Why you should study maths (and science and computing) at A-level

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Why choose A-level maths?

Opens lots of job opportunities ...
Why choose A-level maths?
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Could do many other jobs ... like working as an economist
What is economics?

- Seeks to explain how individuals, businesses and governments make decisions
  - Why was the Samsung Galaxy S4 launch price £600? Why is it now £400?
  - Why does government try to influence what we eat? What is the most effective way of doing this?
- Uses maths to build theories about how people act
- And statistics to test and quantify these theories
How does studying maths, science and computing (STEM) A-levels affect future earnings?

• Is taking more STEM A-levels correlated with higher wages?
• Do people who take STEM A-levels have higher wages on average?
• What happens when we control for other factors?
• What is the magnitude of the effect?
• Can we pin down the causal effect?
• How will your future wages compare with what they would have been if you took one less STEM A-level?
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What does economic theory say?

- Employers are willing to pay productive workers more
- Taking STEM A-levels may
  - Provide skills that makes someone who studies them more productive
  - And may be a way of signalling to employers that you possess analytical skills that will make you a productive worker
- In either case, we would expect taking STEM A-levels to be associated with higher wages
Testing the theory

• Is there evidence for this?
• And if so, how much more pay is associated with doing one more STEM A-level?
• We want to know:

\[
\frac{d \log w}{dSTEM} = \% \text{ increase in wage from doing one more STEM A-level}
\]

the **marginal return** to a STEM A-level (MR-STEM)
Estimating MR-STEM

- Use data set on 956 people who studied A-levels
- Has information on:
  - How many STEM and non-STEM A-levels they studied
  - Their weekly earnings at age 30
  - Other characteristics
Estimating MR-STEM

Mathematical model:

\[ \log w = \alpha + \beta STEM \]
Estimating MR-STEM

Mathematical model:

\[ \log w = \alpha + \beta STEM \]

Statistical model:

\[ \log w = \alpha + \beta STEM + u \]

Aim is to know numerical value of \( \beta \)
Relation between STEM A-levels and wages.
Relationship between STEM A-levels and wages

\[ \log w = 5.94 + 0.13\text{STEM} \]
Relationship between STEM A-levels and wages

- So on average doing 1 more STEM A-level is associated with wages at age 30 that are 13% higher
- Does this mean for every STEM A-level you do you can expect to earn 13% more at age 30? ...
Relationship between STEM A-levels and wages

- So on average doing 1 more STEM A-level is associated with wages at age 30 that are 13% higher
- Does this mean for every STEM A-level you do you can expect to earn 13% more at age 30? ...
- No!
- People who take STEM A-levels may have other characteristics that lead them to earn more
- For instance they may also tend to take more non-STEM A-levels
Correlation vs. causation

- Most statistical analysis done by economists tries to separate out causality from correlations
- But this is much harder in economics than in the sciences
- Scientists can run controlled experiments in laboratory conditions
- But in economics
  - Experiments are very rare
  - So instead we need to use statistics to control for other factors that may affect the outcome of interest
Causal relationship between STEM A-levels and wages

- We need to control for other factors which
  - Affect wages
  - And may differ among people who study different numbers of STEM A-levels

- For instance
  - Number of non-STEM A-levels
  - Whether they obtained a degree
  - Gender, region
  - And ability ...
The ability problem

- Smart people may be more likely to select STEM A-levels
- And they may be more likely to get high paid jobs because they are smart
- So we risk mistaking the causal channel from ability to wages, for the causal channel from taking STEM A-levels to wages
- How can we control for ability ... ?
The ability problem

We can control for people’s test scores when they were younger
Mathematical model:

$$\log w = \alpha + \beta STEM + \gamma_1 \text{non-STEM} + \gamma_2 \text{degree} + \gamma_3 \text{gender} + \gamma_4 \text{region} + \gamma_5 \text{ability}$$
Estimating MR-STEM II

Mathematical model:

$$\log w = \alpha + \beta \text{STEM} + \gamma_1 \text{non\_STEM} + \gamma_2 \text{degree} + \gamma_3 \text{gender} + \gamma_4 \text{region} + \gamma_5 \text{ability}$$

Statistical model:

$$\log w = \alpha + \beta \text{STEM} + \gamma_1 \text{non\_STEM} + \gamma_2 \text{degree} + \gamma_3 \text{gender} + \gamma_4 \text{region} + \gamma_5 \text{ability} + u$$

Now $\beta$ tells us % increase in wages associated with one more STEM A-level, holding non\_STEM - ability constant
The answer

After doing this we get:

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If two groups of people have the same number of non-STEM A-levels, degree status, gender, live in the same region, and got the same test scores aged 10 ...
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... but one group did one more STEM A-level ...

...
The answer

After doing this we get:

\[ \beta = 0.09 \]

If two groups of people have the same number of non-STEM A-levels, degree status, gender, live in the same region, and got the same test scores aged 10 ...

... but one group did one more STEM A-level ...

... on average their wage at age 30 would be 9% higher
Conclusive proof that each STEM A-level will earn you 9% more by age 30?
Conclusive proof that each STEM A-level will earn you 9% more by age 30?

- More like evidence of an effect around this size
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- More like evidence of an effect around this size
- Economists will always argue about empirical findings (part of what makes it fun!)
- Here we might ask
  - Is relationship between STEM A-levels and wages really linear?
  - What about the influence of school and/or parents?
- But evidence that studying maths is likely to result in higher earnings is very strong
So why choose A-level maths?

- It opens lots of interesting careers paths (without closing any off)
So why choose A-level maths?

- It opens lots of interesting careers paths (without closing any off)
- And it is very likely to lead you to earn more money!