

Investment in Child Schooling: Theory and Evidence Using Data from South Africa

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This paper examines investment in children's schooling using a two-period model. Children are assumed to contribute in an economic sense through child labour when they are young and through old-age security as adults. Parents therefore face a trade-off between current and future returns from children. We examine how the introduction of public transfers affects parental decisions on children's schooling. A version of this model is estimated using unit record data from South Africa. We examine the factors that affect the probability of each child attending school and the factors that affect the proportion of children attending school in each household. The empirical results show that increases in household income and transfer received increase investment in children's education whereas increases in pension received and transfer sent reduce investment in children's schooling. The empirical results also support the quality-quantity trade-off.

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