Making the Middle Class

Don't let the recession fool you—postsecondary education is more valuable than ever

By Anthony P. Carnevale and Michelle Melton

WE'VE BEEN HERE before. The Great Recession, like recessions before it, has many people publicly wondering whether college is a safe investment. With many college graduates unsuccessful in finding work, the temptation to reject postsecondary education as a viable option grows stronger, especially among working families.

Unfortunately, the media have added confusion to the story at a time when clarity is needed most. Media stories on the value of college follow the business cycle, and when the cycle is down, journalists on deadline often find it easy to write a story that bucks the conventional wisdom. Headlines that suggest postsecondary education no longer pays off in the labor market are news because they play into middle class parents' fears that they will not be able to give their children the advantages they had. The bad advice gets more pointed as the recession deepens. This year, the *New York Times* had "Plan B: Skip College," while the *Washington Post* ran "Parents Crunch the Numbers and Wonder, Is College Still Worth It?" Even the *Chronicle of Higher Education* has succumbed, recently running "Here's Your Diploma. Now Here's Your Mop," a story about a college graduate working as a janitor that implies a college degree may not be worthwhile in today's economic climate.

The current recession isn't the first to produce such gloom. The *New York Times* and other prominent newspapers were printing the same stories in the early 1980s, during the last severe recession. At that time, the *Times* ran headlines like "The Underemployed: Working for Survival Instead of Careers." The *Washington Post* even ran the college graduate-to-janitor story back in 1981: "When Lyman Crump graduated with a liberal arts degree he was confident his future rested in an office somewhere. But after working a year as a file clerk, Crump, 31, took a higher-paying job as a janitor."

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And it's not just the journalists that get gloomy. The *New York Times* quoted Ronald Kutscher, associate commissioner at the Bureau of Labor Statistics in 1984, as saying, "We are going to be turning out about 200,000 to 300,000 too many college graduates a year in the '80s." Yet the 1980s was a decade that saw an unprecedented rise in the wage premium for college-educated workers over high school-educated workers that has not been matched since—an indication that the postsecondary system was underproducing college graduates, not, as Kutscher went on to say, that "the supply far exceeds the demand." The Bureau of Labor Statistics still hasn't changed its mind; according to the bureau, in 2008 the education system produced 22 million more people with postsecondary education than the economy required. Never mind that the college wage premium over high school degrees still exceeds seventy percent.

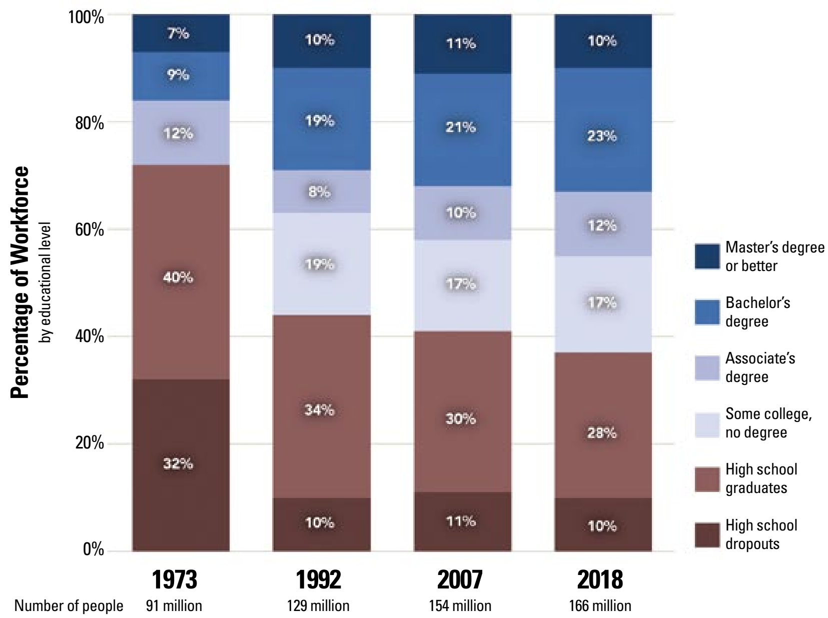
The sensationalist stories, the high unemployment among college grads, and the misleading official data are unlikely to keep middle- and upper-class youth from going to college. The real tragedy of these headlines is the message they send to less privileged youth for whom college is not an assumed path. The negative press on college fuels pre-existing biases among working families that college is neither accessible nor worth the cost and effort. Moreover, the bad press and worse data strengthen the hand of elitists who argue that college should be the exclusive preserve of those born into the right race, ethnicity and bank account.

Yet evidence demonstrates increasing demand for college, and the future promises more of the same. By 2018, 63 percent of jobs nationwide will require some form of postsecondary degree. Moreover, postsecondary education has become the only way to secure middle-class earnings in America and, for the least advantaged among us, is now the only way to escape poverty. In 1970, about 60 percent of Americans who attained middle-class status were high school graduates or dropouts. Today, only 46 percent can be found there. In contrast, 44 percent of the top three income deciles had postsecondary education in 1970; today, 81 percent do.

The press coverage and expert stumbles don't reflect the empirical reality, but they are symptomatic of a mundane human instinct. People tend to project what's happening in the present into the distant future. If housing prices are great, they'll be that way forever! If job creation is slow, it will be that way forever! The reality is that jobs come and go with economic cycles. But what lies beneath the economic cycles, and what has remained constant, is the relentless engine of technological change spurred onward by global competition that demands more skilled workers. It is this persistent dynamic of up-skilling that has been driving the increased demand for more postsecondary education and training. There is no indication that the trend has suddenly reversed itself.

Meanwhile, when jobs disappear, more college is also the best safe harbor to wait out the recession and improve prospects in anticipation of the recovery. Indeed, college-educated workers are much more likely to be employed than their high school-educated counterparts, even during a recession. Even the bemoaned janitor in the *Chronicle*'s story emphasized that his current job scrubbing toilets was a good job—because it would pay for his graduate school. He clearly understands, in spite of a less-than-ideal present, that the future benefits of more postsecondary education will eventually pay off.

By 2018, about two-thirds of all employment will require some college education or better



Source: March CPS data, various years; The Georgetown University Center on Education and the Workforce

Irrespective of the current economic conditions, individuals need to consider college as a life-long investment decision. Likewise, the investment horizon for economic development needs to be measured in decades, not annual budget cycles. Skipping or shortening college on the basis of a headline or even a few years of bad economic news is foolish for individuals whose careers will span forty or more years of working life. On average, skipping an associate's degree will cost a high school graduate half a million dollars in earnings, and skipping a bachelor's degree will cost a million and half dollars in potential earnings over a lifetime.

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Our own research shows that we have underproduced college graduates by almost ten million since 1983. We also find that through 2018, at least three million jobs that require postsecondary education and training will be unfilled due to lack of supply. The share of jobs for those with a high school education or less is shrinking. (See chart.) In 1973, high school graduates and dropouts accounted for 72 percent of jobs, while by 2007 it was 41 percent. The opposite has happened for those with at least some college: The share of jobs has increased from 28 percent in 1973 to 59 percent in 2007, and is projected to be 63 percent by 2018. Likewise, the share of national wage income from college-educated workers has increased from 38 percent to 73 percent since 1970, and there is every reason to believe that this trend will continue.

The longer we are focused on the past, the less time we will have to confront the realities of our fast-approaching economic future. In reality, the recession is *accelerating* the shift to jobs requiring postsecondary education. The jobs that replace the jobs we're losing will be very different kinds of jobs, requiring very different kinds of workers, that will need different kinds of preparation—mostly postsecondary preparation in one form or another.

While the economics of higher education are clear, the politics are not. Investing in schools and higher education is an easy political applause line, but it is often neglected in the budget line. The economy's lackluster demand in recession, coupled with the stories questioning the value of college, makes it easier to excuse cuts in public funding for postsecondary education. In the short-term, federal stimulus funds have helped fill the gaps for postsecondary cuts driven by declining state revenues. But the stimulus funds will be unavailable after 2011, and federal money can't make up the difference indefinitely. Paradoxically, we need postsecondary education more than ever but are less able to pay for it.

The current funding crunch in higher education is a symptom of a larger mismatch between public revenues and public commitments. Higher education is especially vulnerable in the debate about public priorities. It lacks the core constituency and the immediacy that issues like Social Security or homeland security have.

Reducing funding for postsecondary education is bad economic policy and also bad social policy. The consequences will reverberate society-wide because slashing higher education budgets is a decision that will affect inequality for the next several decades by determining who gets access to middle-class careers.

Calls for greater efficiency in higher education are often touted as a way to squeeze more from the system without allocating additional resources. Although more efficiency in postsecondary education is necessary, simply increasing professor course-loads and cutting services without addressing the way that we allocate funding in higher education is likely to result in further stratification of our already inequitable system. Currently, the bulk of the resources of our higher education system are going to institutions concentrated at the top of the postsecondary hierarchy, and the fewest resources are allocated to the institutions that serve the majority of postsecondary students—especially the community colleges, which serve 43 percent of all undergraduate students. Only about seven percent of students are enrolled in institutions that spend more than $25,000 per enrollee, while almost half of students enroll in institutions that spend less than $10,000 per enrollee. Differences in spending at private schools and public schools amount to $6,000 to $20,000 per student, per year—or up to $80,000 over four years.

These discrepancies are not just between public and elite, private institutions. On average, differences in spending *among* public institutions run about $4,000 per student per year—or $16,000 over the course of four years of study. These gaps are growing as spending at two-year institutions declines, spending at four-year public institutions remains flat, and spending at private, four-year institutions grows.

This growing stratification is not just about money; it is also about the individual empowerment that money buys. Those with access to the brand-name four-year colleges are on their way to professions that not only deliver higher earnings but also bring higher levels of personal empowerment at work and in our society at large. Those who end up in the less selective colleges find their way into jobs, and more narrow social roles, in the rank-and-file professions like K–12 teaching and the uniformed services. Those with certificates and associate's degrees tend to find their way into even more narrow roles as technicians and para-professionals. The least advantaged, those with no postsecondary credential, risk life-long economic and social marginalization.

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The institutions that we are systematically underfunding not only serve the majority of students, but they are also far more likely to serve low-income, older and minority students. The inequitable distribution of resources has detrimental impacts on access, quality and completion in the system, and consequently it has enormous impact on the economic mobility of individuals in our society at large.

The increasingly powerful role of postsecondary education as the arbiter of economic and social empowerment is not a problem by itself; the problem is the mounting evidence that postsecondary access and selectivity may be becoming an institutional device to perpetuate intergenerational reproduction of social stratification. The only way to ensure that these trends don't solidify is to make high-quality postsecondary education more available.

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The point is not to take away all the money allocated to elite institutions and spread it around. Siphoning money from these institutions is not a solution. Elite institutions are well-funded, but redistributing their resources would only level down quality to the lowest common denominator across the system. If we cannot move large numbers of these less-advantaged students into the higher-priced and higher-quality programs at the selective colleges, then we may need to move quality programs, and the additional money to pay for them, to the community colleges and less selective four-year colleges where the least advantaged are currently enrolled.

Without resolving the inequality in the way we fund the institutions in our postsecondary education system, greater efficiency is likely to perpetuate a cycle where the privileged alone have access to the skills and credentials necessary to lead in the 21st-century economy. The economic consequences of failure to act are costly—and the social consequences are ruinous. ◆

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