

Does equalizing school funding equalize labor market outcomes? Evidence from Brazil

Claire Montialoux, Sebastian Otero, and Roberto Hsu Rocha

Abstract :

How can school funding equalize labor market outcomes? We answer this question in the context of Brazil, which underwent a major reform of the school funding of the elementary system in 1998, and where we can follow long-run educational and labor market outcomes in linked administrative data. The goal of the 1998 reform was to equalize educational spending across municipalities within states. As a result of the reform, the poorest and most affected municipalities saw an immediate increase of 20% in their educational spending in 1998, and close to a 10% increase in their overall spending. To capture the long-run effects of reform, we employ a difference-in-differences design that compares new cohorts of students that are affected by the reform vs. the older ones across more or less affected municipalities. Early results show a gradual increase in the number of years of schooling, an increase in high school and college graduation rates, as well as in wages in the formal sector (+5%).