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The Ripple Effect of Student Debt: Shaping Careers, Financial Choices, and Well-Being in Public and Private Sectors

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Acknowledgements

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Executive Summary

The research report investigates how student debt influences various financial and employment decisions or perceptions among U.S. public and private sector employees. Examples of the decisions and perceptions examined include employee choices with respect to investment approaches; decision making concerning job acceptance; morale regarding work; career advancement; and professional development goals. Additional aspects explored are employees' perceptions of retirement savings adequacy and their financial planning horizons.

The report uses a proprietary survey data set collected by MissionSquare Research Institute in 2024 (N=2,036) and employs descriptive statistics and regression techniques in the analysis. Overall, the findings provide a comprehensive understanding of the multifaceted ways student debt shapes financial behaviors and career decisions/perceptions, offering valuable insights for employers to consider regarding the financial well-being of their employees.

Key Findings

Job Acceptance Decisions: A significant proportion of employees consider their student loan debt before accepting job offers, with 56% of public sector employees and 62% of private sector employees reporting this influence.

Job Retention: Student loan debt negatively affects employee retention, as debt holders are less likely to remain with their current employer compared to employees without student debt (39% vs. 61%), with a more pronounced impact in the public sector.

Career Advancement: Employees with student debt perceive the debt as a barrier to their career advancement, with 35% of females and 31% of males in the public sector, and 28% of females and 43% of males in the private sector, reporting limited career progression due to their debt.

Work Morale: Student loan debt is associated with a higher likelihood of reporting a negative work morale, particularly in the public sector, where 23% of employees with student debt report negative work morale compared to 18% of their peers without such debt.

Professional Development: Employees with student loan debt are more likely to pursue professional development goals, particularly those that lead to new skills, supervisory/managerial roles, additional education or certifications, and increased responsibility, compared to those without student debt.

Investment Approach: Many student debt holders across sectors do not invest at all, and those who do are more likely to choose short-term investment options.

Financial Planning Horizons: Employees with student debt tend to have shorter financial planning horizons than those without student debt.

Perception of Retirement Savings Adequacy: Compared to their peers without student debt, employees with student debt in the public and private sectors are more likely to perceive their retirement savings as inadequate, with public sector employees being 14% more likely and private sector employees 9% more likely to strongly agree. Key barriers to saving more for retirement among employees with student debt include affordability (73% in public sector and 70% in the private sector) and excessive debt (54% in the public sector and 47% in the private sector).

Introduction

Student loan debt is a major source of financing for postsecondary education in the United States among financially constrained individuals. Although taking on this type of debt provides opportunities for degree attainment, enhanced career opportunities, and higher future income, its adverse effects on the financial behavior and well-being of households have been well documented, triggering policy actions such as student loan forgiveness (Dinerstein et al., 2024; Korankye & Kalenkoski, 2021; Yannelis & Tracey, 2022).

This white paper uses data collected by MissionSquare Research Institute through Greenwald Research from April to May 2024 to examine the influence of student loan debt on the personal financial and career decisions/perceptions of employees in the public and private sectors. The survey focused on 2,036 employees aged 18 to 49 across the United States. Survey weights are applied to reflect the general population on the basis of gender, income, race, and industry.

As student loan forgiveness and forbearance dominate student loan discussions, continuously examining how student debt affects employees' decisions and perceptions is essential. Knowing how the effects differ between the public and private sectors could pave the way for developing tailored interventions. This is particularly important given that earlier reports show that student loan debt is considered a major source of economic stress among employees in both public and private sectors (MissionSquare Research Institute, 2024a).

This report is divided into two sections. The first section focuses on employment decisions and perceptions, while the second section examines various aspects of employees' financial decision making.

1. The Effect of Student Loan Debt on the Employment Decisions of Employees in the Private and Public Sectors

This section examines how student loan debt relates to key employment decisions among public and private sector employees. The focus areas include job acceptance and retention, career advancement, work morale, and professional development goals. The findings highlight the continuous effects of student debt on career trajectories, influencing employee behavior and motivation across the public and private employment sectors. These data-driven insights seek to inform policymakers and employers on providing targeted interventions that could support employees in balancing student debt and career aspirations.

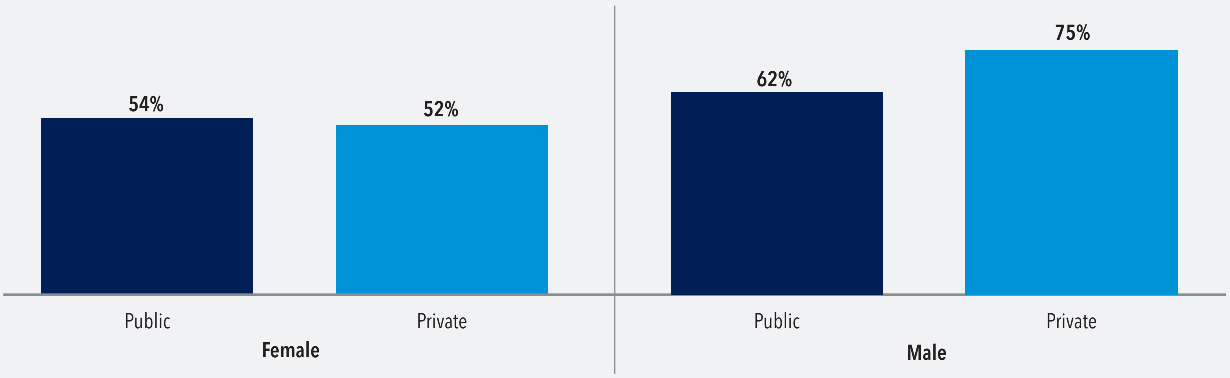
Job Acceptance

Accepting a job offer is ultimately the applicant's prerogative, a decision that can be influenced by various factors, including financial circumstances. The survey aimed to determine the extent to which student loan debt influenced respondents' decisions to accept their current employment. The response options were "major factor," "minor factor," and "not a factor." Figure 1 combines the first two responses in showing the results for student debt holders in the public and private sectors. Among public sector employees with student debt, 56% reported considering the presence of student debt on their balance sheets when making job acceptance decisions. This percentage rises to 62% among those in the private sector. Figures 2 and 3 extend the analysis to examine differences by gender and race/ethnicity, respectively. Across all groups and sectors, a significant percentage of employees with student debt indicated that the debt was a factor in their decision to accept their current job. Groups that appear more likely to base their job acceptance decisions on their student loan status include private sector employees, male employees in both sectors, and Hispanic and African American employees in both sectors.

Figure 1 **Percentage of student debt holders citing debt as a factor in their job acceptance decisions by sector**

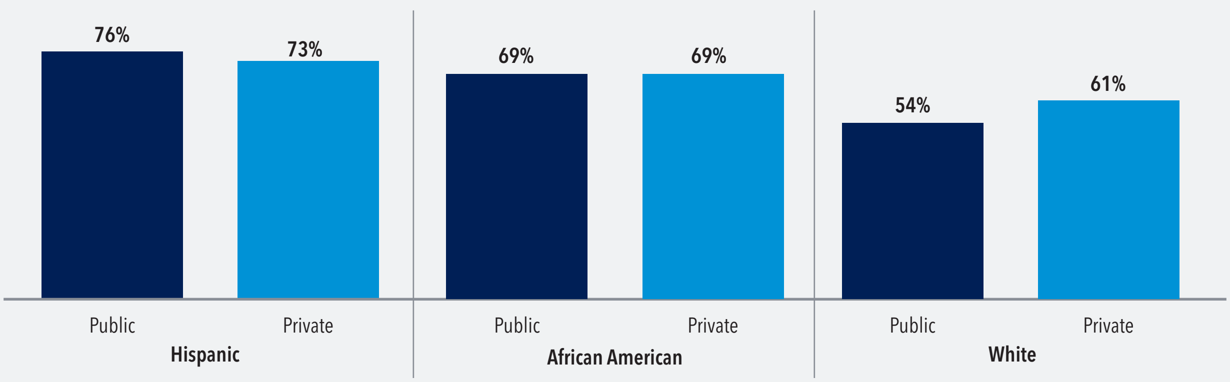
Note: Figure 1 reveals that majority of employees with student loan debt in both public and private sectors consider student debt to be a factor in job acceptance decisions.

Figure 2 **Percentage of student debt holders citing debt as a factor in their job acceptance decisions, by gender and sector**



Note: Figure 2 reveals that, across sectors, the majority of male and female employees with student loan debt consider it a factor in their job acceptance decisions, with male employees more likely than female employees.

Figure 3 **Percentage of student debt holders citing debt as a factor in their job acceptance decisions, by race/ ethnicity and sector**



Note: Figure 3 reveals that, across sectors, the majority of Hispanic, African American, and White employees with student loan debt consider it a factor in their job acceptance decisions, with a higher proportion of Hispanic employees citing it as a factor, followed by African American employees.

Job Retention

Job retention, described in this report as the likelihood of staying with one's current employer, is important for business health and efficiency. Organizations that experience higher labor turnover stand to lose critical expertise for sustained business competitiveness and are likely to incur substantial hiring and training costs, all of which could be detrimental to success over time. To understand the role of student debt in influencing job retention, the survey asked respondents to describe their feelings about their current employer and job, that is, whether they would like to stay with the same employer either in the current role or a different role. The findings from a regression analysis (see Table 1 in the Appendix) show that holders of student debt are more likely to change employers than those without student debt, particularly in the public sector. Specifically, student debt holders are 29% less likely to remain with the same employer in the public sector sample. Figure 4 provides further details across employment sectors. Among public sector employees who prefer to stay with their employer, 39% have student debt, while 61% do not. In the private sector, the figures are 34% for those with student debt and 66% for those without it.

Career Advancement

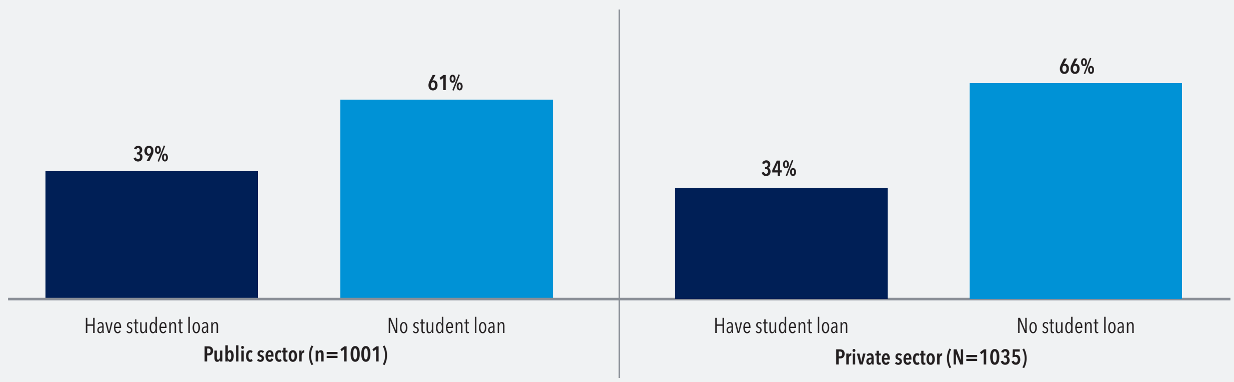
The survey also asked respondents whether they believe student loan debt has limited their career advancement opportunities. Overall, approximately 34% of respondents with student debt across the public and private sectors reported that their debt hindered their career progression. Regarding gender, Figure 5 shows that 35% of female respondents with student debt in the public sector (and 28% in the private sector) indicated that their career advancement had been constrained by their debt. In comparison, 31% of male respondents with student debt in the public sector and 43% in the private sector reported similar limitations.

These findings suggest that gender-specific factors such as differing societal expectations and sector-based differences in salary structures, job flexibility, and availability of career development opportunities could influence how student debt impacts career progression. For instance, public sector jobs may have lower salaries and fewer growth opportunities, which could make it more challenging for debtholders to overcome the financial burden associated with student debt. In the private sector, employees may have higher-paying jobs. However, the likelihood of a more competitive and fast-paced working environment may place more pressure on career advancement.

Morale Regarding Work

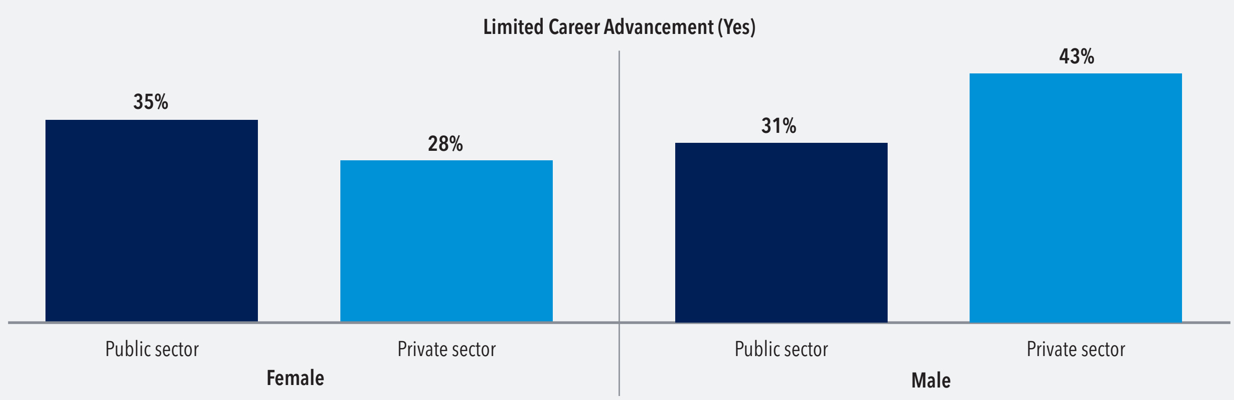
Work morale, which includes how positive, enthusiastic, and motivated employees feel at their workplace, is essential for employee productivity and job satisfaction. When morale is low, employees may perform their work unenthusiastically, which could make them less loyal, less focused, and psychologically burdened. To understand how student debt influences employee morale, the study compares the effect of student loan debt on work morale among employees in the public and private sectors. From a regression analysis (see Table 2 in the Appendix), there is evidence that public sector workers with student debt are more likely to experience negative morale regarding work than

Figure 4 **Respondents who would like to stay with their current employer, by student debt status and sector**



Note: Figure 4 shows that student debt holders are less likely to remain with their current employer than non-holders of the debt, with the public sector more susceptible to retention challenges.

Figure 5 **Perception that student debt has limited one's career advancement by gender**



Note: Figure 5 indicates that both male and female student debt holders perceive their debt as limiting their career advancement opportunities, with females in the public sector and males in the private sector being particularly affected.

their counterparts without student debt. Figure 6 below provides further details, showing that 23% of public sector employees with student debt perceive their work morale to be negative, compared with 14% in the private sector. Overall, the presence of student debt on a person's balance sheet may serve as a contributory factor to morale at the workplace, with public sector employees experiencing lower morale than their counterparts in the private sector, where a statistically significant difference is not found between those with student debt and those without.

Professional Development Goals

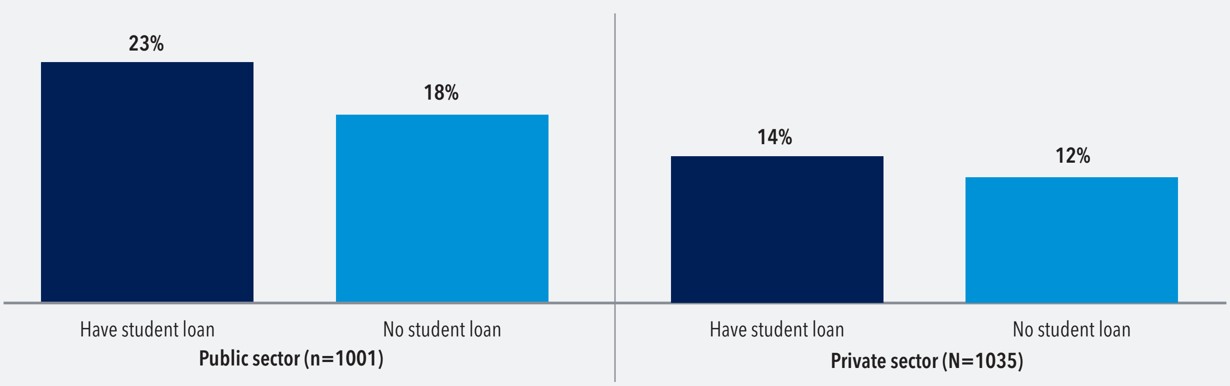
Engaging in lifelong learning is essential for skill development and growth in productivity while also providing higher income opportunities. In addition, employees with career development opportunities appear to stay longer with their employers (Parker & Horowitz, 2022). As such, the study explored the professional development goals of employees in the public and private sectors and how student loan debt could influence these goals. The specific professional development goals examined include acquiring new skills, pursuing supervisory or management roles, obtaining additional education or certification, taking on new or different assignments, and assuming more responsibility. The respondents could also select options such as "Don't know" or "I have no professional development goals/I have achieved my goals."

The findings through a regression analysis (see Table 3 in the Appendix) show that student loan debt is positively associated with many of these professional development goals. Specifically, student debt holders are 29%, 23%, 54%, and 24% more likely to aim for new skills acquisition, supervisory or management roles, additional education or certification, and roles with more responsibilities, respectively, than those without student debt. Conversely, student debt holders are 37% less likely to have no professional development goals or to have already achieved their goals. These findings indicate a correlation between student loan debt and a quest to pursue professional growth through various pathways, potentially increasing prospects for higher future income and improving financial stability. The findings are relatively similar for employees in the public and private sectors. Since motivated employees looking to advance their skills are key to a stable and developing workforce, employers may want to prioritize educational benefits that encourage those employees to remain with the organization.

Conclusion

Overall, the findings show that student debt influences employment decisions regarding job acceptance and retention, especially in the public sector, where student debt holders are more likely to consider changing employers. Additional findings about the perception that student loan debt lowers work morale and hinders opportunities for career advancement compound this challenge. Putting aside these adverse outcomes, the findings reveal that student debt is positively correlated with the desire to pursue professional development goals to enhance one's income potential. These results suggest potential benefits for employers to absorb or subsidize skill development costs with changes to compensation based on enhanced abilities, productivity, and responsibilities. Another recommendation is for employers to consider offering financial wellness programs, opportunities for internal advancement, and student loan assistance programs.

Figure 6 **Percentage of employees reporting negative work morale by student debt status and sector**



Note: Figure 6 illustrates the relationship between student debt and work morale, with a statistically significant effect found in the public sector. Specifically, public sector employees with student debt are more likely to report negative work morale than their counterparts without the debt.

2. The Effect of Student Debt on Employees' Financial Planning Horizons, Investment Approaches, and Retirement Savings

This section examines how student loan debt relates to various personal financial behaviors, including financial planning horizons, investment approaches, and retirement savings among employees in the public and private sectors. These financial behaviors are crucial for achieving short- and long-term financial well-being, particularly as they could affect wealth accumulation and overall financial security.

The findings from MissionSquare Research Institute's survey generally show that student debt continues to hinder borrowers' ability to focus on long-term planning and wealth building through long-term investments. Borrowers are also less likely to participate in defined contribution plans or hold individual retirement accounts, even though they yearn to save more toward their retirement. These findings reinforce the need for policies that support individuals with student loan debt.

Impact on Investment Approaches

Investments are essential for meeting future financial needs, and those who invest in the stock market can benefit from the long-term returns it has historically provided. While short-term investments provide greater liquidity and lower risk, they have historically offered minimal returns to investors.

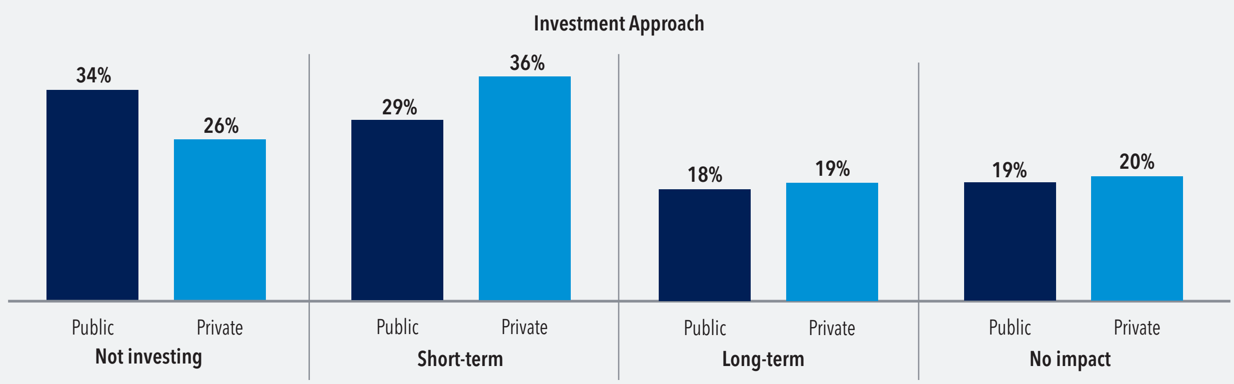
In this survey, student loan holders were asked to characterize the impact of student debt on their investments. The response options included:

- Because of my current debt level, I am more focused on long-term, equity investments.
- Because of my current debt level, I am more focused on short-term, cash/fixed income investments.
- My student loan debt does not impact my approach to investing.
- I am not investing at this time.

The results in Figure 7 illustrate the significant impact of student loan debt on the investment preferences of employees in the public and private sectors. For instance, many student debt holders in both sectors do not invest at all (34% in the public sector and 26% in the private sector). Even for those who invest, many prefer short-term securities (29% in the public sector and 36% in the private sector). Only a small percentage of student debt holders invest in long-term equities (18% in the public sector and 19% in the private sector).

The need for liquidity could drive this investment behavior (Faig & Shum, 2002; Korankye & Guillemette, 2021).

Figure 7 **Impact of student debt on investment approach by sector**



Note: Figure 7 shows the impact of student loan debt on the investment approach preferences among employees with student debt in the public and private sectors. Many student debt holders do not invest at all, especially in the public sector. Among those who invest, many prefer short-term investments. The total for each sector may not equal 100% due to rounding.

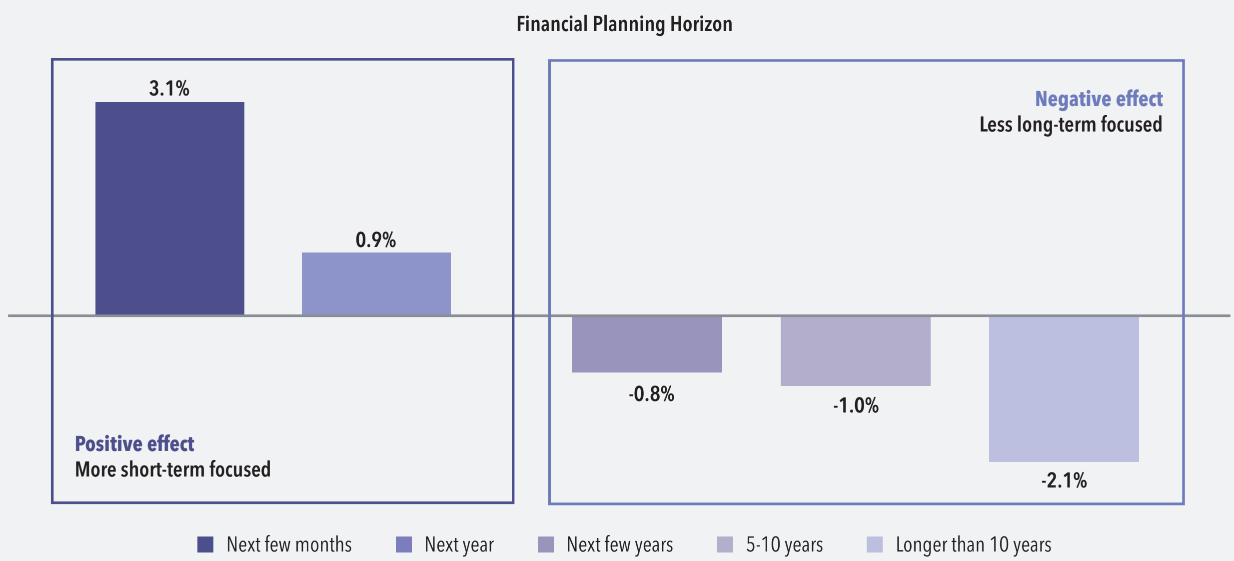
Although the preference for short-term investments is contrary to the long-term wealth-building potential of these debt holders, an even greater concern is that several student debt holders are not investing at all. This phenomenon could be detrimental to their future accumulated wealth and further exacerbate wealth inequalities.

Effect on Financial Planning Horizons

A financial planning horizon is foundational for several financial decisions that could influence well-being, including retirement savings, budgeting, and investing (Liu et al., 2023). The survey asked participants to determine the periods that best describe their financial planning horizon. The response options included the next few months, next year, next few years, 5-10 years, and longer than 10 years.

The findings show that student debt holders are more likely to have shorter financial planning horizons focused on the next few months than those without student debt (Figure 8). Conversely, they are less likely to have financial planning horizons that focus on 5-10 years and longer than 10 years. In short, student debt makes individuals more likely to shift their perspective on planning horizons toward the short-term, focusing on immediate needs over long-term perspectives.

Figure 8 **Student debt's effect on financial planning horizon for full sample**



Note: Figure 8 illustrates the effect of student debt on the financial planning horizons of student debt holders compared with those without student debt. Having student debt is associated positively with short-term financial planning horizons (next few months and next year) and negatively with long-term planning horizons (next few years, 5-10 years, and longer than 10 years).

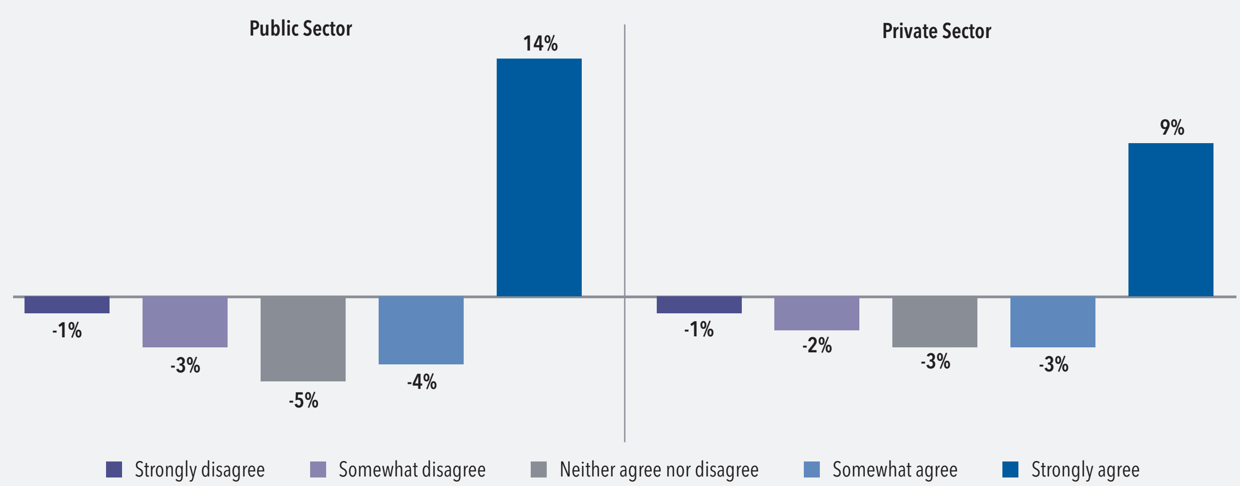
Perceptions of Retirement Savings Adequacy

Retirement savings significantly contribute to the long-term wealth accumulation needed to optimize post-employment income replacement. In an era of increasing life expectancy and a shift toward defined contribution retirement plans, the fear of outliving one's resources in retirement has grown. This makes it essential for employees to contribute more toward their retirement to increase their prospects of having sufficient resources for their golden years (MissionSquare Research Institute, 2024b). For employees with student debt, this could be more challenging because they are expected to balance repayment obligations with the need to save for retirement.

To explore employees' perceptions on their retirement saving adequacy, the study asked respondents to share their views on the extent that they agree or disagree with the statement, "I should be saving more for retirement than I currently do." Findings in Figure 9 through a regression analysis show that, compared to non-student debt holders, employees with student debt across the public and private employment sectors are more likely to strongly agree that their current savings are inadequate and that they should be saving more for retirement. Specifically, employees with student debt in the public sector are 14% more likely, and those in the private sector are 9% more likely, to strongly agree with this statement compared to their counterparts without student debt.

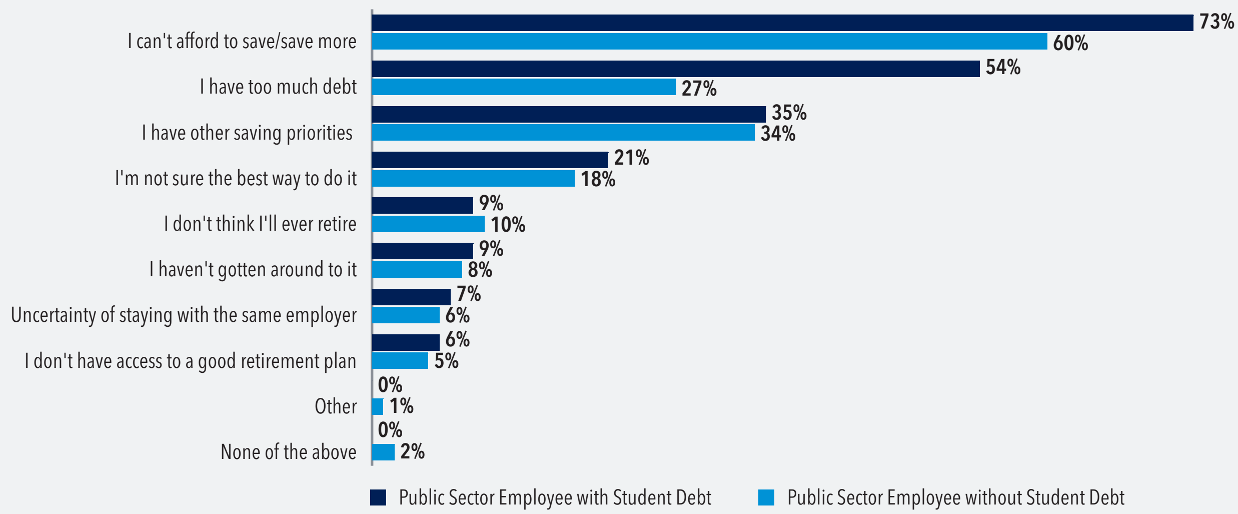
To explore the factors contributing to employees' perceptions of retirement savings inadequacy, the survey further asked employees to identify reasons why they are unable to save more for retirement. The ten-answer options included statements such as "I can't afford to save/save more," "I have too much debt, "and "I have other saving priorities." Figure 10 shows that public sector employees with student debt primarily cited "I can't afford to save/save more" (73%) and "I have too much debt" (54%) as major barriers. In contrast, the corresponding percentages for public sector employees without student debt are 60% and 27%, respectively. Figure 11 highlights similar trends in the private sector, although the challenges appear more pronounced among public sector employees.

Figure 9 **The extent that student debt holders agree on the need to save more for retirement by sector**



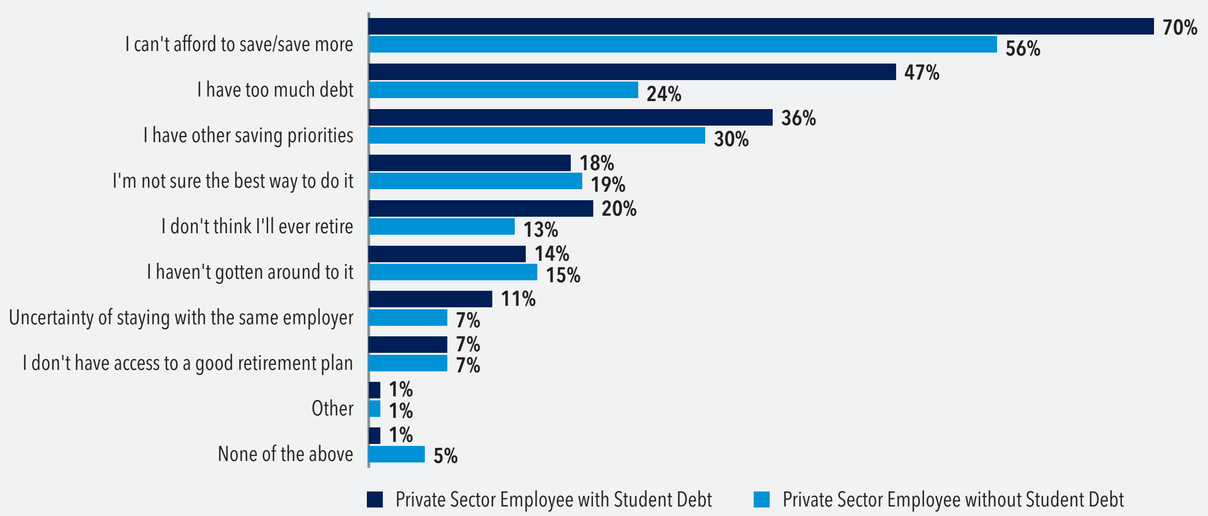
Note: Figure 9 indicates that a significant number of employees with student debt strongly agree they should be saving more for retirement than they currently are, a perspective that is more pronounced among employees in the public sector than those in the private sector.

Figure 10 **Reasons for perceived retirement savings inadequacy among public sector employees**



Note: Figure 10 reveals that most employees in the public sector cited lack of resources and excessive debt as reasons for perceived retirement savings inadequacy. The survey allowed respondents to select multiple responses.

Figure 11 **Reasons for perceived retirement savings inadequacy among private sector employees**



Note: Figure 11 reveals that most employees in the private sector cited lack of resources and excessive debt as reasons for perceived retirement savings inadequacy. The survey allowed respondents to select multiple responses.

Conclusion

Findings from the survey data show the adverse impacts of student loan debt on investment decisions, planning horizons, and the perceived ability to save more for retirement persist. The emphasis on short-term planning, short-term investment, or not investing at all restricts student debt holders' opportunities to benefit from investment compounding, hindering their ability to accumulate wealth. This finding highlights the need for financial planning strategies that consider the burden of debt and its corresponding influences on short- and long-term financial goals.

3. Overall Key Takeaways for Both Topics 1 and 2

Student loan debt negatively impacts employment decisions concerning job acceptance and retention, particularly for those in the public sector. In addition, some employees believe that their student debt has limited their career advancement opportunities. Employees with student debt are also more likely to report lower work morale compared to those without it. Conversely, student loan debt positively correlates with the pursuit of professional development goals.

Student loan debt influences employees' personal financial decisions across employment sectors, often resulting in short-term financial planning horizons, lack of savings/investment, short-term investing by younger workers, and a reduced likelihood of sufficient saving for retirement.

Public sector employers could adopt strategies that support student debt holders and enhance their employment decisions and financial wellness. Employers could consider:

- Absorbing or subsidizing skill development costs.
- Adjusting wages to dovetail with enhanced abilities, productivity, and responsibilities.
- Offering financial wellness programs, opportunities for employees to advance and increase their earnings, and student loan assistance programs.
- Providing targeted financial education programs that include topics on budgeting and investments, with opportunities for student debt holders to visualize their financial futures and make informed decisions.

Appendix

Table 1 **Logistic Regression Results of the Effect of Student Loan Debt on Job Retention**

Model	Sector/Sample	Key Explanatory Variable	Odds Ratio	P-Value
1	Public	Student debt	0.71	0.024
2	Private	Student debt	0.83	0.223

Note: Each module includes control variables relating to demographic and socioeconomic indicators. N: 1,001 (Module 1) and 1,033 (Module 2).

Table 2 **Ordered Logit Regression Results of the Effect of Student Loan Debt on Work Morale Among Public Sector Employees**

Perceived Work Morale (Dependent Variable)	Key Explanatory Variable	Marginal Effects	P-Value
Strongly negative	Student debt	0.01	0.08
Somewhat negative	Student debt	0.02	0.07
Neutral	Student debt	0.01	0.07
Somewhat positive	Student debt	-0.02	0.08
Very positive	Student debt	-0.03	0.07

Note: Each module includes control variables relating to demographic and socioeconomic indicators. N is 1,001

Table 3 **Logistic Regression Results of the Effect of Student Debt on Professional Development Goals**

Model	Professional Development Goals	Odds Ratio	P-Value	N
1	New skills	1.29	0.014	2036
2	Supervisory or management roles	1.23	0.067	2021
3	Additional education or certification	1.54	0.000	2036
4	New and different assignments	1.00	0.998	2036
5	More responsibility	1.24	0.040	2036
6	Other	1.29	0.708	1889
7	I have no professional development goals/I have achieved my goals	0.63	0.014	2036
8	Don't know	0.70	0.269	2013

Note: Each module includes control variables relating to demographic and socioeconomic indicators.

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