

# College: A Necessity Priced as a Luxury

Six Facts on College and the Middle Class

June 2014



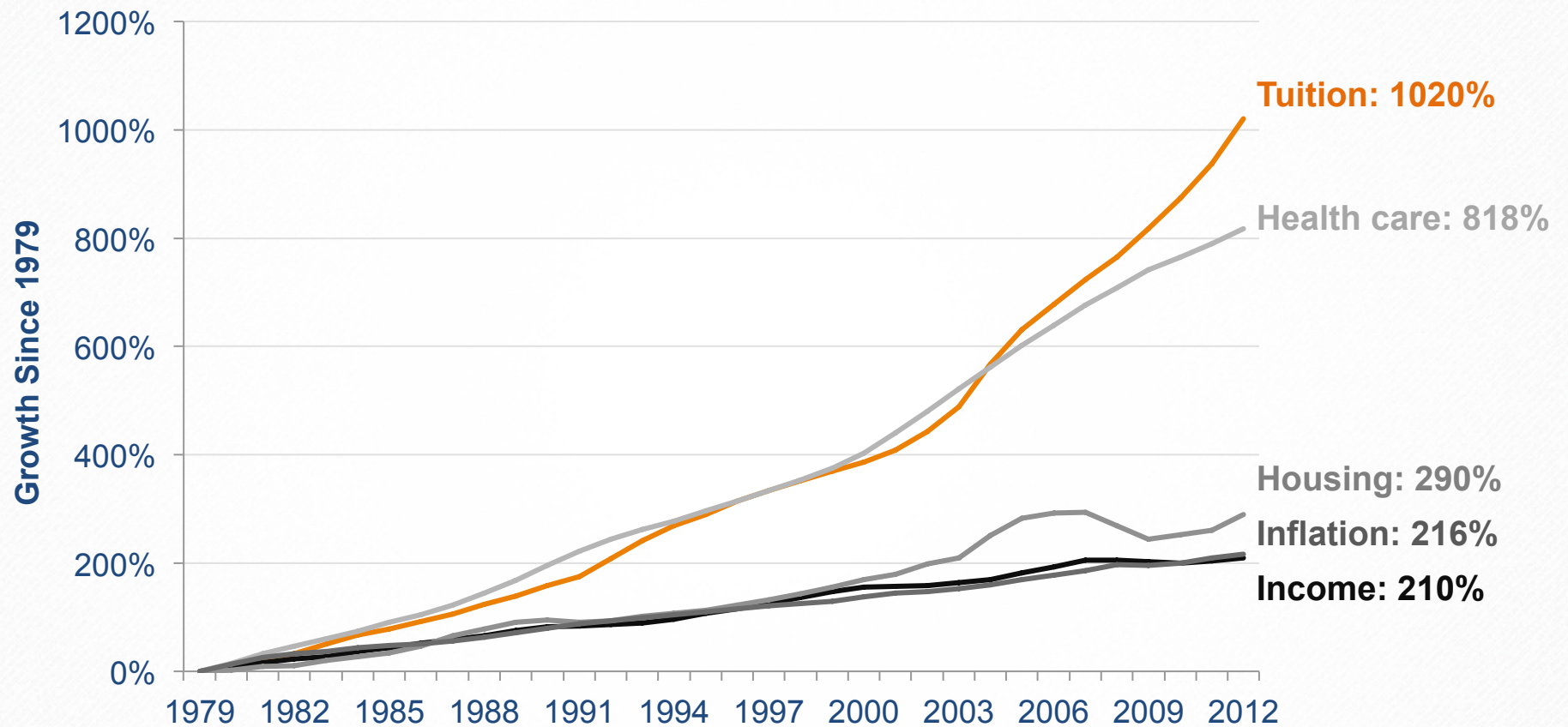
# A Middle Class Job Does Not Get a Middle Class Life

- ❖ Today, a middle class job increasingly does not support a middle class life.
- ❖ One of the big tickets for the middle class is a college degree, but its cost has risen beyond the means of middle class families, with consequences for the workforce and broader economy.
- ❖ Six facts are central to this alarming trend.

# 1. Tuition Has Outpaced Inflation for 32 Straight Years

- ❖ **Tuition has more than tripled:**  
Average tuition and fees at a four-year public college rose from \$2,100 in 1979 to \$7,300, in 2010 dollars.
- ❖ **Tuition up more than health care:**  
Of the four “big ticket” middle class expenses (tuition, health care, housing, and retirement), tuition has risen the fastest in the last three decades.
- ❖ **Tuition outpaced inflation for 32 straight years:**  
No major consumer expenditure, including health care, can make that claim.

# 1. Tuition Has Outpaced Inflation for 32 Straight Years



**Source:** National Center for Education Statistics, Average Tuition and Required Fees in Current Dollars for 4 Year Public Undergraduate Institutions; U.S. Census Bureau, Median Sales Prices of New Homes Sold in the United States; Centers for Medicare and Medicaid Services, Personal Health Care Expenditure per Capita; U.S. Census Bureau, U.S. Median Income; U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers Annual Average.



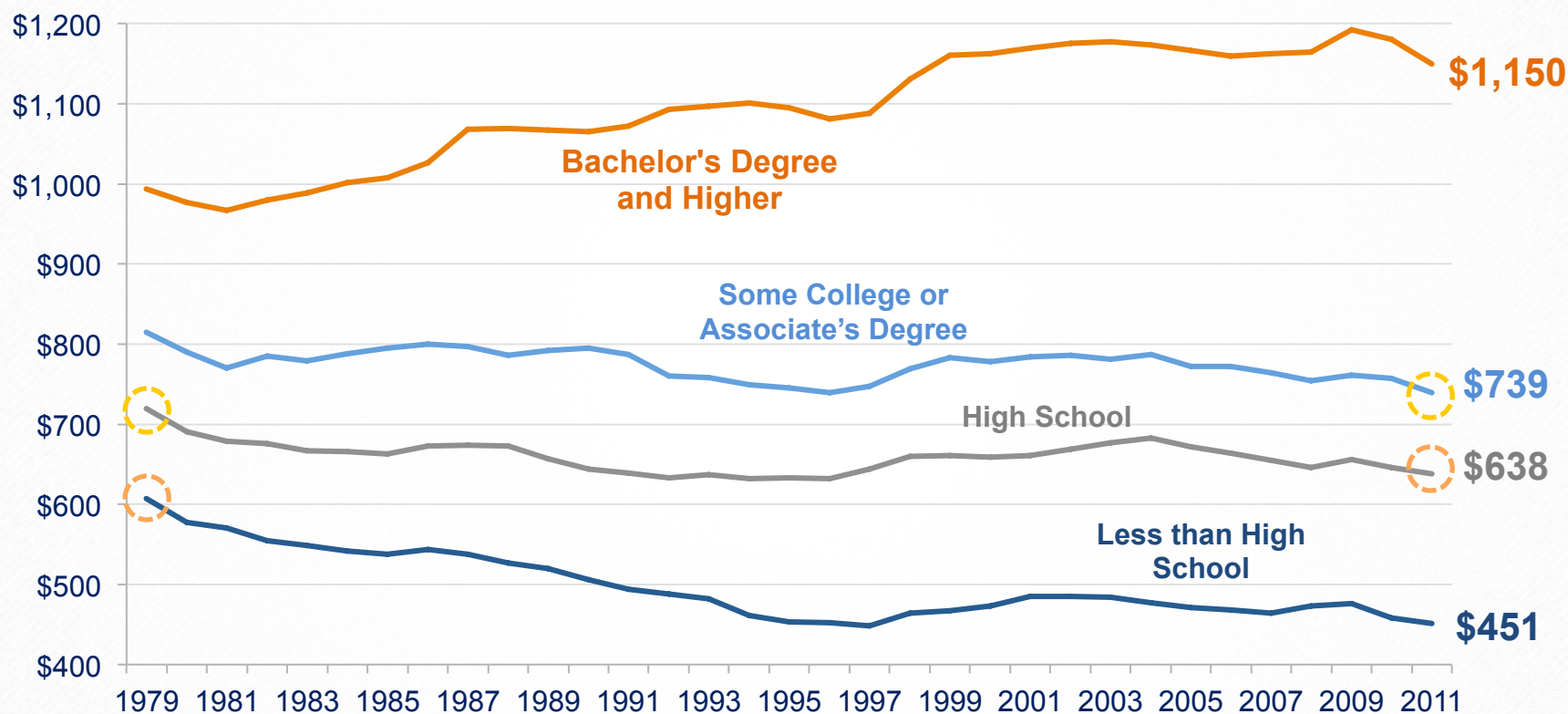


## 2. College Has Become More Important for the Middle Class

- ❖ **Only college-educated workers have had wage gains:** Workers with a four-year degree or better earn 16% more, in real dollars, than in 1979.
- ❖ **Non-college wages have fallen:** Those at every education level below a college degree have seen declines in real wages.
- ❖ **The gap between college and non-college wages has widened:** A worker with a high school diploma earned as much in 1979 as a worker with an associate's degree today.

## 2. College Has Become More Important for the Middle Class

### Median Weekly Earnings by Educational Attainment



**Note:** Median usual weekly earnings of full-time wage and salary workers 25 years and older, in 2011 dollars, by sex and educational attainment, annual averages.

**Source:** U.S. Bureau of Labor Statistics, Highlights of Women's Earnings in 2011, October 2012.

# 3. Rising Costs Are Hurting Low and Middle-Income Students

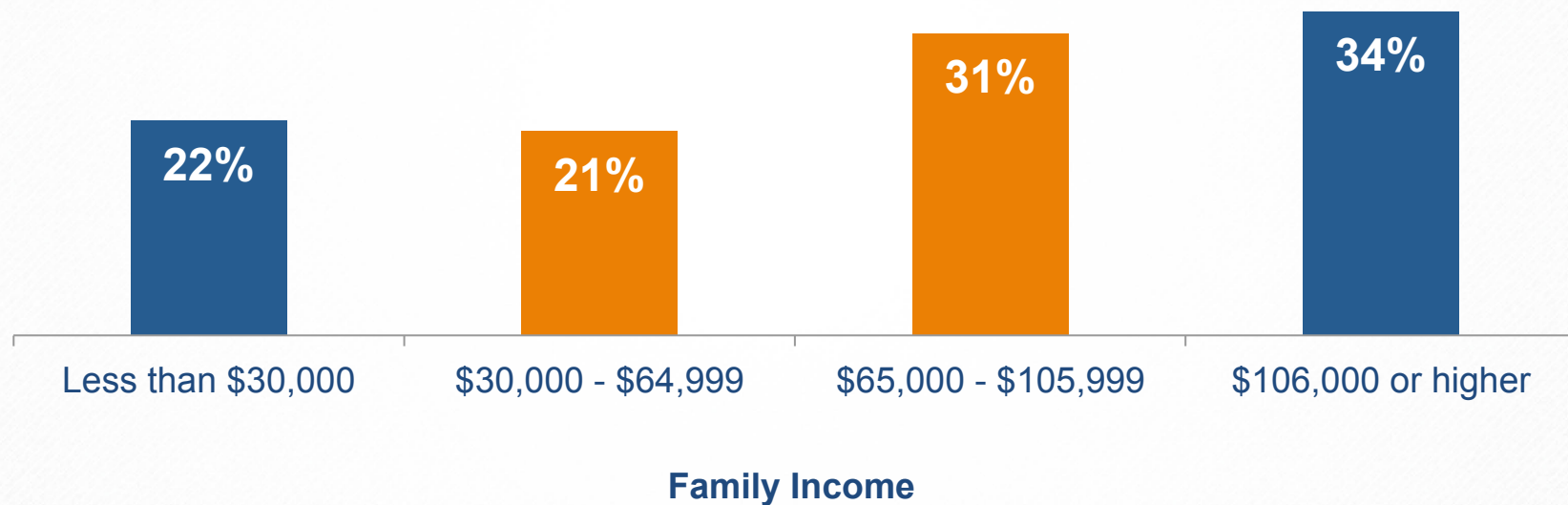
Counting student aid:

- ❖ **Low-income families**, earning less than \$30,000, now pay 22% more, after inflation, than they did in 1999-2000 for a four-year public college degree.
- ❖ **Middle-income families**, earning \$30,000 to \$65,000, now pay 21% more, after inflation, than they did in 1999-2000 for a four-year public college degree.
- ❖ **Upper middle-income families**, earning \$65,000 to \$106,000, now pay 31% more, after inflation, than they did in 1999-2000 for a four-year public college degree.

# 3. Rising Costs Are Hurting Low and Middle-Income Students

## Change in Net Cost of Attendance at 4-year Public Colleges

Percentage increase from 1999 to 2011 in real, 2011 dollars



**Source:** NCES, National Postsecondary Student Aid Study, 1996, 2000, 2004, 2008, and 2012; The College Board, Trends in College Pricing, 2008 and 2012, Figure 1; calculations by the authors.





## 4. Student Loan Debt Has Exploded

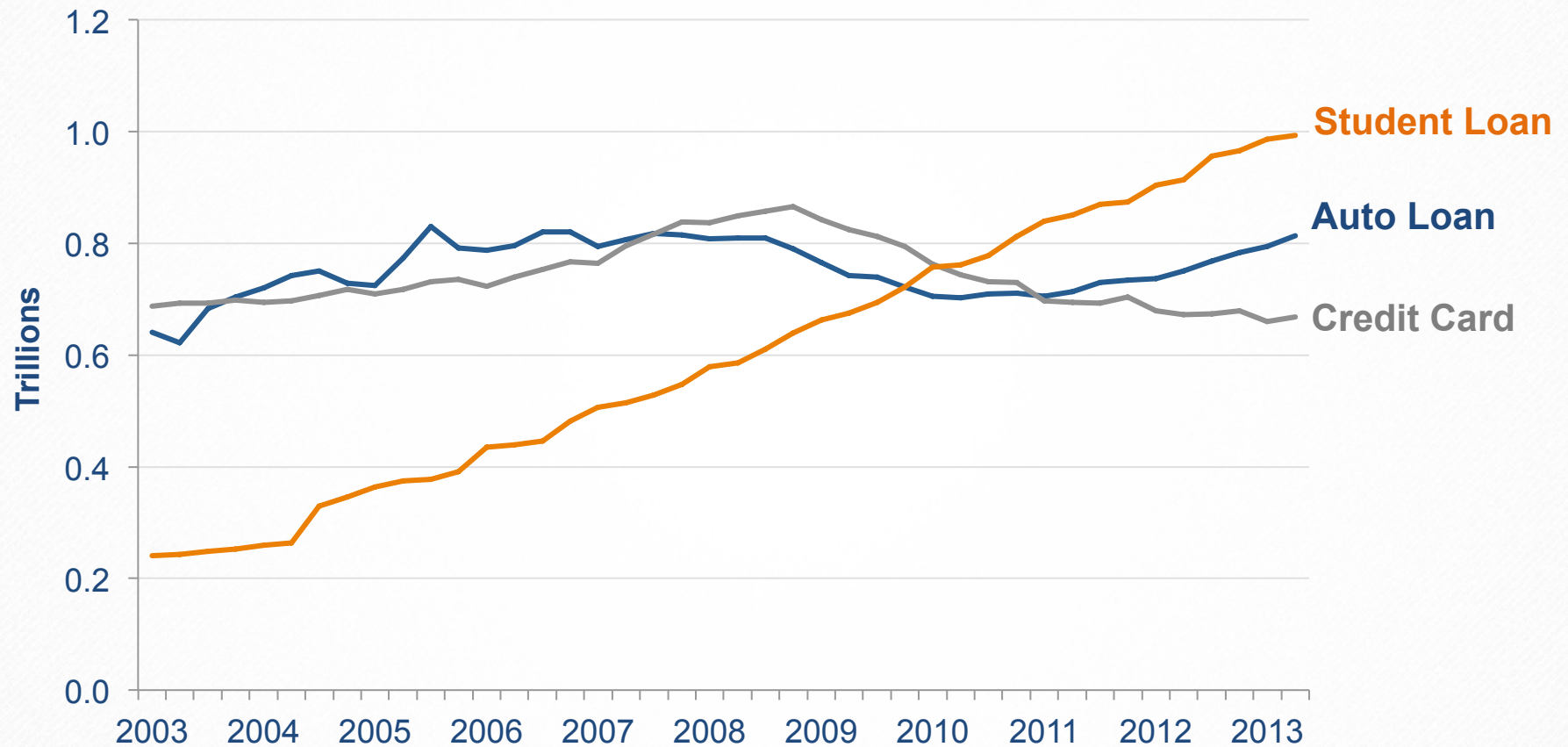
- ❖ **Student loan debt has quadrupled:** Since 2003, student loan debt has risen from \$250 billion to \$1 trillion.
- ❖ **Nearly 40 million borrowers:** Since 2005, the number of student borrowers has risen from 23 million to 39 million.
- ❖ **Loan balances ballooning:** Since 2005, the average student loan balance has risen from \$16,651 to \$24,803.
- ❖ **Pell students borrow more:** Nearly 90% of Pell Grant recipients who graduate have loans. They owe \$4,750 more, on average, than those of higher income students.

**Source:** The Institute for College Access and Students, "Pell Grants Help Keep College Affordable for Millions of Americans," April 29, 2014.



# 4. Student Loan Debt Has Exploded

## Total Debt Held by Borrowers



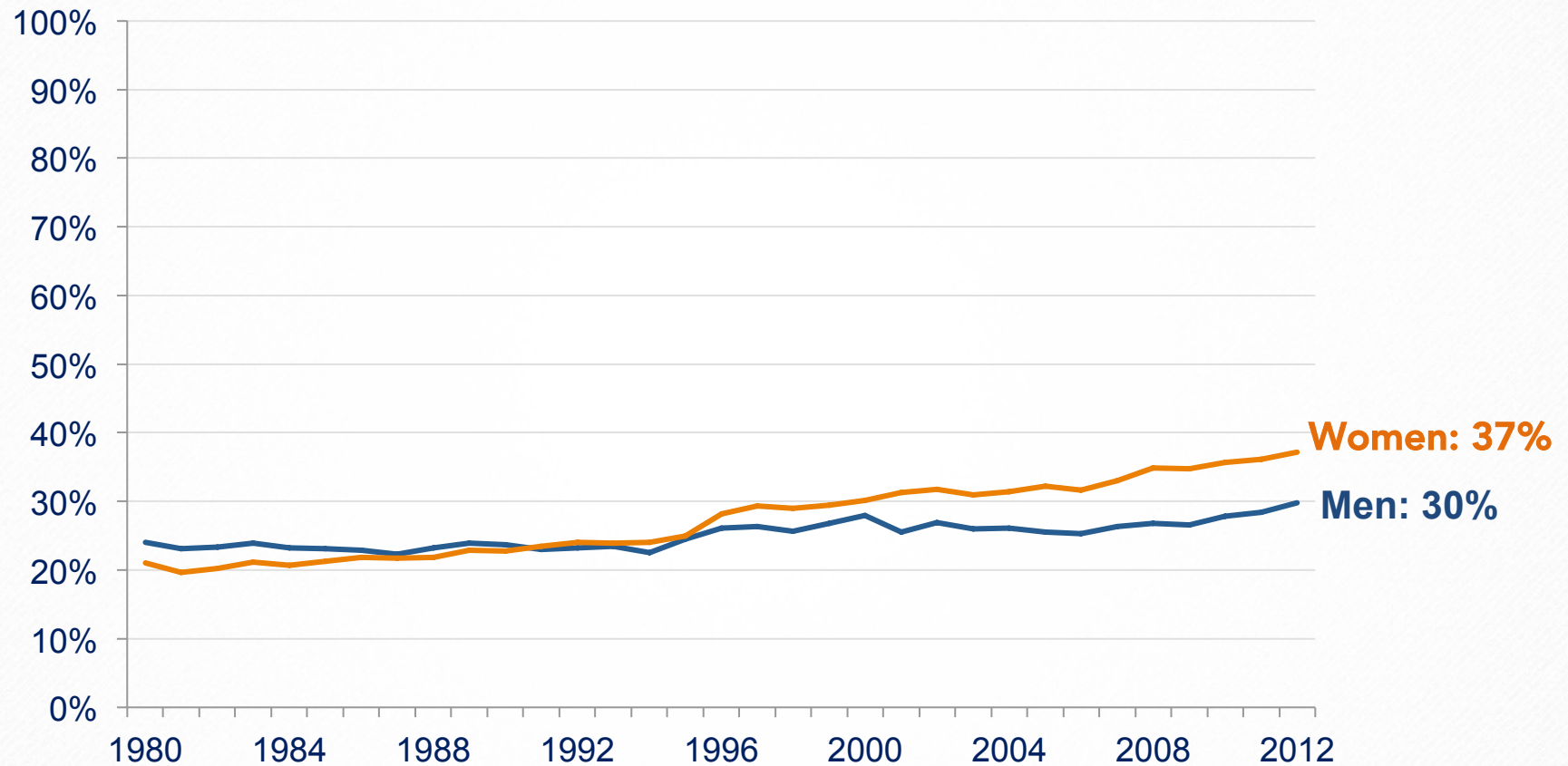
Source: Federal Reserve Bank of New York, "Quarterly Report on Household Debt and Credit," August 2013.

## 5. College Completion Rates Are Dismal

- ❖ **Young Americans on wrong side of college wage gap:**  
Two thirds of 30-year olds do not have a college degree.
- ❖ **Young men in most trouble:**  
Men's college completion rates have stagnated over the past decade and are barely higher than in 1980.
- ❖ **U.S. falling behind in college:**  
Among OECD countries, the U.S. ranks 3rd in college degree attainment for 55-64 year olds, but is 14th for 25-34 year olds.

# 5. College Completion Rates Are Dismal

## Share of 25-29 Year Olds with a College Degree



**Note:** Includes only non-institutionalized individuals, ages 25-29.  
**Source:** U.S. Census Bureau, Current Population Survey.

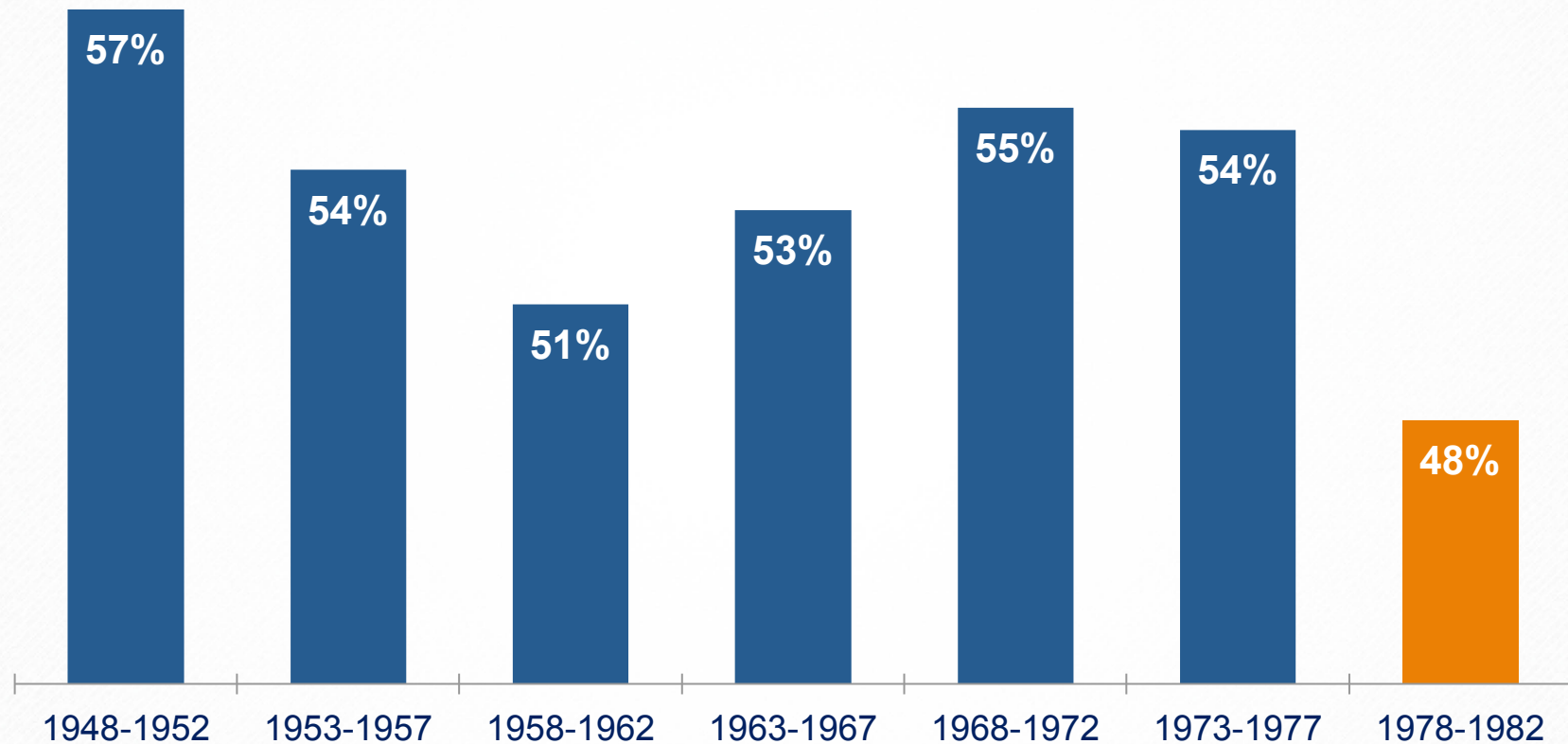


## 6. Loan Debt Has Broad Economic Consequences

- ❖ **Young adults behind in housing:**  
Student loan debt is a key reason why homeownership rates for 30 to 34-year olds are at a 30-year low.
- ❖ **Young adults behind in wealth creation:**  
The median household wealth of people ages 55-64 is 44 times the net worth of the median household of people younger than 35—blowing past historic highs.

# 6. Loan Debt Has Broad Economic Consequences

## Homeownership Rate at Age 30-34 by Birth Year

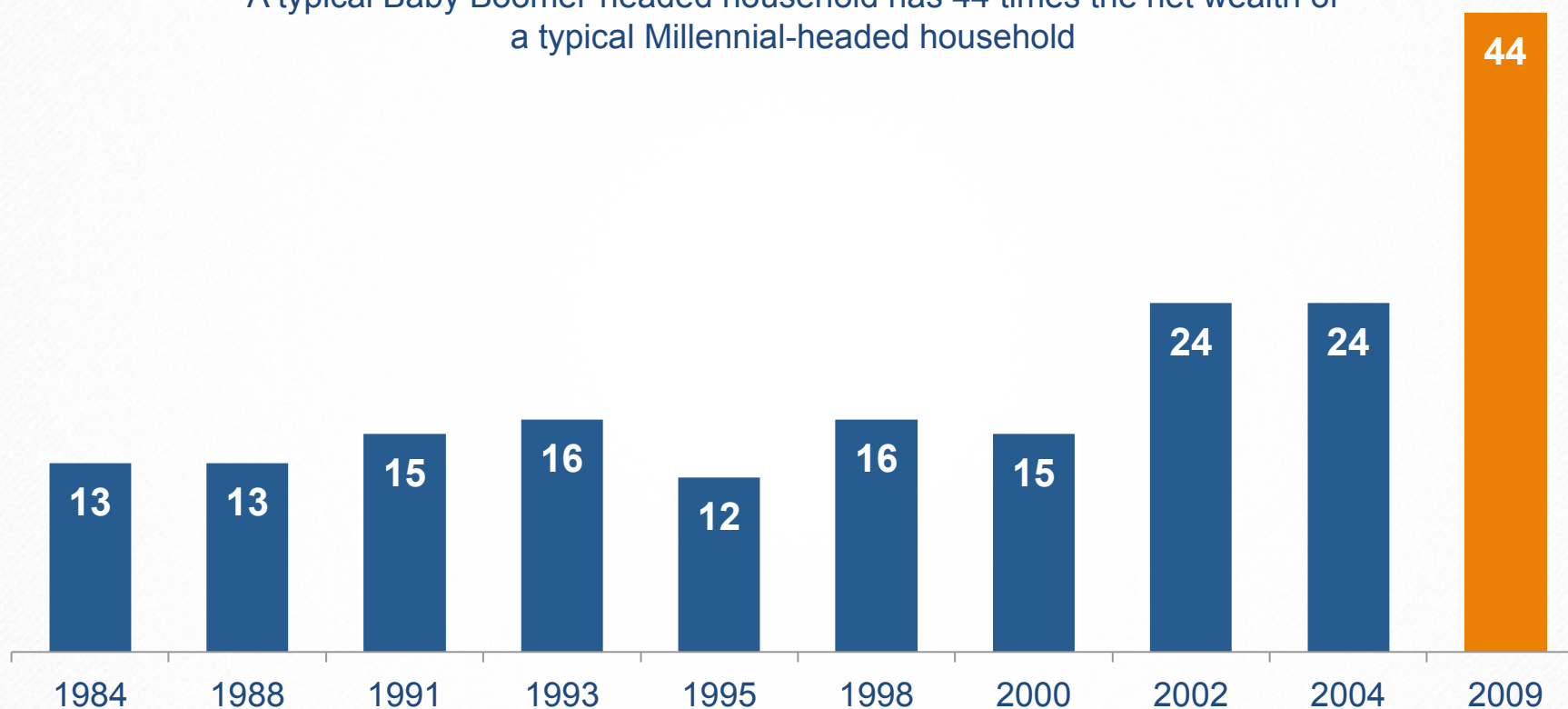


Source: "The Subprime Generation", John Burns Real Estate Consulting.

# 6. Loan Debt Has Broad Economic Consequences

## Ratio of Households' Net Wealth: Boomers to Millennials

A typical Baby Boomer-headed household has 44 times the net wealth of a typical Millennial-headed household



**Note:** For purposes of this graph, Boomer households are those headed by 55-64 year-olds and Millennial households are those headed by persons under 35.

**Source:** "Failure to Launch," Anthony Carnevale, Georgetown University Center on Education and the Workforce, Analysis of data from the Pew Research Center, 1984-2009



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