

## Study: When times get tough, college is worth it

April 24, 2012 | By Tami Abdollah



Adolfo Guzman-Lopez/KPCC  
*CSU Dominguez Hills students graduate.*

Even when times get tough, that investment in higher education is worth it, according to a new study released today by UC Berkeley.

That was just one finding in a study entitled "California's Economic Payoff: Investing in College Access & Completion," which strove to answer two key questions: "What are the benefits of investing in higher education? And is it worth it for Californians?"

The answers? Many. And yes.

Researchers at UC Berkeley's Institute for the Study of Societal Issues found that for every \$1 California invests in students who go to college, the state will receive a net return of \$4.50 on its investment. For those who complete college, the return is \$4.80 and for those who enter, but drop out the return is \$2.40.

A college degree often translated into higher earnings for the graduate, and therefore higher income taxes paid to the state; additionally, the state saved money on its payout on social services and incarceration costs for these graduates.

This report follows a previous report done six years ago, before the housing bubble burst and the recession hit, that also looked at the costs and returns to the state for their investment in higher education.

Since then, the unemployment rate more than doubled from 5 percent in 2006 to a peak of 12.5 percent in 2010. Californians 19 to 24 were hit heavily. College-aged youth with a job went down from 65 percent in 2007 to 51 percent in 2011.

But for those 25 to 30 years old with college degrees, about 80 percent were employed according to the 2010 Census data, compared to about 59 percent for those with only a high school diploma.

"We compare prior to the great recession and then after the great recession, and we see during that time period the payoff is greater, which makes more sense," said Jon Stiles, executive director of the California Census Research Data Center at UC Berkeley and a researcher on the study. "When times are hard, that's actually when education and the advantages of higher education can really payoff."

California has slashed nearly \$3 billion in higher education funding since 2007-8, according to the report. And it may slash billions more under the governor's proposed budget depending on what happens with a tax initiative on the November ballot.

As states have cut education funding because of budget problems public university systems have responded by raising tuition fees. And as those costs rise, fewer students can afford to attend. "Essentially, because the state is not making those investments, it's displacing the need for those investments," Stiles said.

Stiles described the trickle down effect as follows: "Fewer people are going [to college], less income is coming into the state coffers, less taxes, there's more demand for public services because people are not as well off, and this is in the context of increasing demand in the labor markets for individuals with Bachelors degrees and more.

"By pushing off these short term costs [the state is] vastly increasing its longterm problems."

The reports findings are especially key now because California is younger and more diverse than the rest of the country, Stiles said.

"We're looking at a generation that is comparable in size to the Baby Boomer generation in California, so it's big," Stiles said. "The decisions we make about providing education are going to have long-term effects. If we forego educating this group of people we're going to wind up paying for that lack of investment for the next 40 years."

California has nearly 2.7 million young people between the ages 20 to 24, and 2.8 million ages 15 to 19, according to Census 2010 data, on which the study relies.

And of young people up to age 24, California is 45 percent Hispanic, 29 percent White, 6.4 percent African American, 11.5 percent Asian-Pacific Islander. That compares to 18 percent Hispanic, 58 percent White, 16 percent African American, and 4 percent Asian-Pacific Islander for the rest of the United States.

Those with a college degree earn more than \$1,340,000 on average over their lifetime compared to their peers with only a high school diploma, according to the study. Yet, a recent study of government education data also found that half of new 2012 college graduates were underemployed or jobless. Meanwhile recent reports show the U.S. student loan burden has surpassed \$1 trillion.

Those with only a high school diploma tended to spend four years unemployed versus about 2.5 years for those with a college degree according to the 2010 data cited in the report.

"Times are tough for college graduates, but they're really tough for people who didn't go" to college, Stiles said.

The study, which was funded by the nonprofit organization The Campaign for College Opportunity looked at general fund spending and graduates of the University of California and California State University systems.

© 2011 Southern California Public Radio