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Cheapskin Effects? The Heterogeneous Value of Industry-Recognized Certificates Earned by High School Students

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Educational credentials like high school diplomas and college degrees have long been known to produce "sheepskin effects," where just having the piece of paper itself helps individuals get hired or earn more, regardless of the actual skills they learned in class. In recent years, however, there has been a significant shift toward "college and career readiness" policies that encourage students to earn industry-recognized certifications (IRCs) while still in high school. These credentials, such as Certified Veterinary Assistant licenses or Occupational Safety and Health Administration (OSHA) construction certifications, are designed to signal to employers that students have specific, job-ready skills that a standard high school diploma might not clearly show. In theory, IRCs would be helpful for students who are entering the workforce directly, particularly those from historically marginalized groups, such as women, low-income students, and students of color.

However, the rapid rise of IRCs may be driven as much by policy incentives as by student needs. Because these certifications are often tied to state and federal accountability systems and financial rewards, schools are heavily incentivized to increase their numbers. For example, in Texas, schools receive specific "bonus funding" for each student who earns an IRC. This has led to a phenomenon known as "curricular-credential decoupling," where the certificates students earn often have little alignment with their actual coursework. In fact, research shows that most students earning an IRC do not specialize in the corresponding subject area.

Despite their widespread adoption, there is limited research on the long-term impact of these credentials. If schools are promoting misaligned certifications, they may be providing students with "cheapskin" credentials that offer no real-world value. This study investigates whether earning these certifications actually translates into higher wages and better employment outcomes for high school graduates once they enter the labor market.

STUDY AND METHODS

This study uses statewide data from Texas covering six cohorts of public high school graduates between 2017 and 2022, representing nearly 1.7 million students. These records link K–12 data with postsecondary enrollment information and Unemployment Insurance wage records, allowing the researchers to track students' employment, earnings, and job stability in the years immediately following high school graduation.

The analysis compares students with similar CTE coursework, backgrounds, and demographics, but some students received a formal credential and some did not, allowing them to estimate the specific added value of the credential. While the models control for many differences between students, it is not a causal study, and the results should be interpreted as correlations rather than definitive causal impacts.

The researchers also examine whether outcomes vary depending on whether certifications are aligned with students' CTE concentration, the number of certifications earned, and the specific career field of the credential, providing a more detailed understanding of when and for whom these credentials appear to provide economic benefits.

KEY FINDINGS

1. **On average, students who earned IRCs earned higher wages in the early labor market, but they were not more likely to be employed.**
    - Earning an IRC provided a bigger financial boost (9%) than simply taking one additional CTE course (6%), but a smaller financial impact than completing a full three-course sequence of CTE courses, or "concentration" (23%).
    - To put this in perspective, if a typical graduate earns $20,000 a year, having an IRC adds about $1,000 to their annual salary. With more than 100,000 students in Texas earning these credentials every year, that extra $1,000 per person adds up to $100 million in increased total wages for every single graduating class.

2. **IRCs only provide a positive benefit if the certificate matches the student's CTE concentration.**
    - **Aligned IRCs:** Students with certifications that are aligned with their CTE concentration have stronger outcomes than similar students without certifications: 14.7% higher wages, a 1.3 percentage point higher probability of employment, and a 1.3 percentage point higher probability of job stability
    - **Misaligned IRCs:** Students with certifications that are not aligned with their CTE concentration actually show negative outcomes compared to similar students without certifications, including a lower probability of employment (-0.5pp) and job stability (-0.3pp), and they provide no significant change to earnings.

- When a certificate is aligned with a student's area of concentration, it reinforces the skills they acquired through their coursework. The authors suggest that without this alignment, the signal becomes weak or confusing to employers.

3 **Labor market returns vary by subject.**
- **Highest Returns:** IRCs in Transportation (33% increase in earnings) and Construction (30.4% increase in earnings) offer the largest gains. It seems that IRCs in these subjects provide a reliable signal that a candidate has the specific technical competencies required for the job.
- **Negative Returns:** Conversely, IRCs in fields like Information Technology (-28%), Human Services (-17.3%), and Business (-13.4%) are actually associated with a drop in quarterly wages. The authors suggest these certifications might be so common or easily attained that they no longer serve as a meaningful distinction for employers.

4 **Overall, industry credentials can raise wages, but the biggest financial rewards tend to go to students who already have advantages in the labor market, such as men or white students.**
- If high-return credentials are concentrated among students who already have labor market advantages, credential systems can unintentionally reinforce existing inequities.
- White and male students receive larger earnings gains from aligned IRCs compared to their peers, and White students are the only group that still receives an earnings boost from a misaligned IRC.
- Because men historically earn higher wages and dominate higher-paying trades, this pattern suggests that credential benefits may reinforce existing gender wage gaps.

POLICY AND PRACTICE IMPLICATIONS

1 **Schools should encourage students to complete IRCs that are aligned with their CTE career pathway and steer students away from earning credentials that are not aligned.**
- Aligned certifications lead to a 14.7% increase in wages, whereas misaligned ones lead to a decrease in employment probability and job stability.

2 **State and federal accountability systems should reward only "aligned" certifications and should move away from rewarding schools based solely on the raw number of IRCs their students earn.**
- Policymakers should reward only "aligned" certifications, those that match a student's field of study, as these are the only credentials shown to provide meaningful increases in wages and job stability. Doing this would ensure that public funds are supporting credentials with genuine labor market value rather than the proliferation of "cheapskin" certificates that offer little real-world return for students.

3 **States and districts should define and publish lists of high-value credentials to help students understand which credentials are most likely to lead to good jobs.**

- Not all IRCs carry the same labor market value, yet many education policies treat them as interchangeable. Many states already maintain approved industry credential lists, but these lists often include hundreds of credentials with widely varying value. A more useful approach is to identify a subset of high-value credentials that show strong labor market returns and make that information visible and actionable for schools, counselors, and students.

4 **To address equity gaps in access to high-value credentials, schools and districts should monitor who enrolls in different CTE pathways, ensure underrepresented students have access to high-value certifications and career pathways, and provide advising and supports that help students navigate toward high-demand fields.**

FULL WORKING PAPER

This report is based on the EdWorkingPaper "*Cheapskin Effects? The Heterogeneous Value of Industry-Recognized Certificates Earned by High School Students,*" published in March 2026. The full research paper can be found here: https://edworkingpapers.com/ai26-1412.

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