

Targeting Social Assistance: The Evolution of College Financial Aid in Colombia

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Introduction

- ▶ Successful social assistance programs are designed for the contexts in which they are implemented. Political economy considerations can also play a role [Banerjee et al. '24](#)
- ▶ Social assistance in the form of college financial aid typically targets students based on a mix of academic merit (test scores, GPA) and family SES to balance students' college readiness w/ financial need [Dynarski et al. '23](#); [Nguyen et al. '19](#)
- ▶ This paper examines how Colombia designed and targeted its social assistance programs—SPP/GE college financial aid—in response to budget constraints, students' behavior, and political pressures
 - ▶ Work-in-progress analyzes implications for equity and efficiency

Outline

Initial Targeting Rules

Students' Responses Prompt Targeting Changes

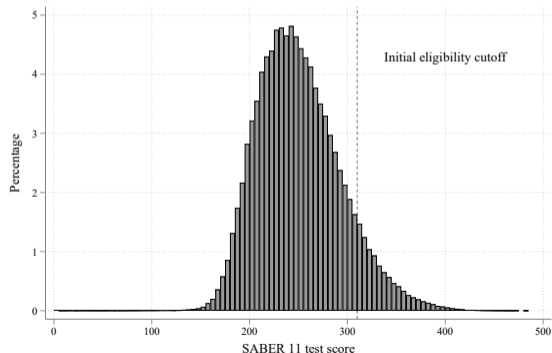
The Political Economy of Redistribution

Discussion

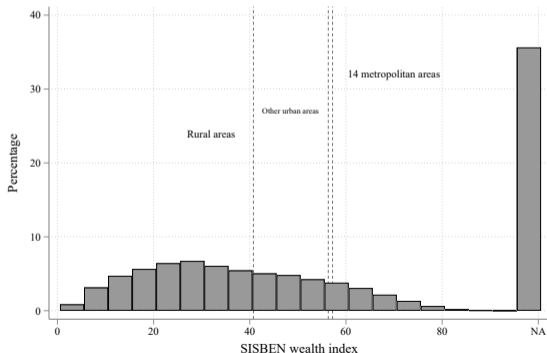
Ser Pilo Paga (SPP) targeted based on test scores and hh wealth

In 2014, the Juan Manuel Santos gov't launched SPP, a forgivable student loan program that covered full tuition at 33 "high-quality" (HQ) universities for 10,000 students/year






High school exit test score: 310+ (top 9.3%)



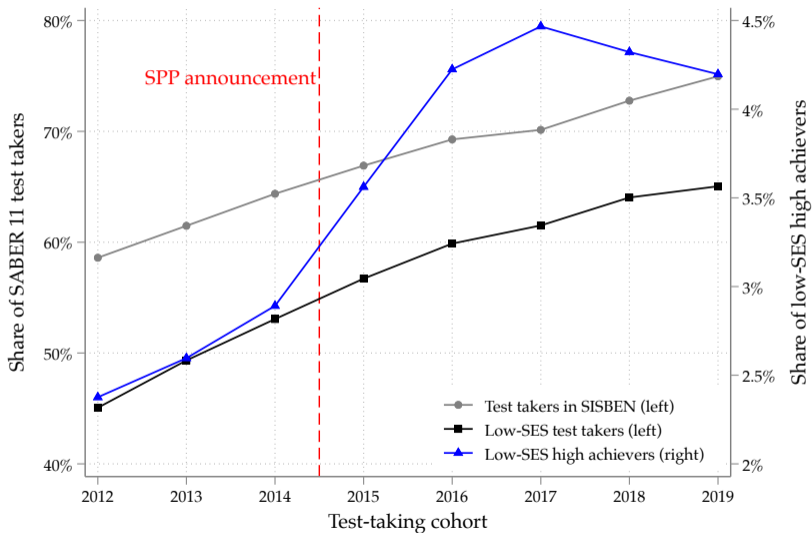
HH wealth: Bottom 53% ('low SES')



Evidence of SPP impacting recipients, colleges, and test scores

- ▶ **Recipients:** For low-SES high achievers, SPP boosted their enrollment in HQ (private) universities  exposed them to higher value-added colleges and programs  and enhanced their post-college earnings  Londoño-Vélez et al. '24a, '20
- ▶ **Colleges:** SPP diversified elite private universities  Londoño-Vélez '22
- ▶ **Test scores:** SPP motivated younger cohorts of low-SES students to achieve high test SCORES  Laajaj et al. '22; Bernal & Penney '19; Londoño-Vélez et al. '20

SPP announcement increased share of low-SES students in top 10%



Outline

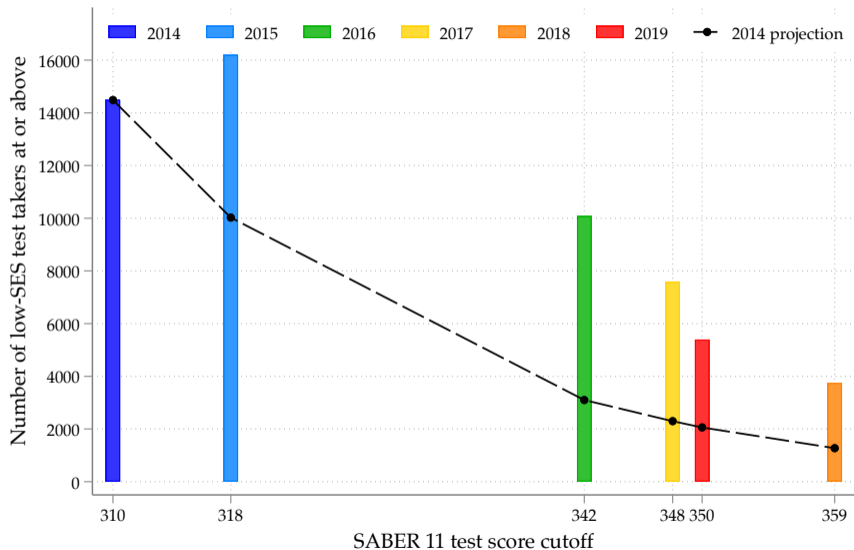
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Low-SES students' response expands the pool eligible for SPP

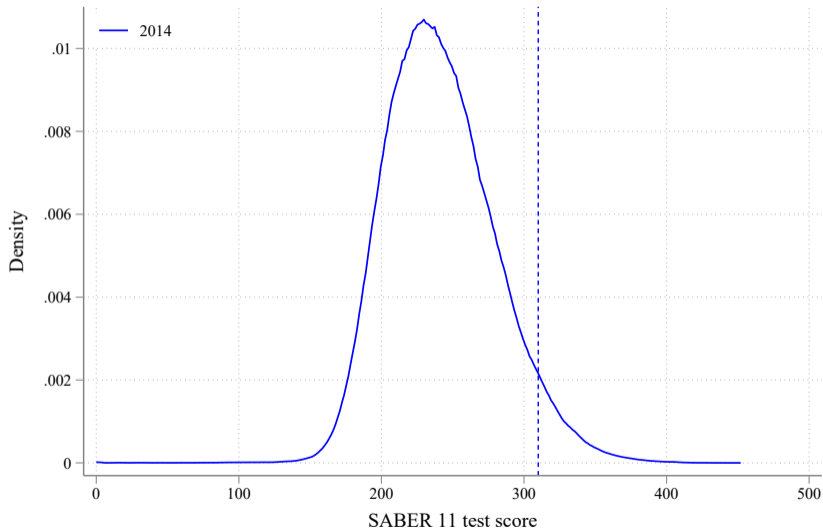


The gov't increases test score cutoff in response to growing demand

- ▶ The growing number of low-SES high achievers strained the gov't budget
- ▶ As demand for SPP $\gg \gg$ available funds, gov't could either
 - a. Prioritize **financial need**
 - b. Prioritize **test scores** \Rightarrow *This is what gov't chose to do: it kept SISBEN cutoffs unchanged and raised test score cutoff*

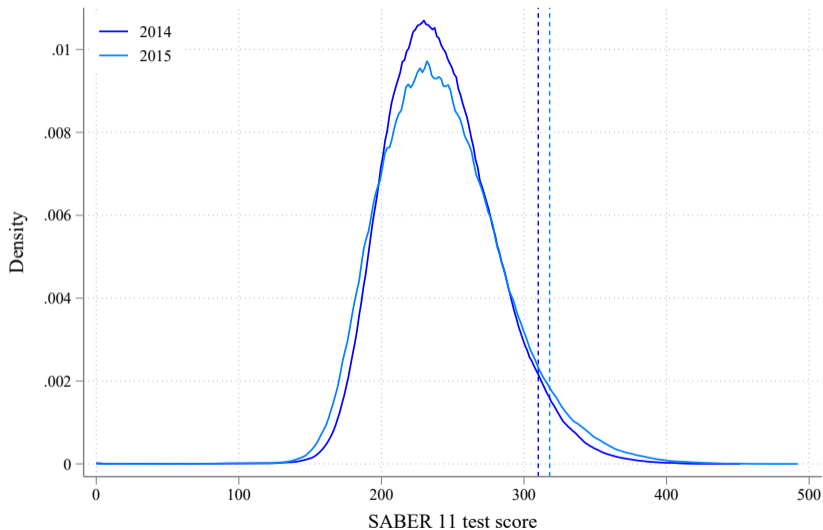
Gov't raised test score cutoff from 310 (top 9.3%) in 2014...

High SES



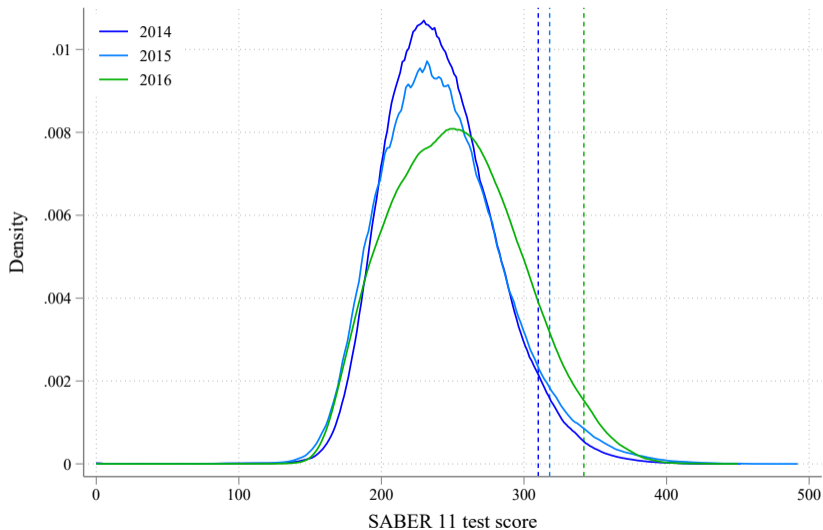
Gov't raised test score cutoff to... 318 (top 8.6%) in 2015

High SES



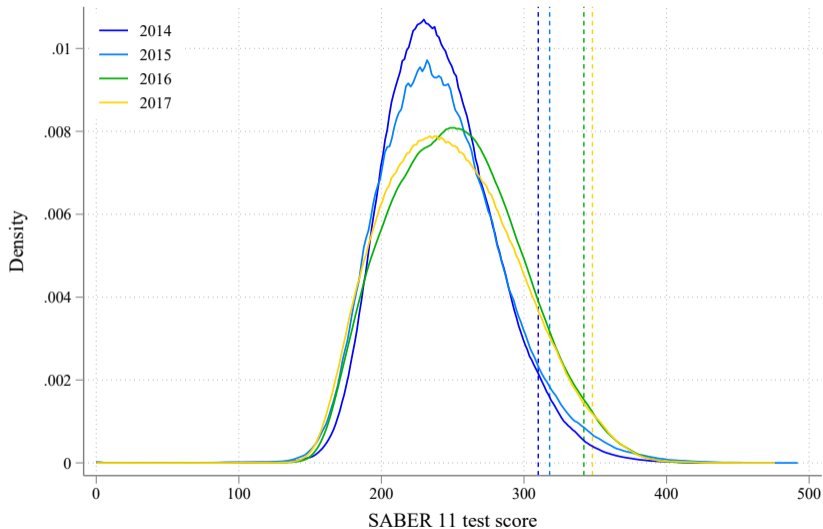
Gov't raised test score cutoff to... 342 (top 4.6%) in 2016

High SES



Gov't raised test score cutoff to... 348 (top 3.5%) in 2017

High SES



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SPP became a contentious topic in the 2018 presidential election

- ▶ Critics, largely from the left, argued that SPP...
 - ▶ saddled dropouts with debt,
 - ▶ benefited private colleges and diverted funds from public institutions,
 - ▶ disadvantaged rural students with its high test score threshold,
 - ▶ widened geographic disparities by attracting high-achieving rural students to big cities

(These views were shared by left-wing candidate Gustavo Petro, who'd go on to win the presidency in 2022)

- ▶ Of the six candidates, only Iván Duque, a conservative, supported SPP. He won election and took office in August. Student protests erupted shortly after

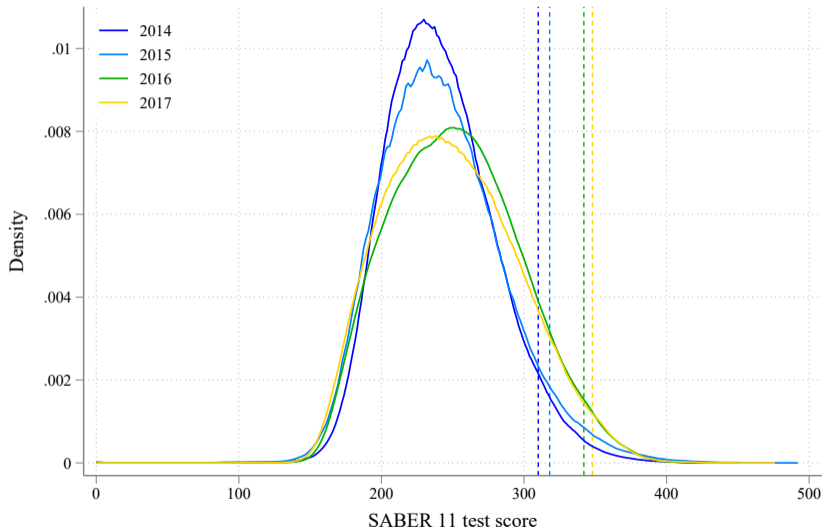
Student protests fueled by concerns over a higher ed crisis



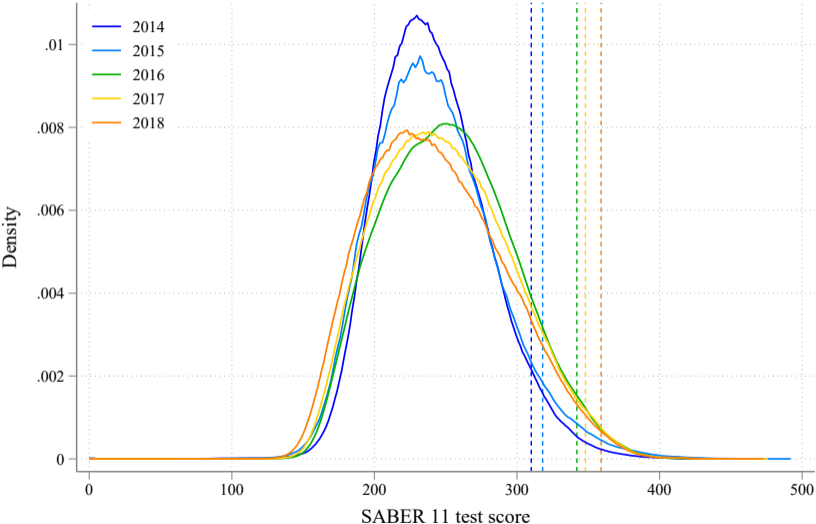
Student protests fueled by concerns over a higher ed crisis

- ▶ Protestors argued that policies like SPP failed to address systemic issues, like persistent inequalities in access to high-quality education and inadequate funding for public institutions
- ▶ Protestors condemned allocating public funds to a small number of elite private universities, viewing it as a step toward privatizing higher education
- ▶ In Oct 2018, Duque increased funding for public education and rebranded SPP as GE for only 4,000 recipients/year [▶ Table](#)

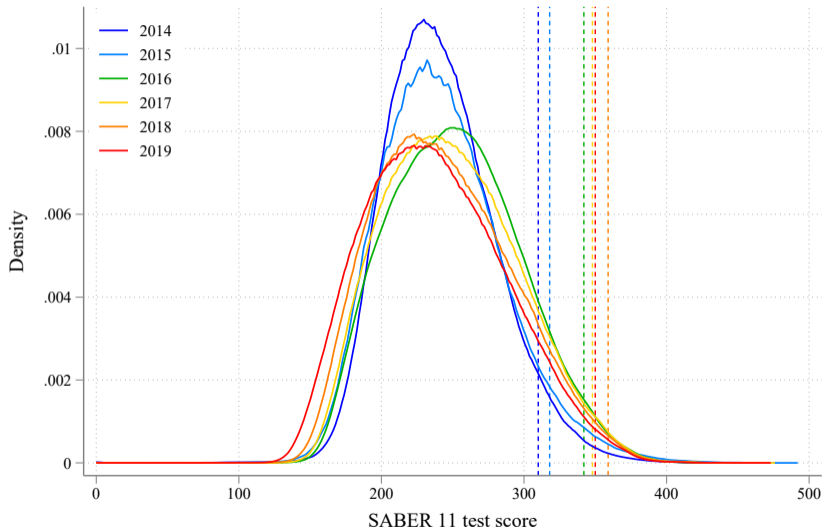
Duque raised test score cutoff from 348 (top 3.5%) in 2017...



Duque raised test score cutoff to... 359 (top 1.9%) in 2018



Few applicants, so gov't reduced cutoff to 350 (top 2.6%) in 2019 High



The end of publicly funded college financial aid in Colombia

- ▶ Petro won 2022 presidential elections, abolished SPP/GE to allocate public funds exclusively to public colleges, and forgave student loans for all SPP/GE dropouts

- ▶ Today, Colombia offers tuition-free access to public colleges but no longer provides a publicly funded financial aid program for higher education

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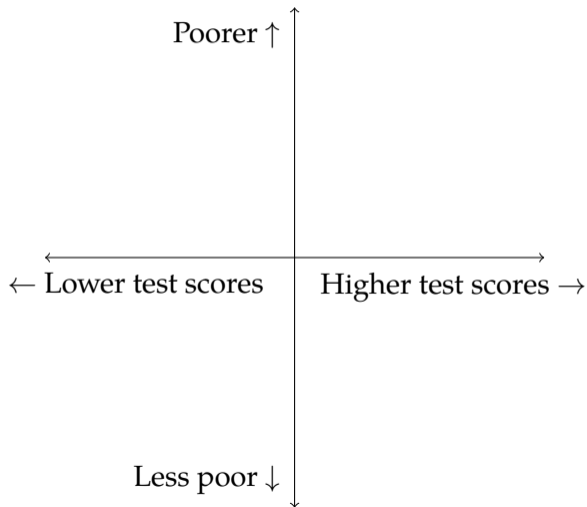
Discussion

Lessons about the optimal design of transfers

- ▶ Literature in public economics analyzes the optimal design of taxes and transfers
Mirlees '71; Saez '02
- ▶ Recent work in development economics examines whether social assistance programs should target households based on deprivation ("equity") versus impact ("efficiency") when program treatment effects are heterogeneous Haushofer et al. '22
- ▶ Londoño-Vélez et al. '24b analyzes the equity-efficiency trade-off in the context of Colombia's college financial aid

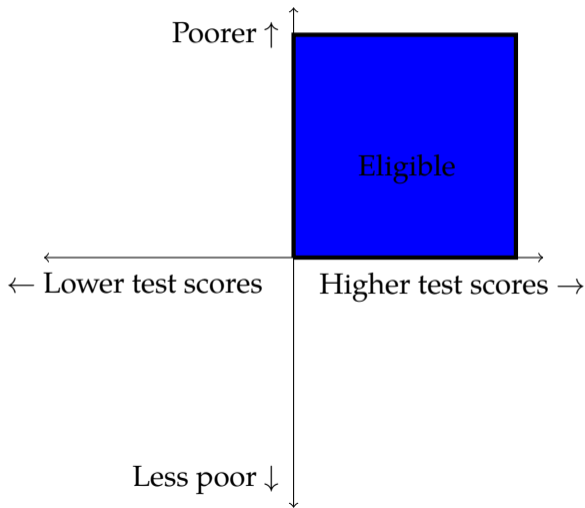
The equity-efficiency trade-off in college financial aid

Londoño-Vélez et al. '24b



The equity-efficiency trade-off in college financial aid

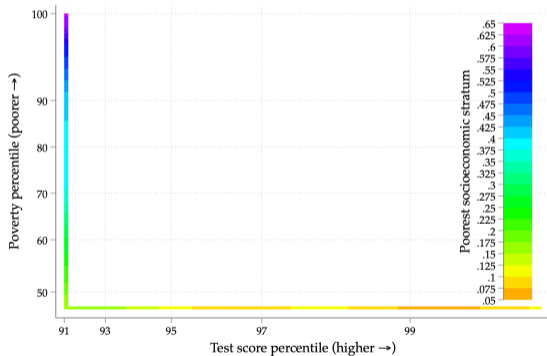
Londoño-Vélez et al. '24b



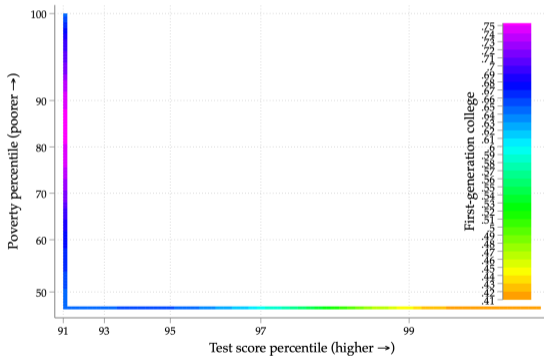
Equity: compliers' characteristics along boundaries of eligibility

Londoño-Vélez et al. '24b

Poorest socioeconomic stratum



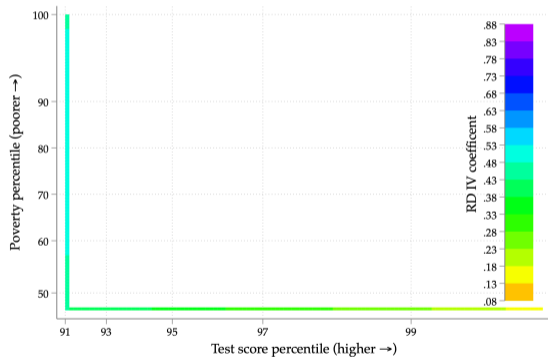
First-generation college student



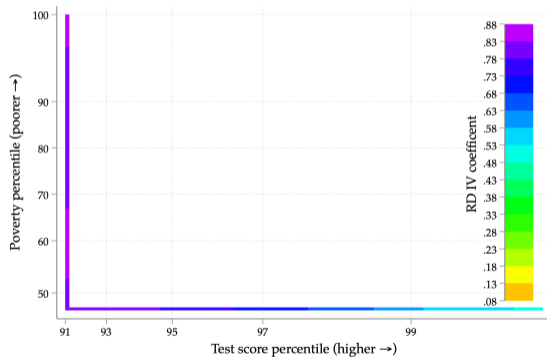
Efficiency: heterogeneous impacts along boundaries of eligibility

Londoño-Vélez et al. '24b

Enrollment in any college



Enrollment in a HQ private university



Lessons about the impact of targeting college financial aid

Londoño-Vélez et al. '24b show that prioritizing test scores...

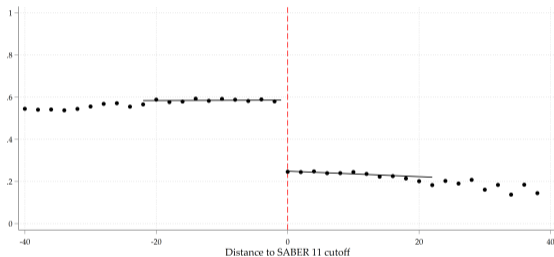
- ... harms equity by favoring students from more advantaged backgrounds [▶ Fig](#)
- ... reduces the policy's impact on overall college enrollment (extensive margin) [▶ Fig](#)
- ... increases the policy's influence on college-program value-added (intensive margin), potentially raising recipients' future earnings [▶ Fig](#)

Thank you!
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Appendix

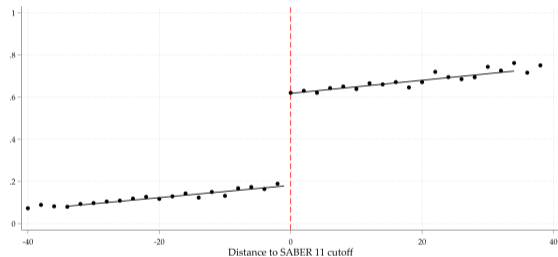
An increase in likelihood of ever attending an HQ college [Back](#)

LQ college: ↓ 33.6 pp (57.4%)



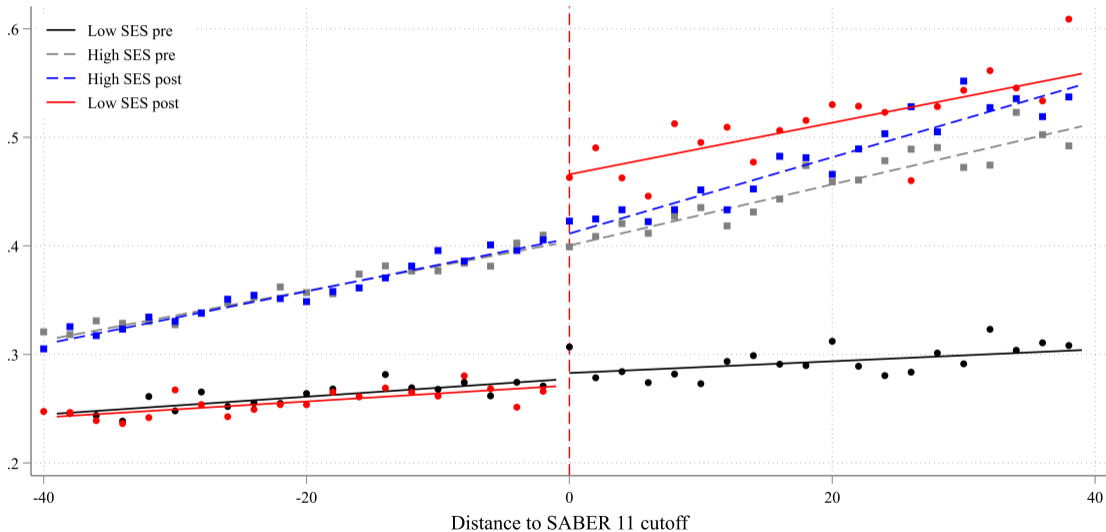
Sample restricted to low-SES students.

HQ college: ↑ 43.6 pp (241%)

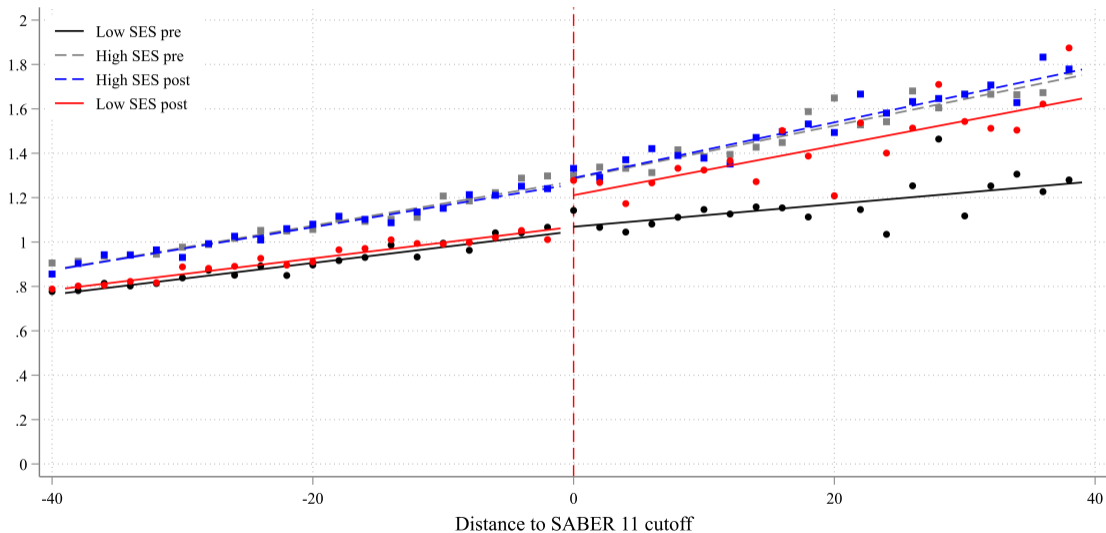


Sample restricted to low-SES students.

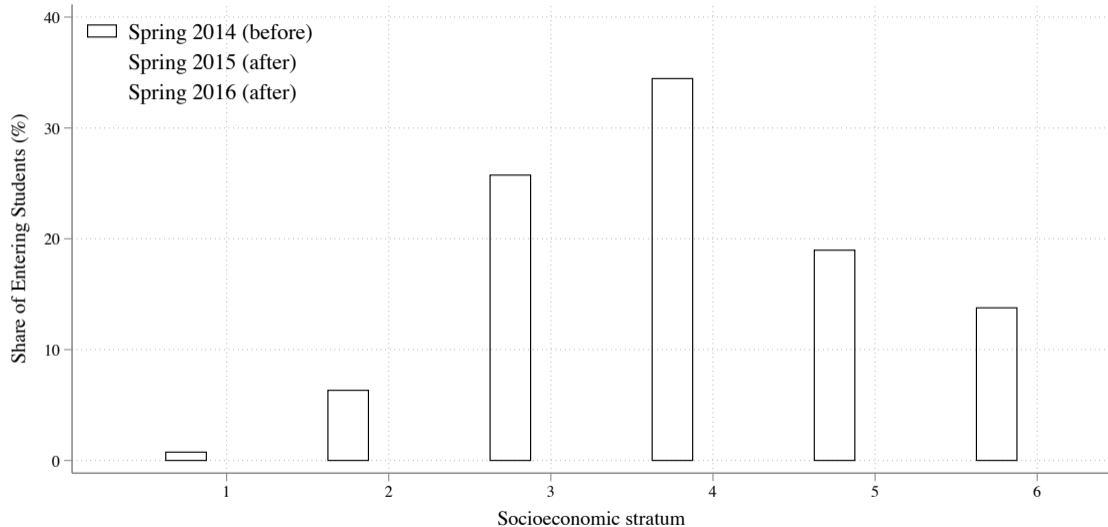
SPP improved earnings "value-added" and the return to ability [Back](#)



SPP shrinks the SES gap in earnings and the return to ability [Back](#)

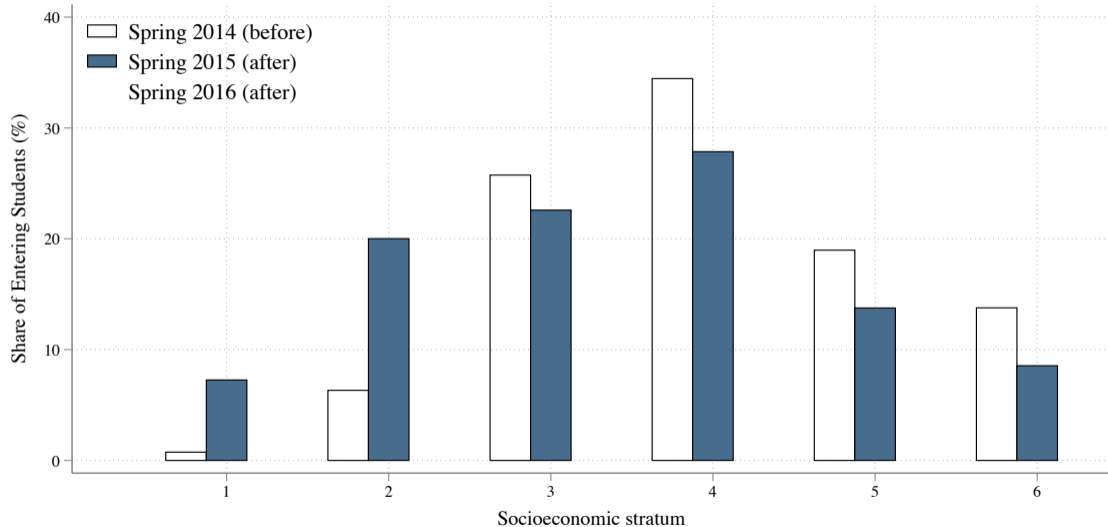


A dramatic increase in socioeconomic diversity at top university [Return](#)



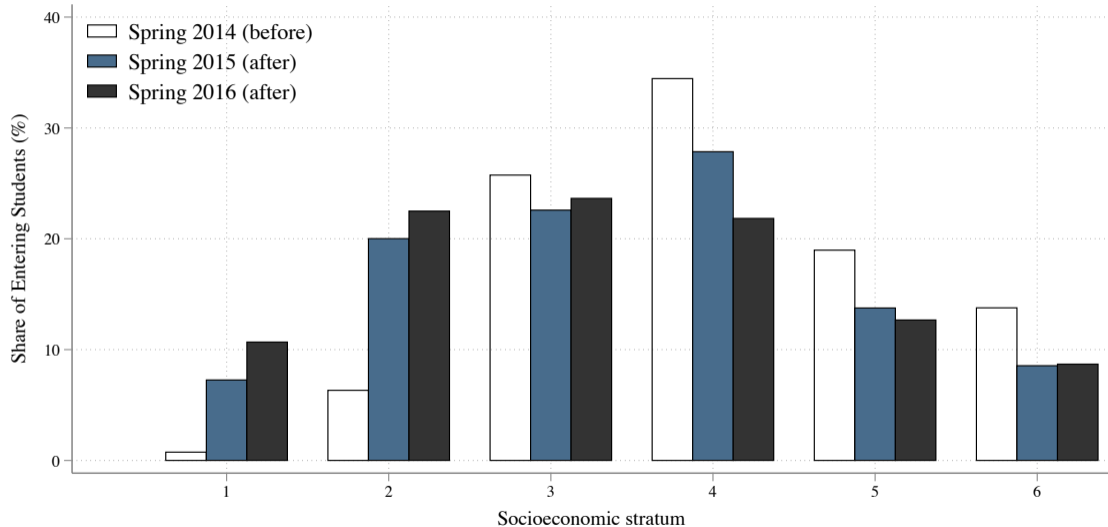
Source: Londoño-Vélez '22

A dramatic increase in socioeconomic diversity at top university [Return](#)



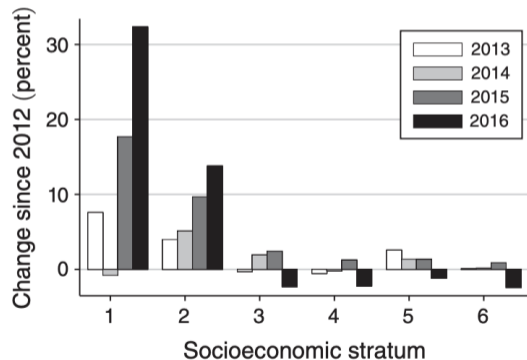
Source: Londoño-Vélez '22

A dramatic increase in socioeconomic diversity at top university [Return](#)



Source: Londoño-Vélez '22

Panel A. Change in share of strata scoring in top decile



Panel B. Change in share of strata 1 and 6 in top percentiles

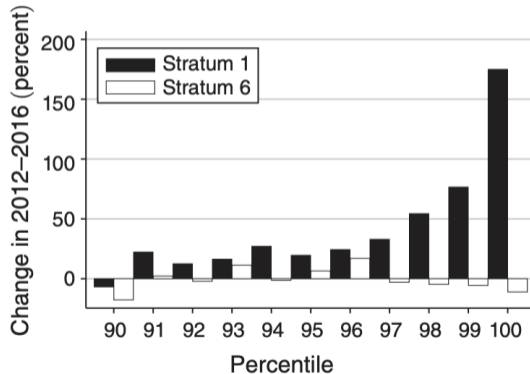


FIGURE 13. GAINS IN TEST PERFORMANCE FOR LOW-INCOME STUDENTS

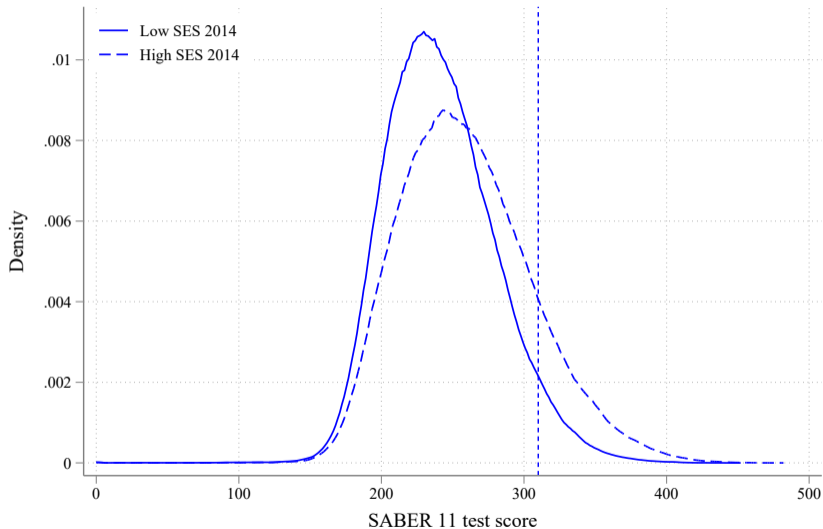
Low-SES high achievers and program eligibility conditions

Year	SABER	Test takers						Recipients
	11 cutoff	No	Has	SISBEN eligible				
(1)	(2)	All	SISBEN score	SISBEN score	All	Top 10%	SABER 11 eligible	(9)
		(3)	(4)	(5)	(6)	(7)	(8)	
2012		550,141	227,766	322,375	247,923	13,070		
2013		525,490	202,424	323,066	259,252	13,643		
2014	310	542,341	193,235	349,106	287,797	15,680	14,487	9,373
2015	318	538,001	178,044	359,957	305,111	19,164	16,195	11,929
2016	342	545,563	167,625	377,938	326,661	23,048	10,077	8,618
2017	348	540,840	161,521	379,319	332,675	24,159	7,600	7,180
2018	359	544,527	148,280	396,247	348,684	23,536	3,751	3,461
2019	350	547,883	137,151	410,732	356,370	22,996	5,442	4,126

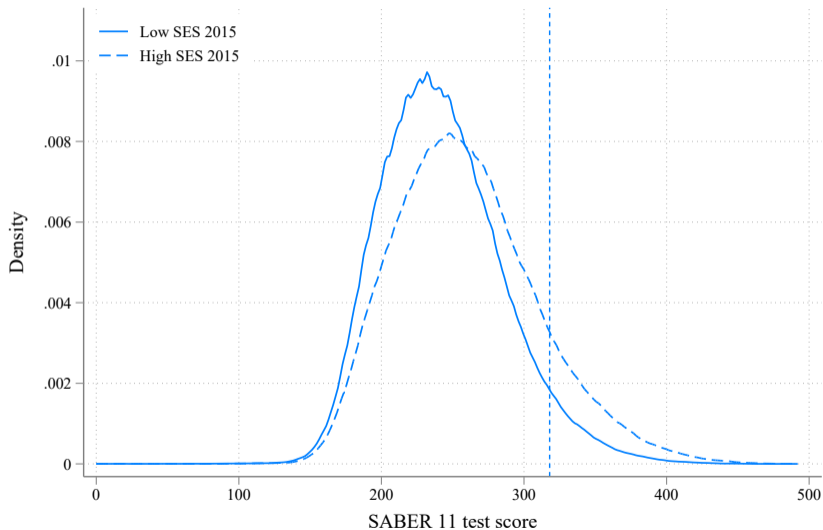
Characteristics of the SPP and GE college financial aid programs [▶ Back](#)

Program name	Year	Conditions colleges' tuition	Incentivizes public college enrollment	Stipend for those who relocate (in minimum wages)	Geographic affirmative action
	(1)	(2)	(3)	(4)	(5)
SPP 1	2014			4	
SPP 2	2015			4	
SPP 3	2016			4	
SPP 4	2017	✓	✓	4	
GE 1	2018	✓	✓	2 or 3	✓
GE 2	2019	✓	✓	2 or 3	✓

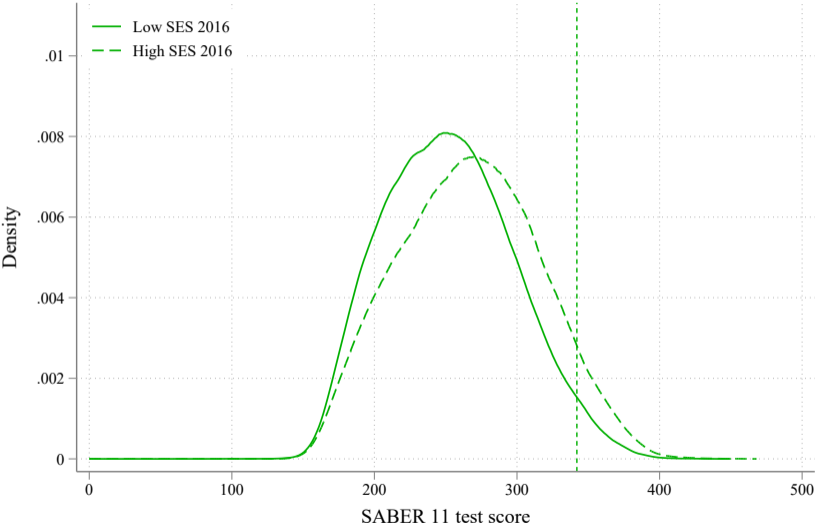
Distribution of test takers' scores: high-SES vs. low-SES



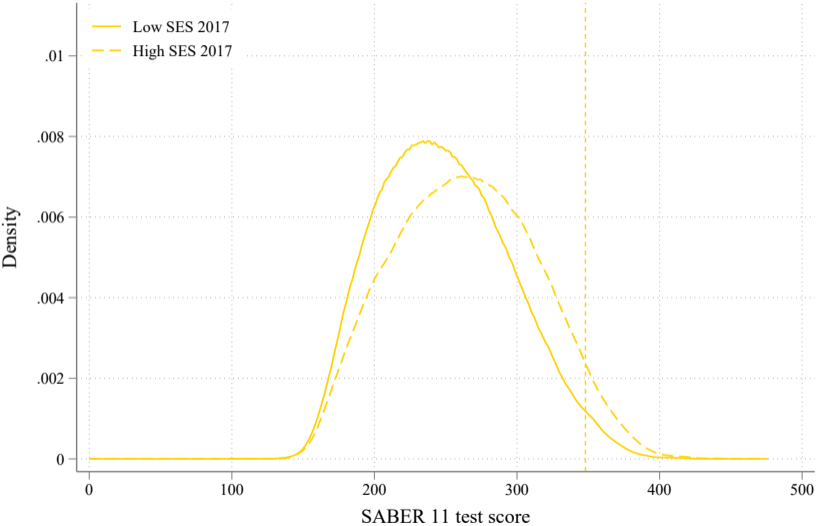
Distribution of test takers' scores: high-SES vs. low-SES



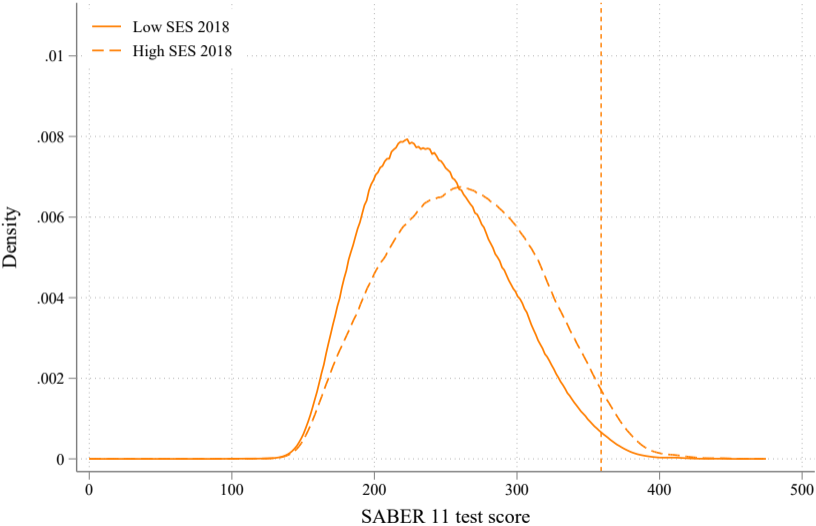
Distribution of test takers' scores: high-SES vs. low-SES



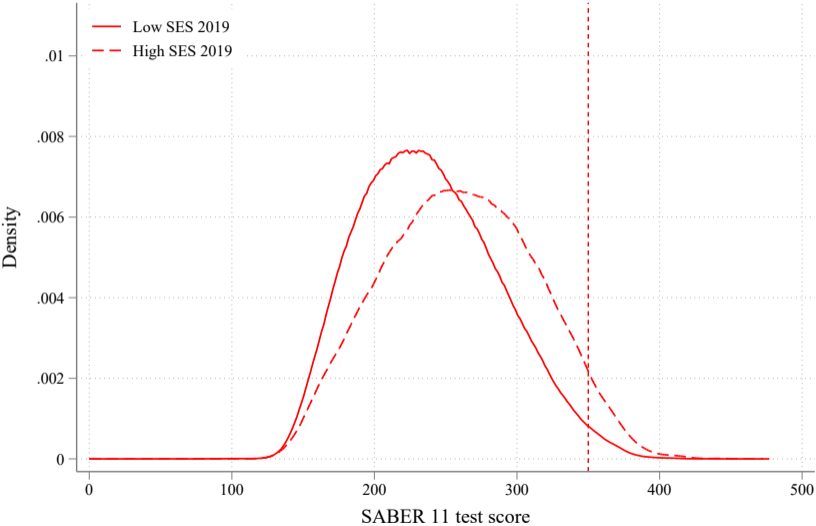
Distribution of test takers' scores: high-SES vs. low-SES



Distribution of test takers' scores: high-SES vs. low-SES

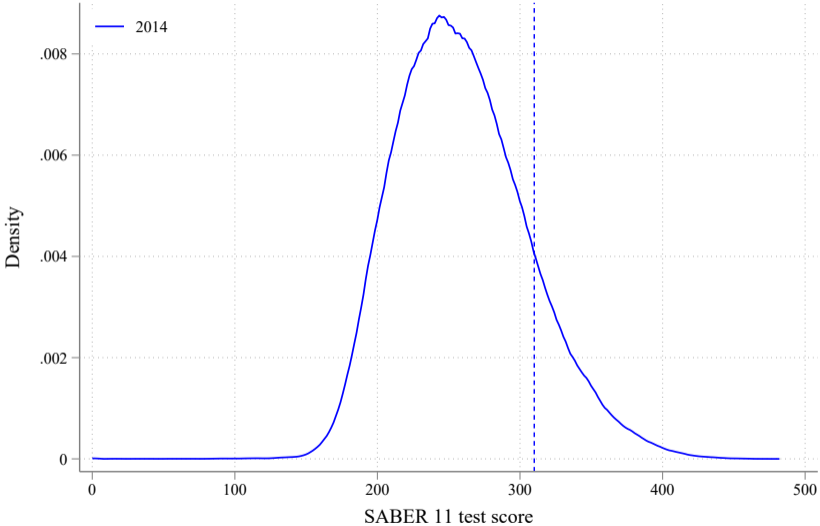


Distribution of test takers' scores: high-SES vs. low-SES



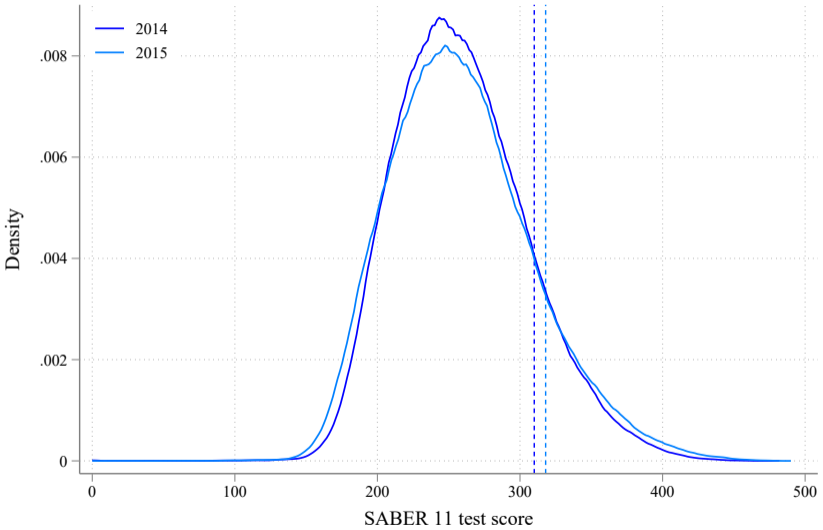
Distribution of high-SES test takers' scores

[Back](#)



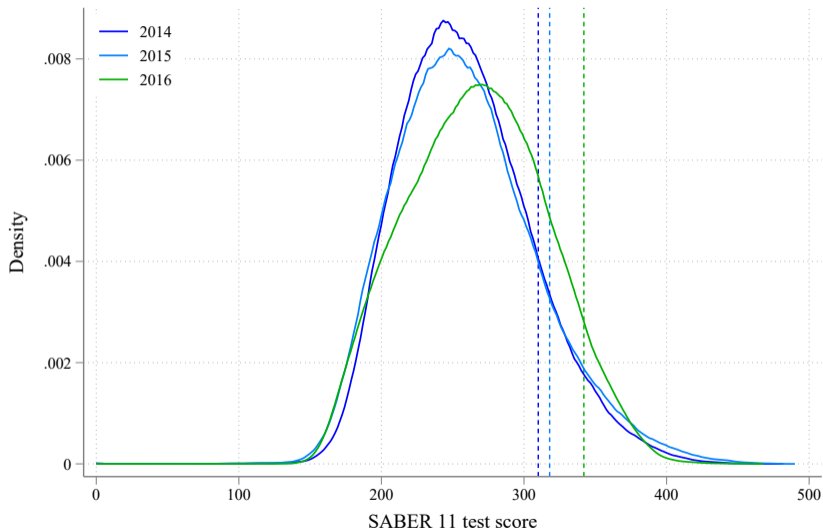
Distribution of high-SES test takers' scores

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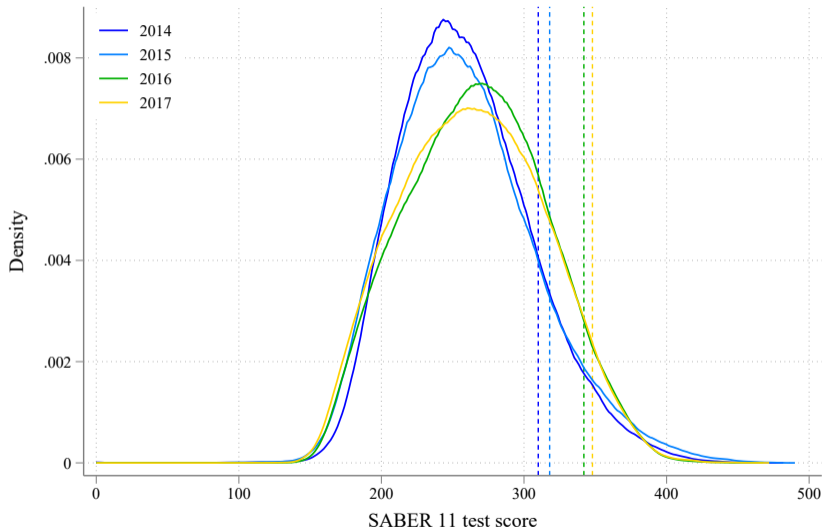
Distribution of high-SES test takers' scores

[Back](#)



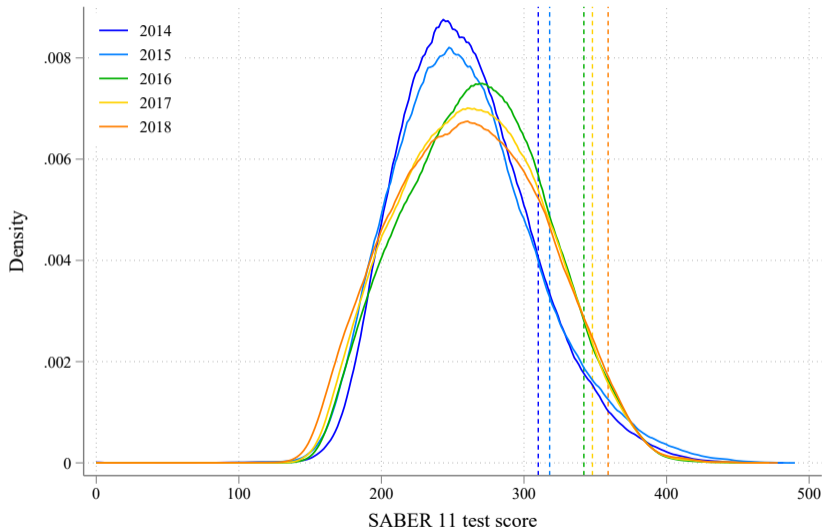
Distribution of high-SES test takers' scores

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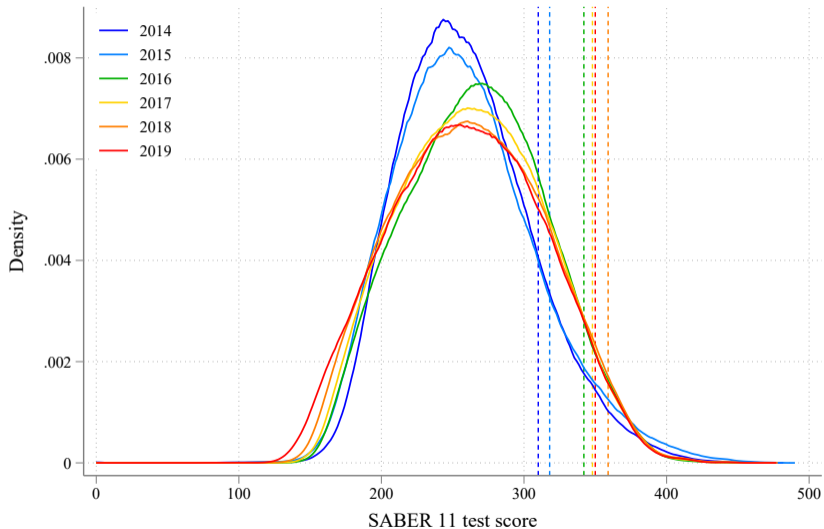
Distribution of high-SES test takers' scores

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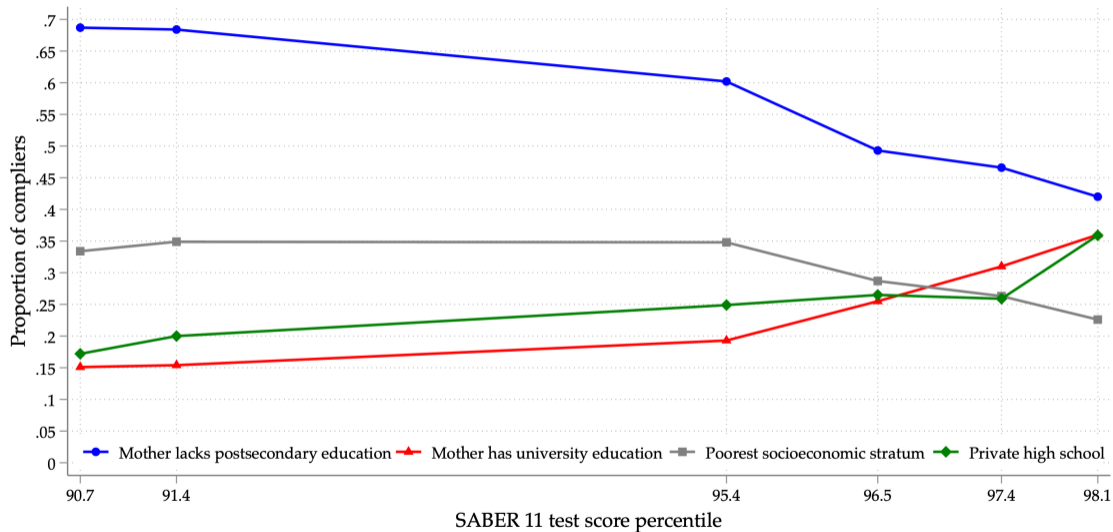


Distribution of high-SES test takers' scores

[Back](#)

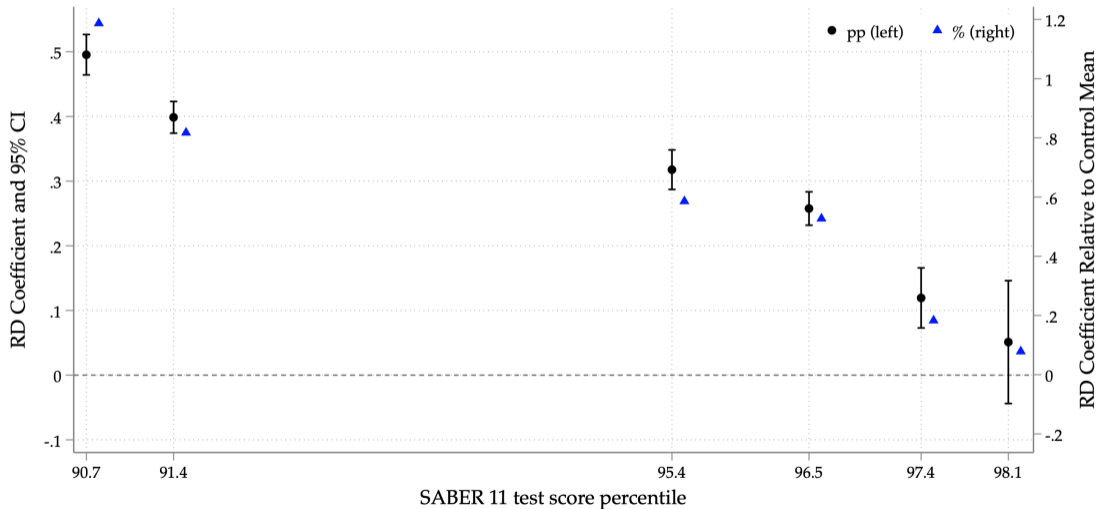


Compliers' characteristics across the distribution of test scores [▶ Back](#)



The enrollment effect is decreasing in test scores [▶ Back](#)

IV estimates

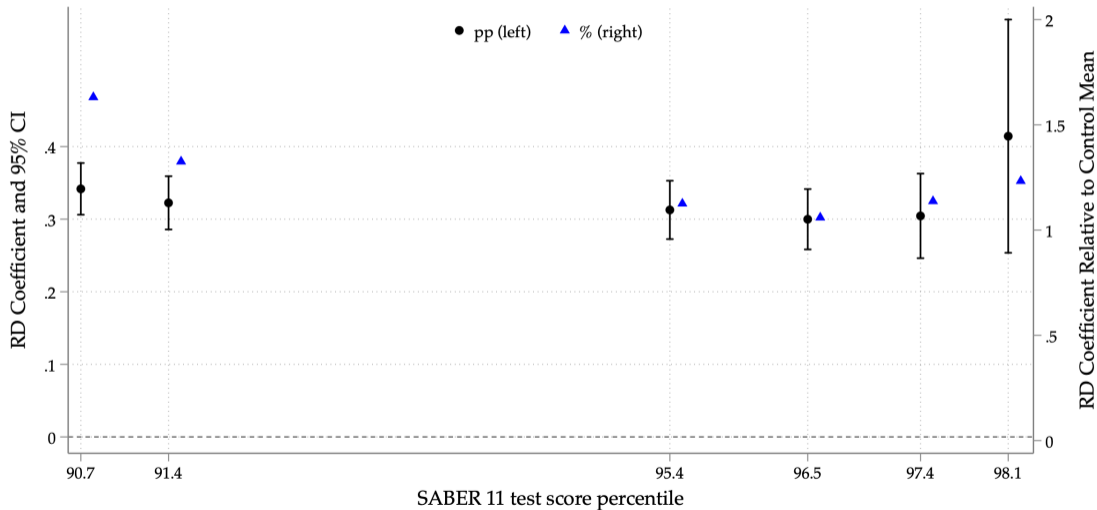


Sample restricted to SISBEN-eligible individuals

The effect on earnings "VA" is roughly increasing in test scores

[▶ Back](#)

IV estimates



Sample restricted to SISBEN-eligible individuals

Discussion of Britto et al. "Access to Justice and Social Protection"
by Juliana Londoño-Vélez

Brief summary

- ▶ Britto et al. examines the role of access to justice in securing social protection benefits in Brazil and implications for equity
- ▶ Matching admin microdata to court cases, they focus on access to severance payments (for displaced workers) and non-contributory pension benefits (for elderly poor)
 - ▶ 7% of workers sue their employer (for severance payments?), and both $P(\text{suing})$ and $P(\text{winning} \mid \text{suing})$ *increase* with earnings
 - ▶ Low-income 65-year-olds (i.e., eligible pop.) are more likely to apply and receive BPC, but high-income individuals *also* apply and receive BPC and file lawsuit when denied. Yet, the justice system's targeting 'works': $P(\text{winning} \mid \text{filing})$ *decreases* with income

Interpreting the positive correlation of filing lawsuit and earnings

- ▶ Are high-earners more likely to work in non-compliant firms?
 - ▶ What predicts a firm's likelihood of being sued (e.g., firm size, sector, location...)?
- ▶ Conditional on working in a non-compliant firm, are higher-income workers more likely to be eligible for severance payments (e.g., dismissal without just cause)?
 - ▶ If, instead, data reflects *all* lawsuits, do high-earners have more complex contracts (e.g., bonuses, profit sharing, stock options) that would increase the potential for disputes?
- ▶ Conditional on working in a non-compliant firm and being eligible for severance payments, why are higher-income workers more likely to use the justice system?
 - ▶ In addition to financial resources, does it reflect more awareness of workers' rights (even conditional on educational attainment)? Higher financial stakes?

Women and college-educated workers are *less* likely to file lawsuits

- ▶ Why are women *less* likely to file lawsuits against their employer?
 - ▶ Are women less likely to work in non-compliant firms? Less likely to be eligible for severance payments? Less likely to be aware of their rights? Lower financial stakes? Cultural norms?
 - ▶ Previous work:
 - ▶ Women are also less likely to sue their employer for payments under the table (Feinmann et al., 2024)
 - ▶ Women and college-educated workers are *more* likely to use justice system to protect access to healthcare (Saravia, 2024)
- ▶ How to reconcile college-educated workers being less likely to file lawsuit but, conditional on education, high-income workers more likely to do so?

Other research questions using similar data

- ▶ Are there spillover effects of lawsuits on other workers within the firm (à la Feinmann et al., 2024)? How does it affect suer's subsequent employment outcomes?
- ▶ How are cases assigned to judges? If random assignment, could you use judge IV to estimate causal effects on outcomes?
 - ▶ (40% of disability pensions benefits awarded after a lawsuit!)
- ▶ The role of judges: what determines judges' likelihood of ruling in favor/against cases (e.g., judge sex, age, experience)?
 - ▶ Harris and Sen (2019): female and male judges make similar decisions, except in gender-related cases (e.g., sexual harassment, sex-based discrimination)
 - ▶ Londoño-Vélez and Saravia (2024): male judges are more likely to deny abortion cases
 - ▶ Laneuville and Possebom (2024): male judges are less likely to convict DV cases in Brazil

Minor point

- ▶ The authors find that high-income 65-year-olds apply and receive BPC and file lawsuit when denied

- ▶ Can you analyze the text of the lawsuit? Are individuals claiming that the family income per capita registered in *Cadastro Unico* does not correspond to their actual income? Does this reflect problems in the PMT?