

How do adult returns to schooling affect children's enrollment?

Raising future expected monetary gains to schooling and poor families' current incomes promotes school enrollment in developing countries

Keywords: school enrollment, returns to schooling, income effects, poverty

ELEVATOR PITCH

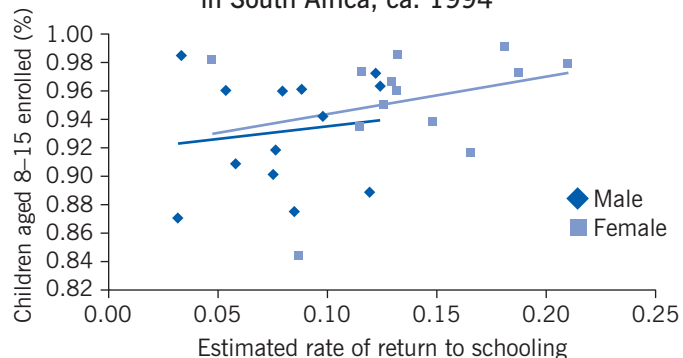
Universal completion of secondary education by 2030 is among the targets set by the United Nations' Sustainable Development Goals. Higher expected adult wages traced to schooling may play a major role in reaching this target as they are predicted to induce increased school enrollment for children whose families wish to optimally invest in their children's future. However, low incomes and the obligation to meet immediate needs may forestall such investment. Studies suggest that school enrollment in developing countries is positively correlated with higher expected future wages, but poor families continue to under-enroll their children.

KEY FINDINGS

Pros

- ⊕ Higher wages currently associated with higher levels of schooling appear to shape expectations about future wages and are linked to higher rates of school enrollment among children.
- ⊕ Income supplements to poor households increase children's school enrollment, in part because they relax day-to-day liquidity and income constraints.
- ⊕ The relevance of schooling to the type of work the children may expect to do as adults likely affects the relationship between returns to schooling and school enrollment.

Higher returns to schooling are linked to higher enrollment in South Africa, ca. 1994



Source: [1].

IZA
World of Labor

Cons

- ⊖ The complete labor market payoff to schooling is still debatable: it may include higher wages, better employment prospects, and/or access to formal-sector employment.
- ⊖ Income supplements tied to school enrollment appear to have a larger effect on enrollment than unconditional supplements; however, conditional supplements may encourage schooling at the expense of other spending options that have higher payoffs in terms of a child's overall well-being.
- ⊖ There is little consensus about what inputs into schooling yield improved educational outcomes, which would in turn lead to higher expected adult returns to schooling.

AUTHOR'S MAIN MESSAGE

Increasing and fulfilling expectations about the future earnings of educated workers and helping poor families meet their immediate financial needs encourages higher rates of school enrollment. A clear message from the literature is that cash transfers to poor families help ease current-day constraints that often prevent their children from enrolling in school. Less clear is how to raise and meet expectations about future earnings prospects. In this respect, appropriate policy will be specific to local contexts and will likely be identified only through careful thought and rigorous evaluation relevant to that context.