

FOCUS

Asset-building

From (matched) savings to a degree:
how can we support tertiary education for
low-income youths?

July 2018

In Italy there is a shortage of graduates. According to ISTAT (national statistics bureau) estimates, **in 2017, only 18.7% of Italians aged between 25 and 64 had successfully completed university**, while the European average stands at 31.4%. The gap is particularly evident in the 30-34 age group: **only 26.9% of Italians hold a degree**, compared with an EU average of a good **39.9%**.

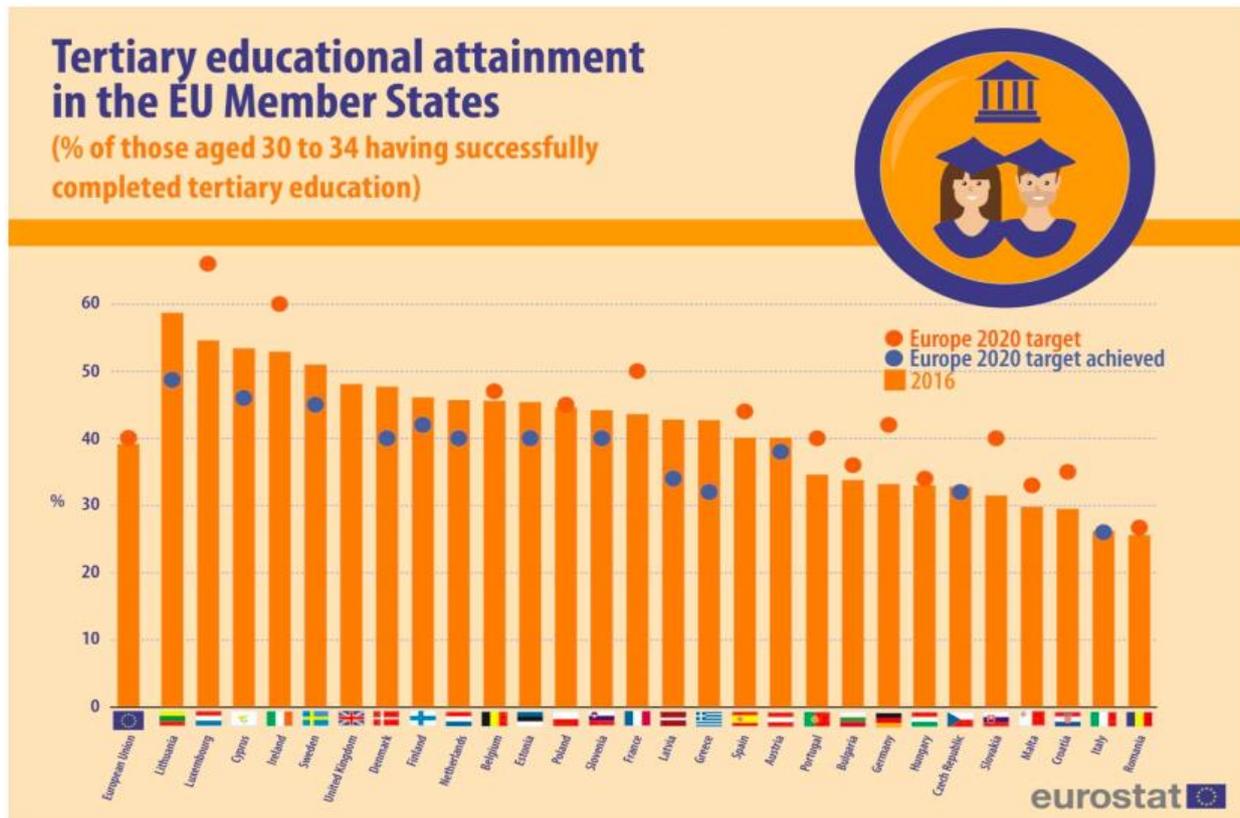
Italy has actually outperformed the goal it had set itself for 2020 (26 graduates per 100 people aged between 30 and 34), yet we are still very far from the **40% goal envisaged by the Europe 2020 strategy**. The gap increases further when comparing Italy (second-to-last in the ranking, after Romania) to the top countries: 58.7% of graduates in Lithuania, 54.6% in Luxembourg, 53.4% in Cyprus and slightly less in Ireland (Eurostat figures for 2016).

This lack of educational opportunities produces long-term inequalities amid Italian youths, and **low-income families find it even harder to cope with the costs of tertiary education**. What exactly can we do? Among the **economic support** measures that can facilitate access to university, asset-building is proving to be particularly efficient. What are matched savings, and how do they work? In Italy, the "Percorsi" programme has been an important experience.

The starting point

Percorsi Ahab is an experimental asset-building project implemented in the Turin province between 2014 and 2017 by *Ufficio Pio della Compagnia di San Paolo* foundation. ASVAPP and FBK-IRVAPP evaluated the impact of such measure, thus helping to structure and orient it in the best possible way.

Figure 1. Percentage of graduates (aged 30-34) in EU countries. Data referring to 2016 and national targets for the year 2020



Source: Eurostat.

What ISTAT tells us

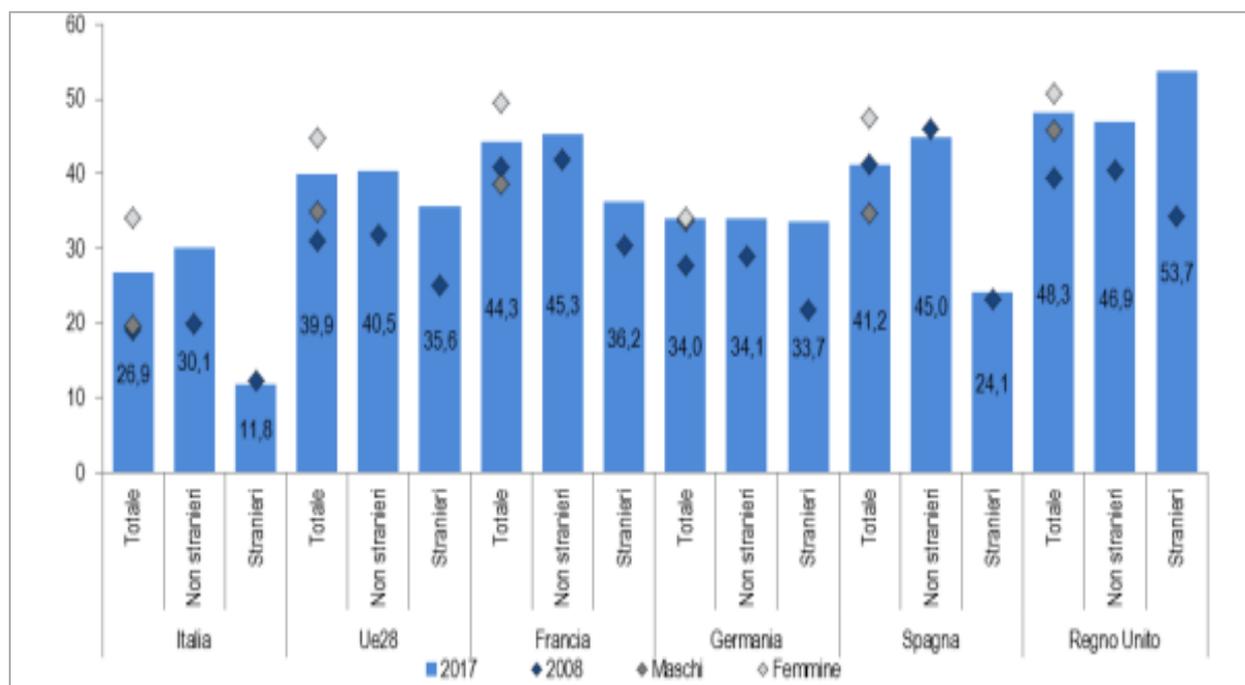
According to the latest report on *Education levels of the population and effects on employment* (July 2018), the share of Italians aged between 30 and 34, holding a tertiary education certificate is 26.9% (versus an EU average of 39.9%). With reference to foreigners living in Italy, the share drops to 11.8%, while the **citizenship gap** in the EU average is less than five percent, which means that Italy attracts foreigners with relatively low education levels. The percentage of graduates aged 30-34 is quite low in northern and central Italy (30.0% and 29.9%, respectively) and it drops to 21.6% in southern Italy, and the **territorial gap continues to increase**. As for the **gender gap**, young women have an edge over their male counterparts (one in three women has a degree, while only one man in five is a graduate), and the trend is soaring remarkably, actually topping the EU average.

The **reward of education** – namely, increasing the chance of finding a job as your education level rises – is 19.1 percentage points when the education certificate passes from junior high school to senior high school and 9.7 percentage points when passing from a senior high school diploma to a degree. The beneficial effects on employment are to be seen especially in the most critical groups: women and southern Italy.

As for those who dropped out, less than one in three (31.5%) was working in 2017. The figure remained basically unchanged over the past three years, after the drastic drop that followed the economic crisis (in 2008, one young person in two had a job).

As for the youths that completed their education and training path less than three years ago, in 2017 the **employment rate** was 48.4% for those holding a high school diploma (EU average: 74.1%), and 62.7% for those holding a degree (EU average: 84.9%).

Figure 2. Graduates aged 30-34: Italy, EU28 average and largest countries of the EU. Percentages for 2017 and 2008



Source: ISTAT national statistics bureau

L-R: Total; Non-foreigners; Foreigners; L-R: Italy, EU-28; France; Germany; Spain; United Kingdom; Men, Women

Analysis

Policy-makers traditionally have three options to facilitate access to university education:

- provide direct financial aid, such as scholarships or tax allowances based on the economic conditions or on university performance;
- offer collateral to students, in order for them to access low-interest student loans;
- subsidize public universities, so as to reduce the tuition fee paid for by the families. Yet there are some objections to a tertiary education that is almost free-of-charge: they are fiscally regressive and they foster mediocrity, because the best students, or the ones with greater economic means, prefer alternative solutions, if they exist, such as private (and costly) universities.

Then, another kind of economic support was introduced in the early nineties: asset-building. This policy is becoming increasingly widespread in the struggle against poverty: it supports low-income families through a mechanism that encourages them to regularly save small sums of money. The saved money is matched by private donations and must be allocated to the child's education.

Support in Italy

University tuition fees in Italy are a fraction of those in other countries (for example, the USA): the average amount is about 1,000 Euros per year.

Yet considering all other expenses, such as books, transport, house rent, software and access to the Internet, plus any earned income gone lost, the real average cost soars to 2,500-3,000 Euros per year. Families suffering economic hardships cannot cope with such an expense.

The main national economic support programme for students is *Diritto allo Studio* (the right to study), co-financed by the regional governments. It aims to cover direct costs, and students can gain access to it depending on their family income and academic performance.

Aside from this, we have minor programmes funded by the local governments and private foundations. However, these measures are not systematic, nor are they evenly distributed across the national territory.

How do other countries address the issue? A few examples (and a bit of literature)

The **United States** offers an interesting example: it fields a vast array of solutions that allow to check the efficacy of the several support measures. Here, as in other countries, the most common form of support to students is based on money incentives (grants and scholarships), assigned based on merit and/or economic conditions.

A number of studies, mainly based on the U.S. experience, show the positive impact of such measures, both in terms of university enrolment and in terms of subsequent academic performance (dropout/completion of studies rates, average grades, total number of credits). The study conducted by Deming and Dynarski (2012) on the efficiency of the several forms of support claims that "Simple and transparent programmes seem to be the most efficient ones" and that programmes combining grants and incentives "seem to be quite successful". According to a largely shared estimate, a financial support (or a tuition fee reduction) of 1,000 dollars can lead to a 3-4% increase in the enrolment of students who come from low-income families (Castleman and Long, 2012).

In **Europe**, where university tuition fees are generally lower, financial support to students seems to impact less. While in **France**, **Sweden** and **Denmark** the effect has been positive (Fack and Grenet 2015; Fredriksson 1997; Nielsen et al. 2010), in **Germany** there is no general consensus as to the possible impact on university enrolment (Baumgartner and Steiner 2006; Stenier and Wrohlich 2012), nor on academic performance. Leuven et al. (2010) have not recorded effects at the University of Amsterdam, while Belot et al. (2007), when studying the **Netherlands**, proved that a reduced duration of the grants has a slightly positive effect on the grades average.

University tuition fees are a crucial factor when youths decide whether to enrol at university (Long 2004). Consequently, policies aimed at reducing or eliminating them (Domina 2014) generally have a positive effect. On the other hand, Hübner (2012) showed that introducing university tuition fees in some German federated states has significantly reduced enrolment.

The most controversial type of financial aid is perhaps the one based on loans. This form of education financing has soared rapidly over the past decades, and so have the doubts concerning the consequences of such loans for the new generations of young adults (Goldrick-Rab et al. 2014). Furthermore, evidence shows they are not efficient in terms of course attendance and continuity of studies (Dowd and Coury 2006; Malcom and Dowd 2012). Marx and Turner (2017) did not notice positive effects on enrolment, but they did notice an increase in the grades average and in credits. Neill (2008) noticed a positive effect on enrolment in **Canada**, but only among students who do not live with their parents.

Asset-building: How does it work and who are the recipients?

Financial aid based on the asset-saving mechanism has an edge over traditional scholarships, student loans and tax allowances (Dynarski and Scott-Clayton 2013), because of two main factors:

- **It involves the families** on a financial level, it raises the educational expectations of parents and sons/daughters, it makes families more optimistic about the real sustainability of long-term education costs (Beverly et al. 2013).

- **It sets very rigid limits to the use of the funds**, thus reducing the risk of opportunistic actions.

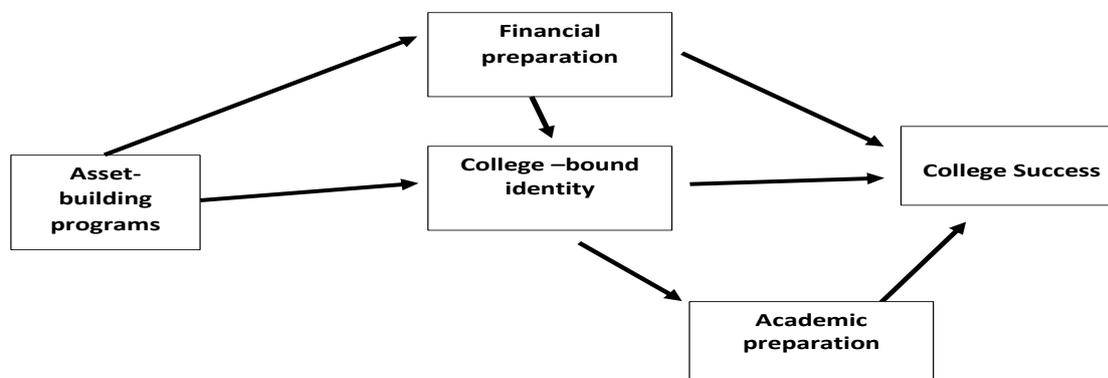
Figure 3 shows the channels through which asset-building programmes can increase the chance of being successful at university. The most direct channel, **financial preparation**, focuses on saving possibilities and on planning the use of the available financial resources.

On the other hand, the indirect channels focus on the expectations of low-income families

and on forging the student's identity: the **awareness of having a university-related destiny** favours a greater academic involvement

and better preparation (with higher grades) already in high school.

Figure 3. Pathways from asset-building programmes to college success



Source: Beverly et al. 2013, p. 4.

A closer look. The experience of *Percorsi Ahab* in Turin

Percorsi ACHAB (Affording College with the Help of Asset Building) is a small-scale programme set up by *Ufficio Pio of the Compagnia San Paolo* to facilitate access to tertiary education for youths coming from marginalised realities.

According to the ISTAT census of 2011, in the suburbs and poor areas of Turin, graduates account for about 3.9% of the population, compared with 30% in the city centre.

In order to put the project to good use and to optimise the use of resources, *Ufficio Pio* turned to the evaluation of social impact: ASVAPP and FBK-IRVAPP provided their assistance throughout the project, conducting experimental trials so as to assess their efficiency.

Each family included in the *Percorsi* programme was given a savings book where to pay in between €5 and €50 Euros a month (failure to comply would exclude them from the programme) for six years running. The families could deposit up to a maximum of €2,000. The savings were supplemented with a 2:1 matching multiplier by the *Ufficio Pio* if the savings were spent during high school, and with a 4:1 matching multiplier, with a maximum limit of €8,000,

for university: in Italy, €10,000 is in line with the average costs of getting a standard three-year Italian BA degree.

As envisaged by most asset-building programmes, students and families undertook to attend a financial education course.

Recruitment

Percorsi was presented to all students in the province of Turin attending the fourth and fifth year in high school in the academic years 2014-2015 and 2015-2016. The campaign, promoted by *Ufficio Pio* – assisted by a marketing company – was highly successfully: a first cohort of 1,033 students of the fourth and fifth years were recruited in 2014, and a second cohort of 307 students of the fifth year were recruited in 2015.

The selection

The subsequent step was that of identifying, among the candidates, the ones that truly risked dropping out of their studies owing to financial reasons.

ASVAPP and FBK-IRVAPP firstly selected a group by excluding students coming from families with an ISEE (the national index of the equivalent economic situation of the family) above €25,000.

They then excluded, using individual simulators, the candidates whose likeliness of enrolling at university was much too high or much too low.

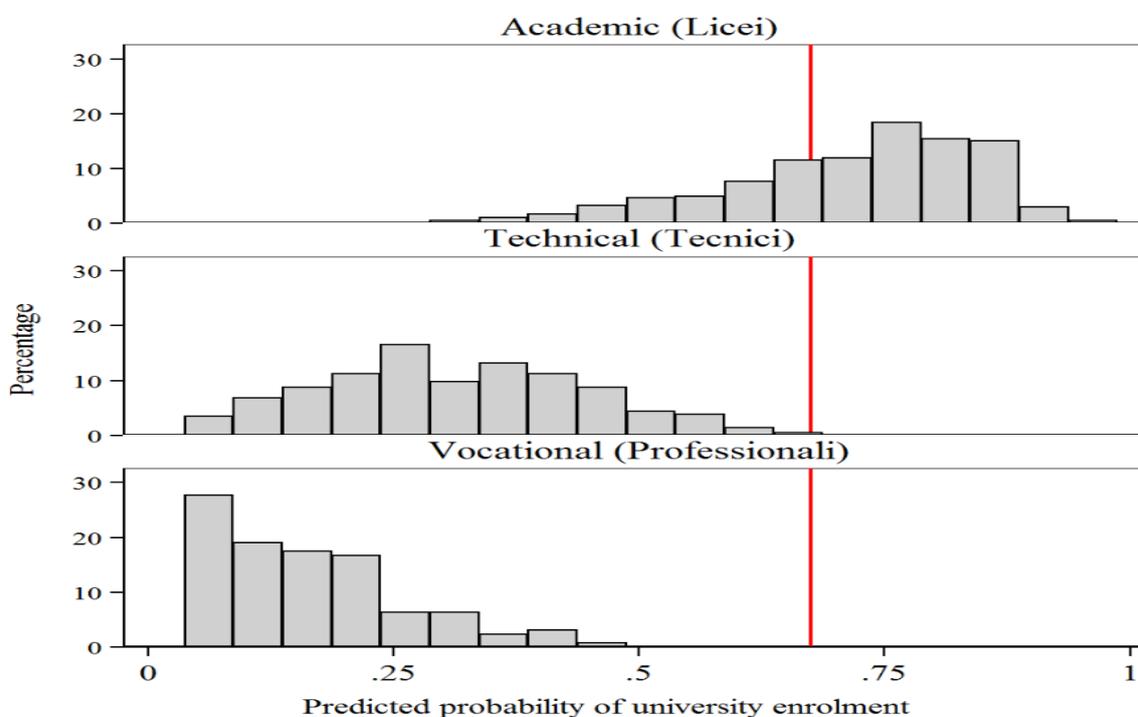
The experiment

Of the 716 eligible candidates, 300 were assigned to the programme (treated). The others

were assigned to the control group (non treated). The candidates were assigned to the two cohorts randomly, overlapping the cohort of entry (fourth of fifth year in high school) and the educational path (academic, technical, vocational).

The several combinations triggered nine randomisations. We chose to consider the candidates' academic background as a factor for conducting the experiment because the path followed throughout high school is one of the most reliable indicators of potential university enrolment.

Fig. 4. University enrolment probability of candidates, based on academic background



Source: Achab. First group of 'Percorsi' candidates: only the students showing a university enrolment probability under 0.675 are included in the randomisation procedure.

Costs of the measure

The *Percorsi Achab* project has low structural costs: it is run, entirely on a digital platform, by two operators (one of whom works part-time) and requires a yearly sum of €200 per student.

The experiment's results

The evaluation of the impact, conducted using a counterfactual method (namely, verifying

the differences between treated and non-treated candidates), shows that university enrolment actually increased, by 8%. Among the recipients of the *Percorsi* programme, the probability of accessing academic pathways soared by 12% (by 13% when the programme was joined in the fourth year of high school).

As for vocational school students, the probability increased by a good 17%. And there is more: without *Percorsi*, the probability of sitting and passing an exam in the first semester (and at least

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two in the first year), would have been lower. Joining the programme allowed the young students to better tackle the first year of university.

Such a result is consequential for policies supporting education: the evidence gathered suggests **concentrating resources on vocational school students**, because it is here that the programme enjoys the best cost-benefit ratio.

Firstly, because the impact is more evident. Secondly, because the so-called *dead weight* (the share of those who would have gone to university even without incentives) is lower: 44.1%. Among high school students, the percentage of those who enrol *regardless*, reaches 77%.

Conclusions

Asset-building proved to be, in Italy too, an efficient mechanism (with very low running costs) that can facilitate access to university for students coming from low-income families: the experimental results showed an increase in university enrolment, as well as a positive impact on the academic performance of the youths that joined the programme.

The positive effects for vocational school students are significantly greater than those for technical schools and high schools.

The three main mechanisms are:

Reducing economic barriers. Already in high school, having a guaranteed fixed sum of money (the result of personal savings) raises the probability of accessing tertiary education, thus increasing university enrolment rates. Financial support throughout university also removes the students' burden of having to work to earn a living, or allows them to work less, hence ensuring a better academic performance.

Broadened horizons and prospects. Financial support brings about changes in expectations, ambitions and self-confidence among those who join the programme. Such changes can make a difference not only when deciding whether to attend a university course or not, but also when it comes to deciding the actual subject to be studied, and where to study it, since attending a particularly challenging and long university course would be impossible for those who must hang on to a job. An indirect confirmation of this

change of view is the fact that *Percorsi* has a greater effect on students attending the fourth year in high school, who have more time to get used to the change and can therefore make more ambitious choices.

Encouragement. The students admitted to the *Percorsi* programme don't have the typical profile of a scholarship winner. None of them rank as top students in terms of academic performance, and none come from high schools where a vast percentage of students usually go on to enrol at university. Nevertheless, these students acknowledge that being admitted to the programme has given them the impression they've been given a second chance, or the possibility of finally enjoying success after experiencing an academic period without ever being encouraged and during which bad decisions were made. This feeling of having finally achieved something can trigger future successes, encouraging university enrolment and completion of studies.

Observations

The programme is based on a voluntary nature, hence it does not provide for broad generalisations. Yet it cannot be denied that, **in Italy, the EU target of making 40% of the working population aged 30-34 degree-holders will never be attained without involving a consistent number of students from vocational schools.**

The dossier

This document evaluates the efficiency of an asset-building project (*Percorsi*), whose aim is to facilitate and support high school students' access to university.

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