CONSEQUENCES • CHILD CARE AND EDUCATION

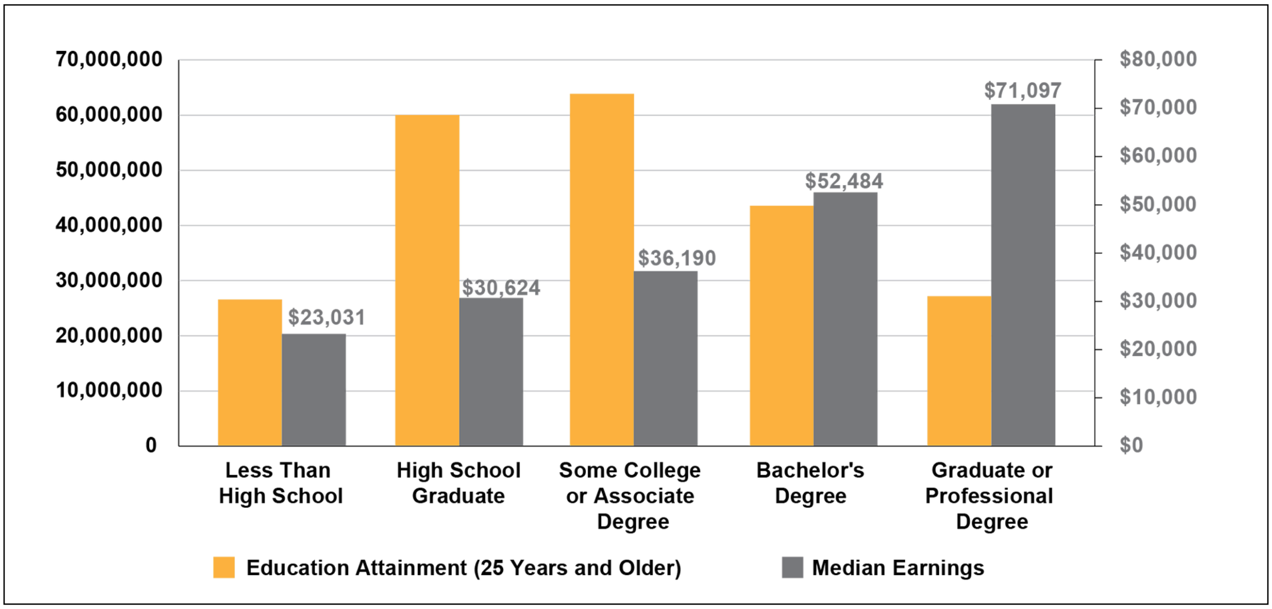
IMPACT ON ALICE • HIGHER EDUCATION

Income is highly correlated with education level. Nationally, the difference in lifetime earnings between high school graduates and those who hold a bachelor's degree is estimated to be $830,800. Yet higher education is out of reach for many Americans. About 70 percent of low-income students attend college immediately after high school, compared to 80 percent of children from high-income families.[43]

Students in ALICE families encounter numerous obstacles to attaining higher education, including:

- Affordability of tuition, housing, books, supplies, transportation, and "hidden costs" such as technology and college fees
- Difficulty navigating financial aid and other available resources
- A steep educational, institutional, and social learning curve, especially for first-generation college students
- Limited geographic mobility (students may not be able to move away from home to attend college, even if accepted) [44]
- Inadequate K-12 preparation (deficiencies in core areas, such as reading, writing, and math)
- Balancing work and study (if students need to work to make ends meet)
- Physical, emotional, and cognitive effects of debt [45]

Education Attainment and Median Annual Earnings, U.S., 2017



Source: American Community Survey. (2017). *1-, 3-, and 5-year estimates*

What do families do if they can't afford college?

▼ Not Attend College

While more students from low-income families are going to college, they still lag behind students from wealthier families. Among recent high school graduates from families earning below $30,000 per year, 63 percent enrolled in a college in 2016, compared to 82 percent of students from families earning above $100,000 per year.[46] And for many ALICE families, college is still completely out of reach.

Consequences

Lower lifetime earnings: The difference in the net lifetime earnings of a high school graduate versus a high school dropout in the U.S. is more than $305,000.[47] Men with bachelor's degrees earn approximately $900,000 more than male high school graduates ($630,000 for women with bachelor's degrees). The cost of not attending college is greater for young adults today than it has been in the past:[48]

- 1965: College graduates earned 15 percent more than high school graduates
- 1995: College graduates earned 36 percent more than high school graduates
- 2013: College graduates earned 51 percent more than high school graduates

Increased financial hardship: Young adults entering today's labor force without a college degree face increasing levels of financial hardship. In 2017, 25 percent of people aged 25 and older with no high school diploma lived in poverty, compared to 13 percent of high school graduates and 5 percent of people with a bachelor's degree or higher.[49]

Poorer health in the future: Not completing college — which leads to both less income and more stress — has been linked to poor health outcomes.[50]

Loss of educational advancement for parents: ALICE parents who are also students risk leaving college with no degree; 53 percent of parents, compared to 31 percent of nonparents, leave college with no degree after six years.[51] Parents in college face additional challenges:

- Increased expenses due to college tuition
- Increased demands on time for work, study, and parenting
- Difficulty finding child care on or near campus (one study found that over half of parents attending school full time relied on family members to provide child care)[52]

▼ Work or Take out a Student Loan

Increasingly, students work while attending college. In addition, more students take out a student loan to pay tuition.[53]

Consequences

Not enough money for basic needs: The majority of students who experience food insecurity (68 percent), housing insecurity (69 percent), and homelessness (67 percent) work, and typically work more hours than other students.[54]

Increased debt: Student loan debt is often a reason young adults become ALICE. Two out of three students (65 percent) who graduated from public and private colleges in 2017 had student loan debt and owed an average of $28,650 (ranging from $18,850 in Utah to $38,500 in Connecticut).[55]

Increased likelihood of dropping out: Cost is the number one reason students drop out of college. Either they cannot work enough hours or borrow enough money, or the stress of working and studying becomes too much to manage.[56]

Impact on credit rating: With high loan default rates, students can jeopardize not only their current financial status but their future ability to borrow and save. Nationally, there are 8.9 million federal loan recipients in default — a record high — with an additional 1 million student borrowers defaulting each year. Graduates from low-income families are five times more likely to default on their student loans than higher-income graduates.[57]

Increased mental and physical health problems: Inability to repay student debt can lead to increased stress levels or contribute to poor physical health.[58]

Less money for current expenses or savings: Money spent on debt means that less money is available for other basic needs or especially emergencies. Students who need to borrow are also more likely not just to be working, but to be working long hours and doing without basic needs. A recent report highlighted high rates of student food and housing insecurity and even homelessness — especially among working students.[59]

Fewer savings and a delayed financial future: Struggling to cover current costs, young workers with student debt increasingly delay buying a home or saving for retirement. Millennials are starting families and buying homes later than previous generations.[60]

▼ Attend Community/For-Profit College

Students from low-income families are more likely than their wealthier peers to attend two-year community colleges or private for-profit colleges, in associate degree or certificate programs. Low-income students made up half of students at public two-year colleges and 61 percent at private for-profit institutions compared to only 27 percent at private nonprofit four-year colleges.[61] While community colleges often provide a vital lifeline for low-income students, both two-year and for-profit colleges can have drawbacks.

Consequences

Lower financial returns. Median earnings for students with an associate degree or certificate are lower than earnings for those with a bachelor's degree or higher.[62]

Slower path to completion. Fewer than 40 percent of community college students earn a certificate or degree within six years of enrollment, delaying or preventing them from realizing future earning potential. Completing an associate degree correlates with a 37 percent increase in earnings compared to only earning a high school diploma.[63]

At for-profit colleges, the possibility of lower earnings and higher debt. Because a large share of students at for-profit colleges borrow money to attend but drop out without their certificate or degree, they do not qualify for higher paid jobs yet still have to manage sizable student loans. In fact, many are worse off than those who did not attend higher education at all.[64]

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