

Earnings Returns to Tertiary Education in Urban China, 1988–2008

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1. Aim

This paper examines the effects of educational expansion on earnings returns to tertiary education in China between 1988 and 2008, which bears clear relevance to the evaluation of China's policies on educational expansion.

2. Data & Methods

For this purpose, I employ eight data sets from national representative surveys conducted between 1988 and 2008, namely the 1988, 1995, and 2002 waves of the Chinese Household Income Project (CHIP), the 1996 survey of "Life Histories and Social Change in Contemporary China" (LHSC 1996), and the 2003, 2005, 2006 and 2008 waves of the "Chinese General Social Survey" (CGSS), and use Mincer regressions and Heckman selection models to examine earnings returns to tertiary education in China over time.

3. Results

I found a trend of increasing earnings returns to tertiary education relative to upper secondary education until early- to mid-2000s, due to the emergence and functioning of the labor market, and that after the cohort at risk of the dramatic expansion of higher education since 1999 entered the labor market in mid-2000s, however, no trend of an increased premium is found for graduates from junior college, and a trend of a decreasing premium is found for graduates from university or above, as a result of the pressure exerted by the rapid increase in the relative supply of graduates with tertiary education.

4. Conclusion

From these findings, it is clear that without significant upgrading of the occupational and industrial structure, it becomes more difficult for the labor market to absorb new graduates from tertiary education, which bears important implications for stratification dynamics and sustainable economic development in China.

References

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