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The growing economic clout of the college educated

BY RICHARD FRY | 5 COMMENTS

Last week's data released by the Census Bureau (<http://www.census.gov/hhes/www/income/index.html>) vividly demonstrated the growing income inequality in the U.S. But deeper in the data, there's another related finding that is also striking: The growing income accruing to the nation's college-educated households.

For the first time on record, households headed by someone with at least a bachelor's degree received nearly a majority (49.7%) of aggregate U.S. household income; nearly one out of every two dollars went to the college educated. In 2012 one-in-three households was college educated, so, put another way, half of the aggregate U.S. income goes to one third of the households.

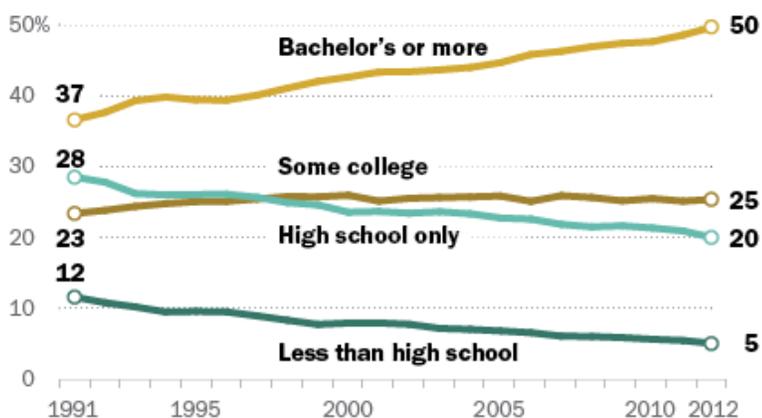
In 1991 (the earliest year comparable figures are available) college-educated households only received 37% of the nation's aggregate income. In 1991 about one-quarter of households (23%) were college educated.

The share of the income pie received by households with only a high school education or less fell 15 percentage points from 1991 to 2012. The share of household income going to households with some college (including those with an associate's degree) increased modestly over the same period (23% to 25%).

Since educational attainment has risen and there are more college-educated households, one would expect the college educated to receive a growing share of the pie.

But the data clearly indicate that the growing economic fortunes of the college educated go beyond sheer numbers. College-educated households are the only households whose incomes have grown on a per household basis from 1991 to 2012. Household

Percentage Distribution of U.S. Aggregate Household Income, by Education of Householder, 1991-2012



Notes: Household income figures by education are published for households with heads age 25 and older. Thus U.S. aggregate household income refers to the aggregate income of households age 25 and older. "Some college" includes households headed by those with associate's degrees, as well as some college but no degree. The Census Bureau revised the educational attainment classification in 1991, so pre 1991 figures are not strictly comparable to 1991 and thereafter.

Source: Pew Research Center tabulations of U.S. Census Bureau historical income tables

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Income per Household, by Education of Householder, 1991 and 2012

In 2012 dollars

EDUCATION 1991 2012 PERCENT CHANGE

income increased 9% (from \$92,289 to \$100,637) for those whose highest education was a bachelor's degree. Incomes were up 20% for households with professional degrees. In contrast, household incomes have declined for households who do not have at least a bachelor's degree.

Before breaking down the nitty-gritty of the college-educated households' income gain, it should be noted that a number of factors are likely at play in boosting the household incomes of the college educated relative to less-educated households. A primary factor is the better fortunes of the college educated in the labor market. The Georgetown Center on Education and the Workforce

EDUCATION	1991	2012	CHANGE
All	\$63,816	\$72,883	+14%
Less than HS	\$33,959	\$32,631	-4%
High school	\$54,707	\$52,199	-5%
Some college, no degree	\$66,038	\$63,008	-5%
Associate's	\$72,407	\$68,902	-5%
Bachelor's	\$92,289	\$100,637	+9%
Master's	\$104,193	\$114,897	+10%
Professional	\$150,869	\$180,671	+20%
Doctorate	\$131,365	\$150,087	+14%

Notes: Household income figures by education are published for households with heads age 25 and older. The Census Bureau revised the educational attainment classification in 1991, so pre 1991 figures are not strictly comparable to 1991 and thereafter.

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(<http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/CollegeAdvantage.FullReport.081512.pdf>) finds that college graduates earn nearly twice as much as workers with just a high school diploma.

But the household income differences between the college educated and lesser educated go beyond the labor market. College-educated households are more likely to be married and thus more likely to have secondary earners contributing to household income.

In addition, my research (<http://www.pewsocialtrends.org/2010/01/19/women-men-and-the-new-economics-of-marriage/>) on "assortative mating" or "who marries whom" shows that married college-educated persons are more likely to have a college-educated spouse. Thus, they are more likely to have a spouse with high earnings. For example, in 2011, 75% of married men ages 30 to 44 who are college educated also have a college-educated wife. Among their married counterparts with a high school education, only 17% have a college-educated wife.

Between 1991 and 2012, the aggregate household income of college-educated households increased by \$2.1 trillion according to the Census data. Over the same period, the share of all households who are college educated increased from 23% to 33%. How much of the \$2.1 trillion income gain received by the college educated is due to growth in numbers versus growth in income per college-educated household? If the fraction of households who are college educated had remained constant at 23%, instead of rising to 33%, the income pie going to the college educated would only have grown by \$0.8 trillion. So, over half of the income gain of the college educated is due growth in numbers. But a substantial portion reflects their improving income fortunes.

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Richard Fry is a Senior Research Associate at the Pew Research Center's Hispanic Trends Project.

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5 Comments



Geoff • 1 week ago

Did you further break down the data by income group? For example, what were the increases in income for those with college degrees (Bachelor or higher) by income quintile? My guess is that those with college degrees in the lowest income quintiles saw very modest gains, while those with college degrees in the top income quintile (or the top 10%, 5%, 1%) saw the lion's share of the income gains.

[Reply](#)



Richard Fry • 1 week ago

No, I was not able to break down the incomes gains by education further by income group. But, I suspect that your supposition is correct. Within education groups it is likely that income increases were not uniform but more limited to relatively higher income subgroups. This can be tabulated, it is just not available in the historical income tables that the Census Bureau publishes.

[Reply](#)



Jose • 1 week ago

Could you please tell why had the fraction of household college educated remained constant their income had grown 0.8 trillion?

[Reply](#)



Charlie Davis • 1 week ago

Is there any data regarding the cost of the college educations? My wife & I both have associates degrees which we funded via scholarships & working. Our household income is significantly higher than the figures stated here so we may be an exception to the stats here. I can't help but wonder what the "net" effect on income is when considering the cost of higher education. I hear of so many folks with prestigious degrees & great incomes but they also have great debt as a result of school loans, some of which they will be paying for the rest of their lives. That's more of a money management issue really but more income is not necessarily a blessing if it costs so much to get the income that the net effect is a wash. I would be interested in seeing that data if it is available.

[Reply](#)



Richard Fry • 1 week ago

Good question and it comes up often. First, an observation regarding your household income. The figures provided are national averages. For any average, there will be households above average. Fortunately for you, your wife & you are above average.

As far as the cost of the education netted against the income gain, economists do those sorts of calculations. For example, take a look at Figure 1.3 of the College Board publication called Education Pays. Here is the link: [trends.collegeboard.org/educatio...](https://trends.collegeboard.org/education-pays)

In the case of an assoc.s degree, they suggest that given the typical cost of an assoc degree and assuming a 6.8% interest rate, that the net earnings of an assoc degree holder will overtake a high school graduate by age 33 or 13 years of work.

Thanks for your interest.

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