

Where have all the graduates gone?

Report finds state not keeping up with higher education demands

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When the Public Policy Institute of California (PPIC) published its *California 2025* report in 2005, it highlighted the likelihood of a future gap between the level of education of the state's population and the level of education demanded by the economy.

The PPIC's recent report, *California's Future Workforce: Will there be enough college graduates?* discusses the sobering results of an expanded, follow-up study on this topic.

The grim analysis, in short, suggests that if trends continue, California will need far more college educated workers than we are training.

The demand for college-educated workers is likely to reach 41 percent by 2025. However, projections suggest only about 33 percent of the working-age population is likely to have a four-year college degree by

Read the full report: www.ppic.org/main/publication.asp?i=809

View a presentation about the report: www.ppic.org/content/av/EventVideo_Workforce_12_8_08.asf

then. At the same time, there will be an over-supply of workers without any college education.

As a result, the economy most likely will respond and adjust accordingly. In other words, current trends *will not* continue because growth in the supply of college-educated workers will not keep pace with demand.

The "gap"

This projected "workforce skills gap" results largely from of two

demographic realities.

First, California workers with the highest levels of education today are aged 50 to 64 and will reach retirement age by 2025. Thirty-four percent of workers in this age group hold bachelor's degrees.

Second, Latinos – who as a group earn college degrees at very low rates – comprise a growing share of the state's working-age population. The share of Latinos with bachelor's degrees was just 7 percent in 1990 and is projected (before this year's funding cuts to state universities and colleges) to reach 12 percent by 2020. At the same time, Latinos are expected to increase in numbers from 22 percent of the working-age population in 1990 to 40 percent by 2020.

The PPIC researchers also studied changes over time in a statistic called the "college wage premium," which measures the percentage increase in average earnings for those holding a bachelor's degree compared with those who have only a high school diploma.

Since 1980, this measure increased significantly, indicating that the demand began outpacing supply of college-educated workers around that time. In 1980, a male college-graduate in California earned 39 percent more than a similar man with only a high school diploma. By 2006, the difference rose to 86 percent.

The same pattern holds true for women in California and for both men and women in the US as a whole. These changes in wages are one of the ways the economy has adjusted to the characteristics of the labor market. They also help explain the growing economic inequality

over the past few decades and drive home the increasing importance of higher education for individuals and society alike.

Adjusting downward

So, if supply fails to keep pace with demand for college-educated workers and the economy "adjusts", what does this really mean?

'The grim analysis suggests that if trends continue, California will need far more college-educated workers than we are training.'

As the report states:

"We can expect to see some of the same adjustments that occurred in recent decades, although they are likely to be magnified because growth in the supply of college-educated workers will become more limited...changes in wages, unemployment, and underemployment.

"The supply of workers with a high school diploma or less is projected to exceed the demand for such workers. These workers will see an erosion of their wages or other compensation..."

"For workers with a college degree, growth in demand will continue to drive up wages."

Thus, unless actions are taken today, the state is facing a bleak situation in which there will be greater demands for social welfare programs and more intense, increasing inequality.

As a result, the report concludes, "The lack of college-educated workers will be a limiting factor that changes the path of the state's

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economic growth.”

Though in the past migration to California has helped address the workforce needs of the state, it is unlikely to be a solution in the future.

More specifically, the report estimates that to meet projected demand for college-educated workers in 2025, 160,000 qualified workers would need to migrate to the state annually for the next 20 years.

Since 2000, however, an annual average of 56,000 college graduates have migrated to California while greater numbers of college graduates have left the state, resulting in the first-ever period of net out-migration of college graduates.

Is it too late?

Finally, this study warns that even with significant expansion of higher education in the state, the projected gap is too large to fill. In 2006, 29 percent of young workers (ages 25 to 29) held a bachelor's degree. By 2020, 39 percent of the workers would be expected to be college-educated.

This research finds that even if the college-education rate for young workers jumped to 50 percent in 2009 and remained at that level through 2020, then 38 percent of all workers (ages 25 to 64) would hold bachelor's degrees in 2020. Of course this scenario is unrealistic, but it draws attention to the scope of the gap that this analysis identified.

Public policymakers must pay attention to these findings for they have a clear role to play in addressing these issues. At a minimum, policies can and will affect who can attend and succeed in college today and in the future.

Restrictions on opportunities to attend college, such as the ones being imposed today on the college-age population — thanks to state policymakers' inability to address the economic crisis — are most certainly the wrong approach to addressing the state's workforce needs.

Failure to shrink the gap between



CFA's new report — which begins in its entirety on the back cover of this magazine — spells out the drastic economic straits facing California if reinvestment in public higher education is not restored soon.

It traces how the state has fallen from a “trend-setter” in educational opportunity that made it an example of economic prosperity for the country to “bottom of the pack.”

Bottom line: the state has slipped into “educational and economic mediocrity.”

At a news conference to release the report to the public at Cal State Los Angeles in January (pictured above), report author Tom Mortenson, a senior scholar at the Pell Institute for the Study of Opportunity in Higher Education expressed dismay at the deteriorated condition of the long-revered California system of public higher education.

The data meticulously spelled out in “California at the Edge of a Cliff: The Failure to Invest in Public Higher Education is Crushing the Economy and Crippling Our Kids Future” offers corollary results to the findings in the PPIC 2025 study discussed on this page.

Following release of “California at the Edge,” Mortenson, CFA President Lillian Taiz, and other CFA leaders traveled around the state for visits with policy makers, members of the news media, and business leaders to gain their support for funding the California State University.

In addition, Mortenson and Taiz conducted numerous interviews for news reports, many which may be viewed on the CFA website at www.calfac.org/inthenews.html

The report, along with additional data and supporting documents, can be viewed on the reverse of this magazine, or at: www.calfac.org/calattheedge.html

demand and supply of college-educated workers will mean restricted economic growth in the state. Given the fragility of the economy, this is a dangerous risk to take and one that will have severe and long-lasting implications.

As Deborah Reed, the report's author stated, “California may not be able to close the workforce skills

gap, but the state's leaders should look for ways to reduce it. By focusing on the quality of education at all levels, from preschool to the state's universities, policymakers can improve opportunities for Californians and create a workforce to fuel future economic growth.” ▲