

Executive Summary

Arizona Pathways to Life Success for University Students (APLUS) is a longitudinal study of students who entered the University of Arizona as freshmen in 2007. We collected Wave 1 benchmark data from February to April, 2008, from 2,098 students—more than a third of the freshman class.

The U.S. financial crisis that erupted soon after we collected the benchmark data ignited a wave of global economic challenges, creating a unique, limited period of time in which to examine the immediate effects of those events through a follow-up study on a smaller group from our original sample. While we expected to obtain a few hundred completed surveys in this short window of opportunity, the response rate of more than twice what we anticipated (N=748) suggests that students were eager to share and process their experiences in the wake of economic turmoil.

We surveyed this “Impact Sample” (named for the timing of the study, not for attributes inherent to the sample) between April and February, 2009. In this report, we summarize our findings regarding changes in many of the variables we explored in Wave 1—financial literacy, coping behaviors, well-being, etc.—and differences in those changes based on gender, ethnicity, socio-economic status (SES) and other factors.

Beyond merely documenting the effects of economic crisis, we look to Wave 1.5 data to help us understand how young adults adapt. At the same time, we report findings on a dimension new to the APLUS study: trust. Finally, we’ve added to our reporting students’ own voices—open-ended responses from our survey—which bring to life in a clear, compelling way students’ feelings about economic circumstances and the challenges they face.

The APLUS study began in 2008 with survey data from more than 2,000 college freshmen.

Soon after, the U.S. financial crisis presented a natural laboratory for studying the effects of economic crisis.

We refer to the 700+ students of the current study as the “Impact Sample.” Through them, we hope to better understand how young people adapt to economic hardship and uncertainty.





Key Findings

Economic impact. Nearly all students reported that the economic crisis had impacted their families (95%), their own finances (93%) and their money management (95%). Women, African Americans, lower-SES and lower-GPA (below 3.0) students reported greater impact.

Overall, the students reporting the most impact also reported:

- The highest increases in credit card debt
- The deepest declines in psychological, physical and financial well-being
- Significantly more responsible budgeting behaviors but fewer savings behaviors
- Significantly more typical and extreme coping strategies

Gender differences. The economic impact from Wave 1 to Wave 1.5 affected women more financially and men more academically.

- Financial self-confidence (self-assessments of financial knowledge) dropped 22% for women, double that of men
- Men adopted more responsible borrowing behaviors, whereas women increased risky borrowing behaviors
- Academic satisfaction decreased more for men: a 6% drop for men compared to a 2% drop for women

Racial differences. Self-assessed and objective measures provide evidence of the disproportionate burden of the recession on minority students:

- Financial self-confidence of Native American and Hispanic students dropped the most —25% and 23% respectively. African American students, already lowest in Wave 1—remained lowest with a further 19% decline
- Credit card debt increased 219% for African American students and 105% for Hispanic students — compared to a 64% increase for White students
- Self-assessed health of African American students dropped 14% - the lowest of all groups. In Wave 1, self-assessed health of African American students was second only to White students

Additional Findings

Risky coping strategies. While typical cost-cutting strategies rose moderately, risky coping strategies rose at an alarming rate: three times as many students (+169%) dropped classes, twice as many (+106%) took leaves of absence, and 78% postponed health care. We also saw a 26% rise in the use of one credit card to pay another.

Well-being. Students reported lower satisfaction and well-being in all categories—psychological, financial, physical, relational and academic—with declines ranging from 3 to 8%.

Trust. The percentage of APLUS students indicating strong trust in financial institutions is more than 50% lower in comparison to a national study of young adults conducted in 1997. Nearly 20% of the Impact Sample students indicated hardly any confidence at all.

Given the sobering economic statistics of 2008, it's not surprising that our study found a majority of students reporting lower well being and greater debt.

Women, minorities and students from lower-SES families were over-represented among students hit hardest by the economic downturn.

They also shared more significant declines as compared to their circumstances, feelings and behaviors compared to a year earlier.

Men and women both saw declines between Wave 1 to Wave 1.5 surveys, with women feeling the effects more financially and men feeling them more academically.

Our findings support the concept of a racial divide in the wake of recession. Judging by Wave 1.5 data, African American and Hispanic students were especially hard hit by the economic crisis.