Human capital agglomeration and social returns to education in Colombia

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We provide evidence of private returns to education and of externalities which jointly render social returns to education in Colombia. The spillover is generated by the share of college-educated workers within the working-age population. Thus, the higher this share in the cities, the higher the wages. The size of the externality is about 1.13; that is, an increase of one percentage point in the share will increase wages by 1.13%. For mid-to-high and high educated workers the externality is about 1.07 and 1.3 while for low educated workers it is 0.92,. The public policy program instituted by the agency in charge of promoting undergraduate and graduate education has contributed to increase wages all over the country but mainly in cities different from Bogotá. A positive correlation between the size of cities and human capital agglomeration is also observed; as a result, the size of cities also has predictive power on the externality.

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