

Heterogeneity in the Returns to Tertiary Education for the Disadvantage Youth: Quality vs. Quantity Analysis

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Abstract

This paper uses administrative records from different sources to construct a unique data set of low-income students in Colombia born from 1980 to 1990. This data includes cognitive test results, socio-economic information at their high school final year, and information on their labor market results, many years after high school graduation. We evaluate the returns by estimating the Marginal Treatment Effect (MTE) of the tertiary investment decision. The MTE allows estimating a random parameter for tertiary education return, which varies with unobserved heterogeneity across workers. We find sizeable heterogeneity in returns, as recent literature has also identified, to the extent that for a considerable mass of the population, the return is negligible. Using the estimated models, we simulate two types of policies: one that increases the supply of tertiary education and another that enhances secondary education quality. We find that a less costly policy that improves secondary education quality gives similar returns than a more ambitious policy that increases tertiary education supply.