

## Challenges in Education (Part 3): Postsecondary Training

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One of the top three concerns of small business owners today is the ability to find qualified workers.<sup>1</sup> As mentioned in parts one and two of this education series (<https://uccseconomicforum.com>), the challenge of training workers stems across the K-12 continuum. This final article in the series will focus upon the trends we are now experiencing in U.S. postsecondary education: declining state appropriations for public institutions, stagnant enrollment for certain demographic groups such as white males<sup>2</sup>, increasing student debt, and a persistent misalignment between posted jobs and K-16 training. These challenges are hitting at perhaps the worst possible time. The global economy and the logarithmic changes in technology mandate that we have highly responsive and nimble educational institutions as well as ample opportunity for youth to enter and succeed in training for both middle and high skill jobs. These factors make up our supply of labor, which is the most critical input in commerce. Even with automation and robotics, humans navigate every aspect of an economy. They are the pipeline of production, they navigate other humans, they develop and make decisions on capital investment, and they utilize and invent new technologies.

With humans at the center of this ever-changing global economy, it is not surprising that a high percentage of jobs require some form of postsecondary education. We know that by 2020, 65 percent of U.S. jobs will require some form of postsecondary education, up from just 28 percent in 1973. In Colorado, 45 percent of all jobs will specifically require at least a bachelor's degree compared to 36% in the U.S.<sup>3</sup> The need for this higher level of training is particularly acute in Colorado because of our diverse and high-tech industries. Meanwhile, average state appropriations for higher education have shrunk across the nation by 16 percent from 2008 to 2017 while tuition has increased 35 percent. In Colorado, the situation is more dire: state funding shrank by nearly 8 percent, but tuition increased by more than 60 percent (up \$3,966).<sup>4</sup> This is particularly unwarranted because unlike other states with declining appropriations, Colorado has typically outperformed the nation in terms of economic growth.

For both the state and nation, the declining state appropriations and escalating tuition have resulted in an increasing proportion of tuition paid by the student. Figure 1 shows that on average in 2017, U.S. students attending postsecondary institutions paid 46.4% of tuitions costs. In Colorado, that proportion was 69.9 percent. As a result of the higher student burden for tuition, average student debt in the U.S. in 2016 was \$37,172<sup>5</sup>, which is also partially explained by the proportional increase in tuition as compared to income (see Figure 2). This high level of debt is occurring in the context of an overall 57 percent graduation rate.<sup>6</sup> Low income households have been hit especially hard: 58 percent of four-year colleges with students from households earning \$30,000 or less per year had students who left those schools with a median debt of \$15,000<sup>7</sup>, fully half of the annual household income. The most unfortunate part is that lower income, first-generation students are the most likely to incur debt while also *not* graduating. This scenario perpetuates the cycle of low educational attainment because the greatest predictor of lifetime educational attainment is the attainment level of parents. The irony is that a society with less educated people typically spends more on welfare programs and obtains less in tax revenue, which further crowds out K-16 funding. It's a vicious cycle.

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<sup>1</sup> National Small Business Association 2017 Report

<sup>2</sup> In the 1970s, 58 percent of college students were men and 42 percent were women. That ratio is the opposite now with 2.2 million fewer men than women on college campuses according to the U.S. Department of Education.

<sup>3</sup> Carnevale, A.P., Smith, N. and Strohl, J. "Recovery: Job Growth and Education Requirements through 2020." Center on Education and Workforce, Georgetown University. 2013

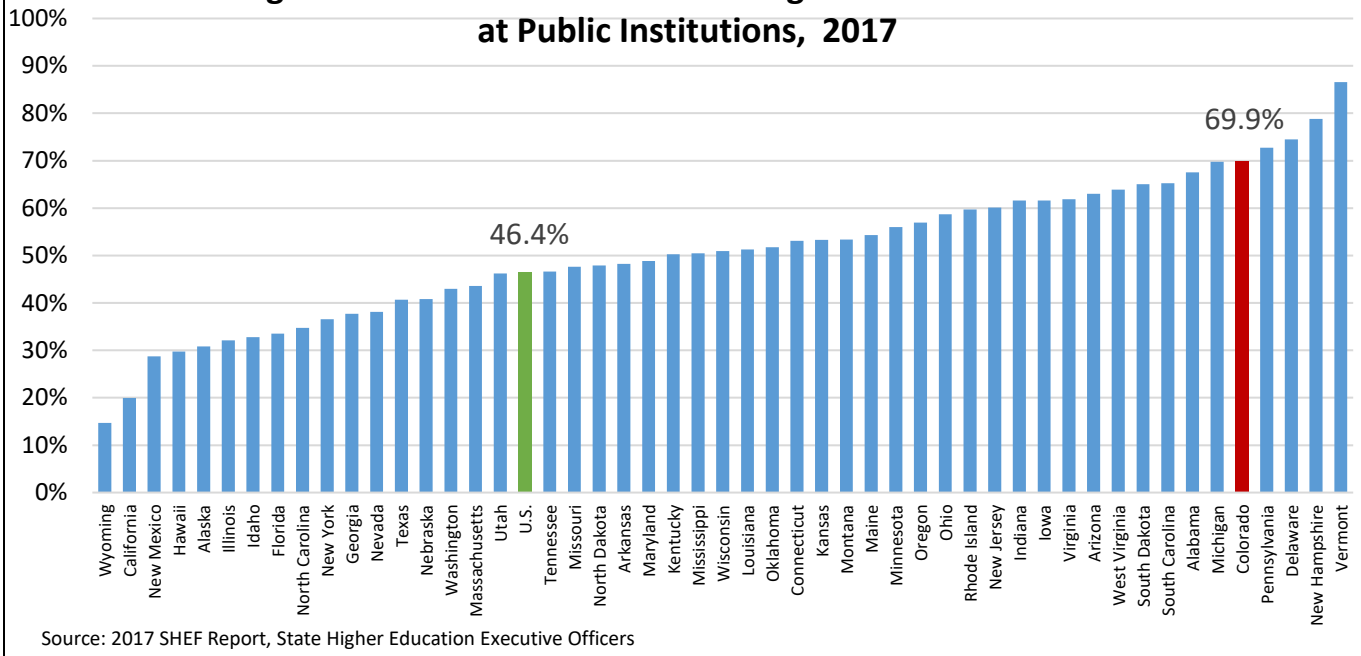
<sup>4</sup> Center on Budget and Policy Priorities (cbpp.org), Figures are inflation adjusted.

<sup>5</sup> The Economics Review, New York University, March 13, 2017.

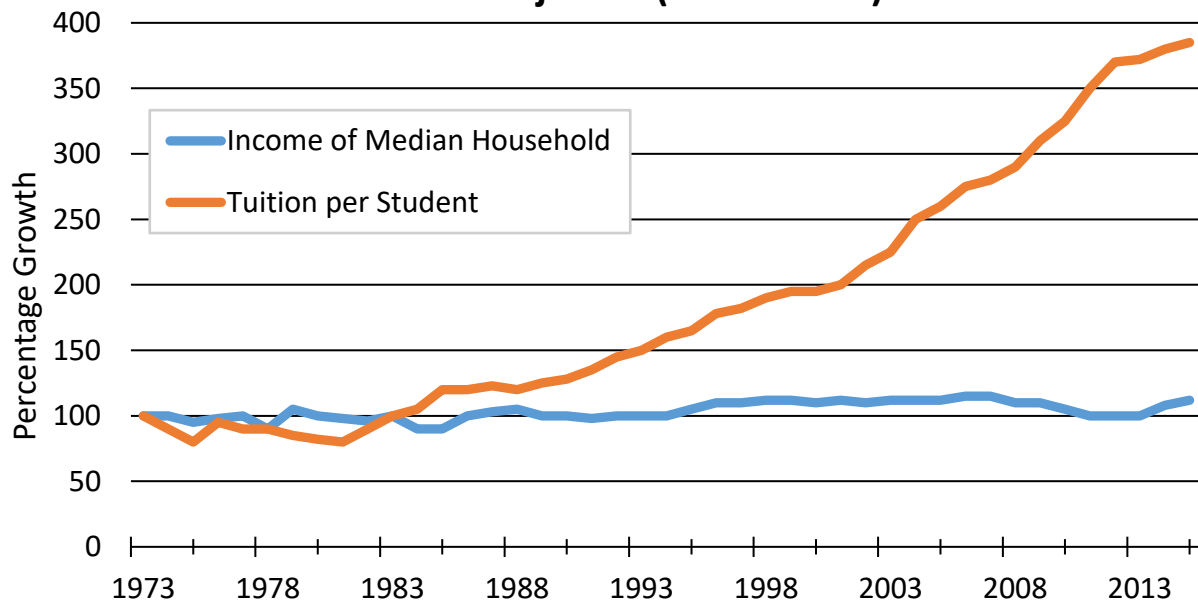
<sup>6</sup> Six-year graduation rate reported by the National Student Clearinghouse.

<sup>7</sup> Wall Street Journal analysis of U.S. Education Department data, "Poor Feel the Bite of Rising College Costs," February 20, 2016.

**Figure 1. Student-Paid Portion of Higher Education Tuition at Public Institutions, 2017**



**Figure 2. Tuition Growth versus Income Gains Inflation-adjusted (1973=100%)**



Economists take note that in 2017, total student debt was \$1.34 trillion, which is more than U.S. credit card debt and home equity lines of credit *combined*.<sup>8</sup> Student debt is only second to mortgage debt, making the 11 percent delinquency rate<sup>9</sup> worrisome especially given the currently low unemployment rate. Delinquency rates will predictably go up when we hit a downturn.

What has caused the nearly 400 percent, inflation-adjusted increase in tuition over the past 40 years? Aside from the declining state appropriations, there are a host of reasons cited by experts. For example, according to Department of

<sup>8</sup> Federal Reserve Bank of New York, 2017

<sup>9</sup> Forbes, February 26, 2018

Education data, administrative positions at colleges and universities grew by 60% between 1993 and 2009 most likely skewed by private institutions since their tuition growth has been steeper than that of public institutions. Another often-cited reason: increases in student loans have provided a mechanism to pay for increasing tuition thus providing a green light for further tuition hikes. Additionally, at the University of Michigan there was what was called “edifice complex,” or the tendency for incoming presidents to build new expensive structures as part of their legacy. Mounting health and pension benefit costs have also contributed, an issue not exclusive to the education sector.

The K-16, U.S. educational system may not be trending in the right direction, but the point of revealing the data is not to induce panic, it is simply to inform. As a democracy we make the critical decisions on our education system. This includes everything from taxation levels to corresponding K-16 appropriations to the levels of engagement with businesses that provide feedback on their training needs. It has been a huge advantage for our nation to have mass education, and the education of the past enables us to make astute decisions for our future. We are able to critically assess ourselves and pivot as the facts suggest.

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