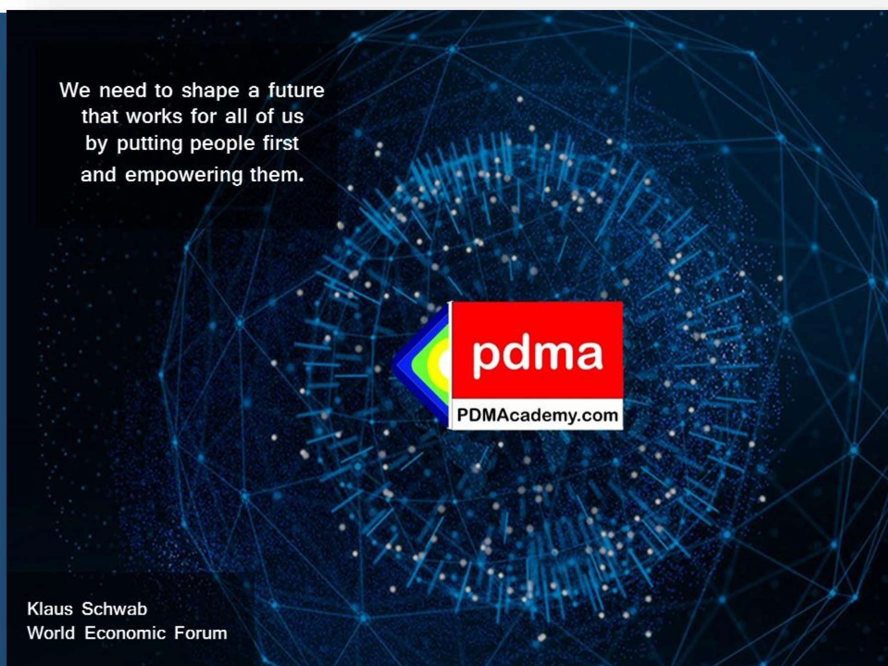
Student Debt & the Future of Learning

The cost of education today has become unaffordable for many – a reality that pushes persons into debt to fund their investment into a better future for themselves and their families. This ‘Student Debt Crisis’ – which is more of a Debt Sentence – is manifest across countries and affects persons of diverse backgrounds – the trends of rising student debt all look the same.

http://pdmacademy.com/student-debt-and-the-future-of-learning/



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‘Investments’ in education are driven by centuries of importance placed on education by many cultures throughout the globe, and augmented by today’s post-industrial globalisation where the engine of growth and value creation is knowledge-driven. Knowledge today is the basis of wealth creation, country-competitiveness and poverty alleviation.

And history has demonstrated that knowledge and insight can be gained and deployed by anyone, regardless of race, gender, class, age or otherwise. This makes the knowledge proposition a truly globally democratic opportunity, in terms of individual capacity. We know from education sector performance trends that it is counter-cyclical – persons invest more in education in recessionary times, to give them a competitive edge in the workplace.

With the supply virtually limitless and the demand growing to become central to progress and prosperity, it stands to reason that the education sector becomes core to any/every development strategy, with the enabling processes optimized to ensure maximum benefit to everyone involved. Yet today we see education as an unattainable aspiration for many, financially, and those daring to attempt funding are caught in a trap of long-term, staggering debt.

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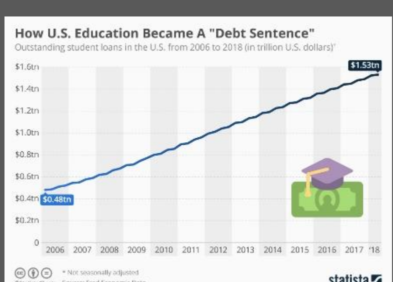
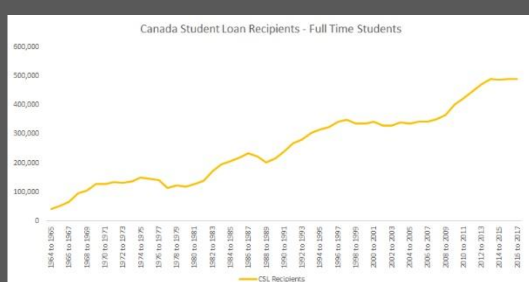
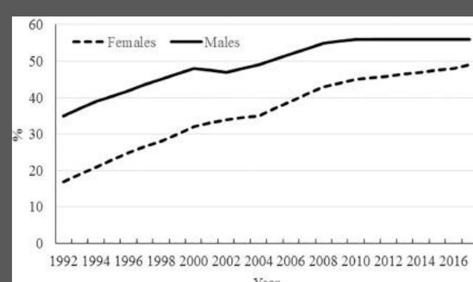
Many questions arise from this reality, as to why it is the way it is and how can the impediments be overcome? To answer these, we need not look too far back into the past, and the Great Financial Crisis of 2008-2009, to gain an appreciation of why we are today in the situation we are in. There is an excellence synthesis of the impact and historical significance of this period done by MarketWatch (see the article here), and explanations by researchers point to key effects originating or exacerbated by this period:

- **Debt Default:** Many lost their jobs and could not meet their debt obligations, which continues to mount.
- **Job Loss, High Unemployment & Stagnant Wages:** The economic contraction across countries left many sectors in depressed states, struggling to get back to pre-crisis levels of activity – people had less disposable income to pay for education, and public funding of the education sector contracted.
- **Inflation:** less funding to institutions and rising demand for education services meant more costs were transferred to the students, who themselves had less disposable income. Add to this the







institutions' provision of extended graduate job-placement schemes and the resulting costs embedded into the services grew even higher.

- **Sector Attractiveness to Investors:** with the financial crisis serving in part in undermining the attractiveness of the mortgage market, there was need to consider other 'foundation' consumer debt options to anchor the investment ecosystem. Persons had to buy a house, pay for medical treatment, and typically furthered their education. So, student debt – the "sleepy backwater in consumer finance" [1] and highly unregulated (which made it even more attractive) – grew into "a thriving profitable industry" [2]. That in the US, for example, the Congress bailed out student debt to "ensure students access to loans when lending in the nation's credit markets was frozen" [3]

The model is not sustainable. High default rates abound and are increasing. Persons are seeing their credit scores and access to funding erode – at the cost of other big life investments – buying a house, starting a family or saving towards retirement.

One would expect the student debt market to mature, and while that may mean less default risk assumed by the lenders on one hand, it would also serve to ensure the education business model remains viable and lucrative for investors, on the other. It means it is here to stay, as long as consumers see debt as the option to attain increasingly expensive education qualifications.

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However, there are alternatives that hold the promise of a brighter future for many. The shift away from academic qualifications to demonstrable professional competence (such as CPD credits) means one would not have to incur debt to earn university degrees that do less for them in the workplace. One can gain experience and demonstrate capability towards the advancement of their careers, and bypass the debt trap.

With internet-powered accessibility of information and especially learning platforms, persons can tap into affordable, accessible sources of knowledge to aid their capabilities and capacity to compete. This sector is still in its infancy, however, and many inferior-quality 'degree mills' have tainted the public and employers' perception of it. As it is presently, the university institution still offers some assurance of subject-matter coverage, although applicability of learnings to the real-world continue to be an issue.

As well, the subtle shifts towards more coaching and mentoring efforts to complement 'chalk and talk' allow for persons to hone skills they can immediately transfer to the workplace. This reversion to the pre-industrialization apprenticeship model – on a mass scale – holds promise for a brighter future for the education sector, and for ambitious, progressive individuals and families.

At PDMAcademy, it is our hope and our commitment to provide accessible, affordable, quality education, leveraging cost-efficient technologies, to allow persons to access education to escape the poverty trap, not have education entrench them deeper into it.

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Education sector for over 2 decades. Reach him at admin@pdmacademy.com

[1] Seth Frotman, former Consumer Financial Protection Bureau (CFPB) Ombudsman and current executive director of D.C.-based nonprofit Student Borrower Protection Center

[2] Aarthi Swaminathan, Yahoo Finance, 2020

[3] Arne Duncan, Education Secretary, in the Wall Street Journal, 2009