

## **LOW-SKILLED STUDENTS STILL GAIN FROM GOING TO UNIVERSITY: Evidence from France**

Low-skilled students can make a substantial improvement in their future earnings by going to university, according to research by **Serena Canaan** and **Pierra Mouganie**, to be presented at the annual congress of the European Economic Association in Mannheim in August 2015.

Their study compares the later life outcomes for students who only just passed the French baccalaureate exam at the end of secondary school with students who only just failed. They find that students who narrowly passed their exams the first time around are:

- More likely to pursue a STEM (science, technology, engineering and maths) degree.
- More likely to attend a top university.
- No more likely to graduate or to be employed by the age of 29.
- Earning on average €250 more per month (14%) by the age of 29.

As more and more people are able to go to university, students are encouraged to go so that they can get a degree and succeed in the competitive job market. But there remains the question of whether low-skilled students will actually benefit from this.

This is difficult to answer because a student's decision to go to university in the first place is already biased by how skilled and motivated they are, so it is tricky to work out how much of their future income is a result of their education as opposed to their individual abilities. Comparing students who are very close in ability but who sit either side of a big divide makes it possible to tease out the benefit of going to university. The authors comment:

'Our findings are important in light of the fact that there is a growing need to inform students about the benefits of university, given soaring tuition costs, coupled with the fact that governments around the world have been trying to increase the number of STEM graduates.'

### **More...**

Higher quality education in university, characterised by better peers and choice of major, leads to a 13.6% increase in earnings for *low-skilled students* at the age of 27 to 29. That is the key finding of research on the returns to education quality by Serena Canaan and Pierre Mouganie.

Over the past few decades, access to post-secondary education has become more prevalent. With university education becoming more attainable, students are now encouraged to seek higher quality university education, as it is associated with significant gains in the labour market. Indeed, recent studies have documented large labour market returns to attending the most selective institutions and degrees.

But it is less clear whether students who are at the low end of the skill distribution can benefit from an increase in the quality of higher education. This study attempts to

bridge this gap by providing more insight into the returns to university quality for lower performing students.

A traditional problem faced by researchers in this literature is that educational choice is strategically determined. For example, a highly motivated student is more likely to enrol in 'better' quality education. As a result, understanding whether any observed future labour market gains can be attributed to education quality as opposed to innate attributes such as motivation and ability can be problematic.

To overcome this problem, the authors compare the academic and labour market outcomes of students who barely pass and barely fail, from the first attempt, the official high school exit exams in France. A comparison of these two groups of students allows the authors to overcome the aforementioned problem of strategic selection into education, since students scoring just above as opposed to just below the passing threshold are comparable in unobserved attributes.

Indeed, one would not expect there to be any significant differences between students scoring 9.98 versus those scoring 10.02 on this exam – except for the fact that those scoring above a 10 are awarded the French baccalaureate degree at the first attempt.

In their study, the authors find that students barely passing the French baccalaureate exam, as compared with those barely failing this exam from the first attempt are:

- More likely to pursue a STEM (Science, Technology, Engineering and Mathematics) degree.
- More likely to attend a university with better performing peers.
- No more likely to graduate from college or high school.
- No more likely to be employed at the age of 27 to 29.
- Earning an extra €250 in monthly salary (a 13.6% premium) at the age of 27 to 29.

The authors attribute this difference in earnings to the documented difference in quality of higher education pursued by both groups. Specifically, they conclude that: 'Giving low-skilled students the opportunity to access higher quality university education results in a significant earnings premium to the order of 13.6%.'

These results can be seen as complementing recent findings that indicate that low-skilled students realise labour market and educational gains from accessing four-year colleges in the United States.

Specifically, the results of this paper show that these gains are not restricted to increasing low-skilled students' access to college, but are also realised by increasing their access to better quality colleges and majors.

This paper contributes to the understanding of how education affects different types of individuals. From a policy perspective, these findings are important in light of the fact that there is a growing need to inform student choice, given soaring tuition costs coupled with the fact that governments around the world have been setting goals of increasing the number of STEM graduates.

ENDS

'Returns to Education Quality for Low-Skilled Students: Evidence from a Discontinuity'  
by Serena Canaan and Pierre Mouganie  
SSRN Working Paper, available at SSRN: <http://ssrn.com/abstract=2518067>

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