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On the importance of families and public policies for child development outcomes

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Chapter 1

Introduction

This thesis presents a compilation of four essays on the importance of families and public policies for child outcomes. Although the essays can be read independently, they have at least four points in common. First, they elaborate on the importance of the family in determining outcomes of children such as educational attainment and child labor. Moreover, they investigate how behavior and choices of families might be influenced by public policies to reach a new equilibrium involving enhanced outcomes and better prospects of life in adulthood. Second, each chapter of this dissertation uses as a case of study Ecuador, a developing country in Latin America that is characterized by high levels of poverty and inequality. In this context, poor families are affected by credit constraints and information failures which in turn are likely to have a detrimental effect on their investment decisions in their children. It is also due to this context that governments in developing countries implement programs to help poor families to overcome these constraints and allocate resources more effectively. A third common factor in this thesis is its focus on the identification of causal effects. Throughout the chapters, different empirical techniques are employed to be able to give a causal interpretation to the different effects that are estimated. Finally, there is an explicit interest on inquiring about the potential mechanisms that can explain the effects or patterns under analysis. The identification of possible drivers behind the observed effects is extremely important for policy makers to design effective policies.

In general, this thesis comprises two types of studies. The first type, which includes the first three chapters, investigates the scope of different public interventions in developing countries to promote human capital accumulation of children at different stages of life (pre-school, compulsory and post-compulsory education). To do so, treatment differentials across families are compared taking into account that the goal is to identify effects that can be interpreted as causal. The second type, which includes the fourth chapter of this thesis, is different from the others since it departs from the assumption that all children within a family are treated equal. In this sense, it exploits

the variation that exists across siblings to investigate how a specific characteristic of a child, the order of birth, affects the intrahousehold allocation of resources.

Specifically, Chapter 2 evaluates the impact on poor children and their mothers of the largest provider of early childhood development interventions in Ecuador, the Child Development Fund (FODI). FODI supports two types of interventions: child care centers and home visits. To identify the effect of these interventions relative to their respective control groups the empirical analysis exploits a discontinuity in the funding scheme of the program. With the intention to compare the effectiveness of the two different interventions the discontinuity design is combined with a difference-in-differences approach which assumes that the difference in outcomes between the two comparison groups measures the no-intervention difference for the two treatment groups. The analysis uses self-collected data designed to evaluate the impact of early childhood development programs in Ecuador (ENEVIN) and consider a broad range of relevant outcomes: children's cognitive and motor development, children's health, parenting styles, mothers' labor supply and income, and mothers' stress and depression.

Chapter 3 investigates the effects of another provider of child care services in Ecuador, the Child Rescue Program (ORI), which has the same objective and same target population as the FODI program. Given the absence of a baseline taken before the start of the program and the impossibility of implementing an experimental or a quasi-experimental design, this chapter uses different matching techniques to identify the effect of the program. The analysis uses data from ENEVIN which also includes a sample of families that were treated by ORI. To construct a reliable comparison group the analysis uses another component of the ENEVIN that consists on children that were considered eligible for this type intervention and were willing to participate if the opportunity had been given. Unlike estimates obtained by regression discontinuity, matching methods identify an average effect that is valid for the whole distribution of treated children but assumes that selection is driven only by observable characteristics.

Chapter 4 deviates from the theme of early childhood development to examine the impact of a housing assistance program on school enrollment, child labor and poverty reduction in Ecuador. The program grants a single voucher to poor families as a financial support to invest in a new house, which is complemented by family's savings and a mortgage loan. For the empirical analysis, administrative data from the program is merged to a household panel (SELBEN survey) to link the history of a voucher application with socioeconomic information and outcomes. Two empirical approaches are employed to identify the effect of the program. First, I exploit variation in duration of the different stages to obtain a voucher and convert it into a house, using a sample of approved applicants and controlling for different sources of endogenous variation. Second, I use variation across siblings that arises from the fact that siblings are exposed

to the program at different ages.

Chapter 5 differs from the previous three chapters as it examines the role that a specific characteristic of a child, the order of birth, has on human capital development in Ecuador. The empirical analysis uses a large national database on beneficiaries of social assistance programs (SELBEN survey) together with self-collected survey data (ENEVIN survey). In order to identify a causal effect, the analysis uses family fixed effects models to correct for observed differences in birth order that are driven by family size and any other omitted factor that is shared among siblings.

Finally, chapter 6 summarizes the main results and conclusions presented in the preceding chapters.