

## B. RESEARCH BASE FOR THE BENEFITS OF COLLEGE ATTENDANCE

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### IT'S NOT JUST THE MONEY THE BENEFITS OF COLLEGE EDUCATION TO INDIVIDUALS AND TO SOCIETY

#### SUMMARY

In some contexts an issue basically boils down to the monetary bottom line. In other contexts, though, focusing just on the dollars is like throwing the baby out with the bathwater. Narrowly defined economics does not always capture all of the essential aspects of an issue. The value of a college education is one such example.

The value of a college education is often presented in purely monetary terms, probably because the average monetary payoff from a college degree is so high. The substantial financial rewards from obtaining college degrees are well known and documented. The link between college attainment and economic prosperity has been clearly demonstrated for individuals, as well as for cities, states and nations.

It is no secret that the financial payoff is only one of the benefits from a college education. But the other benefits, and particularly their magnitudes, are considerably less well known. These other benefits of college education are often difficult to quantify and harder to demonstrate. Consequently, these frequently unmeasured benefits are often ignored in policy discussions. It is sometimes joked that “if you can’t measure it, it doesn’t exist.” Unfortunately, there is more than a grain of truth in this quip. But the lack of quantification does not make the benefits any less real or any less important, except for perhaps in policy discussions. Moreover, the “other” benefits of college education appear to be at least as important as the well-known effect on earnings. Thus, public policy debates about postsecondary education frequently omit more than half of the story.

This report provides a more complete picture by highlighting many of the frequently unmeasured and ignored benefits of college attendance. Education has numerous beneficial effects, and many of these have been estimated in large academic literatures. But research articles typically carefully examine just one effect. This report organizes and compiles the evidence from several different literatures into one easily accessible place.

On average in 2012, Americans with bachelor’s degrees (and without graduate degrees) receive the following benefits in comparison to high school graduates never attending college:

- Annual earnings are about \$32,000 (134 percent) higher. Moreover, there is no evidence that the college earnings premium is declining. Indeed, it has been increasing.

- Lifetime earnings are, conservatively, about \$625,000 (114 percent) greater in present discounted value (using a 3 percent real interest rate and taking forgone earnings while in college into account).
- The incidence of poverty is 3.5 times lower.
- The likelihood of having health insurance through employment is 47 percent higher. Annual additional compensation in the form of employer contributions for health insurance is \$1,400 (74 percent greater).
- The likelihood of having a retirement plan through employment is 72 percent greater. Retirement income is 2.4 times higher.
- Job safety is greater. The incidence of receiving workers' compensation is 2.4 times lower.
- Measures of occupational prestige are significantly higher.
- The probability of being employed is 24 percent higher.
- The likelihood of being unemployed is 2.2 times lower.
- The likelihood of being out of the labor force (neither employed nor unemployed) is 74 percent less.
- Age at retirement is higher. The probability of being retired between the ages 62 through 69 is about 25 percent lower.
- The likelihood of reporting health to be very good or excellent is 44 percent greater.
- The likelihood of being a regular smoker is 3.9 times lower. The incidence of obesity and heavy drinking are significantly lower. The likelihood of exercising, having a healthy diet, wearing seat belts and seeking preventative medical care are significantly higher.
- The incidence of a disability making it difficult to live independently is 3.6 times lower.
- Life expectancy at age 25 is seven years longer (for those having at least some college compared to those never having gone to college).
- Asset income is 4.9 times greater (\$1,900 more per year).
- The likelihood of not having a bank account is 8.1 times lower. Reliance on expensive forms of banking and credit is significantly lower.
- The probability of being in prison or jail is 4.9 times lower.
- The probability of being married is 21 percent higher and the probability of being divorced or separated is 61 percent lower.
- The likelihood of being happy is significantly higher.
- The total value of a college education is thus considerably greater than just the higher earnings. But the catalog of benefits above lists only those accruing to the degree holder. There are also substantial benefits accruing to the rest of society. On average in 2012, the rest of American society receives the following benefits from those with bachelor's degrees (and without graduate degrees) in comparison to high school graduates never attending college:
  - Although the evidence is not completely conclusive, the positive effect on the aggregate earnings of others appears to be roughly similar to the effect on own earnings.
- Lifetime taxes are, conservatively, \$273,000 (215 percent) greater in present discounted value (using a 3 percent real interest rate and taking into account forgone taxes while in college). That is, college graduates contribute hundreds of

thousands of dollars more toward government services and social insurance programs.

- Lifetime government expenditures are about \$81,000 (39 percent) lower in present value. College graduates rely much less on other taxpayers.
- The lifetime total fiscal effect is roughly \$355,000 in present value.
- Crime is significantly lower.
- Volunteering is 2.3 times more likely. The estimated value of volunteer labor is 4.1 times (\$1,300 annually) greater.
- Employment in the nonprofit sector is twice as likely. The estimated value of the implicit wage contribution to nonprofits is 8.7 times (\$1,500 annually) greater.
- Annual cash donations to charities are \$900 (3.4 times) higher.
- Total philanthropic contributions (i.e., the value of volunteer labor plus the value of the implicit contribution to nonprofits plus cash donations) are \$3,600 (4.7 times) higher.
- Voting and political involvement are significantly higher.
- Participation in school, community, service, civic and religious organizations is substantially (1.9 times) higher. Leadership in these organizations is particularly (3.2 times) greater.
- Community involvement is significantly greater. For example, attendance at community meetings is 2.6 times greater.
- Neighborhood interactions and trust are significantly higher.

The magnitude of the total benefits to the rest of society is comparable to the substantial total benefits to college graduates. Moreover, these long lists represent just the (imperfectly) measurable benefits of college attainment. There are numerous vitally important effects that are almost impossible to quantify such as the positive influences on innovation, arts, culture, diversity, tolerance and compassion.

The evidence is overwhelming that investment in college education pays in a big way both for individuals and for society. But the typically emphasized financial payoff is only small part of the story. It is not overstatement to call the effect on earnings just the tip of the college-payoff iceberg. There are more benefits to college education beneath the surface than above it.



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