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**HOUSEHOLD
FINANCIAL
STABILITY®**

Researching Family Balance Sheets to Strengthen
Families and the Economy | stlouisfed.org/hfs

What Is A College Degree Worth? And For Whom?

*California's Future of Work Commission
Convening on Education, Skills and Job Quality
November 14, 2019*

**William R. Emmons, Ana H. Kent and Lowell R. Ricketts
Center for Household Financial Stability
Federal Reserve Bank of St. Louis**

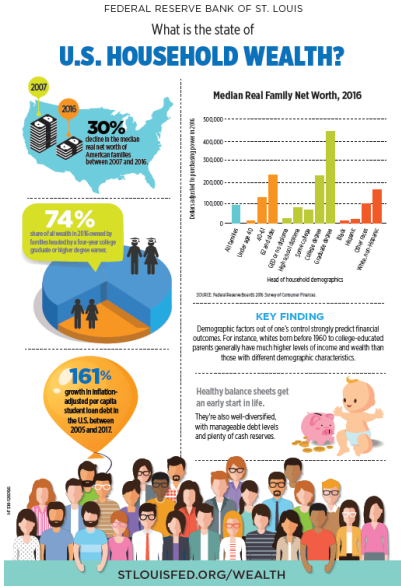
These are our views alone and not necessarily those of the Federal Reserve Bank of St. Louis or the Federal Reserve System.

St. Louis Fed's *Center for Household Financial Stability*: Research on the Demographic Determinants of Family Income and Wealth



STLOUISFED.ORG/HFS

Newsletter



You've Been Introduced to Inequality (6-25-2019)

income & wealth

Income inequality dwarfed by wealth inequality

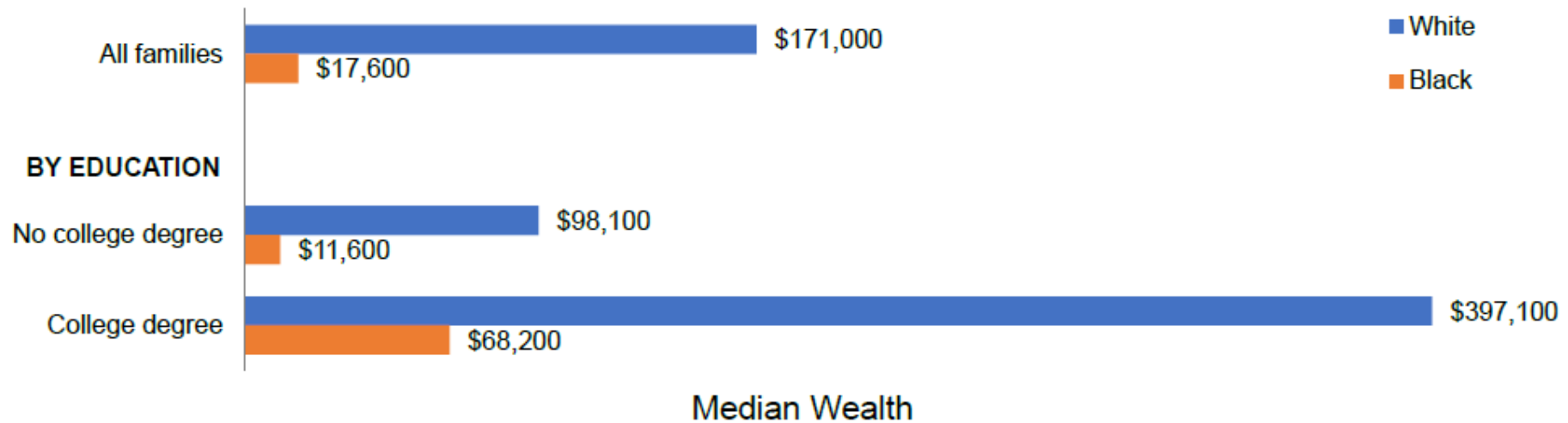


Source: Current Population Survey 2016; Survey of Consumer Finances 2016

And the Racial Wealth Gap (6-25-2019)

income & wealth

Racial wealth inequality is enormous—and not solved by education



Source: Survey of Consumer Finances 2016



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Data and Definitions

- Data we use: Federal Reserve's *Survey of Consumer Finances*
 - Best source of detailed information on US families' financial lives.
 - Rich demographic details but no geographic break-downs.
- Income vs. Wealth
 - Income: What a family earns in a year (wages and salaries, interest and dividends, transfers, pension distributions)
 - *Median family income in 2016: \$52,657*
 - Wealth or Net Worth: What you own minus what you owe; NW = your assets (house, cars, savings accounts, retirement accounts, other financial and non-financial assets) minus your liabilities (mortgage, car loan, credit-card debt, student loans, etc.)
 - *Median family wealth in 2016: \$97,306*

Data and Definitions

- Racial and ethnic groups: Self-identified by survey respondents
 - White non-Hispanic: 68%
 - Black non-Hispanic: 16%
 - Hispanic of any race: 11%
 - Other races (Asian, Native American, etc.; more than one race): 5%
- Education levels of survey respondent (typically family head)
 - Did not finish high school on time (includes those with a GED): 16%
 - On-time high-school diploma; or some college but no degree: 38%
 - Associate's degree or certificate: 12% (no info on degrees, schools)
 - Bachelor's degree only: 21% (no info on degrees, schools)
 - Post-graduate degree: 13% (no info on degrees, schools)

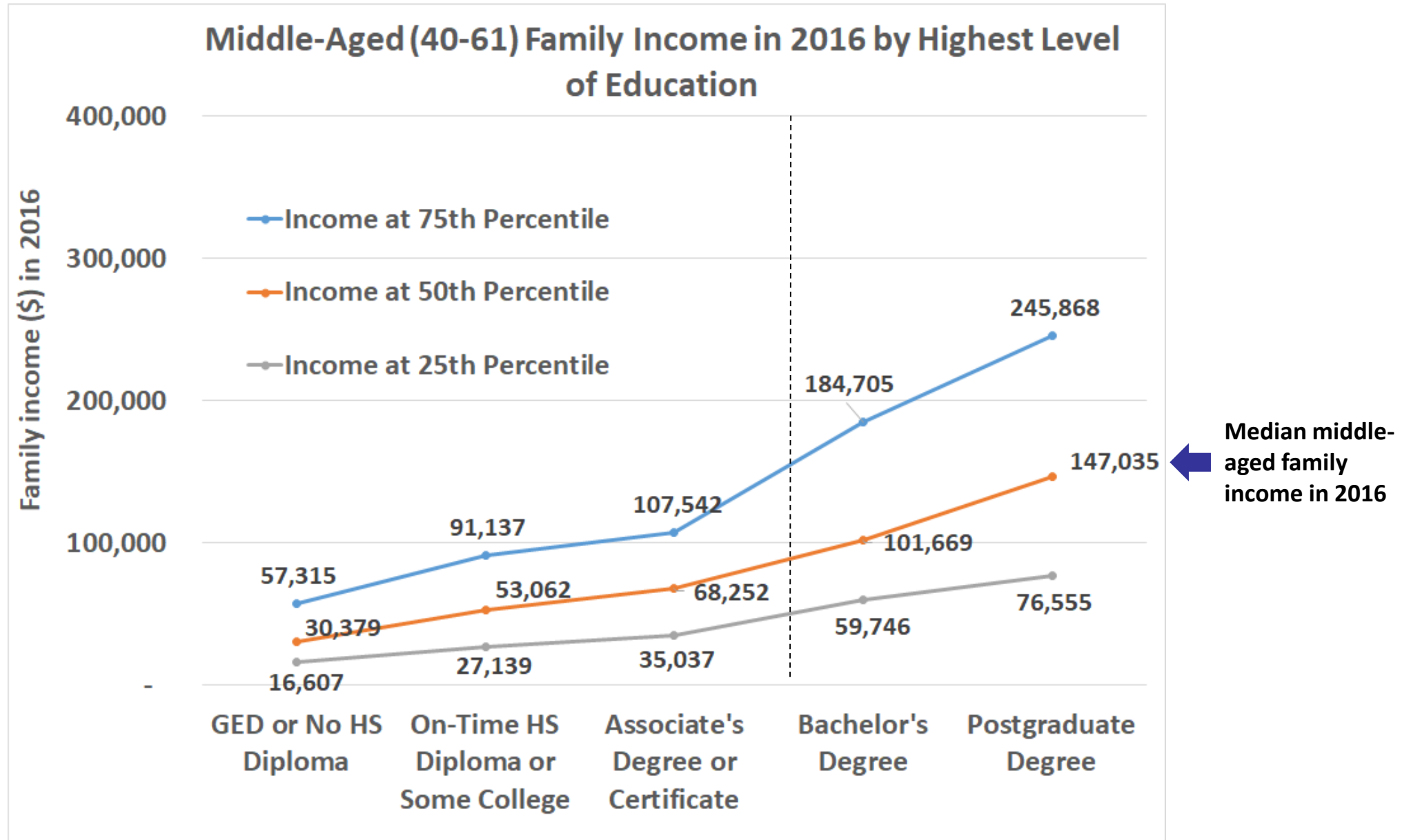
What Is A College Degree Worth? And For Whom?

- We focus primarily on middle-aged (40-61) families to eliminate factors that make young and old families hard to compare.
- Our main conclusions
 - On average, bachelor's and post-graduate degrees boost a family's income and wealth.
 - But benefits are unequal across races, ethnicities, and generations.
 - Large boosts for White, Other Races; small boost for Black, Hispanic.
 - College boost is declining across generations, especially for wealth.

The Data on Education, Income and Wealth

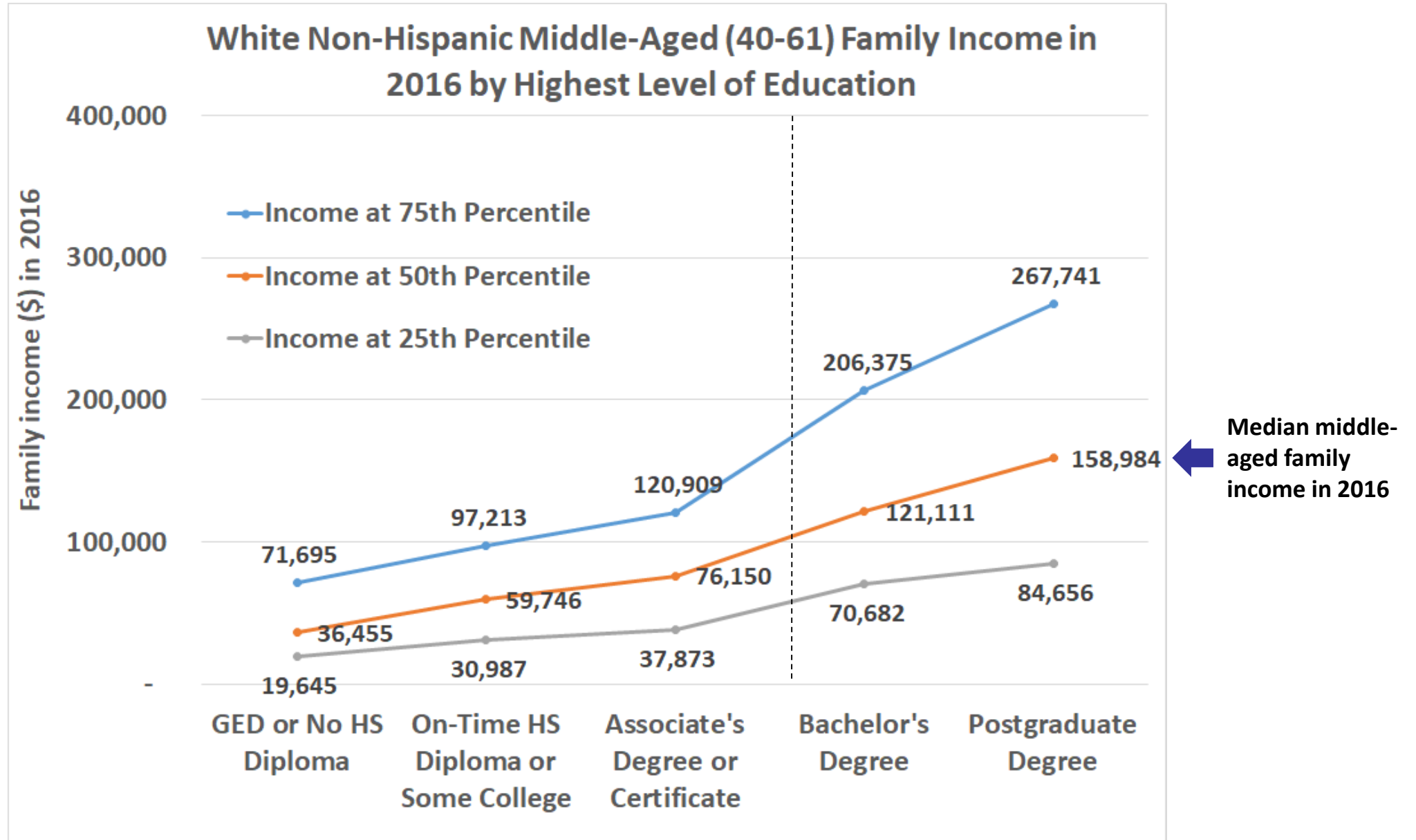
- Links between education and family income across race/ethnicity
 - Large boosts for White and Other Races
 - Smaller boosts for Black and Hispanic
- Links between education and family wealth across race/ethnicity
 - Very large boosts for White and Other Races
 - Very small boost for Black; somewhat larger for Hispanic
- Declining benefits of college across generations
 - Overall characterization; Differentiate by race/ethnicity
 - To read more: Emmons, William R.; Kent, Ana H.; and Ricketts, Lowell R. “Is College Still Worth It? The New Calculus of Falling Returns,” Federal Reserve Bank of St. Louis *Review*, Fourth Quarter 2019, Vol. 101, No. 4, pp. 297-329. [Link](#).

Aggregate Data: College Boosts Incomes



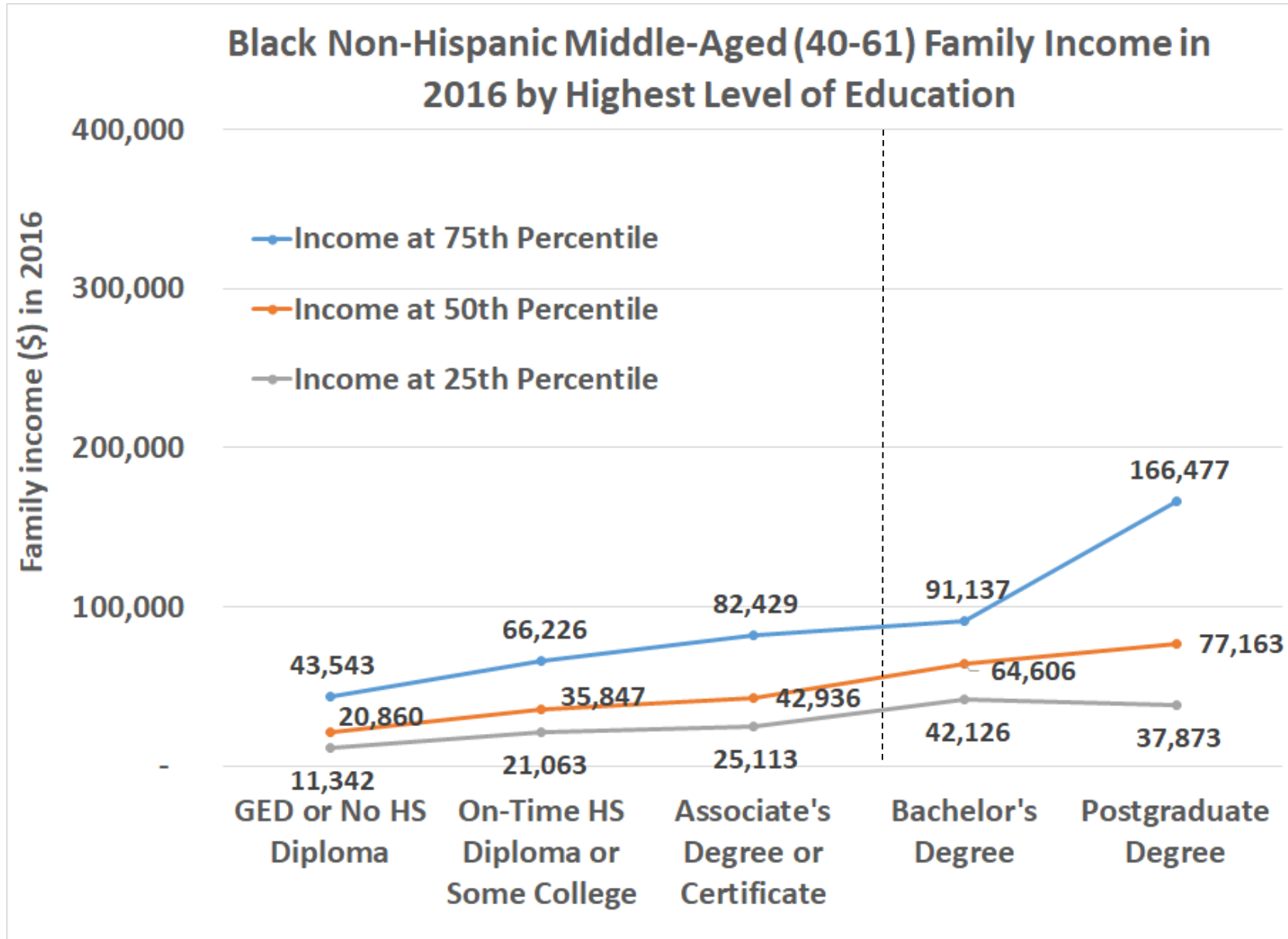
Source: Federal Reserve
Survey of Consumer
Finances

White Non-Hispanic Families: College Boosts Income



Source: Federal Reserve
Survey of Consumer
Finances

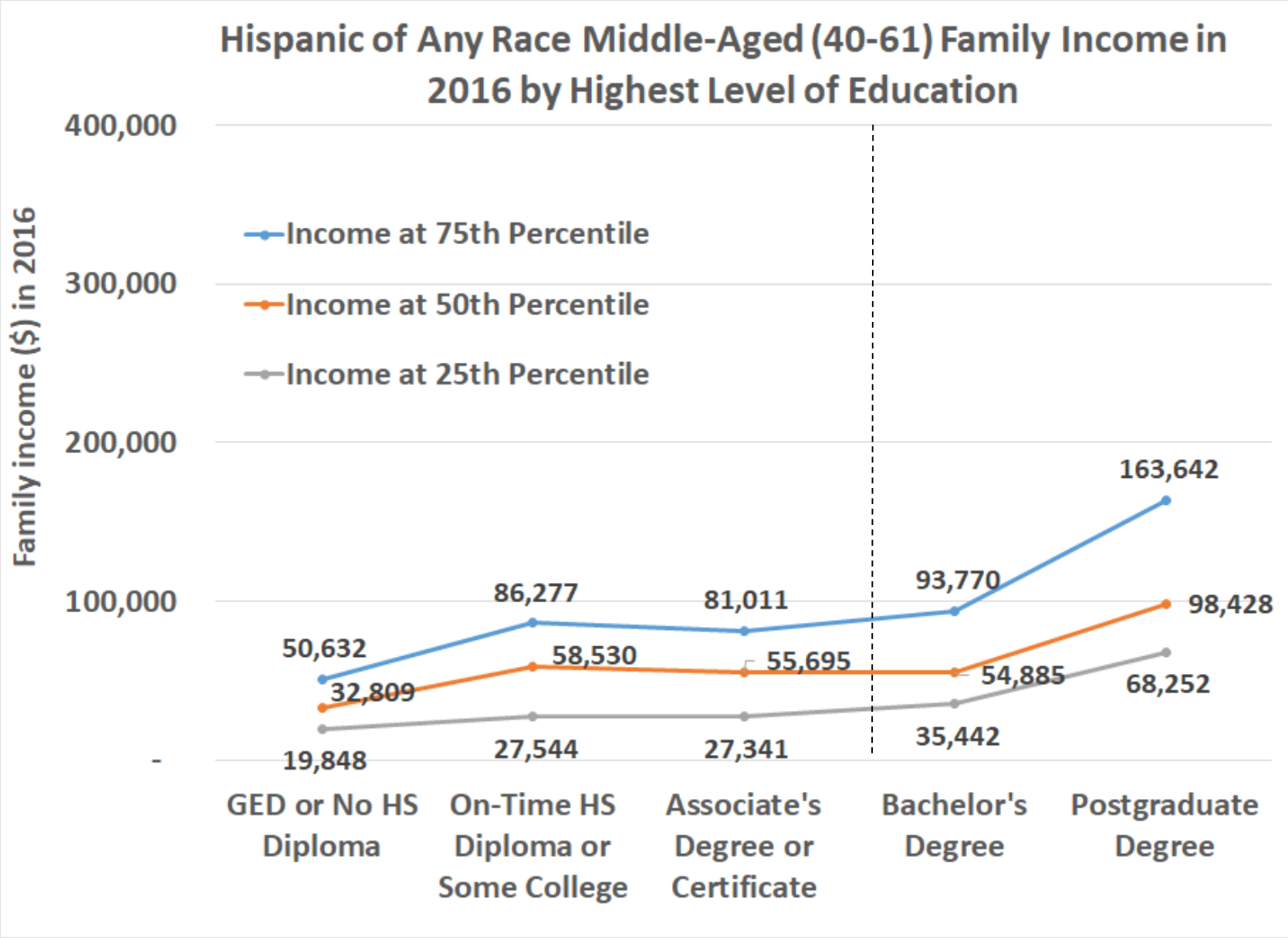
Black Non-Hispanic: College Boost Is Much Weaker



Source: Federal Reserve
Survey of Consumer
Finances



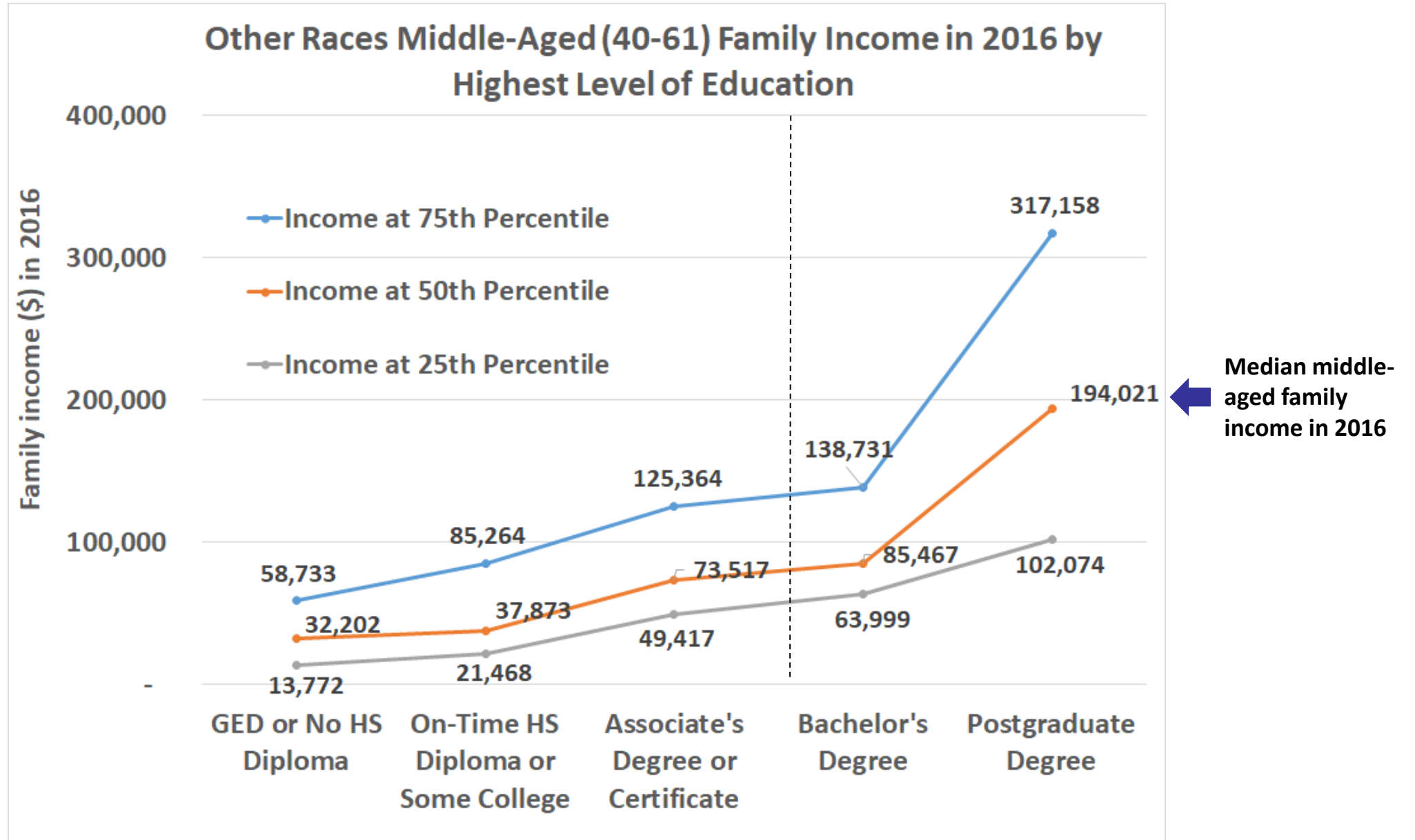
Hispanic of Any Race: Only Post-Grad Degrees Boost



Median middle-aged family income in 2016

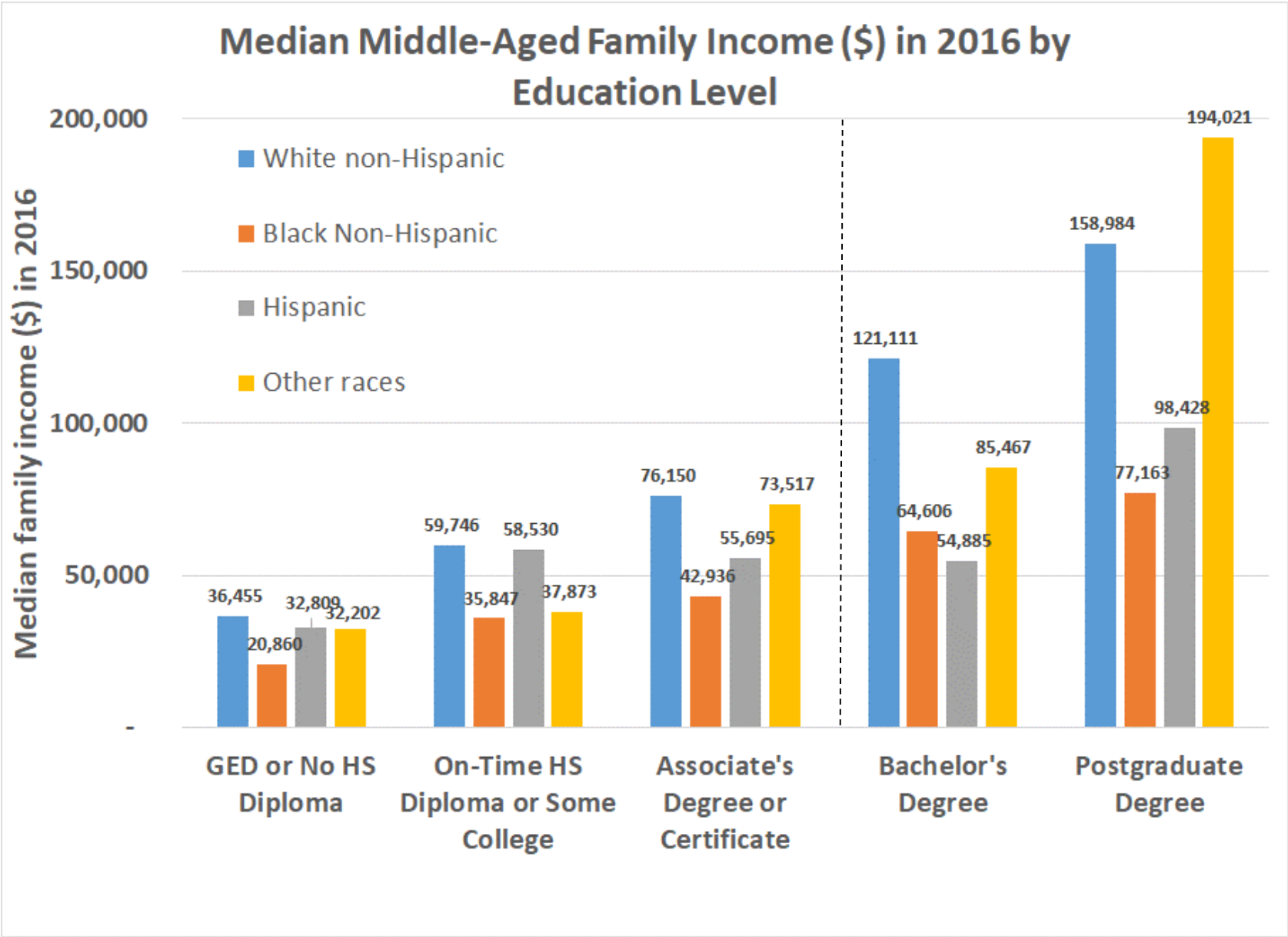
Source: Federal Reserve Survey of Consumer Finances

Other Races: Very Strong Post-Grad Income Boost



Source: Federal Reserve
Survey of Consumer
Finances

Conclusion: College Income Boost Strong for White, Other

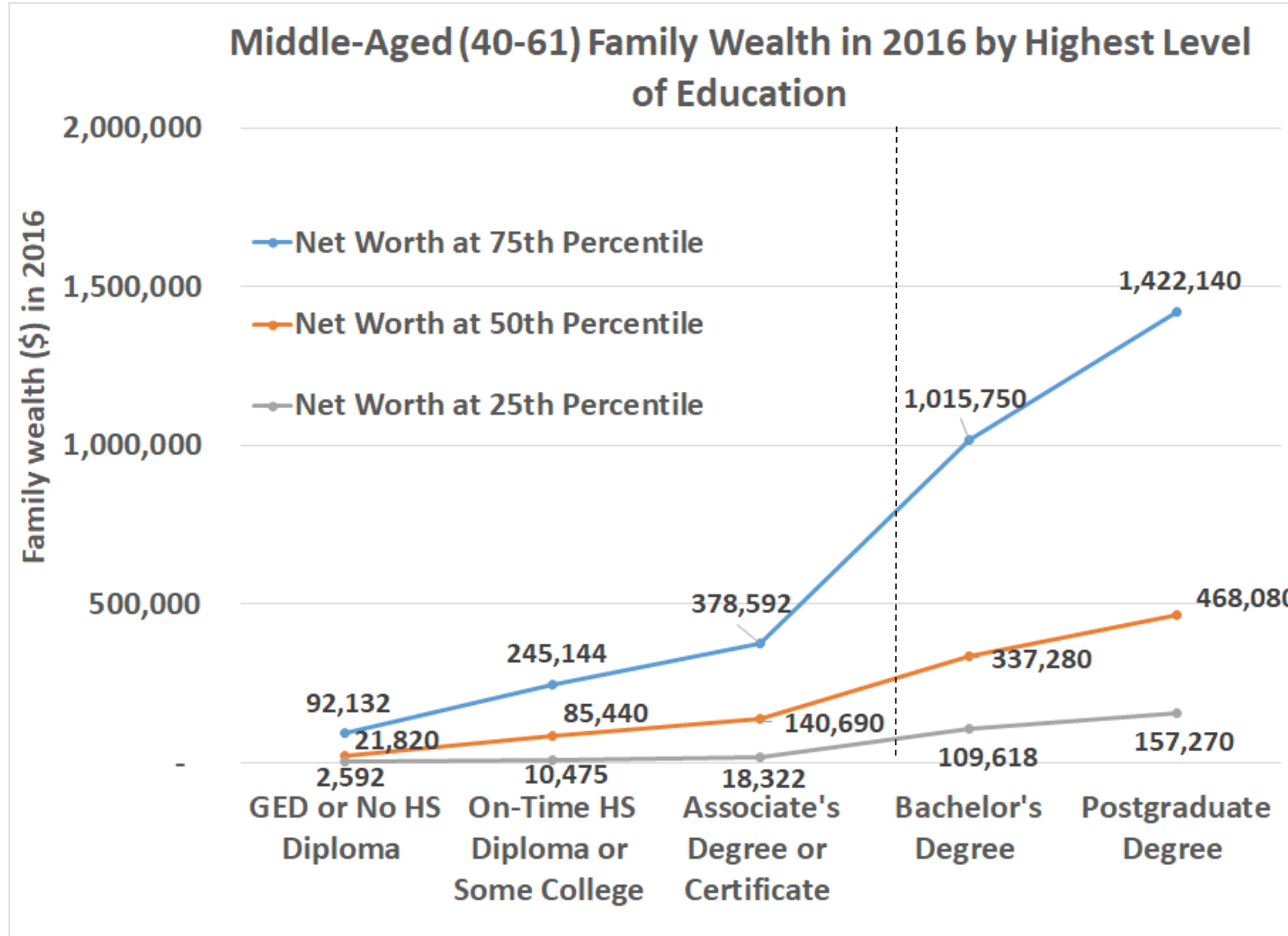


Source: Federal Reserve
Survey of Consumer
Finances

The Data on Education, Income and Wealth

- Links between education and family income across race/ethnicity
 - Large boosts for White and Other Races
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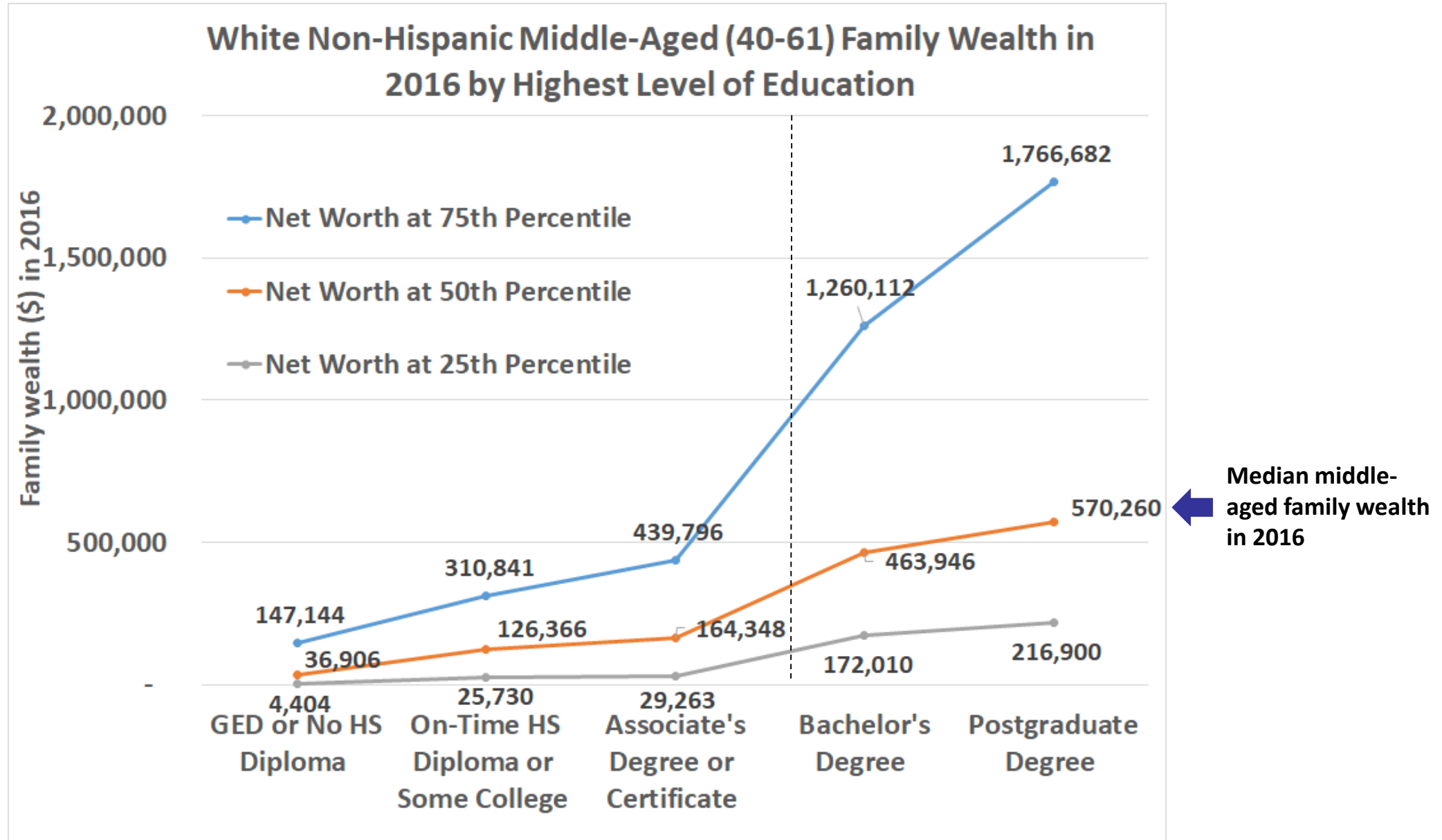
Aggregate Data: College Boosts Wealth



Median middle-aged family wealth in 2016

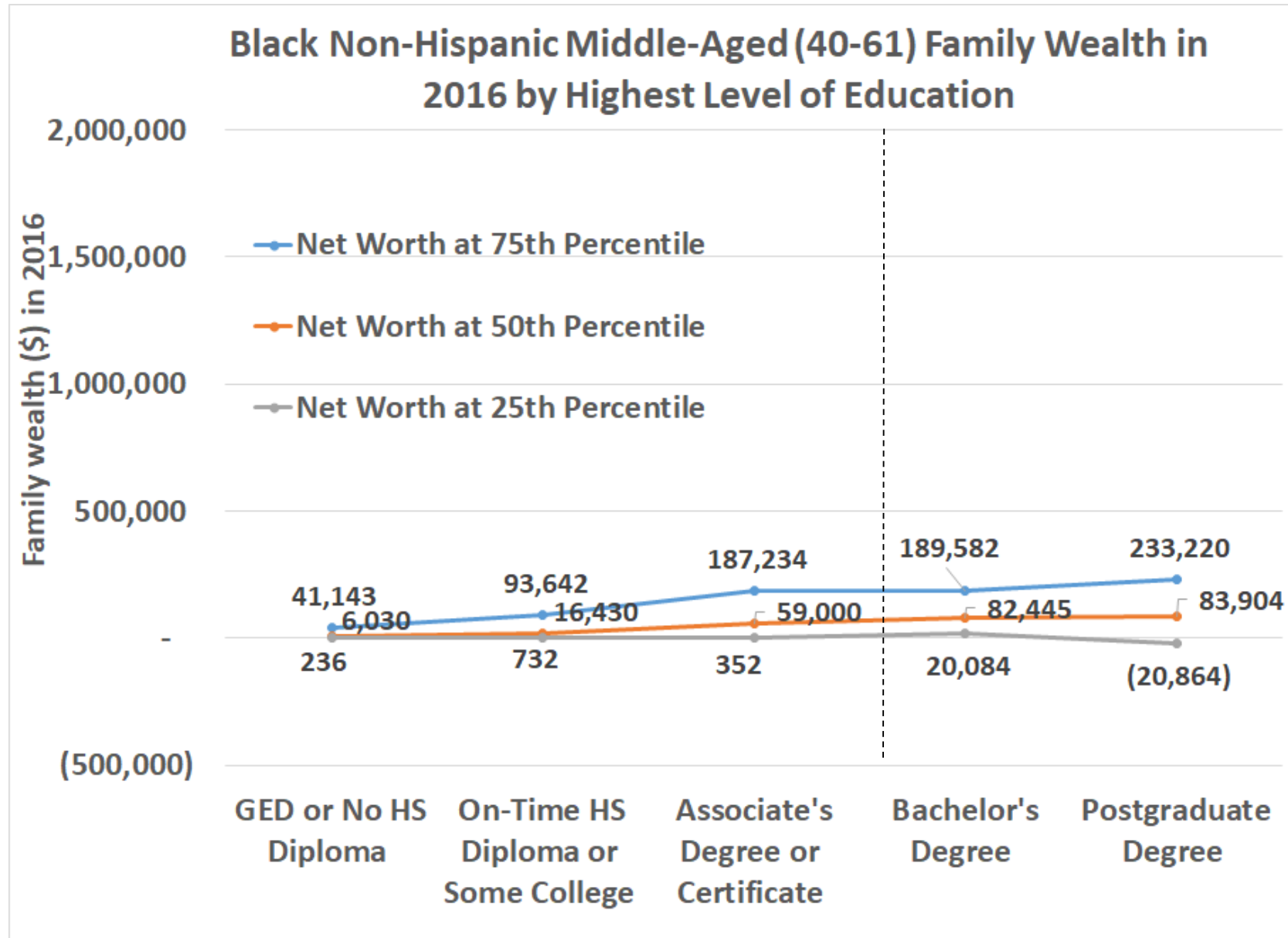
Source: Federal Reserve Survey of Consumer Finances

College Boosts White Wealth; Especially At the Top



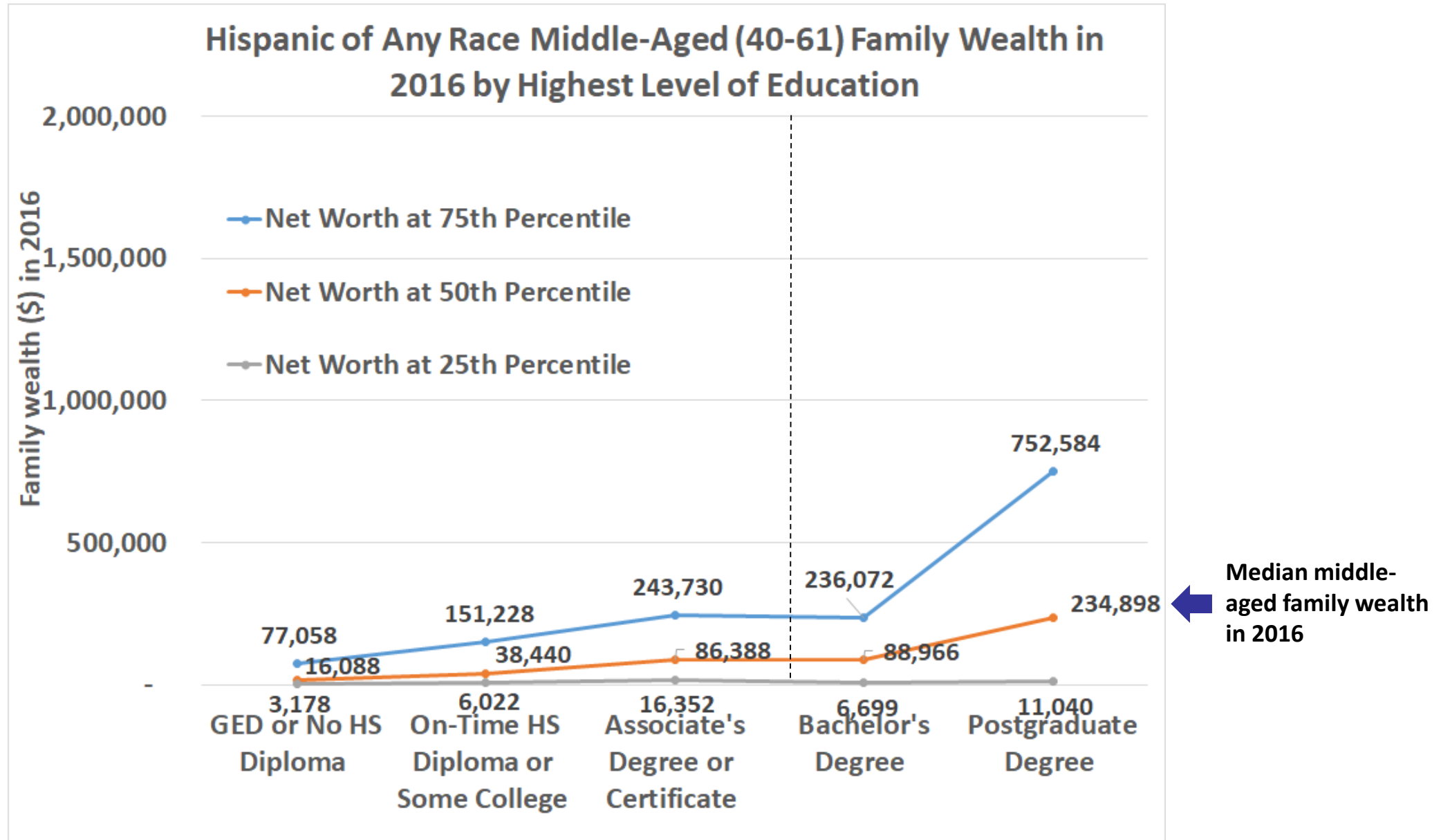
Source: Federal Reserve
Survey of Consumer
Finances

College Wealth Boost for Blacks Is Small



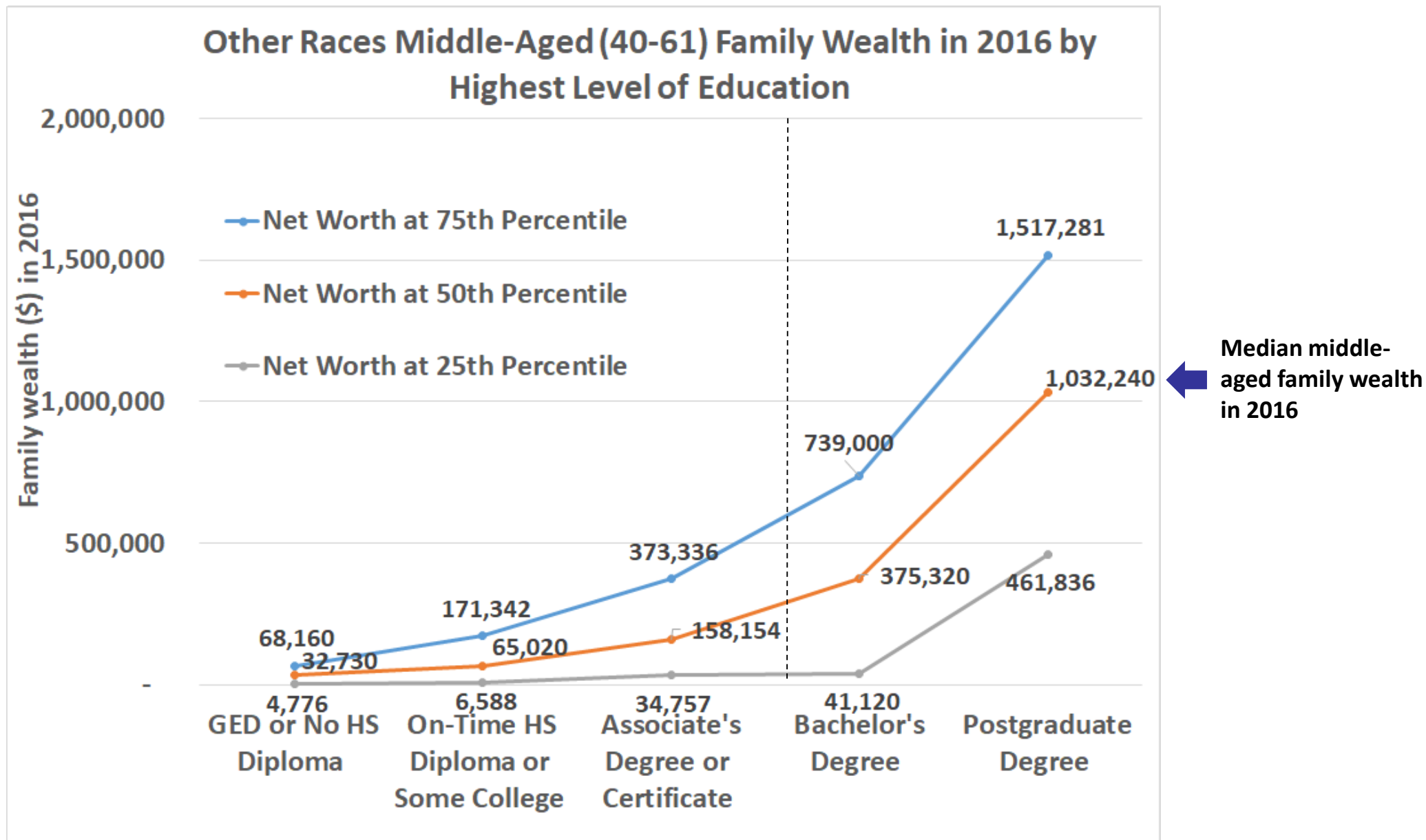
Source: Federal Reserve
*Survey of Consumer
Finances*

Hispanic College Wealth Boost Only for Post-Grads



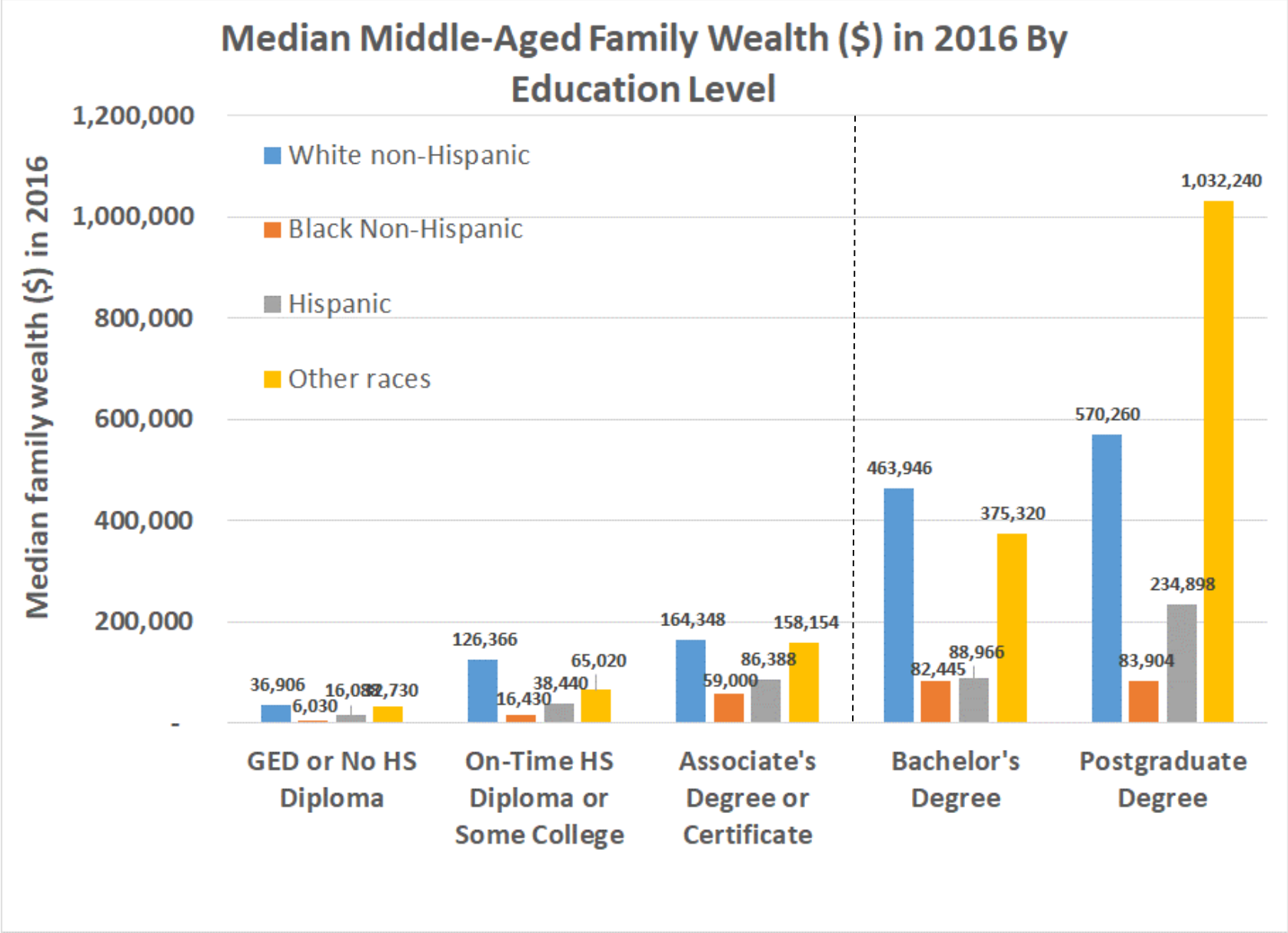
Source: Federal Reserve
Survey of Consumer
Finances

Very Strong College Wealth Boost for Other Races



Source: Federal Reserve
Survey of Consumer
Finances

Conclusion: Big College Wealth Boosts for White, Other



Source: Federal Reserve
*Survey of Consumer
Finances*

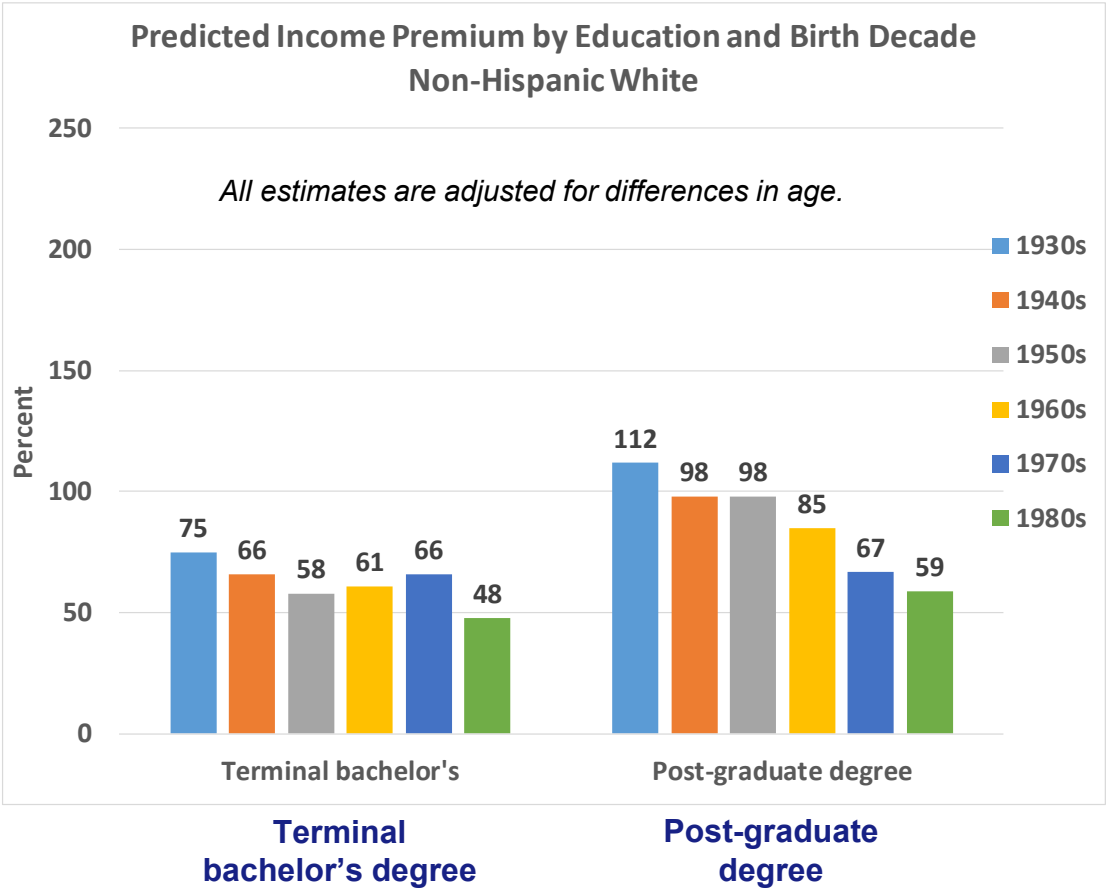
The Data on Education, Income and Wealth

- Links between education and family income across race/ethnicity
 - Large boosts for White and Other Races
 - Smaller boosts for Black and Hispanic
- Links between education and family wealth across race/ethnicity
 - Very large boosts for White and Other Races
 - Very small boost for Black; somewhat larger for Hispanic
- Declining benefits of college across generations
 - Wealth boost falling faster than income; declining for all races/ethnicities.
 - To read more: Emmons, William R.; Kent, Ana H.; and Ricketts, Lowell R. “Is College Still Worth It? The New Calculus of Falling Returns,” Federal Reserve Bank of St. Louis *Review*, Fourth Quarter 2019, Vol. 101, No. 4, pp. 297-329. [Link](#).

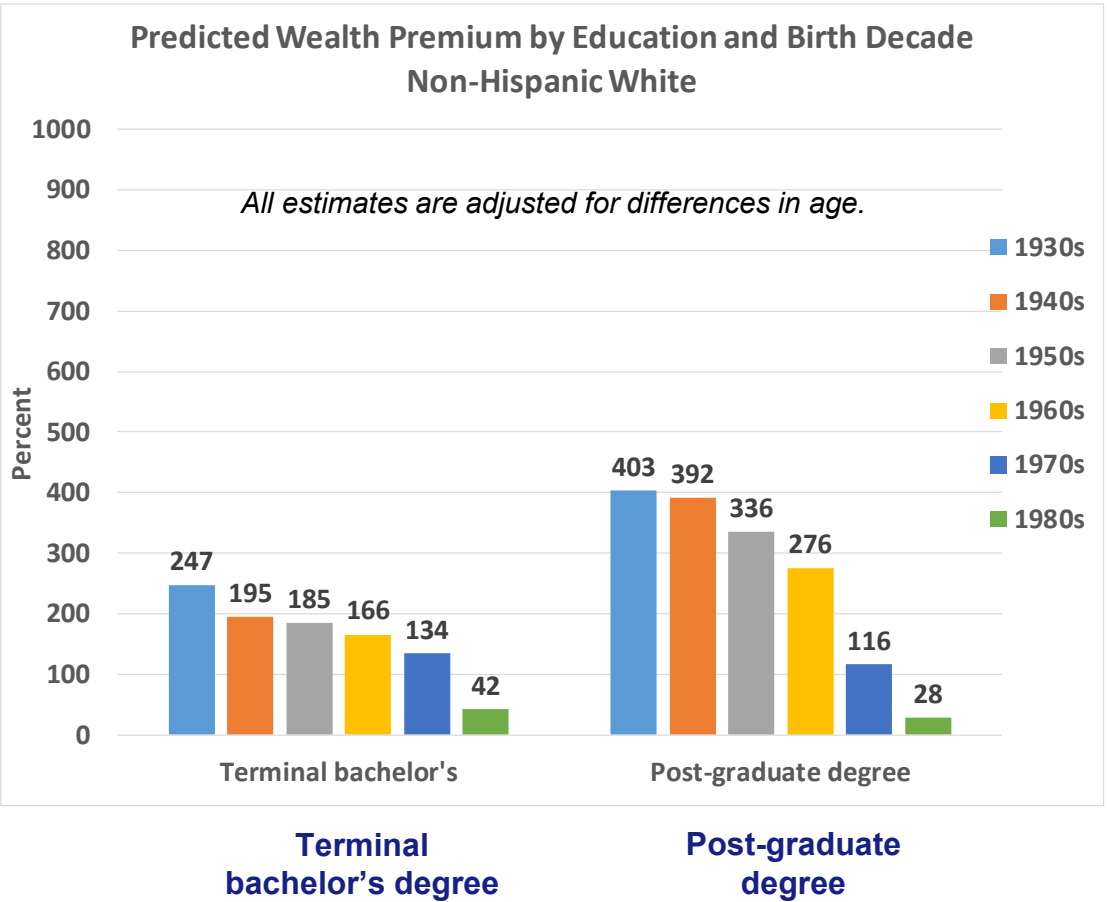
White Income and Wealth College Benefits Are Declining

Non-Hispanic White

Income



Wealth

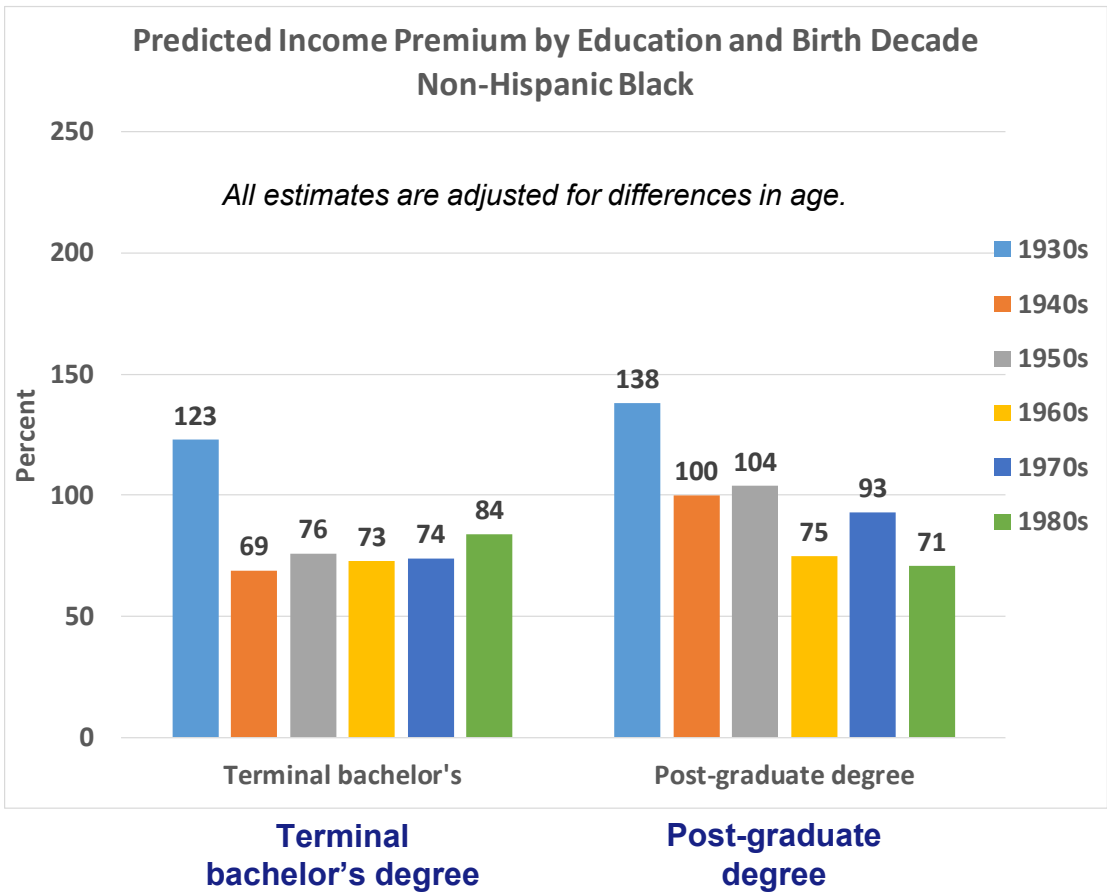


Model includes SCF families of a particular race or ethnicity adjusted for family size and life cycle.

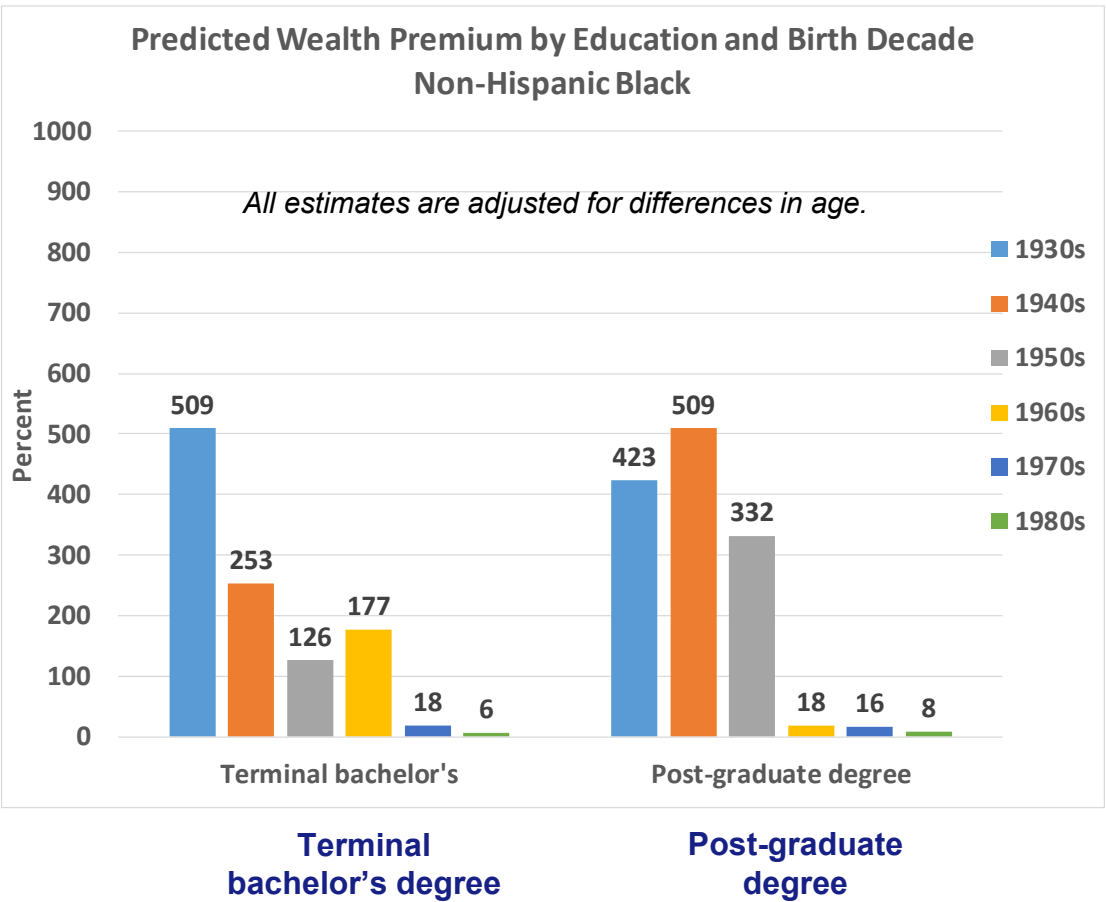
Black Income Benefit Holding Up; Wealth Collapsed

Non-Hispanic Black

Income



Wealth

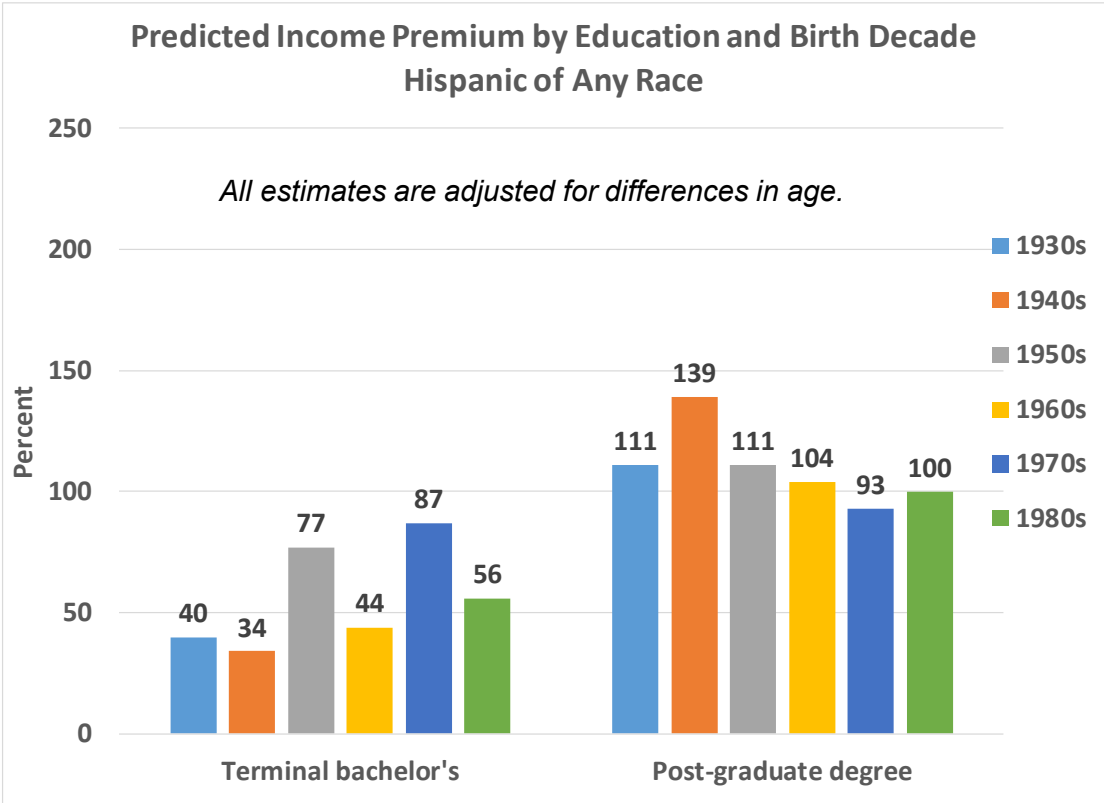


Model includes SCF families of a particular race or ethnicity adjusted for family size and life cycle.

Hispanic Income Benefit Holding Up; Wealth Collapsed

Hispanic of Any Race

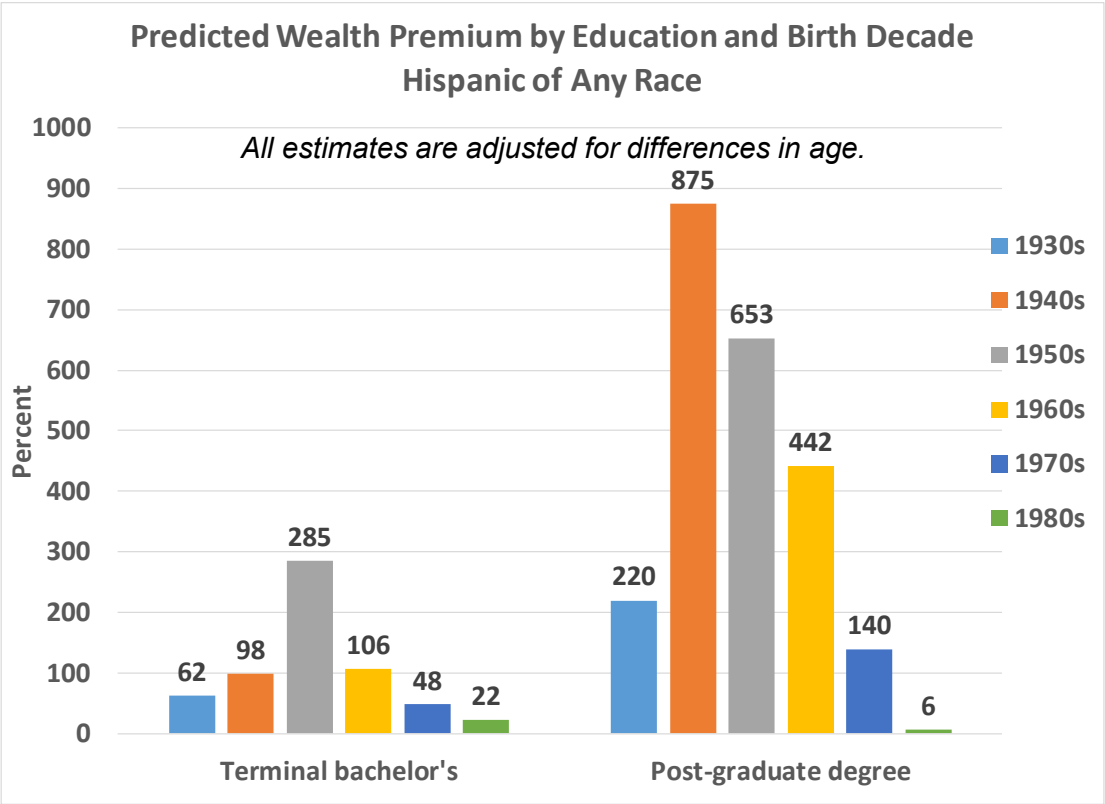
Income



Terminal
bachelor's degree

Post-graduate
degree

Wealth



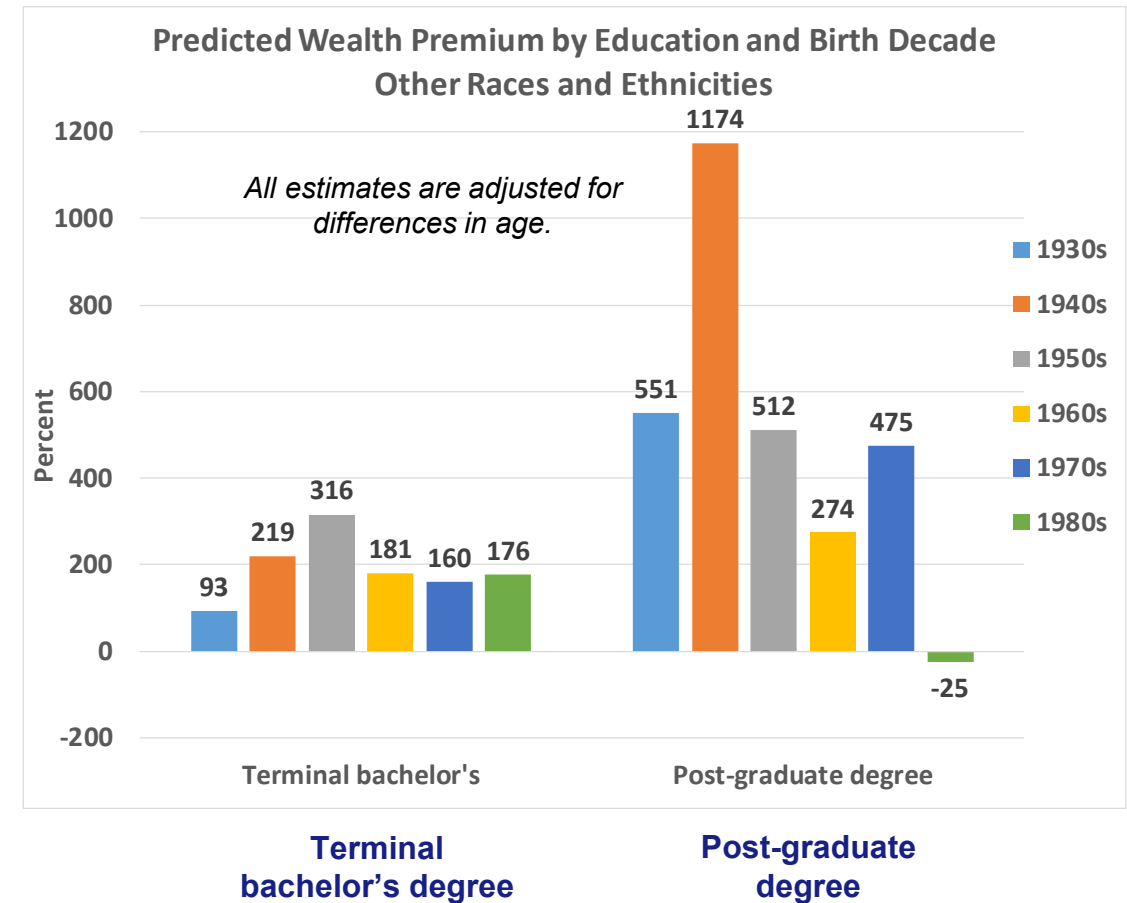
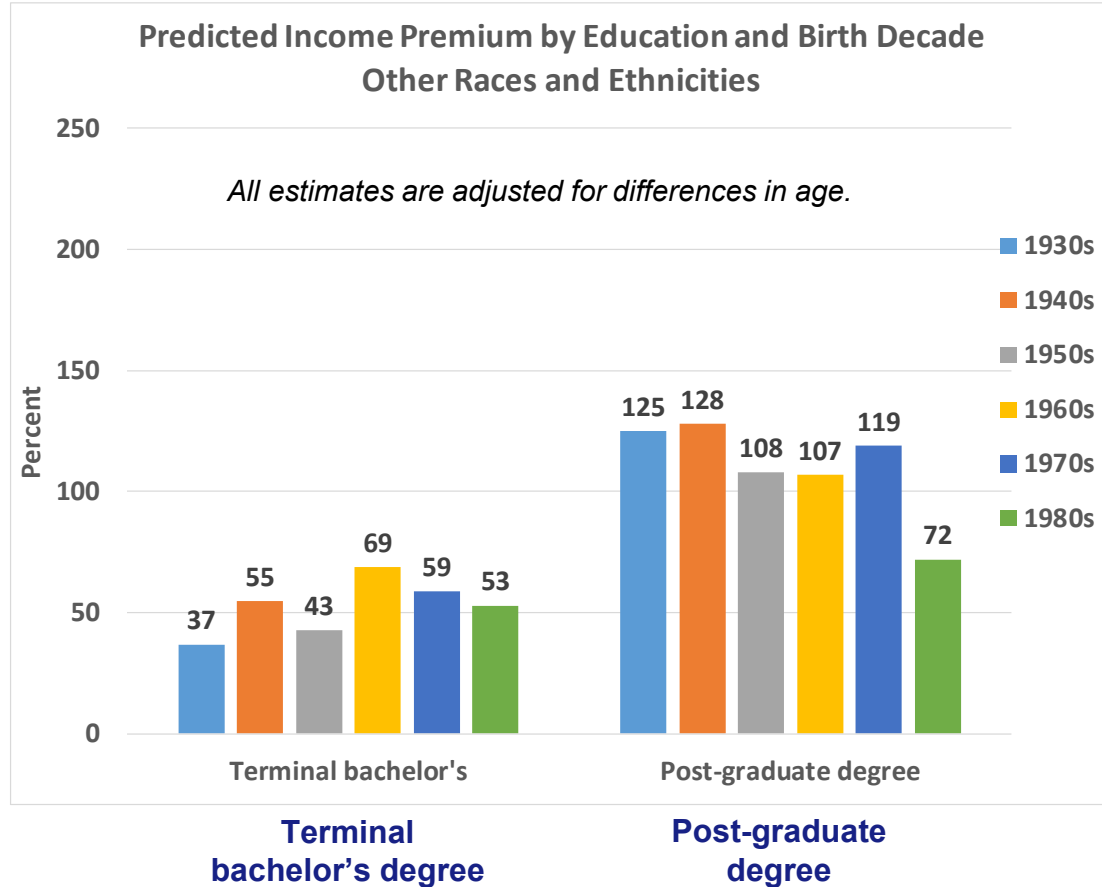
Terminal
bachelor's degree

Post-graduate
degree

Model includes SCF families of a particular race or ethnicity adjusted for family size and life cycle.

Other Races Income and Wealth Benefits Holding Up

All Other Races and Ethnicities Including More than One **Income**



Model includes SCF families of a particular race or ethnicity adjusted for family size and life cycle.

In Sum: What Is A College Degree Worth? And For Whom?

- On average, bachelor's and post-graduate degrees boost a family's income and its wealth.
- But the benefits of college are unequal across races, ethnicities, and generations.
 - Large boosts for families who are White and of Other Races.
 - Boosts are smaller for Black and Hispanic families.
 - College boosts for White and Other families very large for wealth.
 - College boost declining across generations, especially for wealth

Looking Forward:

Why Are the Benefits of College Unequal?

- Across races and ethnicities
 - Continuing structural and systemic barriers to college access, completion and post-graduation success for Blacks and Latinx.
 - Wealth accumulation is multi-generational; poverty trap is strong.
- Across generations
 - Luck of your birth year: More recent cohorts benefiting less.
 - Diminishing job prospects for young non-college grads.
 - Rising cost of college.
 - Financial liberalization (more access to debt, especially when young) and asset-market bubbles hinder wealth accumulation.