

# Introduction

**W**e sometimes think of getting a college degree as an event, much like getting a car. But rather than an event, getting a college degree really represents the outcome of a *process* or, perhaps better, of a *journey*. Too often, though, that journey proves hazardous. Of those who set out to earn a bachelor's degree, only about 60 percent succeed, and many of those who seek shorter-term qualifications, like associate degrees or certificates, also fail to attain them. The paths students follow on their journey toward college completion and their likelihood of success vary tremendously depending on their family background, the kind of college they start at, and the highly varied circumstances that arise along the way.

Before we begin in later sections of this primer to report on the most up-to-date evidence on the current state of affairs in higher education, we want first to review the college journeys of the oft-discussed “millennial generation,” here defined as those born between 1981 and 1997. As it happens, the U.S. Department of Education undertook an intensive study of students drawn at random from the high school graduating class of 2004, students who are right in the heart of the millennial generation.<sup>1</sup>

These young people, eighteen years old in 2004, are turning thirty in 2015–2016, and their situation is com-

plex. Emerging into a labor market shaped by the Great Recession, people who came of age in the first decade of the new century have found it difficult to get their lives started. They have been hesitant or unable to move out of their parents' houses and have found their average hourly earnings lower in 2014 than the average in 2004, after adjusting for inflation. They face these problems despite emerging into adulthood with greater investment in college than earlier generations. “I think people

are kind of stuck in a catch-22 where they feel they need to get these skills in order to compete in the 21st century economy, but on the other hand they have to pay more tuition and take on more debt in order to do that,” explained Brendan Duke, the author of a Center for American Progress report on the millennial generation.<sup>2</sup> It is not surprising that young people who were just turning twenty-two when the economy collapsed would face a challenging future. And while it is somewhat idle to ask whether they would have done better if born at a different

time, it is quite germane to ask whether, in facing this challenging future, going to college has (so far) played a positive role in their lives and their futures. That is how we will begin our report.

Back in 2004, when today's thirty-year-olds were just finishing high school, they were quickly sorted along a myriad of pathways. Nearly one-third (32 percent) of high school graduates entered a public four-year college or university, and nearly one-quarter (23 percent)

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1. The data in this introduction are drawn from a National Center for Education Statistics survey on the transition of American youth from high school to subsequent education and work experiences. It follows students who were sophomores in high school in 2002 for ten years. See National Center for Education Statistics, “Educational Longitudinal Study of 2002 (ELS: 2002),” <https://nces.ed.gov/surveys/els2002/>.

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2. Brendan Duke quoted in Gillian B. White, “Can Millennials Undo What the Recession Did to Their Earnings?” *The Atlantic*, March 3, 2016, <http://www.theatlantic.com/business/archive/2016/03/the-problem-with-millennials-pay/472011/>.

entered a public two-year college. Just under 14 percent enrolled in a private nonprofit four-year college or university, while 3 percent enrolled in a for-profit two- or four-year college or university. One percent enrolled in a career/technical school that takes less than two years to complete. However, not all students started postsecondary

education right away, with 16 percent of the high school graduating class later enrolling in some institution within the next eight years, the majority of those attending public two-year or for-profit colleges. The remaining 12 percent of the graduating class of 2004 did not enroll in a postsecondary institution at all within eight years of finishing high school. And while about 17 percent of the age group in 2004 did not graduate high school, some of them found their way into postsecondary education, typically after earning a GED certificate.

Of course, these students leaving high school in 2004 had no way of knowing what was awaiting them just four years down the road. In 2004, the American economy had recovered substantially from both the “dotcom bust” of 2001–2002 and the devastating impact of 9/11. Students had reasons for optimism: the United States had a relatively low unemployment rate, a boom in home construction, and a surge in house prices that added to household wealth. But those students who were completing (or dropping out of) college in the years after 2004 found themselves in a world characterized by plummeting GDP, skyrocketing unemployment, and personal wealth disappearing in a collapsing real estate market.

The economic distress that the Great Recession imposed on millennials is reflected in the employment experience of those high school seniors the Department of Education began following in 2004. By 2012, early in the slow economic recovery, most of these young people were out in the world seeking jobs, and the overall unemployment rate of these twenty-six-year-olds was 9.9 percent.

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But college experience mattered greatly. Those with only a high school diploma had a 13.3 percent unemployment rate. People who had attained an associate degree had a 9 percent rate, and among graduates with baccalaureate degrees, unemployment was just 5.1 percent. Even in a weak economy, higher levels of education still mattered.

Unfortunately, many of these students had not progressed as far as they probably hoped. Eight years after their senior year of high school, a remarkable 88 percent of the class of 2004 had some experience of postsecondary education. But over one-third of those who started college (36 percent) never earned a credential. Another 22 percent either got an occupational certificate or an associate degree, with 42 percent attaining at least a bachelor’s degree.

For the high school graduates of 2004, their employment and educational outcomes by their mid-twenties were strongly influenced by the college at which they first enrolled. More than 60 percent of those who started at a baccalaureate-granting institution earned a bachelor’s degree (implying that nearly 40 percent had either dropped out or were still in school), while among those beginning at two-year colleges, only about half earned some credential, split roughly equally among occupational certificates, associate degrees, and baccalaureate degrees.

While where you start college strongly influences how far you manage to get, it is important to look at other factors, especially students’ backgrounds, affecting those 2004 high school graduates. One way of getting at stu-

dents' backgrounds is to examine their family's socioeconomic status (SES): an index constructed from parents' education level, occupational status, and earnings. About 40 percent of the class of 2004 started college at four-year institutions, the main source of bachelor's degrees. Among this group, 39 percent are students from the top quartile of the SES distribution, while only 12 percent are students from the bottom quartile. Conversely, among students who started at two-year institutions, 27 percent are from the bottom quartile, and just 18 percent are from the top.

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The story in terms of race and ethnicity is similar. While white students composed 63 percent of the 2004 high school seniors under study, they made up 68 percent of those who started at four-year institutions, and 45 percent of those in the "less-than-two-year" population. However, while black and Hispanic students accounted for 28 percent of the population of high school seniors, they made up only 21 percent of the four-year college enrollees and 47 percent of the group who first enrolled at less-than-two-year institutions. The roots of these inequalities and their implications for equal opportunity will be the focus of later sections in this and subsequent publications. But for now, it is important to understand that affordability, familial expectations, access to information about options, and precollege preparation combine to influence how students became sorted among different types of institutions.

College is expensive, not only for students, and not only in dollars spent. Even if students and their families paid no tuition, students would still face the problem of how to cover their living expenses (which might be covered by full-time work if they weren't in school) and colleges would face the problem of how to fund faculty, administrators, support personnel, and buildings without tuition revenues from those who attend. The substantial social investment in higher education forces the question of just what individual students and society as a whole gain as a result of these large social and personal investments.

Even though our group of 2004 seniors were only eight years removed from high school when last surveyed, we can at least begin to see some answers to the "payoff" question: simply put, students with more successful careers in higher education are less likely to be unemployed. But it is perhaps more interesting—certainly more surprising—to note differences among young people in relation to their progress through college:

- Among the class of 2004, 24 percent of those who did not attend college were living in their parental home in 2012, while only 19 percent of bachelor's degree recipients were.
- Including the Obama-McCain presidential election of 2008, 71 percent of the class of 2004 voted in an election between 2008 and 2012. Broken down by educational attainment, 64 percent of those without a college credential voted, while 77 percent of those with a bachelor's or higher did. Promoting participation in our public life is an important goal of education at all levels, at least in the American tradition.
- Among our group of millennials, 55 percent of bachelor's degree recipients volunteer at least once per month, while only 22 percent of those with no postsecondary education volunteer at that rate. The propensity of college attendees to give back through unpaid volunteer service is a useful indicator of the social benefits of higher education.

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Not all of these differences can be properly viewed as effects of college. College graduates generally have higher incomes than others and are privileged in ways that may make it easier for them to vote or to volunteer. These issues of causation will be touched on in the conclusion of this primer. That said, the best evidence is that at least part of the observed differences can be fairly attributed to the college experience itself.

When the economic payoff to college is so central to public discourse, we cannot leave the subject of the advantages of college without touching briefly on the financial payoff to college. Twenty-six is a young age at which to judge information about the economic benefits of college attendance: many young people are continuing their schooling in graduate and professional school, while others are exploring alternative career paths. Generally, the picture of people's employment and earnings paths is much clearer by age thirty than at age twenty-six.

Nonetheless, we do have some data about the status of our 2004 high school seniors as of 2011 and 2012. Focusing on the median earnings of young people (among those who had positive earnings), we find that in the sample as a whole, median earnings were approximately \$25,000. However, for those who had no postsecondary experience or some college and no degree, earnings were lower, between \$22,000 and \$23,000. For students with associate degrees, earnings matched the overall median of \$25,000. But for students with baccalaureate degrees, the median earnings were \$32,000. This \$10,000 per year earnings gap between those having a bachelor's degree and those having no credential is very likely an underestimate of the longer run gap, as the gains for those with more education tend to build over time. Even this initial

difference, however, is enough to suggest that the economic payoff to a college degree is an important factor to consider when weighing considerations like the burden of college debt and the returns to public investments in higher education.

### **OBSERVATIONS**

What have we learned from this preliminary look at the progress of the class of 2004? It is hard to avoid the proverbial question: is the glass half empty or half full? The achievements of undergraduate education are in some ways very impressive: enrollments both in absolute terms and as a share of population have grown consistently—albeit with occasional ups and downs—for a long time. The fact that more than 85 percent of our 2004 high school seniors have had at least some experience of college within eight years of leaving high school is notable by historical standards. And despite the continuing increase in the supply of people with some amount of college experience, the benefit of attending college in material terms remains at historically high levels, and evidence indicates that college experience continues to be positively associated with better health, greater civic activity, and other nonmonetary benefits.

Yet along with these achievements have come great challenges. The burgeoning demand to attend American colleges and universities has been one of several forces squeezing state government higher education budgets, which is the main driver of growing public college tuitions in recent decades. The expansion in the share of high school graduates enrolling in college and an increased need for developmental or remedial education create new challenges for colleges. At the same time, anxieties about labor market opportunities and atten-

tion to the purely financial benefits of college enrollment have sometimes threatened to eclipse attention to the important personal and social benefits of college that cannot be readily reduced to a monetary reward.

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Perhaps most markedly, the United States' impressive, if still incomplete, efforts to expand access to college have not been matched by comparable progress in achieving college success. A good deal of evidence indicates that many of the benefits of college redound to those who complete degrees and, in some cases, certificates. And the people most likely to default on their student loans are not the biggest borrowers, who often have graduate degrees, but borrowers of modest amounts, who have little to nothing to show for their efforts. Yet completion rates remain stubbornly below desired levels, and the amount of time it takes to complete degrees continues to rise. Thus, the story of undergraduate education, as it exists now in the United States, combines a history of great achievement with a challenging future.