The Rate of Private Returns to Schooling

A Policy Perspective for Zambia

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25th July, 2013
Why Private Returns to schooling?

3 issues to look at

- Nuanced Ramifications for:
  1. Individual and Household schooling decisions
  2. Education financing mix across sub-sectors
  3. Strategic or Smart public interventions
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  1. Education is one of the most significant investments a person or household makes.
  2. Going to school attracts direct costs and current wage earnings are also forgone.
  3. But the benefit awaits in the labour market.
  4. Therefore, we can expect some benefit maximization to guide schooling decisions.
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Our Approach

Intuition of the Methodology

Taking care of recent innovations:

1. controlling measurement bias due to:
   1. unmeasured or unobserved individual ability linked to effort and earnings
   2. measurement error and proxy of schooling endowment by years spent in school

2. Used 2010 LCMS

3. Estimations based on a semi-parametric procedure called Generalized Propensity Score Matching and Re-weighting Method
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A tale of two decades

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5. BESSIP emphasized
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A Look at the Results

Summary findings

Table A: Gross Monthly Earnings and Rate of Returns

<table>
<thead>
<tr>
<th>School Level</th>
<th>Primary Sec</th>
<th>Junior Sec</th>
<th>Senior Sec</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Earnings</td>
<td>469</td>
<td>597</td>
<td>1100</td>
<td>4507</td>
</tr>
<tr>
<td>Returns(%)</td>
<td>17.2</td>
<td>21.2</td>
<td>39</td>
<td>47.5</td>
</tr>
</tbody>
</table>
What do the Results Entail?

Implications of the evidence

1. Public provision to concentrate on primary and junior secondary
   a. Indeed 50% allocated to the Basic Sub-sector for much part of BESSIP
   b. Proliferation of private high schools, colleges and universities certainly a good thing

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   1. Regulation - Academic, infrastructure and competition
   2. Provision of strategic skills that cannot be adequately offered by the private sector
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