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The Economic Case for Emergency Student Aid

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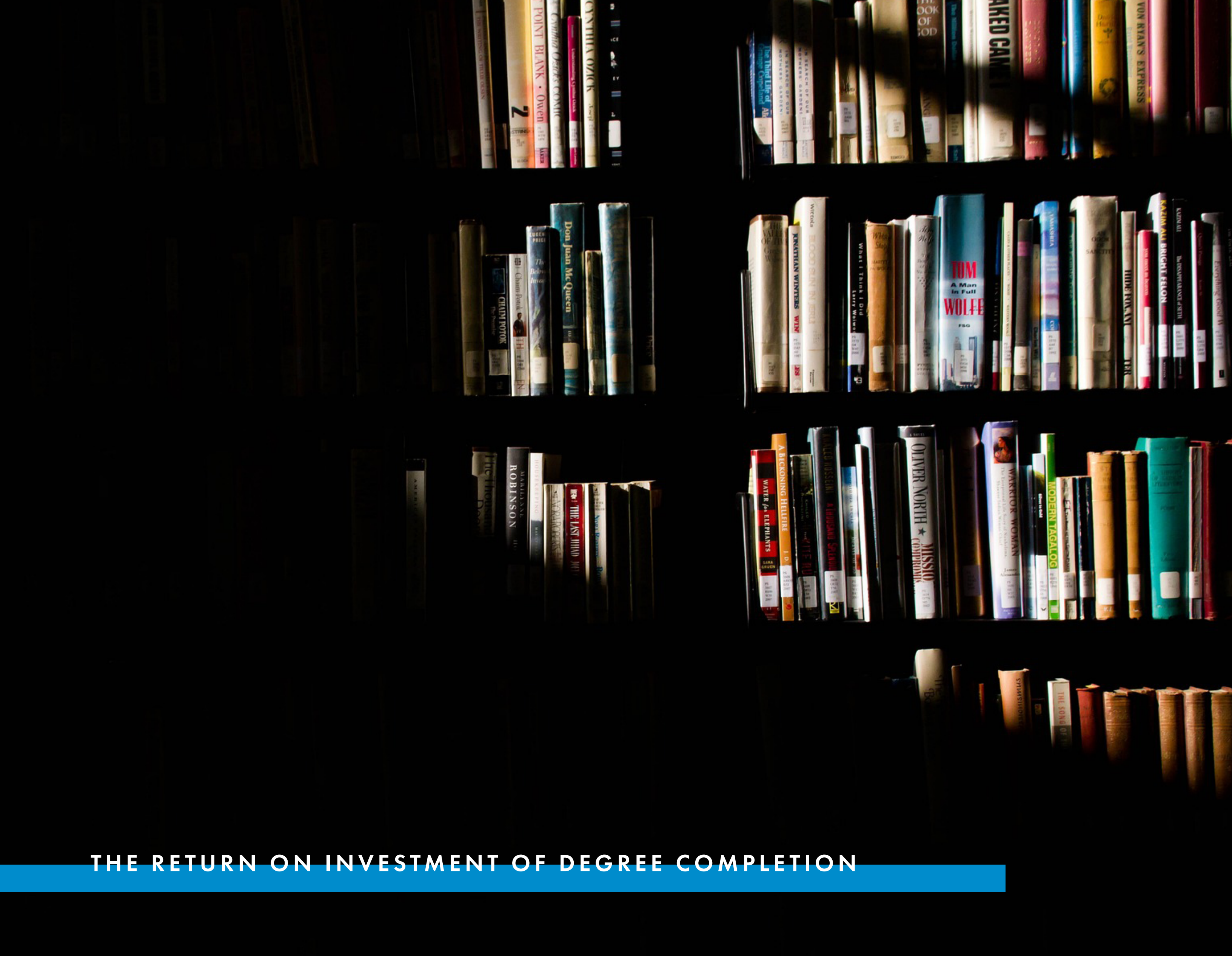
This brief is part of the series **Emergency Aid, Enduring Impact: Strengthening Families, Communities, and the Economy through Support for Student Parents** *developed by HCM Strategists in collaboration with national experts to support Scholarship America's National Emergency Scholarship Fund for Student Parents. The series provides a roadmap for institutions and policymakers to better support student parents—ensuring they stay enrolled, complete their education, and strengthen their families, communities, and our nation's workforce.*

For decades, expanding access to higher education has been a national priority in the United States, based on the well-founded belief that a college degree is one of the most effective tools for economic mobility. However, as millions of students continue to enroll without ever completing their programs, it has become clear that access alone is not enough. The benefits of higher education—particularly its economic returns—are largely contingent on degree completion. Students who fall short of finishing often face financial hardship, higher unemployment, and a greater likelihood of defaulting on student loans.

A growing body of evidence suggests that financial instability is one of the most common barriers to college completion and that, in many cases, students drop out due to relatively small, unexpected expenses. These findings have sparked interest in a promising solution: emergency aid programs. These micro-grants or short-term financial interventions are designed to help students weather temporary financial crises and stay on track to graduate. Though still limited in scope and uneven in implementation, emergency aid has the potential to deliver a high return on investment—for both students and society—by ensuring that financial setbacks do not become permanent derailments.

This paper explores the economic rationale for college completion, the role of emergency aid in supporting students at risk of dropping out, and the evidence surrounding the effectiveness of these programs. In doing so, it argues for a shift in policy and practice—from a focus on getting students into college to providing the support they need to successfully complete their degrees.



THE RETURN ON INVESTMENT OF DEGREE COMPLETION

Over the last two decades, political, cultural, and philanthropic leaders in the United States have spent significant resources encouraging Americans to enroll in and complete college degrees. While college access and completion are celebrated for a variety of reasons, the unifying factor in this tremendous effort is economic.[1] It is broadly understood that higher education is the single most effective mechanism for social mobility nationwide.

Recent political discourse on higher education might lead one to question whether college is, in fact, "worth it." The Biden Administration's efforts to enact widespread cancellation of student debt suggests that students have gotten a raw deal. Additionally, polling indicates that Americans are more suspicious than ever before when it comes to their confidence in higher education.[2]

But the reality is, at least on average, that college pays off. Getting a college degree is the most effective way to increase one's socioeconomic status. Workers in the U.S. labor market with a college degree have higher wages than less educated workers and since they are less likely than less educated workers to get laid off during economic downturns, they are also more economically resilient.

[1] This statement does not intend to diminish the other valuable returns to education, which include a more effective democracy and numerous improved indicators of individual well-being.

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One oft-cited report from the Center on Education and Workforce at Georgetown University estimates that college degree holders earn $2.8 million over the course of their lifetime.[3] That translates into bachelor's degree holders out-earning those with an associate's degree by 31% and out-earning those with just a high school diploma by 84 percent.

Measuring the precise economic returns of a college degree isn't a simple exercise. We can easily observe the earnings of college graduates and the earnings of those who participate in the labor force with less than a college degree. But comparing those two indicators gives a biased indication of the value of a degree since the wages of less educated workers aren't a good indication of what college-educated workers would have earned had they not gone to college. That's because college-educated workers are, on average, different from less-educated workers in ways (other than education) that affect earnings.

Studies that consider the differences between the college-going and not-college-going populations also show generous earnings increases as a result of higher education but more modest than the gains implied by the oft-cited Georgetown report. For example, a study by researchers at the Federal Reserve Bank of New York[4] estimates that a college degree, taking cost into account, yields a rate of return of 14%, a generous return by any measure.

More recent studies paint a more nuanced picture. Research by my colleague at American Enterprise Institute (AEI), Preston Cooper, suggests that the lifetime return on a bachelor's degree is $160,000 on average, but returns vary largely across majors.[5] His analysis suggests that engineering, computer science, nursing, and economics degrees have the highest rate of return. Cooper also emphasizes that many programs of study actually tend to leave students worse off financially than when they started. He suggests as many as 21% of bachelor's degree programs fall into this category, along with 43% of associate degree programs.

ECONOMIC RETURNS: AN "ALL-OR-NOTHING" PROPOSITION

It would be reasonable to think that the financial benefits of earning a college degree would accrue along the way to graduation; that half of a college degree would yield half of the increase in wages afforded by completing your degree. If that were the case, starting a degree but not completing it wouldn't be a problem. Unfortunately, there is strong evidence to the contrary. Access to the higher earnings afforded by a degree comes largely in a single lump when the degree or credential is completed.

This phenomenon—sometimes referred to as the "sheepskin effect"—makes the growing rate of non-completion in higher education immensely problematic. In 2020, the overall six-year graduation rate for first-time, full-time undergraduate students who began seeking a bachelor's degree at four-year degree-granting institutions in fall 2014 was 64 percent. That means that as many as one-third of entering students won't see the payoff of higher wages that would make their outlays for their cost of attendance worth it. This is clearly problematic for students who used debt to finance their degree, as well as for students who were able to pay but anticipated increased earnings to justify their expense of time and money did not materialize.

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Higher education is an incredible mechanism for social mobility, but it only works when students finish their degree. Recent estimates suggest that 36.8 million Americans have earned some college credit but no degree. Not surprisingly, these people seem to struggle financially. Polling data suggests that among non-completers who borrowed to pay for their degree, 60% end up defaulting on their student loans. That's twice the rate of default seen among borrowers who succeeded in completing their program of study.[6] This observation is consistent with the fact that we observe this group of workers facing higher rates of unemployment and lower wages than workers who completed their degrees.[7]

This population has truly been let down by the promise of higher education in the United States. Our collective attention now needs to turn from getting students started in college to getting them across the finish line.

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FROM ACCESS TO COMPLETION: A NECESSARY SHIFT

The ubiquitous celebration of college education in the U.S. over the last few decades resulted in a tremendous exertion of effort and expenditure of resources on the goal of increasing "access" to college. The assumption underpinning that effort was that the dedication of resources would yield a return in the form of more Americans with degrees and all the benefits they afford, financial and otherwise. However, the implicit calculations justifying these efforts didn't account for the unanticipated uptick in non-completion seen in recent years.

Had leaders anticipated this turn of events, efforts toward this end likely would have focused more on achieving "completion" of college degrees rather than "access" on the front end. As the shortcomings of the "access" mission became apparent, many efforts to support students in and through college began to emerge.

It became apparent that financial challenges were the single most significant barrier to students completing their degrees. However, it was discovered that many students who failed to complete their degrees due to financial challenges did so only because of a minor shortfall. It turns out that it is often only a minor expense that prevents students from completing their course of study and reaping the labor market benefits of higher education. It is often the case that getting these students across the finish line would only take a small nudge.

While it is discouraging to learn that so little stands between so many Americans and the prosperity a college diploma offers, it is encouraging from a policy perspective because it means that a small expenditure of resources can yield a tremendous dividend for individual students and society. The dollar figures that can make a huge difference in facilitating the completion of degrees once they've been started would hardly move the needle in getting students into college in the first place.

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EMERGENCY AID PROGRAMS IN PRACTICE

This phenomenon has inspired many initiatives that deliver aid dollars to students when they face financial challenges that would otherwise prevent them from continuing their education. These programs, which are often called micro-grant or emergency student aid programs, vary in their design features. Their defining characteristic, however, is that they make resources available to students when they face unexpected financial challenges that might keep them from being able to afford to continue their education.

Existing programs tend to be administered at the state or institution level. Aside from some funding for these programs being made available through the emergency legislation passed during the Covid-19 pandemic, no efforts have been made to establish an emergency aid program using federal dollars.

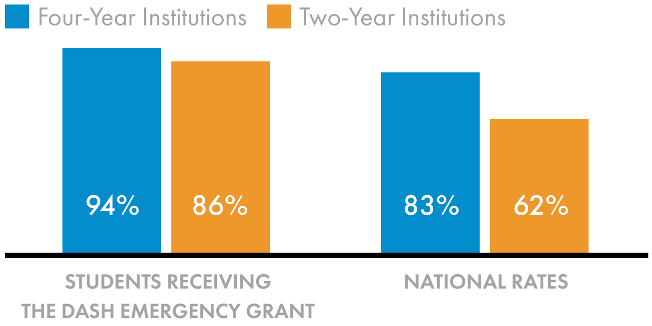
The lack of federal oversight and intervention in emergency student aid makes direct observation of this field more challenging, but a recent study from NASPA, Student Affairs Administrators in Higher Education, found that 70% of colleges have some form of an emergency aid program.[8] However, they define emergency aid very broadly, from unrestricted financial support to cover unanticipated expenses like a flat tire to the availability of a no-cost food pantry on campus. Close to half of the campuses in their study reported having some form of an emergency aid program that handed out dollars to students to cover expenses.

Studies of the efficacy of emergency aid programs have found varying levels of success.

Just one study of the efficacy of emergency aid in improving student outcomes has been able to exploit a randomized controlled setting for analysis.[9] It found weak evidence that the aid delivered to students was helpful in both improving rates of completion and improving later earnings outcomes. However, it found that the associated coaching was critical for student success, perhaps more so than the aid dollars themselves.

Another study, however, showed more promising results. An examination of the Dash Emergency Grant program administered by Ascendium Education Group (formerly Great Lakes Higher Education) suggests that retention among aid recipients was dramatically higher than among the broad population of students at that time. Persistence rates for students receiving the Dash Emergency Grant were 94% at four-year institutions and 86% at two-year institutions; compared to the national rates of 83% and 62.2%, respectively.[10] This was achieved through relatively small grant awards, averaging less than $500, most frequently used to cover housing, utilities, and transportation costs.

Comparison for Students Receiving the DASH Emergency Grant vs. National College Persistence Rates



As is the case with most interventions in higher education, the success of the effort and expenditure in improving outcomes is likely very sensitive to the local environment in which they are administered and the efficacy of their design and administration. While the evidence on the efficacy of emergency aid (broadly defined) is mixed, there is adequate promise to justify further experimentation with emergency aid programs that are specifically tailored to the populations they are aiming to serve.

To fully realize the promise of emergency student aid, policymakers and institutions should take several key steps.

- First, private and local funding sources should fund pilot initiatives that rigorously test emergency aid designs across diverse institutional types.
- Aid must also be delivered quickly and with minimal administrative barriers, as students in crisis cannot afford to wait weeks for committee approvals.
- Additionally, emergency financial aid should be integrated with support services such as advising, mentoring, or case management to maximize its impact. Programs should prioritize economically disadvantaged students, who are at the greatest risk of non-completion due to financial shocks.
- Finally, success must be measured through rigorous evaluation, assessing not just retention rates, but also long-term graduation and employment outcomes.

CONCLUSION

As the national conversation around higher education shifts from access to completion, emergency aid programs have emerged as a promising, cost-effective intervention to help students overcome short-term financial barriers and stay on track to earn their degrees. While the current evidence on their efficacy is mixed, the potential upside—particularly for economically disadvantaged students—is too great to ignore. Even a modest, unexpected expense can be the difference between graduating and dropping out for many low-income students. Emergency aid offers a targeted solution with the power to turn vulnerable moments into success stories.

To fully realize this potential, we must invest in further experimentation with emergency aid programs, carefully tailoring them to the needs of the intended populations. Equally important, we must commit to rigorously evaluating these programs—not just in terms of retention and completion rates but also long-term economic outcomes. We can make meaningful progress toward a more equitable and effective higher education system by prioritizing the students who face the greatest financial risk. The path to stronger degree completion rates lies not only in getting students in the door but in ensuring they have the support to walk across the stage at graduation.

ENDNOTES

[1] This statement does not intend to diminish the other valuable returns to education, which include a more effective democracy and numerous improved indicators of individual well-being.

[2] Brenan, M. (2023, July 10). *Americans' confidence in higher education down sharply. Gallup.* **https://news.gallup.com/poll/508352/americans-confidence-higher-education-down-sharply.aspx**

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[4] Abel, J. R., & Deitz, R. (2014). *Do the benefits of college still outweigh the costs? Current issues in economics and finance, 20*(3). **https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2477864**

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[6] The Pew Charitable Trusts. (2024, January 30). *Borrowers with certain educational experiences appear more likely to default.* **https://www.pewtrusts.org/en/research-and-analysis/articles/2024/01/30/borrowers-with-certain-educational-experiences-appear-more-likely-to-default**

[7] Arnon, A., & Baird-Zars, B. (2024, July 25). *Unfinished business: The economic consequences of college noncompletion.* Federal Reserve Bank of Richmond. **https://www.richmondfed.org/region_communities/regional_data_analysis/regional_matters/2024/rm_07_25_24_unfinished_business**

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[8] NASPA: Student Affairs Administrators in Higher Education. (2016). *Landscape analysis of emergency aid programs.* **https://www.naspa.org/files/dmfile/Emergency_Aid_Report.pdf**

[9] Evans, W. N., Kearney, M. S., Perry, B. C., & Sullivan, J. X. (2017). *Increasing community college completion rates among low-income students: Evidence from a randomized controlled trial evaluation of a case management intervention* (NBER Working Paper No. 24150). National Bureau of Economic Research. https://www.nber.org/papers/w24150

[10] Ascendium Education Group. (2020). *A broader view of emergency aid: Toward a more holistic approach to helping students weather a financial crisis.* https://search.issuelab.org/resource/a-broader-view-of-emergency-aid-toward-a-more-holistic-approach-to-helping-students-weather-a-financial-crisis.html

Due to the removal of this report from Ascendium's website, an earlier archived version of this report is linked and may reference outdated data.

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