The Credential Differential

The Public Return to Increasing Postsecondary Credential Attainment

CLASP
policy solutions that work for low-income people

APRIL 2012 | EXECUTIVE SUMMARY

The United States is Losing its Global Competitive Edge in Credential Attainment, Yet Investment Remains Stagnant

Ample evidence demonstrates that postsecondary credentials are a good investment for individuals, families and communities. Better-educated workers earn higher wages and are more likely to be employed than less-educated ones. Higher education levels also correlate with favorable social returns such as better health and higher rates of civic participation.

At the same time, experts project that the United States will not have enough credentialed workers to meet labor market demand or to remain globally competitive in the coming decade. A recent study based on Bureau of Labor Statistics data found that by 2018, more than two-thirds of 47 million projected job openings will require some level of postsecondary education or training, including industry certification.[1]

As other countries have increased their postsecondary attainment rates, the United States has fallen to 15th place among 34 Organisation for Economic Cooperation and Development (OECD) member countries in the percentage of 25 to 34 year olds with an Associate's level college degree or higher.[2] Today more than half of young adults in leading OECD countries—Canada, South Korea, and Japan—have college degrees compared to 41 percent in the United States, and these leading countries are on track to increase their college degree attainment rates to 60 percent by 2020. The United States must match this rate to maintain its global competitiveness and have a chance at leading the developed world in percent of credentialed workers.

At current rates of credential attainment, however, the United States will fall short by tens of millions of postsecondary credentials over the next couple of decades. This hard reality comes at a time when many federal policymakers are struggling to prioritize investments in postsecondary education and workforce development. For example, growing demand for Pell Grants is a good sign that more low-income students are accessing postsecondary education and, thereby, helping to meet national demand for postsecondary credentials. But many federal policymakers are aiming to cut the size of the program and trim grants awarded to students. Funding for employment and training services as well as adult and technical education is also less, declining 15 percent in fiscal year 2012 compared to fiscal year 2008 (adjusted for inflation).[3]

State funding for higher education, adult education and workforce development has declined over the past few decades. The proportion of state budgets devoted to postsecondary education has fallen by more than 13 percent since 1990.[4] State support for adult education, which can be an onramp for postsecondary education, has fallen significantly or been eliminated in the last few years as states take pains to balance postsecondary investments with significant competing state priorities ranging from infrastructure to K-12 education, Medicaid and other programs.[5]

Underinvestment in Postsecondary Education Results in a Significant Credential Shortfall and Costs Billions

Failure to prioritize investments in postsecondary education will leave states and the nation short millions of credentials in the coming decades and will cost the nation billions and each state millions of dollars. These conclusions are based on projections from an interactive online *Return on Investment Dashboard* developed by the Center for Law and Social Policy (CLASP) and the National Center for Higher Education Management Systems (NCHEMS). The dashboard uses Census Bureau, National Center for Education Statistics, and Department of Education data to project the short- and long-term effects of either maintaining the status quo in postsecondary education participation and credential attainment or increasing investments.

The tool's purpose is to help policymakers and advocates calculate the number of postsecondary credentials needed for each state and the nation to keep up with labor market demand and global competitors. Users can estimate

1200 18th Street NW • Suite 200 • Washington, DC 20036 • p (202) 906.8000 • f (202) 842.2885 • www.clasp.org

necessary increases in postsecondary participation and credential attainment to meet demand and project economic returns of meeting credential goals. Expert analysis using this tool finds that the United States will need to produce about 24 million additional credentials by 2025 to keep pace with leading OECD countries and achieve a 60 percent degree attainment rate among adults ages 25 to 64. At current attainment rates, the U.S. is on track to produce 278,500 additional credentials by 2025—a significant shortfall.

Maintaining current credential attainment rates will mean billions in lost revenue and increased public expenditures. Average per capita personal income nationally will essentially remain flat through 2025. State revenue—derived from taxes on income, sales, and property—will plummet until 2017 while public expenditures on corrections and Medicaid will increase. By 2025, this downward trend may begin to reverse; however, billions of dollars will be left on the table in the intervening years. At current credential attainment rates, postsecondary costs outweigh all revenue, producing a negative return on investment.

But, the United States Can Reverse this Trend and Generate Significant Revenue if the Nation Matches Top Performing States

The United States can meet credential attainment goals by 2025 if the nation increases overall college participation rates and credential attainment rates to match the top three performing states. This would result in a projected additional 19 million Associate's and Bachelor's degrees and 6 million undergraduate certificates, for a total of 25 million undergraduate credentials. To meet the 60 percent credential attainment goal, some states will have to produce more than others. For example, states in the South and Southwest have larger credential gaps than states in the upper Midwest and New England. This level of investment would produce significant economic returns to individuals, states, and the nation by 2025. Average annual per capita income would increase by approximately $1,400 by 2025. Federal revenue of $67 billion in 2025 would be about six times higher than the estimated postsecondary costs of $9.8 billion, and state revenue of $64 billion would be triple the estimated state postsecondary costs of $21 billion.

Tough Times Require Strategic Choices

Now more than ever, state and federal policymakers are challenged to use precious public tax dollars wisely. Four overarching policy considerations should guide policymakers and advocates as they explore postsecondary policy options to reverse the trend of disinvestment in postsecondary credential attainment. First, states are unlikely to meet the demand for postsecondary credentials without investing in adult students as well as younger students. Second, each state must improve postsecondary participation rates *and* credential attainment rates to meet credential goals – improving one or the other will not be enough. Third, a primary driver of the costs of credential attainment is the type of institution producing the credential; therefore, policymakers should consider which institutions can cost effectively produce the types of credentials needed. Fourth, no two states have the same cost and revenue structures; however, all states would see significant positive economic returns to meeting postsecondary credential attainment goals.

Overall, federal policymakers should avoid deep cuts to programs that help people gain postsecondary credentials such as the Pell Grant and Workforce Investment Act programs. It is especially important for federal policymakers to avoid specific cuts to the Pell Grant program that reduce eligibility or grant amounts for adult students, nontraditional students, and those in in-demand occupational programs. State policymakers should reverse the trend of disinvestment in public institutions of higher education and ensure that state student aid programs are adequately funded so states can increase credential attainment to meet demand.

Just as there are long-term economic benefits to investing in postsecondary credential attainment, long-term opportunity costs are associated with cutting funding for postsecondary education. The bottom line is increasing credential attainment pays off. As policymakers face tough budget decisions over the coming months and years, they must consider not just immediate expenditures but also look at the future returns of investing today in increasing credential attainment.

---

[1] Anthony Carnevale, Nicole Smith and Jeffery Strohl, *Help Wanted: Projections of Jobs and Education Requirements Through 2018*, Center on Education and the Workforce, Georgetown University, 2010.
[2] Organisation for Economic Cooperation and Development, *Education at a Glance 2011: OECD Indicators*, OECD Publishing, 2011, http://dx.doi.org/10.1787/eag-2011-en.
[3] Hannah Shaw, "Want to Promote Job Training and Adult Education? Then Fund Them Adequately," Center on Budget and Policy Priorities, February 10, 2012.
[4] Anthony Carnevale, Nicole Smith and Jeffery Strohl, "Help Wanted: Postsecondary Education and Training Required," in *New Directions for Community Colleges*, 2003, No. 146, Summer.
[5] Marcie Foster, "With Budgets Slashed, Adult Education Programs Struggle to Keep the Lights On," CLASP, February 21, 2012.