



IZA World of Labor REPORT: Government educational policies might crowd out parents' investments in their children

A new [IZA World of Labor report](#) shows that parents respond to improvements in schooling, primarily by reducing their own efforts. This indicates that public investments in children might crowd out private investments, thereby dampening the impact of public policies on student outcomes

Governments around the world are investing a substantial proportion of national resources in educating children in schools. On average, OECD countries spent 3.6% of GDP on primary, secondary, and post-secondary (non-tertiary) education in 2014, with 3.3% coming by means of public expenditure. This equates to about US\$9,500 per student for the year across the OECD. For policymakers, it is important to understand whether increasing school inputs, such as hiring more or better teachers or providing better learning materials, has notable impacts on students' outcomes.

It is a common finding in the education literature that increasing school spending often has only limited impacts on children's school outcomes. According to Birgitta Rabe of the University of Essex this might be due to a potential substitution effect between government and parental input. The economist highlights recent research which shows that public inputs can crowd out parental input, which can include helping with homework, engaging with the child in other activities, investing money in learning resources, or paying for tutors to help with school subjects.

A study of school inspections in England, for example, found that parents who receive news that their children's school is better than expected are less likely to increase their help with homework, and are more likely to decrease help than parents who have not yet received such news. Splitting the sample into high- and low-educated parents reveals that this response is driven by high-educated parents, with low-educated parents' reactions being not statistically different from zero. Evidence from school grants in India and Zambia for learning materials such as stationery and textbooks shows that parents reduce their own spending on educational inputs when they anticipate increases in school spending.

The aim of parental and school inputs is to improve children's outcomes, so it is important to understand the extent to which any parental responses counteract the effect of public policy and schooling outcomes. Not all inputs may be substitutable to the same extent. For example, studies seem to indicate that providing stationery in schools may have less impact (due to the crowding-out effect) than offering specialized instruction and learning materials that educate parents about how they can help their children.

Rabe says: *"The evidence on interactions between educational inputs from schools and parents suggests that parents often reduce their inputs when they see schools increase theirs, and vice versa".* Therefore *"Policymakers can expect the best results from investing in items that are not easily substituted by parents such as specialized instruction and on children whose parents are less responsive, as well as by strategically managing the release of information on school inputs to parents."*

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Notes for editors:

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