No Child Left Behind Rules Raise Student Performance

In the summer of 2004, the Charlotte-Mecklenburg School District (CMS) in North Carolina determined that ten elementary schools and six middle schools had failed to make adequate yearly progress (AYP) for two consecutive years, and would face the first phase of sanctions under the federal No Child Left Behind Act (NCLB). By law, parents of children in those schools had to be allowed the opportunity to send their children to different schools.

CMS had recently introduced district-wide school choice. Each spring, since 2002, parents selected the schools they would like their children to attend in the fall. While the district provided many resources to help parents with the school choice process, including a family application center and a school choice application guide, objective information on academic achievement was not readily available. The application guide was 100 pages long, and contained descriptions of schools often written by the schools themselves and emphasizing the positive aspects of each school. The staff at the family application center encouraged parents to talk with their children and interview individual schools to identify which school would be the best for their specific child, since different schools are best for different children. However, obtaining objective statistics on test scores, suspension rates, or racial compositions would require a lengthy school-by-school online search and comparison.

The NCLB Act requires that the districts provide parents in NCLB sanctioned schools with concrete information on the academic achievement at each of their school choice options. Hence, in the summer of 2004, the district notified parents of children in sanctioned schools that their school had failed to make AYP, and that they had the right under NCLB to choose to send their children to another school. They also sent parents simplified, objective, information about academic achievement at their children's school, and at every other school in the district. Parents then could apply to the school of their choice, although admission to schools then was determined by a lottery process.

In No Child Left Behind: Estimating the Impact on Choices and Student Outcomes (NBER Working Paper No. 13009), Justine Hastings and Jeffrey Weinstein use this natural experiment to explore whether parents changed their school choices in response to the new information about academic performance, and whether allowing them to make a more informed choice led to academic gains. The authors were given access to the district’s administrative records. As a result, their sample included information on the less informed school choice made in the spring of 2004 and the more fully informed school choice made in July of 2004. They also had information about school assignment procedures, attendance records, test scores, and student demographics. Of the 6,695 students in their sample, 1,092 students both filled out a new choice form in July and chose to attend a different school.

The authors find that the simplified NCLB notification doubled the fraction of parents choosing a different school ... The students who gained admission to schools with test scores substantially above their failing school experienced significant improvements in test scores.
Effects of Immigration on African-American Employment and Incarceration

Almost everybody knows that in the past 40 years, the real wages and job prospects for low-skilled men, especially low-skilled minority workers, have fallen. And there is evidence — although no consensus — that a rising tide of immigration is partly to blame. Now, a new NBER study suggests that immigration has more far-reaching consequences than merely depressing wages and lowering employment rates of low-skilled African-American males: its effects also appear to push some would-be workers into crime and, later, into prison.

“Remarkably, as far as we know, no study has examined if there is a link between the resurgence of large-scale immigration and the employment and incarceration trends in the black population,” co-authors George Borjas, Jeffrey Grogger, and Gordon Hanson write in Immigration and African-American Employment Opportunities: The Response of Wages, Employment, and Incarceration to Labor Supply Shocks (NBER Working Paper No.12518). The authors are careful to point out that even without increased immigration, most of the fall in employment and increase in jailed black men would have happened anyway. Nevertheless, the racially disproportionate effects of immigration on employment are striking.

Changing technology, government programs, and a stagnant real minimum wage have all been blamed for the poor labor market performance of low skilled and minority workers. Another key reason, the authors show, is immigration.

Using census data from 1960-2000, the authors trace the evolution of wages, employment, and incarceration rates for particular skill groups in the black and white populations. They then relate the trends observed in these variables to the increases in immigration experienced by each skill group. The observed correlations suggest that immigration is an important underlying factor influencing the observed trends. In particular, their analysis finds that a 10 percent rise in immigrants in a particular skill group significantly trimmed the wages of black and white men alike. For African-Americans, the decline was 3.6 percent. For whites, it was actually slightly higher: 3.8 percent. Beyond that, however, the black-white experience differed markedly, especially for low-skilled workers. Take employment rates: from 1960 to 2000, black high school dropouts saw their employment rates drop 33 percentage points — from 88.6 percent to 55.7 percent — the authors found in their analysis of census data from 1960 to 2000. The decrease for white high school dropouts was only roughly half that — from 94.1 percent to 76.0 percent.

“The 1980–2000 immigrant influx, therefore, generally ‘explains’ about 20 to 60 percent of the decline in wages, 25 percent of the decline in employment, and about 10 percent of the rise in incarceration rates among blacks with a high school education or less.”

One reason, the authors argue, is that black employment is more sensitive to an immigration influx than white employment. For white men, an immigration boost of 10 percent caused their employment rate to fall just 0.7 percentage points; for black men, it fell 2.4 percentage points.

That same immigration rise was also correlated with a rise in incarceration rates. For white men, a 10 percent rise in immigration appeared to cause a 0.1 percentage point increase in the incarceration rate for white men. But for black men, it meant a nearly 1 percentage-point rise.

Why would a boost in immigration effectively put more men, especially black men, behind bars? The authors put forward a straightforward theory: immigration causes wages and employment to fall for black workers. When this happens, some of those workers — especially those with the lowest skills — turn earlier.”

A key determinant of whether a parent chose to opt out of a failing school was the existence of higher quality alternatives nearby. Higher test scores at nearby schools significantly increased both the probability that a parent would choose another school, and the test score at the school chosen. The authors find evidence that winning admission to a chosen school reduced serious suspension rates, and that students who gained admission to schools with test scores substantially above their failing school experienced significant improvements in test scores. The authors conclude that proximity to high scoring substitute schools and simplified information are important parts of a successful choice component and that the positive effects of school choice under NCLB may be elusive in “school districts with large geographic densities of low-performing schools.”

— Linda Gorman
Sudden Infant Death Syndrome (SIDS) is the unexplained, sudden death of an infant under one year of age. SIDS is the leading cause of mortality among infants aged 1–12 months, and is responsible for thousands of infant deaths every year, according to the Centers for Disease Control (CDC). Rates of SIDS in the United States have been declining steadily since 1980, from 1.53 per 1000 live births to 0.53 per 1000 live births in 2003. But the difficulty in identifying the causes of SIDS makes it difficult to attribute the reasons for the decline. The “Back to Sleep” campaign, which recommends that infants should be put to sleep in a supine position, has been widely cited for achieving significant reductions in SIDS in the United States. However, given that this campaign began in the mid-1990s, there is still much unknown about the trends, causes, and prevention of this syndrome.

“More stringent cigarette regulations have a distinct and direct impact in reducing SIDS deaths. The largest reduction in deaths comes from changes in the monetary price of cigarettes. Each 10 percent increase in the real price of cigarettes reduces the average number of SIDS deaths by a range of 6.7 to 7.4 percent.”

Much of the current research on SIDS focuses on identifying the risk factors that are consistently observed to be associated with elevated risks of SIDS. The CDC summarizes seven primary risk factors: 1) tummy or side sleeping; 2) soft sleep surfaces; 3) loose bedding; 4) overheating; 5) smoking; 6) bed sharing; and 7) pre-term and low birth weight. For many of these risk factors, public educa-
Criticisms of America’s low national savings rate often hinge on the assumption that this low savings is driven by Americans’ proclivity for excessive spending. But in Simplification and Saving (NBER Working Paper No. 12659), authors John Beshears, James Choi, David Laibson, and Brigitte Madrian find that the complexity of establishing a savings plan can also play a role in deterring saving.

These authors looked at two companies that greatly simplified the process of enrolling in a workplace retirement savings plan; they found that the changes dramatically boosted employee participation. They also report that making it simpler for already-enrolled employees to raise their plan contribution rates.
is another mechanism for increasing savings in the plan. “Many financial decisions that individuals face are complicated and daunting for those who are not financial experts,” they write. “One important consequence of this complexity is that individuals procrastinate in making these decisions.”

The two companies in the study — referred to as Company A and Company B — adopted a program called Quick Enrollment. Employees who checked a box on a Quick Enrollment card and returned it to the employer were enrolled in the retirement savings plan at a single contribution rate and asset allocation pre-selected by the employer. Company A also implemented a Web-based Quick Enrollment. Employees remained able to enroll at any of the many contribution rates and asset allocations allowed in the plan by using the previously available phone or Internet channels.

The results are powerful evidence for the ability of simplicity to accelerate savings. The program tripled participation rates among new hires at Company A. Among existing employees at Company A, 25 percent of previous non-participants opted to join the 401(k) retirement plan after being offered Quick Enrollment during a four-month period. At Company B, offering Quick Enrollment to existing employees once a year for three years caused 45 percent of non-participants to sign up.

The authors observe that “Quick Enrollment substantially increases savings plan participation relative to the standard opt-in enrollment regime, although these increases are not nearly as large as those obtained by firms that automatically enroll their employees in a savings plan.” They also note that, once in the plan, few employees — no more than 4 to 5 percent of those using the Quick Enrollment option — stop participating.

Company B also implemented a program called Easy Escalation in an effort to make it simpler for employees to increase the percentage of their pay contributed to the company savings plan. Depending on company profitability, Company B matched anywhere from 50 to 125 percent of the first 6 percent of pay that employees contributed to their plan. But the Quick Enrollment pre-selected contribution rate was only 3 percent. Operating in a manner similar to Quick Enrollment, Easy Escalation allowed employees to boost their contribution to 6 percent by checking a box on a card and returning it. The program prompted about 10 to 12 percent of “low contributors” to boost their contribution to get the maximum employer match.

The authors believe that such “interventions allow workers to psychologically collapse a complex, multidimensional savings and investment problem” into clear binary choices: save or don’t save, contribute more or not. In particular, they note that the addition of the Easy Escalation process can help avoid the problem of too many employees simply staying at the relatively low pre-selected contribution rate.

Once they joined a plan, participants in the Quick Enrollment process still demonstrated a reluctance to make active savings decisions. Compared to employees who joined the traditional way, Quick Enrollment participants were much more likely keep their contributions flowing to a pre-selected set of investment funds, rather than intervening and actively choosing their own asset allocation.

— Matthew Davis

Higher Tax Rates Reduce Working Hours In OECD Countries

Hours of market work vary widely across OECD countries. For example, in European economies such as France and Germany, hours of work are currently about one third less than in the United States. These differences are almost an order-of-magnitude larger than those associated with business cycle fluctuations in the U.S. economy. The existence of such large differences provides an excellent opportunity for us to learn about what factors have the most effect on hours of work. Moreover, understanding the factors that account for these large differences in economic outcomes is likely to have important policy implications.

In Long-Term Changes in Labor Supply and Taxes: Evidence from OECD Countries, 1956-2004 (NBER Working Paper No. 12786), co-authors Lee Ohanian, Andrea Raffo, and Richard Rogerson assess the role of labor and consumption taxes in explaining differences in hours of work across 21 OECD economies. The key finding of their paper is that differences in taxes across countries are a very
important piece of the explanation for the vastly different levels of hours of market work.

The starting point for their analysis is the observation that the current differences in hours of work across countries can be traced to very different evolutions across countries over the last 50 years. Although, on average, hours of work have decreased substantially across OECD economies since 1956, what is particularly striking is the difference in the size of this decrease across economies. For example, hours of work in the United States were roughly the same in 1956 and 2004, while hours of work in Germany decreased by about 40 percent over this same period. Ohanian, Raffo and Rogerson argue that a promising approach for developing an understanding of the large current differences in hours of work across economies is to understand the factors behind these very different trend changes in hours of work across economies. In particular, they seek to understand the role that differential changes in taxes on labor and consumption have played in explaining why hours of work have decreased over time.

The analysis in the paper is carried out in the context of the standard one-sector neoclassical growth model, which is the standard model used to interpret trend changes in economic activity. The authors first show that if one ignores taxes, this model explains virtually none of the decreases in hours of work over the period 1956–2004. But once one incorporates taxes, the model can account for the bulk of the average decrease in hours of work over this period.

Although the authors find that, on average, changes in taxes explain the changes in hours of work, there are some episodes in particular countries that require another explanation. Specifically, in some instances hours decrease by more than what the changes in taxes can explain, while in some other cases hours decrease less than would be predicted solely on the basis of changes in taxes. This work helps them to isolate those episodes that require additional attention.

While the main focus of the analysis here is on the effects of labor and consumption taxes on hours of work, the authors also consider some additional factors that are often suggested to be potentially important, such as unionization, employment protection, and generosity of unemployment insurance benefits. The authors find that once one incorporates taxes, these additional variables add little in terms of explanatory power.