

COLLEGE IS WORTH IT FOR PERSONS FROM LOW-INCOME BACKGROUNDS

College by itself is not “the solution” to income inequality problems, but the career earnings returns to college are still quite high for many disadvantaged groups

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In a [New York Times op-ed on May 17](#), Boston University journalism professor Ellen Ruppel Shell cited our research on the career earnings returns to college for individuals who grew up in families of different incomes. The op-ed draws the wrong conclusions from our research and omits some of our most crucial findings.¹

The op-ed is entitled “College May Not Be Worth It Anymore”. The New York Times’ sub-head promoting the op-ed says, “For the poor, higher education may hurt more than it helps.”

In contrast, [our research](#) finds that the earnings returns to college are still high for many lower-income and disadvantaged groups. While college may not do as much to reduce income inequality as some might hope, the poor and racial minorities still benefit a great deal from completing college.

In the body of the op-ed, Professor Shell cites our research as saying that “for Americans born into middle-class families, a college degree does appear to be a wise investment.” She goes on to cite our research as saying that “for those born into poverty, the results were far less impressive,” which could be interpreted as saying that college for this group is not a wise investment.

But we do find that college is a wise investment for many low-income groups. The main focus of our [March 2018 working paper](#) on this topic is to compare the career earnings returns to a college degree for individuals who grew up in two different family income background groups: those below 185% of the poverty line and those above 185% of the poverty line. This 185% threshold is used to determine a K-12 student’s eligibility for a free or reduced-price lunch, and this cutoff is often used to target educational investments or evaluate how education policies affect different income groups.

For persons who grew up in families below 185% of the poverty line, we find that a four-year college degree, compared to a high school degree, increases career earnings on average by 71%. A 71% return is a hefty return, and a wise investment.

It is true that for persons from upper-income families, above 185% of the poverty line, the career earnings returns to a 4-year college degree are almost twice as great, at 136%. Therefore, college doesn’t do as much to equalize the income distribution as one might hope. But that is far different from saying that the poor are worse off from attending and completing college.

Our working paper also looks at how college returns differ for other family background income groups. For those growing up in poverty—below 100% of the poverty line—we find an “above-average” college earnings return of 179%.

The biggest contrast in percentage earnings returns to college is between an “upper-income” family background group, greater than 400% of the poverty line, and a “near-poor” family background group, between 100% and 200% of the poverty line. The upper-income group has a 129% return to college, whereas the near-poor group has only a 48% earnings return to college. It is the near-poor group that has lower returns to college (but far above zero!), not the individuals growing up in poverty.

Our research also calculates career earnings returns to college for blacks. For blacks born into lower income backgrounds (less than 185% of the poverty line), the returns to college are 173%, which is almost as large as the 179% for blacks born into non-lower-income families (above 185% of the poverty line).

The op-ed says that we “don’t speculate” about the possible causes of our findings. But we have speculated, both in our [March 2018 working paper](#) and in the [2016 Upjohn Institute newsletter article](#) that Professor Shell quotes.

In our exploration of possible causes of our research findings, we report that the differential returns to college for persons from different income backgrounds occurs only for men, not for women, and only for whites, not for blacks.

In addition, the differential *average* returns to college for persons from different income backgrounds aren’t driven by typical college graduates from each income background, but by graduates from higher-income backgrounds who end up very high in the adult earnings distribution. Put differently, if were to rank all individuals by their lifetime earnings, the differential college returns we find are completely driven by the top quarter: the differential return begins to be evident at the 75th percentile of the earnings distribution, and becomes particularly marked above the 95th percentile.

Our speculative conclusion, from our 2016 newsletter article: “This handicap for individuals from lower-income backgrounds is driven largely by differential access to the upper tail of the earnings distribution.” Our 2018 working paper goes on to state “College graduates who come from high-income families (400 percent or more of the poverty line), particularly men and whites..., have a much higher chance of accessing the top of the earnings distribution than otherwise similar individuals who come from poorer families.”

In sum, we strongly disagree with the op-ed’s implicit conclusion, that college is not worth it for various disadvantaged groups. Our research does not support that conclusion. College has good returns for groups from lower-income backgrounds, and has particularly high returns for those from poverty backgrounds and for African-Americans.

What is true is that college by itself is far from enough to overcoming the problems the United States has with earnings and income inequality. That is the main point of our research: college doesn’t do as much as we would like, in an ideal world, to help reduce income inequality. Other policies affecting earnings and economic opportunity are also needed.

But college still pays off for individuals from disadvantaged backgrounds. And, as we have argued in other research ([Bartik, Hershbein, and Lachowska, 2017](#)), promoting greater access to college, for example through place-based scholarships such as the Kalamazoo Promise, can have very favorable benefit-cost ratios for lower income groups and racial minorities.

Greater access to college for disadvantaged groups is part of the solution to broadening prosperity. It is not the entire solution. As with other complex serious problems, multiple policies with many components are needed.

ⁱ There also are some other misinterpretations of our research in the op-ed. First, the op-ed cites our research as looking at the poor versus the non-poor, whereas our focus is below and above 185% of the poverty line. Second, the op-ed cites some of our findings as applying to males, whereas the cited findings include both genders. Third, the op-ed appears to rely on a [February 19, 2016 article](#) that Brad Hershbein wrote for Brookings at an early stage of our research, which used quadratic earnings equations to calculate career earnings. We have since refined the numbers to look at actual earnings for different age ranges, which is a better method, and get different and more accurate career earnings projections. Professor Snell uses a quote from our [2016 Upjohn Institute newsletter article](#), by which time we were already using the updated numbers, but does not then use the updated numbers.