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Small-dollar accounts, children's college outcomes, and wilt

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ABSTRACT

This is paper four of four in the Small-Dollar Children's Savings Account series, which studies the relationship between children's small-dollar savings accounts and college enrollment and graduation. This series of papers examines three important research questions using different subsamples: (a) Are children with savings of their own more likely to attend or graduate from college? (b) Does dosage (i.e., having no account, only basic savings, savings designated for school [of less than $1, $1 to $499, or $500 or more]) matte? And (c) is having savings designated for school more predictive than having basic savings alone? In this study we use a sample of children who expect to graduate college prior to leaving high school as a way of looking at wilt. In this study "wilt" occurs when a child who expects to graduate from college while in high school does not graduate college by 2009. Using propensity score weighted data from the Panel Study of Income Dynamics (PSID) and its supplements we created multi-treatment dosages of savings accounts and amounts to answer the previous questions. We find that in the aggregate children who expect to graduate college prior to leaving high school (high-expectation children) and who designate savings for school of $500 or more are about two times more likely to graduate college than high-expectation children with no account. High-expectation low- and moderate-income (LMI) children who designate school savings of $1 to $499 and $500 or more are about three times more likely to graduate college than LMI children with no account. Further, high-expectation black children who have school savings of $500 or more are about two and half times more likely to graduate from college than their counterparts with no savings account.
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1. Introduction

In a previous study, Elliott and Beverly (2011) examine the relationship between children's savings and whether or not children who expect to graduate from college ever enroll in a two-year or four-year college by 2005. In their study, "wilt" occurs when children who have not yet graduated from high school in 2002, but who expect to graduate from a four-year college sometime in the future, do not enroll in college by 2005.[3] Their findings provide support for the proposition that factors other than desire and ability play an important role in determining whether attending a four-year college is more than a dream for many American children; further, their findings emphasize that policies designed to increase children's savings may play an important role in helping to restore the American Dream of attending college.

In this follow-up study we build on Elliott and Beverly (2011) in important ways. First, instead of examining college enrollment, we examine college graduation. Therefore, in this study wilt occurs when children who have not yet graduated from high school in 2002 and who expect to graduate from a two-year or four-year college sometime in the future, do not graduate college by 2009 (either a two-year or four-year college). It is well recognized at this point that, on average, children who graduate from a four-year college have higher life-time earnings than children who only graduate high school or start but do not complete college (Carnevale, Rose, & Cheah, 2011). However, it was not possible to study graduation in Elliott and Beverly (2011) because at that time not enough children were old enough to have graduated college by 2005 in the Panel Study of Income Dynamics' (PSID) supplement, the Transition into Adulthood (TA). To sidestep this problem they chose to examine college enrollment. Differently, we believe there is currently enough data to study college graduation. Second, we use propensity score analysis (PSA), a relatively new statistical method for testing causal inferences using survey data (Rubin, 1996). PSA allows researchers to balance potential bias between those children, for example, who are exposed to having savings and those who are not based on known covariates (Rosenbaum & Rubin, 1983). A third way we build on the previous study is how we measure savings. Elliott and Beverly (2011) measure children's savings in 2002 as a three level categorical variable (i.e., having no account, basic savings, or savings designated for school). Until recently, propensity score methods have been limited to two-group situations such as a single treatment and a comparison group. However, Imbens (2000) extends the method to multi-group situations (also see Guo & Fraser, 2010). Using Imbens

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(2000) and Guo and Fraser's (2010) multi-group techniques, we create the following dosages: (a) no savings, (b) basic savings only, (c) school savings of less than $1, (d) school savings from $1 to $499, and (e) school savings of $500 or more. By creating dosages we are able to examine if different amounts of savings have a positive effect on children's college outcomes.

2. Research questions

In this paper we do not go into a review of research on children's savings and children's college expectations because it is covered in Elliott (2013) and (Elliott, Choi, Destin, & Kim, 2011; Elliott, Destin, & Friedline, 2011). Further, Elliott (2013), Elliott, Song, and Nam (2013), go into great detail on the theory underlying the analysis in this paper. Therefore, we do not repeat it here.

In addition to building on Elliott and Beverly (2011), this study is one of four papers in a series that examines college enrollment and college graduation. As such, we ask the same three research questions asked in the other three papers (Elliott, 2013; Elliott et al., 2013; Friedline, Elliott, & Nam, 2013). However, in this study each of the questions is asked using separate samples of black, white, low- and moderate-income, and high-income children who expect to graduate from a two-year or four-year college. The questions are: (a) Are children with savings of their own more likely to attend or graduate from college? (b) Does dosage (i.e., having no account, only basic savings, savings designated for school of [less than $1, $1 to $499, or $500 or more]) matter? And (c) Is designating savings for school more predictive than having basic savings alone?

3. Methods

3.1. Data

This study used longitudinal data from the PSID and its supplements, the Child Development Supplement (CDS) and the Transition into Adulthood supplement (TA). The PSID is a nationally representative longitudinal survey of U.S. individuals and families that began in 1968. The PSID collects data on employment, income, and assets. The CDS was administered to 3563 PSID respondents in 1997 to collect a wide range of data on parents and their children, aged birth to 12 years. It focuses on a broad range of developmental outcomes across the domains of health, psychological wellbeing, social relationships, cognitive development, achievement motivation, and education. Follow-up surveys were administered in 2002, 2007, and most recently in 2009. The TA supplement administered in 2005, 2007, and 2009 measures outcomes for young adults who participated in earlier waves of the CDS and were no longer in high school.

The three data sets were linked using PSID, CDS, and TA map files containing family and personal ID numbers. The linked data sets provide a rich opportunity for analyses in which data collected at an earlier point in time can be used to predict outcomes at a later point in time, and stable background characteristics can be used as covariates. Even though the PSID initially oversampled low-income families, we did not use sampling weights in this study because the study sample was divided into a black sample and a white sample. Weights become unusable once sub-samples were investigated.

3.2. Sample data

The 2009 TA sample consisted of 1554 participants. The full sample in this study was restricted to black and white youth because only small numbers of other racial groups exist in the TA. The sample was also restricted by age. The sample was restricted to include children who were between 14 and 19 years old in 2002 so that they would be old enough to have graduated college by 2009. Finally, the data set was restricted to children who had college graduation expectations while they were in high school ($N = 668$). (For the purposes of this study, college refers to either a two-year or four-year college.) In addition to the main sample, we also created separate samples of high-income ($50,000 or more; $n = 303$), low- and moderate-income (below $50,000; $n = 365$), black ($n = 285$), and white ($n = 383$) children who expected to graduate from college prior to leaving high school. Tables 1 and 2 provided descriptive data of the sample.

3.3. Descriptive results on college expectations

Table 1 provided descriptive statistics for demographic, social, economic, and asset characteristics of children who did not expect to graduate from a two-year or four-year college (low-expectation children) and children who expected to graduate from a two-year or four-year college (high-expectation children), respectively. Overall, children who did not expect to graduate from college are more likely to be black (63%), male (57%), and live in households with heads who had a high school degree or less (71%). In contrast, children who expected to graduate from college were more likely to be white (57%), female (57%), and live in households with heads who had at least some college education (50%). Regarding parents' marital status, among low-expectation children only 53% of them lived in a family where the head was married compared to 68% of high-expectation children. In terms of academic achievement, measured by a combination of math and reading scores, low-expectation children showed lower test scores than their high-expectation counterparts (184 vs. 208). Regardless of the expectation levels, a high percentage of children lived in the North Central region of the country (53% of low-expectation children: 45% of high-expectation children). The average family size was four and the average child's age was 16 years in 2002.

Turning to income and assets, high-expectation children more often lived in households that hold more family income, net worth, and liquid assets. For example, 45% of high-expectation children lived in a high-income family compared to 22% of low-expectation children. Moreover, low-expectation children were far less likely to have had a savings account than high-expectation children. Specifically, 68% of low-expectation children did not have a savings account, but only 42% of high-expectation children had no savings account. In terms of child's savings dosages, high-expectation children were more likely to save a higher amount of money for their future schooling. For example, the mean amount of school savings for low-expectation children was $59 but the mean amount for high-expectation children was $390. In addition, only 2% of low-expectation children had school savings of $500 or more compared to 16% of high-expectation children.

3.4. descriptive results on high-expectation children by income level and race

Table 2 showed characteristics of children who expected to graduate from a four-year college by income level and race. The second and fourth columns of Table 2 provided characteristics of high-income (HI) and low-and-moderate income (LMI) children who expected to graduate from college, respectively. Overall, children from HI households were more likely to be white (79%) and live in households as children with heads who have a four-year degree or more (45%). In contrast, 61% of LMI children were black and a high percentage of LMI children lived in households with heads that had a high school degree or less (70%). Moreover, only 48% of LMI children lived in a family where the head was married compared to 92% of HI children. In terms of academic achievement, high-expectation LMI children showed lower test scores than their high-expectation HI counterparts (197 vs. 222). Regardless of the income level, the average household size was four and the average child's age was 16 years old in 2002. A large number of sample children lived in the North Central region of the country (56% of LMI; 31% of HI). With respect to assets and savings, not surprisingly HI households held more in net worth and liquid assets than their

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