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Taking stock of ten years of research on the relationship between assets and children's educational outcomes: Implications for theory, policy and intervention

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ABSTRACT

This paper has two main goals. First, we provide a review of 34 studies on the relationship between assets and children's educational attainment. Second, we discuss implications for Child Development Accounts (CDAs) policies. CDAs have been proposed as a potentially novel and promising asset approach for helping to finance college. More specifically, we propose that CDAs should be designed so that, in addition to promoting savings, they include aspects that help make children's college-bound identity salient, congruent with children's group identity, and that help children develop strategies for overcoming difficulties.

1. Introduction

Among industrialized countries the United States ranked second in college graduation rates in 1995; however, by 2009 the nation had dropped to fourteenth (OECD, 2010). Having a college educated citizenry is commonly believed to be linked to such public economic benefits as increased taxed revenues, greater productivity, increased consumption, and decreased reliance on government financial support (The Institute of Higher Education Policy, 1998). Therefore, finding new ways to improve college attendance and graduation rates at 4-year colleges is one of the main challenges of the 21st Century in order for America to remain a global economic power. The need for educated workers is only likely to increase over time. For example, Carnevale, Smith, and Strohl (2010), researchers at Georgetown University's Center on Education and the Workforce, forecast that by 2018, 63% of all jobs will require at least some college and that there will be a shortfall of 300,000 college graduates per year through 2018.

Social capital (Porfeli, Wang, Audette, McColl, & Algozzine, 2009), human capital (Paulsen, 2001), and economic capital (Coleman, 1988) are commonly used by researchers to predict college attendance and completion. In this review we focus on economic capital. The role of economic capital, typically defined as family income, has long been established as having a positive impact on educational attainment (Brooks-Gunn & Duncan, 1997; Coleman et al., 1966; Duncan, Yeung, Brooks-Gunn, & Smith, 1998; Yeung, Linver, & Brooks-Gunn, 2002). According to Sirin (2005), it is perhaps the most widely applied contextual variable in research on education. Research shows that, as family resources available to children increase, their educational performance, high school graduation, and college attendance rates improve (Coleman et al., 1966). Nonetheless, it is not merely the amount of the resources but the diversity of the resources that leads to greater academic achievement. As Coleman et al. (1966) posit, children from families of higher socioeconomic status (SES) do better because they are exposed to a wider set of resources that they can tap into to promote learning. However, until recently this research has largely ignored financial assets as a type of financial resource with independent effects separate from income (e.g., Conley, 1999; Oliver & Shapiro, 2006; Sherraden, 1991).

1.1. Why should policymakers and educators care about assets?

A well-recognized barrier to college access and completion is high college costs. In recent years, the federal government has increasingly relied on policies that address short-term credit constraints by making loans more accessible to children and their families (e.g., Federal Stafford and PLUS loan programs). However, emphasis on loans has led to a growing number of children leaving college

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burdened with high amounts of debt. High debt reduces the return on college for students.

In the 2008–09 school year, 45% of all financial aid received came from federal loans (College Board, 2009). Moreover, from 2007–08 to 2008–09 total education borrowing increased by 5%, or $4 billion.[1] Due to the current financial aid system's emphasis on loans as a socially acceptable way to finance college, students are incurring higher levels of debt upon leaving college. For example, the median loan debt of a graduate recipient from a four-year public college in 2007–08 is $17,700, up 5% from 2003 to 2004 (Steele & Baum, 2009). Moreover, 10% of graduate recipients in 2007–08 have more than $40,000 worth of debt (Steele & Baum, 2009). At a four-year private college, the median loan debt of a graduate recipient is $22,375 in 2007–08, up 4% from 2003 to 04. Among graduate recipients at a four-year private college, 22% have more than $40,000 worth of debt (Steele & Baum, 2009).

As a result of the increasing debt student borrowers' face, some policymakers and researchers question whether promoting college attendance and completion through debt accumulation (i.e., loans) is a wise policy decision (e.g., Baum, 1996). As an alternative to debt accumulation, a growing number of policymakers and researchers are beginning to examine the effectiveness of asset accumulation strategies for promoting college attendance and completion among children such as Child Development Accounts (CDAs). More specifically, CDAs have been proposed as a novel and potentially promising asset approach for helping children and their families pay for college (Boshara, 2003; Goldberg & Cohen, 2000; Sherraden, 1991).

In their simplest form, CDAs are incentivized savings accounts that can be used for long-term investments, such as education, home and business ownership, and retirement. In this study we focus on CDAs designed to solve the problem of low college attendance rates. There is a reason for focusing on education as the problem that CDAs should aim to solve. Findings from a survey of 801 registered voters commissioned by CFED and conducted by Goldberg, Friedman, and Boshara (2010), suggest that registered voters were most likely (40%) to say that making education more affordable should be the top priority of government. Further, registered voters (58%) chose paying for college as the most effective frame for CDAs (Goldberg, Friedman, & Boshara, 2010).

This paper has two main goals. First, we provide a review of 34 studies on the relationship between assets and children's educational attainment (24 on household assets and 10 on children's savings). To date, little of this research (4 of the 34 studies) has made its way into journals of education. As part of the review, we draw particular attention to the unique effects of children's savings and discuss how asset researchers are increasingly looking to expectations as a way to explain, at least in part, the assets/education relationship. Second, we discuss implications of findings for CDA policies and we propose an intervention based on assets, savings, and the Identity-Based Motivation (IBM) theory of children's motivation and behavior (Oyserman & Destin, 2010) for increasing college attendance rates.

2. Review of research on household assets and children's educational attainment

We use several methods in our search for research examining assets and children's educational attainment, beginning with a search of major databases and collections of electronic journals (ERIC, Project Muse, JSTOR, EconLit, Ingenta Connect, Oxford University Press, Proquest Dissertations and Theses, Social Work Abstracts via Silver Platter, and Academic Search Premier) using major keywords (education/ achievement/ attainment/ school/ college, assets/ wealth/ savings and educational expectations). Additionally, we use the same keyword searches of an electronic library catalog to select books related to assets and education. We include working papers, conference papers, reports (such as those from government agencies), books, book chapters, and published articles that include assets (such as net worth, savings, stocks and bonds). After selecting all relevant research from these searches, we comb through the reference lists to find other related research not captured in our initial searches. This process yields 34 separate studies related to assets and children's educational attainment.

There are three main categories of children's educational attainment reviewed here: (1) academic achievement (math and reading), (2) college attendance, and (3) college completion. Each category is treated as a separate topic in this review and is accompanied by a table that contains author's name and date of study, asset variables included in the study, how variables are operationalized, methods and data, and major findings. Most studies cover multiple outcomes (more than one outcome variable) so they are included in several different tables (e.g., tables on college attendance and college graduation). In cases where working papers, conference papers, or reports are later published in a book/book chapter or as journal articles, only the book/book chapter or journal article is included. There are several topics covered that only one or two studies address (such as, repeated grade, gifted program participation, extracurricular activities, and expulsion/suspension). These topics are not included in this review.

In addition, we do not review findings on home ownership. While home ownership is the most widely studied form of assets in regards to children's educational attainment and has merit of its own, we suggest that it may be the least informative for policies seeking to develop children's asset building programs like in the proposed ASPIRE Act (Fig. 2). This is because owning a home is least like owning a savings account, the type of asset proposed in the ASPIRE Act. A savings account is designed, at least in part, with the assumption that some portion of the money will be withdrawn at some point. In contrast, homes have what Shapiro, Oliver, and Meschede (2009) refer to as a "use value" (p. 2). Shapiro, Oliver, and Meschede (2009) suggest that homes cannot be easily turned into cash, and when refinanced to pay for school, create debt and a "false sense of security" (p. 2). This is not to say that home ownership is not an important factor to study when examining children's educational outcomes, only that it is different from owning a savings account in important ways. Moreover major reviews already exist covering home ownership effects (e.g., Rossi & Weber, 1996).

Within this body of research, most asset researchers focus on household assets and children's educational attainment. Household assets are most commonly defined as net worth (i.e., total family assets minus debt), liquid assets (i.e., easily converted into cash), and illiquid assets (i.e., hard to convert into cash). Table 1 provides detailed information from studies conducted on the relationship between household assets and children's math and reading achievement; only a summary is provided in the body of this review.

Researchers examining the household assets/education attainment relationship more consistently find a positive association between household assets and children's math achievement than they do between household assets and reading achievement (see Tables 1 and 7). Loke and Sacco (2011) study may provide some insight into why researchers do not consistently find significant results for reading. Their study is the only study to measure reading achievement and net worth across multiple years (4 years). They find that initial net worth is not significantly associated with reading achievement, but an increase in net worth over the 4 years is associated with a slower rate of decline in reading achievement. Because most studies combine (i.e., average and adjusted for inflation) multiple years of net worth into a single variable and only use a single year of data for reading, they may fail to detect the positive effects assets have on reading achievement due to change over time in assets and/or reading.

[1] These figures only include federal loans. They do not include other types of borrowing for school such as credit cards or personal loans.