

# ISSUE BRIEF **02.26.20**

## Getting Public Investment in Education Wrong in Mexico

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The budget cuts under the Andrés Manuel López Obrador administration have been extensive in Mexico. Fiscal discipline is of course welcome, but excessive budgetary restrictions can both weaken well-functioning institutions and leave necessary programs without the capital required to significantly impact the populations they serve. One of the most controversial budget cuts of the current administration halves the budget of a childcare program intended to help working mothers and single parents (Programa de Estancias Infantiles, PEI).<sup>1</sup> For the next fiscal year, a new Child Welfare Support Program for Working Mothers (Programa de Apoyo para el Bienestar de las Niñas y Niños, Hijos de Madres Trabajadoras, PABNNHMT) will replace the PEI, with an additional 7% decrease in its budget.<sup>2</sup> Although the government has argued that this change is intended to fight corruption in government programs, the decision to deprioritize early childhood education among low-income families is a missed opportunity to reduce inequality, help mothers participate in the labor force, and invest public resources wisely.

In this issue brief, I will first review the structures of the PEI and the new program, PABNNHMT. I will then comment on both the federal audit that served as the foundation for the budget decrease and eventual dismissal of the PEI,<sup>3</sup> as well as the external evaluations that had previously identified the program's positive effects. Finally, I will discuss the importance of

preschool education and provide policy recommendations in light of both the importance of early childhood education and the actions of Mexico's government.

In Mexico, the government runs three large, independent preschool programs depending on the sector of the economy in which the parent or tutors work. These three institutions are the Mexican Institute of Social Security (Instituto Mexicano del Seguro Social, IMSS), the Institute of Social Security for State Workers (Instituto de Seguridad Social al Servicio de los Trabajadores del Estado, ISSSTE), and the Secretariat of Welfare (Secretaría de Bienestar, through the Programa Bienestar).<sup>4</sup> The childhood centers associated with the IMSS serve children whose parents work in the formal sector of the economy and have social insurance, whereas the childhood centers through the ISSSTE serve children of government workers. The centers affiliated with Bienestar—previously known as the PEI—serve the children of single parents who work in the informal market and are studying, looking for a job, or have no social insurance.

As of 2019, the PEI was under the Secretariat of Welfare (previously known as Sedesol). The specific objective of the program was to improve access and permanence in the labor market for working mothers and single parents through the provision of childcare services under a social security framework.<sup>5</sup> Through partnerships with local childcare centers, it served close to 200,000 children. The



**Mexico's government should prioritize early childhood education, but its decision to half the budget and replace the childhood centers program (PEI) for the disadvantaged indicates it does not.**

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targeted populations were working mothers, single parents, and guardians who: have a per-capita income lower than the poverty threshold, have no access to other public childcare services, and care for a child from one to four years old, or up to six years old if the child has a disability.

The objective and target population of the newly renamed program PABNNHMT remains the same, with some key differences. The main difference is that financial assistance is unconditionally transferred to the parent or guardian without any intermediaries under the new program, whereas it was previously given directly to childcare centers on a monthly basis. The transfer of funds is therefore now done through unconditional and direct cash transfers.<sup>6</sup> Another significant difference is that the size of the program has been drastically reduced to half.<sup>7</sup>

These changes are mainly a response to operational deficiencies reported by an audit made by the Federal Auditing Agency (Auditoría Superior de la Federación, ASF).<sup>8</sup> Among the ASF's most salient criticisms of the PEI are: the rejection of more than 300 well-functioning childcare centers that should have been accepted to the program,<sup>9</sup> 7% of the childcare centers did not present all the required documents to receive subsidies, and the program's poor regional targeting. Additionally, the PEI also considered centers' overdue payments and used other discretionary methods to choose which childcare centers would start receiving governmental support. These observations are important, and further actions to address such operational problems are needed, but not by cancelling the entire program. Ceasing the PEI was in fact devastating to many families given the scale of the program (close to 9,399 childcare centers served 327,854 children at the time of the 2017 report, but the number of children served decreased to 197,719 in 2019).<sup>10</sup>

Given the importance of early childhood education, it was short-sighted to effectively rename the program and reduce its budget, instead of directly addressing

its operational issues. Moreover, the government's response to the audit was not aligned with the recommendations of the ASF itself, which mainly stressed the need to strengthen monitoring by improving the mechanisms of control and resource overview; the indicators used to evaluate the progress and implementation of the program; and the process for validating the information given by the beneficiaries and childcare centers.

## THE PEI'S EFFECTIVENESS

Federal audits like the ASF's are needed because they can detect implementation problems; nevertheless, operational concerns need to be considered in conjunction with the program's effectiveness in helping the population in question. In this regard, the ASF audit falls short, since it does not effectively assess the PEI's impact on the target population, nor does it comment on external evaluations that identified the program's positive impacts on the well-being of both children and mothers. For example, a study commissioned by the National Institute of Public Health found the program to be beneficial in several areas in the short term.<sup>11</sup> The results for how it impacted maternal well-being are summarized in Table 1, and the results for children's outcomes are shown in Table 2.

Table 1 demonstrates that the PEI had positive effects on maternal employment and hours worked, consistent with the program's objective to help working mothers enter the labor force. For the entire sample studied, the program increased the probability of employment by 18%, with a greater increase for principal caregivers in households where the mother did not work before entering the program. When looking at the impact on work stability and permanence, the program only helped those that did not work before. Counterintuitively, no significant effects were found on income. As for the effects of time use, the authors report a decrease of seven hours per week in general time spent with children, but this is balanced by

**TABLE 1 — THE PEI'S IMPACT ON MOTHERS**

|   | Entire sample                   | Mothers who worked before the PEI | Mothers who did not work before the PEI   |
|---|---------------------------------|-----------------------------------|---|
| <b>Employment</b>                                 | ↑ 18% probability to have a job | NS                                | ↑ employment from 21% to 56% <sup>c</sup> |
| <b>Hours of work per week</b>                     | ↑ 6 hours per week              | NS                                | ↑ 7.5 hours per week                      |
| <b>Job permanence<sup>b</sup></b>                 | NS <sup>a</sup>                 | ↑ 8% permanence                   | NS  |
| <b>Income</b>                                     | NS                              | NS                                | NS  |
| <b>Hours of general childcare by beneficiary</b>  | ↓ 7 hours per week              | NS                                | NS  |
| <b>Hours of specific childcare by beneficiary</b> | ↑ 7 hours per week              | ↓ 0.5 hours per week              | NS  |
| <b>Mental health</b>                              | NS                              | ↑ 6% empowerment                  | NS  |

**SOURCE** Data and results from Angeles et al. (2011).

**NOTE** (a) NS = not statistically significant at the 10% level; (b) Includes number of job changes, having a contract, or receiving social security; (c) For the principal person taking care of the children

an increase of the same amount of time for specific time spent with children. Finally, no significant effects were found for mothers' mental health, although an increase of 6% in a measurement of empowerment was found on the subset of households where the mother worked before entering the program. The PEI's apparently null effect on mental health does not mean that the program does not alleviate mental pressure on the mother. It is possible that the program's positive effects may be counterbalanced by other life circumstances, such as increased work pressures.

The same analysis also considered the PEI's impact on children's outcomes regarding dietary diversity, disease prevalence, and socio-emotional skills. The results are summarized in Table 2. Here I present the significant effects found for subsamples of the study, and it should be assumed that the effect for the other subsamples not mentioned are not statistically significant.

This study focused on outcomes of dietary diversity, prevalence of diseases, and socio-emotional skills. With regard to childhood diet, the authors found an increase in the diversity of foods eaten for children whose mothers worked before entering the program.<sup>12</sup> On the other hand,

the prevalence of disease increased with participation in the program, with a higher effect on younger children. However, this negative impact was detected in the short term, which might be explained by an increase in contact with other children due to participation in the preschool program. In contrast, the authors found a decrease in disease for children who remained in the program for longer periods of time.

Finally, when looking at socio-emotional outcomes, the authors report a positive and significant effect on indexes that measure communication and behavioral skills, and again, the positive effects seem to be higher for the children that stayed in the program longer. These last results on behavioral outcomes are further consistent with other studies that find that soft skills and personality traits are important for life outcomes.<sup>13</sup> New evidence shows that traits other than cognitive skills are just as predictive for determining outcomes later in life. In particular, it has been found that behavioral skills predict outcomes such as school, wages, crime, teenage pregnancy, and longevity.<sup>14</sup> It is therefore important to have an impact on these traits early in a child's life to create a solid foundation for future growth and success.<sup>15</sup>

**The disconnect between research and policy with regard to the PEI's cancellation points to the importance of improving the link between solid academic research and public policy decision-making.**

**TABLE 2 — THE PEI'S IMPACT ON CHILDHOOD DEVELOPMENT**

| Category                         | Effect   |
|----------------------------------|--|
| Diet                             | ↑ 5% in diversity of foods <sup>a</sup>                                      |
| Diseases                         | ↑ 17% in the short term  |
|                                  | ↓ 17.4% in the long term <sup>b</sup>  |
| Communication index <sup>f</sup> | ↑ 0.301 standard deviation of communication index <sup>d</sup>               |
| Behavior index <sup>f</sup>      | ↑ 0.2 standard deviation in overall sample <sup>e</sup>                      |
|                                  | ↑ 0.29 standard deviation if exposure to the program > 6 months <sup>e</sup> |
|                                  | ↑ 0.59 standard deviation if children is < 30 months old <sup>e</sup>        |

**SOURCE** Data and results from Angeles et al. (2011).

**NOTE** (a) If the mothers worked before entering the program; (b) For children older than 30 months; (c) For children younger than 30 months; (d) Only for children older than 30 months, and if exposed to the program for more than six months; (e) If the children's mother did not work before entering the program; (f) The indexes are created by summing a series of dummy variables and then normalizing the sum.

Similar behavioral effects were found in the study of a well-known early childhood program in the United States called the Perry Preschool Program (PPP).<sup>16</sup> This program focused on enriching the early social and emotional environment of disadvantaged children, and it specifically emphasized fostering children's abilities to plan tasks, execute the plan, and review their work in social groups.<sup>17</sup> The children in this program were followed into their 40s, and it was found that the PPP had a great impact on their life. Importantly, the effects did not come from a lasting impact on IQ but rather from the program's lasting impacts on personality traits.<sup>18</sup>

Given the broader importance of early childhood education and the PPP's positive impact on behavior, it seems that the PEI could have had a significant effect on children's outcomes in the long run. Considering the positive effects found for the PEI, the value of early childhood education, and the relatively manageable operational deficiencies found, other measures—such as those suggested by the ASF—could have been effective in improving the program, rather than simply eliminating it.

**FINDING A WAY FORWARD**

The PEI was replaced by the PABNNHMT, an unconditional cash transfer program for working mothers and their children. The government therefore essentially eliminated its partnership with childhood centers without a holistic review of the program, including an evaluation of how childhood centers should care for children. Childhood centers indirectly benefit parents and guardians economically and emotionally, which are important considerations to also measure and evaluate, but the focus should remain on child well-being. All of these considerations should be taken into consideration when evaluating a program like the PEI.

Mexico's government has therefore missed an opportunity to evaluate the PEI on its merits, not only in terms of the mothers' insertion into the labor force, which also increases household income but also—and more importantly—in terms of the socio-emotional development of children. It is important that the government reconsider the PEI and find a new way to have an institutional relationship with childhood centers. The children should be the focus of the general and specific missions of a governmental program that supports early childhood education, even when the benefits to parents, guardians, and the entire family cannot be ignored.

The disconnect between research and policy with regard to the PEI's cancellation points to the importance of improving the link between solid academic research and public policy decision-making. An excellent example of a partnership between a research institution and education policymaking is the relationship between the Houston Education Research Consortium at Rice University and local school districts. In this partnership, both institutions jointly develop a research agenda and focus on long-term educational goals.<sup>19</sup> In Mexico, a long-term partnership between the Secretariat of Welfare and strong institutions in quantitative analysis, such as the Colegio de Mexico and the Center of Research and Teaching in Economics (Centro de Investigación y Docencia Económica), could be fruitful.

Continuously improving the delivery of high-quality childhood care to the poorest segments of society is important because it has long-term consequences for human development and social well-being as a whole. Now that Mexico's government has shifted its policy from supporting childcare centers to providing unconditional cash transfers to parents, it is important that such policy also be evaluated. If found ineffective, there is still time to turn back to the previous model of partnering with childhood centers and working to improve program design, functionality, and implementation, preferably through long-term partnerships with research institutions and the supervisory eye of the ASF. That would be a much more productive route.

## ENDNOTES

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