

A NATIONAL DIALOGUE:
The Secretary of Education's Commission
on the Future of Higher Education

ISSUE PAPER

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to inform the work of the Commission*

Per Capita Income of U.S. Workforce Projected to Decline *IF* Education Doesn't Improve

The National Center for Public Policy and Higher Education

Summary: If current trends continue, the proportion of workers with high school diplomas and college degrees will decrease and the per capita personal income of Americans will decline over the next fifteen years.

Substantial increases in those segments of America's young population with the lowest level of education, combined with the coming retirement of the baby boomers—the most highly educated generation in U.S. history—are projected to lead to a drop in the average level of education of the U.S. workforce over the next two decades, unless states do a better job of raising the educational level of all racial/ethnic groups.

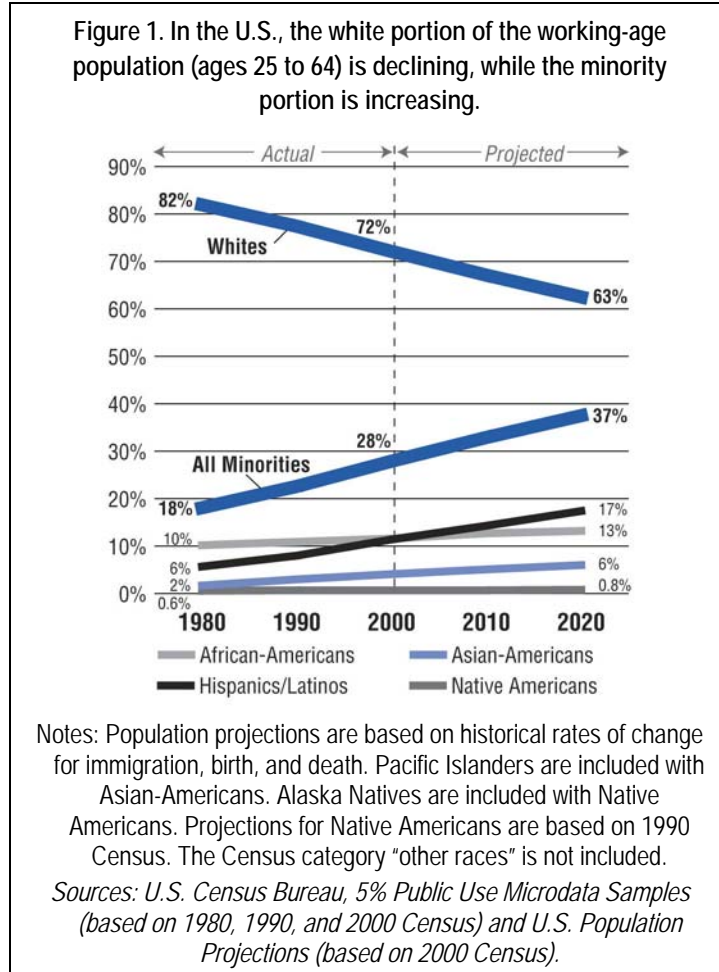
The projected decline in educational levels coincides with the growth of a knowledge-based economy that requires most workers to have higher levels of education. At the same time, the expansion of a global economy allows industry increased flexibility in hiring workers overseas. As other developed nations continue to improve the education of their workforces, the United States and its workers will increasingly find themselves at a competitive disadvantage.

In addition, a drop in the average level of education of U.S. workers would depress per capita personal income levels for Americans, in turn creating a corresponding decrease in the nation's tax base.

The projected declines in educational and per capita personal income levels can be reversed, however, if states do a better job of increasing the education of all their residents, particularly those populations that are growing fastest.

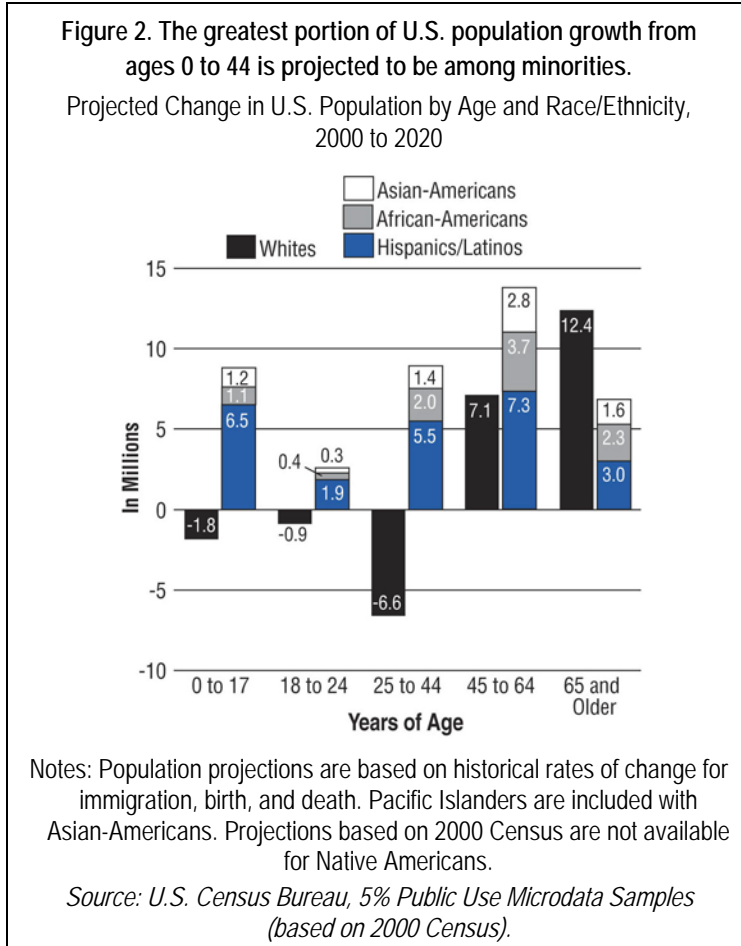
Fact #1: The U.S. workforce is becoming more diverse.

The U.S. workforce (generally ages 25 to 64) is in the midst of a sweeping demographic transformation. From 1980 to 2020, the white working-age population is projected to decline from 82% to 63% (see figure 1). During the same period, the minority portion of the workforce is projected to double (from 18% to 37%), and the Hispanic/Latino portion is projected to almost triple (from 6% to 17%).

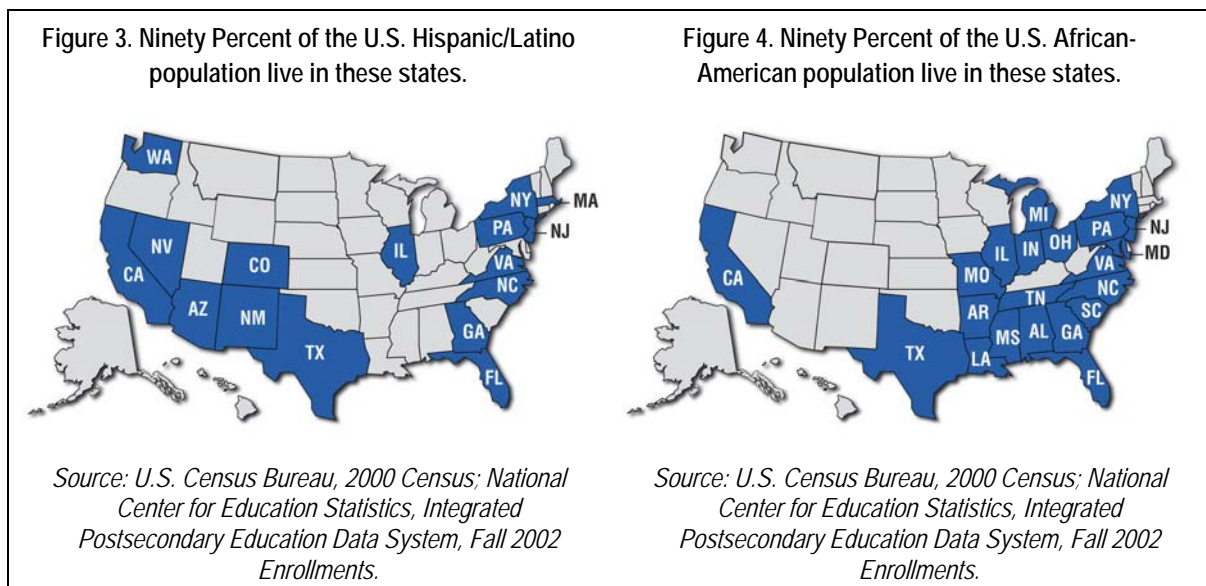


This demographic shift can be traced to two primary causes: larger numbers of younger Americans (ages 0 to 44) are ethnic minorities, and increasing numbers of white workers are reaching retirement age. Over the next 15 years, the largest increase in the younger U.S. population is projected to be Hispanic/Latino (see figure 2). The younger population—including those most likely to be in school, college, or professional training—is growing ever more racially diverse.

Meanwhile, the largest portion of the white population is aging. The number of whites is projected to decline in all age groups younger than 45 (see figure 2). The only age level in which whites would outpace minorities in population growth is among those reaching retirement: ages 65 and older.

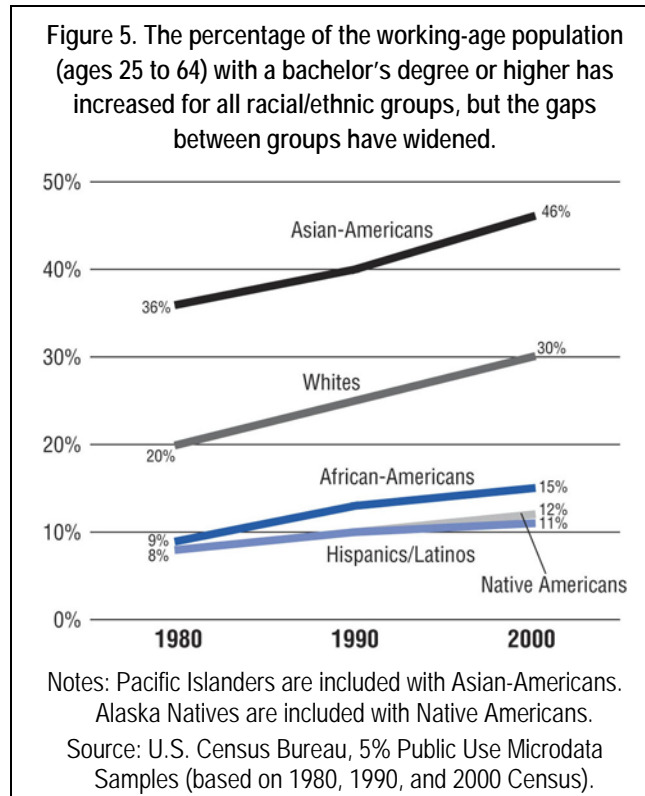


Despite increasing levels of ethnic diversity in nearly all states, 90% of Hispanics/Latinos reside in just 16 states (see figure 3), and 90% of African-Americans live in 21 states (see figure 4).



Fact #2: The racial/ethnic groups that are the least educated are the fastest growing.

The greatest increase in population growth in the U.S. workforce is occurring among those racial/ethnic groups with the lowest level of education, while the group reaching retirement age is predominantly white with higher levels of education. In 2000, whites ages 25 to 64 were twice as likely as African-Americans to have a bachelor's degree, and almost three times as likely as Hispanics/Latinos (see figure 5).

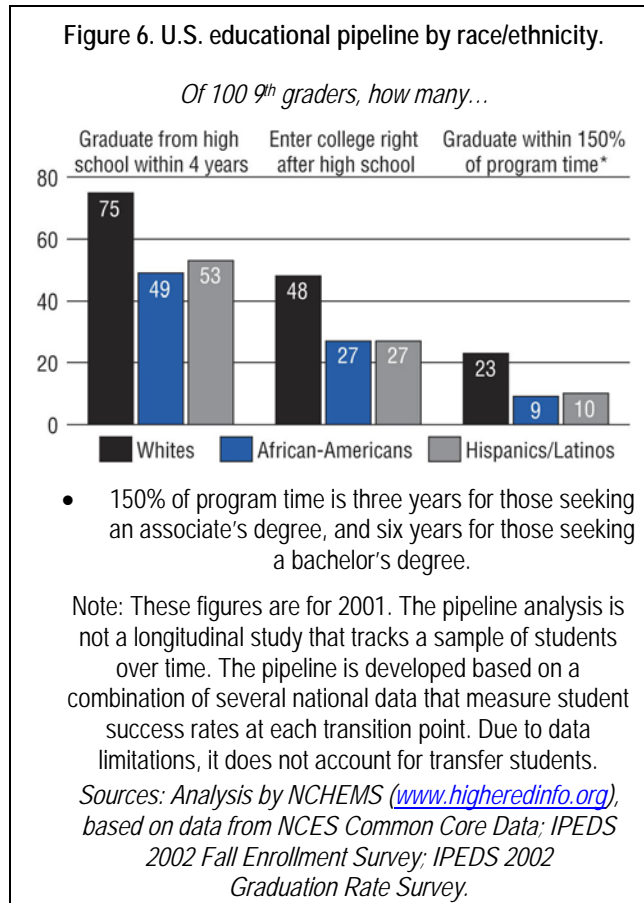


Additionally, the gaps among racial/ethnic groups in levels of education completed are widening. Of the working-age population, from 1980 to 2000 whites and Asian-Americans made the most progress in attaining a bachelor's degree or higher, while African-Americans, Native Americans, and Hispanics/Latinos made the least progress (see figure 5).

The educational gap between whites and Hispanics/Latinos (as measured by the percentage of the working-age population with a bachelor's degree or higher) has almost doubled over the last two decades—growing from 12 percentage points in 1980 to 19 percentage points in 2000. The gap between whites and African-Americans has expanded from 11 percentage points in 1980 to 15 percentage points in 2000.¹

¹ Comparable data are not available for 1980 for associate's degree attainment by ethnicity. From 1990 to 2000, however, the patterns for associate's degrees are similar to those for bachelor's degrees: the percentage of each major racial/ethnic population that has achieved an associate's degree or higher has increased, but Asian-Americans and whites have made faster progress than Hispanics/Latinos, African-Americans, and Native Americans.

Another gauge of educational performance of particular populations is their level of success in progressing from high school to a college degree (see figure 6). About 50% of African-American and Hispanic/Latino 9th graders do not become eligible to enter college after four years of high school because they have not completed high school. Though the most telling indicators of college preparation are generally said to be standardized test scores, rigorous course-taking, and dual enrollment—all of which are important—the single largest barrier to college entrance for African-Americans and Hispanics/Latinos appears to be high school completion.



IMPACT: The Impact of Changing Demographics

Given the changing demographics of the nation's workforce over the next two decades, the current educational disparities among racial/ethnic groups are projected to lead to a decline in the educational level of the U.S. workforce as a whole. This drop in the levels of education completed would in turn result in a decrease in personal income per capita among Americans.

This analysis is drawn from three projections, all based on both demographic trends and a continuation of current disparities in personal income levels by ethnic group, as reported by the U.S. Census Bureau.² The three projections differ as follows:

² Population projections are based on historical rates of change for immigration, birth, and death.

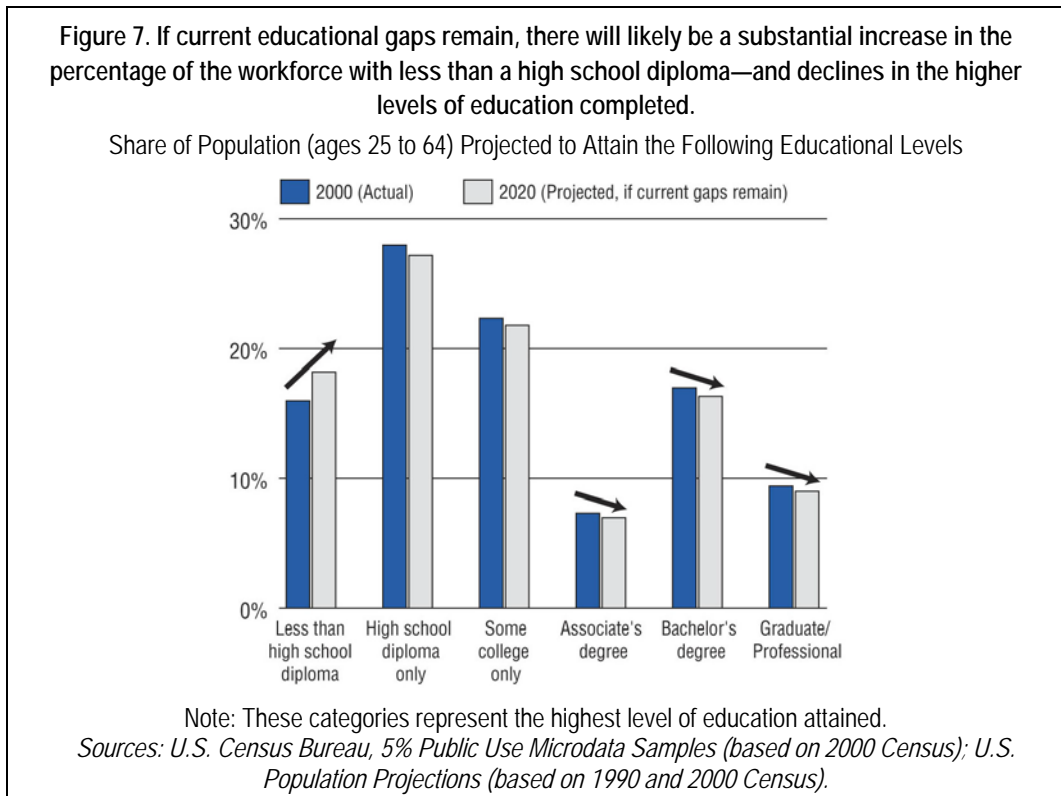
Projection 1: Current educational gaps remain (but they do not continue to widen). This projection assumes the status quo: that current levels and gaps in levels of education completed among racial/ethnic populations would remain as they are. This means that inequality would persist within and among states in the educational levels of racial/ethnic groups.

Projection 2: Parity within each state. This projection assumes substantial improvement: that schools, colleges, and universities within each state would raise the levels of education completed of African-Americans, Hispanics/Latinos, and Native Americans to that of whites currently in the state. However, inequality would persist among states in the educational levels of their residents.

Projection 3: Parity across the U.S. This projection offers a best-case scenario: that schools, colleges, and universities nationwide would raise the level of education completed of African-Americans, Hispanics/Latinos, and Native Americans to that of whites currently in the five best-performing states.

IMPACT: The Impact on Educational Levels

Given the current gaps in educational levels in the United States (Projection 1), projected changes in the population by race/ethnicity from 2000 to 2020 are likely to lead to a substantial increase in the percentage of the workforce with less than a high school diploma, and declines at each educational level from the high school diploma to a graduate degree (see figure 7).



Note: Asian-Americans/Pacific Islanders are not included in these projections because their level of education completed outpaces that of whites.

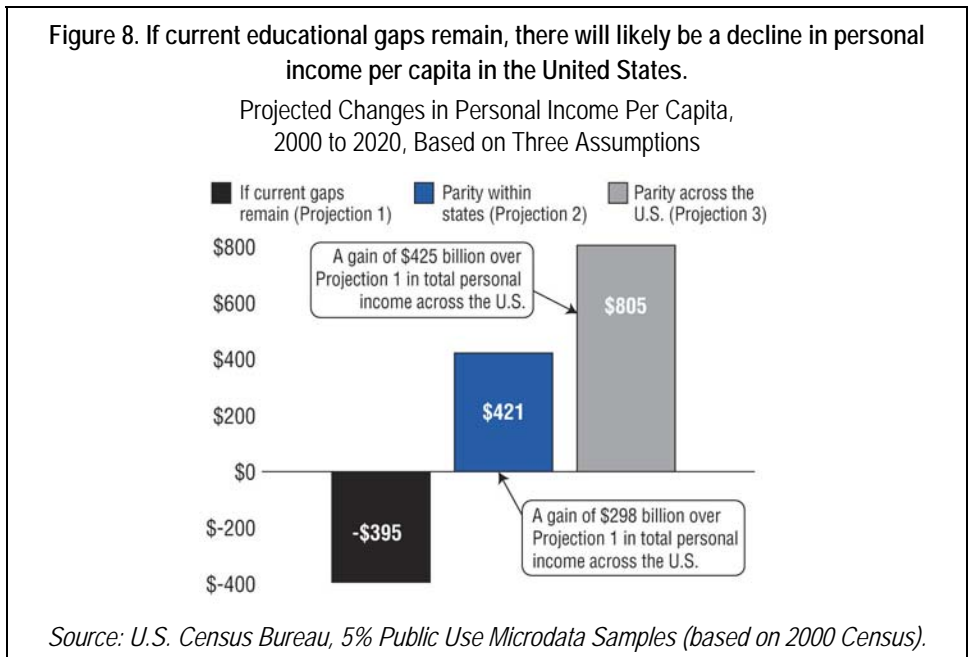
Under Projection 1, nearly all states would experience an increase in the share of their workforce lacking a high school diploma. Those projected to have the highest growth in minority populations would experience the largest increases, with Nevada, California, Arizona, Texas, Colorado, and Illinois topping the list.

These disparities would also lead to decreases in each state in the college-educated portion of the workforce. New Mexico would lose the most ground in this area, followed by California, Arizona, Nevada, Colorado, and Texas. Many eastern and midwestern states would be close behind, including Connecticut, Rhode Island, New York, Massachusetts, and Illinois.

In contrast to Projection 1, *IF* states are able to close the gaps between the levels of educational success for whites and other racial/ethnic populations, then increases would likely result for the working age population at each level of educational beyond high school. For example, *IF* states are able to close the educational gaps to reach parity within the state (Projection 2), then the percentage of working-age Americans attaining a bachelor’s degree (as their highest degree) is projected to increase from 17% in 2000 to 20% in 2020. *IF* states are able to close the educational gaps to reach equity across the United States (Projection 3), then the percentage earning a bachelor’s degree is projected to jump to 24% in 2020.

IMPACT: The Impact on Personal Income

IF the educational gaps remain as they are (Projection 1), then personal income per capita in the United States is projected to decline from \$21,591 in 2000 to \$21,196 in 2020—a drop of \$395 or 2% (in inflation-adjusted dollars; see figure 8). In contrast, according to the Bureau of Economic Analysis, personal income per capita had grown 41% nationally during the two decades prior to 2000. One consequence of such a decline in personal income would be a decrease in the nation’s tax base.



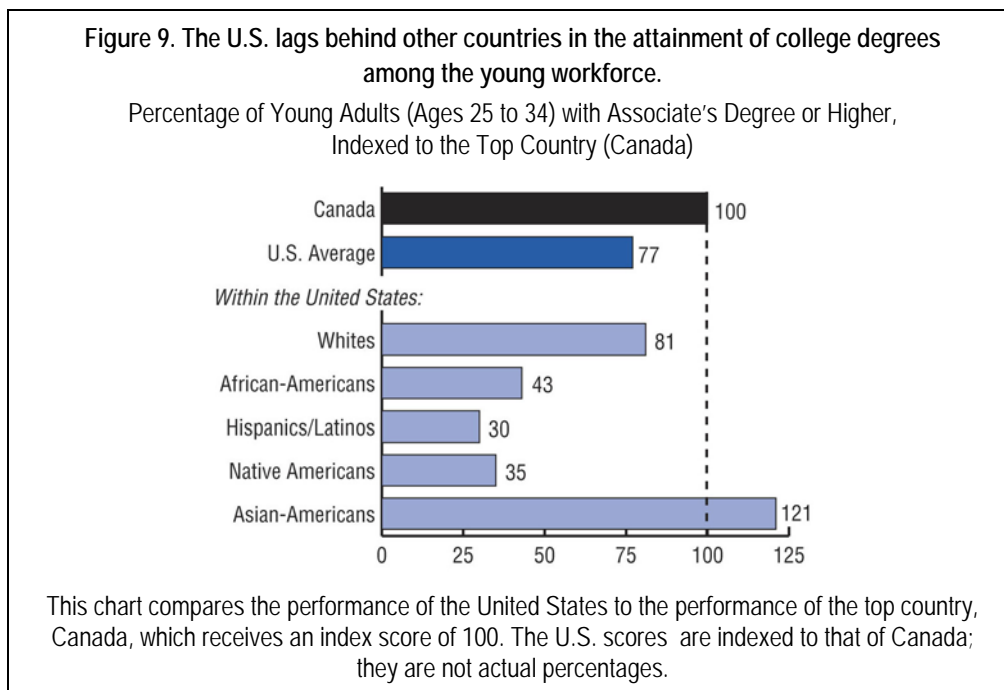
Under Projection 1, over one-third of the states would experience a decline in personal income per capita, including many currently with the highest levels, such as California, Colorado, Connecticut, Massachusetts, and New York. In these states, the decrease in income would be much more substantial than the U.S. average and could significantly affect their tax bases. For example, the projected decline in personal income per capita from 2000 to 2020 in Colorado would be \$662, in New York \$1,182, and in California \$2,475.

In contrast, *if* states are able to close the educational gaps between whites and racial/ethnic minorities, then personal income per capita is projected to increase in the United States, as shown in Projections 2 and 3 in figure 8. In terms of total personal income across the United States, Projection 2 represents an increase of \$298 billion over Projection 1 (status quo), and Projection 3 represents a gain of \$425 billion over Projection 1.

An International Comparison

These disparities in levels of educational success are particularly important when considering America's need to compete in the global marketplace. Although educational levels have been increasing in the United States over the past two decades, they have not kept pace with similar rates in other countries. As a result, the young population in the United States is not as well-positioned as its counterparts in several other nations to compete for high-skilled jobs.

For example, Canada leads in the percentage of its young working-age population (ages 25 to 34) with an associate's degree or higher (see figure 9). In the United States, Asian-Americans/Pacific Islanders are the only group that exceeds the educational level of Canada's young adults, with whites falling substantially below. African-Americans, Hispanics/Latinos, and Native Americans in the United States are struggling to compete at all.



Note: These figures are for 2000. Pacific Islanders are included with Asian-Americans. Alaska Natives are included with Native Americans.

Sources: *Data by country, Organisation of Economic Co-operation and Development (OECD), Education at a Glance, 2003; data by race/ethnicity, U.S. Census Bureau, 2000 Census.*

Conclusion

Americans are generally aware of educational disparities between whites and other racial/ethnic populations in our society. Far less understood, however, are the negative social and economic consequences that U.S. residents are likely to experience *if* current population shifts and disparities in educational levels continue over the next two decades.

The fact that significant numbers of minority populations are concentrated in a small number of states (see figures 3 and 4)—and often in urban areas—highlights the importance of a few key geographic areas addressing higher education inequality among specific racial/ethnic groups. However, because many smaller states have relatively high proportions of minorities, the ability of all states to address the educational needs of their minority populations is critical for creating a better-educated workforce, increasing the earning power of their residents, and remaining competitive with other states and countries.

Education is one of the most effective interventions for improving our social and economic future—for individuals, communities, states, and the country as a whole. Given the changing nature of the global marketplace, the high school diploma is no longer sufficient for individuals seeking good jobs, nor for communities building a vibrant economy.

Addressing inequalities in higher education opportunity will require persistent and meaningful efforts by states in order to put in place the policies and resources to advance the education of all their residents.

Excerpted from a National Policy Alert from the National Center for Public Policy and Higher Education