



# The effects of parents' college savings on college expectations and Hispanic youth's four-year college attendance

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## ABSTRACT

This study examines the influence of parents' college savings for their child on Hispanic youth's four-year college attendance. Using hierarchical generalized linear modeling (HGLM), we analyze a sample of 2750 Hispanic youth from the Education Longitudinal Survey (ELS: 2002/2006). Findings suggest that parents' college savings are significantly associated with Hispanic youth's four year college attendance. However, once parents' college expectations are added to the model, the significant effect of college savings disappears. Mediating tests show that parents' college expectations and youth's college expectations mediate the relationship between parents' college savings and Hispanic youth's attendance at a four-year college.

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## 1. Introduction

Hispanics are the fastest growing population in the U.S. The number of Hispanics increased from 35.3 million in 2000 to 50.5 million in 2010, 16% of the total U.S. population (U.S. Census Bureau, 2010a). In 2009, 22% of the U.S. school population was Hispanics. By 2050 it is estimated that they will make up 39% of the school-aged population in the U.S. (Federal Interagency Forum on Child and Family Statistics, 2010). Additionally, the median age for Hispanics in 2010 is about 28. In contrast, the median age for the overall U.S. population is about 37 (U.S. Census Bureau, 2010b). The large number of young Hispanics is likely to play an important role in determining whether the U.S. is able to meet the increasing shortfall of laborers (Tienda, 2009).

However, Hispanic youth often fail to achieve their desired educational goals. For example, their college attainment rate is lower than that of black or white students. In 2009, while 49% and 40% of white and black high school graduates were enrolled in colleges or universities, respectively, only 36% of Hispanic youth were enrolled in higher education (National Center for Education Statistics, 2009). Specifically, only 29.1% of foreign-born Hispanic youth with a high school diploma attended college in 2009 (Pew Hispanic Center, 2009a).

Compounding the problem, Hispanic immigrant youth enroll disproportionately in two-year colleges, as opposed to four-year colleges. According to the National Center for Education Statistics (2010), while 42% of whites begin their studies at two-year colleges, over 60% of Hispanic youth initially attend two-year colleges in 2010. Enrolling initially in a two-year college decreases the probability of achieving a four year degree (Ganderton & Santos, 1995). Although more than 70% of all incoming two-year college students seek to transfer and earn a bachelor's degree, only about a quarter of students transfer from a two-year school to a four-year school (Bradburn, Hurst, & Peng, 2001). Bound, Lovenheim, and Turner (2007) also point that the bachelor's degree completion rate for students who initially enrolled in four-year colleges was around 65%, while only 17% of students starting at two-year colleges earn a bachelor's degree. Furthermore, two-year colleges are less prestigious and have less financial reward than four-year degree institutions (Kane & Rouse, 1995). Students who started their postsecondary education at two-year colleges held jobs that were significantly lower in status than otherwise similar students who started at four-year colleges (Whitaker & Pascarella, 1994). According to the U.S. Census Bureau (2010c), in 2009 people with a bachelor's degree earn 30% more than two-year college graduates (\$54,862 vs. \$42,174). Given that the future of college-educated workers and the U.S. as an economic power are linked in important ways, the U.S. government has a stake in improving Hispanic youth's four-year college attainment rates through effective programs and policies.

According to the College Board (2010), tuition and fees at two-year colleges average only at 27% of the average tuition and fees at four-year public college. The relatively low college costs may partially explain why the greater proportions of low-income Hispanic students

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<sup>2</sup> Researchers at Georgetown University's Center on Education and the Workforce have found that colleges and universities will not be able to produce enough graduates to meet the growing demand for college educated workers, which may result in a shortage of 300,000 college graduates per year through 2018 (Carnevale, Smith, & Strohl, 2010).

enrolled in two-year colleges in spite of the advantages of starting at a four-year college. Over the last ten years there has been a growing amount of evidence that suggests household assets, such as savings, are an important predictor of college attainment, even after controlling for household income. However, previous studies pay little attention to Hispanic population to test the association between assets and college attainment. This study asks, “Does parents’ college savings have a significant effect on Hispanic youth’s four-year college attendance?”

In addition to the direct relationship between parents’ college savings and four-year college attendance, special attention is given to the extent to which youth’s college expectations and parents’ college expectations explain the relationship between savings and four-year college attendance. Despite the importance of college expectations, Hispanics’ college expectations are 20% lower than the national average (Swail, Cabrera, & Lee, 2004). Using data from the 2009 National Survey of Latino, the Pew Hispanic Center (2009b) reported, “the biggest reason for the gap between the high value Latinos place on education and their more modest expectations to finish college appears to come from financial pressure. (p.5)” To examine both direct and indirect associations, a series of hierarchical generalized linear models (HGLM) and binary logistic regressions are estimated.

## 2. Review of research

There is a growing body of research that demonstrates the positive association between different types of household assets and educational attainment. However, it is beyond the scope of this article to provide a comprehensive review of the research in this area. Readers are invited to examine Elliott, Destin, and Friedline’s study (2011) for an extensive review of this research. In this section we will focus only on studies that examine the effect of college savings on college attainment and expectations. Furthermore, existing literature suggests that several school-level characteristics have an influence on college attainment. We will discuss the empirical findings as well.

### 2.1. College savings and college attainment

We find six studies that examine effects of parents’ college savings on college attainment (Charles, Roscigno, & Torres, 2007; Elliott & Beverly, 2011a, 2011b; Elliott, Constance-Huggins, & Song, 2011; Elliott & Nam, 2011; Song & Elliott, 2011). Using the National Education Longitudinal Survey (NELS), Charles et al. (2007) find that foreign-born Hispanic immigrant youth are significantly more likely to attend both two- and four-year colleges than the white youth, after controlling for parents’ investments such as college savings and amount of savings. For U.S.-born Hispanic youth, even after controlling for family background and college savings, Hispanic youth are significantly less likely to attend a four-year college than their white peers, suggesting that the asset effect may differ for Hispanic immigrant youth depending on their immigrant generation. However, since the study measures college savings as part of parents’ investment variable, it is hard to know the independent effects of college savings.

Recently, Elliott and Beverly (2011a) test the association between parents’ college savings and four-year college attendance. Findings suggest that youth having parents’ college savings are nearly two times more likely to attend a four-year college than youth without parents’ college savings. However, this study sample was restricted to only white and black youth who received either a high school diploma or a General Equivalency Diploma (GED) and expected to acquire bachelors’ degree. Another study conducted by Elliott and Beverly (2011b) examine the effect of college savings on college progress (i.e., whether a youth is attending or has graduated from a college). This study finds a positive significant relationship between college savings and college progress. Conversely, Elliott, Constance-Huggins et al. (2011) do not find a significant relationship between

parents’ college savings and college progress. However, this is the only study to split the sample into low-to-moderate income youth and high-income youth. Lastly, Song and Elliott (2011) find no statistically significant relationship between college savings and college attainment. It is the only study that tests the independent effects of parents’ college savings on Hispanic immigrant youth’s college attendance and graduation. However, this study’s sample was restricted to only second-generation Hispanic immigrants who lived in California and did not include school-level covariates.

In sum, very little research has been conducted that includes the Hispanic youth. The couple of studies that have been conducted are mixed in regard to finding a significant positive relationship between parents’ college savings and Hispanic youth’s college attainment. Moreover, existing research on parent’s college savings has not adequately controlled for the role that schools might play in explaining youth’s college outcomes. Given this, more research is needed.

### 2.2. Mediating effect of educational expectations

A growing number of studies examine whether college expectations mediate the relationship between household assets and youth’s educational outcomes (for more information, see Elliott, Choi, Destin, & Kim, 2011; Elliott, Destin et al., 2011). However, to reduce space, in this paper we only review research that includes college savings (Elliott & Beverly, 2011a; Elliott, Nam, & Johnson, 2011; Zhan & Sherraden, 2003).

Using Baron and Kenny and bootstrapping methods, Elliott and Beverly (2011a) find evidence that youth’s college expectations act as a full mediator between parents’ college savings and youth’s college progress. Another study conducted by Elliott, Nam et al. (2011) tests whether youth’s college expectations mediate the relationships between college savings and college progress using path analysis with structural equation modeling. The results show that youth’s college expectation act as a partial mediator between parents’ college savings and youth’s college progress. The findings suggest that parents’ school savings enhance their children’s educational expectations, which may encourage them to study harder and achieve better educational outcomes.

Unlike previously discussed studies, using a sample of female-headed households from the National Survey of Families and Households (NSFH), Zhan and Sherraden (2003) use mother’s college expectations as a mediator. They find that mother’s college expectations partially mediate the association between parents’ college savings and high school graduation. In addition to youth’s expectations, Elliott, Nam et al. (2011) also include parents’ college expectations. Like in the case of youth expectations, they find that parents’ college savings have an indirect effect on youth’s college progress that works through parents’ college expectations.

In sum, all studies reviewed find that both youth’s and parents’ expectations act as a mediator between parents’ college savings and youth’s educational attainment. However, no existing studies include Hispanic youth. Therefore, research is needed that examines whether the mediating relationship remains when examining Hispanic youth.

## 3. Methods

### 3.1. Research hypotheses

This study builds on previous research in a number of important ways. First, this study pays special attention to the role of parents’ college savings on youth’s four-year college attendance by distinguishing parents’ college savings from household income. Second, we focus on an under studied population that is economically and educationally vulnerable, Hispanic youth. Third, we examine whether youth’s college expectations and parents’ college expectations mediate the relationship between college savings and college attendance.

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