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The Economic Impact of Educational Opportunity

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New England colleges and universities impact their local and regional economies in many well-documented ways. They are often major employers and purchasers. They construct new facilities, attract many visitors, provide cultural and intellectual enrichment for the community and boost property values. The knowledge produced by New England's many higher education institutions is both a major export and a continuously renewable regional resource.

Still, the most significant value that colleges and universities deliver is the social and economic impact of turning a high school graduate or potential dropout into a college-educated citizen.

Higher education institutions, therefore, can bolster their economic impact by providing access and support for more students from currently underserved populations—including the young people of color, immigrants and the poor who will grow to represent more than one-third of the population by 2020. It is on these students' shoulders that New England's economic future rests.

The data on the benefit of higher education to individuals is widely available and compelling. It is no longer possible for a high school graduate to enter the middle class through hard work in a factory. A postsecondary credential is a requirement for most 21st century jobs. Over their lifetime, college graduates earn twice as much as someone without a college education. A college degree has replaced the high school diploma as the ticket to a middle-class life.

In addition to the value of advanced education to individuals, it is widely understood that better-educated citizens provide tangible benefits—economic and social—to society as a whole. College graduates who earn more, also put more money back into the economy. They pay more taxes and are less likely to be out of work. They live healthier lives, thereby costing society less in health care costs.

College graduates also contribute to the social and civic welfare of the society. They help create more harmonious workplaces because they are more likely to be tolerant of people who are different from them. They are more likely to take an active role in their community and to vote.

Indeed, one of the strongest arguments for public support of higher education is the recognition that enabling increasing numbers of citizens to achieve advanced education is a high-return public investment. Educated people are an asset to their communities.

But rising higher education prices and recent shifts in public policy threaten to leave behind many more of the young people of color and those from low-income populations who are already grossly underrepresented in our higher education institutions. Tuition at public universities across the country rose by an average of 11 percent last year and 14 percent the year before, according to the College Board. In New England, where students face the most daunting cost barriers, average tuition exceeds \$25,000 at private colleges and average tuition and mandatory fees hover near \$7,000 at public four-year institutions and \$3,000 at community and technical colleges. *Measuring Up 2004*, the National Report Card on Education released this past September by the National Center for Public Policy and

Education, gives 36 states—including every New England state—a failing grade on college affordability.

Until recently, federal and state policy was designed to encourage and support postsecondary participation of students whose success hinged on overcoming social and financial burdens. The need-based aid programs that evolved from the original federal higher education legislation of the 1960s represented a national policy

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commitment that anyone who had the desire and ability to learn would have the means to afford college. Need-based financial aid has been an essential feature of outreach and retention programs for students who could not otherwise afford to pursue a higher education.

In recent years, however, there has been a shift in the public mood and in policy away from need-based financial aid and toward so-called merit-based scholarships. The Civil Rights Project at Harvard University has documented that 12 states have allocated nearly \$1.2 billion for such merit scholarships, with Massachusetts and Tennessee now implementing similar programs. These scholarships are generally awarded based on standardized test scores and without consideration of resource inequities among communities. Therefore, they provide further advantages to students from wealthier, financially stable school districts—students who are likely to attend college even without the scholarship incentive. By diverting resources from need-based aid, merit programs hurt the students who would benefit the most.

Economist Anthony Carnevale estimates that “by 2020, U.S. employers will need as many as 14 million more workers with some college education than our educational institutions are likely to produce.” Yet the shift from need-based to non-need-based financial aid reduces our ability to educate our fastest-growing populations and to enjoy the rewards of their achievement. If we continue to deprive these students of access to college, if we continue to allow increasing costs to deter them and stifle their motivation, we risk losing not only our promise of social equity, but our collective prosperity. Moreover, the combination of dramatic demographic change and increasing financial impediments to higher education is putting New England’s economic future at risk.

On the other hand, by helping to expand opportunity, need-based financial aid can spur economic growth within communities. In his book, *The Quiet Crisis: How Higher Education is Failing America*, California State University at Monterey Bay President Peter Smith notes that national wealth could rise by as much as \$225 billion annually if African-American and Hispanic students enjoyed the success rate of their white classmates. That staggering estimate will grow as these populations grow.

The economic impact of higher education institutions is not limited to the fortunes of their graduates or their extensive commercial roles. Educated people create communities that nurture social and economic prosperity. By removing barriers to higher education for low-income and minority populations, we will secure the economic benefits that higher education makes possible—for everyone.

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