



Economics in Context

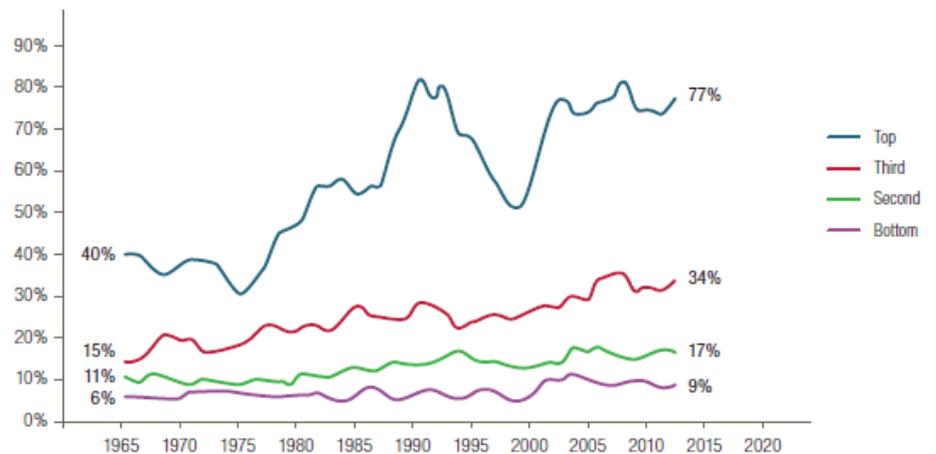
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Designed for use with the Global Development And Environment Institute's *In Context* textbooks

Education Inequality in the United States

The text indicates that one way to address income inequality is to promote more equality in educational access and outcomes. However, a 2015 report by the Pell Institute indicates that educational inequality in the United States is generally increasing. As shown in Figure 1, 77% of young adults from families in the highest income quartile (the top 25% of families) have bachelor's degrees. Young adults from families with lower incomes are much less likely to have a bachelor's degree. Only 9% of young adults from families in the lowest income quartile have degrees.

Figure 1. Bachelor's Degree Attainment by Age 24 for Dependent Family Members by Family Income Quartile, 1965 – 2013



Source: The Pell Institute, 2015

Table 1. Bachelor's Degree Attainment Rates for Dependent Family Members who Entered College (2013 data)

Family Income Quartile	Percent of Entering Students who Obtain a Bachelor's Degree by Age 24
Top	99%
Third	51%
Second	29%
Bottom	21%

Source: The Pell Institute, 2015

Figure 1 shows that the gap in educational attainment by family income widened considerably during the 1970s and 1980s, and has remained relatively stable since then. Further analysis in the report considers whether students who enter college receive their degrees, by family income.

As we can see in Table 1, virtually all students from families in the highest income quartile receive

their bachelor's degree by age 24. Meanwhile, the majority of students who enter college from families in the lower income quartiles fail to obtain their bachelor's degree by age 24.

The Pell Institute report focuses on the role of educational costs in perpetuating the educational attainment gap. While the average cost of a college education has more than doubled since 1970 after adjusting for inflation, real financial assistance has remained about the same. In the 1970s, the maximum Pell grant allowed by law (federal assistance for college costs based on demonstrated financial need) covered about two-thirds of average college costs. But in 2012 a Pell grant could only cover about one-quarter of college costs.

With the decline in financial assistance, more of the cost of college falls upon students and their families. The data again illustrate the educational gap between rich and poor families. For families in the top 25%, the annual cost of college net any aid equals about 15% of family income – an amount that many families can pay out-of-pocket. But for families in the bottom quartile, the net cost of college represents 84% of family income – clearly an amount that cannot be paid without loans or substantial previous savings.

The report summarizes the state of educational inequality in the United States by saying that:

higher education outcomes are highly inequitable across family income groups. Moreover, on many of these indicators, gaps in outcomes are larger now than in the past. The disinvestment of state funds for public colleges and universities occurring since the 1980s and the declining value of federal student grant aid have all aided in the creation of a higher education system that is stained with inequality. Once known for wide accessibility to and excellence within its higher education system, the U.S. now has an educational system that serves to sort students in ways related to later life chances based on their demographic characteristics rather than provide all youth with the opportunity to use their creative potential to realize the many benefits of higher education and advance the well-being and progress of the nation. (pg. 6)

Source:

The Pell Institute. 2015. "Indicators of Higher Education Equity in the United States: 45 Year Trend Report 2015," http://www.pellinstitute.org/downloads/publications-Indicators_of_Higher_Education_Equity_in_the_US_45_Year_Trend_Report.pdf