



The Great Equalizer?

An Exploration of the Links Between K-12 Schooling and Wealth

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Framing

- Americans consider a good education central to the American Dream, and a pathway out of poverty.
- Parents work hard to get their children into the best possible school.
- We know that wealth plays an important role in the options available to parents.
- Does the work of school choice pay off in terms of wealth outcomes for young adults?

Previous Research

- Wealth influences parental school choice.
 - Parents with means buy homes in affluent neighborhoods, often relying on word of mouth from their social network on the “best” schools in the area.
 - Local school funding mechanisms mean richer neighborhoods have “better” schools.
- White parents, much more affluent on average, perceive whiter districts as better, consciously or not.
 - This cycle reinforces itself, contributing to unequal schooling opportunities.

Previous Research

- Family wealth also influences school success.
 - Children from families with liquid assets have higher math test scores, are more likely to graduate from college, and are less likely to have burdensome student debt obligations.
 - This is true at lower wealth levels for African American families than for White families.
 - Timing of wealth accumulation may matter – liquid wealth may be leveraged for better educational opportunities during K-12, and home wealth for support for higher education.

Previous Research

- High quality K-12 school has been shown to improve adult outcomes on a variety of measures.
- Increasing school funding improves outcomes in educational attainment and earnings.
 - The largest gains come to students at the bottom of the school-quality distribution.
 - No research has looked at wealth as an outcome.

School Quality

- Measuring school quality is complex and much-debated.
 - *Student measures* – Test scores, peer ratings
 - *Teacher measures* – training, qualifications, tenure, student-teacher ratio
 - *Funding measures* – per-pupil expenditures, teacher pay
 - *Other measures* – course offerings, safety ratings, school term length

- Very few of these are available at the school level, and few consistently since the 1990's.
 - Most research linking quality to adult outcomes uses funding and student-teacher ratio because of availability; is often aggregated at state level.

The IASP Leveraging Mobility Study

- Interviews in 1997-98 and again in 2010 with Black and White families in Los Angeles, Boston, and St. Louis.
- Questions focused on the trade-offs between financial security and opportunities.
- Generally were families with young children in 1998. These children are younger than those in the PSID quantitative data we used.
- Two time periods allow exploration of how choices about school have paid off for child

Findings from the LM study

White Families

- Nearly all were able, sometimes through family wealth, to buy homes in neighborhoods with desirable schools.
- One family purchased a condo as a placeholder “residence” in their desired school district.
- Another family purchased the least-expensive home in the desired district, and will move back to former neighborhood when children graduate.

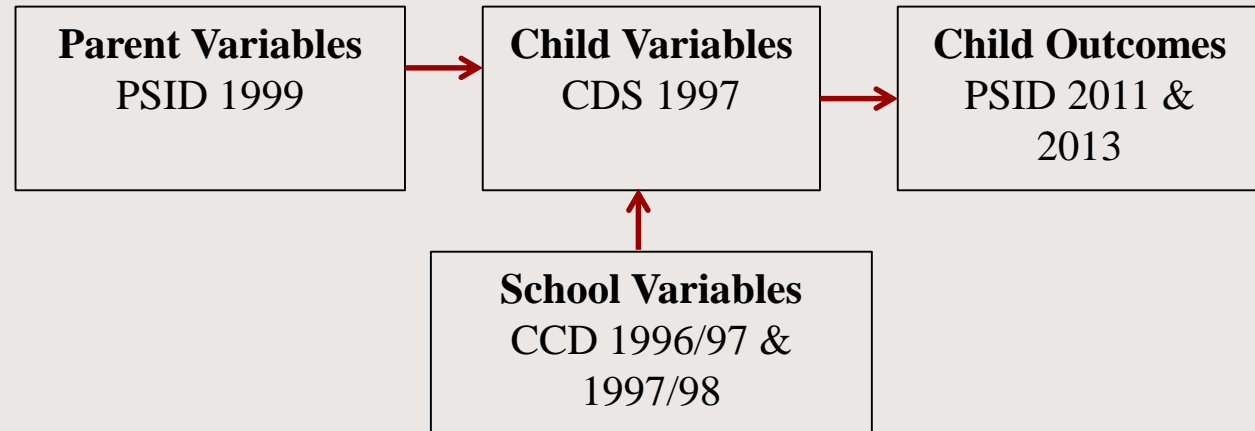
Black Families

- Mostly unable to purchase homes in desirable districts.
- Took advantage of busing, desegregation, and transfer programs.
- Chose to rent instead of buying, or to use retirement accounts to buy in desirable districts.

Quantitative

- Sample drawn from the PSID Child Development Supplement – 1997 wave.
- Black and White children ages 10-13 in 1997; ages 26-30 in 2013.
- Links children to their family wealth, to their 1997 school, and to their outcomes as young adults.

Figure 1: Datasets



Descriptive Findings

In Childhood (1997)

- Children in the sample averaged 11 years old and in 5th grade.
 - Significant differences by race for family wealth, parent marital status, and homeownership.
- **Black children** were much more likely to
 - have repeated a grade,
 - been suspended/expelled,
 - attend schools with high Black attendance and poverty rates
- **Black students** attended significantly more vulnerable schools on average.

In Early Adulthood (2011/13)

- Black young adults were less likely
 - to be heads of household and
 - reported significantly lower completed education, earnings, and wealth.
- **White young adults** had higher amounts of student loan debt
 - But were more likely to have completed a four-year degree.

Main Findings—Parental Wealth

- **Parental wealth was** a significant predictor of school quality for children, even after controlling for race.
- **Parental wealth was not** a significant predictor of whether a young person formed their own household by their late 20's, nor was completed education.
- **Race** was highly significant, indicating additional challenges for Black youth entering adulthood.

Predictors of Wealth and Income

Young Adult Wealth

- Family wealth did not predict child wealth once education and young adult family outcomes were introduced.
- Student loans were the major driver of wealth outcomes, with a stronger negative impact than the positive impact of increased education.
- Homeownership was significant.
- Race was not significant.

Young Adult Income

- School quality is significant in all models.
- Education is significant, and student loan debt is not.
- Being married and owning a home were also significant.
- Race is significant in all models.

Table 6: Predictors of Wealth, by Race

<i>variable</i>	Black			White		
	<i>coef.</i>	<i>SE</i>	<i>P</i>	<i>coef.</i>	<i>SE</i>	<i>P</i>
school quality	0.786	0.326	** (.017)	0.28	0.416	
child risk score	0.299	0.825		-1.56	0.702	* (.027)
loans but no degree	-9.08	2.05	*** (.000)	-3.76	2.15	
student loans amount	-0.0001	0.0001		-0.0002	0.0001	*** (.000)
education	2.474	0.829	** (.003)	1.537	0.604	** (.012)
family wealth	0.03	0.085		0.065	0.141	
married	3.475	1.831	0.059	0.966	1.33	
homeowner	10.373	1.988	*** (.000)	3.934	2.781	** (.003)

Wealth predictors for Black and White young adults were quite different.

- **For Blacks:** School quality and carrying student debt with no degree were significant
- **For Whites:** Child risk score and amount of student loans were significant.
- **For both:** Education and homeownership were significant.
- Pathways to wealth are differently mediated by race, with some indication that school quality does make a difference in Black wealth trajectories.

Conclusions

- Some indication that school quality impacts income and wealth trajectories for young people, particularly Blacks.
- Continued evidence of the negative impact of student loan debt.
- Preliminary evidence that the wealth accumulation trajectories for Black and White young adults are determined by different factors.
- Further research is needed, perhaps with a different dataset or in future years when the CDS population is more mature.