

# The Educational Maintenance Allowance – estimating its impact on participation

## Comment

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# Summary

- Participation in education at 17 low in the UK by OECD standards (lower than Italy!!)
- EMA: education subsidy to keep individuals in education
- Result of evaluation: increase in participation lower than expected

# Other studies

- Dearden, Emmerson, Frayre and Meghir, 2004, find that participation is + 4.5 % after the first year and + 6.4 % after the second year
- they consider these effects as substantial (no much bigger than those find by author)

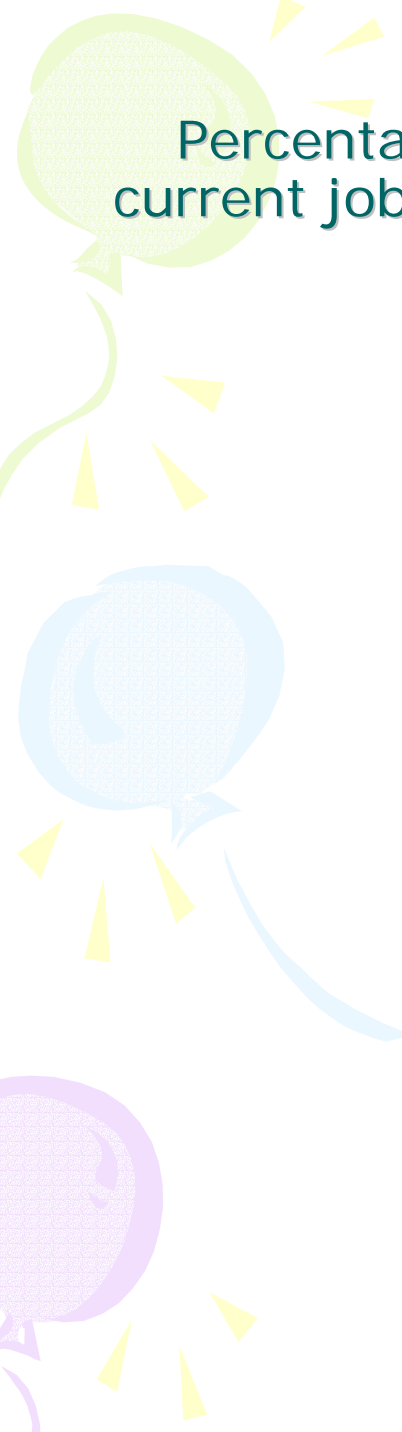
# Percentage of 18 years old who have been in education or training since January last year, ECHP 95-97-99-01

Denmark	89.64	
Belgium	99.77	
France	96.96	
Ireland	90.99	
Italy	77.71	
Greece	78.41	
Spain	83.66	
Portugal	66.15	
Austria	94.87	
Finland	96	
Sweden	98.23	
Germany	98.7	
UK	85.2	



## Percentage of 18 years old not involved in education and training who are employed

<b>Denmark</b>	<b>27.22</b>
<b>Belgium</b>	<b>0</b>
<b>France</b>	<b>20.68</b>
<b>Ireland</b>	<b>45.02</b>
<b>Italy</b>	<b>29</b>
<b>Greece</b>	<b>23.69</b>
<b>Spain</b>	<b>51.88</b>
<b>Portugal</b>	<b>79.11</b>
<b>Austria</b>	<b>85.56</b>
<b>Finland</b>	<b>22.34</b>
<b>Sweden</b>	<b>19.01</b>
<b>Germany</b>	<b>59.64</b>
<b>UK</b>	<b>70.06</b>



Percentage of 18 years old who are fully satisfied with the current job in terms of earnings and did not receive training or education since January last year

<b>Denmark</b>	<b>0</b>
<b>France</b>	<b>0</b>
<b>Ireland</b>	<b>0</b>
<b>Italy</b>	<b>3.02</b>
<b>Greece</b>	<b>0</b>
<b>Spain</b>	<b>13.49</b>
<b>Portugal</b>	<b>0.27</b>
<b>Austria</b>	<b>28.58</b>
<b>Finland</b>	<b>12.75</b>
<b>UK</b>	<b>37.1</b>

Percentage of 18 years old who are fully satisfied with the current job in terms of type of work and did not receive training or education since January last year

<b>Denmark</b>	<b>38.18</b>
<b>France</b>	<b>0</b>
<b>Ireland</b>	<b>2.86</b>
<b>Italy</b>	<b>16.01</b>
<b>Greece</b>	<b>6.16</b>
<b>Spain</b>	<b>7.27</b>
<b>Portugal</b>	<b>4.01</b>
<b>Austria</b>	<b>29.66</b>
<b>Finland</b>	<b>74.15</b>
<b>UK</b>	<b>19.2</b>

- British 18 years old apparently not too unhappy about being out of school and in the labor market – relative to French, Spanish and Irish 18 years old.

# Private returns too low? We need to know more

- Participation does not rise (enough) if the private returns to an additional year of schooling are low among those targeted by the policy
- Average private returns to one year of schooling higher than 10 percent in the UK (Harmon and Walker, 1995)
- Estimated returns are significantly smaller in the lower quantiles of the earnings distribution (Martins and Pereira, 2001)

# Deadweight losses

- Perhaps many get the subsidy even though they would have gone to school anyway. Any idea of the size of this?
- Would be nice to have some (even rudimentary - back of the envelope) cost benefit analysis: what is the overall cost and the overall gain of the policy

# Does EMA address under-provision?

- Are those not going to school at 17 or 18 doing so because of liquidity constraints?
- US evidence (Cameron and Taber 2004) negative
- UK evidence (Dearden, McGrahan Sianesi 2004): small effects – upper bound estimates

# Carneiro - Heckman 2003

- The correlation between parental background and participation is affected by
  - Short term credit constraints
  - Long term effects – taste for culture, value of formal education.. – that are unrelated to credit constraints

# Do we have evidence of under-provision?

- Difficult to say: we need to know more about the social benefits of education
- Milligan, Moretti and Oreopoulos, 2004, find little effect of social returns to education – civic behavior - for the UK

# Equity issues

- Even when we are not sure about efficiency, education policies which raise attainment and skills can address equity issues
- Example: since learning begets learning, inequality of opportunity in education may be amplified by unequal opportunities in training – and by unequal wages

# Carneiro – Heckman 2004

- Show that – conditional on educational attainment – parental background has a negative impact on training
- Without conditioning for education, parental background has no effect on training
- This suggests that in the US training partially offsets initial disadvantages

# In Europe...

**Table 5.3. Family background and training, 1996-2001. Average partial effects. Weighted estimates. Dependent variable: workplace training.**

	(1)	(2)	(3)	(4)
High school education	-.029*** (.006)	-	-.028*** (.006)	
Less than high school	-.110*** (.005)	-	-.108*** (.006)	
Father with high school or college	.011** (.005)	.025*** (.005)	-.000 (.006)	.008 (.006)
Mother with high school or college	.021*** (.006)	.034*** (.006)	.022*** (.006)	.033*** (.006)
Father with high school or college *	-	-	.038*** (.013)	.051*** (.014)
Olive belt dummy				
Mother with high school or college *	-	-	-.002 (.012)	.003 (.013)
Olive belt dummy				
Nobs	37492	37492	37492	37492
R Squared	.146	.131	.147	.132

# In Europe...

- Workplace training does not undo the differences induced by family background on educational attainment (Bassanini, Brunello, Booth, De Paola and Leven, 2005)
- Educational differences are amplified in the labor market

# How do we address equity – and social exclusion?

- Not in the training market
- Most training is done by firms, which are mainly concerned with profits
- Returns to training are lower for the less educated

Some have suggested that wage subsidies may be more effective than training for the disadvantaged (again Heckman)

Education policies that increase the basic skills of the workforce could be considered – policies such as EMA – even though it might be too late, and intervention should focus at the early stages of individual life