



# Closing the Gap

## Meeting California's Need for College Graduates

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### SUMMARY

California is facing a serious shortfall in its supply of college-educated workers. Projections of the state's economy show that it is continuing along a trajectory of steadily increasing demand for a highly educated workforce. But the state is unlikely to meet this demand unless decisionmakers implement policies that effect substantial changes in college attendance and college graduation among the state's young adults. Two strong forces are already at work in constraining California's gradually increasing share of college graduates in the working population: the retirement of the large and relatively well-educated baby-boom cohort—adults born between 1946 and 1964—which will occur over the next 20 years, and demographic shifts toward groups that have historically low rates of college attendance and graduation. California will need to produce many more college graduates if it is to even partially meet its increasing economic demand for college graduates.

In this report, we project the size of the education skills gap in 2025 and identify scenarios that could help close the gap. If current trends persist, California will have one million fewer college graduates than it needs in 2025—only 35 percent of working-age adults will have a college degree in an economy that would otherwise require 41 percent of workers to have a college degree. We discuss three scenarios for improving this outlook: increasing college attendance rates, increasing transfer rates from community colleges to four-year institutions, and increasing graduation rates among four-year institutions. California was once a national leader in higher education. Today, it has much room for improvement. The state's direct

enrollment rate from high school into four-year colleges is among the lowest in the nation, and although students who transfer from community colleges to the University of California (UC) and California State University (CSU) have high success rates, transfer rates are very low. Although graduation rates at UC are impressive, only about half of CSU students earn a bachelor's degree within six years.

Relatively modest improvements in each of these educational pathways would dramatically reduce the education skills gap. For example, if the state were to gradually raise college attendance rates from the current levels of 56 percent to 61 percent by 2025, increase transfer rates by 20 percent over the next 15 years, and modestly improve CSU graduation rates, California could close about half of the projected education gap, adding more than 500,000 new college graduates to the state's population. These improvements in college attendance, transfer, and graduation are not without precedent. For example, at the national level, 61 percent of high school graduates in 2006 went directly to college. Within California, some of the state's community colleges have transfer rates that are twice as high as others with similar student populations. And in the past, CSU has experienced even stronger increases in rates of graduation.

Improving the educational attainment of California's young adults could yield a number of positive outcomes. It would not only enable those adults to succeed in California's increasingly high-skilled economy but would also benefit the state through increased tax revenues and the social and economic mobility that accompanies higher levels of education. Perhaps most important, higher educational attainment among the state's residents will foster greater economic growth. Because it is not likely 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.

State policymakers have a vital role to play in ensuring the future prosperity of this state, and the state's three public higher education systems are central to that prosperity. Together, those systems account for over 80 percent of higher education enrollment in California and three-fourths of all bachelor's degrees awarded annually. Currently planned reductions in funding to the state's colleges and universities will only exacerbate the skills gap. Without concerted effort to improve college attendance and graduation in California, the state's economic and fiscal futures will be much less bright. Even modest improvements in college attendance, transfer, and graduation rates have much to offer. It is incumbent on state legislators and decisionmakers in higher education to work together, planning and implementing strategies that will strengthen and revitalize the higher education system in California.

The full report and related resources  
are available on the report's publication page:  
[www.ppic.org/main/publication.asp?i=835](http://www.ppic.org/main/publication.asp?i=835)