

Date Wednesday 4 June 2014, 13:00 to 14:00

Location Copenhagen Business School, Porcelænsøen 24A, 1st floor, meeting room 1.68

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Self-Selection and the Timing of Human Capital Investments: Evidence from Danish Population Registers

ABSTRACT

We use administrative data from the Danish Population Registers to document the common practice of delaying university among high school graduates. We compare the post-schooling lifetime earnings of university graduates who delayed by one year compared to those who transitioned immediately from high school. We find important differences across gender and study program in both the propensity to delay and the differences in lifetime earnings. In particular, we find that the average gap in lifetime earnings is more negative among men and those who study in Social Science. The probability of delaying is also lowest in those groups. To explore the extent to which differences in mean earnings are a function of self-selection, we modify the approach suggested in Altonji et al. (2005) for use with continuous outcomes. Under the assumption that selection on observed covariates is equal to selection on unobserved characteristics, we find that those who delay university are a negatively selected group and the choice of faculty is a key dimension in that selection. This finding is of particular interest because faculty is closely linked to occupation in Denmark. Our results suggest that the factors which determine the choice of occupation also might be related to the timing of human capital investment.