Empirical Essays on School Choice and Human Capital Investments
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This thesis explores individuals’ investment in human capital and how that interacts with public policy interventions. I focus on two forms of investment in human capital: investments in skills and health. First, I focus on parents’ investment in children and parental labor supply and asset accumulation decisions as they interact with private schooling. Second, I investigate whether individuals rely on outside sources of information, such as expert reviews and word-of-mouth, when making investments in their health.

1 Investment in Children, Private Schooling and Maternal Labor Supply over the Life Cycle (job market paper)

Women with children face a well-known trade-off between working, which allows greater monetary investments in children, and spending more time with the child. This paper builds and estimates a dynamic life cycle model of female labor supply to investigate how the option of private schooling affects this trade-off. The model extends existing work on female labor supply and children by incorporating private versus public schooling choice, allowing for risk aversion and savings, and nesting within the model a child ability production function. Results of the structural estimation show that mother’s time with the child and private schooling are complements, and that the availability of private schooling leads to more work and more saving among less educated women. However, more educated women drop out of the labor force and increase the time they spend with their child when the child is going to private elementary school. In addition, I estimate the price elasticity of private school enrollment to be -0.25. Policy simulations show that targeted private school subsidies to low income and less educated mothers can reduce inequality in children’s outcomes. Moreover, by inducing women to increase their labor supply to be able to top up subsidies and send their children to private schools, targeted subsidies can help women at the margin accumulate higher assets and experience wage growth of up to 20 percent over the life cycle.

2 House Prices and the Demand for Private Schooling (in progress)

This paper studies the effect of house price increases on the choice to enroll children in private schools. I exploit cross-city variation in local housing booms during the 2000s, that increased net worth of households and employment opportunities of parents. To establish a causal relationship between the housing boom and the demand for private schooling, I employ instrumental variables techniques used in the literature studying the effects of the house price boom on different facets of the economy. Results show that the housing boom of 2000-2006 increased average private school enrollment by 22 percent. This indicates that relaxing parental credit constraints can have significant effects on the choice of child’s schooling and that the housing boom of 2000s can potentially have positive long term effects on next generation’s human capital.
We study the impact of expert reviews on the demand for HIV treatments. Reviews are provided by both a doctor and an activist in the HIV lifestyle magazine Positively Aware, which we merge with detailed panel data on HIV-positive men’s treatment consumption and health outcomes. To establish a causal relationship between reviews and demand, we exploit the arrival of new drugs over time, which provides arguably random variation in reviews of existing drugs. We find that when doctors and activists agree, more positive reviews increase demand for HIV drugs. However, doctors and activists frequently disagree, most often over treatments that are effective but have harsh side effects, in which case they are given low ratings by the activist but not by the doctor. In such cases, relatively healthy consumers favor drugs with higher activist reviews, thus defying the doctor, which is consistent with a distaste for side effects. This pattern reverses for individuals who are in worse health and thus face stronger incentives to choose more effective medication despite side effects. Findings suggest that consumers demand information from experts according to the trade-offs they face when making health investments in the presence of adverse treatment side effects.