

Returns to Investment in Education: A Further Update

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Abstract

Returns to investment in education based on human capital theory have been estimated since the late 1950s. In the 40-plus year history of estimates of returns to investment in education, there have been several reviews of the empirical results in attempts to establish patterns. Many more estimates from a wide variety of countries, including over time evidence, and estimates based on new econometric techniques, reaffirm the importance of human capital theory. This paper reviews and presents the latest estimates and patterns as found in the literature at the turn of the century. However, because the availability of rate of return estimates has grown exponentially, we include a new section on the need for selectivity in comparing returns to investment in education and establishing related patterns.

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I. Introduction

Returns to investment in education, in the modern/human capital sense of the term, have been estimated since the late 1950s. In the 40-plus year history of estimates of returns to investment in education, there have been several reviews of the empirical results in attempts to establish patterns (see Psacharopoulos 1973, 1985, 1994).

The rise in earnings inequality experienced during the 1980s and 1990s in many countries led to renewed interest in estimates of returns to schooling (see, for example, Murphy and Welch 1992). A very large literature suggests that systematic changes in the production process led to changes in the demand for certain types of labor. It was argued much earlier in the literature that education is more productive the more volatile the state of technology (Nelson and Phelps 1966; Welch 1970; Griliches 1969; Schultz 1975).

A more selective rates of return estimate review focusing on the causality debate between schooling and earnings (Card 2001) reaffirms Griliches' (1970) conclusion that the effect of ability and related factors does not exceed 10 percent of the estimated schooling coefficient. Instrumental variable (IV) estimates of the returns to education based on family background are higher than classic OLS estimates (based on Mincer-Becker-Chiswick). The estimation method makes little difference on the returns to education.

In this paper, we begin by following the tradition and present latest estimates and patterns. However, because the availability of rate of return estimates has grown exponentially, we include a new section on the need for selectivity in comparing returns to investment in education and establishing related patterns.

II. The Latest Patterns

The classic pattern of falling returns to education by level of economic development and level of education are maintained (see Tables 1 and 2 and Figures 1 to 4). Also, in the updated data set the private returns to higher education are increasing. These new results are based on 6 new observations and updated estimates for 23 countries since the last review (Psacharopoulos 1994). Estimates of the raw returns to education for 98 countries are presented in Annex Tables A1 to A4. These estimates cut along policy issues in the literature. An effort has been made to select rates of return as comparable as possible (but see section III below).

Private returns are higher than "social" returns where the latter is defined on the basis of private benefits but total (private plus external) costs (Figure 1). This is because of the public subsidization of education and the fact that typical social rate of return estimates are not able to include social benefits. Nevertheless, the degree of public subsidization increases with the level of education, which has regressive income distribution implications.

Overall, the average rate of return to another year of schooling is 10 percent. Returns to education by level of country income are presented in Table 3 (and Figure 5). The highest returns are recorded for low and middle-income countries. This update includes new country estimates and updated estimates for 42 countries.

Average returns to schooling are highest in the Latin America and the Caribbean region and for the Sub-Saharan Africa region (Table 4). Returns to schooling for Asia are at about the world average. The returns are lower in the high-income countries of the OECD. Interestingly, average returns to schooling are lowest for the non-OECD European, Middle East and North African group of countries.

During the last 12 years, average returns to schooling have declined by 0.6 percentage points (see Annex Table A4). At the same time, average schooling levels have increased. Therefore, and according to theory, everything else being the same, an increase in the supply of education has led to a slight decrease in the returns to schooling.

Overall, women receive higher returns to their schooling investments (Table 5 and Figure 6). But the returns to primary education are much higher for men (20 percent) than for women (13 percent). Women, however, experience higher returns to secondary education (18 versus 14 percent).

III. A More Selective Approach

Returns to education compilations, as presented above, have been attacked in the literature (see Bennell 1996), although not for the right reasons (see Psacharopoulos 1996). The real reason one should be skeptical about indiscriminate rate of return compilations, and in spite of the efforts of the compilers, is that in the original works the estimates are rarely fully comparable. There are two main sources of non-comparability: data sample coverage and methodology.

Ideally, a rate of return to investment in education should be based on a representative sample of the country's population. But in reality this is the exception rather than the rule. This is problematic when the estimated rates of return are based on a survey of firms – rather than households – because firm-based samples are highly selective. In order to control survey costs, such samples focus on large firms with many employees. Second, the questionnaire is typically filled by the payroll department rather than by the individual employee. Typically, this approach leads to the use of samples concentrated only in urban areas.

Another problem occurs when rate of return estimates are based on samples that include civil servants. This is a problem because public sector wages typically do not reflect market wages. Of course, in many countries – although fewer now than in the past – the majority of university graduates end up in public sector employment. The concentration of graduates in public sector employment is identified as a problem in growth studies (see, for example, Pissarides 2000). However, civil service pay based rate of return estimates are useful in private calculations regarding the incentives set by the state to invest in education – and opt for employment in the public sector.

Turning to methodology, a less serious problem occurs when wage effects are confused for returns to education. Mincer (1974) has provided a great service and convenience in estimating returns to education by means of the semi-log earnings function – first done in Becker and Chiswick (1967). However, for the sake of that convenience, many researchers use the raw coefficients of education in the extended (dummy-form) function to report returns to education, whereas these are wage effects.

Another methodological limitation, despite Becker's (1964) warning, is that many researchers feel obliged to throw in the regression whatever independent variables they seem to have in the data set, including occupation. In effect, this procedure leads to stealing part of the effect of education on earnings that comes from occupational mobility.

Perhaps the returns to education estimates that stem from the work of Ashenfelter and others using twins (Ashenfelter and Krueger 1994; Ashenfelter and Rouse 1998; Miller, Mulvey and Martin 1995; Rouse 1999; Behrman and Rosenzweig 1999) and other natural experiments are the most reliable of all. According to this work, the overall private rate of return to investment in education in the United States is of the order of 10 percent. This figure establishes a benchmark for what the social rate of return would be (a couple of percentage points lower, if not adjusted for externalities), or what the rate of return should be in a country with a lower per capita income than that of the United States (several percentage points higher, as based on the extrapolation of the non-so-comparable returns to education presented earlier).

Incidentally, estimates of the returns to education based on analysis of twins' earnings – as well as estimates using IV measures (see, for example, Card 2001) – come to an average rate of return that is very similar to the global average presented in this compilation: 10 percent.

IV. Extensions

There is a concern in the literature with what might be called “social” rates of return that include true social benefits, or externalities. Efforts to make such estimates are numerous, but the estimates vary widely. The earnings of educated individuals do not reflect the external benefits that affect society as a whole but are not captured by the individual. Such benefits are known as externalities or spillover benefits, since they spill over to other members of the community. They are often hard to identify and even harder to measure. In the case of education, some have succeeded in identifying positive externalities but few have been able to quantify them (but see Weisbrod 1964; Haveman and Wolfe 1984). If one could include externalities, then social rates of return may well be higher than private rates of return to education. A recent review finds that empirical evidence is scarce and inconclusive, providing some support for human capital externalities, but not very strong (Venniker 2001). These studies estimate externalities in the form of individual's human capital enhancing the productivity of other factors of production through channels that are not internalized by the individual (similar to Lucas' (1988) theory). As Venniker (2001) states, evidence is not unambiguous. In fact, some estimates give negative values, while others give very high estimates.

The evidence comes from a few studies. The cross-country regressions take the log of GDP per capita explained by average schooling and additional control variables. The micro studies refer to individual log wage explained by individual years of schooling, average years of schooling in a relevant geographical area, and additional control variables. The social returns equal the sum of the two schooling coefficients. Heckman and Klenow (1997) estimate the externality by comparing the schooling coefficient from cross-country regressions with those from cross-individual regressions. When they take into account differences in technology, social returns become similar to private returns. Rauch (1993) looks at the effect of average education on workers' wages and finds significant externalities. However, average and own education may be highly correlated. Acemoglu and Angrist (2000) correct for this by using instrumental variables. A few studies in Africa have focused on estimating external benefits of education in agriculture using the education of neighboring farmers. A one year rise in the average primary schooling of neighboring farmers is associated with a 4.3 percent rise in output compared to a 2.8 percent effect of own farmer primary education in Uganda (Appleton and Balihuta 1996, reported in Appleton 2000). Another study finds 56 percent and 2 percent figures for Ethiopia, but seems rather too high (Weir 1999, reported in Appleton 2000). The results overall are inconclusive.

V. Policy Issues

Not only has the academic literature on returns to schooling increased, as is evidenced here, both in quantity and quality, but the policy implications have changed, too. No longer are returns to education seen as prescriptive, but rather as indicators, suggesting areas of concentration. A good example is the impact of technology on wage differentials, which led to a huge literature on changing wage structures (see, for example, Krueger 1993; Patrinos 2001).

At the same time, the importance of returns to education is seen in their adoption as a key indicator by the OECD (2001a) in their annual *Education at a Glance* series and other policy documents (OECD 2001b; OECD 1997). Increasingly, governments and other agencies are funding studies of returns to education along with other research, to guide macro policy decisions about the organization and financing of education reforms. This was the case in the United Kingdom's higher education reforms as well as the Australian higher education financing reforms.

Innovative use of rate of return studies is being used to both set overall policy guidelines and to evaluate specific programs. Examples include the Indonesia school building program (Duflo 2001), India's blackboard project (Chin 2001) and Ethiopia's major sector investment program (World Bank 1998).

Above all, returns to schooling are a useful indicator of the productivity of education and incentive for individuals to invest in their own human capital. Public policy needs to heed this evidence in the design of policies and crafting of incentives that both promote investment and ensure that low-income families make those investments.

VI. Conclusion

By way of summary, and based on the fix provided by the newer quasi-experimental research on the economics of education, investment in education behaves in a more or less similar manner as investment in physical capital. In advanced industrial countries, the returns to human and physical capital tend to be equated at the margin.

At the same time, we should point to a major research gap, which is the marriage between the micro and the macro evidence on the returns to education. Whereas at the micro case, as amply demonstrated above, it is established beyond any reasonable doubt that there are tangible and measurable returns to investment in education, such evidence is not as consistent and forthcoming in the macro literature (see, for example, Pritchett 2001; and Psacharopoulos 2000 and Krueger and Lindahl 1998 for a different perspective).

More research on the social benefits of schooling is needed. For developing countries, there is a need for more evidence on the impact of education on earnings using quasi-experimental design. There are more opportunities today for this type of research. Moreover, this research needs to be used to create programs that promote more investment and reform financing mechanisms.

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**Table 1. Returns to Investment in Education by Level, Full Method, Latest Year,
Regional Averages (Percentage)**

<u>Region</u>	Social			Private		
	Primary	Secondary	Higher	Primary	Secondary	Higher
Asia *	16.2	11.1	11.0	20.0	15.8	18.2
Europe/Middle East/North Africa*	15.6	9.7	9.9	13.8	13.6	18.8
Latin America/Caribbean	17.4	12.9	12.3	26.6	17.0	19.5
OECD	8.5	9.4	8.5	13.4	11.3	11.6
Sub-Saharan Africa	25.4	18.4	11.3	37.6	24.6	27.8
World	18.9	13.1	10.8	26.6	17.0	19.0

Source: Table A1.

* Non-OECD.

Table 2. Returns to Investment in Education by Level, Latest Year, Averages by per capita Income Group (Percentage)

Per Capita Income Group	Mean per capita (US\$)	Social			Private		
		Primary	Secondary	Higher	Primary	Secondary	Higher
High Income (\$9,266 or more)	22,530	13.4	10.3	9.5	25.6	12.2	12.4
Low Income (\$755 or less)	363	21.3	15.7	11.2	25.8	19.9	26.0
Middle Income (to \$9,265)	2,996	18.8	12.9	11.3	27.4	18.0	19.3
World	7,669	18.9	13.1	10.8	26.6	17.0	19.0

Source: Table A1.

Table 3. The Coefficient on Years of Schooling: Mean Rate of Return (based on Mincer-Becker-Chiswick)

Per Capita Income Group	Mean per capita (US\$)	Years of schooling	Coefficient (percent)
High Income (\$9,266 or more)	23,463	9.4	7.4
Low Income (\$755 or less)	375	7.6	10.9
Middle Income (to \$9,265)	3,025	8.2	10.7
World	9,160	8.3	9.7

Source: Table A2.

Table 4. The Coefficient on Years of Schooling: Rate of Return (based on Mincer-Becker-Chiswick), Regional Averages

Region	Mean per capita (US\$)	Years of schooling	Coefficient (percent)
Asia	5182	8.4	9.9
Europe/Middle East/North Africa	6299	8.8	7.1
Latin America/Caribbean	3125	8.2	12.0
OECD	24582	9.0	7.5
Sub-Saharan Africa	974	7.3	11.7
World	9160	8.3	9.7

Source: Table A2.

* Non-OECD.

Table 5. Returns to Education by Gender (percentage)

Educational Level	Men	Women
Primary	20.1	12.8
Secondary	13.9	18.4
Higher	11.0	10.8
Overall	8.7	9.8

Source: Table A3.

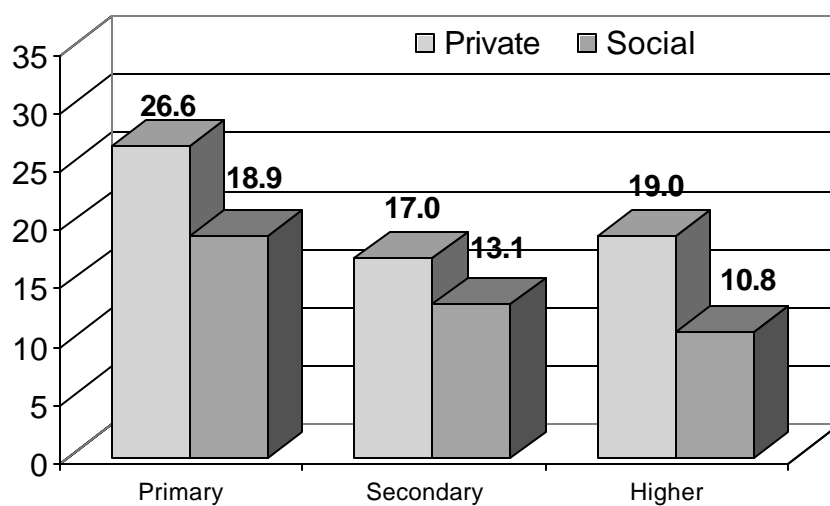


Figure 1. Returns to investment in education by level, latest year

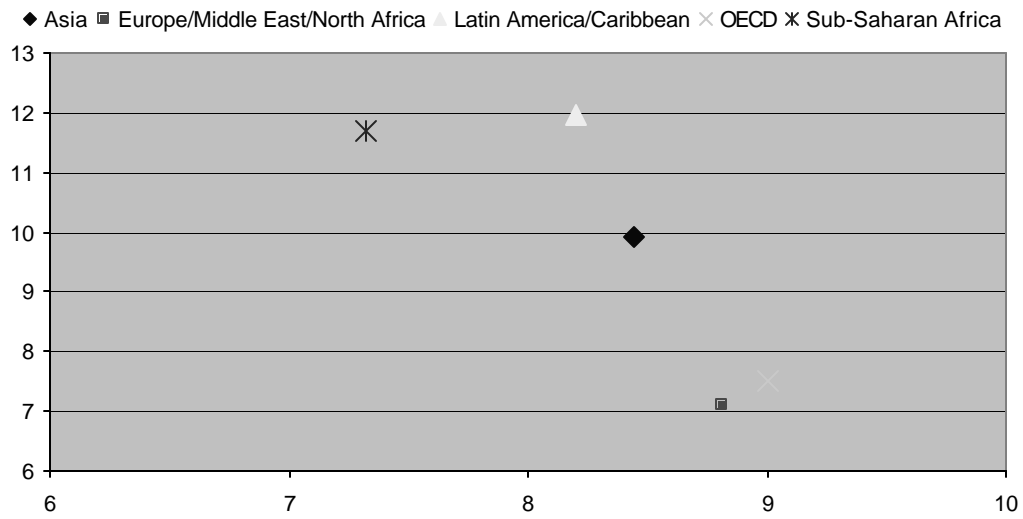


Figure 2. Mincerian Returns and mean years of schooling

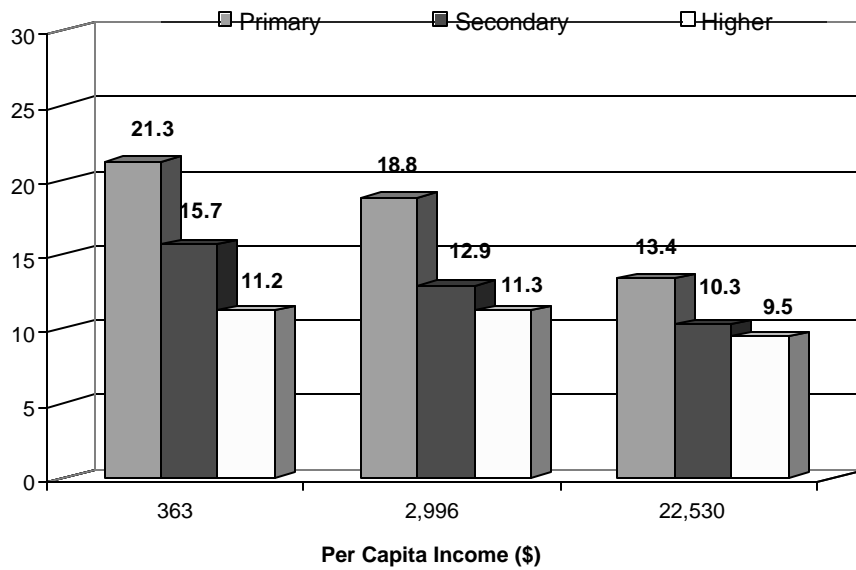


Figure 3. Social returns to investment in education by income level

Private Rate of Return (%)

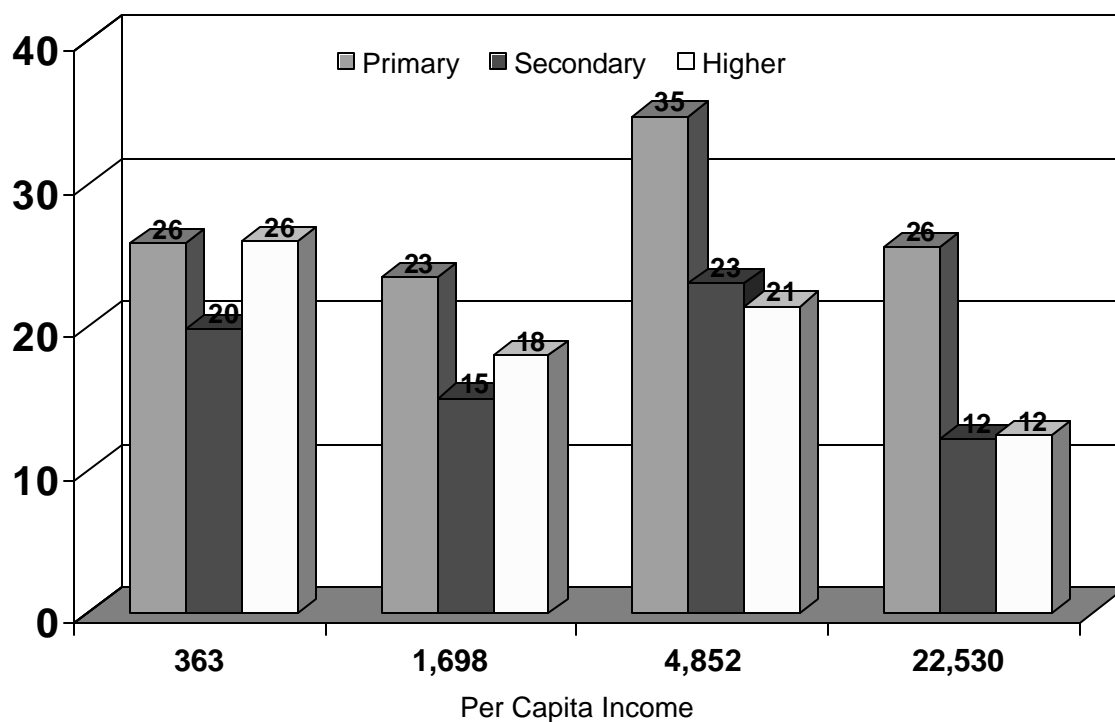


Figure 4 Private returns to investment in education by income

Rate of Return (%)

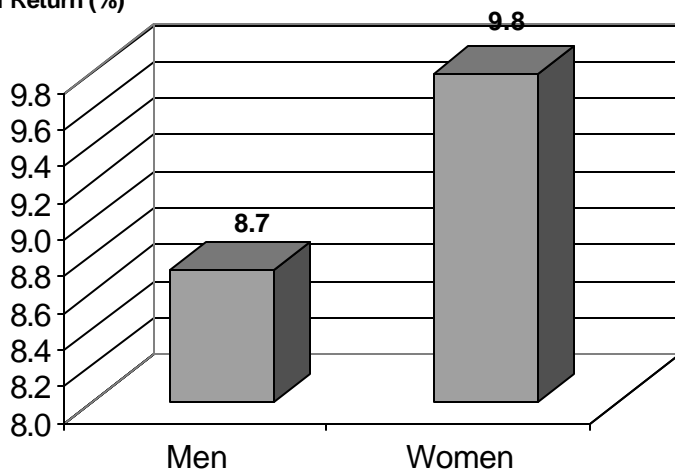


Figure 6. Mincerian returns to education by gender

APPENDIX

Table A1. Returns to investment in education by level (percentage) full method, latest year

Country	Year	Social			Private			Source
		Prim.	Sec.	Higher	Prim.	Sec.	Higher	
Argentina	1989	8.4	7.1	7.6	10.1	14.2	14.9	Psacharopoulos (1994)
Australia	1976			16.3		8.1	21.1	Psacharopoulos (1994)
Austria	1981					11.3	4.2	Psacharopoulos (1994)
Bahamas	1970		20.6			26.1		Psacharopoulos (1994)
Belgium	1960		17.1	6.7		21.2	8.7	Psacharopoulos (1994)
Bolivia	1990	13.0	6.0	13.0	20.0	6.0	19.0	Psacharopoulos <i>et al.</i> (1997)
Botswana	1983	42.0	41.0	15.0	99.0	76.0	38.0	Psacharopoulos (1994)
Brazil	1989	35.6	5.1	21.4	36.6	5.1	28.2	Psacharopoulos (1994)
Burkina Faso	1982	20.1	14.9	21.3				Psacharopoulos (1994)
Canada	1994					7.8	13.0	Cohn (1997)
Chile	1989	8.1	11.1	14.0	9.7	12.9	20.7	Psacharopoulos (1994)
China	1993	14.4	12.9	11.3	18.0	13.4	15.1	Hossain (1997)
Colombia	1989	20.0	11.4	14.0	27.7	14.7	21.7	Psacharopoulos (1994)
Costa Rica	1989	11.2	14.4	9.0	12.2	17.6	12.9	Psacharopoulos (1994)
Cyprus	1979	7.7	6.8	7.6	15.4	7.0	5.6	Psacharopoulos (1994)
Denmark	1964			7.8			10.0	Psacharopoulos (1994)
Dominican Republic	1989				85.1	15.1	19.4	Psacharopoulos (1994)
Ecuador	1987	14.7	12.7	9.9	17.1	17.2	12.7	Psacharopoulos (1994)
El Salvador	1990	16.4	13.3	8.0	18.9	14.5	9.5	Psacharopoulos (1994)
Estonia	1995	14.0	2.2	10.3				Noorkoiv <i>et al.</i> (1998)
Ethiopia	1996	14.9	14.4	11.9	24.7	24.2	26.6	World Bank (1998)
France	1976					14.8	20.0	Psacharopoulos (1994)
Germany (West)	1978					6.5	10.5	Psacharopoulos (1994)
Ghana	1967	18.0	13.0	16.5	24.5	17.0	37.0	Psacharopoulos (1994)
Greece	1993		6.5	5.7		8.3	8.1	Magoula and Psacharopoulos (1999)
Guatemala	1989				33.8	17.9	22.2	Psacharopoulos (1994)
Honduras	1989	18.2	19.7	18.9	20.8	23.3	25.9	Psacharopoulos (1994)
Hong Kong	1976		15.0	12.4		18.5	25.2	Psacharopoulos (1994)
Hungary	1993		6.0	2.6		8.2	13.4	Varga (1995)
India	1995				2.6	17.6	18.2	Kingdon (1998)
Indonesia	1989		11.0	5.0				Psacharopoulos (1994)
Iran	1976	15.2	17.6	13.6		21.2	18.5	Psacharopoulos (1994)
Israel	1958	16.5	6.9	6.6	27.0	6.9	8.0	Psacharopoulos (1994)
Italy	1969					17.3	18.3	Psacharopoulos (1994)
Ivory Coast	1984				25.7	30.7	25.1	Psacharopoulos (1994)
Jamaica	1989	17.7	7.9		20.4	15.7		Psacharopoulos (1994)
Japan	1976	9.6	8.6	6.9	13.4	10.4	8.8	Psacharopoulos (1994)
Kenya	1980		10.0			16.0		Psacharopoulos (1994)
Korea	1986		8.8	15.5		10.1	17.9	Psacharopoulos (1994)
Lesotho	1980	10.7	18.6	10.2	15.5	26.7	36.5	Psacharopoulos (1994)
Liberia	1983	41.0	17.0	8.0	99.0	30.5	17.0	Psacharopoulos (1994)
Malawi	1982	14.7	15.2	11.5	15.7	16.8	46.6	Psacharopoulos (1994)
Malaysia	1978					32.6	34.5	Psacharopoulos (1994)

Mexico	1992	11.8	14.6	11.1	18.9	20.1	15.7	Cohn and Addison (1998)
Morocco	1970	50.5	10.0	13.0				Psacharopoulos (1994)
Nepal	1999	15.7	8.1	9.1	16.6	8.5	12.0	Parajuli (1999)
Netherlands	1965		5.2	5.5		8.5	10.4	Psacharopoulos (1994)
New Zealand	1991		12.4	9.5		13.8	11.9	Maani (1996)
Nicaragua	1996	13.6	10.4	14.7				Belli and Ayadi (1998)
Nigeria	1966	23.0	12.8	17.0	30.0	14.0	34.0	Psacharopoulos (1994)
Norway	1966		7.2	7.5		7.4	7.7	Psacharopoulos (1994)
Pakistan	1991				8.4	13.7	31.2	Katsis <i>et al.</i> (1999)
Panama	1989				5.7	21.0	21.0	Psacharopoulos (1994)
Papua New Guinea	1986	12.8	19.4	8.4	37.2	41.6	23.0	Psacharopoulos (1994)
Paraguay	1990	20.3	12.7	10.8	23.7	14.6	13.7	Psacharopoulos (1994)
Peru	1990				13.2	6.6	40.0	Psacharopoulos (1994)
Philippines	1988	13.3	8.9	10.5	18.3	10.5	11.6	Psacharopoulos (1994)
Puerto Rico	1959	24.0	34.1	15.5	68.2	52.1	29.0	Psacharopoulos (1994)
Senegal	1985	23.0	8.9		33.7	21.3		Psacharopoulos (1994)
Sierra Leone	1971	20.0	22.0	9.5				Psacharopoulos (1994)
Singapore	1998	16.7	10.1	13.9	22.2	12.9	18.7	Sakellariou (2001)
Somalia	1983	20.6	10.4	19.9	59.9	13.0	33.2	Psacharopoulos (1994)
South Africa	1980	22.1	17.7	11.8				Psacharopoulos (1994)
Spain	1991	7.4	8.5	13.5				Lassibille and Navarro (1998)
Sri Lanka	1981					12.6	16.1	Psacharopoulos (1994)
Sudan	1974		8.0	4.0		13.0	15.0	Psacharopoulos (1994)
Sweden	1967		10.5	9.2			10.3	Psacharopoulos (1994)
Taiwan	1972	27.0	12.3	17.7	50.0	12.7	15.8	Psacharopoulos (1994)
Tanzania	1991				7.9	8.8		Mason and Khandker (1997)
Thailand	1989				16.0	12.9	11.8	Schultz (1994)
The Gambia	1997	33.5	12.1		37.1	12.7		EdInvest (1999)
Tunisia	1980					13.0	27.0	Psacharopoulos (1994)
Turkey	1987			8.5	1.9	8.6	16.2	Tansel (1994)
Uganda	1965	66.0	28.6	12.0				Psacharopoulos (1994)
United Kingdom	1986	8.6	7.5	6.5				Cohn and Addison (1998)
United States	1987		10.0	12.0				Psacharopoulos (1994)
Uruguay	1989	21.6	8.1	10.3	27.8	10.3	12.8	Psacharopoulos (1994)
Venezuela	1989	23.4	10.2	6.2	36.3	14.6	11.0	Psacharopoulos (1994)
Vietnam	1992	13.5	4.5	6.2	10.8	3.8	3.0	Mooock <i>et al.</i> (1998)
Yemen	1985	2.0	26.0	24.0	10.0	41.0	56.0	Psacharopoulos (1994)
Yugoslavia	1986	3.3	2.3	3.1	14.6	3.1	5.3	Psacharopoulos (1994)
Zambia	1983			5.7			19.2	Psacharopoulos (1994)
Zimbabwe	1987	11.2	47.6	-4.3	16.6	48.5	5.1	Psacharopoulos (1994)

Table A2. The Coefficient on Years of Schooling, Latest Year

Country	Year	Mean years of schooling	Coefficient (percent)	Source
Argentina	1989	9.1	10.3	Psacharopoulos (1994)
Australia	1989		8.0	Cohn and Addison (1998)
Austria	1993		7.2	Fersterer and Winter-Ebmer (1999)
Bolivia	1993		10.7	Patrinos (1995)
Botswana	1979	3.3	19.1	Psacharopoulos (1994)
Brazil	1989	5.3	14.7	Psacharopoulos (1994)
Burkina Faso	1980		9.6	Psacharopoulos (1994)
Canada	1989		8.9	Cohn (1997)
Chile	1989	8.5	12.0	Psacharopoulos (1994)
China	1993		12.2	Hossain (1997)
Colombia	1989	8.2	14.0	Psacharopoulos (1994)
Costa Rica	1991		8.5	Funkhouser (1996)
Cote d'Ivoire	1986	6.9	20.1	Psacharopoulos (1994)
Cyprus	1994		5.2	Menon (1995)
Denmark	1990		4.5	Christensen and Westergard-Nielsen (1999)
Dominican Rep.	1989	8.8	9.4	Psacharopoulos (1994)
Ecuador	1987	9.6	11.8	Psacharopoulos (1994)
Egypt	1997		5.2	Lambropoulos and Karadjia (1999)
El Salvador	1992		7.6	Funkhouser (1996)
Estonia	1994	10.9	5.4	Kroncke (1999)
Ethiopia	1972	6.0	8.0	Psacharopoulos (1994)
Finland	1993		8.2	Asplund (1999)
France	1977	6.2	10.0	Psacharopoulos (1994)
Germany	1988		7.7	Cohn and Addison (1998)
Ghana	1995	9.7	7.1	Jones (2001)
Greece	1993		7.6	Magoula and Psacharopoulos (1999)
Guatemala	1989	4.3	14.9	Psacharopoulos (1994)
Honduras	1991		9.3	Funkhouser (1996)
Hong Kong	1981	9.1	6.1	Psacharopoulos (1994)
Hungary	1987	11.3	4.3	Psacharopoulos (1994)
India	1995		10.6	Kingdon (1998)
Indonesia	1995	8.0	7.0	Duflo (2000)
Iran	1975		11.6	Psacharopoulos (1994)
Israel	1979	11.2	6.4	Psacharopoulos (1994)
Italy	1987		2.7	Brunello, Comi and Lucifora (1999)
Jamaica	1989	7.2	28.8	Psacharopoulos (1994)
Japan	1988		13.2	Cohn and Addison (1998)
Kenya	1986	8.0	16.0	Dabalen (1998)
Korea	1986	8.0	13.5	Ryoo, Nam and Carnoy (1993)
Kuwait	1983	8.9	4.5	Psacharopoulos (1994)
Malaysia	1979	15.8	9.4	Psacharopoulos (1994)
Mexico	1992		7.6	Psacharopoulos <i>et al.</i> (1996)
Morocco	1970	2.9	15.8	Psacharopoulos (1994)
Nepal	1999	3.9	9.7	Parajuli (1999)
Netherlands	1994		6.4	Hartog, Odink and Smits (1999)
Nicaragua	1996		12.1	Belli and Ayadi (1998)

Norway	1995		5.5	Barth and Roed (1999)
Pakistan	1991		15.4	Katsis, Mattson and Psacharopoulos (1999)
Panama	1990	9.2	13.7	Psacharopoulos (1994)
Paraguay	1990	9.1	11.5	Psacharopoulos (1994)
Peru	1990	10.1	8.1	Psacharopoulos (1994)
Philippines	1998	8.8	12.6	Schady (2000)
Poland	1995-1996		7.0	Nesterova and Sabirianova (1998)
Portugal	1991		8.6	Cohn and Addison (1998)
Puerto Rico	1989		15.1	Griffin and Cox Edwards (1993)
Russian Federation	1996	11.7	7.2	Nesterova and Sabirianova (1998)
Singapore	1998	9.5	13.1	Sakellariou (2001)
South Africa	1994	7.1	4.1	Dabalen (1998)
Spain	1991		7.2	Mora (1999)
Sri Lanka	1981	4.5	7.0	Psacharopoulos (1994)
Sudan	1989	10.2	9.3	Cohen and House (1994)
Sweden	1991		5.0	Cohn and Addison (1998)
Switzerland	1991		7.5	Weber and Wolter (1999)
Taiwan	1972	9.0	6.0	Psacharopoulos (1994)
Tanzania	1980		11.9	Psacharopoulos (1994)
Thailand	1989		11.5	Patrinos (1995)
Tunisia	1980	4.8	8.0	Psacharopoulos (1994)
United Kingdom	1987	11.8	6.8	Psacharopoulos (1994)
United States	1991-95		10.0	Rouse (1999)
Uruguay	1989	9.0	9.7	Psacharopoulos (1994)
Venezuela	1992		9.4	Psacharopoulos and Mattson (1998)
Vietnam	1992	7.9	4.8	Moock, Patrinos and Venkataraman (1998)
Yugoslavia	1986		4.8	Bevc (1993)

Table A3. Returns to Education by Level of Education and Gender

Country	Year	Educational		Men	Women	Source
		Level				
Argentina	1985	Overall		9.1	10.3	Psacharopoulos (1994)
Argentina	1989	Overall		10.7	11.2	Psacharopoulos (1994)
Austria	1981	Overall		10.3	13.5	Psacharopoulos (1994)
Bolivia	1989	Overall		7.3	7.7	Psacharopoulos (1994)
Botswana	1975	Overall		16.4	18.2	Psacharopoulos (1994)
Brazil	1980	Overall		14.7	15.6	Psacharopoulos (1994)
Brazil	1989	Overall		15.4	14.2	Psacharopoulos (1994)
Canada	1989	Overall		8.9		Patrinos (1995)
Czech Republic	1984	Overall		2.4	4.2	Munich, Terrell and Svejnar (1999)
Czech Republic	1988	Overall		4.0	5.7	Nesterova and Sabirianova (1998)
Czech Republic	1989	Overall		2.7	3.8	Munich, Terrell and Svejnar (1999)
Czech Republic	1992	Overall		5.3	6.7	Nesterova and Sabirianova (1998)
Czech Republic	1993	Overall		5.2	5.8	Munich, Terrell and Svejnar (1999)
Czech Republic	1996	Overall		5.8	7.0	Munich, Terrell and Svejnar (1999)
Chile	1987	Overall		13.7	12.6	Psacharopoulos (1994)
Chile	1989	Overall		12.1	13.2	Psacharopoulos (1994)
China	1985	Overall		4.5	5.6	Psacharopoulos (1994)
Colombia	1973	Overall		18.1	20.8	Psacharopoulos (1994)
Colombia	1973	Overall		10.3	20.1	Psacharopoulos (1994)
Colombia	1988	Overall		11.1	9.7	Psacharopoulos (1994)
Colombia	1989	Overall		14.5	12.9	Psacharopoulos (1994)
Costa Rica	1974	Overall		14.7	14.7	Psacharopoulos (1994)
Costa Rica	1989	Overall		10.1	13.1	Psacharopoulos (1994)
Costa Rica	1989	Overall		10.5	13.5	Psacharopoulos (1994)
Cote d'Ivoire	1987	Overall		13.6	12.1	Schultz (1994)
Cyprus	1984	Overall		8.9	12.7	Psacharopoulos (1994)
Denmark	1990	Overall		5.1	3.4	Christensen and Westergard-Nielsen (1999)
Dominican Rep.	1989	Overall		7.8	12.0	Psacharopoulos (1994)
Ecuador	1987	Overall		11.4	10.7	Psacharopoulos (1994)
Ecuador	1987	Overall		9.8	11.5	Psacharopoulos (1994)
El Salvador	1990	Overall		9.6	9.8	Psacharopoulos (1994)
Finland	1980	Overall		9.3	-	Asplund (1999)
Finland	1987	Overall		7.4	6.4	Asplund (1999)
Finland	1989	Overall		8.4	7.8	Asplund (1999)
Finland	1991	Overall		8.8	8.7	Asplund (1999)
Finland	1993	Overall		7.8	8.3	Asplund (1999)
Germany	1974	Overall		13.1	11.2	Psacharopoulos (1994)
Germany	1977	Overall		13.6	11.7	Psacharopoulos (1994)
Ghana	1989	Overall		4.4	4.2	Schultz (1994)
Ghana	1992	Overall		9.3	10.6	World Bank (1996a)
Greece	1977	Overall		4.7	4.5	Psacharopoulos (1994)
Greece	1993	Overall		6.9	9.0	Magoula and Psacharopoulos (1999)
Guatemala	1989	Overall		14.2	16.3	Psacharopoulos (1994)
Honduras	1989	Overall		17.2	19.8	Psacharopoulos (1994)
India	1978	Overall		5.3	3.6	Psacharopoulos (1994)
Italy	1978	Overall		2.9	-	Brunello, Comi and Lucifora (1999)

Italy	1983	Overall	6.0	3.5	Brunello, Comi and Lucifora (1999)
Italy	1985	Overall	3.5	3.9	Brunello, Comi and Lucifora (1999)
Italy	1987	Overall	0.0	3.0	Brunello, Comi and Lucifora (1999)
Ivory Coast	1984	Overall	11.1	22.6	Psacharopoulos (1994)
Jamaica	1989	Overall	12.3	21.5	Psacharopoulos (1994)
Jamaica	1989	Overall	28.0	31.7	Psacharopoulos (1994)
Lesotho	1993	Overall	10.6	16.5	Mokitimi and Nieuwoudt (1995)
Malaysia	1979	Overall	5.3	8.2	Psacharopoulos (1994)
Mexico	1984	Overall	13.2	14.7	Psacharopoulos (1994)
Mexico	1984	Overall	14.1	15.0	Psacharopoulos (1994)
Nicaragua	1978	Overall	8.5	11.5	Psacharopoulos (1994)
Norway	1980	Overall	3.2	4.9	Barth and Roed (1999)
Norway	1983	Overall	4.7	5.5	Barth and Roed (1999)
Norway	1987	Overall	4.3	6.2	Barth and Roed (1999)
Norway	1989	Overall	4.1	3.9	Barth and Roed (1999)
Norway	1991	Overall	4.2	5.3	Barth and Roed (1999)
Panama	1989	Overall	9.7	11.9	Psacharopoulos (1994)
Panama	1989	Overall	12.6	17.1	Psacharopoulos (1994)
Paraguay	1990	Overall	10.3	12.1	Psacharopoulos (1994)
Peru	1985	Overall	11.5	12.4	Psacharopoulos (1994)
Peru	1990	Overall	8.5	6.5	Psacharopoulos (1994)
Philippines	1988	Overall	12.4	12.4	Psacharopoulos (1994)
Portugal	1977	Overall	7.5	8.4	Psacharopoulos (1994)
Portugal	1985	Overall	9.4	10.4	Psacharopoulos (1994)
Russia	1991	Overall	3.1	5.4	Munich, Terrell and Svejnar (1999)
Russia	1994	Overall	6.7	9.6	Munich, Terrell and Svejnar (1999)
Singapore	1998	Overall	11.1	15.2	Sakellariou (2001)
Slovakia	1984	Overall	2.8	4.4	Munich, Terrell and Svejnar (1999)
Slovakia	1993	Overall	4.9	5.4	Munich, Terrell and Svejnar (1999)
South Africa	1990	Overall	2.3	0.8	Mokitimi and Nieuwoudt (1995)
South Korea	1976	Overall	10.3	1.7	Psacharopoulos (1994)
South Korea	1980	Overall	17.2	5.0	Psacharopoulos (1994)
Sri Lanka	1981	Overall	6.9	7.9	Psacharopoulos (1994)
Sweden	1968	Overall	8.9	8.7	Arai and Kjellstrom (1999)
Sweden	1974	Overall	5.3	5.5	Arai and Kjellstrom (1999)
Sweden	1980	Overall	4.3	4.3	Arai and Kjellstrom (1999)
Sweden	1981	Overall	5.1	4.1	Arai and Kjellstrom (1999)
Sweden	1991	Overall	5.0	4.0	Arai and Kjellstrom (1999)
Switzerland	1982	Overall	5.5	9.1	Weber and Wolter (1999)
Switzerland	1991	Overall	8.3	7.5	Weber and Wolter (1999)
Switzerland	1992	Overall	8.2	7.8	Weber and Wolter (1999)
Switzerland	1993	Overall	7.8	7.9	Weber and Wolter (1999)
Switzerland	1995	Overall	9.1	9.0	Weber and Wolter (1999)
Switzerland	1997	Overall	-	6.1	Weber and Wolter (1999)
Thailand	1972	Overall	9.1	13.0	Psacharopoulos (1994)
Uruguay	1989	Overall	9.0	10.6	Psacharopoulos (1994)
Venezuela	1976	Overall	9.9	13.5	Psacharopoulos (1994)
Venezuela	1987	Overall	10.0	13.1	Psacharopoulos (1994)
Venezuela	1989	Overall	9.1	11.1	Psacharopoulos (1994)
Venezuela	1989	Overall	8.4	8.0	Psacharopoulos (1994)

Vietnam	1992	Overall	3.4	6.8	Moock, Patrinos and Venkataraman (1998)
Yugoslavia	1976	Overall	5.8	6.6	Psacharopoulos (1994)
Yugoslavia	1986	Overall	4.9	4.8	Psacharopoulos (1994)
Mean			8.7	9.8	
Puerto Rico	1959	Primary	29.5	18.4	Psacharopoulos (1994)
Taiwan	1982	Primary	8.4	16.1	Psacharopoulos (1994)
Indonesia	1982	Primary	19.0	17.0	Psacharopoulos (1994)
Great Britain	1841	Literacy	24.5	3.5	Psacharopoulos (1994)
Great Britain	1871	Literacy	19.0	9.0	Psacharopoulos (1994)
Mean			20.1	12.8	
Canada	1980	Secondary	2.0	6.0	Psacharopoulos (1994)
Canada	1985	Secondary	10.6	18.6	Psacharopoulos (1994)
France	1969	Secondary	13.9	15.4	Psacharopoulos (1994)
France	1976	Secondary	14.8	16.2	Psacharopoulos (1994)
Great Britain	1971	Secondary	10.0	8.0	Psacharopoulos (1994)
Indonesia	1982	Secondary	23.0	11.0	Psacharopoulos (1994)
Indonesia	1986	Secondary	11.0	16.0	Psacharopoulos (1994)
Puerto Rico	1959	Secondary	27.3	40.8	Psacharopoulos (1994)
South Korea	1971	Secondary	13.7	16.9	Psacharopoulos (1994)
Sri Lanka	1981	Secondary	12.6	35.5	Psacharopoulos (1994)
Suriname	1993	Secondary	10.7	-0.8	Horowitz and Schenzler (1999)
Mean			13.9	18.4	
Australia	1976	University	21.1	21.2	Psacharopoulos (1994)
Canada	1980	University	5.5	10.5	Psacharopoulos (1994)
Canada	1985	University	8.3	18.8	Psacharopoulos (1994)
Cyprus	1994	Higher	5.2	7.2	Menon (1995)
Denmark	1990	University	3.5	5.2	Cohn and Addison (1998)
Finland	1987	University	6.6	7.7	Cohn and Addison (1998)
France	1969	University	22.5	13.8	Psacharopoulos (1994)
France	1976	University	20.0	12.7	Psacharopoulos (1994)
Great Britain	1971	University	8.0	12.0	Psacharopoulos (1994)
Indonesia	1982	University	10.0	9.0	Psacharopoulos (1994)
Indonesia	1986	University	9.0	10.0	Psacharopoulos (1994)
Japan	1976	University	6.9	6.9	Psacharopoulos (1994)
Japan	1980	University	5.7	5.8	Psacharopoulos (1994)
Norway	1991	University	4.0	4.2	Cohn and Addison (1998)
Puerto Rico	1959	University	21.9	9.0	Psacharopoulos (1994)
South Korea	1971	University	15.7	22.9	Psacharopoulos (1994)
Sweden	1991	University	4.4	5.0	Cohn and Addison (1998)
Mean			11.0	10.8	

Table A4. Comparable over Time Returns to Investment in Education in Selected Countries

Country	Year	Rate of Return (%)	Source
Australia	1980	7.9	Miller, Mulvey and Martin (1995)
Australia	1981	8.4	Patrinos (1995)
Australia	1985	10.9	Rummery, Vella and Verbeek (1999)
Australia	1987	5.4	Patrinos (1995)
Australia	1989	8.0	Cohn and Addison (1998)
Austria	1981	11.6	Psacharopoulos (1994)
Austria	1983	7.9*	Fersterer and Winter-Ebmer (1999)
Austria	1985	7.6*	Fersterer and Winter-Ebmer (1999)
Austria	1987	7.4*	Fersterer and Winter-Ebmer (1999)
Austria	1989	7.6*	Fersterer and Winter-Ebmer (1999)
Austria	1991	7.4*	Fersterer and Winter-Ebmer (1999)
Austria	1993	7.2*	Fersterer and Winter-Ebmer (1999)
Bolivia	1981	12.2	World Bank (1996b)
Bolivia	1988	9.5	World Bank (1996b)
Bolivia	1989	7.1	World Bank (1996b)
Bolivia	1990	10.1	Psacharopoulos and Mattson (1998)
Bolivia	1991	8.9	World Bank (1996b)
Bolivia	1992	10.0	World Bank (1996b)
Bolivia	1993	10.7	Patrinos (1995)
Brazil	1970	16.5	Patrinos (1995)
Brazil	1980	14.5	Patrinos (1995)
Brazil	1989	14.7	Patrinos (1995)
Canada	1981	8.5	Patrinos (1995)
Canada	1986	8.8	Patrinos (1995)
Canada	1989	8.9	Patrinos (1995)
Chile	1974	8.3	Patrinos (1995)
Chile	1980	9.6	Patrinos (1995)
Chile	1989	8.2	Patrinos (1995)
China	1988	3.6	Liu (1998)
China	1991	4.8	Wei, Tsang, Wu and Chen (1999)
China	1993	12.2	Hossain (1997)
Colombia	1965	17.3	Patrinos (1995)
Colombia	1974	12.8	Patrinos (1995)
Colombia	1989	8.2	Patrinos (1995)
Costa Rica	1980	10.5	Funkhouser (1996)
Costa Rica	1983	8.1	Funkhouser (1996)
Costa Rica	1985	8.1	Funkhouser (1996)
Costa Rica	1988	9.1	Funkhouser (1996)
Costa Rica	1991	8.5	Funkhouser (1996)
Cyprus	1984	11.0	Psacharopoulos (1994)
Cyprus	1994	5.2	Menon (1995)
Czech Republic	1995	8.1	Filer, Jurajda, Planovsky (1999)
Czech Republic	1996	8.5	Filer, Jurajda, Planovsky (1999)
Czech Republic	1997	9.0	Filer, Jurajda, Planovsky (1999)
Denmark	1976-1984	2.6	Christensen and Westergard-Nielsen (1999)
Denmark	1990	4.5	Christensen and Westergard-Nielsen (1999)
El Salvador	1985	7.9	Funkhouser (1996)

El Salvador	1988	7.8	Funkhouser (1996)
El Salvador	1990	7.6	Funkhouser (1996)
El Salvador	1992	7.6	Funkhouser (1996)
Estonia*	1989	1.5	Kroncke (1999)
Estonia*	1994	5.4	Kroncke (1999)
Finland	1980	9.1	Asplund (1999)
Finland	1987	7.0	Asplund (1999)
Finland	1989	8.2	Asplund (1999)
Finland	1991	8.8	Asplund (1999)
Finland	1993	8.2	Asplund (1999)
Germany	1986	5.5	Ichino and Winter-Ebmer (1999)
Germany	1988	7.7	Cohn and Addison (1998)
Germany (East)	1989	4.4	Munich, Terrell and Svejnar (1999)
Germany (East)	1991	4.1	Munich, Terrell and Svejnar (1999)
Germany (West)	1977	12.6	Patrinos (1995)
Germany (West)	1987	4.9	Patrinos (1995)
Ghana	1989	8.5	Glewwe (1996)
Ghana	1995	7.1	Jones (2001)
Greece	1964	8.6	Patrinos (1995)
Greece	1977	5.8	Patrinos (1995)
Greece	1985	7.9	Cohn and Addison (1998)
Greece	1987	2.7	Patrinos (1995)
Greece	1993	7.6	Magoula and Psacharopoulos (1997)
Guatemala	1977	12.7	Funkhouser (1996)
Guatemala	1986	9.8	Funkhouser (1996)
Guatemala	1989	14.9	Psacharopoulos (1994)
Honduras	1986	12.5	Bedi (1997)
Honduras	1989	11.5	Funkhouser (1996)
Honduras	1990	10.4	Funkhouser (1996)
Honduras	1991	9.3	Funkhouser (1996)
Indonesia	1981	17.0	Psacharopoulos (1994)
Indonesia	1995	7.0	Duflo (2000)
Italy	1977	4.5	Brunello, Comi and Lucifora (1999)
Italy	1983	5.5	Brunello, Comi and Lucifora (1999)
Italy	1985	4.5	Brunello, Comi and Lucifora (1999)
Italy	1986	4.6	Brunello, Comi and Lucifora (1999)
Italy	1987	2.7	Brunello, Comi and Lucifora (1999)
Japan	1975	6.5	Psacharopoulos (1994)
Japan	1978	4.4	Cohn and Addison (1998)
Japan	1988	13.2	Cohn and Addison (1998)
Kenya	1970	16.4	Psacharopoulos (1994)
Kenya	1986	16.0	Dabalén (1998)
Korea	1974	12.0	Ryoo, Nam and Carnoy (1993)
Korea	1979	14.1	Ryoo, Nam and Carnoy (1993)
Korea	1986	13.5	Ryoo, Nam and Carnoy (1993)
Mexico	1984	6.5	Patrinos (1995)
Mexico	1989	7.5	Patrinos (1995)
Mexico	1991	16.1	Psacharopoulos et. al. (1996)
Mexico	1992	7.6	Psacharopoulos et. al. (1996)
Netherlands	1962	11.0	Hartog, Odink, Smits (1999)

Netherlands	1965	12.2	Hartog, Odink, Smits (1999)
Netherlands	1972	11.3	Hartog, Odink, Smits (1999)
Netherlands	1979	10.9	Hartog, Odink, Smits (1999)
Netherlands	1982	7.0	Cohn and Addison (1998)
Netherlands	1985	7.2	Hartog, Odink, Smits (1999)
Netherlands	1986	5.2	Cohn and Addison (1998)
Netherlands	1988	5.7	Cohn and Addison (1998)
Netherlands	1989	7.3	Hartog, Odink, Smits (1999)
Netherlands	1994	6.4	Hartog, Odink, Smits (1999)
Nicaragua	1985	6.5	Funkhouser (1996)
Nicaragua	1993	7.9	Funkhouser (1996)
Nicaragua	1996	12.1	Belli and Ayadi (1998)
Norway	1980	5.5	Barth and Roed (1999)
Norway	1983	6.1	Barth and Roed (1999)
Norway	1987	5.4	Barth and Roed (1999)
Norway	1989	4.9	Barth and Roed (1999)
Norway	1991	5.4	Barth and Roed (1999)
Norway	1995	5.5	Barth and Roed (1999)
Pakistan	1986	4.6	Psacharopoulos (1994)
Pakistan	1991	15.4	Katsis, Mattson and Psacharopoulos (1999)
Panama	1983	12.1	Patrinos (1995)
Panama	1989	13.7	Patrinos (1995)
Panama	1990	13.7	Psacharopoulos (1994)
Paraguay	1983	11.6	Patrinos, Velez and Psacharopoulos (1994)
Paraguay	1990	11.5	Patrinos, Velez and Psacharopoulos (1994)
Peru	1985	11.5	Patrinos (1995)
Peru	1990	8.1	Psacharopoulos (1994)
Peru	1991	5.7	Patrinos (1995)
Philippines	1982	8.0	Patrinos (1995)
Philippines	1988	8.0	Patrinos (1995)
Philippines	1994	7.3	Maluccio (1998)
Philippines	1998*	12.6	Schady (2000)
Poland	1986	2.9	Lorenz and Wagner (1990)
Poland	1987	5.0	Rutkowski (1997)
Poland	1992	7.0	Rutkowski (1997)
Poland	1995-1996	7.0	Nesterova and Sabirianova (1998)
Portugal	1977	9.1	Patrinos (1995)
Portugal	1985	10.0	Patrinos (1995)
Portugal	1991	8.6	Cohn and Addison (1998)
Russian Federation	1995	7.5	Nesterova and Sabirianova (1998)
Russian Federation	1996	7.2	Nesterova and Sabirianova (1998)
Singapore	1974	13.4	Psacharopoulos (1994)
Singapore	1998	13.1	Sakellariou (2001)
South Africa	1994	4.1	Dabalén (1998)
South Korea	1974	12.0	Ryoo, Nam and Carnoy (1993)
South Korea	1976	6.5	Patrinos (1995)
South Korea	1979	14.1	Ryoo, Nam and Carnoy (1993)
South Korea	1980	11.1	Patrinos (1995)
South Korea	1986	13.5	Ryoo, Nam and Carnoy (1993)
Spain	1985	7.7	Cohn and Addison (1998)

Spain	1990	9.0	Alba-Ramirez and Segundo (1995)
Spain	1991	7.2	Mora (1999)
Sweden	1968	7.8	Arai and Kjellstrom (1999)
Sweden	1974	4.3	Arai and Kjellstrom (1999)
Sweden	1981	3.5	Arai and Kjellstrom (1999)
Sweden	1984	3.9	Arai and Kjellstrom (1999)
Sweden	1990	4.5	Isacsson (1999)
Sweden	1991	5.0	Cohn and Addison (1998)
Switzerland	1987	7.9	Psacharopoulos (1994)
Switzerland	1990	7.5	Weber and Wolter (1999)
Thailand	1971	10.4	Psacharopoulos (1994)
Thailand	1986	12.4	Patrinos (1995)
Thailand	1989	11.5	Patrinos (1995)
United Kingdom	1975	8.0	Patrinos (1995)
United Kingdom	1982	15.3	Harmon and Walker (1995)
United Kingdom	1984	13.3	Harmon and Walker (1999)
United Kingdom	1987	6.8	Patrinos (1995)
United States	1976	7.5	Kling (1999)
United States	1978	7.9	Patrinos (1995)
United States	1987	9.8	Psacharopoulos (1994)
United States	1991-95	10.0	Psacharopoulos (1999)
Venezuela	1975	13.7	Patrinos (1995)
Venezuela	1984	11.2	Patrinos (1995)
Venezuela	1989	9.6	Fiszbein and Psacharopoulos (1993)
Venezuela	1992	9.4	Psacharopoulos and Mattson (1998)
Vietnam	1992	4.8	Mooock, Patrinos and Venkataraman (1998)
Vietnam (South)	1964	16.8	Psacharopoulos (1994)
Yugoslavia	1976	6.8	Bevc (1993)
Yugoslavia	1986	4.8	Bevc (1993)

* Data is for male population only.