



Access to post-secondary education: The importance of culture [☆]

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ABSTRACT

This paper first discusses the theoretical approaches regarding the choice of participating in post-secondary (or "higher") education, starting with a presentation of the standard neoclassical economics approach, and then adding concepts taken from the emerging behavioural economics literature to take into account "cultural" factors that affect access. The paper then presents the results of an empirical analysis based on a very rich Canadian dataset, the Youth in Transition Survey, which follows youth from age 15 through to age 25 and includes remarkably detailed information on family and other background factors as well as schooling experiences, which provides evidence that points to the importance of cultural influences on PSE choices. Policy implications for children in care are then discussed.

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1. Introduction

In the "New Knowledge Economy" ensuring access to post-secondary education (PSE) for all those with the desire to participate and the talent to do so, without regard to family background, is of fundamental importance to every nation's – including Canada's – future economic prosperity, to the broader development of its population, and to the equality of opportunity among all its citizens.

The importance of PSE in economic terms can be shown in a simple way, as in Fig. 1, which shows age–earnings profiles by level of schooling in Canada based on the 2006 Census.¹ While average earnings are fairly clumped together up to about age 30, they then diverge sharply, with university students, in particular, pulling away from others. By age 50–54, when earnings tend to peak, university graduates ("college" graduates in the American lexicon) earned, on average, almost 80,000 Canadian dollars.² Community college graduates (excluding the trades) come a distant second, in the high 40s. Trade graduates are next, at a little over 40,000

dollars. Those with high school diplomas (but no PSE credentials) averaged a bit under 40,000 dollars, while those who did not finish high school earned just a little over 30,000 dollars.

These are obviously large differences and point to substantially unequal standards of living for the individuals represented, as well as very different contributions to the Canadian economy to the degree earnings reflect productivity, as economists typically assume. Adding in benefits such as employer contributions to pension plans and medical insurance would widen these gaps yet further. Taking into consideration the non-pecuniary aspects of the jobs held (e.g., job satisfaction), the stability of employment, and other such factors would generate even greater differences.

In the context of these apparent benefits of PSE, the dominant theoretical model for understanding who attends college and university has come from the economics discipline, and is fairly simple: those who go to PSE are those for whom it is most worthwhile to do so – that is, principally those who are able to do well in school, and who will then benefit the most from the schooling after graduating, particularly in terms of earnings and other future career opportunities.³

In short, those who go to PSE are those who *should* go, since the benefits are greater than the costs. Furthermore, what is right at the individual level is also – under certain assumptions normally made by economists – correct at the societal level as well, for similar reasons: the *social* benefits are also greater than the *social* costs.⁴

Within this paradigm, the main problem that arises is when an individual who "should" go to PSE faces some sort of "barrier" that prevents them from doing so. The most obvious barrier, and the

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¹ Such Census-based age–earnings profiles represent only a "snapshot" of earnings of individuals of different ages and education levels at a single point in time, and do not necessarily indicate how earnings change over time for given individuals of any given age cohort, but they are often used as a rough proxy of these, and serve our purposes here for this reason. These graphs include males and females together. Splitting the results by gender would show greater returns to PSE for females, lower returns for males.

² The Canadian dollar currently trades on about par with the American dollar, and tends to range within a 10 or 15 cent band (either way) over time.

³ Costs may also factor into these decisions, with those for whom schooling costs are lower also tending to be more likely to go to PSE. But with costs being relatively equal across individuals (and their families), the emphasis is usually on the benefits side.

⁴ This relationship does not hold exactly when PSE is significantly subsidised by the state (as is usually the case in most developed economies), when axes introduce distortions, and for other reasons – but the general principle of private and social benefits being related still generally holds.

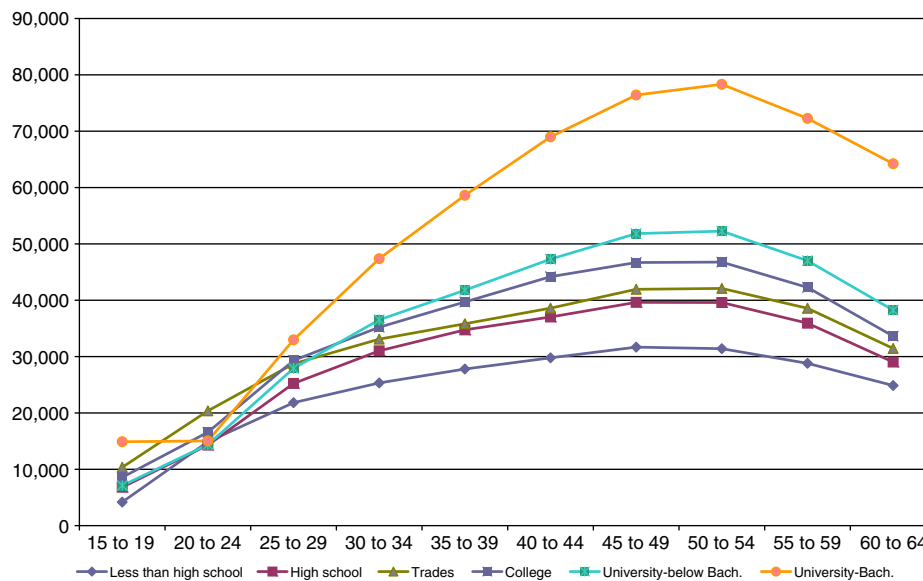


Fig. 1. Average employment income, Canada, 2005.

one most central to this standard model, is its affordability. That is, some potential students may not be able to attend PSE even though the benefits are greater than the costs simply because they do not have the money needed to pay for the schooling and otherwise support themselves while in school. And as this is “suboptimal” from the individual’s perspective (i.e., they can’t go when they want to – and therefore “should” go), so too is it (again) from the social perspective.⁵

The primary policy remedies for such financial barriers are, therefore, similarly financially focused and are generally aimed at making the schooling affordable for those who wish to go. This typically means the control of tuition fees and the provision of student financial aid for those who need it, including – in the Canadian case – provincially-regulated tuition fees and the existence of an extensive student aid system, grounded in the venerable Canada Student Loan Program (put into place in 1964), its provincial counterparts, and various associated grant programs.⁶

Given the focus of this model, and this (resulting) policy orientation, researchers and policy makers alike have remained on the alert for evidence pointing to the existence of such financial barriers, and the empirical evidence has, over time, appeared to be generally consistent with this model. Research has, for example, shown for a considerable time that PSE participation rates, especially at the university level, are much lower for those from lower income families, as well as

⁵ Education is not like other kinds of investments in a number of important ways which make borrowing to finance the investment problematic. Most important is the lack of collateral, since the capital in which the investment is being made is embodied in the individual and cannot be seized if a loan is not repaid. Risk pooling is also an issue, due primarily to self-selection problems. These and related factors have given rise to government involvement in student loan programs in Canada and most other developed countries. The issue remains as to the adequacy of these systems and the potential affordability barriers that may persist.

⁶ Other programs aimed at helping students and their families pay for PSE include PSE tax credits, the Registered Education Savings Program (RESP), the Canadian Education Savings Grant (CESG), and others, but these are not targeted specifically on students in need, which is one reason why they tend to be roundly criticised in the context of PSE “access” policies. See Finnie, Usher, and Vossensteyn (2004a, b) for a general description of the Canadian student financial aid system and suggestions for reform to make it more effective at helping those who truly need the assistance.

other families that may lack financial resources (e.g., Aboriginals, those living in rural communities, and those from single parent families).⁷

This evidence has generally been interpreted as indicating that the standard PSE participation model described above holds and that the affordability of PSE is the principal “barrier” of concern to policy makers. As a result, the related policy levers have been manipulated over time: tuition levels have been constrained, student financial aid has been made more generous in different ways, and PSE savings plans have been enhanced.

In short, the underlying theoretical model, the empirical evidence, and the policy prescriptions aimed at equalising the opportunity of going to PSE have all had a “money” focus, and essentially reinforced each other: the model points to money factors and the affordability barrier, the empirical evidence suggests income indeed matters, and the policy prescriptions makes sense in this perspective.

Recent empirical evidence – both in Canada and elsewhere – has, however, seriously challenged this conventional perspective, and a new understanding that access to PSE is a matter of “culture” in addition to “economic” considerations developed above has been emerging.

For example, when the influences of family income and parental education on participation in PSE are compared, the education effects overwhelmingly dominate the income effects. Other evidence points to other “cultural” factors and the importance of early preparation for PSE. In short, it now appears that if a child is *taught to value PSE*, is *prepared for PSE* (academically and otherwise), and ultimately *wishes to attend PSE*, there is a high probability that the child will *participate in PSE* – and cost will not stand in the way.⁸

The policy implications of these developments are extremely important. If we want to increase the overall participation rate in PSE,

⁷ See Finnie, Childs, and Wismer (2011) on access to PSE by students from various under-represented groups, including those from low income families.

⁸ For Canada, see Finnie and Mueller (2008), for evidence on these income and education effects in particular, and Finnie, Sweetman, and Usher (2008) for a discussion of the “cultural” argument in the face of this and other related empirical evidence. Similar and related developments have been taking place elsewhere, especially in the United States, led by the work of James Heckman and various co-authors, including Cameron and Heckman (1998, 2001), Carneiro and Heckman (2002), and Cunha and Heckman (2007).

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