

Objective of the project

The main research objective of the project is to calculate the private value and the rate of return for tertiary education in Poland by using econometric procedures to account for the broad measures of benefits and costs of studies. Many young secondary school leavers after passing their A-level exams stand each year before the decision on their future life path. Some opt for direct entry into the labour market, others decide to continue their education enrolling into higher education programmes. There are many reasons why young people choose to study (interesting way of life, continuing the family tradition, development of their own interests and passions, vocation or mission). Among those factors that influence the choice of studying, the economists are mostly interested in those which stem from the theory of rational choice, which are expectations of significant financial benefits in the form of higher wages, achieving an appropriate prestige and position in life, as well as the desire to increase opportunities for attractive and stable employment. The decision to continue education unfortunately entails also the costs. These costs result from the fact that the labour market entry must be postponed for a few years, leading to potential loss of revenues from work. In the European labour market, which becomes increasingly open and available for young Poles, these forgone earnings can be quite substantial. In addition, studying involves a variety of direct financial expenditure as well as engagement of time and effort required for completing a diploma. The aim of the proposed project is to determine and evaluate the costs and benefits resulting from decisions to continue education at the tertiary level in Poland.

The main hypothesis of underlying research project states that the value of tertiary education in Poland is significantly positive, but declining in recent years, which can be related to massification of tertiary education. The internal rate of return for tertiary education is above typical rates of return for financial assets indicating that education can be seen as a worthwhile investment. Additional hypotheses related to the value and the rate of return to tertiary education will be subject to falsification. It is postulated that the value of tertiary education varies to several characteristics, in particular: it is higher for women than men; higher for higher ability graduates; and higher for public school graduates.

Basic research to be carried out

The outline of the work plan includes a review of theoretical literature, referring to the methodological issues of estimating the returns to education both to developed countries, as well as to the transition economies (Poland in particular). It will allow for further elaboration of the initial hypotheses formulated on the basis of the preliminary literature review. Detailed study objectives include finding answers to the following questions:

1. How does the economic theory explain the propensity to continue education? What is the role of students personal characteristics which determine the duration of schooling and the human capital level?
2. What were the results of the previous studies, in terms of the value and the rate of return to education? Did the results differ depending of the methodology adopted?
3. What are the sources of private costs associated with tertiary education in Poland? How are these costs shared between the direct financial costs of studies, alternative costs and costs of the effort required to study?
4. What are the expected financial benefits generated through entire professional career attributed to tertiary education?
5. What is the value and the rate of return to tertiary education in Poland and what is its variation across sex, school type and level of students' ability? Are the results robust to different econometric procedures applied?

Reasons for choosing the research topic

The analysis of the value of tertiary education lies at the intersection of education and labour market. Non-negligible public and private resources are invested in education in the expectation of providing sufficiently high rates of return both for individuals and the society. The value of education is an indicator of effectiveness of the education system in providing knowledge and competences for the labour market. High rate of return is important incentive for secondary school leavers to undertake tertiary education. Underlying research project can be justified in many ways. First, although there are some studies of the value of education in Poland, only a few of them take serious econometric measures to address key methodological problems commonly faced by researchers in the world. Second, there are no studies which answer the question of how the massification of tertiary education in Poland changed the value of tertiary education per se and for specific study fields, although this phenomenon itself has been subject to many studies and is present in current public debate. This project aims to fill this particular gap by studying selected cohorts of graduates and using real data on income and projections of their lifetime expected future income flows to see if the value of education is substantially different for different cohorts of graduates.