



Center for Economic Research

901 N. Colombo Ave.

Sierra Vista, AZ 85635

Robert@CochiseEconomy.com

www.CochiseEconomy.com

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Education Pays

By: Dr. Robert Carreira, Chief Economist

Much is written about the increasing cost of higher education and growing levels of student loan debt. Despite scary and often misleading headlines, education continues to pay and the investment is well worth it.

According to U.S. Bureau of Labor Statistics, the unemployment rate in the United States in 2015 (for people 25 years old and older) was 4.3 percent. For those with less than a high school diploma, it was nearly double that at 8 percent. For those who earned a high school diploma or GED, the unemployment rate last year was 5.4 percent. For those with some college (but no degree) it was 5 percent.

But here's where higher education comes in—particularly completing a degree. In 2015, the unemployment rate for those with an associate degree (like those offered by Cochise College) was 3.8 percent. For those with a bachelor's degree it was 2.8 percent.

For those with a master's degree, the unemployment rate last year was 2.4 percent. For those with a doctoral degree, such as a Ph.D., unemployment in 2015 was 1.7 percent. For those with a professional degree, such as medical doctors or lawyers, the unemployment rate was 1.5 percent.

More education not only decreases your likelihood of being unemployed, it also increases the amount of money you earn. For those with less than a high school diploma, median weekly earnings in the United States in 2015 were \$493. That jumps nearly 40 percent to \$678 for those who complete high school or earn a GED. It increases another 9 percent to \$738 for those who go to college but don't finish.

For those who complete an associate degree (such as Cochise College graduates) median earnings jump another 8 percent to \$798 a week. For those with a bachelor's degree, earnings further rise more than 42 percent to \$1,137. Those with a master's degree see earnings increase an additional 18 percent to \$1,341. For those with a doctoral degree, earnings jump yet another 21 percent to \$1,623. Those with a professional degree see median weekly earnings climb to \$1,730—29 percent higher than the master's degree level.

According to The College Board, a not-for-profit membership association of more than 6,000 schools, colleges, universities, and other educational organizations, the average cost of in-state, in-district tuition and fees for two-year public colleges in the United States is \$6,880 (for both years combined). Books and supplies average \$2,596, for a total cost of \$9,476 for an associate degree. According to BLS, a graduate with an associate degree will earn \$6,240 more than a high school graduate in a single year. So the entire cost of an associate degree can be recouped through higher earnings in about a year and a half. Those with an associate degree will earn about \$280,000 more in their lifetime than a high school graduate—about 30 times the cost of the degree.

For a bachelor's degree, the average cost for tuition, fees, books, and supplies for all four years at an in-state public institution is about \$42,830. According to BLS, a graduate with a bachelor's degree will earn \$23,870 a year more than a high school graduate. So the cost of a bachelor's degree can be recovered in less than two years. It can pay for itself even faster for students who do the first two years at a community college. Over their lifetimes, those with a bachelor's degree will earn about \$1 million more than a high school graduate.

There are, of course, other costs associated with going to college including opportunity costs such as foregone income while attending. But these days, most colleges offer flexible schedules including evening and weekend classes, combined with off-campus opportunities such as online courses. So it's easier now to simply give up television, video games, and hanging out with friends—instead of giving up work—in order to go to college. There's also the cost of room, board, and transportation, but those must be paid regardless of whether one attends college.

For those who finance education through student loans, that can drive up the cost—particularly if the graduate opts for a long-term repayment plan. However, increased earnings would allow for much faster repayment if the graduate decides to put all the additional earnings toward paying off the loans. Many wisely choose the longer repayment term, though, due to traditionally low interest rates on student loans and other potential uses for the increased earnings, such as savings, investment, increased quality of life, or paying off other, higher interest debt.

An important consideration is that not all college graduates will earn the median wage for their education level; in fact, half will earn less and the other half will earn more. Generally, those who major in math, science, and career fields tend to earn more than those who major in arts and humanities.

Another important point is that most students do not pay the full published price for education due to financial aid and other assistance. According to The College Board, the average published price of tuition and fees for four-year public colleges is \$9,139 a year, but the average net price after financial aid and

other assistance is about two-thirds lower at \$3,030. That means education can pay for itself even faster.

The question should not be whether you can afford to go to college, but whether you can afford not to. If you want to earn more money and reduce your chances of being unemployed, register for classes. Fall classes at Cochise College begin August 22 and registration is going on now!

Dr. Robert Carreira is Chief Economist at Cochise College Center for Economic Research. He can be reached at Robert@CochiseEconomy.com. Visit the CER website at www.CochiseEconomy.com.

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