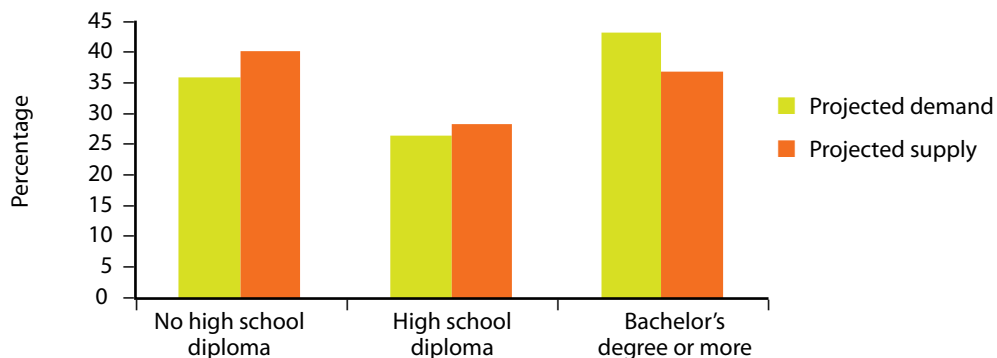




## CALIFORNIA FACES A SKILLS GAP

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, only 35 percent of working-age adults in California will have a college degree in 2025, but 41 percent of jobs will require a degree. Substantial improvements in educational outcomes are needed to meet the demands of tomorrow’s economy and to 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 COLLIDE WITH GAPS IN ECONOMIC DEMAND

- California’s economy increasingly demands more highly educated workers.**  
For decades, California employers have needed more workers with bachelor’s degrees or more. 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, marking the first time that 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.
- California’s college enrollment rate is among the lowest in the nation.**  
Among the 20 most populous states, California ranks 18th in the share of high school graduates who go directly

to college. In 2006, 55 percent of California high school graduates went to college, compared to more than 70 percent in the leading states of New York and Massachusetts. Of California's high school graduates going to college, most went to community colleges; only 26 percent went to four-year universities.

- **Transfer rates from community colleges to four-year universities are low.**

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. Lack of preparation for college-level work and lack of financial resources impede many students' ability to move ahead in the higher education system.

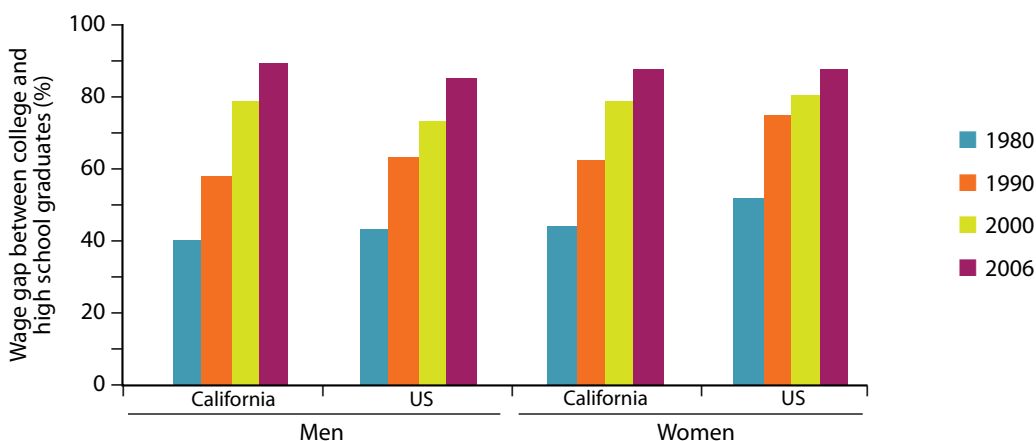
- **Only half of California State University students graduate.**

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 completing a bachelor's degree. Graduation rates are much higher in the University of California (UC) system, with four of every five students earning a degree within six years of entering university.

- **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.

## CALIFORNIA COLLEGE GRADUATES EARN MORE, AND THE GAP IS WIDENING



SOURCE: D. Reed, *California's Future Workforce* (PPIC, 2008).

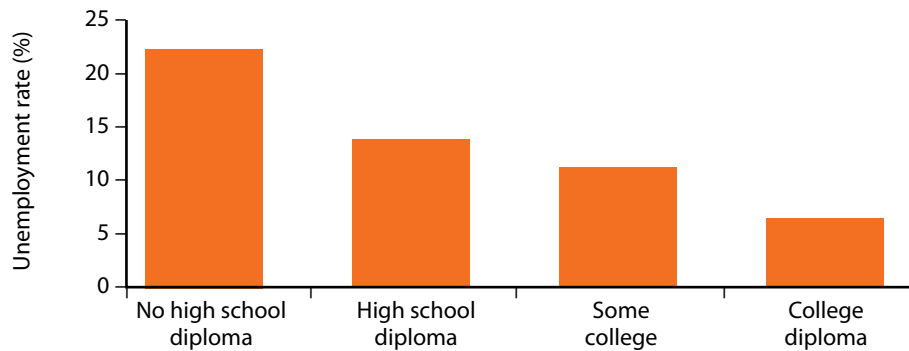
- **Most Californians believe that a college degree is necessary for success . . .**

Two of every three adults believe that a college education is necessary for success in today's work world. Latinos are especially likely to hold this view, with 84 percent believing in the value of a college education.

- **. . . and they are right.**

Census Bureau data show that the wages of college graduates are about 90 percent higher than the wages of workers with only a high school diploma. The value of a college degree has grown rapidly over the past quarter century, and in the current economic downturn, unemployment rates are far lower for college graduates than for adults with less education.

## UNEMPLOYMENT RATES ARE MUCH LOWER FOR COLLEGE GRADUATES



SOURCE: US Census Bureau, Current Population Survey (March 2009).

### 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. Improving the educational attainment of the state's young adults will foster greater individual success and increase economic growth for the state.

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

Gradual increases in college enrollment rates from California's current level to the national average, 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 will make things worse.**

Without concerted efforts to improve college attendance and graduation in California, the state's economic future will be much less bright. Shortchanging education for quick budget fixes could seriously shortchange California's economic future. One alternative would be to increase fees so that students from higher-income families pay more in fees, and to increase aid so that students from lower-income families face a lower financial burden.

- **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 college graduates, 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](http://ppic.org). Related PPIC resources include:**

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

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

*PPIC Statewide Survey: Californians and Higher Education*

**Contact a PPIC expert:**

Hans Johnson

**This publication is part of PPIC's Planning for a Better Future project.**



The Public Policy Institute of California is dedicated to informing and improving public policy in California through independent, objective, nonpartisan research. We are a private operating foundation. We do not take or support positions on any ballot measure or on any local, state, or federal legislation, nor do we endorse, support, or oppose any political parties or candidates for public office. Research publications reflect the views of the authors and do not necessarily reflect the views of the staff, officers, or Board of Directors of the Public Policy Institute of California.

Public Policy Institute of California  
500 Washington Street, Suite 600  
San Francisco, CA 94111  
T 415 291 4400 F 415 291 4401

PPIC Sacramento Center  
Senator Office Building  
1121 L Street, Suite 801  
Sacramento, CA 95814  
T 916 440 1120 F 916 440 1121

[www.ppic.org](http://www.ppic.org)

**CA2025**

Supported with funding from the William and Flora Hewlett Foundation