

Left Behind

Unequal
Opportunity
in Higher
Education

A CENTURY FOUNDATION GUIDE TO THE ISSUES



Left Behind

Unequal Opportunity in Higher Education

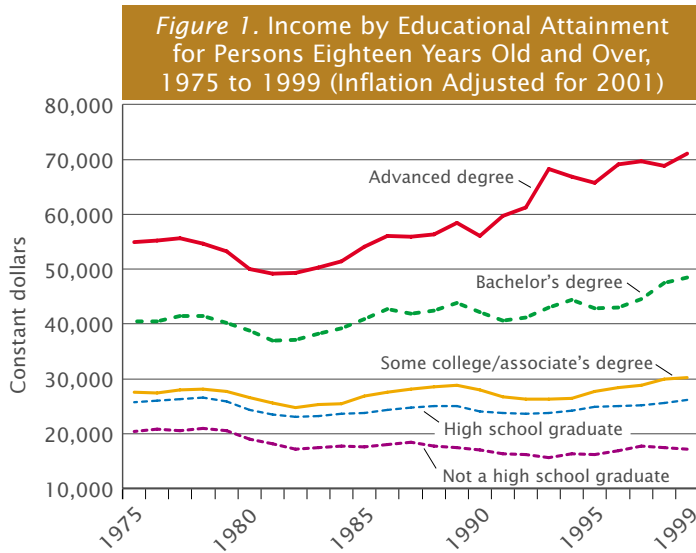
The 1965 Higher Education Act, which is slated to be reauthorized later this year, has sought to ensure that no student would be denied a college education because of his or her financial condition. President Lyndon B. Johnson set out the ambitious goal that “a high school student anywhere in this great land of ours can apply to any college or any university in any of the fifty states and not be turned away because his family is poor.”¹

Today, almost forty years later, America has failed to make good on that promise of equal opportunity. The benefits of having a college education are greater than ever, but low-income students continue to lag in three major areas: their college enrollment rates are low; their degree completion rates are low; and their enrollment and graduation rates from selective colleges are particularly low.

The Benefits of College Are Greater than Ever

The fact that greater educational attainment brings significant financial rewards is truer today than ever, as Figure 1 shows (see page 2). While it was an advantage to have more education in the mid-1970s, the premium associated with educational attainment has grown significantly over time.

1. Lyndon Baines Johnson, quoted in A. Clayton Spencer, “Policy Priorities and Political Realities,” in Donald E. Heller, ed., *Condition of Access: Higher Education for Lower Income Students* (Westport, Conn.: American Council on Education and Praeger Publishers, 2002), p. 166.



Source: U.S. Census Bureau Web site, www.census.gov/population/socdemo/education/tableA-3.txt.

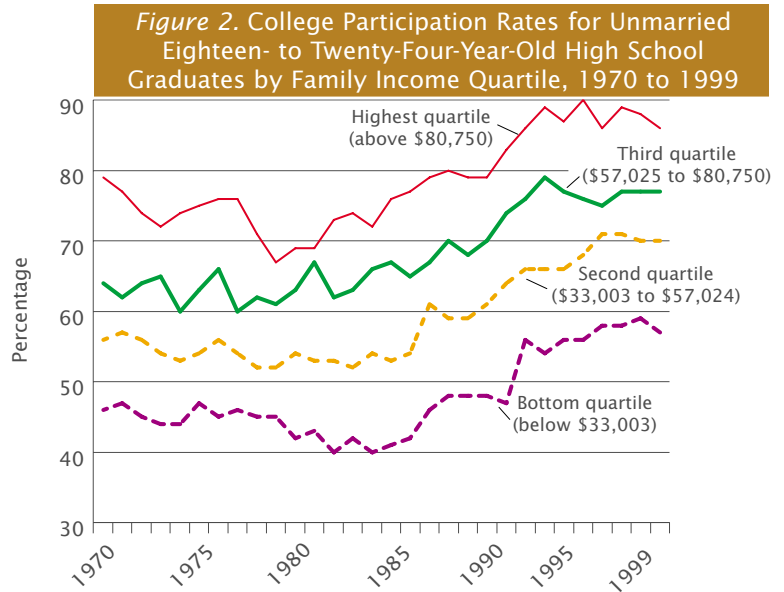
The income for high school graduates between 1975 and 1999 was flat, while the income of those with bachelor's degrees rose substantially and the income of those with advanced degrees skyrocketed.

Which college a student attends also matters. While community colleges are advertised as gateways to four-year colleges, less than one-tenth of community college students ultimately receive a bachelor's degree. Among the universe of four-year colleges, attending a top-tier institution provides recipients with a wage premium of 5 percent to 20 percent, representing the value added from attending a competitive school (controlling for initial ability). Even studies that find a small wage premium on average show that low-income students gain disproportionately from attending more selective schools.

College Enrollment Varies by Income

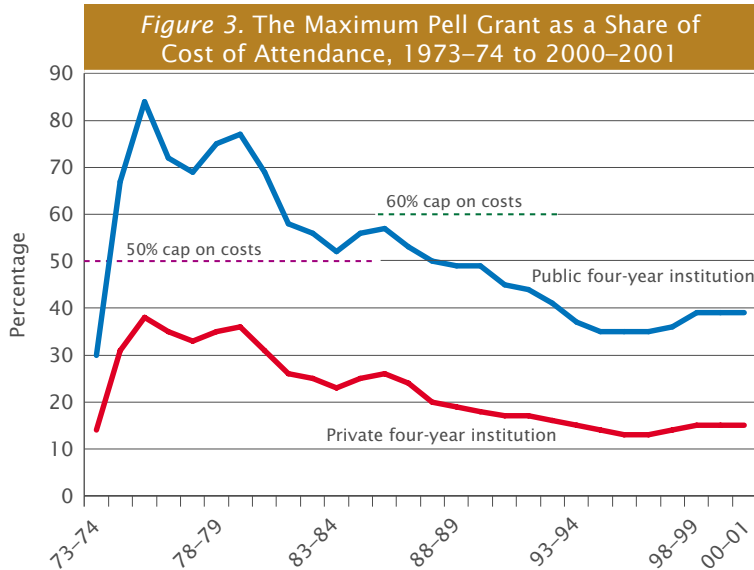
While the benefits from education have increased, low-income students continue to enroll in college at much lower rates than other students. As Figure 2 indicates, among unmarried eighteen- to twenty-four-year-old high school graduates, students from families in the highest income quartile participate in college at nearly a 90 percent rate, while those from the bottom quartile participate at a less than 60 percent rate. At four-year institutions, two out of every three students from the wealthiest quartile enroll within two years of high school graduation, compared with one student in five from the bottom socioeconomic quartile.

Part of the problem is that public policies have tilted funding away from low-income and working-class students to more economically advantaged students who would likely go to college with or without government aid. The central federal program supporting low-income students is the Pell Grant.



Source: Tom Mortenson, *Postsecondary Education OPPORTUNITY* (Oskaloosa, Iowa), April 2001, p. 5, based on U.S. Census Bureau data.

Some 90 percent of benefits for dependent Pell Grant recipients go to families with incomes below \$41,000.² And yet, federal policies have allowed the purchasing power of the maximum Pell Grant to fall precipitously from 1970s levels, as Figure 3 demonstrates.



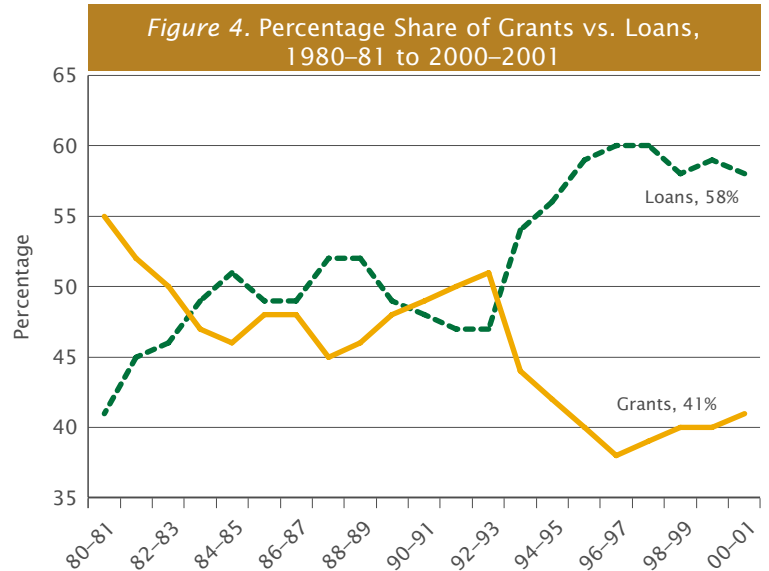
In the mid-1970s, the maximum Pell Grant for low-income and working-class families covered nearly 40 percent of the average cost of attending a four-year private college; now it covers about 15 percent. Among public four-year colleges, the maximum Pell Grant covered nearly 60 percent of total costs in the mid-1980s, but it covers only about 40 percent today.

Note: Until 1986, the Higher Education Act limited the Pell Grant award to no more than 50 percent of a student's cost of attendance. That limit was increased to 60 percent from 1986 to 1992, and thereafter it was removed altogether.

Source: The College Board, *Trends in Student Aid 2001* (New York: College Board, 2001), p. 13.

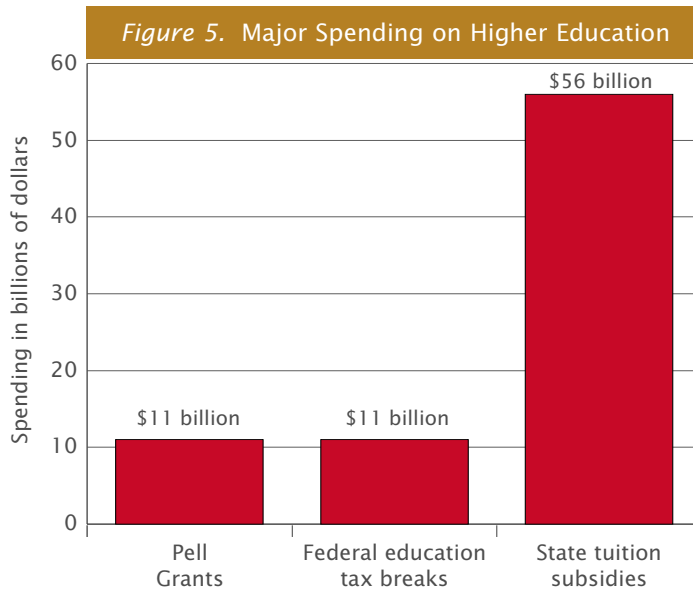
2. Donald E. Heller, "Pell Grant Recipients in Selective Colleges and Universities," Appendix, in Richard D. Kahlenberg, ed., *America's Untapped Resource: Low-Income Students in Higher Education* (New York: Century Foundation Press, 2004), p. 159.

Increasingly, federal resources have shifted away from grants for the poor to loans often benefiting the middle and upper-middle class. Whereas twenty years ago the federal mix was 55 percent grants and 41 percent loans, today the reverse holds true, with loans accounting for 58 percent and grants 41 percent (see Figure 4). Because only about one-quarter of Americans hold a bachelor's degree, the subsidy provided to upper-middle-class students who could otherwise afford to attend college essentially constitutes a transfer of wealth from the general public to a small elite.



Source: The College Board, Trends in Student Aid 2001 (New York: College Board, 2001), p. 13.

Pell funding, which was once thought of as the mainstay of aid policy, has been dwarfed by other, less-targeted forms of aid. Federal education tax breaks, which benefit mostly the middle and upper-middle class, have ballooned in the past decade to an \$11 billion entitlement, now on a par with the entire Pell Grant program. Meanwhile, state subsidies to higher education, which keep tuition low for all students, poor and middle class alike, total more than \$50 billion (see Figure 5).



Source: Richard D. Kahlenberg, ed., *America's Untapped Resource: Low-Income Students in Higher Education* (New York: Century Foundation Press, 2004), pp. xv, 57, 85, 177n4.

Loans stand at roughly \$40 billion, though most are repaid and the annual cost to the government is roughly \$2 billion.³

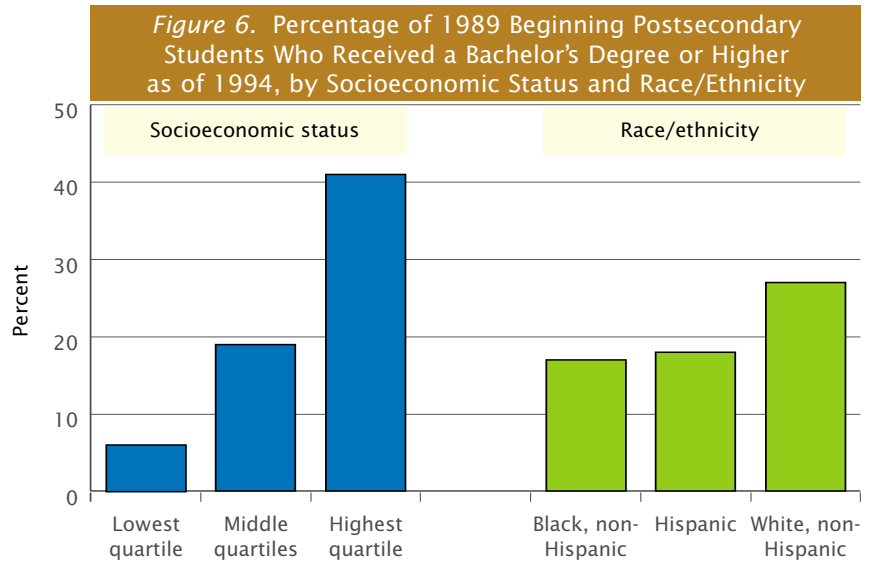
Meanwhile, colleges are beginning to act less like nonprofit educational institutions and more like market players, using financial aid as a way of attracting talented students away from competitors rather than as a method of helping those who need it most.

3. Kahlenberg, *America's Untapped Resource*, pp. xv, 56.

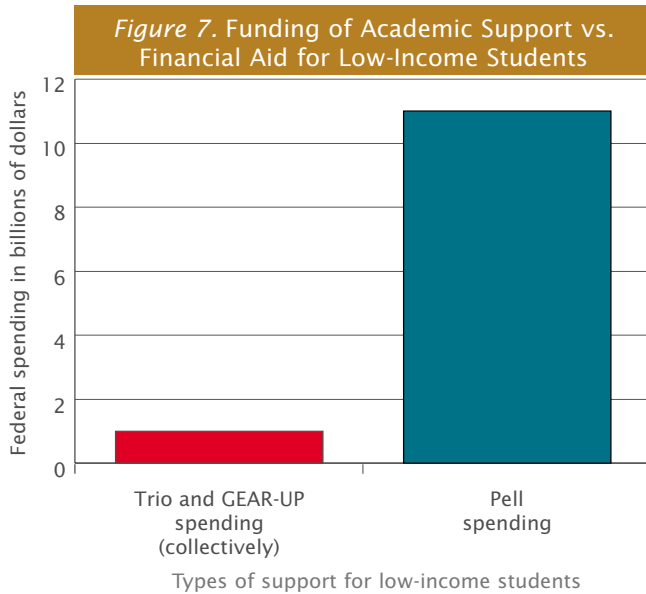
College Completion Varies by Income

While low-income students are less likely to enroll in college, those who do manage to do so are less likely to graduate than their middle-class peers. As Figure 6 indicates, low-income and minority students are considerably less likely to receive a bachelor's degree or higher five years after entering college than wealthy and non-Hispanic white students.

The low completion rates of low-income students reflect in significant measure lower levels of academic preparation. Low-income students are less likely on average to receive a high quality K–12 education, and the two federal programs that seek to improve the academic preparation and persistence of low-income students in secondary and tertiary education—Trio and Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)—receive little financial support. Trio—which since 1965 has established higher education



Source: National Center for Education Statistics, *Descriptive Summary of 1989–90 Beginning Postsecondary Students: 5 Years Later* (Washington, D.C.: U.S. Department of Education, May 1996), Table 1.3, p. 34.



Source: Richard D. Kahlenberg, ed., *America's Untapped Resource: Low-Income Students in Higher Education* (New York: Century Foundation Press, 2004), pp. 83, 177n4.

information centers in poor communities, identified talented low-income high school students, and provided mentoring and advice—remains a demonstration project, reaching only 10 percent of those eligible.⁴ As Figure 7 shows, GEAR-UP, which since 1998 has sought to build on the Trio idea to create mentoring and tutoring partnerships between colleges and businesses and middle schools with high rates of poverty, receives less than 5 percent of the resources devoted to the Pell program—which itself is underfunded.⁵

Spending on Trio and GEAR-UP combined totals about \$1 billion, compared with the \$11 billion that is devoted to Pell Grants.

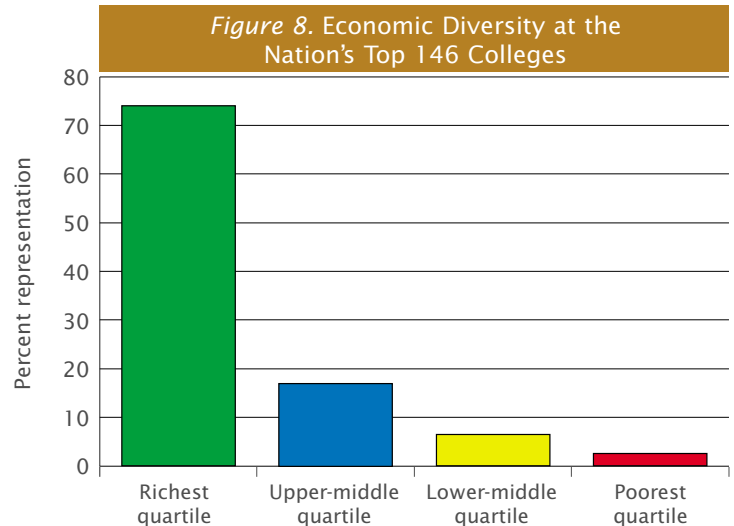
4. *Ibid.*, p. 81.

5. *Ibid.*, pp. 64, 177n4.

Low-Income Students Are Particularly Underrepresented at Selective Colleges

The underrepresentation of low-income students in higher education is particularly pronounced at the nation's most selective colleges. As Figure 8 shows, 74 percent of students at the nation's top 146 colleges come from the richest socioeconomic quartile and just 3 percent come from the poorest quartile. Put differently, one is twenty-five times as likely to run into a rich student as a poor student at the nation's top 146 colleges.

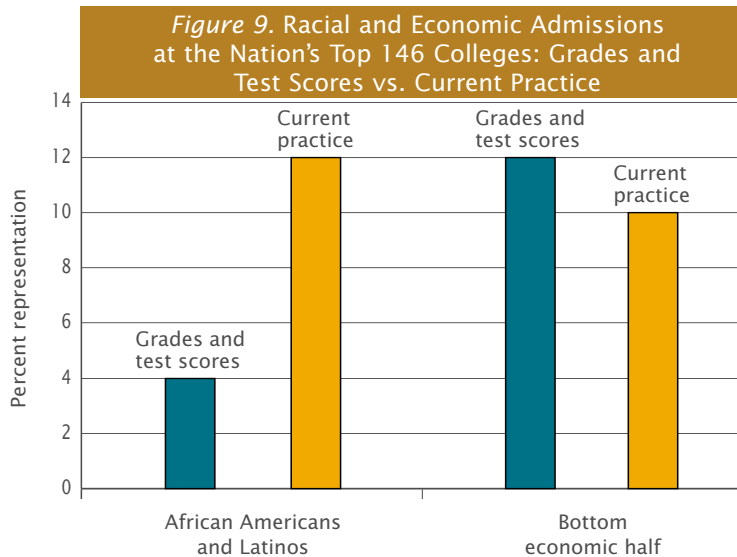
Many colleges say they already provide admissions preferences to low-income students, but the evidence suggests otherwise. Racial preferences boost enrollment from 4 percent African American and Latino under a system of admissions based strictly on grades and test scores to 12 percent currently, tripling their representation at elite colleges. If economic preferences were comparable to those provided for race, they should boost the bottom economic



Source: Anthony P. Carnevale and Stephen J. Rose, "Socio-economic Status, Race/Ethnicity, and Selective College Admissions," in Richard D. Kahlenberg, ed., *America's Untapped Resource: Low-Income Students in Higher Education* (New York: Century Foundation Press, 2004), Table 3.1, p. 106.

half from a 12 percent representation (using grades and test scores) to something like 36 percent. In fact, the bottom half currently does marginally worse than it would under admissions based on grades and test scores, accounting for just 10 percent of students, as Figure 9 demonstrates.

Some universities say they would like to admit more low-income and working-class students but do not because such students would not be academically prepared to



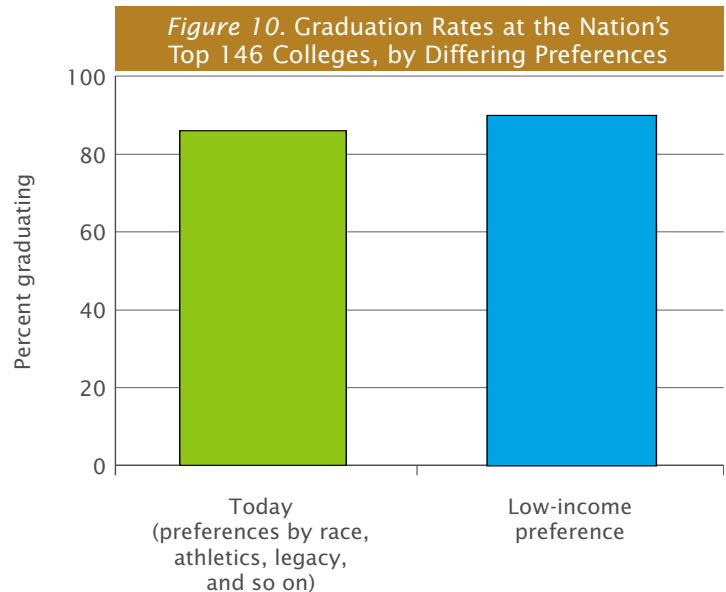
succeed in a competitive environment. In fact, research shows, if students were admitted based on grades and test scores, with a preference for economically disadvantaged students, graduation rates at the top 146 colleges would be slightly higher than they are among the current student body. Students currently admitted based on academic standing and a variety of preferences (athletic, legacy, geographic, race, and so on) graduate at an 86

Source: Anthony P. Carnevale and Stephen J. Rose, "Socio-economic Status, Race/Ethnicity, and Selective College Admissions," in Richard D. Kahlenberg, ed., *America's Untapped Resource: Low-Income Students in Higher Education* (New York: Century Foundation Press, 2004), p. 144.

percent rate. Using a preference for low-income students instead would yield a graduation rate of 90 percent, as Figure 10 shows.

Conclusion

Low-income students are ill served in America's higher education system in almost every respect: general enrollment rates, general graduation rates, and enrollment and graduation from elite colleges. As presidential candidates debate how to improve equity in higher education and Congress and the administration work to reauthorize the federal Higher Education Act, attention should be focused on America's untapped resource—the low-income students Lyndon Johnson said should have an equal opportunity to attend any college in the land—for their sake and for ours.



Source: Anthony P. Carnevale and Stephen J. Rose, "Socioeconomic Status, Race/Ethnicity, and Selective College Admissions," in Richard D. Kahlenberg, ed., *America's Untapped Resource: Low-Income Students in Higher Education* (New York: Century Foundation Press, 2004), pp. 143, 151.

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