

CALIFORNIA

WORKFORCE



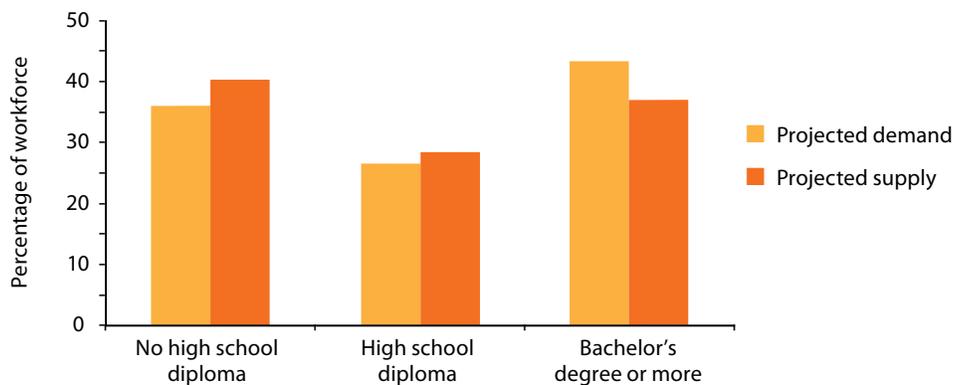
PPIC

PUBLIC POLICY
INSTITUTE OF CALIFORNIA

CALIFORNIA FACES A SKILLS GAP

California's education system is not keeping up with the changing demands of the state's economy—soon, California will face a shortage of skilled workers. Projections to 2025 suggest that the economy will continue to need more—and more highly educated—workers, but that the state will not be able to meet that demand. If current trends persist, in 2025 only 35 percent of working-age adults in California will have at least a bachelor's degree but 41 percent of jobs will require at least a bachelor's degree. This equates to a shortfall of one million college graduates. Substantial improvements in educational outcomes are needed to meet the demands of tomorrow's economy and ensure the economic prosperity of Californians. Failure to make improvements will result in a less-productive economy, lower incomes for residents, less tax revenue for the state, and more dependence on social services.

BY 2025, DEMAND FOR COLLEGE-EDUCATED WORKERS WILL OUTSTRIP THE SUPPLY



SOURCE: PPIC projections.

POPULATION TRENDS AND ECONOMIC DEMAND ARE DIVERGING

- **California's economy increasingly demands highly educated workers.**

For decades, California employers have needed more workers with college degrees. This shift toward more highly educated workers has occurred as a result of changes both within and across industries.

- **The supply of college graduates will not keep up with demand.**

Two demographic trends will work against future increases in the number of college graduates. First, the baby boomers—a well-educated group—will reach retirement age, and for the first time large numbers of college graduates will leave the workforce. Second, the population is shifting toward groups with historically lower levels of educational attainment. In particular, Latinos—who now make up the largest group of young adults—have historically had low rates of college completion. And there will not be enough newcomers to California—from abroad or from other states—to close the skills gap.

- **Higher education is largely a public endeavor in California.**

More than four of every five college students in California are enrolled in one of the state’s three public education systems: the community colleges, the California State University, or the University of California. Three of every four bachelor’s degrees awarded annually come from either CSU or UC.

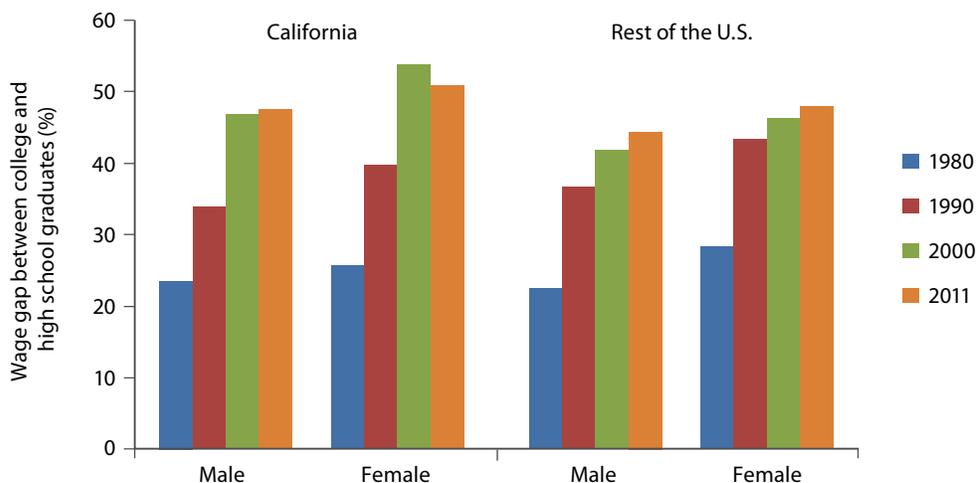
- **Large numbers of California’s high school graduates attend college . . .**

More than 60 percent of California’s high school graduates enroll in college within a year of completing high school. Most (35 percent) go to community colleges—open access, widespread geographic distribution, and relatively low fees make California’s community colleges especially popular. Compared to other states, California’s college-bound high school graduates are more likely to enroll in community colleges than in four-year colleges or universities.

- **. . . but many never earn a degree.**

Lack of preparation for college-level work and lack of financial resources impede many students’ ability to move through the higher education system. Only about one in ten community college students transfers to a four-year university. Even among those taking transfer-eligible courses, only about one in four eventually succeeds in transferring. About half of CSU students graduate within six years of entering as freshmen. Completion rates for transfer students are similar to those of other CSU juniors, with about three in four transfer students obtaining bachelor’s degrees. Graduation rates are much higher in the UC system, with four of every five students earning a degree within six years of entering university.

CALIFORNIA COLLEGE GRADUATES EARN MORE, AND THE GAP IS WIDENING



SOURCE: PPIC estimates based on wage regressions using Current Population Survey outgoing rotation files, restricted to full-time workers.

CALIFORNIANS CARE DEEPLY ABOUT HIGHER EDUCATION

- **Californians have high hopes for their children’s education.**

Strong majorities of parents hope that their youngest child will attain at least a four-year college degree, and 51 percent would like to see their child attain a graduate degree—including 46 percent of Latinos and 51 percent of whites. College aspirations are shared across the income spectrum, with those making less than \$40,000 a year (81 percent) and those making more than \$80,000 a year (98 percent) both hoping that their children attain four-year degrees or more. Far fewer parents overall (6 percent) wish to see their children receive two-year college degrees or career technical training.

- **But many worry about college affordability and access.**

Concerns about the affordability of a college education run high, with 65 percent of Californians calling it “a big problem.” Majorities across age, income, and racial/ethnic groups share this view. Accessibility is also a concern, with 43 percent of Californians calling it “a big problem”—up 19 points since 2007.

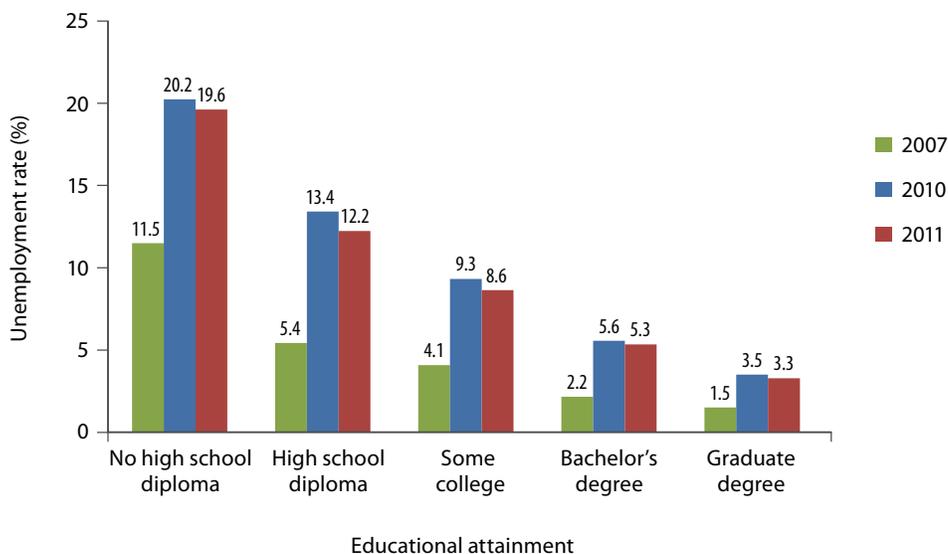
- **The value of a college degree remains high.**

Census Bureau data show that the wages of college graduates are about 50 percent higher than the wages of workers with only a high school diploma. The value of a college degree grew rapidly from 1980 to 2000 and remains at near-record levels. Even in the fragile post-recession economy, unemployment rates are far lower for college graduates than for adults with less education.

- **Concerns persist about the future of California’s higher education system.**

Despite the passage of Proposition 30, which averted “trigger” cuts to state spending on higher education, majorities of Californians across age, income, and racial/ethnic groups—as well as political parties—view the state’s budget situation as “a big problem” for higher education. What about the state government’s ability to plan for the future of higher education? Residents’ opinions are mixed: 13 percent say they have “a great deal” of confidence, 37 percent have “only some,” 34 percent say “very little,” and 15 percent say “none.”

UNEMPLOYMENT RATES ARE MUCH LOWER FOR COLLEGE GRADUATES



SOURCE: March CPS, all civilians in the labor force, restricted to California residents.

LOOKING AHEAD

California is facing a serious shortfall in its supply of college-educated workers. In a future with fewer college-educated adults, unemployment rates will be higher and wages will be lower. A recent PPIC Statewide Survey (December 2012) found that 85 percent of Californians view the higher education system as very important to the state’s quality of life and economic vitality over the next twenty years. Improving the educational attainment of the state’s young adults will foster greater individual success and increase economic growth.

- **Modest improvements can result in substantial gains.**

Gradual increases in college enrollment rates, a 20 percent improvement in transfer rates, and an improvement in completion rates at CSU would, together, reduce the skills gap by one-half by 2025.

- **Reductions in higher education funding are making things worse.**

Without concerted efforts to improve college attendance and graduation in California, the state's economic future will be much less bright. California's higher education institutions have borne a disproportionate share of the state's budget cuts. One consequence has been a decline in college enrollment rates. Shortchanging education for quick budget fixes could seriously shortchange California's economic future.

- **Alternative forms of postsecondary training are needed.**

Because it is unlikely that the state will be able to completely close the skills gap by increasing the number of graduates with bachelor's degrees, other forms of postsecondary training and workforce skills development are essential to the state's future.

We invite you to dig deeper at ppic.org. Related PPIC resources include:

Defunding Higher Education: What Are the Effects on College Enrollment?

Higher Education in California: New Goals for the Master Plan

Educating California: Choices for the Future

Closing the Gap: Meeting California's Need for College Graduates

California's Future Workforce: Will There Be Enough College Graduates?

PPIC Statewide Survey: Californians and Higher Education

Contact a PPIC expert:

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