EDUCATION REFORM AND LABOR MARKET OUTCOMES: THE CASE OF ARGENTINA'S LEY FEDERAL DE EDUCACIÓN

MARÍA LAURA ALZÚA AND LEONARDO GASPARINI* CEDLAS-UNLP and CONICET

FRANCISCO HAIMOVICH *CEDLAS-UNLP and UCLA*

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In the nineties Argentina implemented a large education reform (*Ley Federal de Educación* – LFE) that mainly implied the extension of compulsory education in two additional years. The timing in the implementation substantially varied across provinces, providing a source of identification for unraveling the causal effect of the reform. The estimations from difference-in-difference models suggest that the LFE had a positive impact on years of education and the probability of high school graduation. The impact on labor market outcomes —employment, hours of work and wages— was positive for the non-poor youths, but almost null for the poor.

JEL classification codes: I2, I3 *Key words*: education, reform, Argentina, employment, wages, poverty

^{*} Leonardo Gasparini (corresponding autor): CEDLAS-UNLP and CONICET; Igasparini@cedlas. org. María Laura Alzúa: CEDLAS-UNLP and CONICET; malzua@cedlas.org. Francisco Haimovich: CEDLAS-UNLP and UCLA; fhaimovich@gmail.com. CEDLAS: Centro de Estudios Distributivos, Laborales y Sociales (CEDLAS), Facultad de Ciencias Económicas, Universidad Nacional de La Plata; 6 No 777, (1900) La Plata, Argentina . The authors would like to thank Verónica Amarante, Germán Bet, Habiba Djebbari, John Hoddinott, Harry Patrinos, Steven Machin, Chris Ryan, Ana Santiago, Martín Valdivia, Fabio Veras Soares, Jorge Streb, and two anonymous referees for their useful comments to earlier drafts of this paper. This research has been possible thanks to the Policy and Economic Policy (PEP) Network financial support.

I. Introduction

In 1993 the Argentine Congress passed a law (*Ley Federal de Educación*, LFE henceforth) aimed at changing some important characteristics of the educational system. Chief among them was an extension in the years of compulsory education, along with a change in the structure of the educational curricula. While in the previous system a child was obliged to attend seven years of primary school, under the new legislation that compulsory educational level was extended to nine years.

By increasing the obligatory number of years of education, the government sought to force mostly poor children to increase their human capital accumulation, and induce some of them to continue studying in the secondary level, and then, hopefully, into college. More educated youths are expected to perform better in the labor market, and hence have a lower probability of falling into poverty. There are, however, scenarios in which these links may be weak. The return to an additional year of education could be very small for the poor if there exist complementarities with other educational investments, if the poor are less likely to work in the formal sector, or if there are large network effects (see for instance Cunha, Heckman and Schennach 2010; Almond and Currie 2011; and Zimmerman 2013).¹ Only the empirical evidence can settle the issue of the relationship between time spent at school and improvements in labor market outcomes. While evidence on this relationship is well established for developed countries, evidence for developing countries is much scarcer (Duflo 2001).

In this paper we evaluate the impact of a large education reform in Argentina (the LFE) on several educational and labor outcomes by exploiting the regional heterogeneity in the timing of the reform. Argentina is a federal country where primary and secondary public education are administered and financed at the provincial level. Although the LFE was a federal law to be complied with in all provinces, there was flexibility for provincial governments to decide on the timing of the reform. While in some provinces the reform was quickly implemented after

¹For instance, Cunha, Heckman and Schennach (2010) develop a human capital model with dynamic complementarities between educational investments. In their model, key cognitive and non-cognitive skills are developed early in life, and these skills considerably increase the productivity of the educational investments carried out later in life. Hence, as a corollary of this model, a given educational investment during high school might be less productive for disadvantaged populations.

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