THIRD WAY

BLOG *Published July 21, 2022 • 6 minute read*

A New Way of Rating Institutions of Higher Ed: Upgrading the Economic Mobility Index

Michael Itzkowitz
Senior Fellow, Higher Education
@mikeitzkowitz

Earlier this year, we introduced a new way to rate the performance of institutions of higher education. Rather than prioritizing selectivity and test scores like traditional rankings, we took a different approach: We defined value based on how well institutions serve their low-income students, in addition to the proportion of low- and moderate-income students a school serves.

Our Economic Mobility Index showed that the schools that are often presented as being the best in the nation on traditional rankings actually provide very little economic mobility. For example, out of 1,320 bachelor's degree-granting schools, Harvard ranks 847th and Princeton clocks in at 426 th in terms of the economic mobility they provide.

Instead, we saw a group of Hispanic-Serving Institutions topping the list, with schools like California State University - Los Angeles, California State Dominguez Hills, and Texas A&M University offering the most economic mobility for students across the United States.

Updates and Enhancements

Today, we add onto this analysis in three ways. First, we provide an interactive map for users to explore institutions across the nation and the economic mobility they provide. Next, we establish a tiered system of economic mobility. Instead of only indicating where schools rank in comparison to other institutions as we did within our initial Economic Mobility Index dataset, we now group institutions into five distinct categories based off of similar levels of economic mobility they provide. For example, we now provide a rating for institutions from 1 (those that provide the most economic mobility) to 5 (those that provide the least). The thought is this: the school ranked No. 1 on the Economic Mobility Index probably doesn't move students up the economic ladder that much more than the institution ranked No. 20—they both do a really good job. Finally, we incorporate the amount of federal financial aid that each of these institutions receives on an annual basis. Fortunately, we see most federal student aid flowing to institutions that provide substantial economic mobility to those who enroll. Yet we also see billions in taxpayer dollars that flow to schools that provide limited opportunity to those seeking a more financially secure future.

A New Way of Rating Institutions

While our Economic Mobility Index provides a ranking method similar to other publications, we also recognize that providing an ordered list may lead one to believe that one institution is substantially better than another because it ranks a few spots higher, when it's actually not. In our new iteration, we created a tiered ratings system for institutions to better reflect those that are delivering on their promise of leaving the next generation of students better off.

For example, take two institutions that are shown to "rank" in the top tier of mobility: University of North Texas at Dallas and Florida International University (FIU). While North Texas – Dallas may rank twice as high as FIU within our initial Economic Mobility Index, they both provide similar levels of upward mobility.

	University of North Texas at Dallas	Florida International University
Economic Mobility Rank	15	30
Tier	1	1
Price-to-Earnings Premium	1.2 years	1.0 years
Percentage of Pell Grant Students	56.0%	48.2%
Average Net Cost to Earn Credential for Low-Income Students	$22,172	$25,392
Earnings Beyond High School Graduate for Low-Income Students	$18,224	$24,684

Source: Author's calculations are based off of data gathered from the US Department of Education's College Scorecard.

Each of these institutions enrolls approximately 50% Pell Grant recipients (those from low- and moderate-income backgrounds) as part of their student body and serves them extremely well. For example, the most economically vulnerable students—those who enter college with family incomes of less than $30,000—receive a very affordable education at each of these schools, costing only $22,172 in out-of-pocket costs for a bachelor's degree at North Texas and $25,392 at FIU. Furthermore, the economic premium that low-income students receive is also considerable at both schools, with students earning $18,000 more than the typical high school graduate after attending North Texas and $24,684 after attending FIU.

While North Texas at Dallas "ranks" 15th on the EMI, that does not mean it provides twice as much economic mobility as FIU, which clocks in at 30. Rather, both institutions can be recognized as being in the top tier of schools that provide demonstrably better economic mobility than most other institutions of higher education.

To better reflect this, we have broken up our Economic Mobility Index into five tiers for comparison purposes. Institutions that provide the greatest economic mobility are now located in Tier 1 with other schools shown to deliver comparably strong outcomes. On the other end of the spectrum, institutions that provide the least mobility are grouped together in Tier 5 with other schools that show subpar economic mobility outcomes for the students they enroll.

- **Tier 1:** Colleges that rate within the top 20% for economic mobility
- **Tier 2:** Colleges that rate between 20% and 40% for economic mobility
- **Tier 3:** Colleges that rate between 40% and 60% for economic mobility
- **Tier 4:** Colleges that rate between 60% and 80% for economic mobility

- **Tier 5:** Colleges that rate within the bottom 80% and 100% for economic mobility

Federal Tax Dollars and Economic Mobility

In addition to promising economic mobility to students, the higher education sector also makes that promise to taxpayers, which is why we disburse billions in federal grants and loans every year. By adding the federal financial aid that each institution receives alongside the economic mobility they provide, we can get a general idea of where tax dollars are being used most effectively and efficiently—and also where these funds may be less impactful. Below, we provide an overview of the characteristics for each tier of institutions, rated from those that provide the most mobility for their students to those that provide the least.

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Annual Federal Student Aid Received	$25.4 B	$20.7 B	$14.3 B	$13.6 B	$8.8 B
Price-to-Earnings Premium	2.2 years	3.0 years	3.4 years	6.1 years	13.7 years
Percentage of Pell Grant Students	40.2%	29.3%	26.4%	28.5%	38.9%
Median Net Cost to Earn Credential for Low-Income Students	$40,304	$54,690	$65,492	$69,088	$76,040
Earnings Beyond High School Graduate for Low-Income Students*	$18,692	$18,353	$19,179	$11,317	$5,553

***Note:** The median for each tier of institutions is used for the average total out-of-pocket costs that low-income students ($0-30,000) pay to earn a bachelor's degree and the earnings beyond the typical high school graduate obtained by low-income students datapoint within this table. Therefore, if a tier includes 264 institutions, the net cost and earnings beyond a high school graduate for the 132nd ranked institution would be presented as the median in this analysis. Price-to-Earnings Premium (PEP) uses the outcomes of these medians to calculate the typical number of years it takes low-income students to recoup their costs at institutions within each of the tiers listed.

Source: Author's calculations are based off of data gathered from the US Department of Education's College Scorecard.

THIRD WAY

The promising news is that federal student aid is disproportionally disbursed to colleges that are shown to provide the most economic mobility. For example, the 264 institutions in the top tier of institutions (Tier 1) received approximately $25.4 billion in federal student aid during the 2019-2020 award year. In comparison, the 263 institutions that provided the least economic mobility—those located in Tier 5—received only a third as much ($8.8 billion).

Noticeably, the time it will take for students to recoup their educational costs within these two tiers is quite different. Institutions in the top mobility tier typically show their low-income students recouping their educational costs within only 2.2 years. Their education is affordable and their

earnings premium is high. In comparison, it takes low-income students attending schools in Tier 5 over six times as long—13.7 years. They typically pay over $76,000 to obtain their degree while only seeing an earnings premium of about $5,553.

Conclusion

We hope these additions to the Economic Mobility Index provide federal policymakers, researchers, and other oversight entities with actionable information about which institutions are delivering on their promise of providing intergenerational mobility. We also invite you to download our updated dataset to use for your own projects, which we would love to read as well.

TOPICS

HIGHER EDUCATION 597