

RESEARCH BRIEF

Does a College Degree Help Students Surpass Their Parents' Earnings?

Parents want their children to excel and surpass them financially. This is viewed as a benchmark for success, and it is a central component of the American Dream. Historically, financial success has been attributed to education; however, in recent years, more people are skeptical about the value of a college degree. A 2017 Pew Research Center report found that only 55% of the U.S. public believe higher education has a positive effect on the country. In order to explore the relationships between higher education, income, and mobility from one generation to the next, the University of Texas System (UTS) analyzed data for students who graduated or left a UTS academic institution between 2005 and 2012.

Within the study, parental household income was compared to former student wages, for both graduates and non-completers, five years after graduating or leaving a UT institution. Overall, the study finds that many former UT students are earning much more than their parents' household income. Upward income mobility has a significant impact on students from lower-income families.

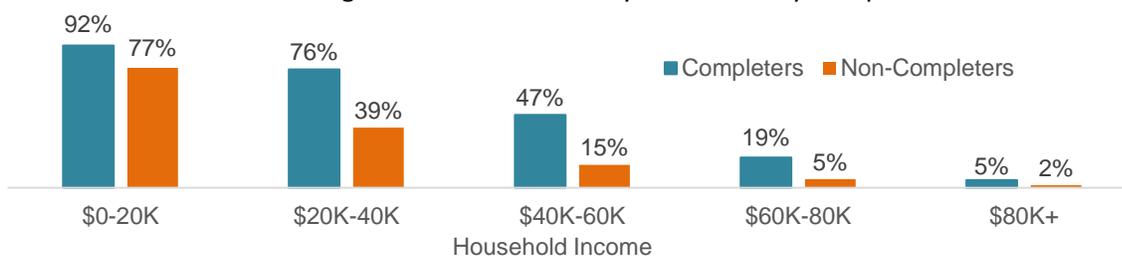
The findings are remarkable given the parental household income typically includes the income of two earners who have had substantial time in the workplace compared to the individual salaries of their children only five years after graduation. In fact, this study is likely underestimating the true upward mobility due to available comparisons. Specifically, students' fifth-year earnings are being compared to parental household income, when the parents are likely to be in prime earning years. Despite challenges and skepticism, the data makes it clear that higher education remains a critical component of the economic prosperity and wellbeing of future generations.

For additional analyses on this topic, please see the recently published manuscript in the *Journal of Higher Education* (January 2019), "Postsecondary Education Impact on Intergenerational Mobility: Differences by Completion Status, Gender, Race/Ethnicity, and Type of Major." <https://www.tandfonline.com/doi/full/10.1080/00221546.2019.1565882> Authors include Marlena Creusere, Hengxia Zhao, Stephanie Bond Huie, and David R. Troutman.

KEY FINDINGS

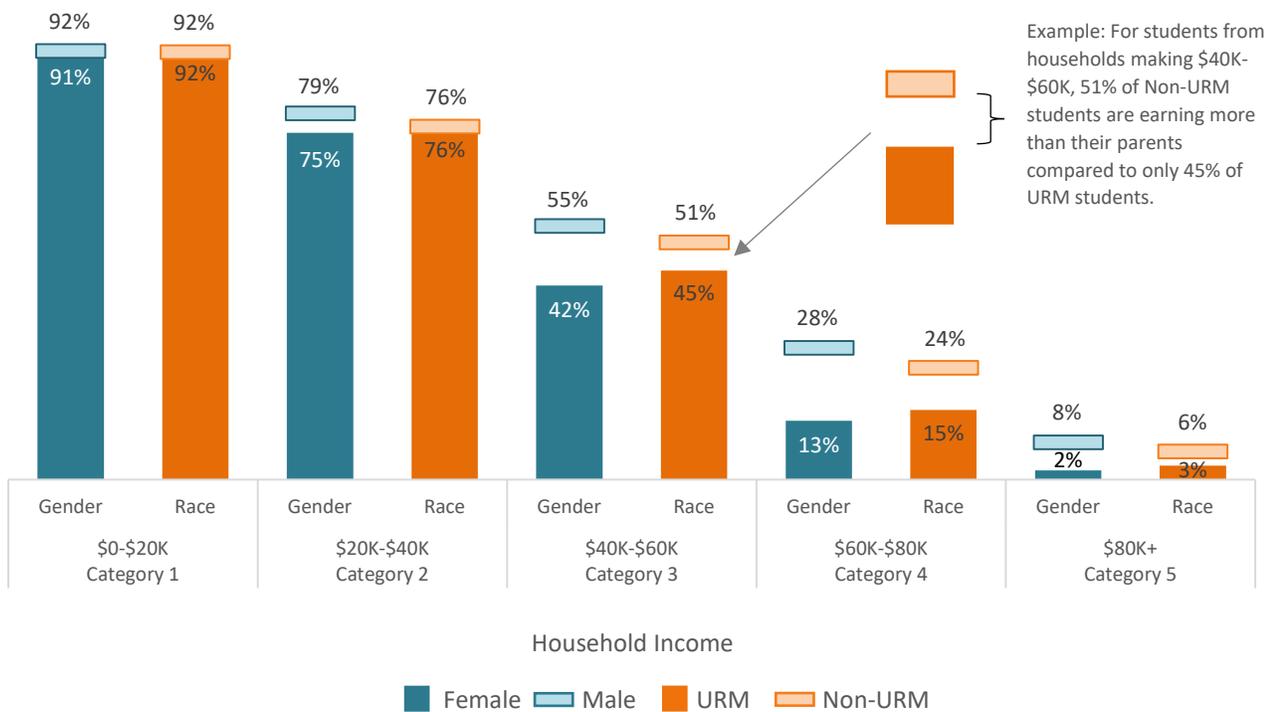
- > Completing a degree improves the financial well-being of UT System students. Chart 1 illustrates that **college completers were much more likely to earn more than their parents than non-completers**. For example, 47% of graduates coming from households making \$40,000 - \$60,000 earned more than their parents.
- > Simply being enrolled at a UT System institution was enough for some students to experience upward income mobility. **More than 30,500 students (37% of all students) experienced upward income mobility from 2005 and 2012 regardless of whether they graduated or left without a degree.**

Chart 1. Percent of Students Earning More than their Family Household by Completion Status



- > A college education has a positive impact on students’ financial well-being (especially for students from families making less than \$20,000 a year). **Sixty percent of graduates from low-income families double their families’ income by themselves after five years in the workforce.**
- > **A majority of both male and female graduates who came from the lowest-income households were earning more than their parents after five years.** Males are more likely than females to earn more than their parents for middle and upper class (\$40,000 and above) households.
- > **Underrepresented Minority (URM) are less likely to earn more than their parents five years of exiting college than were Non-URM students.** Particularly at higher household income levels, URM students are less likely to make more than their parents than White and Asian students.

Chart 2. Percentage of Students Earning more than their Parents by Gender and Race/Ethnicity (Completers Only)



Note. URM includes all students with race/ethnicity except White and Asian.

Contact Dr. Stephanie Huie, Vice Chancellor for Strategic Initiatives, Office of Institutional Research and Analysis for questions about this analysis at shuie@utsystem.edu.