EDUCATION, EARNINGS AND ECONOMIC CRISIS
New research evidence from the Centre for Economic Performance

New research findings from the Centre for Economic Performance (CEP) at the London School of Economics are highlighted in the Autumn 2012 issue of CentrePiece magazine:

EDUCATION: new evidence on how school quality is reflected in local house prices
GENDER GAPS: maternity and aspirations generate differences in work performance
PUBLIC SECTOR PAY: lifetime ‘total reward’ for men the same as in the private sector
DOOMSDAY: the continuing eurozone crisis merely buys time for Japan and America
MULTILINGUAL CITIES: evidence on the incentives to learn the majority language
GOING TO UNIVERSITY: school students need to have the benefits explained
MENTAL HEALTH: the NHS is under-treating people with crippling mental illnesses

The latest evidence that good schools push up local house prices
Paying for access to good schools through housing is still a cheaper option than paying for private education. That is one of the conclusions of a report by Dr Steve Gibbons, which confirms the widespread belief that there is a link between house prices and the quality of local schools.

The calculations imply that getting a child into a state primary that delivers in the top 10% of achievement (assuming you could find one) would set you back about £26,000 at 2006 prices. That’s about £3,000 a year if you decided to pay that amount off over the seven years of primary schooling on a 5% mortgage interest rate. By comparison, seven years of private schooling at the time would have cost an average of £3,800 per term or nearly £80,000. So state primary schools still look like a good deal for parents.

The study shows that parents value schools both for what they can do to raise their child’s achievements but also for the quality of their intake. It also reports that the link between better schools and higher house prices is one of the most stable empirical regularities worldwide. The link has a significant influence on both education policy – including measures to improve poorer children’s access to good schools – and private sector behaviour – for example, the way that estate agents present property details.

Women’s aspirations play a role in gender gaps in work performance: evidence from young American lawyers
Young male lawyers in the United States outperform young female lawyers in terms of both hours billed and revenue generated from new clients – and according to research by Drs Ghazala Azmat and Rosa Ferrer, an important part of the explanation for this gender gap in performance is the difference between men and women’s desire to ‘make partner’, that is, to progress to a more senior position.

Analysing data from a nationally representative sample of young Americans, who all graduated from law school in 2000, the study finds that maternity and aspirations generate performance differences between the sexes – and these have consequences for their earnings. Asked about their desire to make partner on a scale of 1 to 10, 50% of women responded with 5 or less compared with only 29% of men. This difference in aspiration remains when looking only at those with a good chance of making partner.
Asured about how satisfied they are with their career progression and opportunities for advancement, the female lawyers in the sample were as satisfied, if not more satisfied, than their male counterparts. While levels of job satisfaction may be driven by a number of factors, they are important indicators of whether these highly skilled women feel fairly treated in the workplace.

‘Total reward’: a new way of measuring whether public sector employees are overcompensated
The total package of pay, pensions and in-kind benefits for highly educated male employees over their working lives is roughly the same in the public sector as in the private sector. That is one of the findings of research by Professors Alexander Danzer and Peter Dolton, which uses the concept of ‘total reward’ to compare the lifetime compensation available to highly educated men working in the two sectors.

The study also finds that women are better off in the public sector at almost any point in their lifecycle. For men, the early career advantage of working in the private sector is balanced by the long-run advantage of being in the public sector.

The researchers note that for men at least, there is no clear advantage to either sector when taking account of the full complexity of the comparison. This should caution policymakers not to reform public sector compensation packages prematurely, unless they accept the implications that this might have for the quality of employees they can recruit and retain.

The doomsday cycle turns: who’s next?
Japan can’t control its public finances and the United States can’t control its ‘too big to fail’ banks – so the continuing crisis in the euro area merely buys times for the other two big players among the industrialised countries. A new report by Dr Peter Boone and Professor Simon Johnson explains the emergence of the crises these countries face – for their financial sectors, their public finances and their growth prospects – and why there are more and worse crises to come.

They show how the relatively recent rise of the institutions of complex financial markets around the world, has permitted the growth of large, unsustainable finance. ‘We rely on our political systems to check these dangers, but instead the politicians naturally develop symbiotic relationships that encourage irresponsible growth. Bailouts have encouraged reckless behaviour in the financial sector, which builds up further risks.’

The nature of ‘irresponsible growth’ is different in each country and region – but it is similarly unsustainable and it is still growing. The researchers conclude: ‘The next turn of the global cycle looks likely to hit Europe again – and probably harder than before. There are more crises to come and they are likely to be worse than the last one.’

Incentives for learning the majority local language: evidence from Canada
Francophone Canadians assimilate into English-majority cities more than Anglophone Canadians into French-majority cities. What’s more, the language composition of Canadian cities is a key influence on the assimilation of ‘allophones’, people whose mother tongue is neither English nor French.

These are among the findings of research by Drs Javier Ortega and Gregory Verdugo, which looks at the drivers of language assimilation in the English- and French-majority cities of Canada.

The study considers cities where two or more languages are widely spoken and asks what determines whether people whose mother tongue is a minority language are willing to learn the majority language. The results provide evidence of the importance of economic motives underlying the decision to learn a language.
Low-cost information campaign promotes positive attitudes about going to university among school students

There are substantial gaps in school students’ knowledge of very basic facts about the costs and benefits of staying in education, according to research by Professor Sandra McNally and colleagues. But misperceptions are easily corrected: the study finds that a ‘light-touch’ information campaign about the value and affordability of going to university can have a big positive effect on student attitudes.

The researchers surveyed more than 12,000 students aged between 14 and 15 in 54 London secondary schools. They find that the trebling of university fees announced in late 2010 – and negative media coverage around that time about the potential impact – significantly increased students’ perceptions that going to university is ‘too expensive’.

The results also indicate that perceptions of the affordability of higher education have widened between different socio-economic groups. For example, the view that going to university is ‘too expensive’ is considerably higher in comprehensive schools and among children eligible for free school meals. Students at independent schools are much less likely to feel financially constrained than students at comprehensive schools.

Shocking discrimination against mental illness within the NHS

A CEP report has revealed the shocking scale of mental illness in Britain – and how little the NHS does about it. Mental illness is now nearly a half of all ill health suffered by people in Britain aged under 65 – and it is more disabling than most chronic physical disease. Yet only a quarter of those involved are in any form of treatment.

CEP’s Mental Health Policy Group – a distinguished team of economists, psychologists, doctors and NHS managers convened by Professor Lord Richard Layard – concludes that the under-treatment of people with crippling mental illnesses is the most glaring case of health inequality in our country. It is a shocking form of discrimination because effective psychological treatments exist but are still not widely enough available.

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For further information:

1. CentrePiece is the magazine of the Centre for Economic Performance. It is published three times a year. The Autumn 2012 issue is Volume 17, Issue 2. Cover price £5; subscription rates on application to +44 (0)20 7955 6648.

2. The Centre for Economic Performance is an independent ESRC funded research centre based at the London School of Economics and Political Science. Its members are from the LSE and a wide range of universities within the UK and around the world.

3. For more information contact Romesh Vaitilingam on 07768 661095; Email: romesh@vaitilingam.com or Helen Durrant on +44 (0)20 7955 7395; Email: h.durrant@lse.ac.uk.