



## The Effects of Parental Education on Income<sup>1</sup> (SEPTEMBER 2004)

Higher education is one of the most effective ways that parents can raise their families' incomes. There is clear evidence that more highly educated parents have higher earnings. Over the past two decades, parents with less education have been losing economic ground. Policies that support education for low-income parents and children offer them the potential for lasting economic security.

### Nearly two-thirds of children in low-income families<sup>2</sup> have parents without any college education.<sup>3</sup>

- 26% of children in low-income families—almost 7 million—have parents who do not hold a high school degree.
- 36%—almost 10 million—have parents with a high school degree, but no college education.

### Higher education leads to higher earnings.

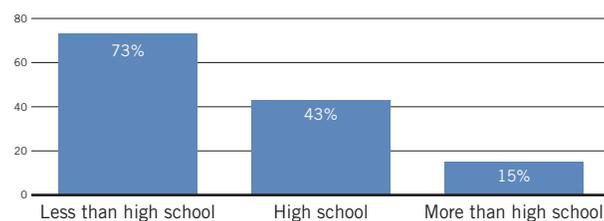
- 82% of children whose parents do not have a high school degree live in low-income families.
- 54% of children whose parents have a high school degree, but no college education, live in low-income families.
- Only 22% of children whose parents have at least some college education live in low-income families.

### If parents have low education levels, full-time employment does not protect their families from low earnings.

Among children whose parents work full-time and year-round:

- 73% of children whose parents do not have a high school degree live in low-income families (up from 72% in 2001).
- 43% of children whose parents have a high school degree, but no college education, live in low-income families (up from 42% in 2001).
- Only 15% of children whose parents have at least some college education live in low-income families (down from 16% in 2001).

**Percent of children in low-income families by parents' education: Parents work full-time/year round**



<sup>1</sup> Estimates in this fact sheet were prepared by Heather Koball and Ayana Douglas-Hall of NCCP based on the U.S. Current Population Survey, 2003 Annual Social and Economic Supplement.

<sup>2</sup> Low-income is defined as twice the federal poverty level, or \$37,700 for a family of four in 2004.

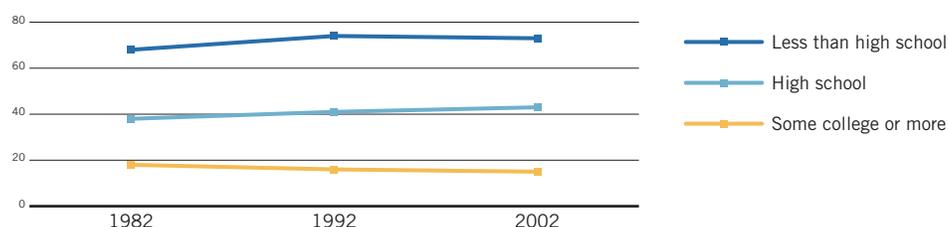
<sup>3</sup> Parental education is defined as the education level of the most highly educated parent who lives with the child.

### Parents with less education are losing economic ground.

Over the past two decades, children with full-time employed parents are increasingly likely to be low-income if their parents do not have a college education. Among children whose parents work full-time and year round:

- The percent of children in low-income families increased from 68% to 73% if parents did not hold a high school degree.<sup>4</sup>
- The percent of children in low-income families increased from 38% to 43% if parents had a high school degree, but no college.
- The percent of children in low-income families decreased from 18% to 15% if parents had at least some college education.

Percent of children in low-income families by parents' education level: Parents employed full-time



## Policies

Federal and state policies offer opportunities to make higher education more accessible to low-income parents.

**Increase access to financial aid for low-income students.** Over the past decade, federal resources for higher education have primarily benefited higher income families.<sup>5</sup> Recent federal policies have favored tax subsidies over traditional subsidized loans and grants. Reversing this trend could increase access to higher education for low-income parents.

**Help low-income parents who are enrolled in higher education with child care costs.** Despite the expansion of child care subsidies in the 1990s, many states do not provide subsidies for parents who are pursuing higher education. To complete a degree, parents need affordable, stable arrangements for their children.

**Temporary Assistance for Needy Families (TANF) provides policymakers with the opportunity to support education for low-income parents.** It is critical that low-income parents, particularly those transitioning off TANF, have the opportunity to pursue higher education. The federal government should not restrict the educational programs that count toward TANF work requirements.

**Head Start can promote the pursuit of higher education among the next generation of parents.** Low-income children who attend Head Start are more likely to graduate from high school and attend college.<sup>6</sup> Protecting the funding and high standards of Head Start will ensure that more low-income children are able to pursue higher education—and the economic security that comes with it.

<sup>4</sup> Changes in percent low-income are statistically significant at the .05 level for every parent education level.

<sup>5</sup> Maag, E. & Fitzpatrick, K. (2004). *Federal financial aid for higher education: Program and prospects*. Washington, DC: Urban Institute <[www.urban.org/UploadedPDF/410996\\_federal\\_financial\\_aid.pdf](http://www.urban.org/UploadedPDF/410996_federal_financial_aid.pdf)>.

<sup>6</sup> Garces, E.; Duncan, T.; & Currie, J. (2000). *Longer-term effects of Head Start* (NBER Working Paper No. w8054). Cambridge, MA: National Bureau of Economic Research <[www.nber.org/papers/w8054](http://www.nber.org/papers/w8054)>.