

A Note on Returns to Human Capital in the Eighties: Evidence from Twelve Countries

Ertragsraten des Humankapitals in den achtziger Jahren: Eine vergleichende Untersuchung mit Individualdaten aus zwölf Ländern

By Wilhelm Lorenz and Joachim Wagner*), Hannover

1. Introduction

It is a truism, that “(i)n all economies of which we have knowledge, people with more education earn on average higher incomes than people with less education, at least if the people being compared are of the same age.” (Blaug, 1970, 1) Human capital earnings functions of the type proposed by Mincer (1974) with the natural logarithm of earnings as endogenous variable and years of schooling, years of experience, and years of experience squared as exogenous variables are a standard tool in econometric studies of the rates of return to schooling and experience. Willis (1986, 526) labeled this function “one of the great success stories of modern labor economics. It has been used in hundreds of studies using data from vitually every historical period and country for which suitable data exist.”

Though earnings functions are very popular, there seem to be only a few attempts to compare the resulting estimates of rates of return across countries. Besides the authoritative surveys by Psacharopoulos (1973, 1975, 1981, 1985) the pioneering study by Carnoy (1967) for Chile, Columbia, Mexico, and Venezuela, the collection of some results for the US, India, and Mexico in the textbook by Blaug (1970, 224), and the comparison of age-earnings-profiles for Japan, Sweden, and the US by Klevmarken (1982) are to be mentioned. Recently, Psacharopoulos (1989) presented an attempt to compare rates of return across countries and over time. All these studies suffer from a number of short-comings because the comparisons are based on results collected from earnings functions with different specifications, using data for different years and from differently defined samples. To quote an expert: “International comparisons are notoriously known for non-comparability between classifications, definitions, number of years of schooling and the like.” (Psacharopoulos, 1975, 162).

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