

Testing a Social Innovation in Financial Aid for Low-Income Students: Experimental Evidence from Italy

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Background. Although university attendance rates have risen substantially over the past half century, such gains have been unevenly distributed. Evidence suggests that low-income families still often struggle to pay for their children's university education. A wide variety of policy solutions have been developed to improve university access for low-income students, ranging from student loans to merit-based and need-based scholarships, from tuition waivers to various forms of support for (public) universities to provide inexpensive tertiary education.

Objectives. **ACHAB** (Affording College with the Help of Asset Building) is a random assignment demonstration funded by EaSI-PROGRESS. The major differences between the ACHAB approach and the mainstream programs for a grant financial aid is that ACHAB families become active participants in saving small amounts of money on a regular basis. In addition, the program establishes conditions on how the funds can be used.

Research Design. To be eligible for the program, students had to reside in Torino or its Province, be attending their 4th or 5th year of high school in 2015, and have a family equivalent annual income (ISEE) under €25,000. Following a massive information campaign in autumn 2015, about 1,050 students applied to the ACHAB program in the province of Torino. Of these, about 100 were rejected due to missing information, and another 50 for expressing a total lack of interest in attending university. On the other hand, only 200 could be randomly assigned to treatment, due to budget limitations. We exploited this feature of the data to explore the issue of *random assignment w/targeting*. Instead of selecting 700 controls out of 900, we computed for each of the 900 students their conditional probability of enrolling in a university as a function of their pre-enrollment characteristics and the coefficients estimated from an existing study. We then sorted the 900 applicants from

lowest to highest probability of university enrollment, and selected the **500 lowest probabilities** to be randomly assigned to the treatment or control groups. The remaining 400 were excluded from the study, because they had a priori higher probability of enrolment.

Measures. The first operative step after random assignment consisted in opening a dedicated savings account in the name of each beneficiary, into which the families were expected to deposit between €5 and €50 a month for up to six years. Families are allowed to deposit a total of up to €2,000, and the savings are supplemented with a 4:1 matching multiplier from a private foundation (the Ufficio Pio). A family who saves the maximum of €2,000 would receive a maximum grant of €8,000, thus giving them a total of €10,000 to pay for university expenses. This sum is in line with the average cost associated with a standard 3-year Italian university degree.

Data collection and analysis. The collection of information on outcomes took place through CATI interviews. Baseline information was gathered through the application form. Non response was only few percentage points, for treated as well as for controls. Finally, all analyses were performed using STATA 13.

Results. First, we report **ITT (intention-to-treat) estimates**, that is, estimates of the effect of being offered a benefit rather than actually receiving it. Moreover, program impacts are presented as regression-adjusted differences in means. When impacts are assumed to be homogeneous across beneficiaries, the estimates provide a simple answer: in the case of ACHAB, the average impact – that is, the average difference between the treated and the control students, is about **9 percentage points** in the case of university enrolment. Virtually the same results are obtained for the other three outcomes (taking an exam during the first semester of university, taking two exams during the first year, enrolling in the second year). The probability always ranges between **7 and 9 percentage points**. A different story emerges when we look at the **heterogeneity** of impacts. These estimates reveal unexpected new patterns. The major source of heterogeneity of impact is the type of high school track: *licei* (academic), *tecnici* (technical), or *professionali* (vocational). For vocational school students, participation in ACHAB has a large (**20 percentage points**) and significant effect on the probability of enrolling in a university, whereas those on the academic track lag behind at 9 percentage points, and technical school students fall below a non-significant 5 percentage points effect. Among vocational school students, ACHAB has an even stronger effect on the other three outcomes: **33** percentage points taking an exam during the first semester of university, **35** percentage points for taking two exams during the first year and **27** percentage points in the case of enrolment for the second year of any university.

Conclusions. We identified two immediate policy implications:

- First, if Italy wants to have any chance of reaching the EU-set goal of 40 percent of individuals 25-34 years of age holding a tertiary degree, it must give some special attention to the current population of 16-18 year old, in particular by investigating which mechanisms can trigger a behavioral response on the part of those who chose to attend a vocational school.
- While the work contained in this report is certainly valuable, too many questions are left unanswered to justify moving ahead with implementation of a similar policy. We recommend a multi-site demonstration with the inclusion of several hundred students per site.