

## Higher Education: Who Benefits?

### WHAT IS THE DEBATE?

Little argument exists about the societal and personal value of education. The more complicated question is who benefits from, and therefore who pays for, higher education. Both the community and the individual benefit from education; this complicates the funding equation as to how much society and the individual should pay.

If students had to pay the full price of education, too few would be able or willing to pay because the immediate personal benefits would not justify the time and money it takes to earn a degree, even though, in the long-term, benefits would be significant. The result is that society would have too few skilled workers in the labor force.

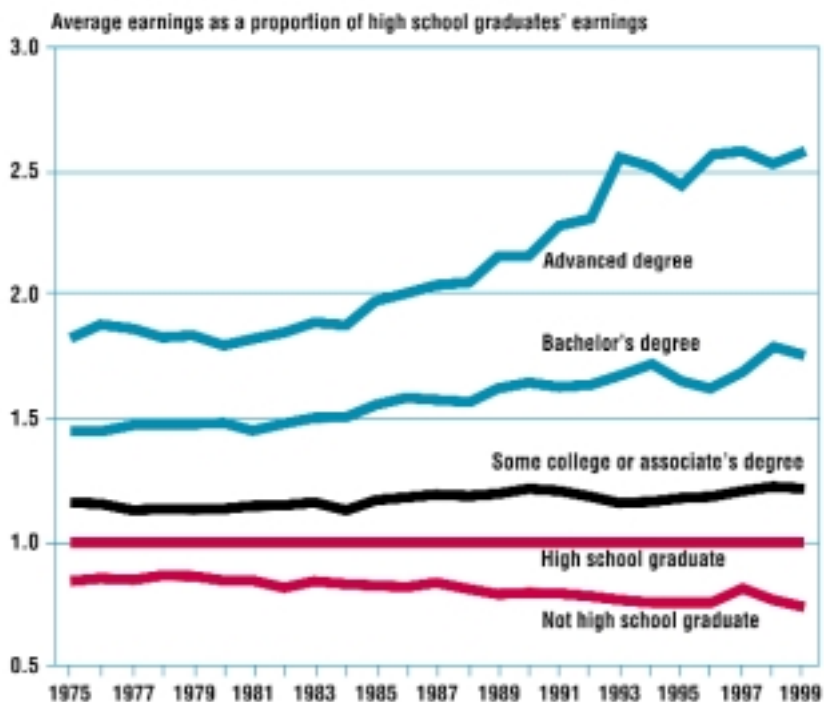
The recent history of rising tuition and growing reliance on student loans has shifted a greater share of college costs to students. Because enrollment has not dropped as tuitions have increased, institutions assume college is not too expensive. While upper-income fami-

lies continue to find a way to pay for college, middle-income families and students assume an increasing debt burden. Most importantly, the lowest-income families have been losing economic ground and have found it increasingly difficult to send

their children to college. Student grant aid has not kept up with increasing price of attendance. Unless we reverse this trend, higher education will contribute to the growing inequality of economic opportunity, not reduce it.

### Chart 1

**Average earnings of full-time, year-round workers as a proportion of the average earnings of high school graduates by educational attainment: 1975–1999**



Source: U.S. Census Bureau, Current Population Surveys, March 1996–2000



Analysis confirms that the incomes of college graduates, especially those with advanced degrees, have been rising faster than the incomes of those with no college education. The increasing demand for college-educated workers was apparent during the last decade and is expected to continue. Of course, it may be that as a college degree becomes more valuable students will be more willing to pay more to get one; but even if this is true, the most disadvantaged are likely to be left behind with no way to pay.

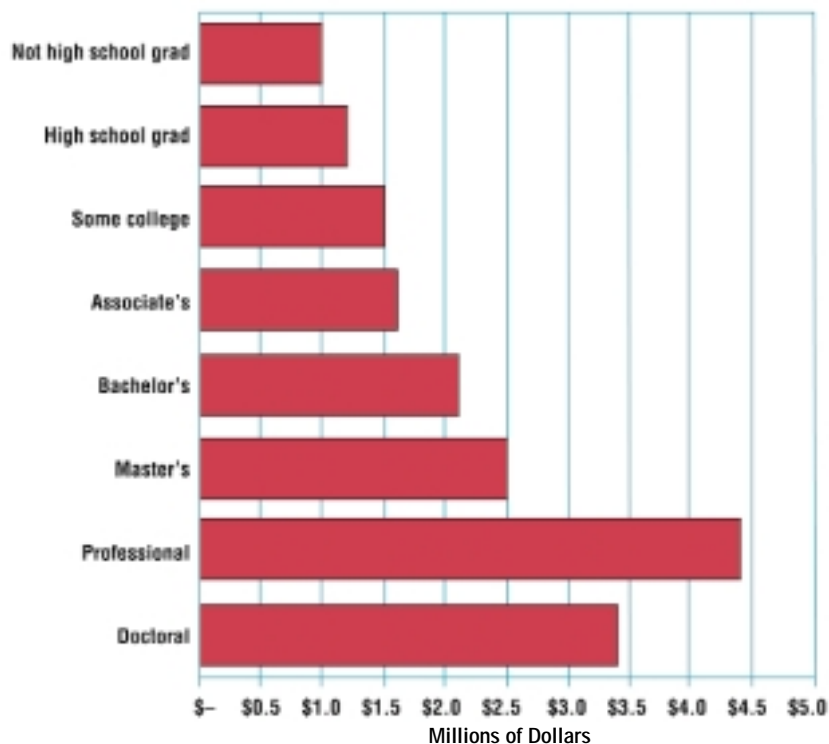
According to the Census, in 1975 full-time workers with a bachelor's degree earned 1.5 times the salary of a worker with a high school degree. By 1999, this ratio had risen to 1.8. In this same period, not only did more education mean a higher salary, but the amount of increased income advanced faster as the amount of education increased. Between 1975 and 1999 the value of having some college increased by less than 10% while the value of having a Bachelor's degree increased by about 20%. In the same period, the value of an advanced degree increased by over 40%.

### **PERSONAL BENEFITS**

Personal benefits to education are clear. Increased education is associated with higher income, prestige, better working conditions, and potential for promo-

**Chart 2**

**Lifetime earnings of full-time workers by education level**



Source: U.S. Census Bureau, Current Program Surveys, March 1998, 1999, 2000

tion. Most students and their parents believe this. A recent survey of public opinion found that the top-ranked role for a college to perform is preparing undergraduate students for a career.<sup>1</sup>

Chart 2 estimates the lifetime earnings for full-time year-round workers by educational attainment. These differences result from the differences in beginning salaries and the earnings trajectory over a lifetime. Individuals with more education receive more salary increases later in their careers

than do those with less education. A high school dropout who works consistently will earn \$1 million in his or her lifetime, while a college graduate will earn over twice that much.

Economists estimate that a student will reap financial returns of between 10 and 13 percent on money invested in postsecondary education. That investment includes the forgone income as well as the direct cost of attendance. That return is as good as or better than most investments a family could make for its children.<sup>2</sup>

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Increasing education is associated with better working conditions, lower disability rates, longer job tenure, more on-the-job training opportunities, and more promotion opportunities.<sup>3</sup> The value of these non-monetary benefits adds to the economic returns to education.

## **PUBLIC BENEFITS**

Human capital theory holds that colleges and universities contribute to economic growth through the creation of new knowledge and increasing the stock of citizens who are able to implement new processes and technologies into the economy. Researchers estimate that increases in education levels account for 15 to 20 percent of the annual growth in output for the United States.<sup>4</sup>

Other research has found that education, more than income, is inversely related to involvement in criminal activity. Education is also inversely related with reliance on welfare and public assistance. Investing in education reduces the necessity to invest in other public income transfer programs. Twenty-four percent of individuals without a high school diploma have at some time participated in a public assistance program, compared with 4.6 percent of those with a bachelor's degree. Lack of education represents a huge cost to society.

We all benefit from the non-market public effects of education. Society gets a better citizen – one more likely to vote, raise healthier children, volunteer, and provide skills to the community. Informed and involved voters are the foundation of a democratic society, and education helps develop skills for a democracy.

Tom Mortenson provided an exhaustive list of activities and behaviors that are associated with having a baccalaureate degree.<sup>5</sup> The results suggest a strong relationship between education and measures of health, community involvement, and cultural participation. Some of the outcomes that correlate with having a bachelor's degree include:

- More likely to do volunteer work
- More likely to vote
- More likely to have regular medical and dental checkups
- Less likely to be overweight
- Less likely to smoke
- More likely to use the Internet
- More likely to use computers
- Less likely to be disabled
- More likely to attend art and cultural activities
- More likely to exercise
- More likely to buy and read books
- More likely to read newspapers and newsmagazines

- More likely to have knowledge about government
- More likely to be politically active
- More likely to have children with higher measures of education achievement

To the extent that college graduates earn and spend more than those without a degree, the government collects more tax revenue from college graduates, which represents a social good. The taxes paid by college graduates repay the public cost of their education several times over.

## **CONCLUSION**

The democratization of American higher education since WWII is one of the great social interventions of the century. We have all benefited from the contributions of a strong and growing higher education resource. Currently, the nation faces an influx of new students, comprised of children of the baby-boomers and new immigrants to this country. If we are not willing to keep colleges affordable for this new population, both the new students and the society will suffer in the future. Cuts in educational opportunity now to handle a short-term financial crisis have long-term and potentially expensive consequence for society as a whole and especially for the most disadvantaged.



## REFERENCES

- <sup>1</sup> *Chronicle of Higher Education*, May 2, 2003, page A11.
- <sup>2</sup> Joint Economic Committee, United States Congress, *Investment in Education: Private and Public Returns*, January 2001
- <sup>3</sup> Hearn, James C. and Sarah A. Bunton, "Economic and Social Returns of Baccalaureate, Graduate and Professional Degrees," Post-secondary Education Policy Center, University of Minnesota, Policy Brief 01-01, May 2001
- <sup>4</sup> Joint Economic Committee
- <sup>5</sup> "Why College? Private Correlates of Educational Attainment," *Post-secondary Opportunity*, Number 81, March 1999



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