

# Rethinking Federal Work-Study

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In 2017–18, **601,000 students benefited from the \$960 million** Federal Work-Study Program.

About **one-third of federal work-study jobs** were related to students' studies in 2015–16.

**More than half** of all federal work-study funds are allocated based on historical funding levels across institutions.

Of students in the lowest income quartile in 2015–16, 81 percent received Pell grants, **but only 9 percent received federal work-study.**

In 2016–17, students at public-two year colleges, who are disproportionately low income, received **34 percent of Pell grant funds but only 18 percent of federal work-study funds.**

The Federal Work-Study Program was introduced in 1964 to help low-income college students earn money while pursuing higher education. Today, the federal government spends about \$1 billion a year on the program. Funds are allocated directly to institutions, which must match at least 25 percent of the wages students receive through the program.

## WHO GETS WORK-STUDY?

About 600,000 undergraduate and graduate students receive federal work-study benefits. Though the program is intended to benefit low-income students, the numbers show funds are not always well targeted.

**The allocation of work-study funds to institutions fails to provide aid to those who need it most.** More than half of work-study funds are allocated to institutions based on historical funding levels. Remaining money is distributed through a “fair share” formula based on aggregate student need at an institution, which is a function of the tuition and fees, the total student budget, and students' expected contributions. The result is that funding goes disproportionately to institutions that enroll relatively small shares of low-income students.

**Both Pell grants and federal work-study are designed to remove financial barriers for low- and moderate-income students, but in practice, they serve different populations.** In 2016–17, one-fifth of federal work-study funds went to students from families who earned at least \$80,000. In 2015–16, two-thirds of undergraduates in the for-profit sector received Pell grants, but only 1 percent benefited from work-study.

## Distribution of Federal Work-Study Participants, 2016–17

Income	Share of recipients
Dependent students	
Less than \$23,999	19%
\$24,000–\$41,999	15%
\$42,000–\$59,999	12%
\$60,000–\$79,999	11%
\$80,000–\$89,999	8%
\$100,000 or more	13%
Independent undergraduates	15%
Graduate students	7%

Source: “Federal Campus-Based Programs Data Book 2018,” US Department of Education, last updated August 29, 2018,

<https://www2.ed.gov/finaid/prof/resources/data/databook2018/databook2018.html>, table 45.

## WORK-STUDY AS FINANCIAL AID

Earnings from a work-study job are added to grant aid and federal loans as part of students' financial aid packages. But from the students' perspective, earnings from work-study are not financial aid. Students' wages help finance their educational expenses. Whether the wage is paid entirely by the employer or partially by the government should not be relevant.

Requiring students to work to receive a portion of their financial aid packages diminishes the time they can devote to earning money to supplement their resources. Counting work-study earnings as part of the student aid package makes it impossible for students to use these funds to meet their expected contributions or to augment their budgets beyond the bare-bones amounts allowed in the cost of attendance.

## WORK-STUDY AS JOB TRAINING

To the extent that having a job on campus is important for college success, work-study has a clear advantage over other employment. In 2015–16, 91 percent of full-time undergraduates with work-study jobs were employed on campus, compared with just 16 percent of those with non-work-study jobs. But work-study jobs were not more likely than other employment to be related to students' coursework.

## THE FUTURE OF WORK-STUDY

It is time not only to revisit the formula that allocates funds across institutions, but to reimagine strategies for increasing opportunities for part-time employment. Policymakers should consider the following steps:

- **Separate work-study earnings from financial aid.** The packaging of work aid to meet need places a floor on the amount a student must work to finance even the basic expenditures accounted for in the institutionally defined student budget. If that budget proves inadequate to meet the student's expenses, which for low-income students may include providing support to parents or other family members, the student will have to turn down the work-study funds or find a second job compatible with the demands of both the work-study job and academic coursework.
- **Rethink how funds are distributed.** House Democrats and Republicans in separate bills proposed similar changes to the work-study allocation formula, phasing out the existing historical allocation and basing allocations on the aggregate value of the Pell grants students at each college receive and their financial need. But basing the distribution on need can still miss the lowest-income students. Need is defined in the financial aid system as the difference between the total student budget and the expected family contribution. An upper-middle-income student at a high-price private college could easily have a higher level of need than a low-income student at a community college.
- **Investigate the program's impact on students.** Research should compare participants with nonparticipants and should delve into what matters about the program. Is working on campus the critical issue? Is it having work that is relevant to one's studies? Understanding these mechanisms is critical to designing an effective program.
- **Separate programs that promote on-the-job skill development from programs that provide on-campus jobs.** On-campus employment has real advantages for college students. Few of these jobs, however, are likely to serve the purposes of internships and targeted field-related employment. Increasing options for low- and moderate-income students to work in jobs that contribute to career preparation is an important goal for federal policy. But the Federal Work-Study Program is the wrong vehicle. Federal work-study, as it's currently funded, is far from adequate to support part-time work compatible with academic pursuits for the many students who depend on earnings to support themselves. Congress should design and fund a new well-targeted program to support work-based learning for high-need undergraduates.

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