

Higher Education Expansion, Human Capital Externalities and Wages: Italian Evidence within Occupation

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Sintesi:

The Italian system of higher education has recently experienced a process of radical transformation. The so-called 3+2 university reform reflects a big increase in the supply of college graduates that has attracted the attention of policy makers and fostered the debate on the size of human capital externalities. Using the 2009 Italian Labour Force Survey and incorporating a measure of graduate density within each occupation, in this article, we explore whether the social returns to education exceeds the private return and less educated workers gain more than college educated workers from spillovers associated with higher college share in their relative occupation. The OLS results clearly indicate that increases in graduate density have positive effects on wages and that the effect is larger for less educated workers, also controlling for potential confounding factors. However, the concentration of college workers across occupations is such that we may have a potential endogeneity problem. In order to recover a causal interpretation and to isolate the effect of graduate density, we employ an IV strategy exploiting the lagged demographic and occupational structure and the variation in the introduction of 3+2 courses at regional level. Merely, IV estimates largely indicate that the size of spillovers is significantly increased with respect to standard OLS results. Indeed, we estimate that a 1% increase in the college share within occupation raises wages by 0.9-1.3% for male and female, respectively. The effect is further larger for less educated workers.