

# The Crisis in Adult Education

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**Education is a key factor in fueling economic growth, but the educational attainment of our workers is slipping badly. New strategies are needed to help undereducated adults.**

During the past several decades, a dramatic increase in the educational attainment of the U.S. labor force has helped boost worker productivity and fuel national economic growth. However, the demographic forces that produced this increase have ended. Unless the United States makes some fundamental adjustments in its national strategies for the education of adults, labor force attainment will stagnate, productivity will lag, and economic growth will suffer.

The historic increase in educational attainment was driven by the fortunate confluence of two factors. First, the baby boomers, huge numbers of them, began working. From 1960 to 2000, the number of workers in their prime productive years (ages 25 to 54) increased by more than 120%, from about 45.5 million to 100 million workers. Second, these new workers were much more highly educated than their elders. For example, in 1960 only 60% of workers in the 25-to-29 age group had a high-school diploma or better and fewer than 8% had a bachelor's degree or higher. But by 1990, 84% of this group of younger workers had a high-school diploma and 22% had a bachelor's degree.

Just as successively larger new cohorts of these better-educated workers joined the labor force in the 1960s and on through the 1980s, less-educated older workers were leaving the labor force. As a result, the overall educational attainment of the workforce increased dramatically, especially between 1970 and 1990.

The increase in the educational attainment of the labor force made a substantial contribution to economic growth and rising productivity—as much as 20 to 25% of overall labor productivity growth, according to some estimates. The indirect contribution made by better educations in fueling innovation and technology growth may have been even greater.

However, this long-term increase in labor force educational attainment is now over. Predictably, the labor force impact of the baby boom peaked during the 1990s, and from 1990 to 2000, the number of workers aged 25 to 34 actually fell. Similarly, but less predictably, the increase in educational attainment leveled off. The percentage of younger people entering the workforce in the 1990s with at least a high-school diploma was no higher than in the 1980s, and it has not

increased in the current decade. The percentage of 25-to-34-year-olds with a bachelor's degree began to level off even earlier, from 1980 to 1990.

Future demographic trends are unfavorable to rising educational attainment in the workforce. During the next several decades, the older workers leaving the workforce (the aging baby boomers) will be as well educated or better educated than the new workers coming in. The next generation of workers is far more racially and ethnically diverse than in the past and has greater representation of groups that historically have not been well served in either K-12 or postsecondary education. In 2000, whites were twice as likely as African Americans and three times as likely as Hispanics to earn a bachelor's degree. By 2020, the proportion of whites in the workforce will drop to 63%, from 82% in 1980. The proportion of Hispanics will nearly triple. We can hope that the rates of high-school completion and college readiness among African Americans and Hispanics will significantly increase during the next decade or two, but there currently is no evidence that this will happen.

Moreover, it seems unlikely that college entrance rates, which have remained relatively flat during the past several years, will somehow increase enough to offset the decline in the rate of population growth. Additionally, the college graduation rate for two-year and four-year colleges has actually decreased during the past 20 years, and although much is possible that could turn that around, it would take a stunning increase to make an appreciable difference in the face of the other negative demographic trends.

During the next few decades, the demographic trends yielding a much smaller rate of increase in the younger segments of the labor force and the postsecondary attainment trends reflecting the leveling off of college entrance and completion rates will come together. Even if the college continuation rate for young people increases modestly in the next few years and even if the graduation rate for traditional students picks up, the decreasing relative size of the younger age cohorts, coupled with the movement of older well-educated workers out of the workforce, means that the percentage of people in the labor force with postsecondary credentials will not rise; in fact, it is likely to decline.

This will be a huge drag on productivity and economic growth. In addition, postsecondary educational attainment is also the most important predictor of personal economic success and intergenerational mobility—more important than race, health, location, or family assets. Table 1 shows a weekly earnings premium of 21% for an associate's degree holder over an individual with only a high-school diploma and a premium of 33% for a bachelor's degree over an associate's degree.

The only way out of this serious problem is to act immediately to help adults now in the workforce find their way to success in postsecondary education. Unfortunately, moving these adults into and through postsecondary study to a

credential is not going to be easy. The United States does not offer effective ways for adults already in the labor force to increase their educational attainment. The nation needs a better federal policy to support the postsecondary education of working adults and additional paths to the postsecondary level for those hampered by low literacy or a lack of proficiency in English.

**TABLE 1**  
**Education Pays In Higher Earnings and Lower Unemployment Rates**

Unemployment rate in 2006	Education attained	Median weekly earnings in 2006
1.4%	Doctoral degree	\$1,441
1.1%	Professional degree	\$1,474
1.7%	Master's degree	\$1,140
2.3%	Bachelor's degree	\$962
3.0%	Associate degree	\$721
3.9%	Some college, no degree	\$674
4.3%	High-school graduate	\$595
6.8%	Less than high-school diploma	\$419

*Note: Data are 2006 annual averages for people age 25 and over. Earnings are for full-time wage and salary workers.*

*Source: Bureau of Labor Statistics, Current Population Survey.*

### **A huge opportunity**

In 2006, there were about 120 million adults aged 25 to 64 in the active labor force. Of those, 51 million (42%) had a college degree at the associate's, bachelor's, or advanced level. Another 21 million were identified by census surveys as having "some college, no degree." Perhaps one-third of these actually had a college credential below the associate's degree (a one-year certificate, for example) or had an industry-recognized certification as a result of an industry-administered examination for which they might have prepared through postsecondary study. The rest attended college briefly after high school but dropped out before gaining a credential. Another 36 million people completed high

school or its equivalent but did not attempt postsecondary study. Finally, about 12 million working adults failed even to complete high school.

This means that about 62 million adult workers lack a postsecondary credential of any kind. This presents, in one sense, a huge opportunity. This vast pool of undereducated workers can be seen as a talent reservoir, especially in contrast to the relatively small cadres of about 3 million younger adults leaving high school every year.

Yet many adults are not prepared for college. Findings from the 2003 National Assessment of Adult Literacy indicate that 31 million adults (14%) in the United States have “below basic” prose literacy and 48 million (22%) have “below basic” quantitative literacy. According to the 2000 Census, about 47 million U.S. residents reported that they predominantly spoke a language other than English at home, and over 21 million spoke English less than “very well” (the threshold for full proficiency in English as determined by the U.S. Department of Education). That self-estimate may reflect some personal grade inflation.

Unfortunately, current federal policies designed to ameliorate literacy and language proficiency problems are a dismal failure. For example, only about 2.6 million people were enrolled in federally supported adult basic education (ABE) programs in 2004–2005, and most failed to achieve any significant gain. Fewer than 40% of those pursuing literacy gains advanced even one educational level. (The U.S. Department of Education, which is the source of these statistics, defines six literacy levels, from beginning literacy to high advanced.) Only 45% of those pursuing a diploma or General Educational Development degree succeeded, and only 45,000 of the 2.6 million participants moved on to any kind of postsecondary education. In fact, the majority of participants in federally supported ABE are not even in the active labor market. Many are not adults at all; almost 40% are young people of high-school age or just older (ages 16 to 24), and about half of those are simply using ABE as an alternative pathway to high-school completion. English language instruction is woefully inadequate. According to a 1998 study reported by the National Center for Education Statistics, only 11% of non-English-speaking adults had participated in even one English as a second language (ESL) class in the 12 months before the study.

A discouragingly low percentage of working adults who do enroll in postsecondary education ever gain a credential. A 2003 study by Ali Berker and Laura J. Horn of MPR Associates examined the six-year persistence and attainment of adults who had entered college for the first time between 1995 and 1999. Overall, only 39% of those adults gained a credential within six years of enrollment. Of those classified in the research as “employees who study,” only 31% gained a credential, and of those classified as “students who work,” 45% gained a credential. The six-year completion rate for traditional students is about 75%.

Other research confirms that older students tend to complete their degree objectives at a lower rate than younger students, part-timers don't complete at the same frequency as full-timers, and completion rates at community college (which enroll more than 50% of older students and more than 60% percent of "employees who study") lag behind those of baccalaureate-granting institutions.

If these trends continue, it seems likely that only about 35 to 40% of the 7 million age 24-plus students now enrolled in degree-granting postsecondary institutions will gain any kind of credential within six years of entry. This translates to only about 300,000 to 400,000 per year and will not make even a tiny dent in the problem.

## **Hurdles in completing schooling**

Postsecondary institutions tend to focus their instruction and delivery strategies on very traditional students: recent high-school graduates who have no attachment to the labor force and no major constraints on their capacity to participate in campus-based, course-oriented educational delivery systems. Even at most community colleges, the majority of programs and courses are geared for traditional postsecondary students. They are not offered in ways that meet the scheduling or timing needs of working adults who must fit college around the requirements of full-time jobs and often child-care responsibilities. Students typically are expected to take several unconnected courses over a 15- to 16-week semester, with each course usually requiring two or even three campus visits per week. Schedules for access to student services such as registration, financial aid, career counseling, and even meeting with instructors too often assume that the students have few constraints on their daytime weekday schedule.

To gain an associate's degree, students typically have to complete between 20 and 25 semester-long courses. Even for those able to attempt a steady pace of, say, two courses at a time, completing an associate's degree would take 10 to 12 semesters over four years or more; gaining a bachelor's degree at this pace would take twice as long.

This pace of course-taking is rarely successful. Too many things change in the lives of working adult students for that slow pace to permit success. Changes in jobs or job schedules, child-care arrangements, transportation logistics, and other life changes intervene. Working adult students too frequently drop out, discouraged with their slow pace, or simply become disconnected from their education.

A very large percentage of working adult students do not even get past remediation requirements, the greatest source of attrition among working adults. Even when remediation is a matter of just completing a single one-semester course to brush up on rusty math or writing skills, it has a significant impact on persistence rates. When students are placed in more than one remediation

course, their persistence plummets. A 1998 study by Norton Grubb of the University of California at Berkeley found that of students who needed nine or more credit hours of remedial courses, only about 25% completed all of their remedial courses and only about 4% completed a degree within five years of initial enrollment.

Cost is also a big barrier. The out-of-pocket costs of tuition, fees, books, and other direct costs can easily add \$500 to \$750 per course at the least expensive community colleges, and more elsewhere. For a family earning less than \$35,000 annually, that can be unaffordable.

Financial aid is too often inadequate for low-income working adults. Federal financial aid policies for grants and loans are ill-designed for working adults who struggle to balance the conflicting demands of work, family, and college enrollment. The relatively new federal education tax credits (approved in 1998) are not much help to working adults. Less than 20% of the credits (of a total of \$6.3 billion in 2003) is going to working adults. Of the two tax credits, the generous one—the Hope Scholarship—is available only to families of more traditional students (half-time or more). The Lifetime Learning Tax Credit that was intended for working adults is much less generous and is irrelevant for millions of working adults whose lack of postsecondary education forces them into low-paying jobs where tax credits are not useful.

Only a few states provide grants to students in short-term, intensive, nondegree programs that would not be eligible under federal Pell grants. Almost all states have very early aid-application deadlines (the March or April before the fall semester of intended enrollment), which create a barrier for adults whose work and family obligations discourage long-term planning.

There are several colleges—some four-year schools as well as many two-year schools—that have worked hard to develop programs that work well for working adults and are affordable. Some colleges have created short-term intensive programs with curricula and scheduling formats that can better accommodate the time limitations of working adults. Private and proprietary institutions that are specifically seeking to attract the adult market, such as the University of Phoenix, have led the way in many of these reforms. Regrettably, however, these are exceptions: best practice, not common practice. In terms of cost, program structure, and delivery methods, most higher education institutions are not sufficiently accessible to working adults and do not promote success.

## **Bolstering employer support**

Leveraging employer support for postsecondary education can be a very significant strategy to increase the postsecondary success of working adults. Businesses are important beneficiaries of their employees' education, and recognizing this, many employers already pay some or all of their employees'

postsecondary education costs. Employer aid may be distributed to individuals entirely at the employer's discretion, made available to some or all types of employees as a formal employee benefit, or made available to unionized employees as part of a collective bargaining agreement.

Government surveys of employer training and other research studies about employer assistance indicate that employers provide a substantial amount of financial aid to employees. This aid is increasing modestly in terms of both how many employees receive aid and how much they get (as measured by percentage of payroll, number of hours of training, and expenditures per employee). Most employer-paid formal training is done in house, but for external training, community colleges are more popular than four-year colleges and universities. The research also shows that employers with lower rates of employee turnover, higher rates of employment growth, and smaller proportions of part-time employment do more formal training. Importantly, employers spend more to help employees gain bachelor's and advanced degrees than sub-baccalaureate degrees, and they spend more for more-credentialed and higher-wage employees than they do for less-credentialed and lower-wage workers.

A frequently cited source for information about employer aid is Training magazine, which conducts a periodic survey from which it draws estimates of total employer expenditures on formal training. The survey includes only those training costs that are specifically budgeted for training that takes place off the job and has discrete costs for trainers, materials, facilities, and so forth. In an October 2001 report, the magazine concluded that employers had budgeted \$57 billion for formal training in 2001. More recent estimates by the American Society for Training and Development (ASTD) of increases in training expenditures as a percentage of payroll and increases in the average number of hours of training provided on a per-employee basis suggest that employer spending for formal training increased to about \$60 billion in 2005.

Of the total spent on formal training, the employer community devotes a small but important fraction to helping their employees with the cost of postsecondary education. Employers report to ASTD that they spend 11 to 13% of their formal training expenditures on tuition reimbursement for college study. That would place employer aid in the range of \$6 billion to \$7.5 billion. However, information collected from a sample of graduate and undergraduate students via the National Postsecondary Student Aid Study suggests a somewhat smaller investment, perhaps about \$4 billion in 2003–2004.

Even the lower estimate is a good deal of money. To put this in perspective, this current level of employer spending is between 30 and 40% of federal spending on the Pell grant program. Even modest percentage increases in the level of employer investment in postsecondary education could make a significant difference in skill development for working adults. If increased spending were accompanied by changes in the structure of these investments in training and

education (such as encouraging the development of more general and more portable skills and allocating a greater share toward currently underprepared workers at lower wage levels), employer aid would have enormous impact.

## **New strategies**

The problem of undereducated and underskilled adult workers is getting worse, not better. Current federal policies are not working. Our education strategies have rested on the expectation that the educational attainment and productivity of the workforce would rise almost inexorably as huge numbers of more-educated young labor market entrants crowded out less-educated older workers. That worked for a long time, but it is not going to work anymore. The United States cannot simply grow its way out of this problem of undereducated adult workers.

The nation needs new strategies based on the reality of current labor market demographics and aimed at lifting the attainment of adults already in the workforce. These new strategies will not come with zero costs, but if they are well designed with the incentives in the right place, they are affordable.

A few basic principles can help shape an effective policy response. First, there is a need to develop thoughtfully segmented responses, avoiding a one-size-fits-all approach. As summarized above, the country faces a series of different problems in educating different segments of the adult workforce. Policymakers need to be thoughtful in carefully targeting resources and policies to these segments.

Second, there must be a focus on building and shaping demand for adult education, on the part of both less-educated workers and their employers. Simply putting more resources into the hands of education and training providers is not likely to be very effective. It would be better to work from a demand-side strategy that first asks underprepared individuals and their employers to step up to greater responsibility in investing in adult education and then provides direct incentives and assistance to those who do.

Third, the federal government and the states need to work together on this. The federal government can have a strong impact on changing adult basic education and instruction practices in higher education only by working with and through the states.

Finally, there must be far greater emphasis on new and improved education technology in order to build and articulate demand, to deliver instruction, to measure progress, and to test for competency. Higher education and adult basic education have been very slow to deploy technology, especially in ways that can overcome the problems of time and flexibility that limit working adult access to good education.

Five basic strategies can provide the foundation of policy reform. First, it is essential to create new economic incentives for employers to help finance basic skill training, ESL training, and credentialed postsecondary education for their employees. Specifically, employers should be offered a substantial new tax credit for their educational investments. A framework for this tax credit is already available through an education assistance plan under Section 127 of the tax code. This provides that when employers reimburse their employees for the cost of tuition, books, fees, supplies, and equipment for job or non–job-related education as part of a “qualified educational assistance program,” these benefits may be excluded from income as reported by the employee, up to a limit of \$5,250 per year. That’s good for the employee but, as it stands now, not a real incentive to the employer. A tax credit to the employer in the amount of 50% of such benefits, focused on helping employees gain literacy and English skills as well as postsecondary credentials up to a bachelor’s degree, would stimulate new employer investment.

Second, it is essential to strengthen existing incentives for individuals to invest in their basic skills and their credentialed postsecondary education. The Lifetime Learning Tax Credit (LLTC) should be expanded to offer tax credits of 50% on qualified expenses up to \$2,000 per year, and the credits should be made fully refundable for low-income workers. (The LLTC is currently limited to 20% of the first \$10,000 of postsecondary spending and is not refundable to taxpayers with limited tax liability.) For individual spending on adult basic education and ESL instruction, an even more generous credit of 100% on the first \$1,000 of qualified expenses and 50% on the next \$1,000 should be provided.

With its legislative companion, the Hope Scholarship, the LLTC was enacted in the Taxpayer Relief Act of 1997 to increase college affordability and to encourage lifelong learning. The two credits were designed to complement each other by targeting different groups of students. Whereas the Hope credit may be used only for a student’s first two years of postsecondary education, the LLTC is available for unlimited years to those taking classes beyond their first two years of college, including college juniors and seniors, graduate students, and working adults pursuing lifelong learning. However, the current structure of the LLTC has limited most of the benefit to full-time students who attend higher-cost institutions and who have used up their eligibility for the Hope. The LLTC has minimally benefited students who attend lower-cost institutions such as community colleges and who are enrolled less than full time. These proposed changes would directly stimulate new investment by working adults in their own education.

Third, there should be more effective ways to encourage postsecondary institutions to develop more flexible programs and degree strategies that work for working adults. The federal government should establish a five-year program of matching grants to states that are most committed to helping their public postsecondary institutions create innovative and effective degree and credential pathways for working adults. States would be invited to compete for two-year

planning grants that would be followed by two or three more years of implementation grants. Grants would be made to only 20 to 25 states prepared up front to make the strongest commitment to the postsecondary education of working adults. The federal grants would be renewable annually, subject to performance, rather than allocated in one large grant to the participating states. There would be monitoring, assessment, and enforcement mechanisms to keep states on track in implementing the plans that they develop. There would be a reserve for additional allocations to high-performance states, providing incentives for outstanding work as well as sanctions for poor performance. In addition to the state grants, there might be some resources set aside for competitively awarded research grants and some demonstration grants directly to colleges and universities.

Fourth, the United States needs a fresh start on adult basic education, a new strategy centered on the deployment and use of technology to accelerate English language acquisition by non-English speakers and employer-defined basic skills for low-literacy adults. The existing federal adult basic education program should be tossed out to begin anew with a more employment-focused and technology-based program that supports individual and employer investment in basic skills and English acquisition. The centerpiece of this new approach would be a Basic Skills Innovation Fund to encourage private-sector investment in new technologies and instructional designs for basic skill and ESL training that can be delivered through a variety of venues: worksites certainly, but also public libraries, community centers, and community colleges. Rather than just pumping more funding into the current federal adult literacy program, funds should be redirected away from the current focus to building new technology tools and employee/employer demand for effective basic skill development. The LLTC and the employer credit would become the primary funding vehicle for adult basic education and ESL instruction.

Finally, there should be a national marketing campaign to help millions of working adults and their employers better understand their shared interest in more and better education and learn about effective ways to plan, finance, and complete that education. This should be an aggressive and targeted campaign aimed at raising awareness about the importance of education for the adult workforce, driving home these key facts: that educational attainment matters greatly for the competitive success of individuals and companies as well as national economic growth; that limited basic skills and low English proficiency will continue to be a major handicap for adults trying to get ahead, but help is available; that the state and federal governments are helping educational institutions build new educational pathways that work for working adults; and that tax incentives and other forms of assistance are available to workers and their employers.

These strategies are bold only in their departure from current policy; in fact, they represent a measured and necessary response to a huge problem. They are market-oriented policy interventions that seek to stimulate and organize effective

demand for education rather than simply trying to increase supply-side offerings. They aim to influence, as directly as possible, the ways in which less-educated workers and their employers spend their money, so that they invest more in education. This is a big job that requires unambiguous and substantial economic incentives, unfiltered by intermediating agencies or institutions.

There is low risk associated with this set of strategies, but extraordinary upside potential. To the extent that employers and individuals do not take up the challenge to invest in worker education, there will be little fiscal consequence. The more this program works, the greater the tax revenue given up. However, if this program works even modestly to lift the educational attainment of current workers, it will have a huge payoff in terms of economic growth. In an era in which increased educational attainment has contributed from one-fifth to one-quarter of overall economic growth and at a time when we know that continued dependence on new labor force entrants will not produce higher attainment, there could be no smarter investment in human capital.

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