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Abarca, Alejandro; Universidad de Costa Rica
robalino@catie.ac.cr

Authors: Alejandro Abarca, University of Costa Rica
Juan Robalino, University of Costa Rica

Title: Educational effects of Costa Rica-s housing subsidies



Around the developing world, achieving inclusive and equitable quality education remains a significant challenge. In this study, we estimate the long term educational impacts of Costa Rica's housing subsidies and thus show that housing policies can contribute to the educational outcomes.

In Costa Rica, the most important educational challenges have been associated with inadequate living conditions and poverty, which reduce educational accessibility, hinder students' performance and induce early educational abandonment. Since its creation in 1987, the housing subsidies program has had the goal of facilitating the acquisition or improvement of the housing conditions of poor families based on their credit capabilities. Therefore, this work investigates whether these subsidies contribute to the fostering of human capital via improved housing conditions.

Using current educational outcomes of adult individuals, we employ a cohort difference in difference approach taking advantage of the fact that there are recipients that were young enough to benefit and recipients that were old enough to not benefit at the time of receiving the subsidy.

Our study finds that housing subsidies yield positive, significant and robust impacts on the total years of education, the probability of finishing secondary education and the probability of finishing ninth grade of the recipients. These effects are larger on beneficiaries from rural areas relative to urban areas, in men relative to women, and men from rural areas relative to women from rural areas.

Although there is a myriad of evidence about the effectiveness of housing policies in developed countries, the evidence for developing countries is scant and focuses on short run effects. By contrast, this work provides robust positive evidence of long-term effects of this type of policies in a developing country, while also providing public policy recommendations on how to optimize the program in Costa Rica.

Our results thus show that better housing conditions serve to cope against economic, institutional and social barriers to educational advances and accessibility. Furthermore, since education is a stock variable, the positive effects of these housing subsidies can have everlasting effects on the welfare of its beneficiaries.