

# Community Colleges and Upward Mobility

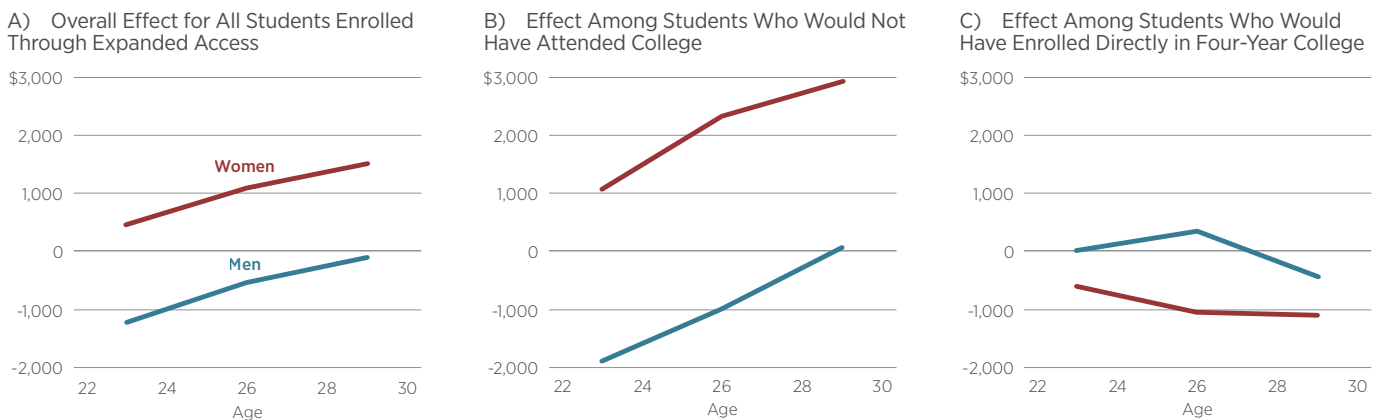
Based on BFI Working Paper No. 2021-106, [“Community Colleges and Upward Mobility,”](#) by Jack Mountjoy, Chicago Booth

*Expanding access to two-year community college has significant value-added for two-year entrants who otherwise would not have attended college, but negative impacts on students diverted from immediate four-year entry.*

As the earnings gap between college and high school graduates widens, expanding access to two-year community colleges seems like a promising way to help children from low-income families achieve greater levels of upward mobility. After all, nearly half of all college entrants enroll in community colleges, including a disproportionate share of low-income students, making two-year community colleges major arteries for increasing the flow of young Americans into higher education. But what if policies like free two-year

college tuition, which have become common in recent years, hold some students back? Even if expanding two-year access succeeds in increasing enrollment in two-year colleges, it’s possible that it may be to the detriment of students who would otherwise have enrolled at a four-year institution. Motivated by this question, this paper develops new econometric tools and marshals linked administrative data to explore the consequences of expanding access to two-year colleges on student outcomes.

**Figure 1 • Earnings Effect Profiles by Gender**



Note: This figure plots the estimated effects of two-year entry on students’ quarterly earnings, averaged within three different age windows: 22-24, 25-27, and 28-30. The first graph shows the overall effect for all two-year college students induced to enroll through expanded access, the second graph shows the “democratization effect,” or, the effect on expanded access among students who otherwise would not have attended college, and the third graph shows the “diversion effect,” or, the effect among students who otherwise would have enrolled directly in four-year college.

To study this question, the author constructs a longitudinal dataset tracking five cohorts of Texas public high school students who were in 10th grade between 1998 and 2002. For this group, the author observes enrollment and degrees at all public and private Texas colleges and universities (from the Texas Higher Education Coordinating Board), and earnings at age 30 (from the Texas Workforce Commission).

The key empirical challenge in this study is calculating the impacts of expanding access to two-year college separately for two groups: those who otherwise would have not enrolled in any college, and those who otherwise would have started at a four-year institution directly. The author develops a novel approach to disentangling the impacts on these two groups that uses variation in students' distances from community and four-year colleges as instrumental variables, comparing students' outcomes depending on how far they live from each type of college campus. He finds the following:

- Overall, greater access to two-year colleges boosts educational attainment and earnings. For the average student induced into two-year entry by closer proximity, completed schooling increases by roughly one year, bachelor's degree attainment increases by 10 percentage points, and earnings per quarter around age 30 increase by roughly \$700, representing a 9% gain over the mean.
- Two thirds of the students induced into two-year college by greater proximity would not have otherwise attended college, and reap significant gains in educational attainment and earnings as a result. They complete 1.7 more years of schooling, on average, and are 27 percentage points more likely to earn a bachelor's degree. With respect to earnings, the average student democratized into two-year entry from non-enrollment earns about \$1,500 more per quarter around age 30, representing an 18% premium over the mean.
- Roughly one third of students induced into two-year college by greater proximity would have otherwise enrolled in a four-year college. Outcomes for this group are poorer than they otherwise would have been: They complete roughly two-thirds of a year less of total education and are 20 percentage points less likely to complete a bachelor's degree relative to their counterfactual of starting directly at a four-year institution, leading to a negative but statistically imprecise impact on earnings around age 30.
- The difference in outcomes between students induced into two-year college by greater proximity who otherwise would have not attended college versus those who would have otherwise attended a four-year college are driven entirely by differences among women. While men who otherwise would not have attended college experience positive gains in educational attainment from being induced to attend two-year community college, their losses from being diverted from four-year college are small and insignificant. Women who otherwise would not have attended college experience large gains in educational attainment and significant earnings returns, while diverted women experience significant losses in educational attainment and a decline in earnings relative to their four-year entry counterfactual.
- Two-year access boosts the upward earnings mobility of students from low-income families. Eighty percent of disadvantaged students (those eligible for subsidized meals in high school) who are induced into two-year entry thanks to closer access would not have otherwise attended any college, leaving just 20% who are diverted from immediate four-year entry. Low-income students who attend two-year college in lieu of no college experience smaller-than-average gains in educational attainment, but slightly larger-than-average earnings returns. This result suggests that two-year college enrollment may involve other labor market benefits for disadvantaged students beyond modest increases in formal educational attainment, such as better access to employer networks, short course sequences teaching readily-employable skills, and improved job matching.
- The effects on students who are induced to enroll in two-year college and otherwise would not have attended college do not weaken as access to two-year colleges increases and includes a broader group of potential students.

- Policies that expand access to two-year colleges by decreasing their distance from students reduce income inequality between men and women and between students from high- and low-income families. This finding extends naturally from the fact that both women and low-income students who would not have otherwise attended college have relatively more to gain by attending a two-year college.
- Finally, the author shows how the approach established here can be used to predict the impacts of a broader set of policies that expand access to two-year college. By observing initial changes in enrollment and calculating the proportion of policy-affected individuals who fall into the “diversion” category (those who switch from four-year to two-year institutions), researchers can predict the impacts of policies without having to wait for many years to observe long-term outcomes.

Policies that extend free community college tuition to high school graduates have become widespread in recent years, with states and cities including Tennessee, Oregon, Minnesota, Kentucky, and Rhode Island, as well as Chicago, San Francisco, and Boston offering such programs. The results presented here suggest that broad expansions of two-year college access have different implications for the upward mobility of different types of students, and more targeted policies that avoid significant four-year diversion may offer equal or greater impacts with fewer unintended consequences.

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