A sociological analysis of rising student loans

Introduction

Do you or someone you know have student loans? If so, you are being impacted by a growing social problem in today's society. A social problem is defined as a characteristic or phenomenon of society that negatively affects a large amount of people and desperately needs a solution. The issue of student loans clearly falls under the definition of a social problem, as the issue has a vast scope, extent, and population affected, a rich history in the past few decades, and needs to be addressed with a solution.

Extent, Scope, Population Affected

Extent

The wide extent of student loans, stretching across multiple social institutions, justifies this issue as a social problem. The rise of student loans affects the social institutions of education, government, economy, and family.

Education. The rise of student loans impacts the social institution of education by negatively effecting GPAs. According to studies, there is a clear correlation between an individual's student loan amount and their GPA (Gervais & Ziebarth, 2019). For every $1, 000 increase in a student's debt, their GPA drops by an average of 0. 015 points (Gervais & Ziebarth, 2019). One potential cause of this is that students with loans often need to work more while enrolled in order to accommodate for paying off their debt, meaning these students do not have as much time to focus on their studies (Gervais & Ziebarth, 2019).

Furthermore, the increase in student loans also affects education by influencing choice of major. A consequence of student debt is that students are highly concerned with attaining jobs after college, preferably ones that pay well, to pay off their debt as quickly as possible. Therefore, many students who take on student loans select majors that will increase their chances of getting a high paying job as soon as possible after graduation (Gervais & Ziebarth, 2019). This has resulted in greater amounts of students choosing majors such as business or engineering over arts and humanities (Gervais & Ziebarth, 2019). Overall, education is heavily impacted by student loans.

Government and economy. Additionally, the rise of student loans has impacted the social institutions of government and economy. The government is facing pressure from society, as many Americans believe the government needs to take more responsibility for this social problem (Quadlin, 2017). However, with the government already funding a large portion of student loans and carrying the weight of student debt, the government may be forced to increase taxes and interest rates in order to pay off the debt (Buckley, 2019; Gervais & Ziebarth, 2019). This means that Americans will be spending less money on goods in order to pay taxes, interest rates, and their own student loans (Buckley, 2019). Based on historical trends, this decrease in spending will result in events such as inflation, decreasing stock and bond values, and ultimately an economic downfall (Buckley, 2019). The government and economy are and will continue to be negatively affected by student loans.

Family. Another social institution affected by student loans is the family. Family contributions, usually from parents, are a common way that student's fund their college aspirations (Quadlin, 2017). Additionally, many parents fully expect to be primarily responsible for helping with funding their child's university education (Quadlin, 2017). However, research has proven that debt is a major contribution to stress, meaning parental funding of education through burdening loans could result in stress and family dysfunctions (Quadlin, 2017). In all, the social institution of family is significantly affected by the growing issue of student loans.

Scope

Student loans are also deemed as a social problem due to the scope of the problem and how colossal of an issue it is. The amount of student debt in the U. S. has more than quadrupled since 2002 to a total of $1. 7 trillion (Herzog, 2018; " Student Loan Debt", 2019). This means that student loans are the second leading cause of debt in the U. S., behind only mortgages (Gervais & Ziebarth, 2019). To make matters worse, studies have shown that this debt is likely to double by 2028 (Pratt, 2019). This rapid increase in debt could result in more panic from the government and an even greater economic collapse (Buckley, 2019).

While this issue is large for the U. S. as a whole, it is also large for individuals facing student loans. With 2017 college graduates facing an average of almost $40, 000 in student debt, the fact that every $1, 000 increase in a student's debt drops their GPA by about 0. 015 points means GPAs are drastically affected (Gervais & Ziebarth, 2019; Pratt, 2019). Additionally, this large average means that individuals will be paying off student loans for a longer time period, resulting in extensive amounts of stress and dysfunction within families (Quadlin, 2017). Overall, student loans are a social issue with a very large scope due to the amount of money involved and the affects the issue has.

Population Affected

Those with debt. The large portion of the population affected by student loans backs up the indication that student loans are a social issue. According to surveys, about one in nine Americans have a student loan (Minsky, 2018). Additionally, in 2012, about two-thirds of undergraduates had taken student loans, with that proportion estimated to have increased since (Gervais & Ziebarth, 2019). As for these people affected, not only does the debt result in financial hardships, but about 80% of employees with student loans report experiencing significant stress (Pratt, 2019). To sum, the issue of student loans directly impacts much of the United States population.

Those without debt. While those facing student loans first hand are clearly affected by this social problem, even those that do not have student loans are bound to be affected. As for positive effects for those without student loans, from a conflict perspective, they may have an advantage in academic performance compared to those with student loans (Gervais & Ziebarth, 2019).

However, there are also negative effects. With majors outside of arts and humanities becoming more popular for those with student loans, those without student loans that are interested in these popular majors may be impacted by overcrowding (Gervais & Ziebarth, 2019). Furthermore, if one without student loans is in the same family as one with a student loan, they may be affected by the contagious stress of student loans in the household, or even have to help fund paying off the debt (Quadlin, 2017).

Lastly, everybody will be impacted by an economic downfall if the government is forced to raise taxes and interest rates due to growing national debt (Buckley, 2019). In conclusion, rising student loans have implications for all of the United States population, including those that do not even have loans.

History

The circumstances regarding student loans have changed over the past century and have gained much more notice in the past few decades. The amount of national debt, amount of individual debt, and the growing demand for education are factors involved with the changing student loan situation. This has resulted in various attempts to fix the issue.

Amount of Debt

A statistic that has changed over the past century is the amount of debt attributed to student loans. This change in debt can be viewed through national debt and individual student debt.

National debt. The national debt from student loans has greatly altered over time. The most notable changes have been observed in the past two decades. From 2005 to 2017, the national debt from student loans quadrupled to about $1. 3 trillion (Herzog, 2018). Since 2017, this total has risen by $4 billion and now sits at more than $1. 7 trillion (“ Student Loan Debt”, 2019). National debt from student loans is rising and showing no signs of slowing down.

Individual student debt. Similar to the national debt, individual students are also seeing changes in the amount of debt they face. In 1991, the average amount of student loan debt for a college student was $8, 200 (Schroeder, 1997). Conversely, in 2017, the average college graduate had student loans reaching nearly $40, 000 (Pratt, 2019). Students are experiencing much larger amounts of student debt compared to the past.

Demand for Education

One reason that student loans have risen over the past century and are affecting more people is due to an increasing demand for education. This increasing demand can be observed by investigating the history of how American’s view on education has shifted.

In the beginning of the twentieth century, the proportion of Americans that attended high school was less than 10%, and the average American only had about eight years of schooling completed (Lehman, 2019). By 1962, still, only 19% had even attended college (Lehman, 2019). However, the proportion of Americans with college experience has more than tripled since 1962, with about 61% of Americans having college experience (Lehman, 2019). Likewise, the proportion of students completing their degrees and graduating has risen from 9% to 35% since 1962 (Lehman, 2019).

Overall, these statistics suggest that Americans are valuing education more than in the past, as more Americans are attending universities and completing degrees.

Attempted Solutions

Various attempts have been made to try and fix the growing issue of student loans in America. These attempts include the income-based repayment system and lowering of interest rates.

Income-based repayment. In 2009, the federal government introduced the Income-Based Repayment (IBR) plan (Baum & Chingos, 2017). Under this plan, those with student debt and annual incomes 150% below their respective poverty level are not required to make their monthly payment towards student loans (Baum & Chingos, 2017).

However, this plan is not entirely effective. Although those in poverty will have more money to spend on necessities to survive, the plan still does not solve the issue regarding personal and national debt. This plan also only addresses student debt from the perspective of those in poverty.

Lowering of interest rates. The federal government decided to lower interest rates of student loans from 6. 8% to 3. 4% in 2013 (Nawaguna, 2013). However, the new interest rate only applied to future borrowers (Nawaguna, 2013). While this certainly reduces the potential growth of student debt in the future, it will not help reduce the government's national debt or those already in debt from recovering from student loans.

Solution

In order to prevent student loans from further damaging various social institutions of society, the issue needs to be addressed with a plausible solution that works to reduce current debt and decrease future student debt. The issue of student loans could be improved by promoting employer student loan repayment programs and educating students on student loans before they get in to debt.

Employer Repayment Programs

The amount of debt from student loans could be reduced if more employers provided student loan repayment programs to their employees. Currently, only about 4% of employers offer student loan repayment (Riskin, 2019). In order to motivate employers to implement these programs, not only would employees benefit by relieving them of debt, but there must be benefits for the employers as well.

Tax implications. To motivate employers to implement these programs, employers could receive tax benefits from the federal government. Currently, employers are able to contribute $5, 250 tax-free to their employee’s student loans annually (Riskin, 2019). However, this amount should be raised to at least $10, 000 to account for the drastic rise in student loans in the past few years. Additionally, employers should receive hefty tax benefits from the federal government based on the amount of money they contribute to employee student loans, such as deductions of taxable income. Overall, offering tax benefits to companies that implement student loan repayment would motivate more employers to pay on students’ debt.

Employee performance. If employees experience less debt, the employer might see an increase in performance throughout the organization. According to studies, debt causes stress in employees, which eventually leads to poor productivity, attendance, and behavior (Bosanac, 2016). Additionally, employees might express more loyalty towards their employers if they offer student loan repayment. In a 2017 survey, 86% of employees in debt from student loans stated that if employers offered student loan repayment, they would keep their jobs at that organization for an additional five years (Riskin, 2019). These survey results also show how strongly employees value these programs, meaning employers who implement student loan repayment could attract more talent (Pratt, 2019). Overall, if employee performance, loyalty, and talent increases, company performance will be more likely to increase as well, and employers will be motivated to apply these programs.

Educating Students

In order to decrease the amount of future debt imposed on students, high schools need to educate future college students on best practices to limit student loans and consequences of student loans. If students are informed on the benefits of community colleges and educated on financial literacy, students will be able to reduce their loan amounts and handle their loans more effectively.

Community college. One efficient way to substantially limit debt is by attending a community college before transferring to a university for a bachelors. Community colleges are much more affordable than universities and still provide access to quality higher education (McKinney & Burridge, 2015). However, in the 2017 fall semester, only 34% of undergraduates attended community colleges (Ginder, 2019). If high schools educated rising college students on benefits of attending community colleges, then these students may be more likely to take advantage of community colleges and face less debt.

Financial literacy. Another topic of discussion when educating students on avoiding student loans is financial literacy. Understanding finances can go a long way in controlling and limiting student loans. One of the biggest issues regarding student loans is the interest rates associated with them. In some cases, graduates will make their monthly payments on their loans for years without actually reducing the amount of money they owe because they are simply only paying on the interest (Cross & Esswein, 2019). However, if the graduate has a strong credit score from being responsible with their finances, they will qualify to refinance their student loans for a more manageable interest rate (Cross & Esswein, 2019). In all, being financially literate could help lessen the effects of student loans.

Effectiveness of Solution

Overall, this solution will be effective because it works to reduce current debt and limit the amount of future students' debt via employer repayment systems and educating students, respectively. Employers will be motivated to implement repayment systems due to the various noted benefits, and students will have the education to make smart financial decisions to limit their debt.

Most importantly, this solution is a proactive answer to the student loan issue that brings multiple social institutions together in order to reduce debt. Other solutions will be ineffective due to their reactive nature of only covering up the issue. For example, the government cannot simply clear all student loans, as the effects of such a solution would negatively impact the government and the economy directly (Buckley, 2019). Overall, this proactive solution is a plausible start for solving the student loan crisis.

Reflection

My learning experience from this analysis strongly reflected the General Education Goals. Overall, I was able to effectively communicate my ideas, apply scientific reasoning skills, employ strategies to make judgements, evaluate sources, and promote wellness.

Communicating Ideas

Throughout this assignment, I was able to appropriately communicate my analysis of student loans in a written fashion. I addressed the audience as those who have student loans or know someone with student loans. Additionally, I established a thesis declaring that student loans are a social problem that needs a solution.

Applying Scientific Reasoning Skills

I was also able to apply scientific reasoning skills to my research relating to sociology. When investigating the extent, scope, and population affected, I was able to make relationships between data sets and the social institution that student loans affect, how large of an issue student loans are, and who is affected by student loans.

Employing Strategies to Make Judgements

When making judgements about how student loans affect various social institutions, I used multiple thinking strategies to reach my conclusions. I used a functionalist perspective to find how dysfunctions in one social institution effect various other social institutions, such as the government impacting the economy. On the other hand, I used a conflict perspective to discover potential conflicts between social classes due to student loans, such as conflict between those with loans and those without loans.

Evaluating Sources

In order to learn and draw conclusions about this social problem, I made sure to evaluate the sources that I used. I ensured accuracy of data by finding similar results across multiple sources and used reliable data by researching through databases of academic journals. Also, I gathered my data from recent sources by using information that was published no earlier than 2015, aside from gathering data on the history of the social problem.

Promoting Wellness

Finally, I promoted a sense of wellness for the community in my solution for this social problem. With my solution, my primary goal is to solve the issue of student loans by collaborating with the community in order to produce the most benefits. Those with student loans, those that are vulnerable to facing student loans in the future, and employers will all benefit from this solution.

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