

First-Generation College Graduates Get a Financial Boost, but Don't Catch Up

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Overview

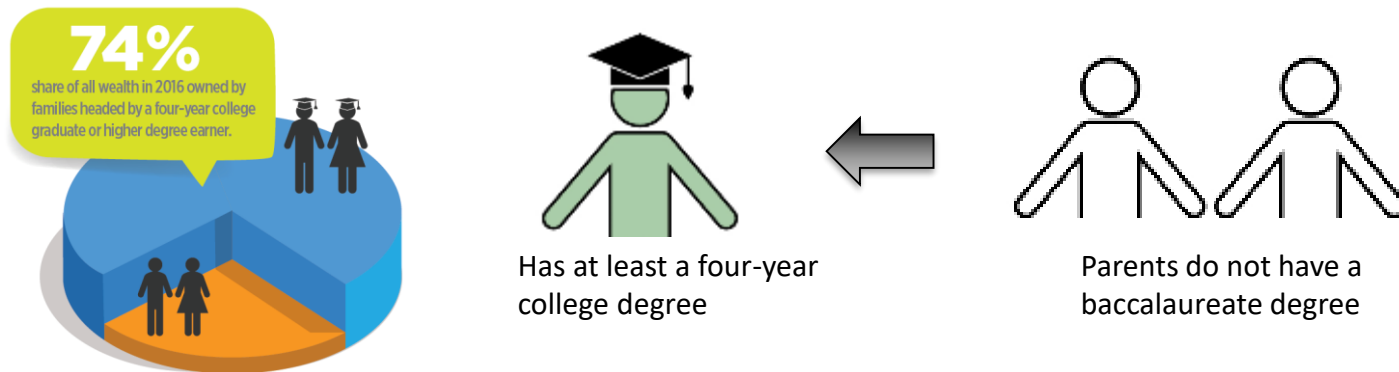
- First-Gen Graduates Defined
- Demographics of Wealth 1
- Intergenerational Education
- Racial/Ethnic Differences
- Parent Boost
- College Boost

INTRODUCTION AND KEY FACTS



First-Generation Graduates

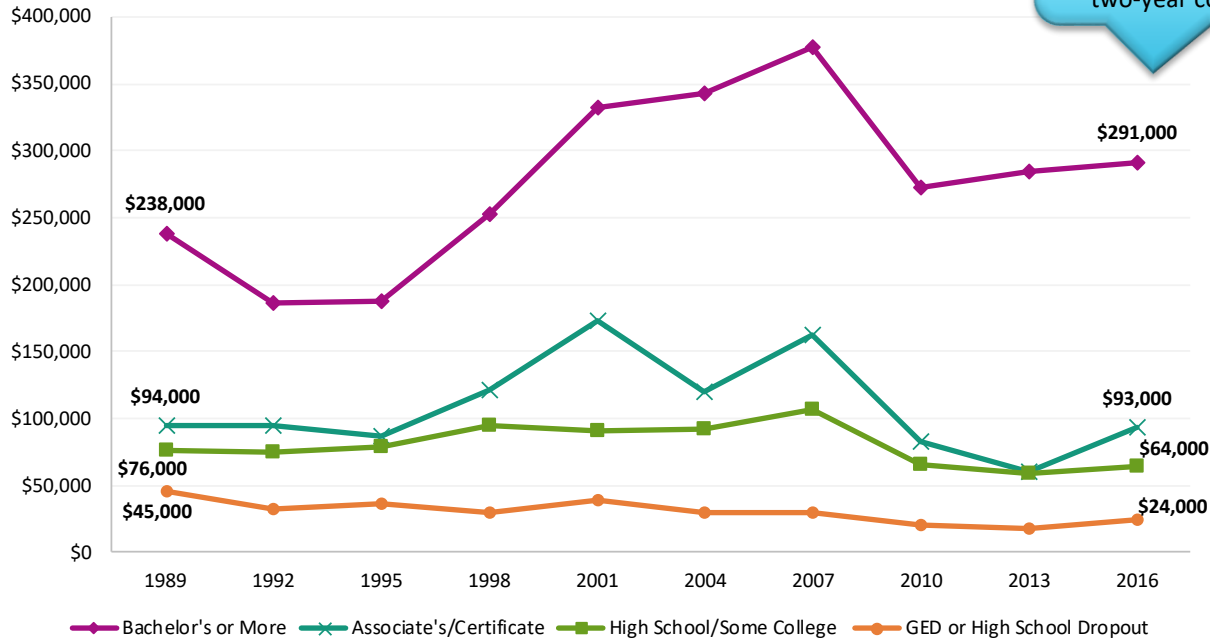
- A key demographic in higher education because they best exemplify higher education's promise of upward mobility



Typical College Grads* Have More Wealth

Wealth Gaps by Educational Attainment

A look at median (50th Percentile) household wealth over time



In 2016, the typical four-year college grad family had over three times the wealth of the typical two-year college grad family.

*We draw a line between four-year college grads and everyone else because of large wealth differences.

Share of First-Gen College Grads is Down

2015 to 2018

Share of U.S. adults age 25 to 64
who are college grads



Up 3.8 percentage points
to 37.4%

Share of college grads
that are first-gen

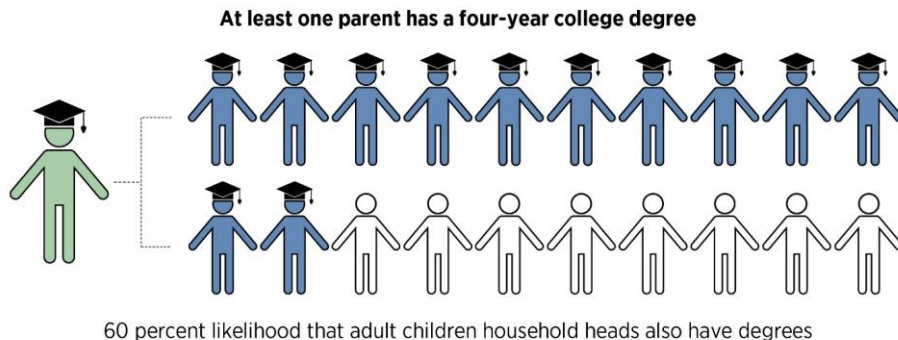


Down 7.1 percentage points
to 41.6%

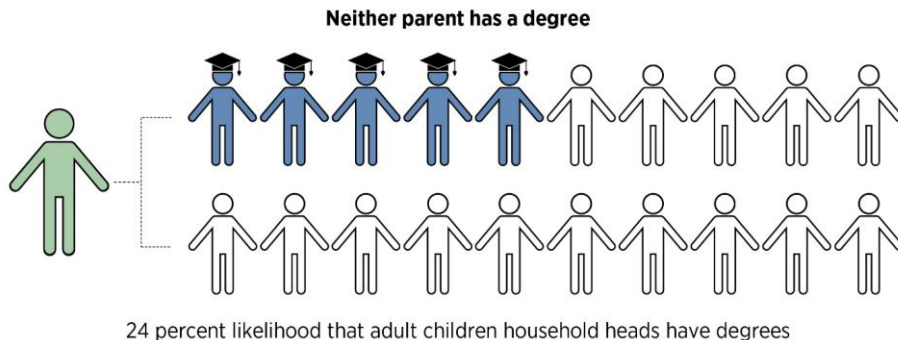
- 41.6% nationally (2018)
- First-Gen Freshmen:
 - ~15% SLU (2018)
 - ~7% WashU (2016)
 - ~20% SIUE (2016)
 - ~42% UMSL (2016)

Intergenerational Education

Continuing-gen
potential



First-gen
potential



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DEMOGRAPHICS OF WEALTH



Why are Demographics Important?

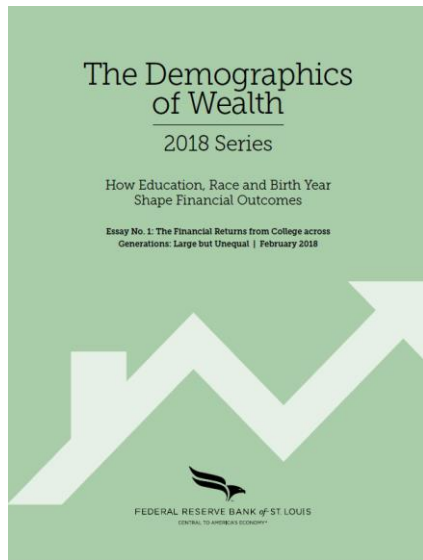
- Much of the debate is framed with income and wealth distribution (e.g. the wealth of the 1%).
- However, there is considerable movement over time across the entire distribution.
- It's difficult to draw conclusions when the underlying groups have changed.
- Demographics serve as independent and stable identifiers.

The Demographics of Wealth



- Explore connections between wealth and a family's:
 1. Own education and parents' education,
 2. Age and birth year, and
 3. Race/ethnicity
- These factors are related to which families struggle and thrive.

Essay 1: Financial Returns from College Are Large but Unequal

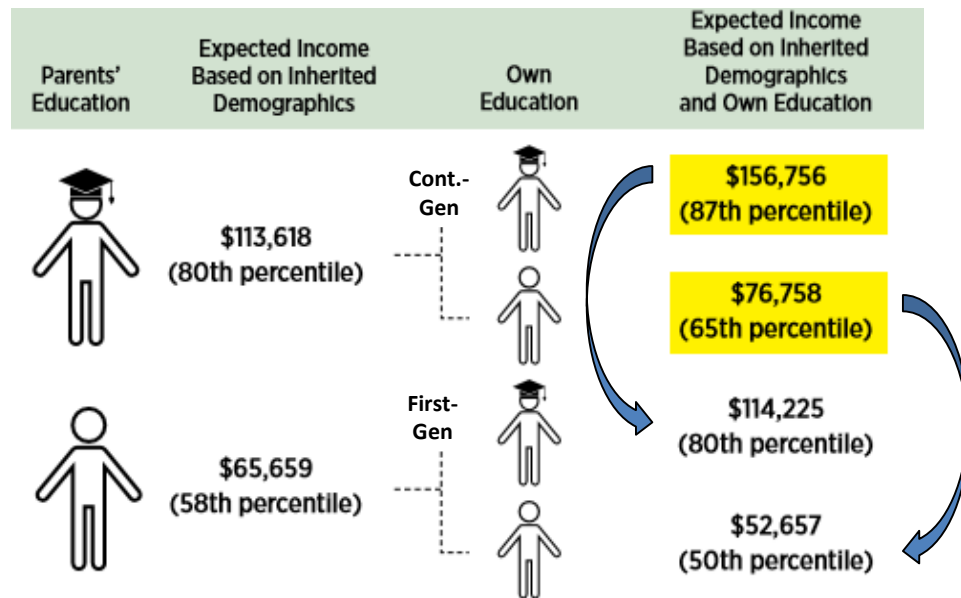


- How much of income and wealth returns from college are due to a family's own effort versus inherited demographic traits?

Head-Start Effect









Families with “favorable” (white, middle-aged or older, college grad parents) inherited traits typically earn higher incomes and accumulate more wealth than families without them.



Upward-Mobility Effect

Families who exceed educational expectations (i.e., first-gen families) get a larger boost up the ladder from completing their degree than do continuing-gen families.

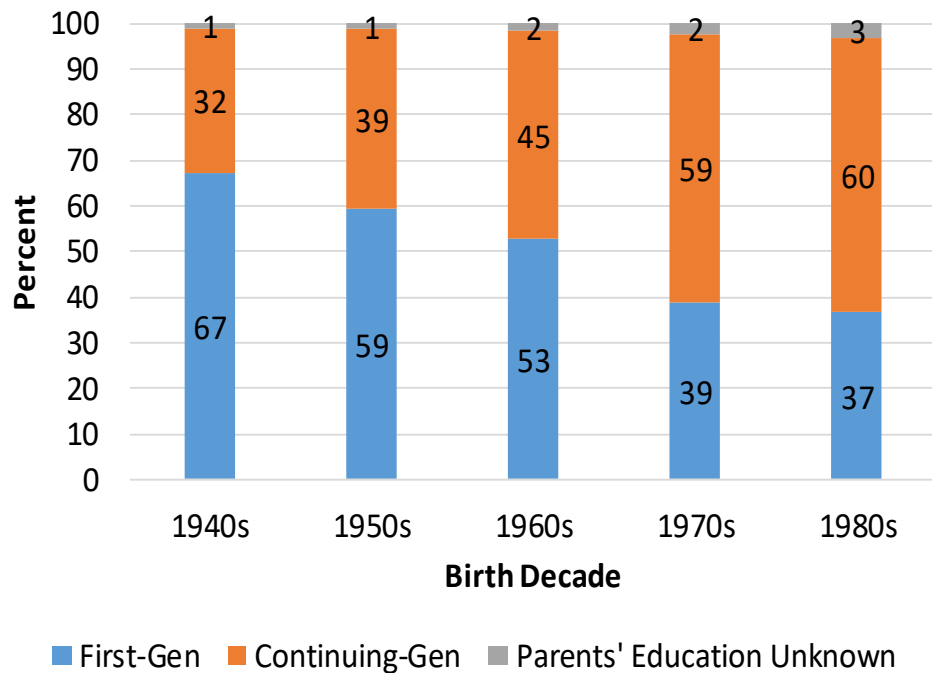
Parents' Education	Expected Income Based on Inherited Demographics	Own Education	Expected Income Based on Inherited Demographics and Own Education	Percentile Increase or Decrease from Addition of Own Education
 	\$113,618 (80th percentile)	Cont.-Gen 	\$156,756 (87th percentile)	7
			\$76,758 (65th percentile)	-15
	\$65,659 (58th percentile)	First-Gen 	\$114,225 (80th percentile)	22
			\$52,657 (50th percentile)	-8

FIRST-GEN SHARES AND EDUCATIONAL STICKINESS

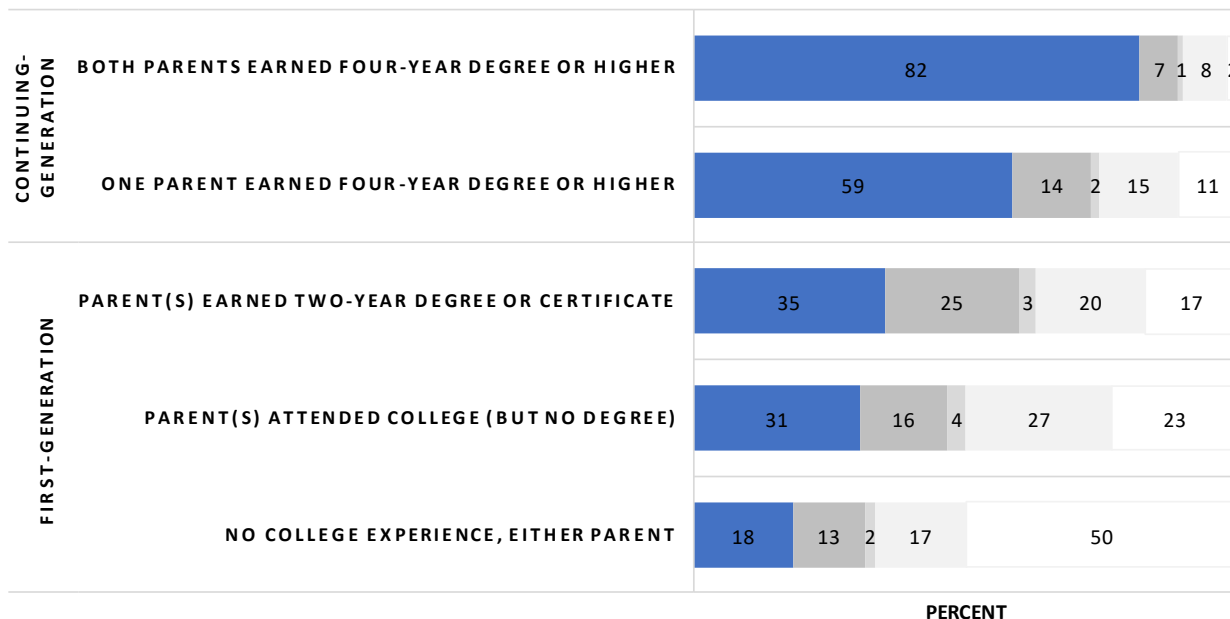


First-Gen Share Declines Across Generations

- Continuing-gen's share of college graduates is larger for younger generations.
- The rise in college graduates thus stems almost entirely from the surge in continuing-gen grads.
- This trend is unexpected given that the majority (nearly 2 in 3) of adults age 25 to 64 still have first-gen potential.



Educational Attainment Persists



- Could reflect:
 - Better ability to navigate “hidden curriculum”
 - Avoidance of private, for-profits
 - Wealth’s connection to education

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Marked Racial/Ethnic Differences

- Blacks have the lowest intergenerational college persistence.
- Hispanics had the highest no-college persistence.

Educational Breakdown by Parents' Education and Race/Ethnicity			
		Head of Household's Education	
		Four-year degree	No degree
Whites <i>Parents' Education</i>	<i>Four-year degree</i>	60%	40%
	<i>No degree</i>	28%	72%
Blacks <i>Parents' Education</i>	<i>Four-year degree</i>	34%	66%
	<i>No degree</i>	19%	81%
Hispanics <i>Parents' Education</i>	<i>Four-year degree</i>	49%	51%
	<i>No degree</i>	12%	88%
Other Races <i>Parents' Education</i>	<i>Four-year degree</i>	69%	31%
	<i>No degree</i>	41%	59%

SOURCES: Federal Reserve's Survey of Consumer Finances and author's calculations.

Parents' Boost and Own College Education Boost

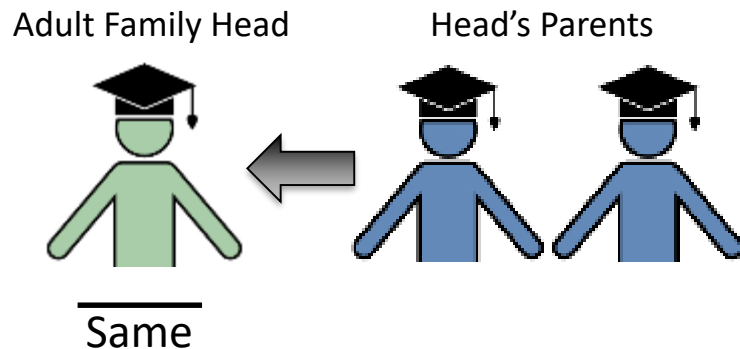
HOW BIG IS THE COLLEGE BOOST?



First-Gen Families' Income and Wealth vs:

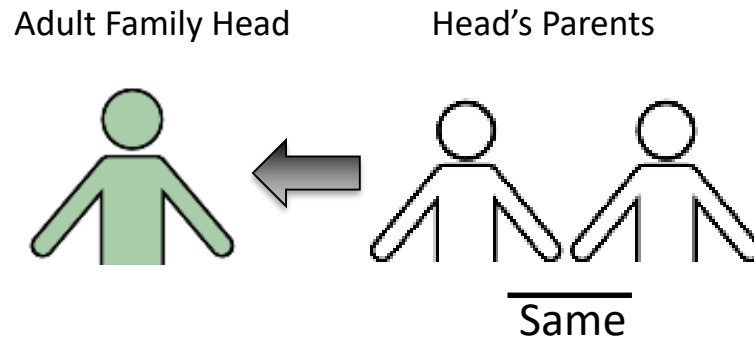
Parent Boost

- Continuing-gen grad families

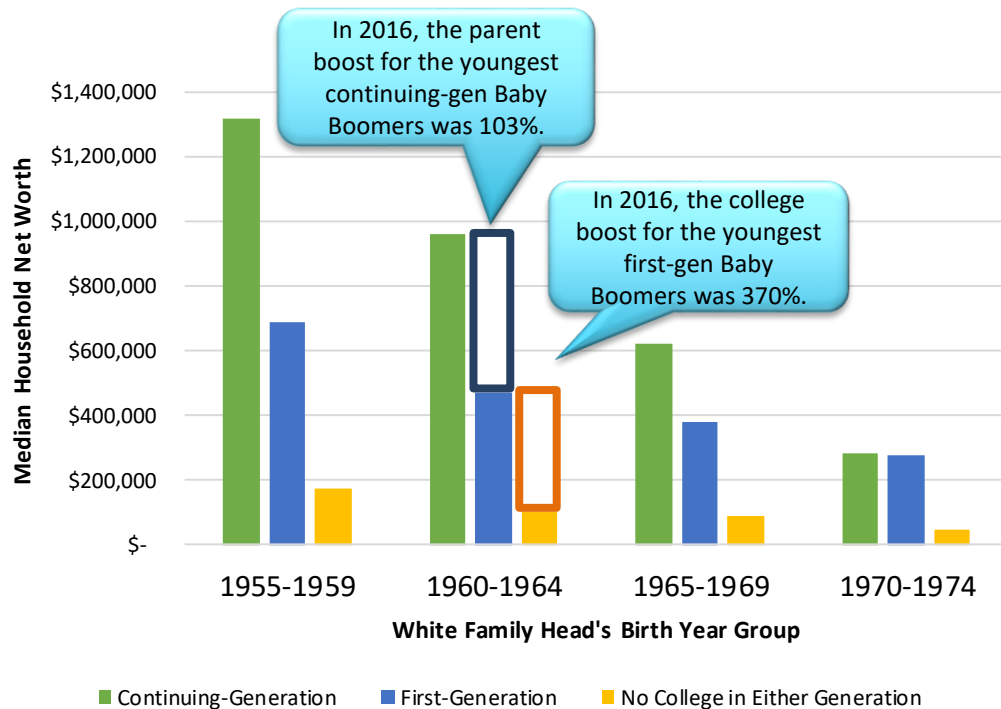


College Boost

- Families with no college degree in either generation



Both Own Education *and* Parents' Education Matter

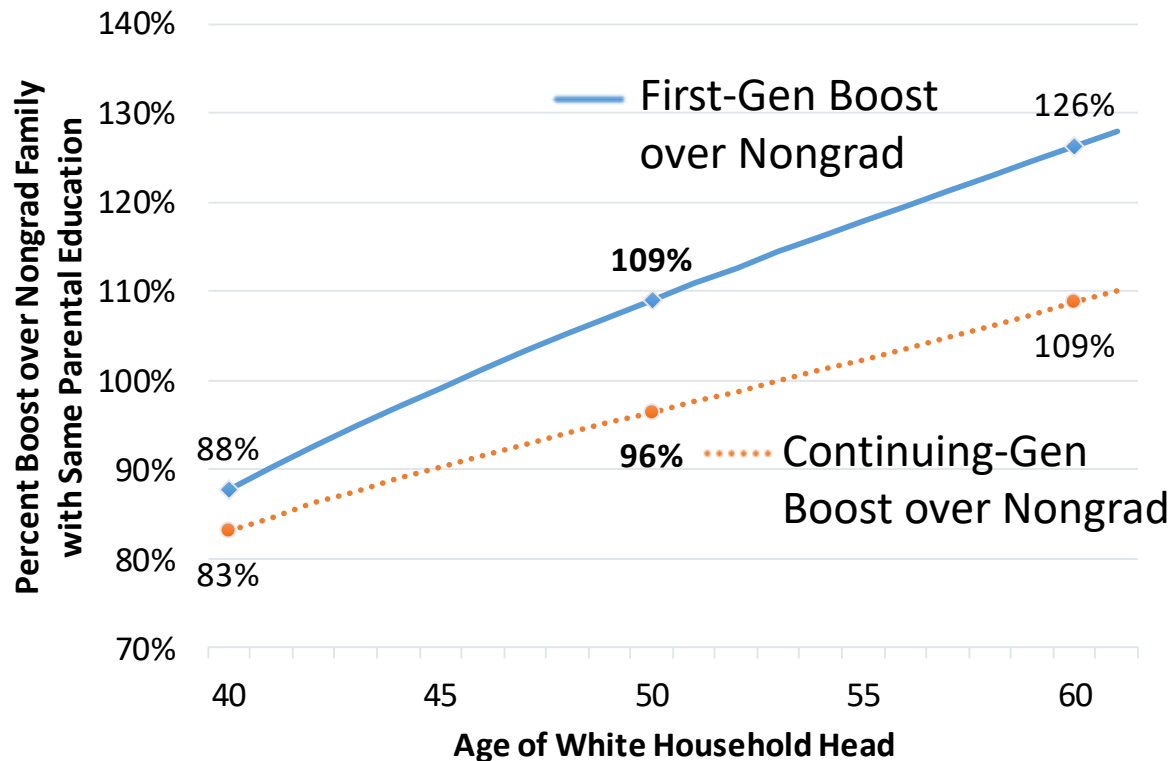


- While the College Boost is large, the Parent Boost persists.

Estimated median income and wealth levels predicted by age

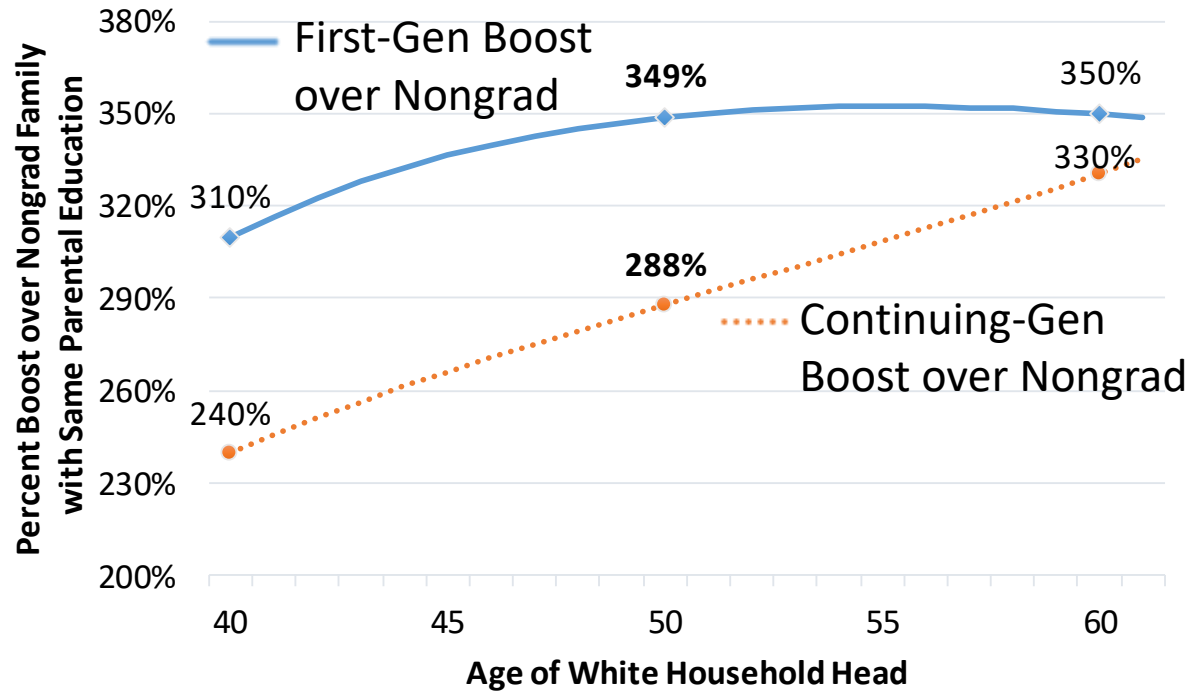
- What do we expect median (or middle) income and wealth values to be at each age?
- Statistical methods generate these expectations based on education and age
- How do the College Boosts and Parent Boosts differ?
- White families between age 40 and 61

Income College Boost Larger For First-Gen Grads



- Age 50:
 - First-Gen: \$113k vs. No College: \$54k (**109% boost**)
 - Continuing-Gen: \$152k vs. Only parents have college: \$77k (**96% boost**)

Wealth College Boost Also Larger For First-Gen Grads



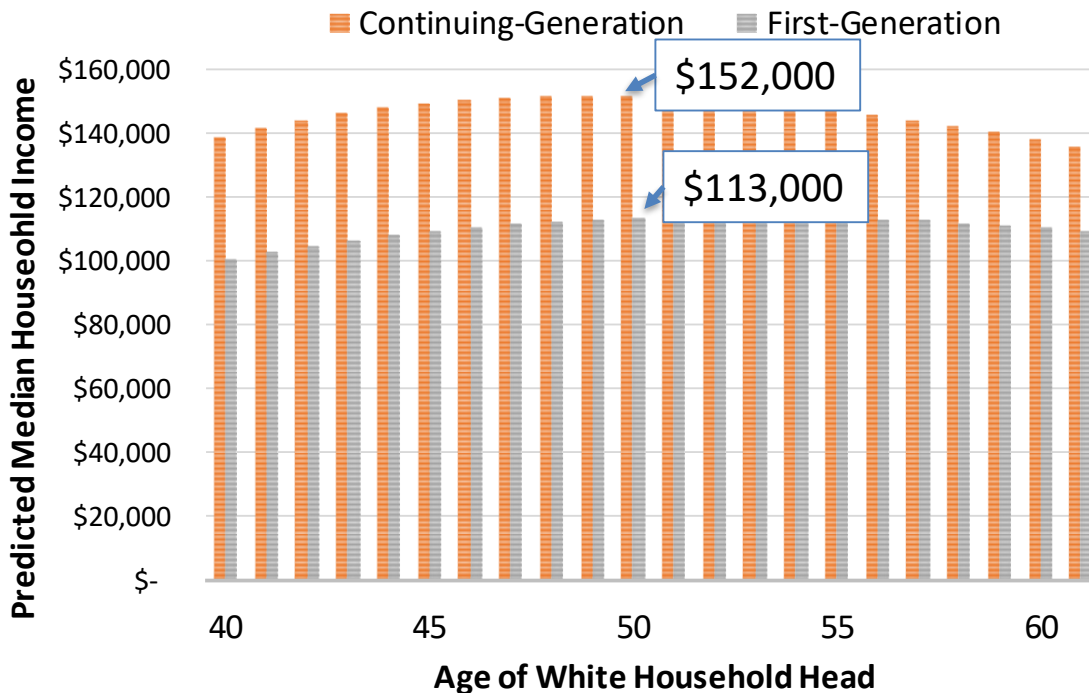
- Age 50:
 - First-Gen: \$412k vs. No College: \$92k (**349% boost**)
 - Continuing-Gen: \$613k vs. Only parents have college: \$158k (**288% boost**)

Some Considerations

- Hard to pick a perfect comparison group
 - Families who have first-gen potential and get a degree may differ markedly from those who don't:
 - Drive, natural ability, greater opportunities, tenacity
- Inherited demographic: parental education

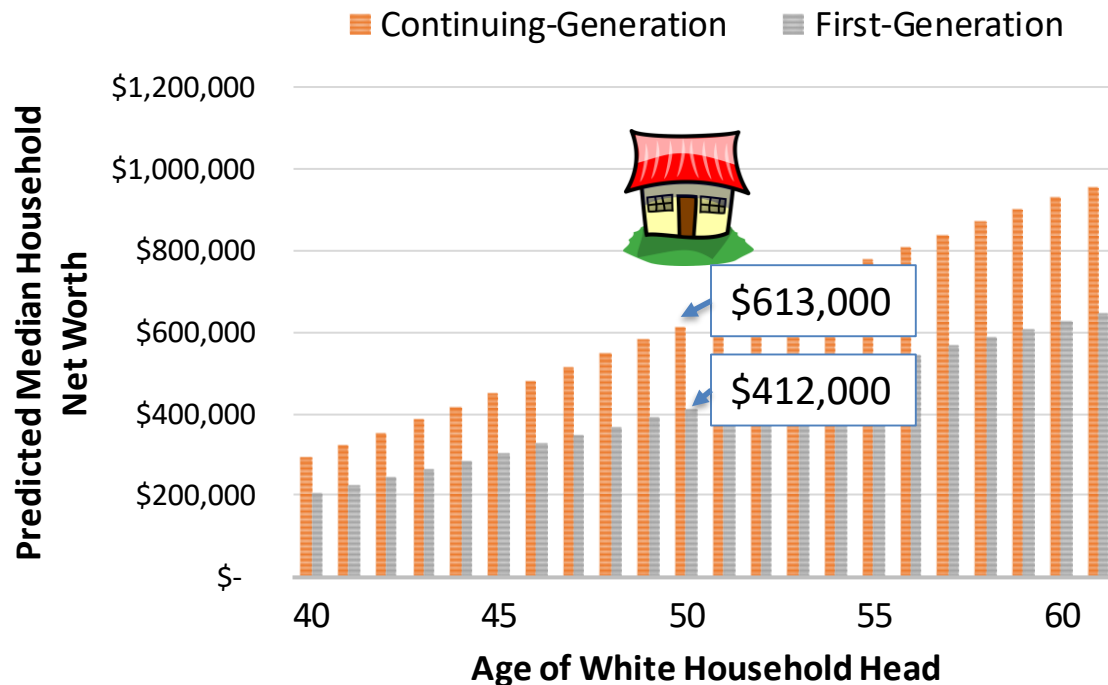
Parent Boost Smaller but Matters; Continuing-Gen Grads Have More

- Age 50:
 - Continuing-Gen: \$152k vs. First-Gen: \$113k
 - \$38,000 difference or
 - 34% boost

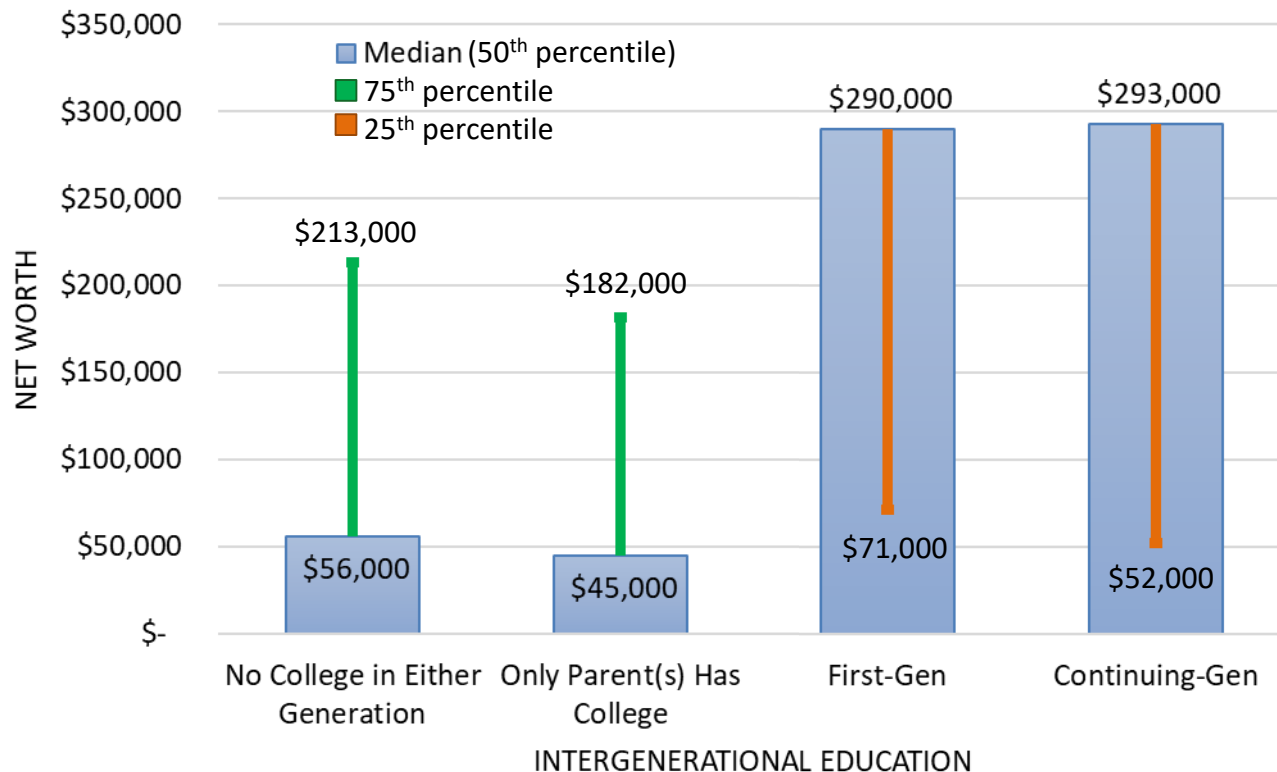


Similarly, Wealth Parent Boost Smaller but Powerful

- Age 50:
 - Continuing-Gen: \$613k vs. First-Gen: \$412k
 - \$201,000 difference or
 - 49% boost



A Reminder: College Isn't the Answer for All



POTENTIAL EXPLANATIONS AND CONCLUSIONS



Plausible Mechanisms for the Parent Boost

- Institutional know-how: graduate on time, class/major choice, university choice
- It's not what you know, it's who you know
- Financial support for riskier ventures
- Middle-class cultural competence
- Inheritances? Not so much

Summary

- Even after first-gen students persevere in attaining their degrees, they face barriers.
- First-Gen's college boost is large but not equalizing.
- The Parent Boost remains. College may thus be considered a “little” equalizer as opposed to the “great” equalizer.
- The increasing share of continuing-gen graduates may indicate hardening class barriers.
- Once barrier broken, children may reap rewards.

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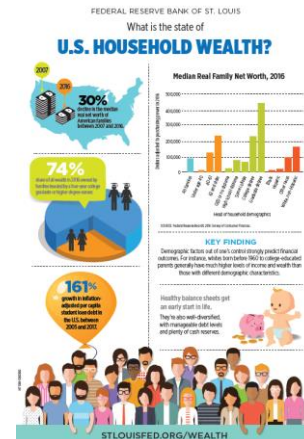
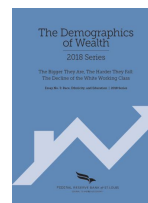
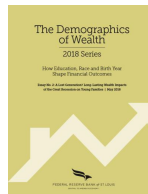


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