

# Project Degree Completion: Building Our Future

By

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## Introduction

A fierce public debate is waging: Is higher education worth the cost—to individuals who need good jobs and to society investing in the public higher education system?

The evidence is clear and the answer to both is a resounding yes—individual and societal investment in higher education pays off. A college education remains the single most important driver of opportunity and economic growth for individuals, communities and the nation. It is worth the cost to students for their personal return on investment and it is worth the cost to all taxpayers for the wider public returns realized through public investment in higher education.

Even more important, our country's future economic prosperity hinges upon this investment. If the nation fails to advance the number of individuals obtaining postsecondary credentials, the medium to long-term economic costs to individuals, businesses and the overall economy will be severe. Simply put, a higher proportion of jobs today demand a higher education credential. In 1973, only 28 percent of jobs required a postsecondary degree; in 2007, that number had doubled to 59 percent. By 2018, labor market demand for postsecondary education is projected to rise to 63 percent,<sup>1</sup> and in another five years, nearly two-thirds of all jobs will require a postsecondary credential. According to labor market data, employment growth since 1989 has been driven entirely by workers with education levels beyond high school. Despite increases in the average education level of the nation's workforce, these increases have been insufficient in keeping up with demand.<sup>2</sup> Given current education investment patterns, this gap will continue.

The link between the nation's economic needs and the public benefits derived from a well-educated workforce has compelled public universities to come together and pledge to increase degree production. It's not just a numbers game. Implicit in this pledge is a commitment to transform our institutions in response to economic, social and technological change in order to maintain our historical ability to efficiently and effectively deliver quality education to a diversifying and growing population.

As the first nation to create a higher education system for the public, the United States led the world in technological progress and better enabled U.S. citizens and countless others to realize their personal and professional aspirations. Although higher education positioned the United States as the global economic leader, we are sadly losing this edge and the opportunities it affords. Today's lack of investment in education guarantees our current economic woes will become tomorrow's new normal.

This briefing paper summarizes the evidence as to why higher education remains a sound and essential individual and public investment.

## **The Value of Higher Education**

How does a higher education degree or credential dramatically benefit both individuals and society at large?

Higher education:

- increases income;
- generates employment;
- rebuilds the middle class;
- enables ongoing economic well-being;
- provides greater economic resilience;
- improves overall quality of life; and
- makes the United States stronger and more globally competitive.

### **Benefit 1: Higher Education Increases Income**

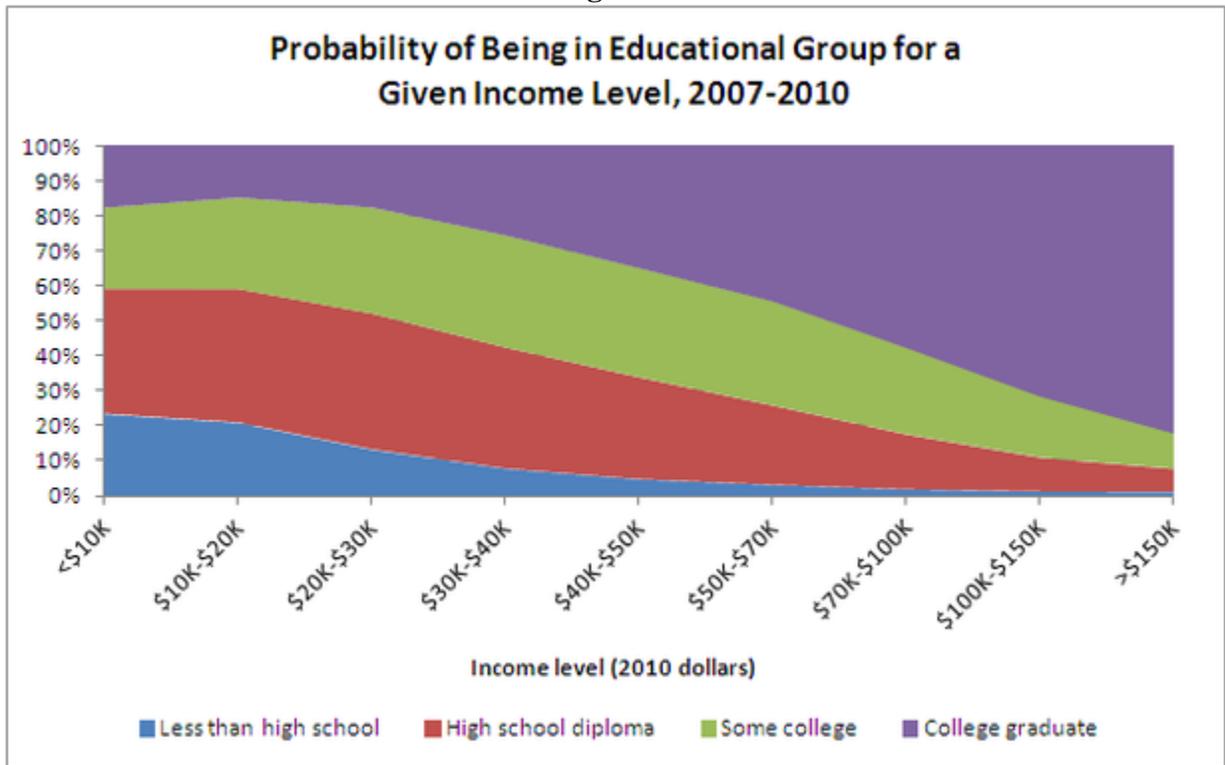
#### ***Individual Benefits***

One of the most tangible benefits for individuals is the higher income that results with the acquisition of a postsecondary credential. On average, a person with a bachelor's degree today earns an annual salary of around \$55,700, while someone with a high school diploma earns approximately \$33,800—40 percent less.<sup>3</sup> Sustained over a lifetime, four-year degree holders earn on average 84 percent more than non-degree holders.<sup>4</sup>

As Figure 1 demonstrates, college graduates comprise the lion's share of those earning \$70,000 and above.

It should be noted that because industries, occupations, cities and skill sets differ, greater earnings based on higher education credentials are not true for all people all of the time. For example, a person with a certificate in computer science might earn more than someone with a bachelor's degree in history. Within the computer science field, however, someone with a bachelor's degree will almost always earn more than a worker with some or no postsecondary education.<sup>5</sup> Generally speaking, a postsecondary credential equals higher wages.

Figure 1



Source: The Hamilton Project, Brookings Institution.<sup>6</sup>

### Public Benefits

In addition to the individual financial benefits afforded by postsecondary credentials, the public economic benefits account for the historical investment in higher education by federal and state governments. Highly educated populations translate to higher individual incomes; federal, state and local governments, therefore, see an increase in tax revenue and a decrease in income support programs.

Data also indicate that income grows faster in cities with a more educated population.<sup>7</sup> One study, for instance, found that just a 1 percent increase in college degrees leads to wage increases from 0.6 to 1.2 percent for the entire metropolitan area—even for those without a degree.<sup>8</sup>

### Benefit 2: Higher Education Generates Employment

#### Individual Benefits

A postsecondary degree increases the likelihood of employment for individuals. In 2010, when recession unemployment rates peaked, unemployment for bachelor's degree holders reached 8 percent, while those holding a high school diploma faced a frightening 21 percent unemployment rate. By May 2012, unemployment rates of those holding bachelor's degrees declined to 4.1 percent, while the rate for those with high school diplomas remained high, at 9.4 percent.<sup>9</sup>

Although young college graduates have recently faced higher unemployment rates than their older counterparts (25-plus years), the employment prospects of these degree holders has been much better than those with lower education levels. In mid-2012, the unemployment rate for recent college graduates stood at 6.8 percent—high by historical terms, but still substantially lower than the unemployment rate of 24 percent for recent high school graduates. The pattern is similar for underemployment: One out of every seven new four-year college graduates was underemployed in mid-2012, while nearly half of recent high school graduates were underemployed in 2012.<sup>10</sup>

In sum, individuals with high school diplomas or less bore the brunt of the recession's job losses—losing nearly 5.6 million jobs. And, according to a recent study from the Georgetown University Center for Education and the Workforce, job gains during the economic recovery have been limited to those with a college education. Two million jobs were added during the recovery for those holding at least a bachelor's degree—even though these workers make up less than one-third of the labor force. On the other hand, an additional 230,000 jobs have been lost during the recovery by people with a high school diploma.<sup>11</sup>

### ***Public Benefits***

There is a significant public benefit to having a population with a higher average education level. For one, it makes possible higher paying industries, such as high technology, information technologies, or advanced manufacturing, which rely on a highly skilled workforce. Industries look carefully at the pool of available educated talent before deciding to locate or move. A high-value industry draws on educated and skilled employees, and competitive industries become a rising tide that raises all boats.

Moreover, demand for jobs requiring degrees spurs demand for jobs that do not require degrees. The higher spending power of educated workers increases consumption of local services and, in turn, stimulates new business growth and job creation. The reverse is also true. Unemployment is higher in places with insufficient numbers of educated workers. Thus, increasing regional education attainment levels is the most effective way to lower unemployment over the medium to long-term.<sup>12</sup>

## **Benefit 3: Higher Education Rebuilds the Middle Class**

### ***Individual and Public Benefits***

One of the greatest and most difficult challenges facing the nation is the shrinking middle class. As wages and job creation patterns increasingly rely on access to higher education, the earnings gap between those with postsecondary credentials and those without is widening. In 1980, the gap was a 40 percent differential. By 2010, this number nearly doubled—to 74 percent—and is projected to be a catastrophic 96 percent in 2025 if current education trends continue.<sup>13</sup> Without postsecondary credentials, individuals are increasingly falling out of the middle class. If not addressed, the growing income gap promises deep societal and economic challenges. Adding 20 million more individuals with postsecondary credentials by 2025 could reduce income inequality

to 46 percent.<sup>14</sup> Higher education is an essential part of the solution for rebuilding the American middle class.

## **Benefit 4: Higher Education Enables On-Going Economic Well-Being**

### *Public Benefits*

U.S. economic well-being is rooted in the advantages garnered from being the first nation to create a wide-reaching public higher education system. Having a skilled workforce gave the United States a crucial advantage in technological advancements, taking the lead in the industrial revolution and maintaining it at the start of the information revolution. Higher education continues to support the economic dynamism serving the broader public and keeps us ahead of the technology curve. College graduation rates increased steadily for 100 years—until the 1970s, when rates stagnated to around 40 percent. That stagnation brought with it expanding wage inequality and the emergence of an unequal nation. Consequently, the growing inequality in the United States results from an insufficient supply of educated workers.<sup>15</sup>

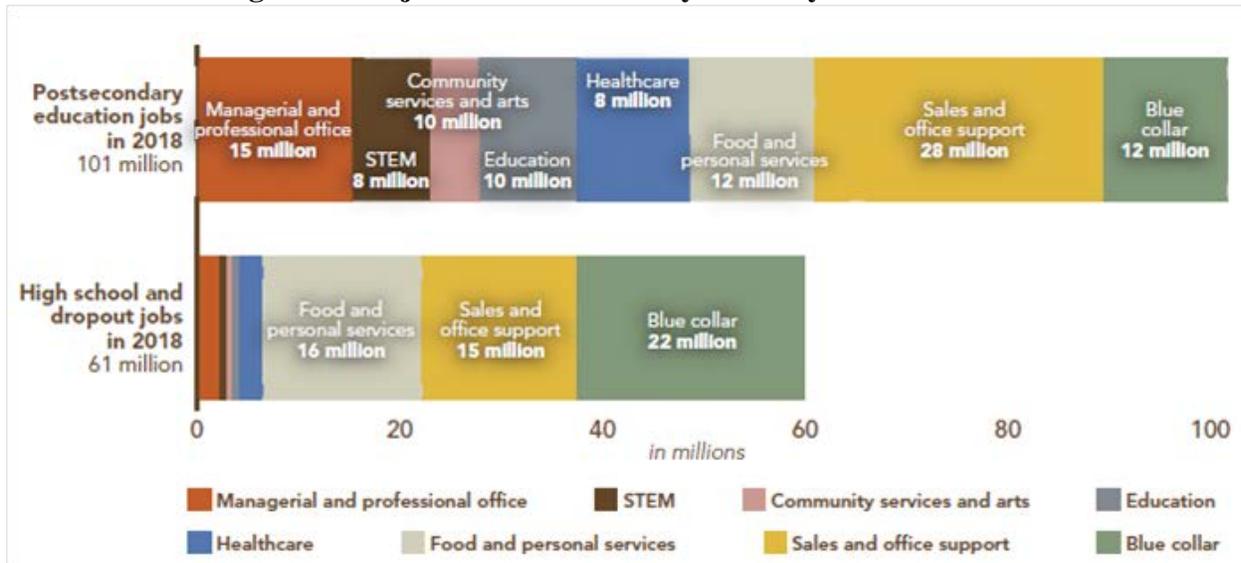
If we do not increase skill acquisition and reverse the stagnation in college graduation rates, our income inequality will continue to grow and undermine the overall economic well-being of the nation. Current economic woes are only a taste of the difficulties to come.

## **Benefit 5: Higher Education Provides Greater Economic Resilience**

### *Individual Benefits*

Individuals with postsecondary credentials have greater mobility, resilience and options, allowing them to move among labor markets, careers and industries. Evidence shows that individuals with degrees easily traverse multiple industries and occupations to find jobs while those with high school degrees or less find work in fewer occupations in today's economy. Job creation projections for 2018, shown in Figure 2, indicate that the jobs available for individuals with high school degrees or less are only in three occupational clusters—food and personal services, sales and office support and blue collar—all of which are declining in size and job creation potential.

**Figure 2: Projected Job Growth by Industry and Education**



**Source:** Georgetown University Center for Education and the Workforce, *Help Wanted: Projections of Jobs and Education Requirements Through 2018 Executive Summary*.<sup>16</sup>

College graduates have weathered the recession better than less-educated workers. This resiliency is due in large part to the decline in low-skill jobs caused by advances in labor-saving technology—particularly computing technology. The result is an increased demand for hard cognitive knowledge, skills and abilities, as well as softer interpersonal skills and personality traits.<sup>17</sup>

**Public Benefits**

An educated workforce is a versatile workforce. It moves among industries more easily when the economy changes, adding resilience to the business sector in the face of economic volatility. An agile workforce enables cities and regions to survive industrial diversification and economic restructuring, a hallmark of our fast-paced, technology-driven global economy.

**Benefit 6: Higher Education Improves Our Overall Quality of Life**

**Individual and Public Benefits**

In addition to the economic advantages, individuals with postsecondary degrees also generate broader societal benefits. Not only are they more likely to engage in their community and in the democratic processes (e.g., voting), they tend to lead healthier lifestyles that contribute to reduced health care costs. Further, they are more likely to participate in education related activities with their children, increasing the likelihood that their offspring are better prepared for elementary school.<sup>18</sup>

## Benefit 7: Higher Education Makes the U.S. Stronger and More Globally Competitive

### *Public Benefits*

U.S. economic and technological advantages during the past 150 years have stemmed from the nation's historic commitment to public support of higher education and making it available to more people. That advantage is being lost. The largest professional workforces are rapidly growing outside U.S. borders, with China leading the pack.

In 2000, the United States and China tied for providing the largest percentage (17 percent) of 25- to 34-year-olds with postsecondary degrees to the global talent pool. By 2010, China had taken the lead (18 percent) while the United States slipped in rank, now providing 14 percent of the talent pool in the developed and G20 countries.<sup>19</sup> Given China's commitment to see 20 percent of its population obtain higher education degrees—which would equal the entire projected U.S. working age population (25-64)—this gap will widen and could result in the United States ceding its advantages in innovation and technological capacity.<sup>20</sup>

The United States now ranks 15<sup>th</sup> out of the top 34 developed countries in terms of degree attainment (percentage of 25- to 34-year-olds with an associate degree or higher). While the overall U.S. adult population (aged 25-64) ranks third in educational attainment, it has slipped in the 25- to 34-year-old cohort and is only one of a small number of countries whose older workers are collectively more educated than its younger ones.<sup>21</sup>

### Why the Project Degree Completion Pledge?

The nation must return to its roots and the solution must be a public commitment to educate more people and to transform the higher education sector into an economic and democratic engine for the future. Without a doubt, the future will be built by the steps taken today. The Project Degree Completion pledge represents public higher education's commitment to do our part to reinvigorate the economy and better prepare our people and country to address current and future economic challenges. It is but one piece of the puzzle. Federal and state governments must also come to the table—as must many other education stakeholders—with a willingness to commit resources for continuous improvement.

We focus on numbers in the Project Degree Completion pledge because they show us where to go and what we need to do to ensure we get there.<sup>22</sup> But the Project Degree Completion pledge is not about numbers. It is about commitment, accountability and transformation. It is one of the tools public higher education will use to help steer the future of public institutions. The changes public higher education will implement toward reaching the goals of the Project Degree Completion pledge will be as important as the outcomes we aim to achieve.

Public higher education commits to this pledge because the value of a degree is not in the paper, but the work behind it—the work of the students, of their families, of their community and of public institutions.

We know each degree is its own story; each student has his or her own set of needs. With this in mind, we make our commitment to make the numbers—one student, one story, one credential at a time.

## Endnotes

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<sup>1</sup> Carnevale, Anthony, Nicole Smith, and Jeff Strohl. (2010) *Help Wanted: Projections of Jobs and Education Requirements Through 2018*. Washington, DC: Georgetown University Center for Education and the Workforce.

<sup>2</sup> Carnevale, Anthony, Tamara Jayasundera and Ban Cheah. (2012). *The College Advantage: Weathering the Economic Storm*. Washington, DC: Georgetown University Center on Education and the Workforce.

<sup>3</sup> Carnevale, Anthony, Stephen Rose and Ban Cheah. (2011) *The College Payoff: Education, Occupations, Lifetime Earnings*. Washington, DC: Georgetown University Center on Education and the Workforce.

<sup>4</sup> The College Board. Education Pays (2011) Website.

[http://trends.collegeboard.org/education\\_pays/report\\_findings/indicator/Education\\_Earnings\\_and\\_Tax\\_Payments](http://trends.collegeboard.org/education_pays/report_findings/indicator/Education_Earnings_and_Tax_Payments) Downloaded on September 10, 2012.

<sup>5</sup> Carnevale, Smith and Stohl (2010).

<sup>6</sup> Greenstone, Michael and Adam Looney. (2012) “Education is the Key to Better Jobs.” The Hamilton Project. Washington, DC: Brookings Institution.

[http://www.hamiltonproject.org/papers/education\\_is\\_the\\_key\\_to\\_better\\_jobs/](http://www.hamiltonproject.org/papers/education_is_the_key_to_better_jobs/) Downloaded September 14, 2012.

<sup>7</sup> Gottlieb Paul and Michael Fogarty (2003) “Educational Attainment and Metropolitan Growth,” *Economic Development Quarterly*, 17(4), 325-336.

<sup>8</sup> Moretti, Enrico (2012) *The New Geography of Jobs*. Boston, MA: Houghton Mifflin Harcourt, cited in National Governors Association (2012), *Growing State Economies: A Policy Framework*. Washington, DC: National Governors Association.

<sup>9</sup> Carnevale, Jayasundera and Cheah (2012).

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Rothwell, Jonathan. (2012) *Education, Job Openings and Unemployment in Metropolitan America*. Washington, DC: Brookings Institution.

<sup>13</sup> Carnevale, Anthony and Stephen Rose. (2011) *The Undereducated American*. Washington, DC: Georgetown University Center on Education and the Workforce.

<sup>14</sup> Ibid.

<sup>15</sup> Goldin, Claudia and Lawrence F. Katz. (2008) *The Race Between Education and Technology*. Cambridge, MA: Harvard University Press.

<sup>16</sup> Carnevale, Anthony, Nicole Smith, and Jeff Strohl. (2010) *Help Wanted: Projections of Jobs and Education Requirements Through 2018 Executive Summary*. Washington, DC: Georgetown University Center for Education and the Workforce, pp. 1.

<sup>17</sup> Carnevale, Jayasundera and Cheah (2012).

<sup>18</sup> Baum, Sandy, Jennifer Ma and Kathleen Payea (2010) *Education Pays 2010: The Benefits of Higher Education for Individuals and Society*. New York: The College Board Advocacy and Policy Center.

<sup>19</sup> OECD (May, 2012) *Education Indicators in Focus*.

<sup>20</sup> Young, Elise (2012) Global Education Shifts. *Inside Higher Ed*.

<http://www.insidehighered.com/news/2012/07/12/china-and-india-producing-larger-share-global-college-graduates>. Downloaded September 25, 2012.

<sup>21</sup> OECD, 2012.

<sup>22</sup> Collins, Jim. (2005) *Good to Great and the Social Sectors*. New York, NY: Harper Collins.