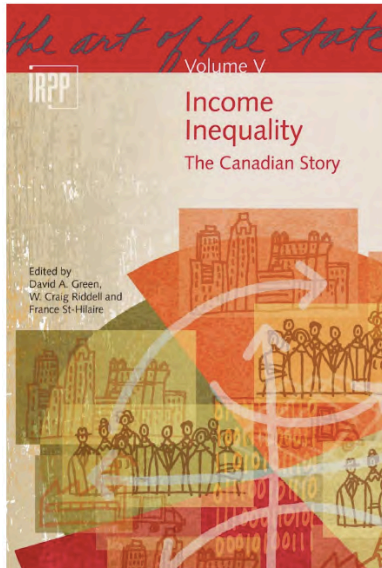


Equality of Opportunity and Education Policy in Canada

David A. Green

Vancouver School of Economics
University of British Columbia
International Research Fellow, Institute for Fiscal Studies
London

August, 2016



Equality of Opportunity

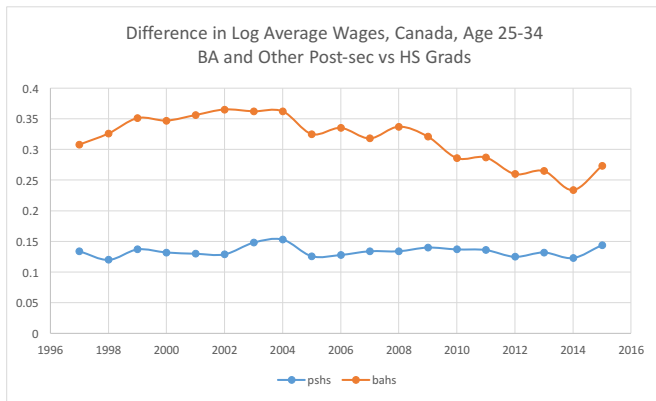
John E. Roemer:

”What a society owes its members under an equal-opportunity policy, is equal access (to advantage); but the individual is responsible for turning that access into actual advantage by the application of effort.”

- Points following from this:

- ④ Dividing ultimate access into a part for which the individual is not morally accountable (ability type) versus the part for which she is (effort)
- ② What matters is capabilities to pursue a reasonable definition of a good life. Not equalizing simple access to education. (“a fetishist error of identifying an opportunity with a material object that can at best help bring it about.”)

How big is the differential access to advantage following from differential access to education?



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Frenette (2014) used a combination of 1991 Census data and tax data to follow a cohort from age 35 to age 55

- Total cumulative earnings over the 20 years were about \$730,000 higher for males with a Bachelor's degree and \$250,000 higher for males with a College certificate compared to high school graduates
- For females, the numbers were \$441,000 and \$180,000
- It also meant greater access to the high earnings lottery: the 95th percentile for males with a Bachelor's degree was \$2.5 million higher than the 95th percentile for a high school graduate

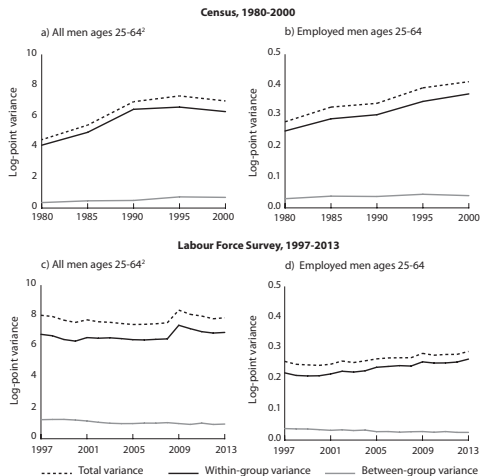
How big is the differential access to advantage following from differential access to education?

- Female high school grads on average suffered 2.0 temporary layoffs over the 20 years, compared to 1.5 for college and 1.1 for university educated. For males the numbers are 2.6, 1.5, and 0.5.
- Add to this differential health, political positions and, almost surely, access to power
- Unsure how much is causal versus selection but much of it is probably causal

Returns to Education and Inequality Trends

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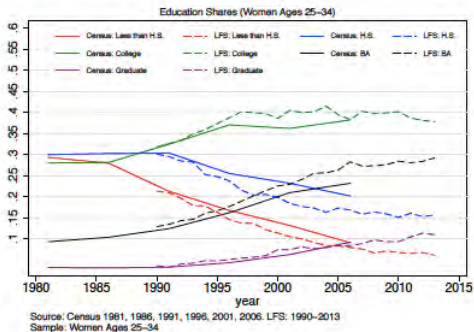
Figure 5
Between- and within-group¹ variance in men's log weekly wages, Canada, 1980-2013



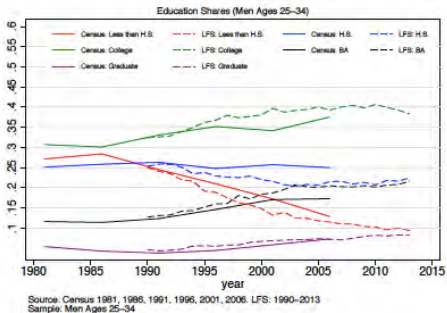
Returns to Education and Inequality Trends

- Explanation for rising inequality largely lies elsewhere
- Brings back the point that we care about equality of access to advantage not just equality of access to education
- Declining labour share may indicate that the real response to the inequality increase lies more in the division of outcomes - wage bargaining and capital ownership

Education Trends, Females



Education Trends, Males



Do We Have Equal Access to Education?

- Talks by Hou and Mazumder
- Belley, Frenette and Lochner (2014): Compared to children from families with incomes under \$20,000, children from families with incomes between \$60,000 and \$80,000 are 12 percentage points more likely to participate in post-secondary education
- Children from families with incomes over \$100,000 are 25 percentage points more likely to do so
- Foley, Galipoli and Green(2010): teenage boys with 2 high school drop out parents have a %16 chance of dropping out of high school compared to less than %1 if both parents have a university degree (turns out to come down almost entirely to how parents value education)

Can Spending More on Education Help?

- For Roemer, the idea that there are disproportionately large returns to education (rents?) should not matter as long as there is equality of opportunity to access these returns (i.e., as long as they are allocated based on effort not ability)
- But under other notions of justice, even with equal access, we might think that a distribution with a more equal distribution of the fruits of production is more just
- Increasing education levels might help with that by reducing returns to education through general equilibrium effects
- If there is endogenous technological change, however, this might not follow - a more educated workforce could induce firms to use education intensive technologies that leave less educated workers at a disadvantage. Such a model seems to fit the data well for Canada, the US, Germany, and the UK over recent decades

Policies: University Level

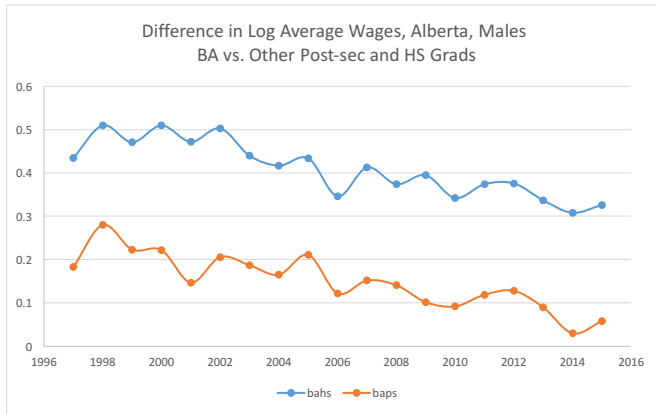
Three main types of policies to enhance participation:

- 1 Subsidization of costs through capital spending and reduced tuition.
We have seen that these will disproportionately benefit children from higher socio-economic status families.
- 2 Grants and Loans: Belley et al(2014),
 - Canada Student Loans are less favourable to low income students than US programmes because of taxing back of earnings.
 - Net benefits decline more rapidly with income in the US.
 - Canadian system more targeted at middle class.
- 3 Tax preferred savings
 - Milligan(2005) RESPs are disproportionately used by high income families
 - 2004 Canada Learning Bond: \$500 for opening an RESP and \$100 per year added by government for low income families. Only 15% of eligible families had taken advantage of the programme by 2008.

Policies: University Level

- More of the same won't alter access differences and may act to reinforce them.
- Need to radically alter parental outlook on education, which may partly be rooted in the riskiness of the investment when incomes are low
- Possibilities could include making tuition free for low income families, adding stipends, and an income contingent student loan programme

Policies: College and Apprenticeship



Benefits:

- Same issues with tuition subsidization, loans, and RESPs as for universities but cost of a certificate is less
- Apprenticeship, in particular, often touted because of direct ties to employment

Potential Difficulties

- Drop-out rate from apprenticeships and technical programmes is between 40% and 60%, leaving the students with debt but no degree
- Between 1995 and 2007 registration in apprenticeships doubled but completions increased by only 1/3 (Laporte and Mueller(2012))
- One potential reason is that the trades do require a sound education in math and science (Canadian Apprenticeship Forum (2011))
- Also, Frenette(2004) shows that living near a college but not a university has a strong impact on the relative probability of attending college instead of university for students from low income families. Expanding the system may be at the expense of university education not just drawing more students into post-secondary education.

Policies: College and Apprenticeship

- Again, more of the same may not help and could be harmful, reinforcing existing differences
- The answer in this case may lie in the primary and secondary education system

Policies: Early Childhood

- Targeted, intense programmes such as Perry Pre-School have beneficial impacts on high school completion rates, probability of committing a crime, and earnings at age 40 (though benefits are almost entirely for girls only) (Baker (2011))
- Baker(2011): lessons from targeted programmes cannot be directly applied to universal ones. While children from both disadvantaged and advantaged backgrounds have developmental deficits at young ages, these decline with age for advantaged background children but not for disadvantaged children
- Havnes and Mogstad(2010): universal child care in Norway had positive effects for children from disadvantaged backgrounds but negative effects for children from advantaged backgrounds.

Income transfers to families when children are young appear to have beneficial long term impacts:

- Milligan and Stabile(2011): increases in family income through social assistance changes had positive impacts on children's cognitive test scores, prosocial behaviour, and education completion
- Dahl and Lochner(2012) find larger test score impacts from EITC expansions in the US

These plus targeted ECE programmes are promising but with a long time frame.

Conclusions

- Unequal opportunity of access to education seems real and the consequences for individuals, substantial
- Simply spending more on education may not reduce education differentials and, depending on how the resources are spent may reinforce rather than reduce differential access
- University: existing approaches often reinforce differences and so a radical change needs to be considered
- Colleges and Apprenticeships: lack of completion is a significant problem that may point to the need for reforms at earlier education levels
- Early Childhood Programmes: have positive effects when targeted, as do income transfers, but both require patience

- Worth reiterating that if what we care about is equal access to advantage, its not clear that education is the biggest issue. The division of rents and proceeds of production is of central importance. We can't just do education policy (even good education policy) and expect it to produce equality of opportunity.