

Discounting Education's Value

By Anthony P. Carnevale

Originally appeared in *The Chronicle of Higher Education*

Web Address:

<http://chronicle.com/>

Publication Date:

September 22, 2006

Liberals don't value a college education? Since when? Since a growing chorus of pundits, all with elite-college credentials, decided to prove that a college education may no longer be what's best for other people's children. While their predecessors fought to open college doors to members of minority groups and working families, influential voices on the left today allege that a college education may no longer be a pathway to equal opportunity. Such claims deny decades of evidence.

Last winter *The New York Times* pundit Paul Krugman, a Princeton University professor with a B.A. from Yale University and a Ph.D. from the Massachusetts Institute of Technology, proclaimed that "a college degree has hardly been a ticket to big income gains." The notion that education provides increased income is comforting to politicians, Krugman said, but improving our educational system is not the most important way to mitigate inequality.

Not long before, Lawrence Mishel—B.S., University of Pennsylvania; Ph.D., University of Wisconsin at Madison; president of the prestigious, left-leaning Economic Policy Institute—and Jared Bernstein—Ph.D., Columbia University; director of the Living Standards program at the institute—put in their two cents by cherry-picking a few years of recent data to argue that "the wage premium for skill has contracted sharply over this business cycle."

In *The Washington Post*, the columnist Harold Meyerson, who attended Columbia, piled on with the argument that jobs requiring a college education will increase by only 1 percent between 2002 and 2012, spelling the end of "the comforting notion that a good education is the best defense against the ravages of globalization." Alan S. Blinder, another Princeton professor and an MIT Ph.D. and a Clinton appointee to the Federal Reserve Board, writing in *Foreign Affairs* on the offshore outsourcing of American jobs, noted that "providing more education is probably a good thing." He went on, however, to say that "education is far from a panacea" in the global competition for jobs, and he urged rich nations to transform their educational systems to emphasize vocational preparation for jobs that can't be sent abroad.

In the latest round of arguments, Mishel argued in an opinion essay in *Education Week* that there isn't as big a high-school dropout problem as people maintain. That argument obliquely supported the point that he has repeatedly made elsewhere—that the real problem in America is low wages; hence we need federal intervention in the form of a mandate for a living wage and support for unionization.

But such pundits must know more than they say about the value of a college education. How else can they square their public advice with their own private choices? Just look at the college and graduate-school decisions they made for themselves.

The problem is not that those who discount the value of college in providing economic opportunity are wrong to press for more direct measures of economic inequalities. The problem is that their argument has the unintended effect of validating an elitist view that "not everybody needs to go to college"—with dire consequences for "everybody" who doesn't. In America, "everybody" usually means the children of poor and minority families.

Discounting the value of college in order to make room for more direct interventions into the economy also creates a moral hazard. I'll bet the farm that those elite-college men don't tolerate talk of dropping out around their own kitchen tables or counsel their own children to forget about college and get a trade. Until they do, their public pronouncements just add up to a lot of bad advice for other people's children.

Larger questions aside, such usually reliable sources deserve to lose this argument on the facts alone. With the preponderance of data running against them, those who want to claim that college doesn't pay are forced to highlight a few years of data to support overblown claims that a 30-year trend of increasing college wages has come to a dead end. Rather, the data support an opposing narrative: With the rise of the knowledge economy and the demise of the blue-collar economy, college education has moved from the preferred route to the only route to middle-class status.

Since the 1970s, according to an analysis of U.S. Census Bureau data conducted by myself and my colleague Gbemisola Oseni, the advantage in terms of wages of having a college degree over a high-school diploma increased from 36 percent to 76 percent, a cool million dollars over a working life. And that wage gap has grown even as the supply of college-educated workers has sharply increased.

Our analysis of the census data—to be published early next year—also shows that since the early 1990s, annual wages for people with B.A.'s have increased by \$10,000, corrected for inflation. Moreover, the gap between the average yearly earnings of those graduates and high-school graduates has increased from \$18,000 to \$22,000. At the same time, the difference between wages of high-school graduates and those with graduate degrees has grown to an eye-popping \$45,000 a year, in 2004 dollars.

A college education also provides access to jobs with employer-provided benefits: According to 2004 data that we analyzed from the Census Bureau's "Current Population Survey," almost 95 percent of people with college degrees have employer-provided health-care coverage, compared with 77 percent of high-school graduates and 67 percent of high-school dropouts. Almost 90 percent have access to employer-provided pension plans, compared with 81 percent of high-school graduates and 53 percent of dropouts.

The recent surge in the college-isn't-the-answer story line has been spurred by the drop in wages for college graduates that occurred between 2001 and 2004. But to argue that three years of data spell the end of a 30-year trend makes too much of too little. Besides, the drop has been more of a droop: Census data show that the earnings of college graduates slipped by a meager \$1,651 a year over the three-year period. Moreover, the choice between a decline narrative and a growth narrative depends on which years you pick. For example, if we choose a base year of 2000 instead of 2001, then average wages for college graduates increased by almost \$2,000, or 4 percent, rather than declined, by 2004.

A longer perspective suggests that the recent decline in wages for college graduates is probably more a pause than an exhaustion of wage advantages. The pattern of lulls and surges has been typical over time. The Clinton "jobless recovery" produced a similar, if not as lengthy, lull in college wages in the early 1990s—a lull that preceded an explosion in jobs and wage advantages for the college-educated in the mid-90s. The latest few years of flat college wages come on the heels of the worst job recovery in the post-World War II era. But, according to the National Association of Colleges and Employers and other sources that follow the job market for college graduates, 2006 graduates faced the best market in several years.

The point isn't, as some economists claim, that a college education no longer provides entry into the middle class (defined as those in the middle 50 percent of family incomes, at present between \$28,000 and \$81,000 a year). A closer look at the data that Oseni and I studied reveals a more textured story: Yes, the middle class is declining, but a more accurate portrayal of the American class dynamic would be to say that the middle class is dispersing into two equal and opposing streams: upwardly mobile college-educated haves and downwardly mobile non-college-educated have-nots.

Since 1967 families headed by someone with a B.A. are either staying in the middle class or moving above the \$81,000-income level into the top 30 percent of family incomes, increasing their share of that top category from 22 percent to 36 percent. Those who are leaving the middle class with high-school diplomas or less are falling below the \$28,000 threshold. In 1967 almost half of families headed by high-school dropouts, and 70 percent of those headed by high-school graduates, were in the middle class. By 2004 only a third of dropouts' families and half of high-school graduates' families were still in the middle class, and virtually all of those who had left had fallen below the \$28,000 mark.

If the past is any guide, the future promises more of the same. Projections, based on data from the Census Bureau and the Bureau of Labor Statistics, that my colleague Jeff Strohl and I prepared for the U.S. Senate this year show that between 2002 and 2012 there will be 24 million brand-new jobs for workers with A.A., B.A., and graduate degrees, a 30-percent increase—including almost 10 million new jobs for B.A.'s alone, a 37-percent increase.

Will we be able to meet the future demand for college-educated workers if we rely on America's own work force? Not easily. Baby-boomer retirements should create a steady stream of replacement openings for college-educated workers. By 2020, for example,

there will be 40 million college-educated Americans between the ages of 55 and 75. Census data show that, at current enrollment and graduation rates, we won't be producing college-educated workers fast enough to replace retirees. Between 1980 and 2000, we increased the share of workers with a college education by a hefty 20 percent. At current rates of college-going, the share of workers with at least some college will increase by only 3 percent between 2000 and 2020. That's a big part of the reason Strohl's and my projections show that by 2012, we will have a surplus of more than three million workers with high-school degrees or less, and a shortage of about seven million workers with at least some college education.

Will those shortages actually occur? It all depends. Competition for college workers could increase wages and encourage more college-going and graduation. But rising wages for the college-educated over the past 30 years have not resulted in supply's catching up with demand. And in the future, the increasing size of the global college-educated work force could hold wages down in the United States, blunting such incentives. We could move toward an immigration policy that favors those with needed skills and the education that provides them; but that raises political opposition, because, for example, it could break up immigrant families. We could delay retirement for baby boomers, but again, that raises political opposition. So, too, aggressive offshore outsourcing of jobs for the college-educated carries political risks.

Enough data.

Facts won't settle this argument, because it's not entirely about the facts. The real argument is political. In the center and to the right, a broad consensus exists that education is the most effective and appropriate armor against economic change and the fairest way to allocate opportunity and encourage upward mobility. Toward the left, there are the advocates of more direct government interventions in the economy and in the distribution of wages and benefits among families. Those latter policy alternatives were set aside when the Republicans took Congress and President Clinton veered right in hot pursuit of a second term. Eventually the political parties lurched back to a comfortable center that emphasizes the value of education over trade protections, industrial policy, or an extended welfare state. Now that the Bush presidency is winding down, there is an opening for consideration of more-aggressive economic and social policies.

But those who want to move past the centrist consensus on education toward bigger government may find themselves in a quarrel with the American public, which regards the beneficence of education as gospel. The education gospel has long since become the basic American text for reconciling democratic equality, in principle, with the inevitable differences that arise in individual talent, striving, and economic outcomes.

In America it reaches deep into the electorate's individualistic cultural biases. We Americans welcome our increasing reliance on education as the arbiter of economic opportunity because, in theory, education allows us to expand merit-based opportunity without surrendering individual responsibility. After all, we each have to do our own homework to make the grades and ace the tests that get us into college and in line for

good jobs. The education consensus complements our other key preferences for an open economy and a limited government. It has become the nation's preferred way between the economic instability that comes with runaway world markets and the individual dependency that we associate with the welfare state: It is an economic and political miracle.

It's not news that education is a favored institution in American culture. What is news is that, since the 1970s, the link between education and opportunity has become much stronger, in both economic and cultural terms. We have flirted with other tools for improving income distribution or growing the economic pie. But after periodic revivals of public job-creation and public job-training programs, as well as a brief flirtation with school-to-work apprenticeships, skill standards, and employer-training mandates in the first Clinton term, we still rely on the mainstream educational system, especially postsecondary education, for work-force preparation. And college is increasingly seen as the threshold requirement for middle-class inclusion. We Americans are asking a lot of our postsecondary institutions—which is why there are so many calls for accountability in higher education.

It's not hard to deconstruct the American education gospel. The weakness of our system is that, in the good times, it creates income disparities: College education begets jobs with health care and pensions; workers without college-level skills are forced into low-wage and low-benefit jobs. In the bad times, our flimsy safety net causes instability. Inequality and insecurity further create high social costs, including those of a bloated criminal-justice system. But our taxes remain low.

So, too, most of the costs of our educational failures are absorbed by those with the least opportunity to learn. In a society where people start out unequal, attainment among students at the elementary and secondary level, as measured by test scores and grades, can remain unequal. As the economic importance of a college education has grown, so has the competition for seats. As standards have risen, testing has become more important in regulating access to college; like reserving beds in the best hospitals for the healthiest people, we reserve seats in the best colleges for the best students. As a result, access to college is increasingly concentrated among families with college-educated parents and high wages, and higher education is becoming a passive participant in a system that reproduces economic and cultural elites. That is quite different from Continental European labor markets, which have inherent incentives to educate and train all workers to postsecondary levels in the hope that their productivity will justify earnings and benefits guaranteed at the birth of the welfare state.

Treating education as a panacea can make too much of a good thing. Our increasing reliance on it in America sometimes borders on educational fundamentalism—the tiresome notion that the remedy for every economic and social problem is the mantra: education, education, education! Such a belief allows the nation's elites to offer education bromides instead of remedies on hard issues like trade, unemployment, access to pensions and health care, immigration, race, and income dispersion. Clearly there is a vacuum in the nation's economic and social policy that education alone cannot fill.

There are pragmatic problems as well. Education is most accessible for the young, less so for less-mobile adults. Life-long learning may be a line in the speeches of politicians, but it's rarely a line in their budgets. And, of course, in the short term, education doesn't create jobs (except for educators).

Thus there's no doubt that if education is to continue in its increasingly powerful role as the principal arbiter of opportunity in America, a lot needs fixing.

The critics of education as our core economic and social strategy are correct when they say that, by itself, education is not enough to create a fair or workable social contract. But the dissenters from the education gospel go too far. They threaten the only common ground that remains in the American political dialogue. The relationship between education and economic opportunity is the most widely supported policy narrative in America, the only topic for polite conversation that remains between red and blue states. Because of its broad legitimacy, the educational narrative needs to be part of our social and economic discussion, not separated from it. The argument over the economic value of a college education is little more than reckless politics, because there is so little public support for any of the alternatives.

Discounting the value of education also sends a message to our children that hitting the books is unimportant. Discrediting education in order to get at less popular government interventions is a baby-and-bathwater kind of strategy, with no guarantee of a positive outcome.

The wild card in the future role of education as the arbiter of economic opportunity is the global economy. With globalization we have increased the world's capitalist work force and reduced America's share of the college-level work force. And foreign college workers will be a lot cheaper than American workers for decades to come. The effects of the current outsourcing of jobs are different from the effects of previous global competition. In the 1970s and 1980s, we lost whole industries and their key occupations, especially in manufacturing. Job losses were concentrated among workers who earned high wages with high-school or less education. Eventually many of those workers moved into jobs that can't be outsourced, but that trapped them in low-wage markets. In the most recent round of globalization, outsourcing of jobs has focused more on higher-wage jobs for those with at least some college.

So far the number of jobs for the college-educated lost to overseas workers has been relatively small. And the global economy should be able to create plenty of new jobs for the college-educated—although the people who fill them may face more fluctuation in the wages they earn, and less job security. But advising young Americans to skip college and get a trade will only make matters worse for them because the jobs that are the safest from outsourcing are those drawing low wages.

The right answer to globalization is not to track students into those jobs. There's only one track in America that leads to success: the college track. If we create a second track, we know that members of minority groups and students from low-income families will be on

it. Instead of reserving the college track for the children of elites, we need to consider how to produce enough college jobs to expand the middle class while allowing employers to compete freely in the growing global marketplace. That's a very different discussion than we've been hearing from many of the "college isn't worth it" pundits.

If protecting and broadening the American middle class is our goal, then creating jobs for college graduates will also have to become our goal. At the same time, employability in jobs that give people access to the middle class will have to become the prime accountability standard for measuring educational adequacy—for other people's children as well as our own.

Anthony P. Carnevale is an Education Sector non-resident senior fellow. He is also a senior fellow at the National Center on Education and the Economy, a nonprofit research organization.