



# EFFECTS OF GENERAL EDUCATION ON OVERINDEBTEDMENT

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# INTRODUCTION

- We study the effects of general (vs. vocational) education (high school track) on indebtedness
- To do this, we use the cutoff on admissions and RD strategy
- So far we find negative (?) but statistically insignificant effects on being in garnishment

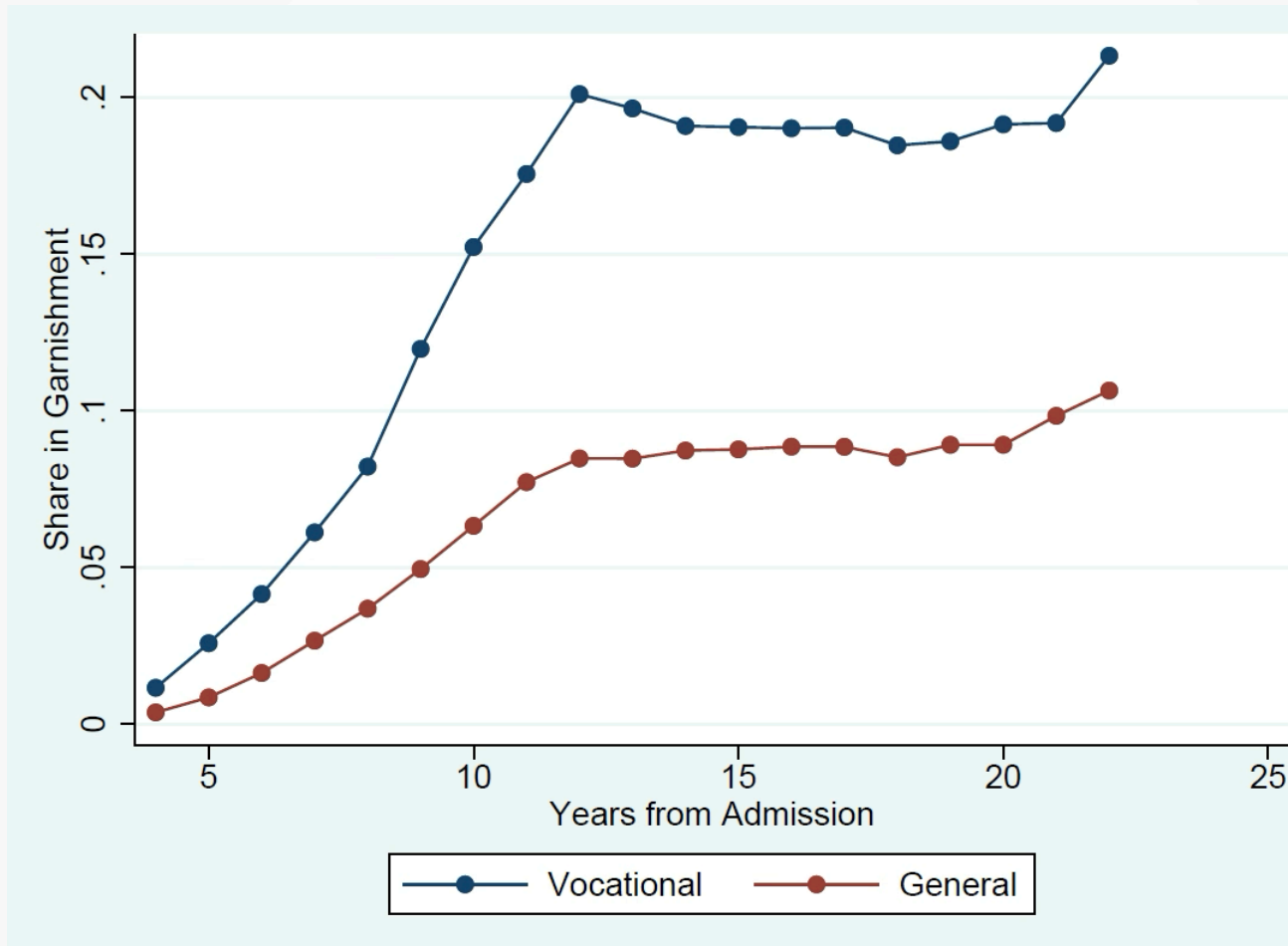


# PREVIOUS LITERATURE

- Silliman & Virtanen (2022) study the same setting and find that admission to vocational track increases the initial income and the difference persists
- Financial education and knowledge decreases over-indebtedness (Kaiser et al. (2022); Gathergood (2014); Lusardi & Mitchell (2014))
- Less is known about the **causal** effect of general education on over-indebtedness



# ”BACKGROUND STATISTICS”





# METHODS

- We use regression discontinuity design based on the admission rule
  - Admission to the school of choice is based on the upper secondary GPA
    - Deferred acceptance mechanism makes tactics "useless"
    - Impossible to know the precise cutoff point in advance
  - Compliance is not perfect
    - This is because some people are able to negotiate behind the process, esp. some admitted to general education
  - But the admission rule still introduces as-good-as random variation in the treatment (enrolment in vocational/general track education)



## METHODS 2

- Data from different years pooled and the GPA standardized
- We use MSE-optimal bandwidth with different bandwidth on both sides of the cutoff
- Use local linear regression with triangular kernel
- Cluster SE's by cutoff



# DATA

- We use admissions data from years 1996-2004 which includes all upper secondary students (N=34 345)
- For outcome data we use data on debt garnishments (Ulosotto) from National Enforcement Authority (Ulosottolaitos) for years 2008-2019
  - This data include information on garnishment, amount of unpaid debts and sources of debt
- And FOLK-data on wages and employment
- Additional data in processing

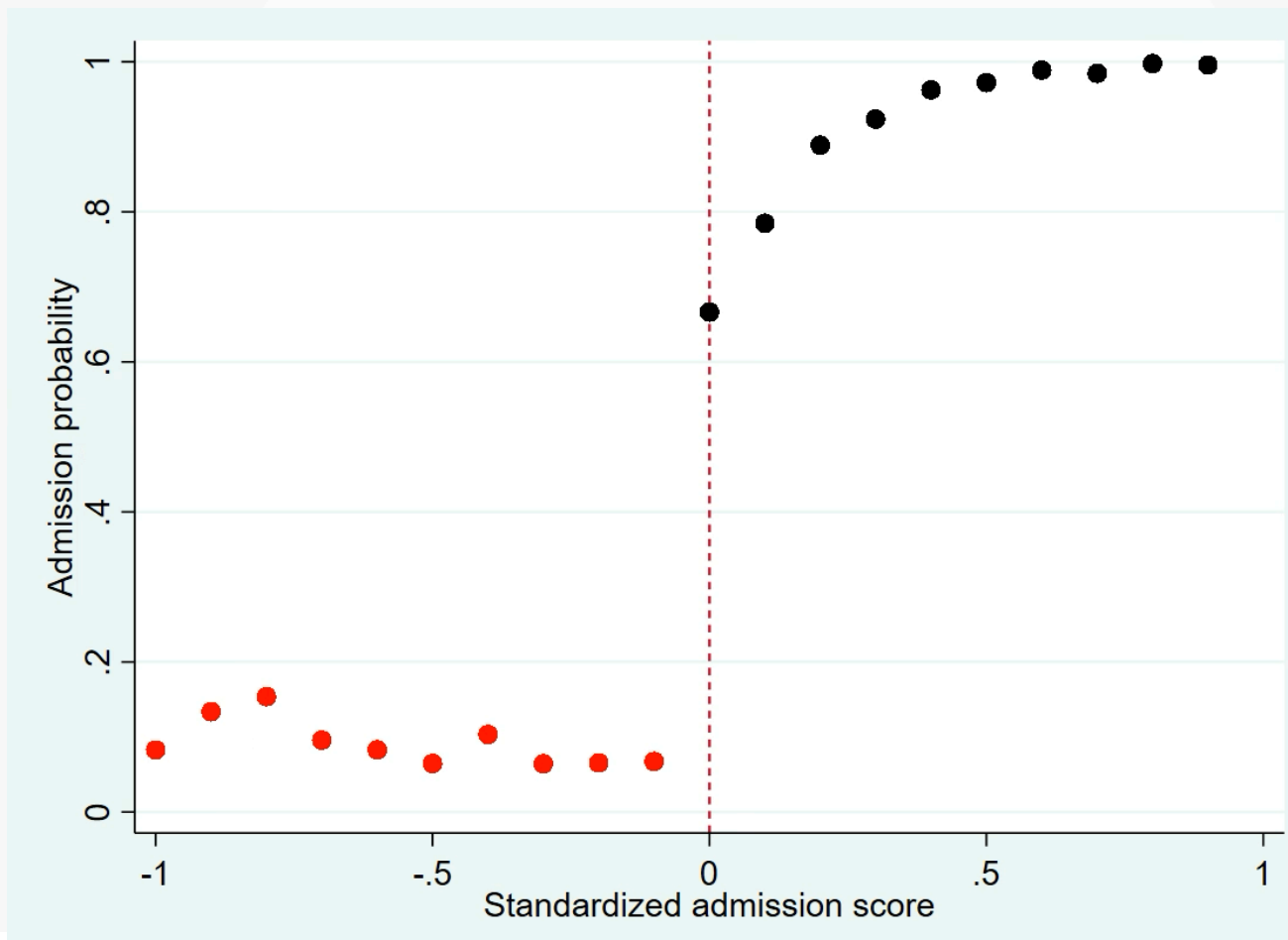




# RESULTS



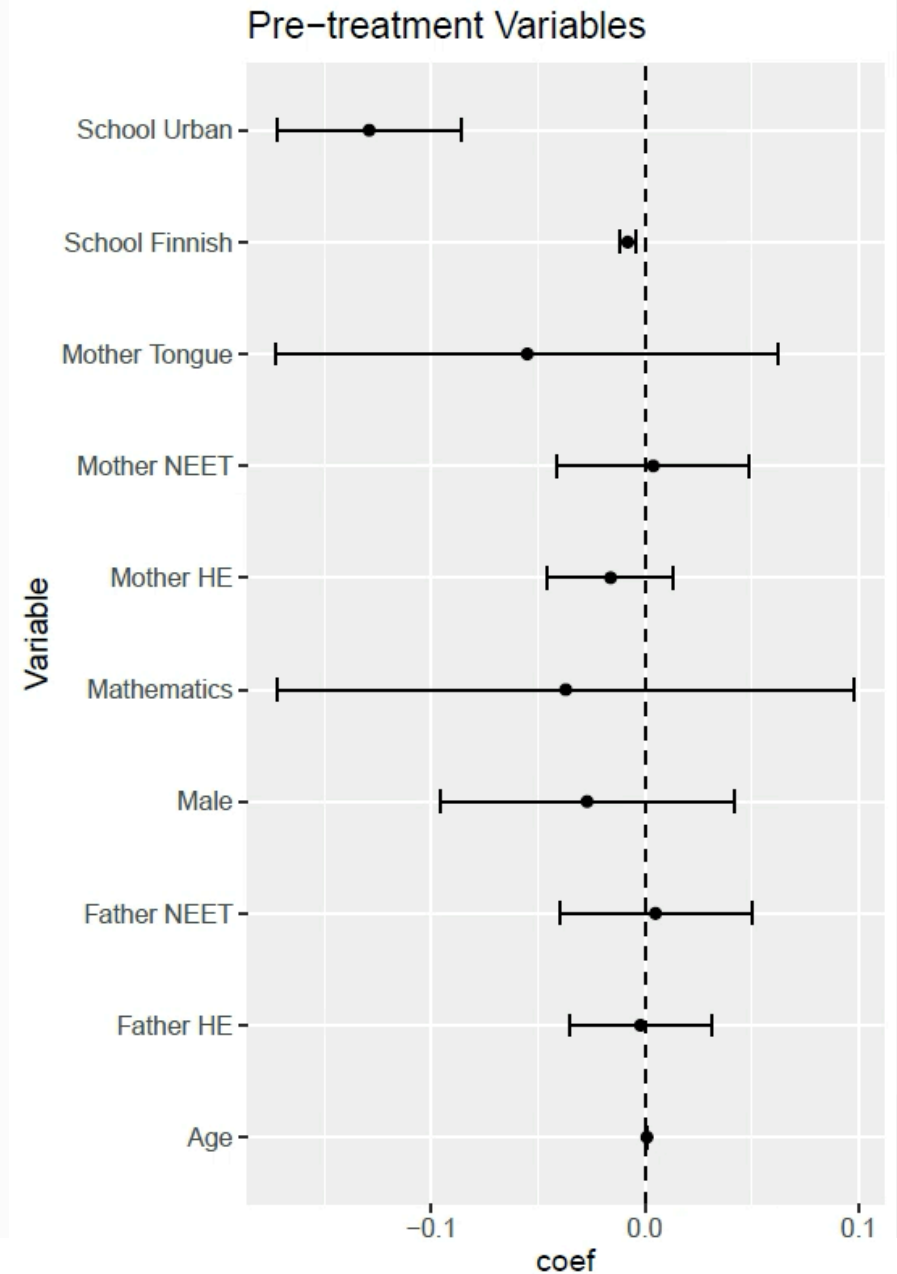
# 1ST STAGE





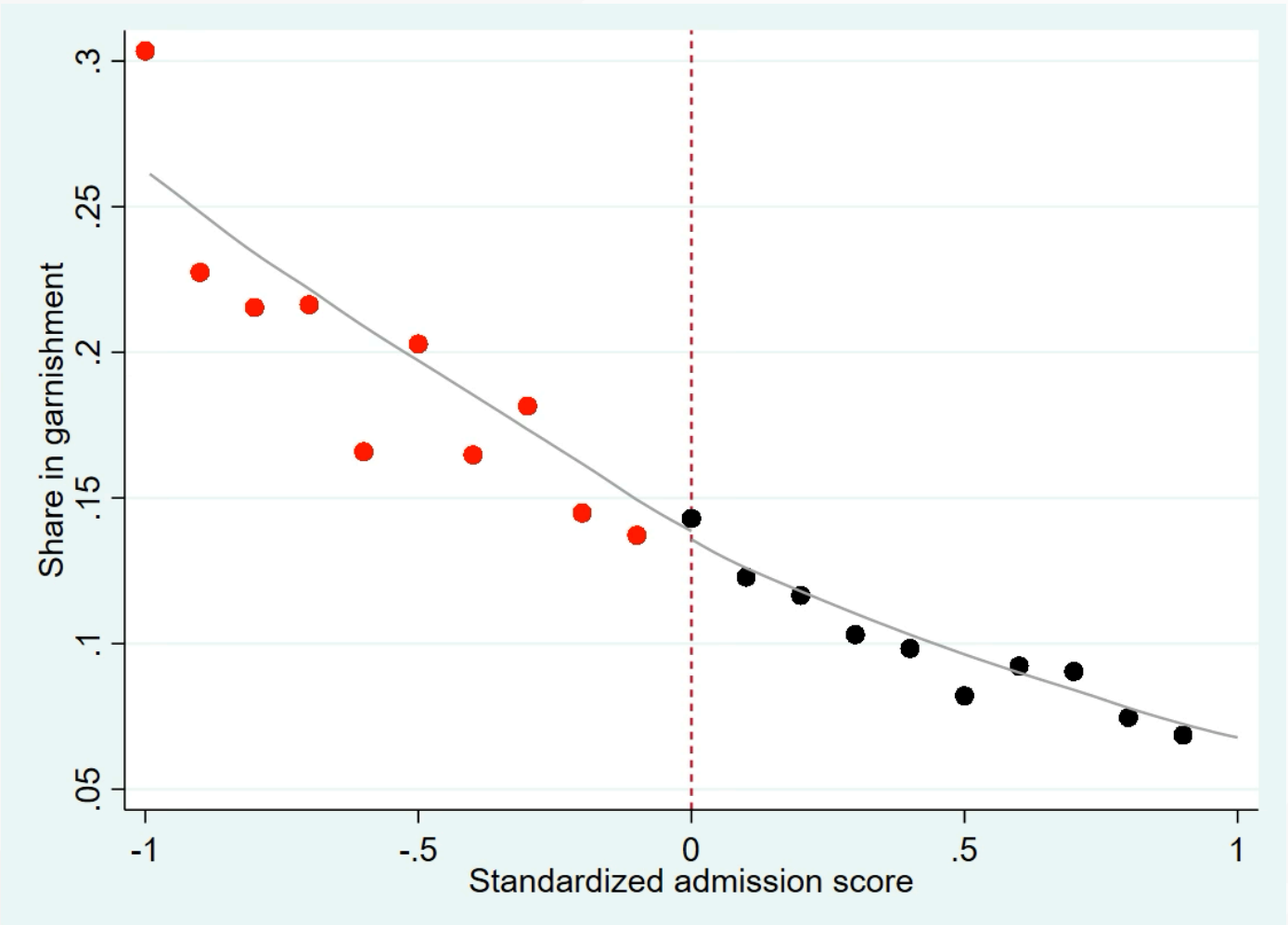
# VALIDITY TESTS

- McCrary test: no observable manipulation/changes in density at cutoff
- We test pre-treatment variables at the cutoff
  - These include school characteristics, grades and parent characteristics
  - Mostly no "effects", with some exceptions (school urban?)





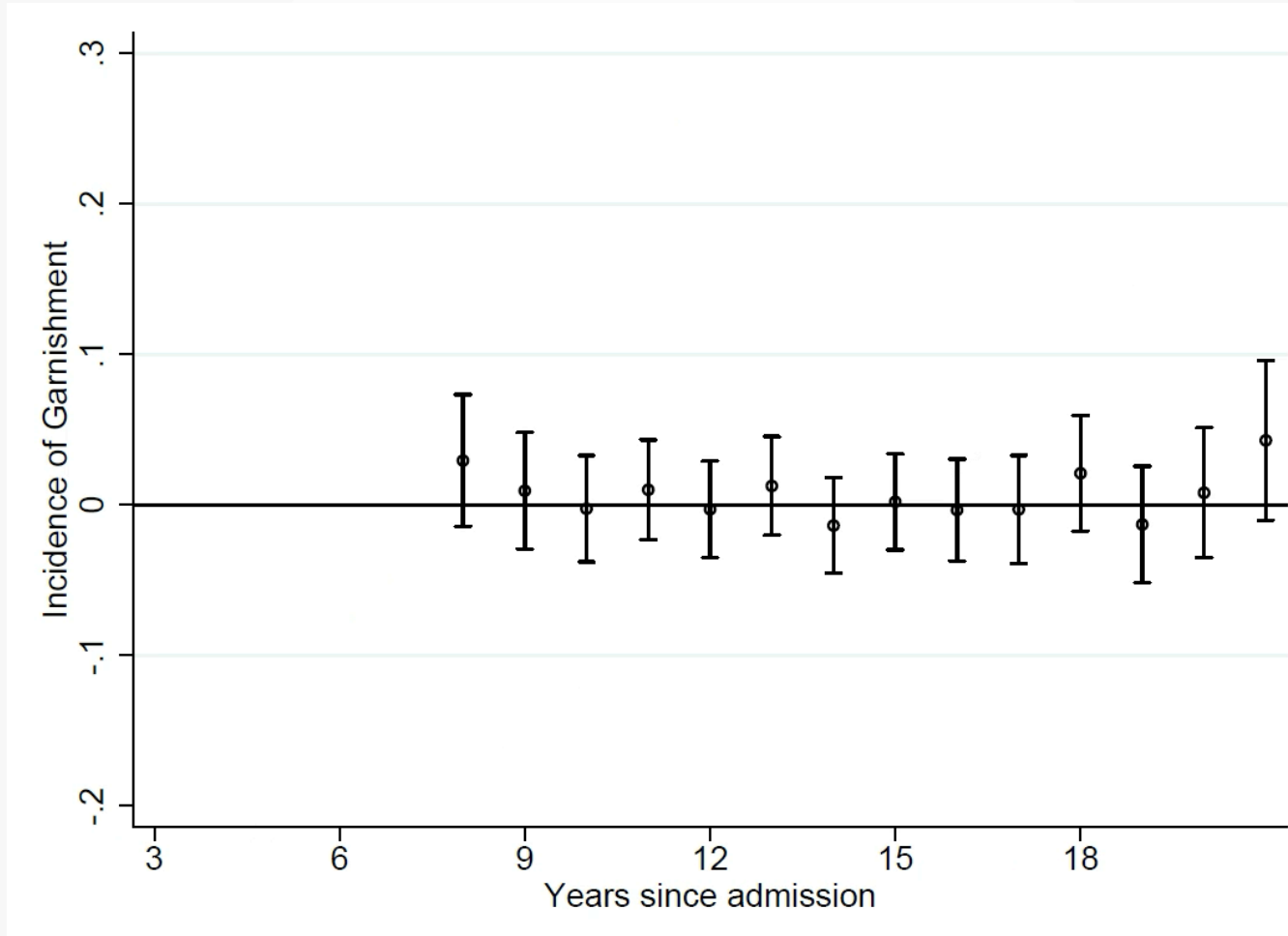
# RESULTS



Results 15 years from admission, local polynomial with triangular kernel, bins of 0.1

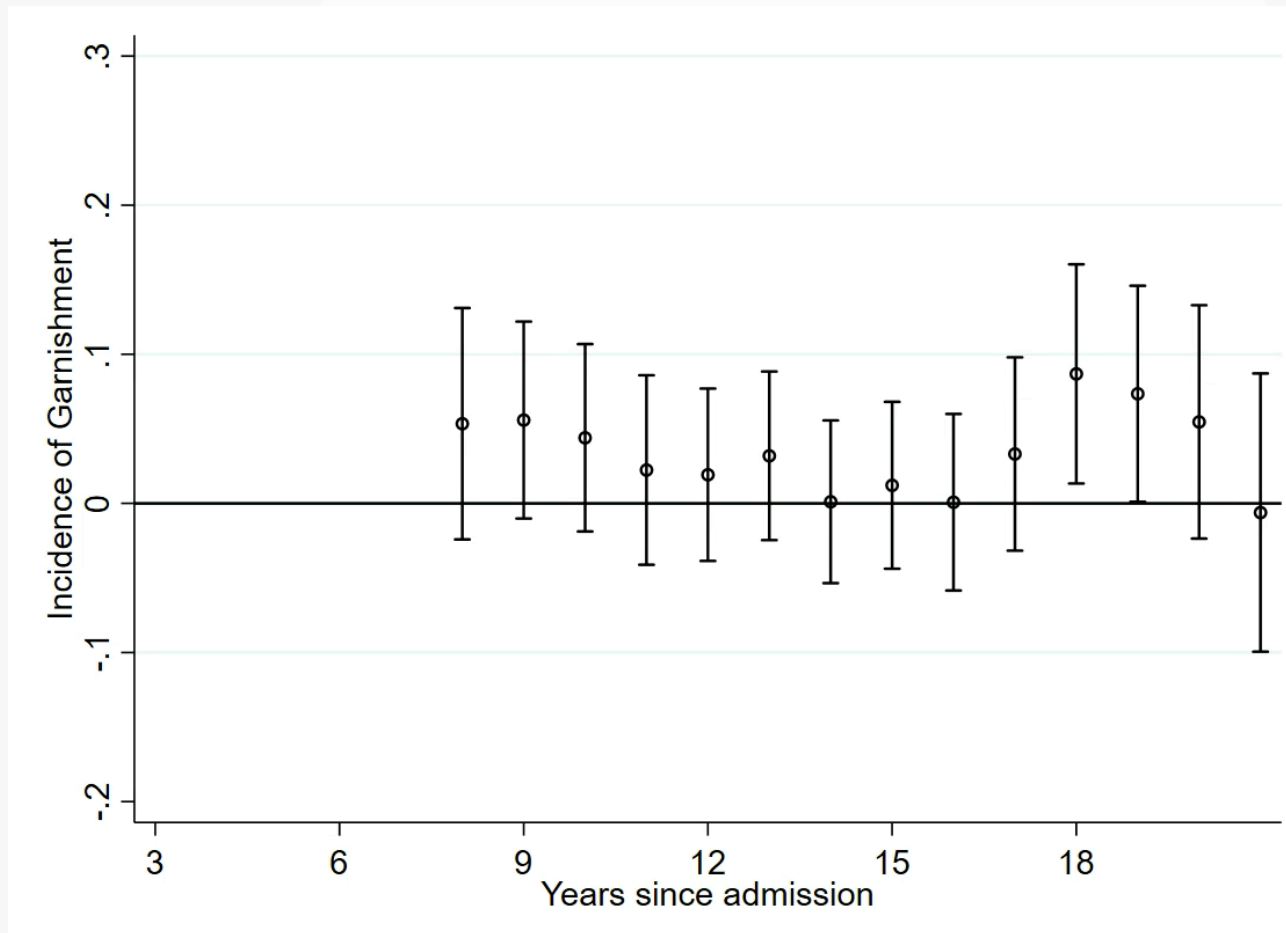


# RESULTS BY YEAR



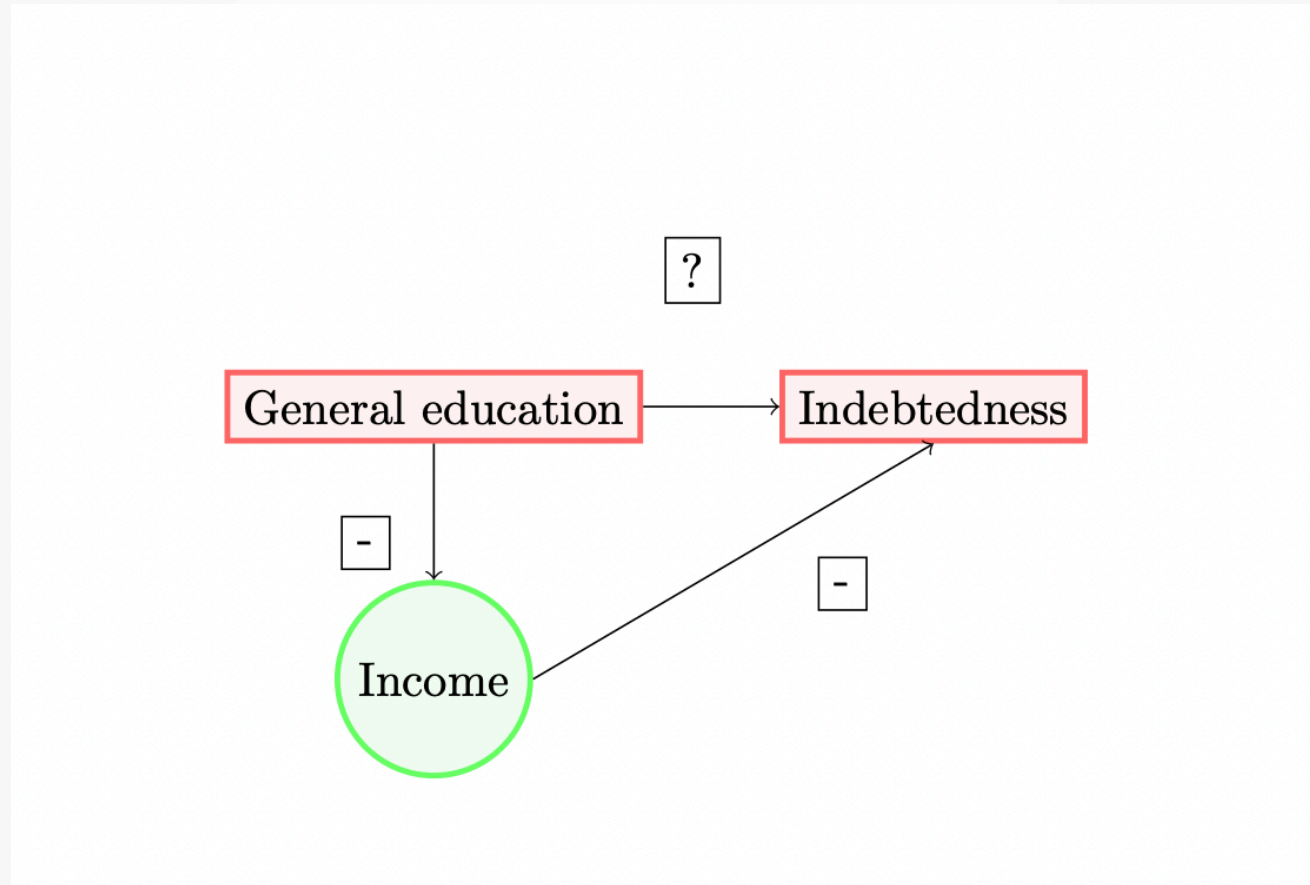


# RESULTS FOR TECHNICAL FIELDS





# HYPOTHESIS





# CONCLUSION

- So far, we find negligible effects
  - Similar for all years and between the tracks in vocational education
- Why is this:
  - Perhaps high school does not equip students with skills useful in managing one's own economy
    - Previous studies indicate that high school has surprisingly little benefits to the students at the margin
  - Or there is an effect but it is masked by the mediating effect of income
  - Also possible that study does not have enough power to identify these effects
  - Being in garnishment is also noisy signal of debt problems