

Incentives for investment in human capital in CCT programs

Gabor Kezdi

CEU & IEHAS

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Two short stories and two morals

Two stories

- 1 The effect of PROGRESA on screening for cervical cancer
 - ▶ Avitabile and DiMaro (2008)
- 2 Financial incentives and student achievement in American public schools
 - ▶ Fryer (2010)

Two morals

- 1 On what conditions to specify
- 2 On how to design the incentives

Bottom line: Conditions need to answer problems that are due to individual behavior. Incentives better aim at behavior directly. Need evidence and common sense for good design.

The effect of PROGRESA on screening for cervical cancer

(Avitabile and DiMaro, 2008)

- Cervical cancer
 - ▶ is one of the most prevalent types of cancer among women
 - ▶ mortality rates in Mexico have been high by international standards
 - ▶ screening is cheap and safe (but requires intimate checkup)
 - ▶ early detection can virtually eliminate the mortality risk
- Screening had not become widespread in Mexico
 - ▶ despite a national screening program since the 1970s
 - ▶ special problem with screening women in poor rural households
 - ▶ likely causes include social norms
 - ★ unacceptable for women to go to screening performed by male doctors

PROGRESA and screening for cervical cancer, cont.

- PROGRESA

- ▶ aimed at poor rural households, focused on women
- ▶ likely the best known CCT program
 - ★ in part because of randomized evaluation
 - ★ in part because of careful design
- ▶ one of the conditions: regular screening for cervical cancer

- Effect of CCT on screening

- ▶ significant effect on women who received CCT
- ▶ also on women who lived in same village but were not eligible for CCT (because slightly over the poverty line)

- Why do we see the effects

- ▶ in part due to more careful design of services
- ▶ in larger part due to effects on social norms
 - ★ it became more acceptable for women to go to screening
 - ★ even if household received no CCT

Financial incentives and student achievement in the U.S.

(Fryer, 2010)

- Low achievement of minority students in the U.S.
 - ▶ likely causes include behavior of students
 - ★ low motivation
 - ★ social norms and peer effects ("acting White")
- Fryer's experiments in four American cities
 - ▶ cash given to students conditional on behavior, grades, or test score
 - ★ incentives differ across cities
 - ▶ randomization across schools within cities (treatment vs. control)
 - ★ samples relatively small
 - ▶ effects measured by tests
- Preliminary results are surprising
 - ▶ no effect if incentives on "outputs" (test score results)
 - ▶ positive effects if incentives on "inputs" (reading books, good behavior)

Financial incentives in schools in the U.S., cont.

- New York City
 - ▶ 63 treated schools, 80 control schools, 8,000 students
 - ▶ payments for performance on tests (substantial amount)
 - ▶ results: small and insignificant effects on test scores
- Chicago
 - ▶ 20 treated schools, 20 control schools, 4,000 students
 - ▶ payments for grades in five subjects
 - ▶ results: positive effects on grades but small and insignificant effects on test scores
- Dallas
 - ▶ 22 treated schools, 21 control schools, 4,000 students
 - ▶ payments for reading books (\$2 per book)
 - ▶ results: significant positive effects on reading test scores
- Washington, D.C.
 - ▶ 17 treated schools, 17 control schools, 3,000 students
 - ▶ payments for good behavior
 - ▶ results: positive (but only marginally significant) effects