Diversity and the Demographic Dividend:
Achieving Educational Equity in an Aging White Society

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I. Introduction

The United States is facing a unique moment in its demographic history for two reasons. First, as the third largest nation in the world, behind billionaires China and India, the United States has a vital resource that gives it advantage over its industrialized peers, namely people. In contrast to several Western European nations that have been coping with the challenges of below-replacement fertility for several years, the U.S. population continues to grow, albeit slowly, owing both to high levels of immigration and fertility.\(^1\) Immigration and births to immigrant women are responsible for about 59 percent of demographic growth during the 1990s (Taylor, et al., 2002). Population growth replenishes the labor force with new workers, but in today’s global economy, the quality of workers matters as much as the quantity. Viewed as an investment portfolio, dividends reaped from population growth depend crucially on the caliber of investments made.

Second, and due to the increased salience of migration as a component of population growth, the U.S. population is the most diverse in the world (Prewitt, 2001). Recently Texas joined California, New Mexico and Hawaii as a “majority minority” state when its nonwhite population surpassed 50 percent (U.S. Census Bureau, 2005).\(^2\) Even as immigration ebbs as a component of demographic growth, diversification will continue well into the future because a larger share of new births will be to foreign-born women. In fact, this year the U.S. census bureau announced that school enrollment surpassed the

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\(^1\) The UN estimates the US total fertility rate at 1.9 but the CDC’s National Center for Health Statistics puts the TFR at 2.1. Currently white women have below replacement fertility, but the total fertility rate of Hispanic women is about 3.1 (Taylor, et al., 2002: figure 2.2).

\(^2\) With a nonwhite population of 70 percent, the District of Colombia also qualifies as a “majority-minority” political entity.
previous all-time high of 48.7 million set in 1970 by the baby boom generation (Shin, 2005).

Looking forward, the challenges of population aging will become even more acute as the baby boom cohorts continue to retire and become dependent on the social security earnings of the young. Although modest by comparison to the baby-boom cohort, the school-age population bulge represents a potential demographic dividend that can help assuage population aging, but it can only be realized with appropriate educational investments. At the same time, the costs of under-investing in education poses a serious risk not only to the youth themselves - because the returns to school are higher now than in the past - but also to a nation facing greater international competition for goods, services, and highly qualified labor (Cox and Alm, 2005). That the most ethnically diverse youth cohorts in U.S. history are coming of age in an aging society also poses formidable social and policy challenges because, on average, the fastest growing cohorts are more likely to have parents with little education and lower incomes than the cohorts they are replacing (McPherson and Shapiro, 2004).

I argue that the demographic dividend afforded by the modest, but transitory, minority age bulge will be lost if the nation’s investment priorities are diverted away from education. In order to focus on consequences of educational investment, I first describe the demography of diversification emphasizing changes in the school-age population. Subsequently, I summarize recent trends and differentials in secondary and post-secondary educational attainment according to race and Hispanic origin both to illustrate how diversity challenges equity as a social goal, and to signal rapid growth minority populations as a window of opportunity to harness the demographic dividend.
Finally, I discuss the myopia of educational underinvestment by juxtaposing the social and political interests of dependency at young and old ages.

II. Demography of Diversification

Three overarching trends characterize the changing demography of the total and the school-age population over the past half century: racial and ethnic diversification; growth of the foreign-born population; and, until the mid- to late-1990s, when Hispanic immigrants began their unprecedented geographic scattering, concentration of minority students in large central cities. All three have profound implications for the future contours of educational, and consequently, economic inequality.

Ethno-racial diversification is largely a post-World War II, but especially a post-1970 phenomenon. U.S. population composition changed very little between 1900 and 1950. Whites comprised about 88 percent of the total and blacks were the dominant minority group during this period of relatively slow demographic growth; Mexicans, Native Americans and Asians combined accounted for less than one percent of the total.

Figure 1 about Here

Triggered by the baby boom and fomented by changes in U.S. immigration laws, U.S. population diversification increased during the 1960s and gained significant momentum during the 1980s and 1990s. Census 2000 recorded the largest “minority” population in U.S. history—28 percent of the total—with 12 percent African American; 11 percent Hispanic; 4 percent Asian; and other groups combined accounting for the rest. Moreover, in 2003, the Census Bureau announced that Hispanics had surpassed blacks as
the largest minority group. Beyond its historical significance, this transformation has profound implications for global competitiveness, depending on choices made today.

The school-age population already is more diverse than the total population because minority groups are younger, on average, than non-Hispanic whites and because fertility of white women is lower than that of minority, especially Hispanic immigrant women. In 1950, when about 31 percent of the U.S. population was between the ages of 5 and 24 years, the ethno-racial composition of the school-age population was almost identical to that of the total population. Two decades later, 37 percent of all residents were of school age and only 16 percent were nonwhite. By 1980 the minority share of the school-age population reached 24 percent, and grew to 30 percent a decade later. Census 2000 revealed that 35 percent of the school-age population was minority, compared with 28 percent of the total.

Figure 2 about Here

Briefly put, the minority share of the school-age population more than doubled in 50 years, rising by a factor of 2.5, with most of the increase occurring in just 25 years. During this period the black share of the school-age population inched up from 12 to 15 percent, but the Hispanic share exploded from 2 to 15 percent. Although immigration and differential fertility each played a part in the diversification of the school-age population, improved enumeration methods also contributed to the growth of some groups (especially Native Americans and Hispanics). By 2000, Asians and Native Americans represented, respectively, 4 and 1 percent of the school-age population.

Population projections indicate that diversification will continue well into the current century as fertility surpasses immigration as the major component of
demographic growth (Passel, 2004). By 2030—just a generation hence—about 40 percent of the U.S. population is projected to be black, Hispanic or Asian. Already legal immigration has begun to fall (Passel and Suro, 2005). The relative youthfulness of minority populations and Hispanics in particular, means that they will drive future demographic growth and diversification well into the current century.

The demographic sea change in the ethno-racial composition of the school-age population acquires added significance because it coincided with equally profound shifts in the residential distribution of the population from rural to urban and suburban areas; an industrial transformation of employment away from unskilled, blue-collar to service jobs requiring higher levels of skills; and a bifurcated skill composition of new immigrants. Only 7 percent of the U.S. population was foreign-born in 1950, and this share dropped to 5 percent by 1970. After the 1965 Amendments to the Immigration and Nationality Act lifted quotas on previously banned countries, the volume of immigration began its steady climb and the regional origins of new arrivals changed from Europe to Asia and Latin America. The foreign-born share of the US population climbed to 12 percent in 2003, double its 1980 share (Larsen, 2004).

**Figure 3 about Here**

Reflecting changes in the source countries of immigrants since 1960, the foreign-born share of Asian and Hispanic minorities has risen appreciably. In 1960, 16 percent of all Hispanics were foreign-born, but by 1990, over one-in three Hispanics were born outside the U.S. This share remained constant during the 1990s, but the larger population base means that more immigrant children and children of immigrants were enrolled in educational institutions. The impact of recent immigration on the Asian population is
even more striking: before the recent surge in immigration, one-in-three Asians were foreign born, but by 1990 this share rose to three-in-five, where it appears to have stabilized.

Although only a small fraction of school-aged blacks and whites are foreign born, the large majority of Asian and Hispanic youth are either immigrants or children of immigrants. As shown in Figure 4, over one-quarter of school-aged Hispanics ages were born abroad and an additional 44 percent were children of immigrants. These figures are even higher for Asian school-aged youth, among who over 80 percent were either foreign-born or children of immigrants. Although the Asian second generation is roughly comparable to that of Hispanics—roughly two-in-five school-aged youth—the numbers involved are different because the Hispanic school-age population is almost four times larger.

**Figure 4 about Here**

Historically, six states have served as host to the majority of the foreign-born population—California, Texas, Florida, New York, New Jersey and Illinois—although the former three receive the largest number of immigrants now while the latter three were dominant historically (Tienda, 2002). Given the salience of immigration in the diversification of the school-age population, a few indicators help appreciate the risks of educational underinvestment and opportunities to capitalize the demographic dividend of swelling minority youth cohorts. For example, the four largest immigrant-receiving states rank in the lower half of all states based on their overall and child poverty rate as well as their high school graduation rates. In 2003 California, Florida and New York were tied for 34th place in their child poverty rates, but Texas ranked lower still—43rd out of 50
states (Annie Casey, 2005). Using a cohort-derived index to estimate high school graduation rates, Swanson (2003) ranked California 32\textsuperscript{nd}, Texas 37\textsuperscript{th}, New York 43\textsuperscript{rd}, and Florida 50\textsuperscript{th}, ahead of South Carolina but behind Nevada—one of the new Hispanic immigrant destinations.

These indicators do not bode well for the swelling school-aged minority populations of these states. Although per capita education spending does not guarantee quality instruction, Texas and California rank 34\textsuperscript{th} on this indicator, and Florida ranks lower still at 37\textsuperscript{th} place (National School Boards Association, 2004). Yet, except for Florida, which ranks 39\textsuperscript{th} based on per capita gross state product, three of these immigrant-receiving states hardly qualify as poor: New York ranks 5\textsuperscript{th}, California 8\textsuperscript{th}, and Texas 17\textsuperscript{th} (Morrison Institute for Public Policy, 2005). That these four states combined hold one-quarter of the seats in the U.S. Congress represents significant political power, which derives from a potentially enormous asset, namely people (Tienda, 2002).

Taken together, recent trends in the demography of the school-age population pose formidable challenges for the nation, not because diversity \textit{per se} is problematic (except perhaps for linguistic diversity), but because diversification coincides with a period of rising economic inequality and because Hispanic and black youth are more likely to be poor and to have parents with low education levels. Linguistic diversity may temporarily stymie school systems unprepared to educate large numbers of foreign-born students, but this is something effective transitional English instruction programs can remedy. Only 10 percent of Hispanic and six percent of Asian school-age youth reported difficulty speaking English in 2000, compared with negligible shares of black and white youth. Whether and if so, by how much, these differences necessarily undermine
educational achievement remains highly controversial because English proficiency is often conflated with bilingualism, which in a global economy, represents an asset to be cultivated rather than diminished.

**Figure 5 about here**

As Figure 5 shows, prevalence of foreign language use at home is what differentiates racial and ethnic groups more than lack of English proficiency, although the two are related. Over half of Asian youth and 70 percent of Hispanic youth lived in homes where a foreign language was spoken. Although bilingualism is often blamed for educational underachievement, my practical experiences indicate that this signals difficulties in the efficacy of parents to provide strong links between their children and the schools more than the ability of youth to learn English, especially at the lower grades. Put differently, it is not that immigrant parents do not value education; rather, their limited communication skills significantly reduce their ability to engage with the school system and to provide help with homework and various school activities.

Moreover, language diversity cannot be the main reason for scholastic underperformance. Were this so, Asians too would score lower than whites and blacks on standardized tests because a larger share is foreign-born compared with Hispanics. In fact, white, black, Hispanic and Asian youth enter the school system at very uneven starting lines (Schneider, et al., 2005). This is clearly evident in the large differences in math and reading scores of minority and nonminority children upon arrival to the schoolhouse. Even before entering first grade, Asians outperform white kids, but especially blacks and Hispanics (Schneider, et al., 2005). These differences are not about linguistic diversity. Rather, the large social and economic gaps that exclude significant
numbers of minority students from the privileges enjoyed by most whites are the most serious obstacles to closing achievement gaps, notably living arrangements, poverty and access to quality schools.

The share of youth living with one parent more than doubled from 1970 to the present, and despite leveling off in the past decade 30 percent of children did not live with two parents as of 2003 (Annie Casey, 2005). Yet this overall change conceals large differences by race and Hispanic origin. In 1970, less than 10 percent of white children and just over one-in-four black children lived with a single mother. By 2003 22 percent of white children; 34 percent of Hispanic children and 62 percent of blacks lived with a single parent. Parent absence places youth at high risk of educational failure and behavioral transgressions largely because they are more likely to be poor (McLanahan and Sandefur, 1994; Stier and Tienda, 2001). Youth reared in poverty also are significantly more prone to scholastic underperformance and low educational attainment than youth reared in affluent families.

Trends in poverty are both encouraging and troubling. Apparently the robust economy of the late 1990s did more to reduce poverty than a decade worth of anti-poverty programs, and child poverty rates fell to their lowest level since 1975 (Annie Casey, 2005). Yet, racial and ethnic differentials in child poverty rates have proven quite resistant to change. In the mid-1970s, a black child was four times as likely as a white child to be poor and a Hispanic child three times as likely. Although the racial and ethnic gaps in child poverty narrowed slightly during the 1980s, absolute rates rose, especially for Hispanic youth. The up tick in child poverty after 2001 reveals the vulnerability of youth to economic cycles and the weak safety net on which the near-poor tread.
If all K-12 schools offered quality instruction, urban and suburban residence would merely reflect lifestyle choices. Unfortunately, this is not the case. Within states, the minority school-age population is disproportionately concentrated in large, central cities where the majority of the nation’s low-performing schools are located. Thus, it is noteworthy that the distribution of minority students among urban, suburban and rural schools has become more unequal over time. In 1970, 44 percent of urban students were either black or Hispanic; 30 years later, when one-quarter of the K-12 population was black or Hispanic, their share of urban school students climbed to 55 percent. In short, minority students are not only more likely to attend highly segregated schools, but also low performing schools.

These trends are corroborated by evidence of rising school segregation (Orfield and Lee, 2004; Reardon and Yun, 2001). In 2000, black and Hispanic students attended segregated schools where two out of three students were poor or near poor; moreover, 88 percent of the students attending hyper-segregated minority schools (i.e., with less than 10 percent whites) were poor, compared with only 15 percent of students attending equally segregated white schools (Orfield and Lee 2004). But even as minority youth become more suburbanized, their chances of enrolling in segregated schools are significantly higher than those of white youth. For example, Reardon and Yun (2003) show that schools located in southern metro counties were 40 percent less segregated than housing markets in 1990, but a decade later the schools were only 27 percent less segregated.
The pernicious effects of school segregation stem from its divisive class underpinnings, namely that schools where minorities are disproportionately concentrated are poorer, on average, than predominantly white schools. Resource poor schools have more unqualified teachers, offer more remedial courses and fewer advanced placement courses, hence their students—disproportionately black and Hispanic—fare poorly on standardized achievement tests and are less likely to graduate (Schneider, et al., 2005; Swanson, 2003). According to Christopher Swanson (2003:Table 7), graduation rates for central city high schools averaged 58 percent in 2001, compared with 73 percent for suburban schools.

The long term social and economic significance of population diversification depends crucially on changes in the educational attainment of students currently enrolled and those completing their education before 2030, by which time the U.S. age structure will begin to stabilize. Whether the large number of school-aged children today will be prepared to sustain the rising service needs of baby-boom retirees depends on the educational investments. As the following section shows, the news is both encouraging and disturbing.

III. Trends and Differentials in Educational Attainment

Based on the average number of years of school completed per capita (12.3 years) and the percent of the total population with college degrees—28 percent of persons ages 25 and over (Cox and Alm, 2001). This was not always so. At the turn of the 20th century only about 2 percent of the adult population completed college, and a scant 6 percent did
so in 1950 (Cox and Alm, 2001).\textsuperscript{3} If the U.S. leads in quantity of education, it doesn’t hold the top rank in quality of educational outputs. Despite higher expenditures per student, the U.S. is losing ground to industrialized nations based on students’ relative performance in math and science. Moreover, among the 30 OECD countries, U.S. college participation rates rank in the bottom half (Mortenson, 2005).

Aggregate trends in school attainment provide signs of hope because educational levels have risen steadily for all demographic groups during the period of diversification. However, recent trends also highlight vexing problems that bear directly on the social costs of an inadequate education: notably unacceptably high attrition during secondary school, persisting differentials in college enrollment, and widening differentials in college graduation. In particular, racial and ethnic gaps in non-completion of high school remain unacceptably high. Even as the white high school dropout rate was cut in half—from 15.5 to 7.7 percent between 1967 and 2000 and that of blacks was reduced by more than half, a five-point differential persists. This pales by comparison to the Hispanic-white differential in high school non-completion rates which hover around 28 to 30 percent after falling from 35 percent in the early 1970s. The annual high school dropout rate of Hispanics, which remains double that of non-Hispanic whites, represents a sobering policy failure, especially in light of the rapid growth of this population segment (Shin, 2005, Table D).\textsuperscript{4}

\textbf{Figure 8 about here}

\textsuperscript{3} OECD data lead to quite different conclusions, but they are not strictly comparable. According to Susan Dynarski (2005), 13 countries equaled or achieved the US educational benchmark and four nations are ahead—a marked change from 1991, when only Canada and Finland registered higher shares of young people with a college degree. In part, these discrepancies may be due to differences in the age band used for the comparisons as well as other methodological differences.

\textsuperscript{4} These dropout rates are optimistic by comparison to Swanson’s (2003) estimates based on the cumulative promotion index, which imply average drop-out rate of 32 percent. This ranged from around 50 percent for blacks, Hispanics and Native Americans to 25 percent for whites and Asians. See Table 3.
To some extent, population-based differences in educational attainment are exacerbated by the influx of immigrants with very low schooling levels. For example, about 87 percent of native-born persons ages 25 and over have at least a high school diploma compared to 67 percent of the foreign born (Shin, 2003: Figure 7). Although the shares of college graduates are quite similar between native and foreign born adults, this result reflects the high attainment levels of recent Asian immigrants (87 percent). Only 38 percent of foreign-born persons from Mexico and Central America completed high school. Thus, evidence that slightly more than half of all Mexican and 44 percent of other Hispanic immigrant youth failed to graduate from high school in 1996 implicates immigration as the key explanation for race and ethnic differences, but this is not the full story, and not even be the main story. The drop-out rates of second and third generation Hispanics indicate that factors besides foreign birth are responsible for their low high school graduation rates.

**Figure 9 about here**

Parental education is essential to promote educational success because it drives expectations parents set for their children and resource investments to promote their offspring’s achievement. Yet, this is not amenable to policy levers. The burgeoning Hispanic school-age population is clearly the most disadvantaged in this regard: only 10 percent of Hispanic youth have college-educated fathers—a share barely changed since 1974. By contrast, one-in-three white youth have college-educated fathers, as do half as many school-aged blacks (NCES, 2000). Data for mothers tells the same story, except that the scenario is even bleaker because compared to fathers, fewer mothers have college degrees. To what extent low levels of parental education will slow inter-generational
mobility in the future is as yet unknown, but the consequences of not closing racial and
ethic education gaps are unambiguous. The policy challenge, then, is to provide
educational opportunities for low income youth in order to weaken the link between
social class and minority group status.

Therefore, and in light of the changing demography of the school-age population,
improvements in high school and college graduation rates are heartening; yet, persisting
differentials are worrisome because they imply intergenerational reproduction of
inequality over time. Using time as a metric, as of 2000, the Hispanic high school
graduation rate was almost three decades behind that of whites. In that year, 59 percent of
Hispanics ages 25 and over achieved high school diplomas whereas 55 percent of whites
did so back in 1970. If unskilled immigration aggravates Hispanics’ educational
attainment gap, it doesn’t explain why shares of Native Americans and African
Americans with high school diplomas trailed whites by over a decade through the
beginning of the 21st Century.

**Figure 10 about Here**

In higher education, likewise, there is much progress to celebrate. College-going
rates are at an all-time high for every demographic group and the number of post-
secondary institutions available to promote this trend continues to grow. Despite
steady gains, race and ethnic differentials in college gaps are even more dramatic. Only
10 percent of Hispanics ages 25 and over were college graduates in 2000, a rate

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We combine blacks and Hispanics versus others for these calculations both to provide more conservative estimates of the potential minority demographic dividend, but also because we wish to compare the two educationally disadvantaged groups with others. Not only are Asians not educationally disadvantaged, on average, but their average attainment exceeds that of whites by a considerable margin. Because their numbers are small, however, our inferences would not be altered if they were added to the minority population.
comparable to whites 30 years before. In that year Native Americans trailed whites almost three decades and blacks were over two decades behind whites in their college-graduation rates. Asians are the most highly educated of U.S. racial groups, with 44 percent achieving baccalaureate degrees as of 2000 compared with only 27 percent of similarly aged whites.

Although the college-educated population also is more diverse now than ever before, today’s college graduates look like the US population did in 1970, with whites comprising 82 percent of degree recipients. The key difference is that Asians, who made up a tiny share of the 1970 population and roughly 4 percent of the 2000 population, represent 7 percent of degree holders today. African Americans represent only 6 percent of college graduates—less then half their population share and Hispanics comprise only 4 percent of the college-educated, or about one-third their population share. I am not suggesting that proportionality should be used as a measure of social justice, but rather that these disparities will likely widen as the minority share of young cohorts continues to rise.

In fact, these cross-section, population based comparisons understate Hispanics’ educational progress because they include large numbers of immigrants who never studied in the United States. That is, while Asian immigration adds to the college-trained population, newcomers from Latin America mainly add to the population segment lacking high school degrees. Population comparisons also conflate the changing educational attainments of successive cohorts by averaging lower attainments of older generations with the higher achievements of successive cohorts (Smith, 2003). Still, the
pattern of differentials is relatively similar if the focus is restricted to a young cohort—such as persons aged 25-34, or a cohort of recent graduates.

Comparisons in educational attainment across “generations” better portray educational progress. Census data provides an approximate measure of generational status, where foreign-born represent the first generation; the native-born of foreign-born parents the second generation; and native-born of native born parents third and higher order generations. This metric provides strong evidence of educational progress, as Hispanics more than doubled their college enrollment rates between the first and second generations from 12 to 28 percent. Still, second-generation Hispanics are only half as likely as their Asian and black generation counterparts to enroll in college in 2000. This disparity could be magnified in the future because children of Hispanic immigrants are the fastest growing segment of the youth population. Thus, despite clear evidence of educational progress among second generation Hispanic youth, the continued educational advancement of Asian, white and black students results in larger college enrollment gaps over time.

**Figure 11 about Here**

In large measure differentials in college enrollment rates reflect socioeconomic differences—mainly disparities in parental education—but also values that make educational attainment a priority for both parents and their children. Even among low SES families, almost 80 percent of Asian youth enroll in college, compared to about 30 to 40 percent of others. At the other extreme of the SES distribution, college enrollment is not differentiated among whites, Hispanics and Asians, although high SES blacks are significantly less likely to enroll in college than their high status white, black or Asian
counterparts. These differentials indicate that for Hispanics, ameliorative policy measures—such as race sensitive admissions and policies that ameliorate the financial burden of college will likely narrow the college enrollment and graduation gaps vis-à-vis whites (McPherson and Shapiro, 2003). Mortenson (2005) argues that policy choices made in the late 1970s redirected financial aid away from the neediest students toward those in middle income groups, and eventually upper income students. Furthermore, the enrollment disparities among the high status groups suggest that a one-size-fits all policy may not have uniform effects on blacks and Hispanics from disadvantaged backgrounds.

**Figure 12 about here**

Although it is common to blame slow improvement in Hispanic’s high school and college graduation rates to the drag of low-skill immigration, this deflects attention from inadequate investments in educational institutions. The large immigrant-receiving states are instructive because of their young age structures and rapid demographic growth rates, yet their experiences were far from uniform. A few illustrations dramatize these points while strengthening my case about the urgency of harnessing the demographic bonus via educational investment.

Reflecting the baby boom “echo,” the number of high school graduates nationally increased 19 percent between 1994 and 2004, but this average conceals wide variation across states. Despite their elevated high school drop out rates, demographic increase has resulted in larger cohorts of high school graduates. In both California and Florida the number of high school graduates increased 32 percent from 1994 to 2004, and 40 percent in Texas—double the national average. By comparison, the growth in New York’s high school graduates was a modest 8 percent.
The sizable growth in the college-eligible population is projected to slow over the next decade, as the children of baby boomers move through the educational pipeline. Nationally the number of high school graduates is projected to grow a meager three percent between 2004 and 2014, and many states will witness shrinking cohorts of high school graduates within the next 10 years. Immigrant-receiving states are notable exceptions: the number of high school graduates in California, Texas and Florida are projected to increase 7, 13, and 22 percent, respectively, between 2004 and 2014. Based on demographic projections and current completion rates, New York State is positioned for a decline in the number of high school graduates. This case attests that the window of opportunity to capitalize on the large number of youth will close soon, as the age structure stabilizes in line with the contours of stable population growth.

In fact, neither Texas nor California made sufficient investments in post-secondary education to keep pace with growth in the college-eligible population. Given the changing composition of demographic growth, it is not surprising that opposition to affirmative action was particularly vitriolic in these states. Texas’ experience provides an apt illustration of the point. Although college enrollment in the State also increased, the expansion of post-secondary opportunities fell well below demand, particularly at the 4-year institutions. Between 1994 and 2004, enrollment in Texas post-secondary institutions rose 27 percent, including both 2- and 4-year institutions. This is above the national trend, but still well below the 40 percent increase in the number of high school graduates. One can only imagine the college squeeze if Texas did not lose 25 to 50 percent of its high school students before graduation.
But, Texas is distinctive in an important respect—the expansion of 2-year rather than 4-year institutions drove the growth in college enrollment during the period under consideration: 37 percent versus 19 percent for 4-year institutions. Nationally, growth of 2 and 4-year enrollment was more uniform. The guarantee of automatic admission coupled with uneven expansion of two- and four-year institutions heightened competition for admission to the most selective public institutions. The diversification of the college-age population added complexity to the college squeeze that was unfolding even before race-sensitive admissions were replaced by the uniform admission plan. But for students denied admission, the devil has a name—either affirmative action or the top 10% law. Educational underinvestment is seldom invoked as the culprit for the rising number of applicants denied admission to a four-year institution in the State.

IV. Reaping the Demographic Bonus in an Aging White Society

With fertility declining throughout the world, including the large immigrant sending nations, the window of opportunity to capitalize the demographic bonus is time-bound. We risk our own future by not reaping the potential dividends of the modest age bubble attributable to above replacement immigrant fertility. To a significant degree the future significance of population diversification depends crucially on the educational experiences of school-age cohorts who are far more diverse than the baby-boom cohorts approaching retirement. Specifically, the next 25 years period represents a window of opportunity to insure the future by capitalizing the demographic bonus afforded by the
modest age bulge, namely the school-age cohorts currently between the ages of 5 to 19. Thereafter, the demographic bonus will fade as fertility decline shrinks cohort size.

Figure 15 maps diversification on to the changing age structure resulting from projected fertility decline and immigration retrenchment. In the year 2000, just over half of the U.S. population was between the working-ages of 25 to 64, but whites outnumbered minorities by a ratio of 3.5:1; at the post-retirement ages, the white-minority ratio was 10:1.6 Through population aging, the working-age population is projected to fall to 48 percent by 2030, with the white-minority ratio falling to about 2:1. By that year, the retirement-age population will approach 20 percent, of which the vast majority will be white. For rapidly growing states like Texas, the potential demographic dividend is even greater, the time-line a bit longer, but so too is the risk of underinvestment.

**Figure 15 about here**

Whether the growing youth population will contribute to economic productivity or become a drag on social resources hinges crucially on policy decisions to bolster educational investments, including broadening access to higher education for under-represented groups and improving educational outputs based on math and reading scores; high school graduation rates; and college graduation. As Preston (1984) pointed out in his presidential address before the Population Association of America, declining fertility and population aging could produce a collision course in social investment priorities and dramatically alter the profile of economic well being by age, especially if transfers from workers to the elderly come at the expense of children.
There are several mechanisms through which this scenario can operate. One is the social security income transfer from workers to retirees. Currently it takes nine minimum-wage or one highly paid workers to cover the cost of the average Social Security benefit (Burns, 2004). Another mechanism is in relative public expenditures for the young and the old. An analysis of trends in social spending from 1980 to 2000 revealed a growing gap between children and the elderly, partly because most programs serving the elderly are federal and universal while most children’s programs are state-based, and with the exception of public education, means-tested (LDI, 2004). Elderly social benefits averaged $15.4 thousand per capita in 1980 compared with $4.4 thousand for children; by 2000 average expenditures rose to $19.7 and $6.4, respectively, with medical costs driving the public program costs for the elderly (LDI, 2004). A recent estimate shows that elderly per capita expenditures on health exceed those of the population under age 65 by a factor approaching four; children, on the other hand, spend the least on health care (Keehan, et al., 2004). The ballot box is the ultimate resource available to the elderly, but not the young, to protect their interests.

Diversification adds another layer to the social tension between the old and the young, but this need not be so. On grounds of social justice and fairness, one can argue that increasing educational investment will serve broad democratic and social goals by promoting individual social mobility and economic development (Cox and Alm, 2004). As the recent affirmative action backlash attests, use of race-sensitive criteria to equalize higher educational opportunity meets with formidable resistance from opponents who claim that meritocratic principles are compromised in a mindless pursuit of proportionality. For example, the 1996 judicial ban on the use of race-sensitive criteria in
college admissions in Texas is very telling about why diversity challenges commitment to equity and how attention is easily deflected from basic causes, such as underinvestment in higher education, to symptoms, such as preferential access.

Lauded as a race neutral alternative to affirmative action, the top 10% plan has resurrected vitriolic debate about what constitutes academic merit. Rather than target low standardized test scores as criteria to disqualify minority students, the current target is underperforming schools. Evidence from the Texas percent plan demonstrates that weighting class rank while ignoring test scores actually does qualify a broader cross-section of students for college, who outperform their lower ranked counterparts with test scores 200 – 300 points higher. That the greatest expansion of higher education in the State has involved in 2-year colleges explains the growing dissatisfaction with the percent plan. The basic problem is underinvestment in education; the solution is investment in education. Yet, the blame for inadequate educational opportunity has fallen on the admissions criteria.

Educational investment also makes good economic sense, both for individuals and for the nation. Today, more than ever before, higher education is necessary to harness the demographic dividend afforded by the continued infusion of young people into an aging population. In a globalized world population diversification represents a form of asset diversification, with dividends depending on investment portfolios. But continuing their current course, racial and ethnic differentials in educational attainment will undermine social and economic integration prospects of recent immigrants and their children, and forgo the potential demographic dividend stemming from the baby boom echo and above-replacement fertility of foreign-born women.
Trends in college attendance have profound implications for the future contours of inequality and long term prospects for equalizing educational opportunity, especially in light of the changing demographic composition of the college-age population. Unless policy strategies are successful in weakening the link between group membership and pathways to social mobility, we risk reifying class divisions along race and ethnic lines, short-circuiting our ability to maintain our international competitiveness.

There is no room or time for complacency if the United States is to retain its competitiveness in face of rising competition from billionaire China; rising to this monumental challenge requires a highly skilled labor force. The window of opportunity to harness the demographic dividend is closing; unlike developing countries with high youth dependency rates, the U.S. has the economic resources to make the necessary investments.
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