Low-income young adults, distinct from their middle- and high-income peers, face various challenges and obstacles to accessing and completing college (Beattie, 2002; Goldrick-Rab, 2006). Almost half do not complete any postsecondary schooling and the vast majority do not earn college degrees (Feliciano & Ashtiani, 2011, 2012). The widely held belief that individuals and society benefit when young adults complete bachelor’s degrees has resulted in efforts to expand access to higher education (Goldin & Katz, 2008). And the role of higher education enrollment and completion in the upward mobility of economically disadvantaged groups has long been the focus of policy research (Blau & Duncan, 1967).

Empirical research generally supports the relationship between postsecondary education and socioeconomic success. It is perhaps not surprising, then, that the majority of studies follow a classic economic rational-behavior model and assume that young people choose to go to college because the perceived benefits outweigh the expected costs (Altonji, 1993; Becker, 1994; Bills, 2004; Goldin & Katz, 2008; Hout, 2012). Too often it is taken for granted that these benefits apply equally to all students, in spite of research that suggests that individual demographic characteristics—including socioeconomic status, race/ethnicity, and gender—influence labor market returns on postsecondary education (Beattie, 2002; Perna, 2003).

These facts led us to two broad questions:

1. Are low-income youth economically better off if they pursue four-year degrees or other postsecondary pathways?

2. Do returns on higher education play out differently for young low-income men and women from different racial and ethnic groups?
A National, Longitudinal Dataset

Our data source, the National Longitudinal Survey of Adolescent Health, consisted of four waves of data collection over 13 years. Respondents were first surveyed in 1994–1995 when they were in seventh through twelfth grade, and this wave of the study provided us with useful demographic background data. The data in this brief primarily come from the final wave of data collection, conducted in 2007–2008 when respondents were between the ages of 24 and 32. Our sample consists of 7,730 respondents—2,369 youth from low-income backgrounds and 5,361 youth from middle- and high-income backgrounds.

When we reference “low-income” or “middle- and high-income” young adults, we are referring to their families’ socioeconomic status during their high school years. Those we have classified as low-income had family incomes at or below 185% of the federal poverty line. This measure provides an adequate approximation of economic disadvantage and has been used in other research (see, for example, Entwisle & Alexander, 1995; Heflin & Pattillo, 2006). And while there is no clear consensus on how to define a “good” job, most research points to full-time employment with benefits as an indicator of quality employment (Kalleberg, Reskin, & Hudson 2000). Thus, we looked primarily at whether respondents had full-time jobs with health benefits (FTB jobs). We also focus primarily on young adults no longer enrolled in school.

Because our research questions are descriptive in nature, we used descriptive analyses to reveal the association between preferable labor market outcomes and different levels of postsecondary education for specific subgroups.

To answer these questions, we drew from a nationally representative longitudinal study of American youth to examine the relationship between educational attainment, job quality, and earnings for various subgroups of young adults. We present findings for 24- to 32-year-olds who were not enrolled in school at the time of the study. We explore differences in these findings by gender, race, and family income status during adolescence.1 Our focus on young adults not enrolled in postsecondary education increases the likelihood that they would have sought and possibly found employment, since the majority of college graduates find some type of full-time employment within a year of graduation (Godofsky, Zukin, & Van Horn 2011). We focus specifically on whether young adults attain full-time jobs with benefits (FTB jobs), and the incomes of those who do attain such jobs.

Figure 1
Low-Income Young Adults’ Educational Attainment

Low-income young adults are less likely to hold bachelor’s degrees than their middle- and high-income counterparts. Postsecondary outcomes for young adults who were not currently enrolled in school varied by their income backgrounds (Figures 1 and 2). Low-income young adults were less likely than middle- and high-income young adults to hold bachelor’s degrees or higher (15% and 40%, respectively).
They were far more likely than their higher-income counterparts to have never enrolled in postsecondary education (31% and 15%, respectively). (For more detail, see Feliciano & Ashtiani, 2012).

**Middle/high-income young adults more often secure quality jobs.** As Figure 3 illustrates, middle- and high-income young adults who were not in school (63%) were more likely than their low-income counterparts (53%) to be employed full time with benefits. Nearly one fourth (22%) of low-income young adults were unemployed, compared with 15% of young adults from middle- and high-income backgrounds.

**Men and Latinos from low-income backgrounds are more likely than their counterparts to hold FTB jobs.** When we look only at young adults who grew up in lower-income families, we see that men (60%) were more likely than women (45%) to be employed full time with benefits. Likewise, Latinos (63%) were more likely than white (50%) and black (50%) young adults to hold FTB jobs (Figure 4).

**Figure 4**
Employment Status of Low-Income Young Adults by Gender and Race/Ethnicity

![Graph showing employment status of low-income young adults by gender and race/ethnicity.](image)
In the analyses that follow, we examine how levels of educational attainment and labor market outcomes interact with each other to yield differing payoffs for young adults from low-income backgrounds. We find that bachelor’s degrees benefit those who earn them, but other postsecondary outcomes—such as associate’s degrees—have mixed payoffs. Our results further demonstrate that gender, class, and racial/ethnic disparities in labor market outcomes persist, even for individuals with comparable educational credentials.²

How do labor market outcomes vary for low-income men and women?

Bachelor’s degrees have labor market payoffs for all low-income young adults, but the effects of other forms of postsecondary education are mixed. Interestingly, as shown in Figure 5, men from low-income backgrounds who had some PSE, associate’s degrees, or bachelor’s degrees all had comparable rates of FTB employment (71%–73%). This is high relative to men with job/vocational training (58%) or no PSE (49%). These findings highlight the benefits of attending college, even without earning a degree, for low-income background males.

The Gendered Workplace

The literature paints a complex picture of job/vocational training for low-income women. For example:

• Ainsworth and Roscigno (2005) found that women are often funneled into low wage service sector training programs and, as a result, have fewer opportunities to secure FTB employment and earn higher wages.

• Women benefit from job/vocational training programs like business management, but they may experience less success in trade and technical programs leading to skilled manual labor professions because they are male-dominated (Arum & Shavit, 1995).

• Some researchers have found an unequal investment of resources to help female job/vocational trainees transition from school to work (Arum, 1998; Arum & Shavit, 1995; Bills, 2004).

Competing life obligations such as family and lack of affordable childcare may also have an effect, but continuing gender discrimination, gender tracking, and the ever-present glass ceiling continue to block many women from achieving and earning at the same level as their male counterparts.
Among women from low-income backgrounds, those with bachelor's degrees had the highest rate of FTB employment (70%), followed by women with associate's degrees (49%). In contrast to men, women who had completed some PSE without earning degrees did not fare better than their female counterparts with no PSE or job/vocational training. Those with associate's degrees fared only slightly better.

Low-income men who pursue bachelor's degrees see the greatest effects on their personal income. Low-income young men who attended some college without earning degrees were more likely than those with no PSE to secure jobs with benefits, but they did not earn more when they were hired. In terms of both factors—i.e., securing an FTB job and higher earnings—our findings confirm that for men, bachelor's degree completion had the greatest payoff. Despite similar rates of FTB employment, there were significant annual earnings differences by degree attainment among low-income men who had completed some college or who had earned postsecondary degrees (Figure 6). Among those with FTB employment, men with bachelor's degrees had annual earnings $13,000 higher than men with only some PSE, and $7,000 higher than men with associate's degrees. Surprisingly, among those in FTB jobs, low-income men with bachelor's degrees earned only $2,000 more than men who had completed job/vocational training.

When it leads to FTB employment, job/vocational training has significant financial payoffs for low-income men. Completing some college had a greater payoff than completing job/vocational training when it came to securing FTB employment, but young men with FTB jobs who had completed job/vocational training actually earned more than those with some PSE or AA degrees—$45,000 annually, versus $34,000 and $40,000, respectively (Figure 6). Most often, these individuals worked in production, mechanics/installation/repairs, or carpentry.
The economic benefits of pursuing higher education for low-income young women are realized when they persist to degree completion. Among low-income women working in FTB jobs, those with bachelor's degrees had the highest annual earnings ($42,000), followed by women with associate's degrees ($31,000). Those who attended some college but did not complete degrees earned $5,000 more than women with no PSE, and $7,000 more than women with job/vocational training. Completing a four-year degree had the most significant relative pay-off—women with bachelor's degrees earned $12,000 more than women with some PSE, while women with associate's degrees earned only $1,000 more—suggesting that the earnings benefits of college exist for low-income women only if they actually complete their bachelor's degrees. In other words, while several educational pathways seemed to pay off similarly for low-income men, only bachelor's degree attainment was associated with substantially better outcomes for low-income women with respect to FTB jobs and income.

Regardless of the degrees they earn, women from low-income backgrounds continue to lag behind men from similar income backgrounds in their personal earnings. The findings in Figure 6 underscore the relative disadvantage women continue to face in the labor market. Although low-income women with bachelor's degrees had an FTB employment rate similar to their male counterparts, they earned about $5,000 less annually—a slightly smaller gap than what has been found in other studies (e.g., Hegewisch, Williams, & Edwards, 2013). Even more troubling, for all other types of educational attainment, low-income women had lower rates of FTB employment and earnings. The most pronounced earnings differences were found among those who had job/vocational training: Women with this educational background who held FTB jobs made roughly half of what males earned ($23,000 versus $45,000, respectively).

There are several factors that could be driving this disparity. For example, the average age of marriage and childbirth for women now falls between 24 and 32 years (Goldstein & Kenney, 2001; Martin, 2002). The low-income women in our sample were precisely in this age range, so it is possible they were getting married and/or starting families. Given the high cost of childcare in the United States, women who earn lower wages may remain out of the workforce, as the cost of childcare often outweighs the financial benefits of work (Budig & England, 2001). Put another way, competing life obligations may cause low-income women to be less likely than their male counterparts to complete college and/or commit to full-time work.

It is also possible that some of the men in our sample benefitted from certain types of job/vocational education programs that specialize in high-demand fields or have better links to full-time employment (Arum, 1998; Arum & Shavit, 1995; Bills, 2004). Low-income women did not see the same earnings benefits, however, and this may have been due in part to early tracking of women into training programs in the low-wage service sector, resulting in fewer opportunities to secure FTB employment and earn higher wages (Ainsworth & Roscigno, 2005). FTB-employed low-income males in our study who had completed job/vocational training mainly held skilled manual labor jobs. Women with the same credentials were more often healthcare workers (support staff, aides, assistants), managers, and financial specialists.

Do the labor market benefits of a bachelor's degree vary for key subgroups?

As the above analyses show, bachelor's degrees hold the most value in terms of both FTB employment and personal earnings for men and women from low-income backgrounds, though there are troubling gender disparities. The remaining analyses further explore the labor market value of completing a four-year degree. Specifically, we dig deeper to look at how gender, race/ethnicity, and socioeconomic background together may produce differing payoffs for young adults with bachelor's degrees.
Young adults with bachelor’s degrees have equal chances of securing quality employment, but earnings are not equal across socioeconomic background and gender. Male and female young adults from low-income backgrounds who earned bachelor’s degrees were just as likely as their middle- and high-income counterparts to secure full-time jobs with benefits—approximately 72% of all bachelor’s degree earners had FTB jobs (not shown). However, in Figure 7 we see that bachelor’s degrees yielded higher earnings for young adults (particularly men) from middle- and high-income backgrounds.

Men from middle- and high-income backgrounds with bachelor’s degrees earned an average annual salary that was $11,000 higher than the earnings of their lower-income counterparts ($58,000 versus $47,000). Women from middle- and high-income backgrounds earned $3,000 more ($45,000 versus $42,000). Regardless of socioeconomic background, women earned less than men.

College-educated Latino men from low-income backgrounds are the most likely to secure full-time jobs with benefits, but white men have the highest earnings. Among male respondents from low-income backgrounds who earned bachelor’s degrees, Latinos had the highest rate of securing FTB employment (83%) and black males had the lowest rate (62%) (Figure 8). Low-income Latino males did not benefit the most from their college education in terms of personal earnings, however. Low-income white males had the highest rates of return in terms of personal income, earning $7,000 more than Latino males and $9,000 more than black males from similar socioeconomic backgrounds (Figure 9).
Recall that Latinos from low-income backgrounds who earned bachelor’s degrees secured full time employment with benefits at high rates, but we see here that these jobs did not pay off as much for them as they did for white males. The difference may reflect the colleges, majors, and occupations that youth pursue or are able to access, any of which could carry less reward in the labor-market (Davies & Guppy, 1997; Torche, 2011; Wolniak, Seifert, Reed, & Pasquarella, 2008). Our data show that top FTB jobs for low-income background white males with bachelor’s degrees included teaching, sales, management, and engineering. The most common jobs for their Latino counterparts were computer programming/analysis, sales, marketing, and teaching. And low-income black men more often entered the fields of teaching, law enforcement, accounting/auditing, lending (as loan officers), and engineering.

**Low-income black women with bachelor’s degrees are more likely than white and Latina women with similar backgrounds to have FTB employment.** Across racial/ethnic groups, women earned substantially less than white males. A full 80% of low-income black females had FTB jobs—the highest among low-income women (Figure 8). Latinas and white females had lower, comparable rates of FTB employment (65% and 67%, respectively). There were no significant personal earnings differences among women, though they all earned less than white males from similar socioeconomic backgrounds (Figure 9).

Compared to their male counterparts, low-income women had less variation in job types. The teaching professions were among the two most common jobs for all three racial/ethnic groups. White women also often listed nursing and management; Latina women were frequently employed in the accounting, human resources, and paralegal fields; and black women often listed accounting, social service work, healthcare support, and business operations in addition to teaching.

### Conclusions and Implications

Our findings underscore the value of bachelor’s degrees for young adults regardless of their gender, race/ethnicity, or socioeconomic background. Other avenues had relatively good payoffs for some groups, but there was a consistent payoff in income and job quality for young adults who had completed bachelor’s degrees. While our data only allow us to examine relatively short-term employment outcomes—and thus we may be underestimating the benefits of higher education, which can accumulate over a lifetime—these findings point to important trends. Specifically, our findings underscore the subtle yet systematic forms of discrimination that have been shown elsewhere to shape employment opportunities and wages (e.g., Ainsworth & Roscigno, 2005; Bertrand & Mullainathan, 2003; Huffman, 2004; Lang, Manove, & Dickens, 2005; Pager, Western, & Bonikowski, 2009; Roscigno, Garcia, & Bobbitt-Zeher, 2007). Therefore, with the goal of diminishing the income and employment gaps described throughout this brief, we offer the following policy and research recommendations:

- **Outreach and support programs must not only assist low-income students in preparing for and enrolling in four-year colleges, but also in persisting to degree completion.** There are significant employment and economic benefits to bachelor’s degree attainment, but too many obstacles prevent low-income youth from completing college (Feliciano & Ashtiani, 2011). We need more targeted programs that support students as they prepare to enroll in college and that help them persist to degree. For example, greater attention should be paid to increasing rates of transfer from two-year institutions, providing additional financial aid, and creating programs that increase engagement on college campuses.

- **Job/vocational training programs should be equipped with the resources they need to provide substantive skills development and connections to quality employment opportunities.** Ainsworth and Roscigno (2005) have cautioned against widespread advocacy for vocational education, precisely because of how it sorts students...
by race, class, and gender, setting the stage for labor market inequality. Our findings support this notion. Therefore, we make a cautious assertion that when executed thoughtfully and equitably, job/vocational training can provide a viable pathway for young adults interested in entering the workforce. Resources must be invested so that students have the opportunity to develop both critical thinking and practical job skills (Arum, 1998), and so they have the support they need through program completion and into the workforce.

• Young adults need thoughtful, comprehensive support as they transition from college to work. The job search process emphasizes social networks and ties that may be more readily available to young adults from higher-income backgrounds (Lin, 1999). Thus, colleges and universities must make concerted efforts to connect all young adults with resources that help them transition from their studies to the workplace. This can include alumni connections in their fields of interest, career-based mentorships, and school year and summer internships, externships, and employment. Furthermore, programs sponsored by the business sector will help ensure that employers have a diverse, qualified pool of applicants for their open positions. Collectively, these efforts will help students secure quality jobs with salaries that reflect their credentials.

• Researchers, policymakers, and employers must continue to address equality of employment and earnings opportunities across socioeconomic status, gender, and race/ethnicity. The fact that earnings inequalities persist among those with bachelor’s degrees—between young adults from low-income and middle/high-income backgrounds, between women and men, and between racial minorities and whites—suggests that efforts to promote equal access to the best jobs are still needed. For example, women with equal education and training continue to earn less than their male counterparts, partly because of the low wages in female-dominated jobs. While concerns about employment discrimination tend to focus on pay disparities within specific occupations, policies should also be developed that promote equal pay for jobs that require the same amount of skills and training so that salaries in female-dominated professions are in line with pay for male-dominated jobs. In short, the current focus on higher education access is necessary and important, but it is not sufficient to ensure equal labor market outcomes.

• Research studies must track individuals’ earnings beyond young adulthood. An individual who completes job/vocational training as a young adult may earn a starting salary that is comparable to a peer who obtains a bachelor’s degree. Over time, however, the earnings of a skilled laborer may plateau as the salary of a white collar worker continues to increase. Likewise, at the outset some community college graduates may actually outearn their peers who attended four-year institutions (Marcus, 2013). Therefore, our exploration of short-term earnings provides a useful look at the labor market benefits of a bachelor’s degree, but longer-term studies will provide a fuller portrait.

• Scholars and policymakers should focus attention on the complexity of labor market outcomes. Many low-income, minority, and female young adults may hold full-time positions without benefits or one or more part-time positions in order to make ends meet (Sum, Khatiwada, Beard, & Palma, 2010). While it was beyond the scope of this brief to explore this wider range of outcomes, it will be valuable to know how they relate to key demographic variables. Further study and policy attention will paint a more comprehensive picture of the employment status of our nation’s young adults and ensure they have the greatest possible chances to find secure, quality jobs.

Postsecondary education has benefits that go beyond direct labor market payoffs and extend to social, civic, and intellectual realms (Rose, 2012). These are, of course, important issues to consider. But they do not negate students’ understandable tendencies to resort to financial cost-benefit analyses as they weigh their postsecondary options. As college graduates face record levels of student debt (Baum, 2011), it is essential that we understand the extent to which specific types of postsecondary education do or do not benefit particular groups of students.
Low-income youth who earn bachelor’s degrees realize the greatest rewards in the labor market. We therefore conclude that those who forgo college to begin work are not necessarily better off, because they are denied the employment opportunities and earnings potential that come with a four-year degree. But returns on higher education play out differently for young adults of different genders and from different socioeconomic backgrounds and racial/ethnic groups. Major strides in access to postsecondary education have been made for all young adults over the past few decades, but disparities persist with respect to college enrollment and completion and with respect to how postsecondary education affects employment and earnings for those who attend. In response to these inequities, policymakers, researchers, and postsecondary institutions alike need to continue to make concerted efforts to promote college entry and completion as well as labor market equity for our nation’s youth.

Notes

1 Asian and Native American respondents were not included in this analysis because they made up an extremely small portion of this sample. Among low-income respondents, 1,096 identified as white, 591 identified as black, 504 identified as Latino, 97 identified as Asian, 72 identified as Native American, and 9 identified as other. When broken down by gender and educational background, the sample numbers for Asians and Native Americans become too small for reliable statistical analysis.

2 Data were collected in 2007–2008, at the beginning of the economic recession, and there have been significant changes in the labor market since this time. Therefore, our findings may underestimate the current state of employment (and unemployment) outcomes for young adults from low-income backgrounds. See Rogers & Freelon (2013) for additional detail on this issue.

References


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Supported by funding from The Bill & Melinda Gates Foundation

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