



Center for
**HOUSEHOLD
FINANCIAL
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Researching Family Balance Sheets to Strengthen
Families and the Economy | stlouisfed.org/hfs

What Is A College Degree Worth? And For Whom?

California 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

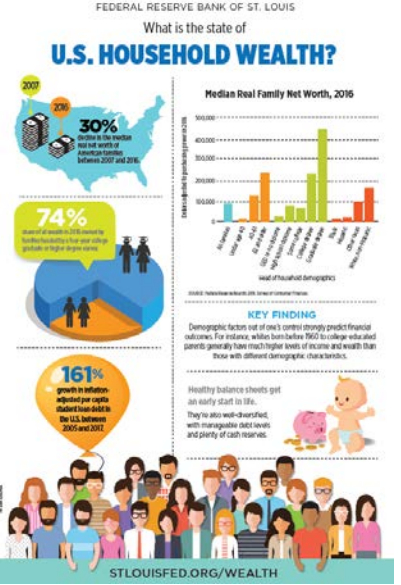
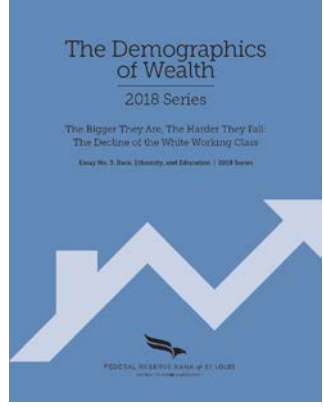
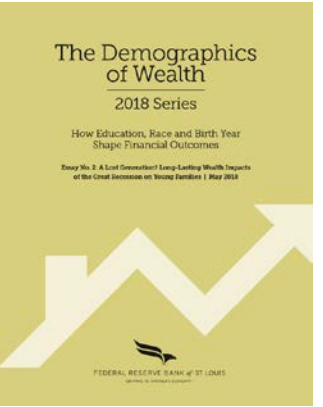
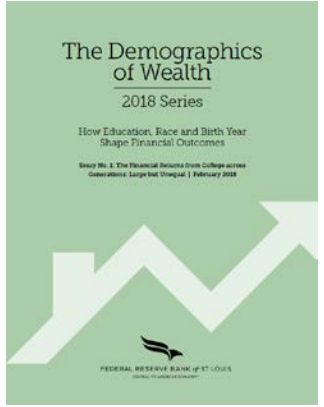
These are our views alone and not necessarily those of the Federal Reserve Bank of St. Louis or the Federal Reserve System.

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



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Newsletter



You've Been Introduced to Inequality (Sept convening)

income & wealth

Income inequality dwarfed by wealth inequality



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



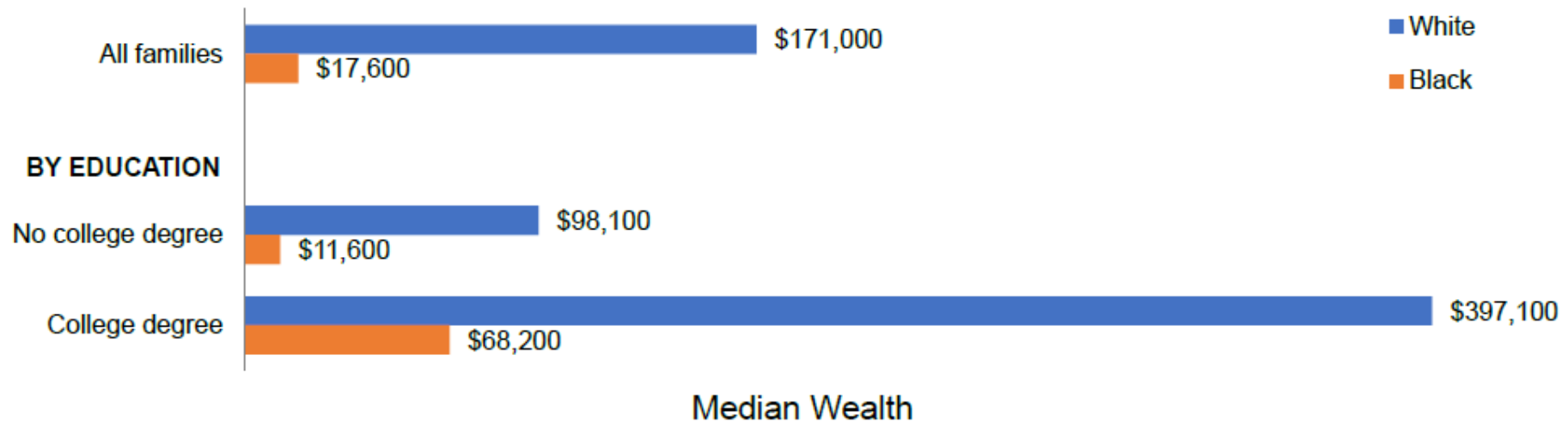
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And the Racial Wealth Gap (Sept convening)

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)

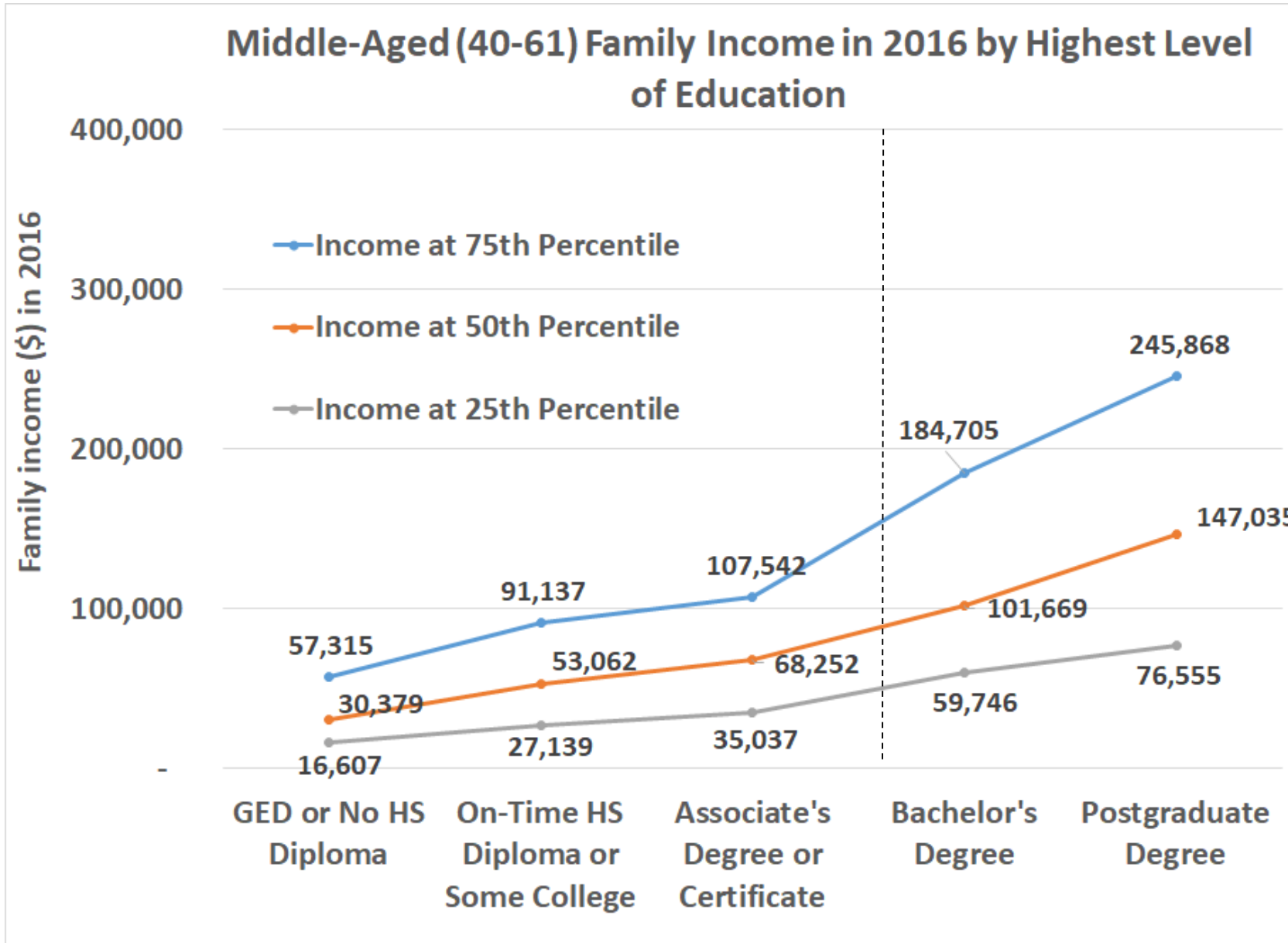
What Is A College Degree Worth? And For Whom?

- 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](#).

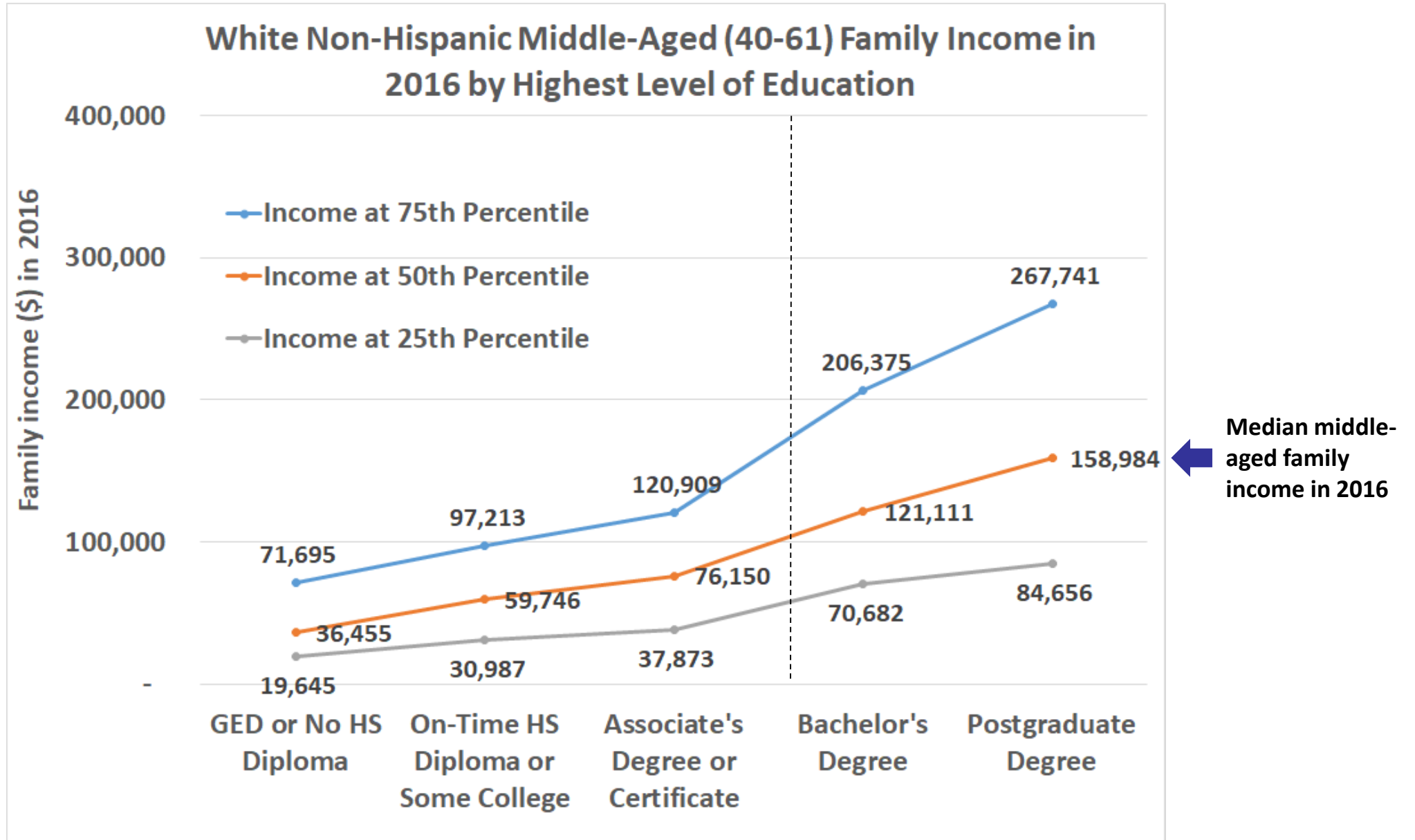
Aggregate Data: College Boosts Incomes



Median middle-aged family income in 2016

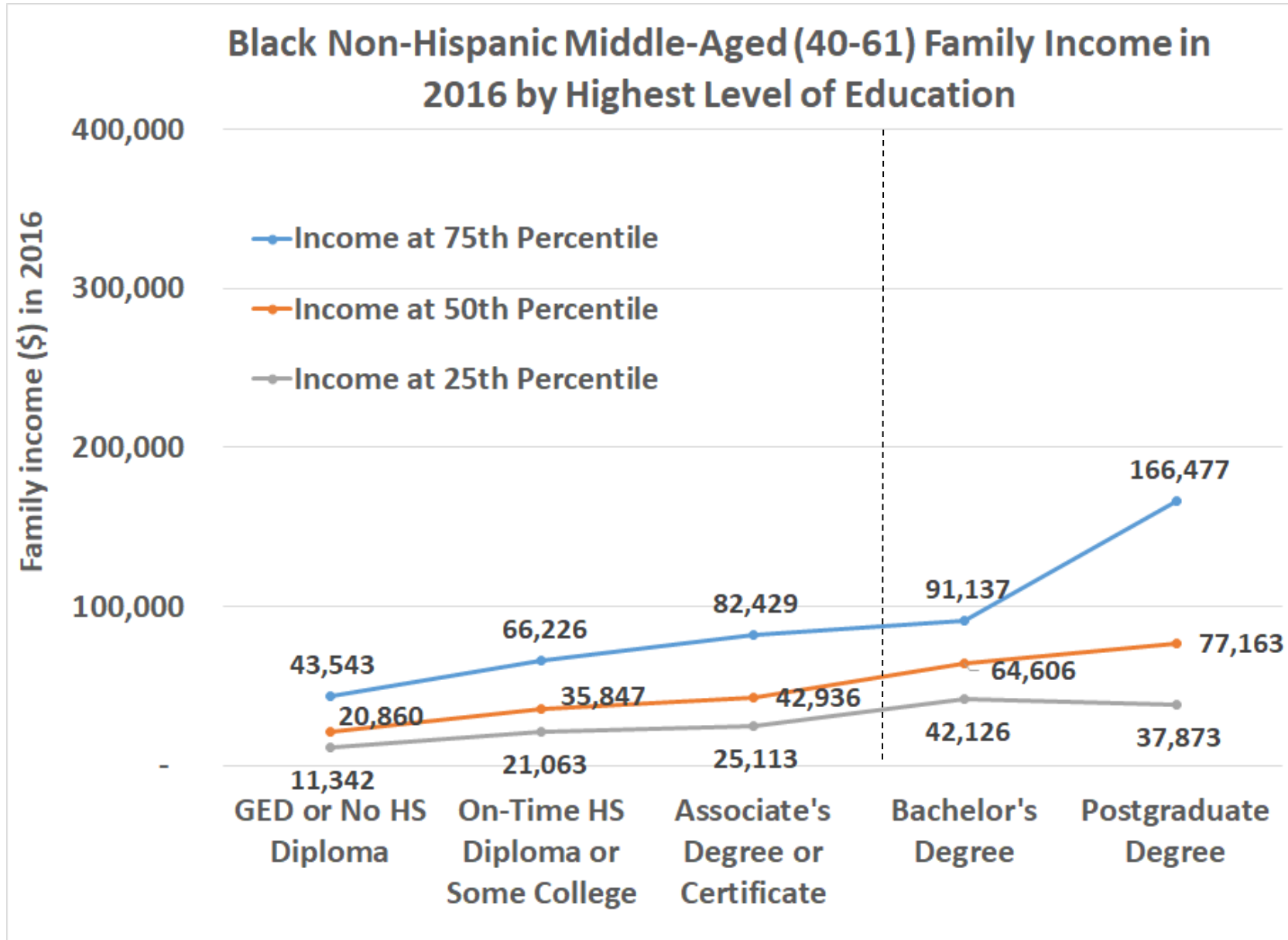
Source: Federal Reserve Survey of Consumer Finances

White Non-Hispanic Families: College Boosts Income



Source: Federal Reserve Survey of Consumer Finances

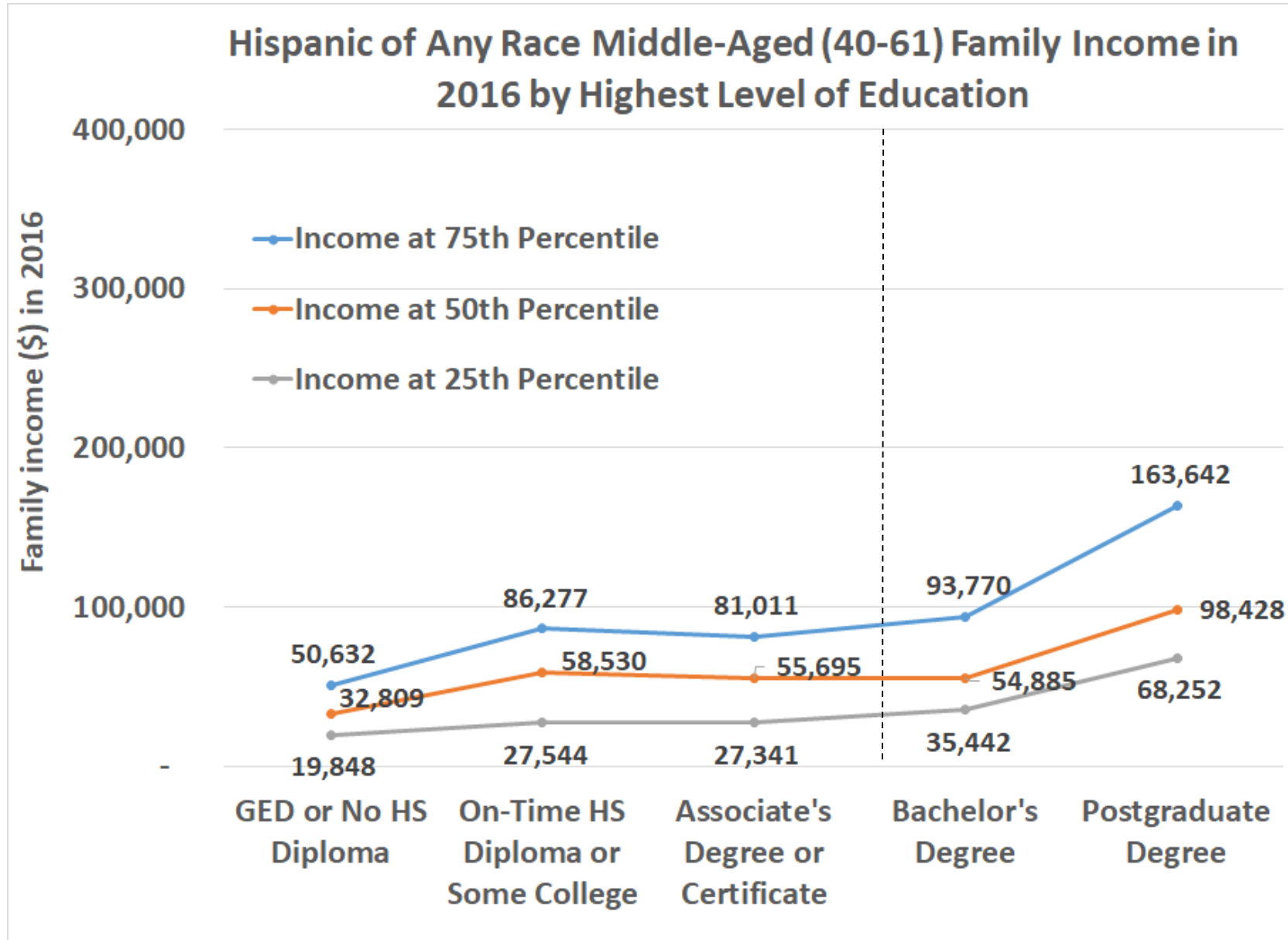
Black Non-Hispanic: College Boost Is Much Weaker



Median middle-aged family income in 2016

Source: Federal Reserve Survey of Consumer Finances

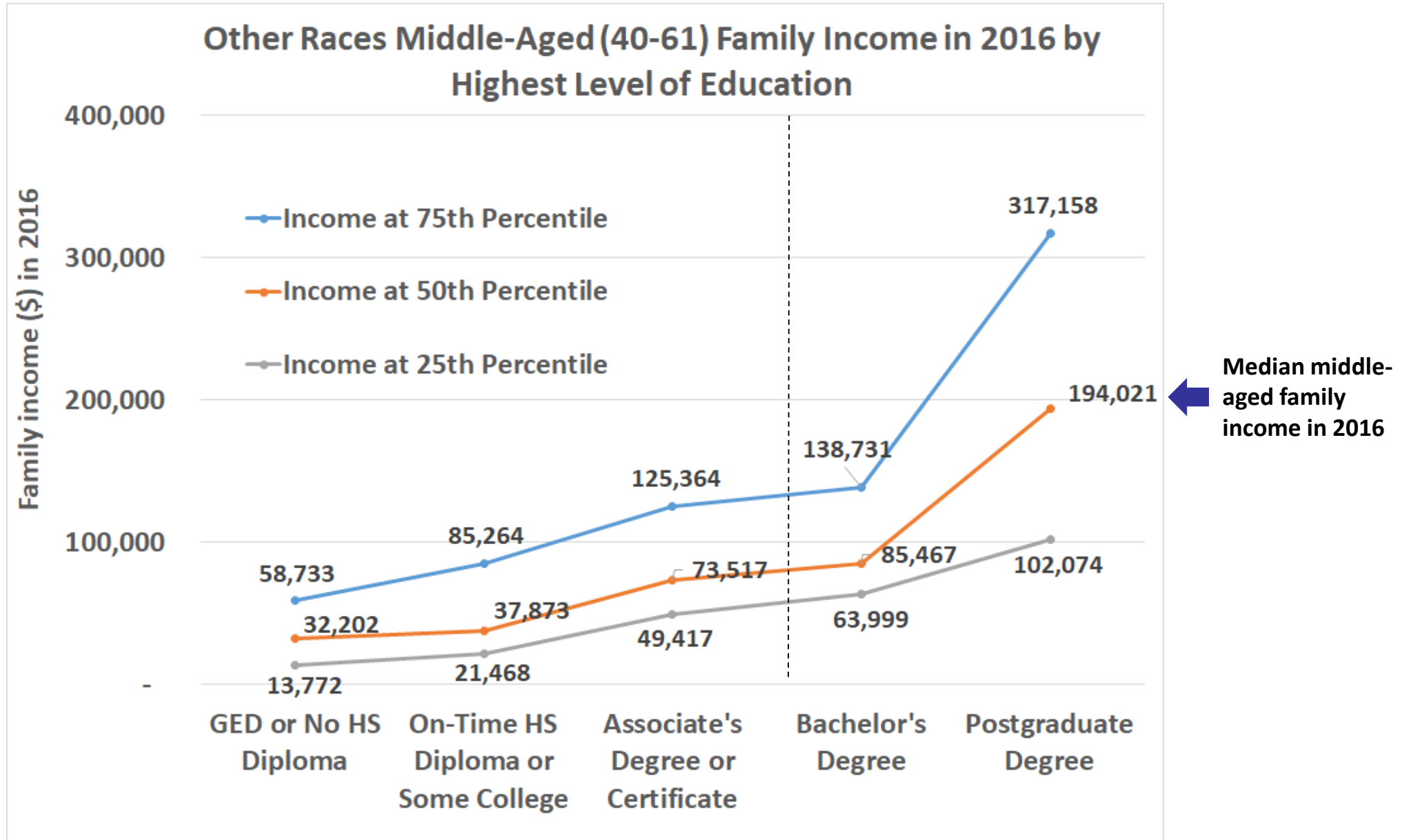
Hispanic of Any Race: Only Post-Grad Degrees Boost



← Median middle-aged family income in 2016

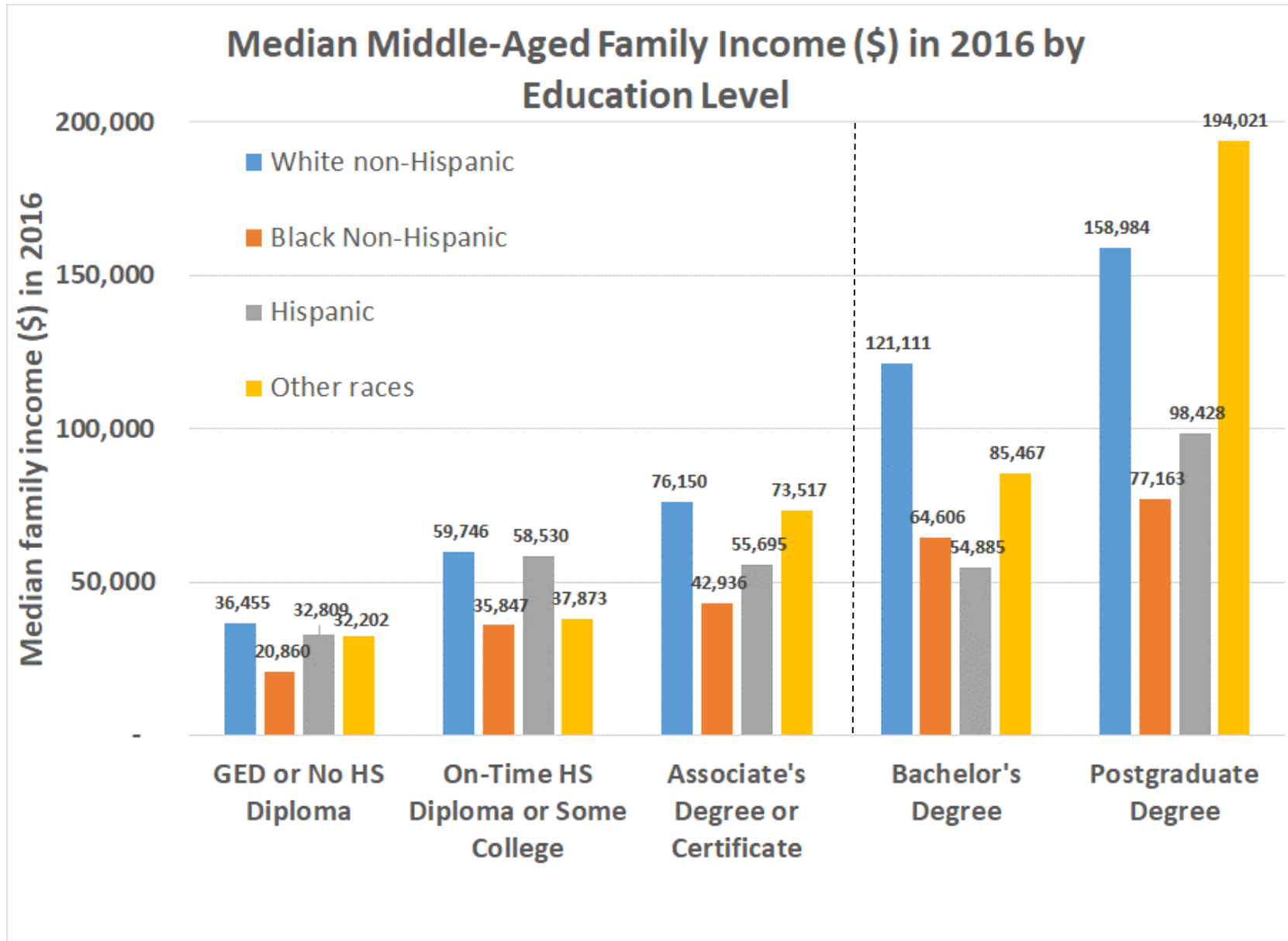
Source: Federal Reserve Survey of Consumer Finances

Other Races: Very Strong Post-Grad Income Boost



Source: Federal Reserve Survey of Consumer Finances

Conclusion: College Income Boost Strong for White, Other

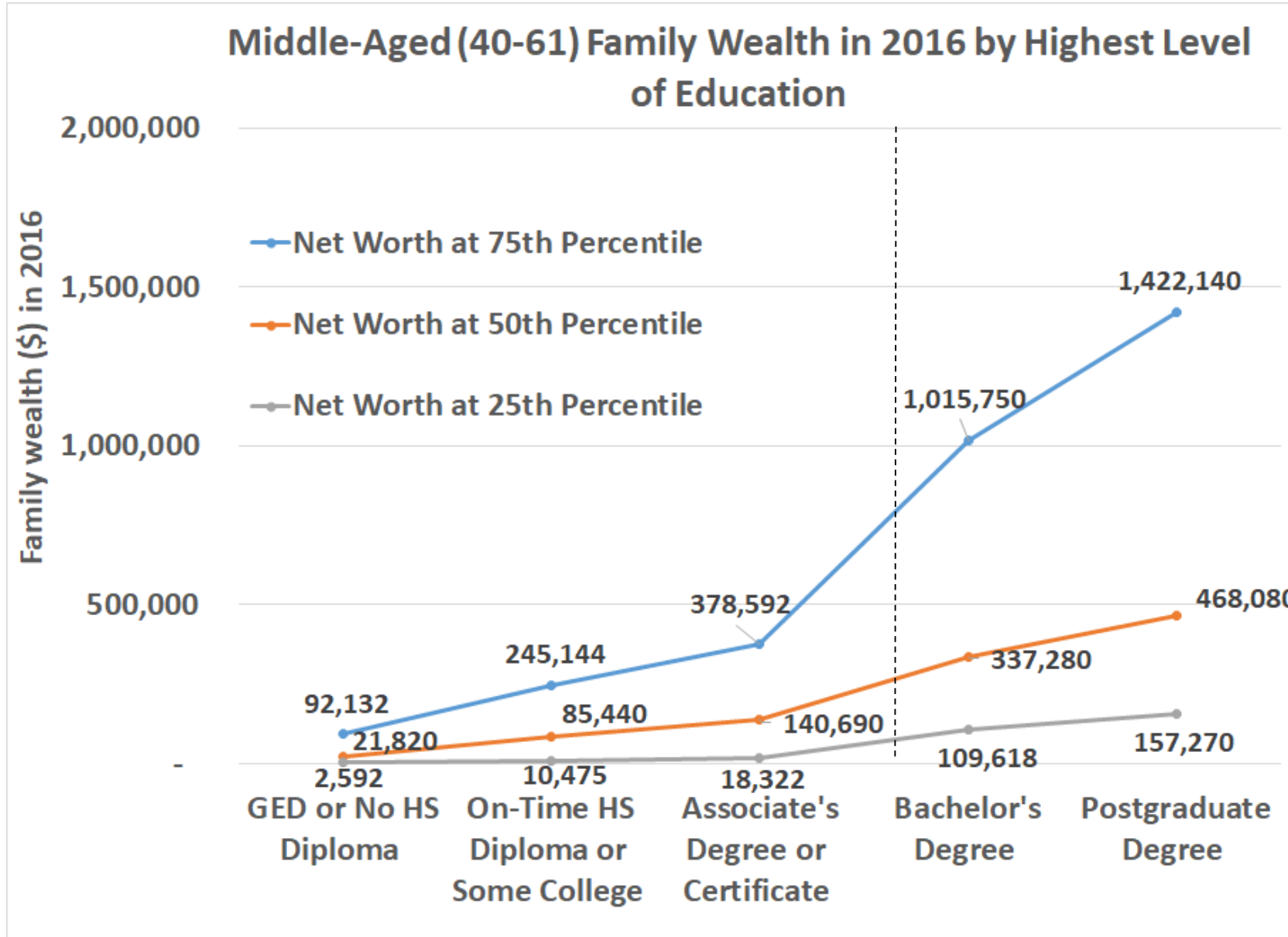


Source: Federal Reserve Survey of Consumer Finances

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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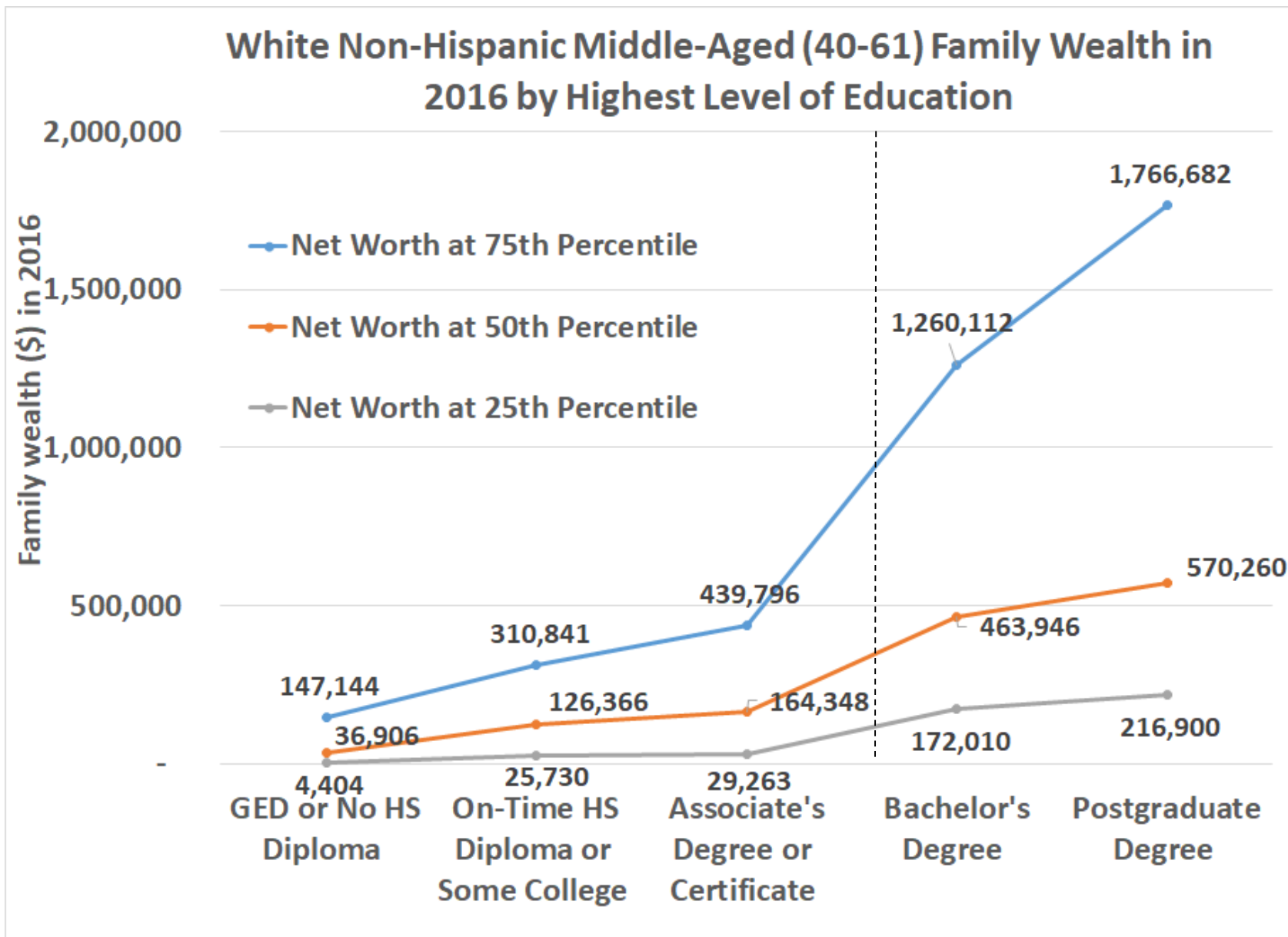
Aggregate Data: College Boosts Wealth



Median middle-aged family wealth in 2016

Source: Federal Reserve Survey of Consumer Finances

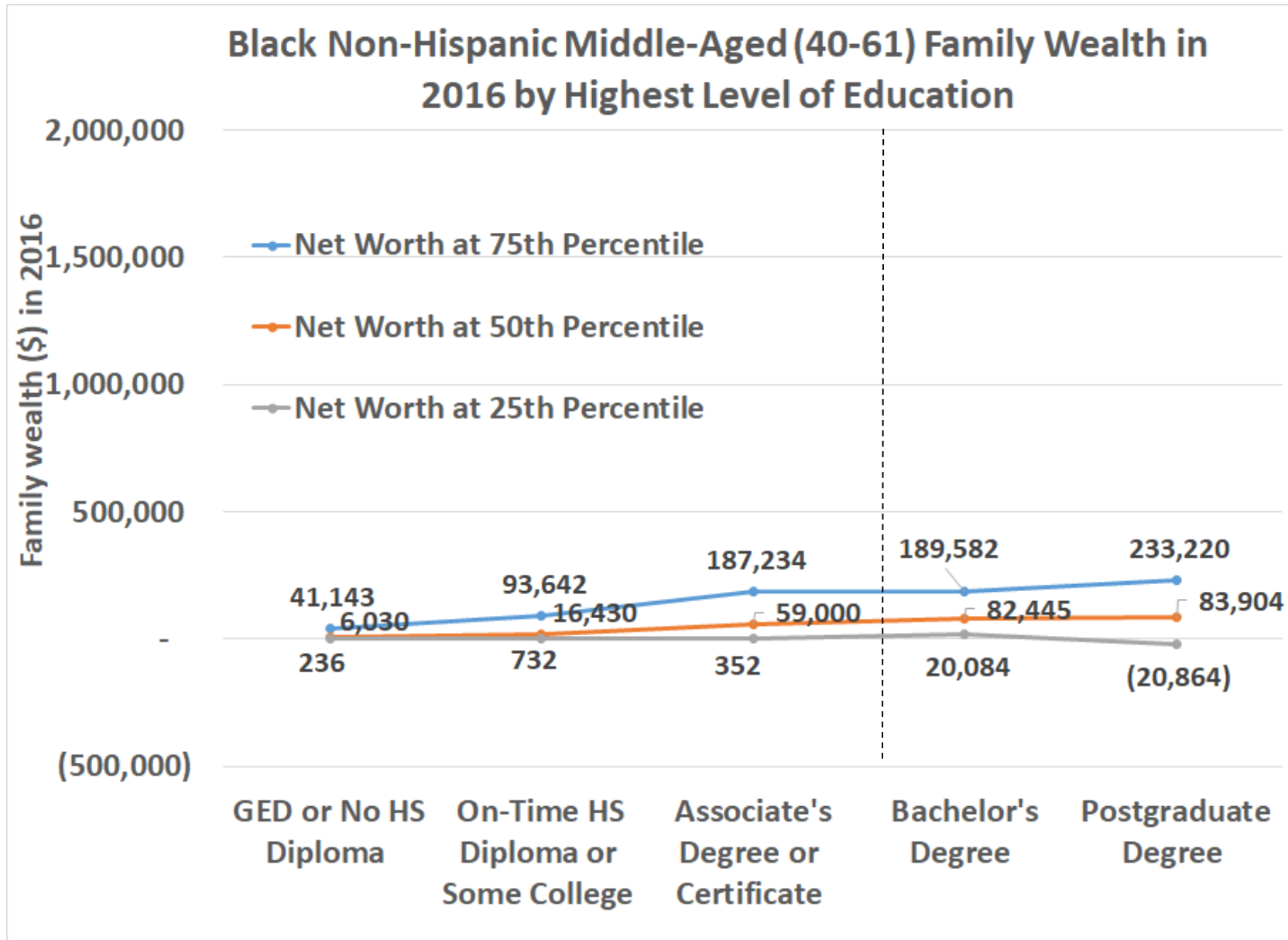
College Boosts White Wealth; Especially At the Top



Median middle-aged family wealth in 2016

Source: Federal Reserve Survey of Consumer Finances

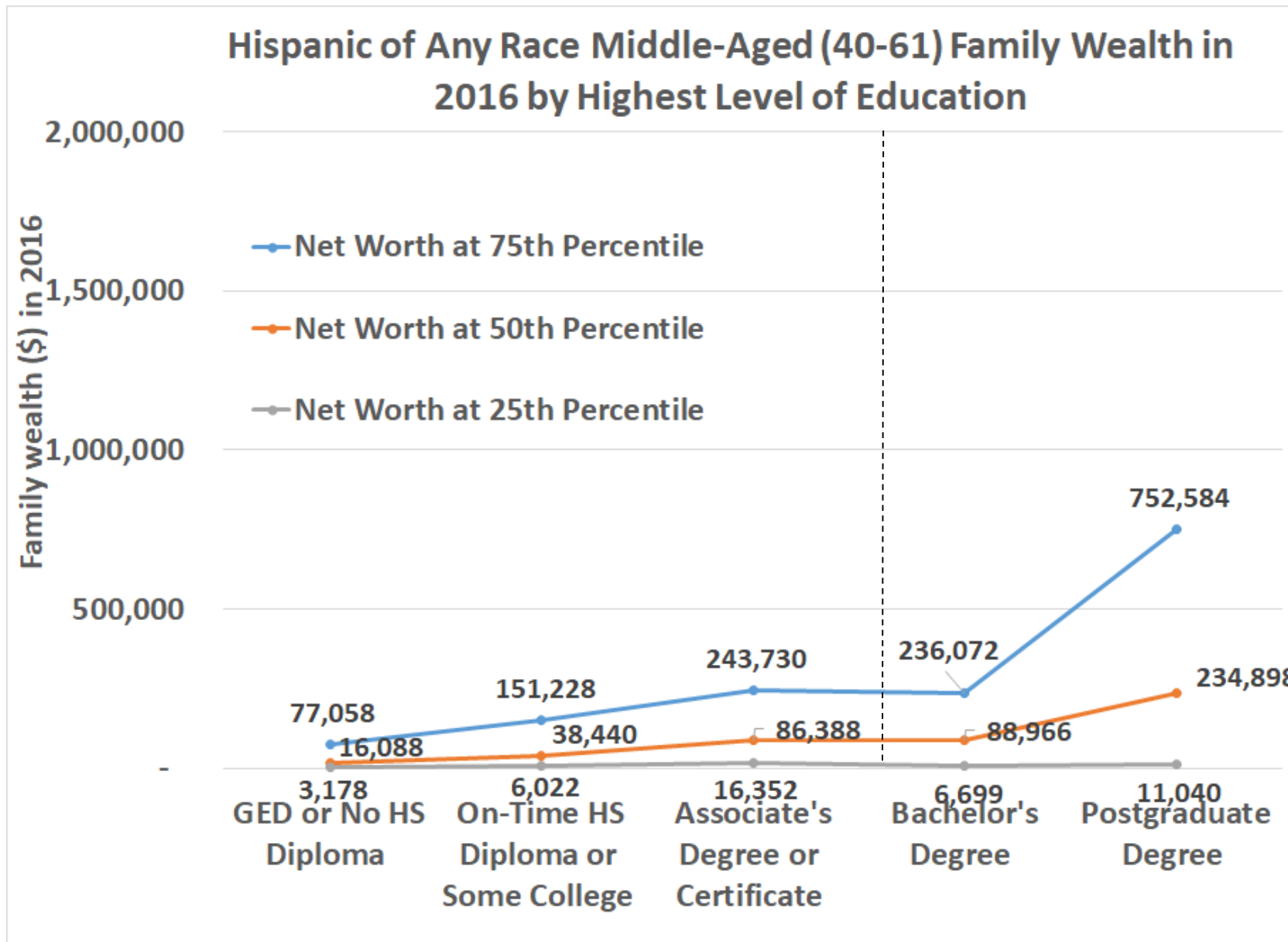
College Wealth Boost for Blacks Is Small



Median middle-aged family wealth in 2016

Source: Federal Reserve Survey of Consumer Finances

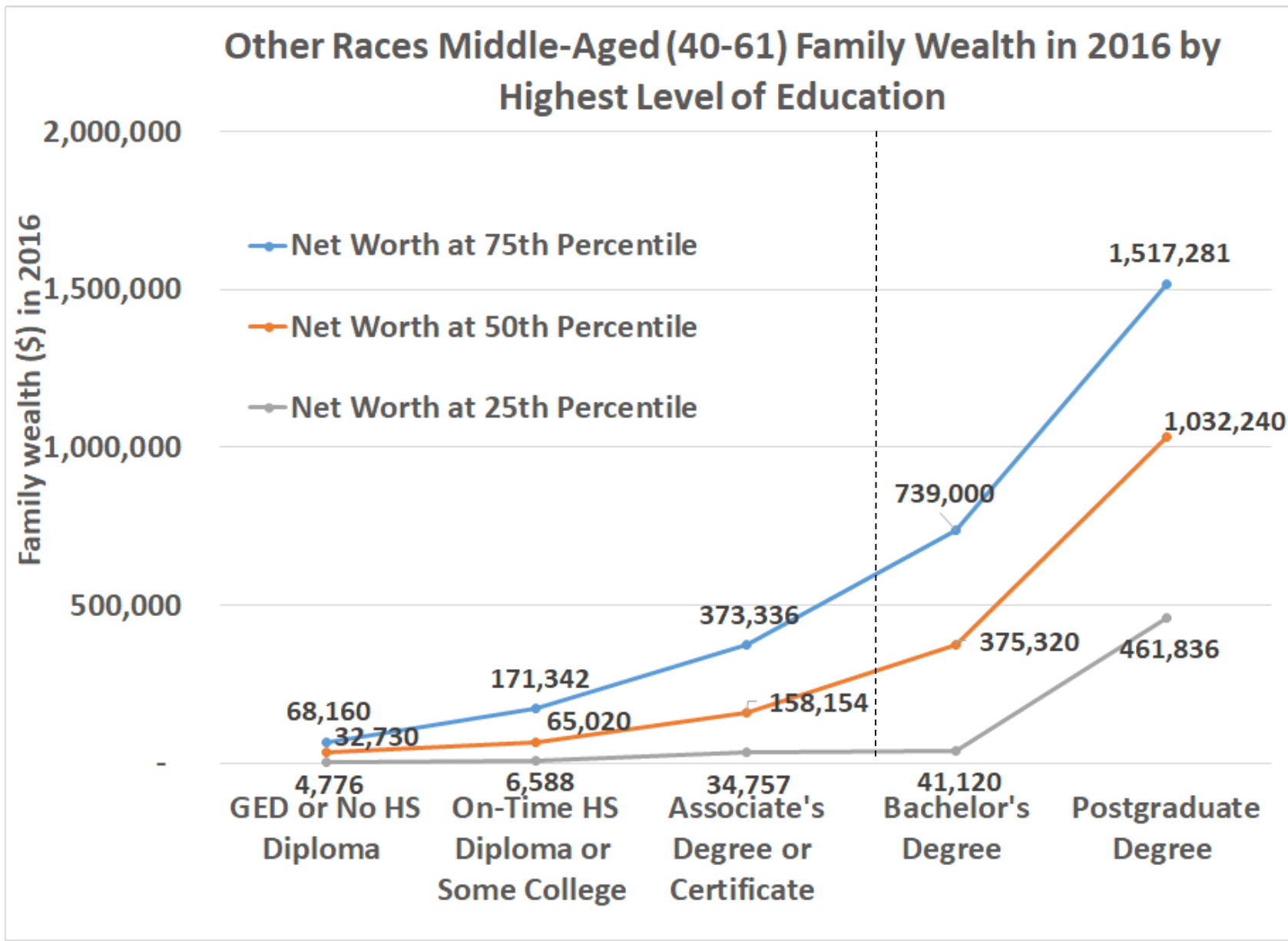
Hispanic College Wealth Boost Only for Post-Grads



Median middle-aged family wealth in 2016

Source: Federal Reserve Survey of Consumer Finances

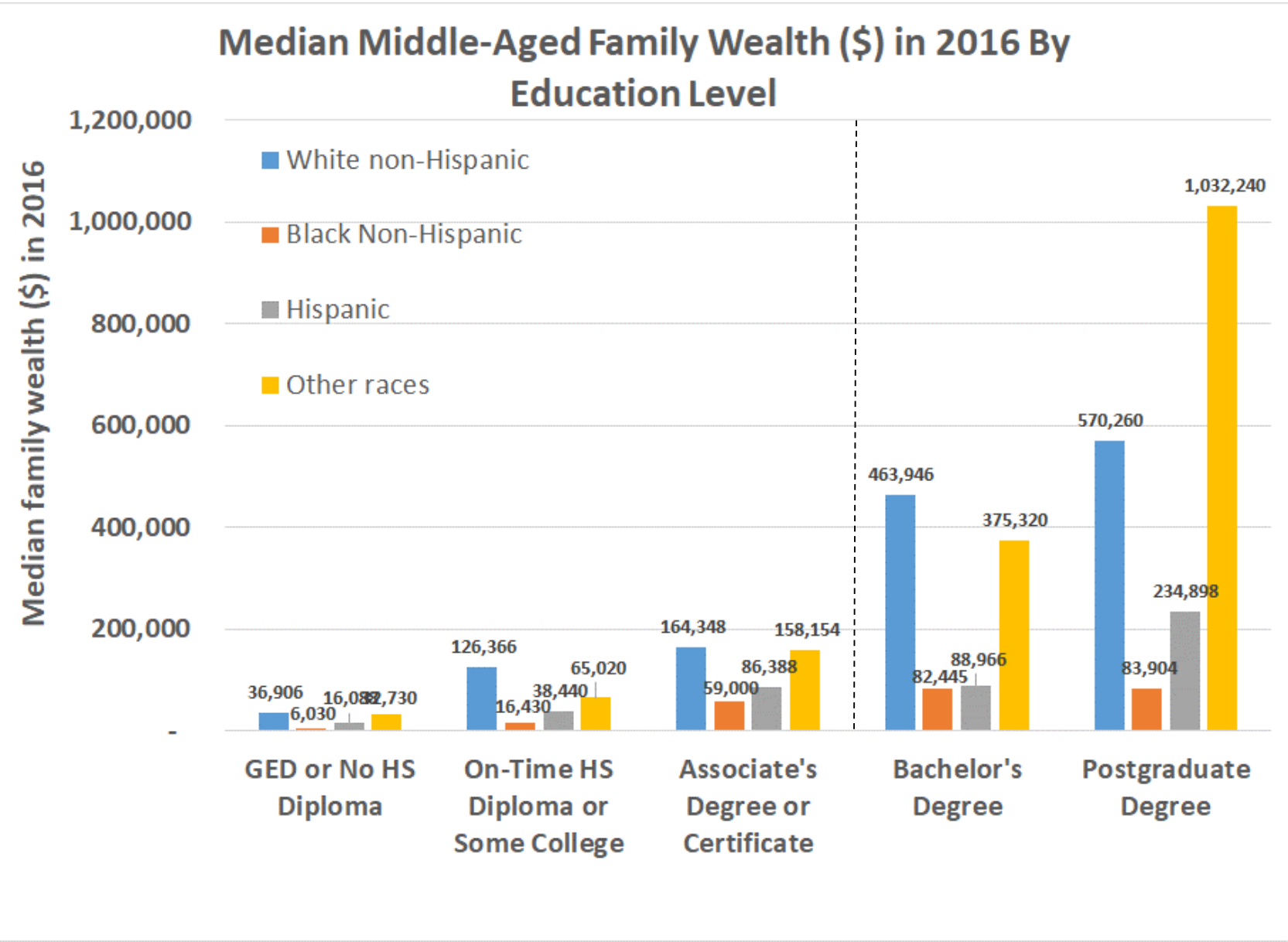
Very Strong College Wealth Boost for Other Races



Median middle-aged family wealth in 2016

Source: Federal Reserve Survey of Consumer Finances

Conclusion: Big College Wealth Boosts for White, Other



Source: Federal Reserve Survey of Consumer Finances

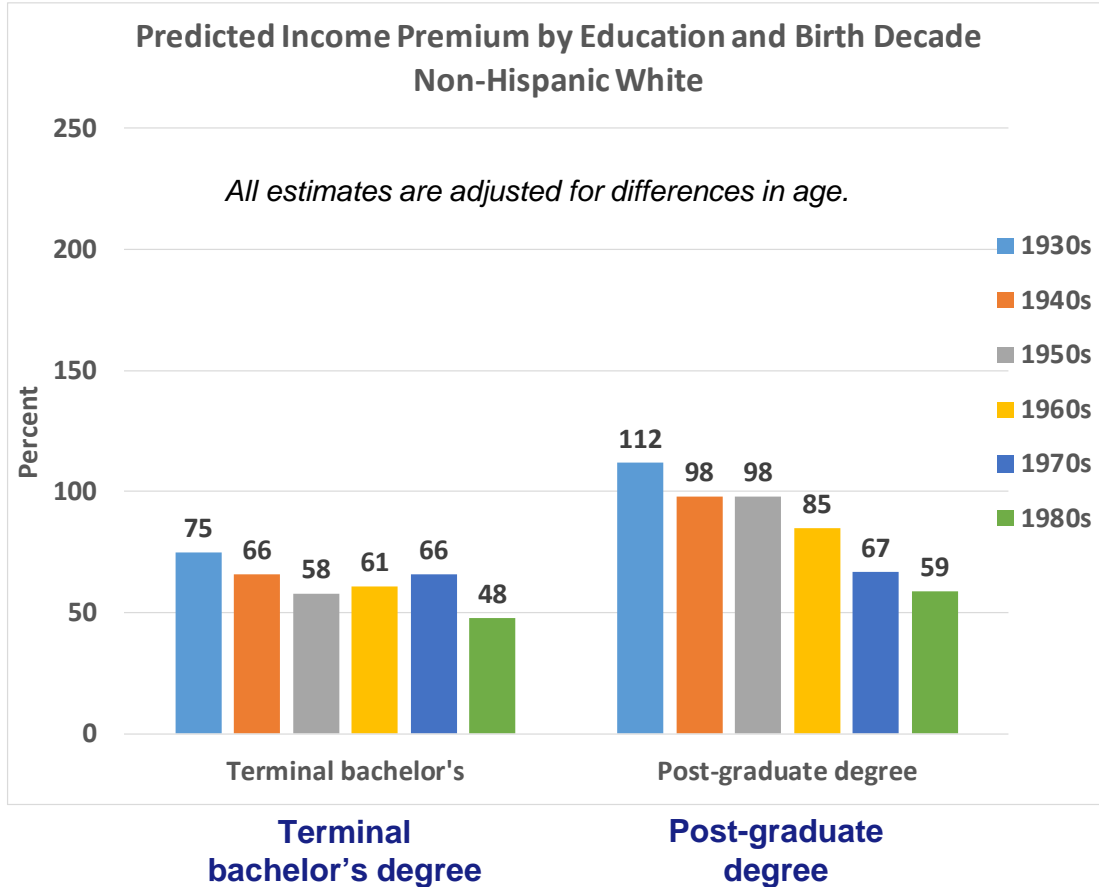
The Data on Education, Income and Wealth

- 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](#).

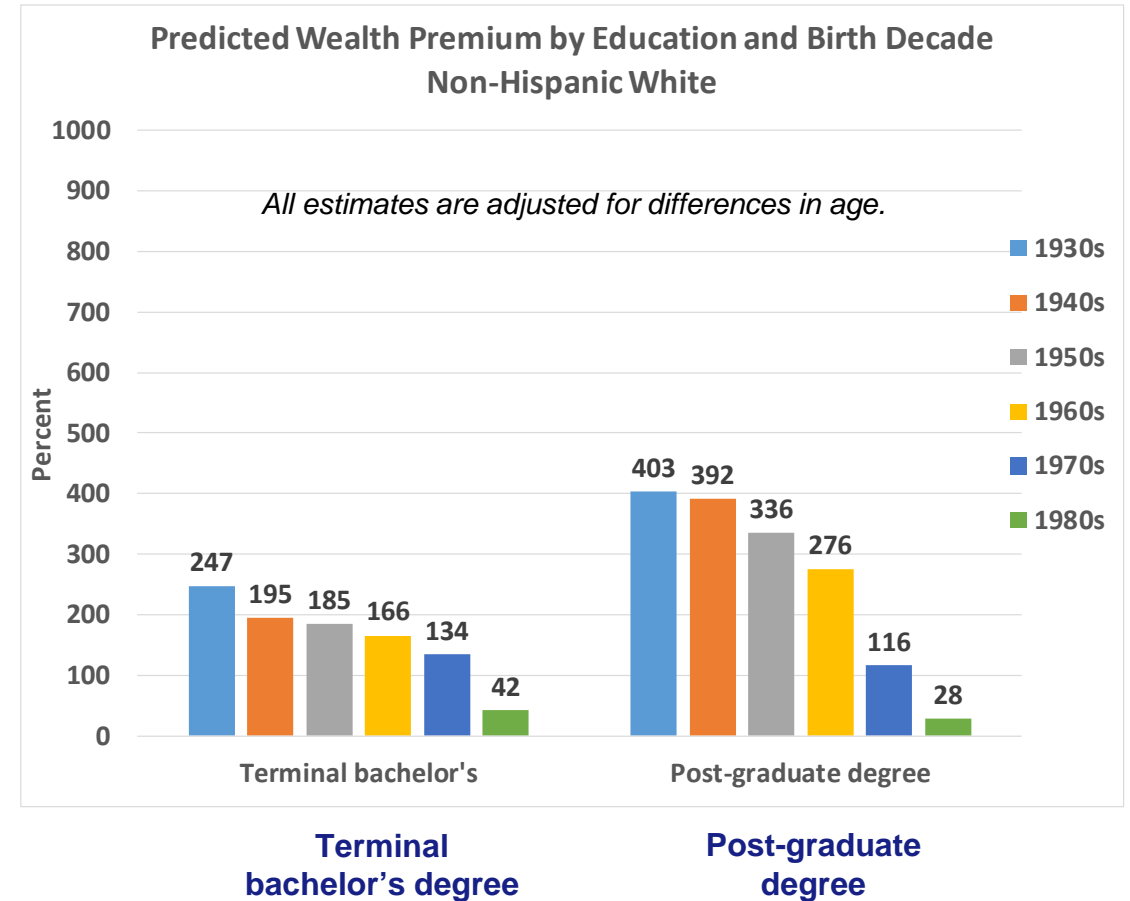
White Income and Wealth College Benefits Are Declining

Non-Hispanic White

Income



Wealth

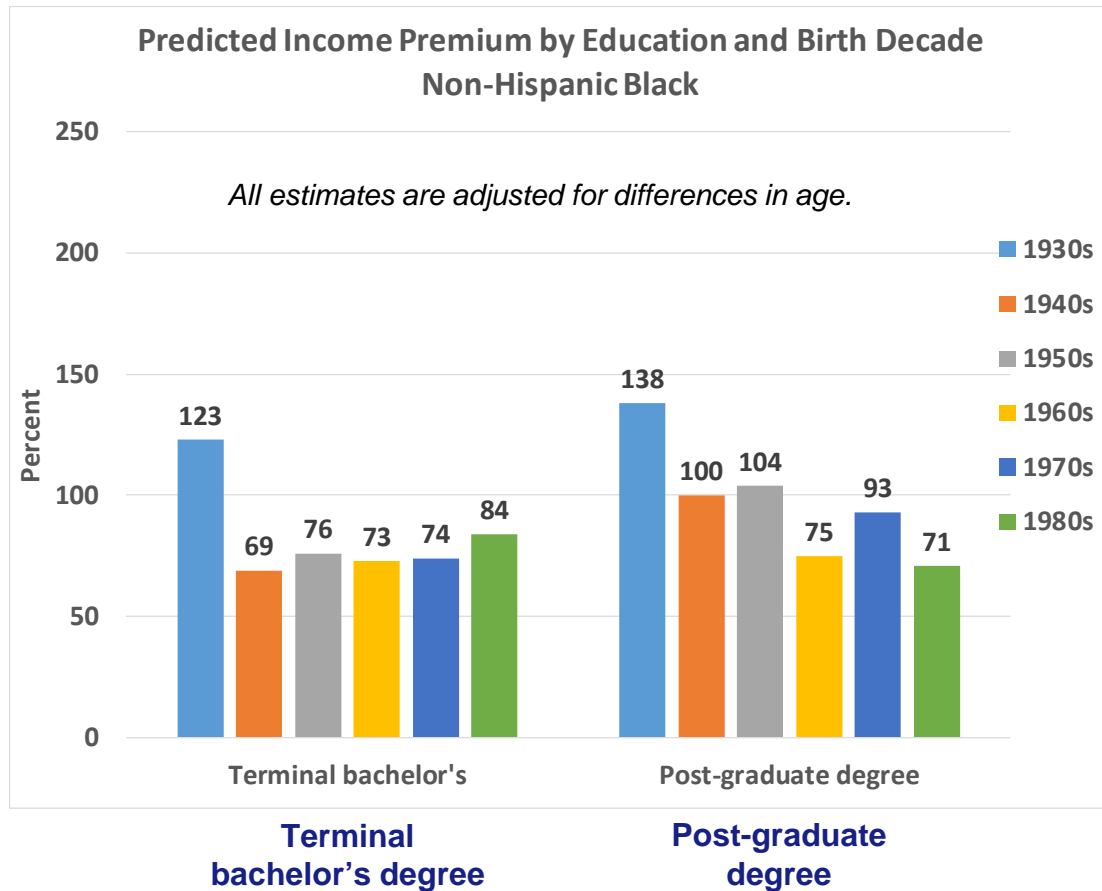


Model includes SCF families of a particular race or ethnicity adjusted for family size and life cycle.

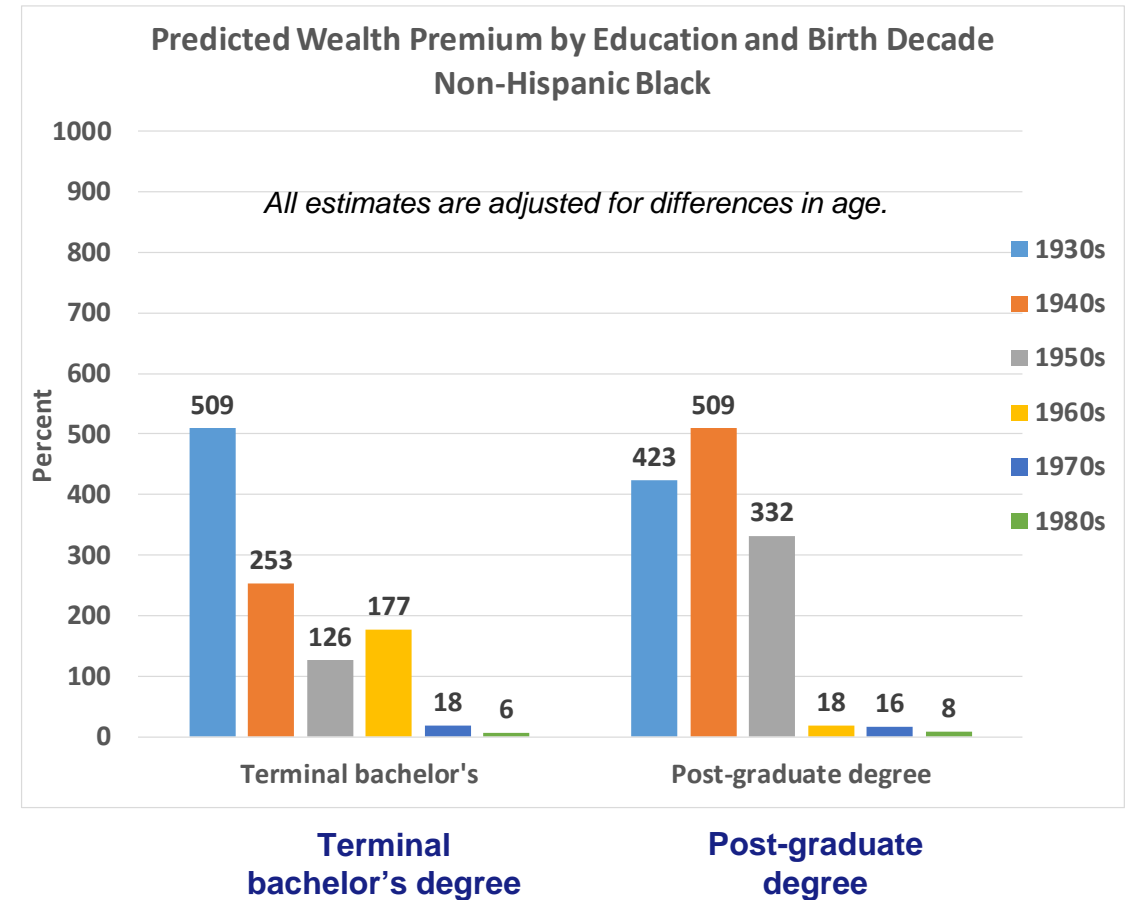
Black Income Benefit Holding Up; Wealth Collapsed

Non-Hispanic Black

Income



Wealth

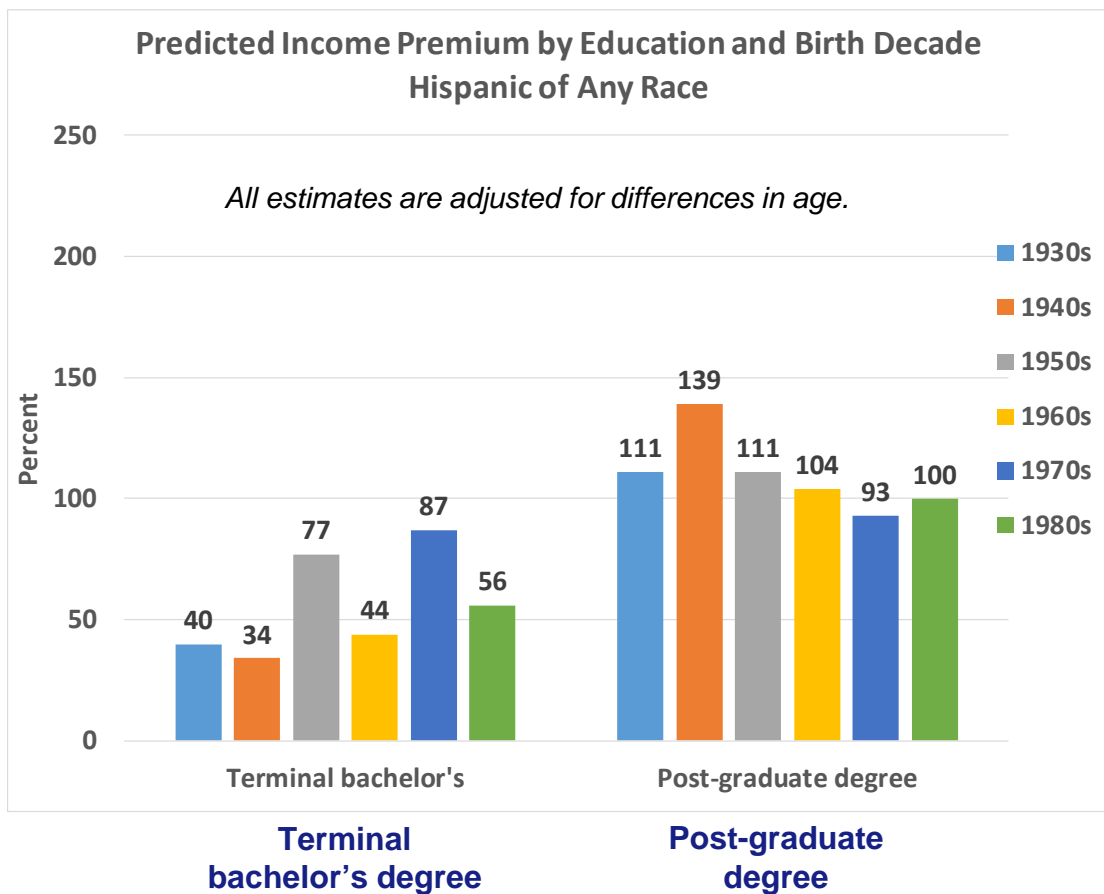


Model includes SCF families of a particular race or ethnicity adjusted for family size and life cycle.

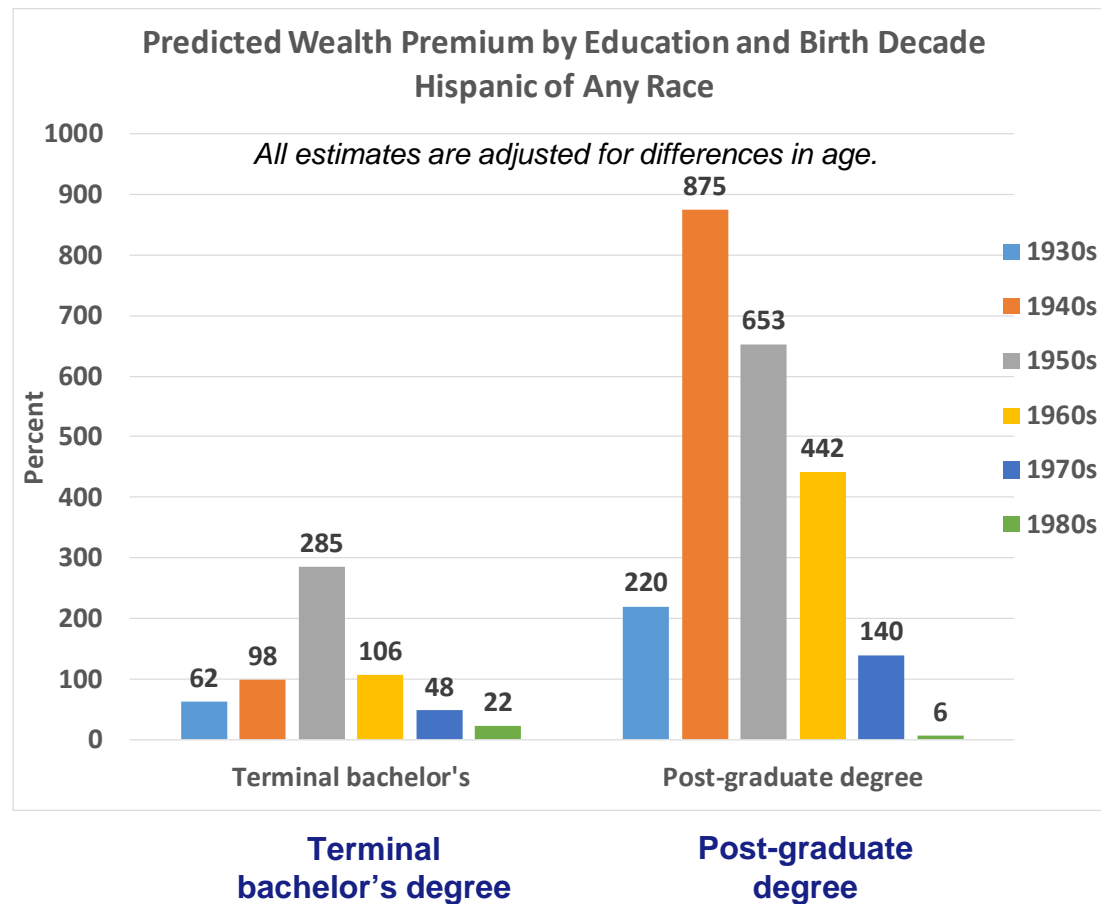
Hispanic Income Benefit Holding Up; Wealth Collapsed

Hispanic of Any Race

Income



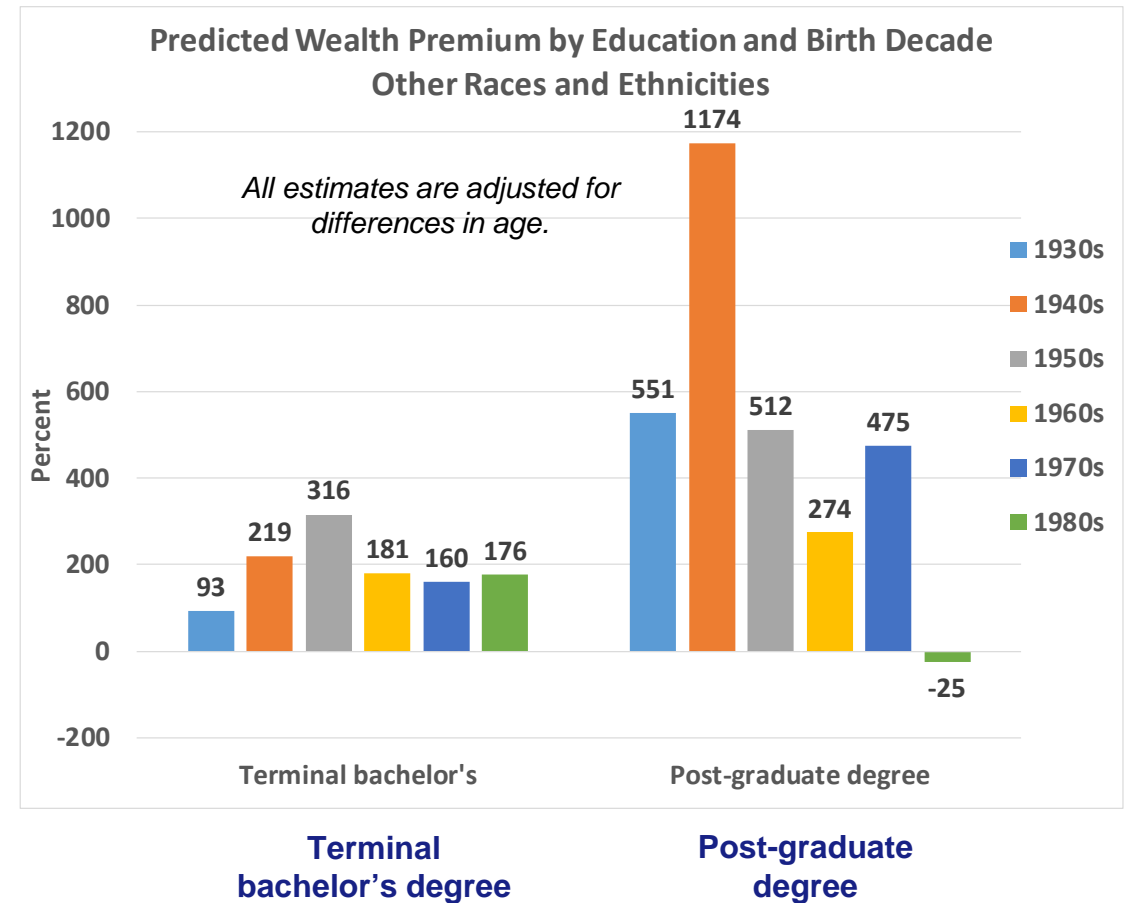
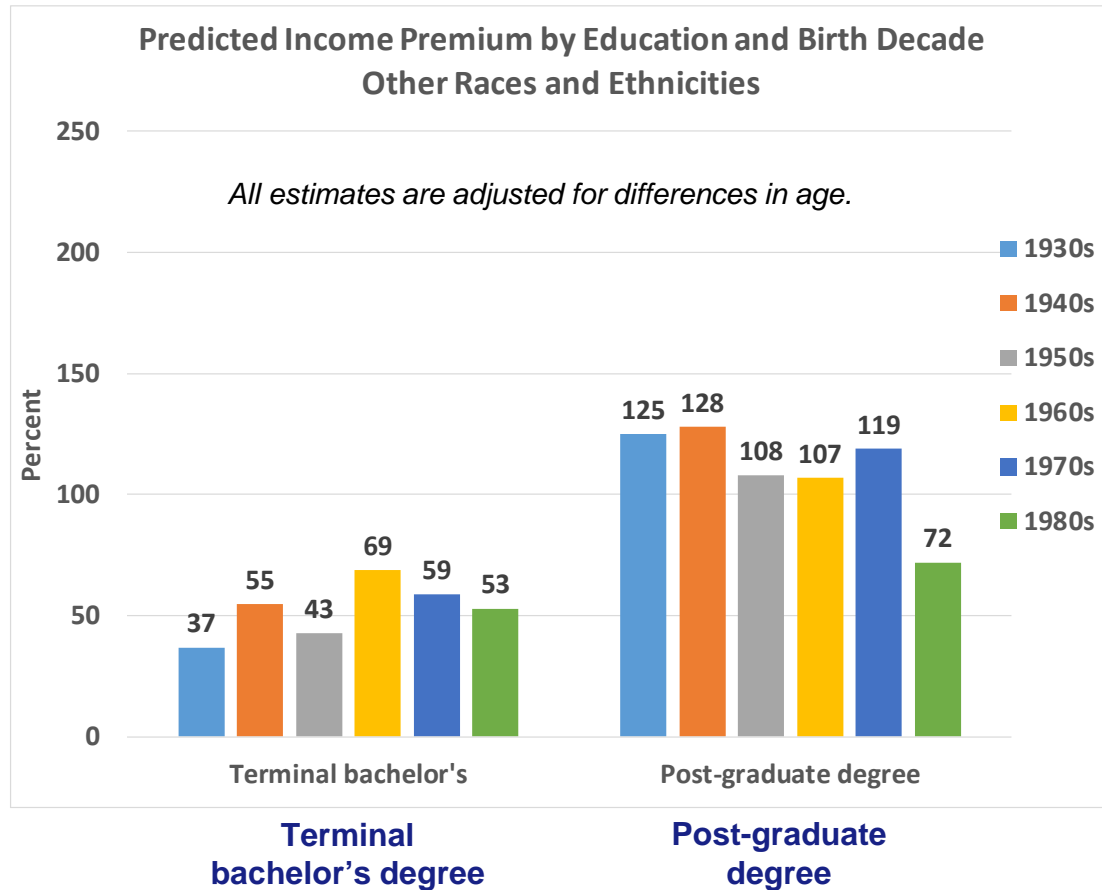
Wealth



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 Wealth



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.