

The role of earnings expectations versus non-pecuniary factors in university attendance

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Abstract

Why do some people choose to attend university (enjoying state-subsidised benefits), while others do not? I shed new light on this key issue by comparing and quantifying the roles of earnings expectations and non-pecuniary factors in educational decisions and career choices. I also investigate changes over time, and the implications for social mobility. To do this, I first specify a Roy-like model of educational choice, in which I explicitly include earnings expectations and other, non-pecuniary, factors. I estimate my model on detailed longitudinal data from two UK cohorts, using information on students' choices and their later wages. In particular, I exploit data on students' expectations about key non-pecuniary outcomes both at, and after, university. I find that income maximisation, despite its prevalent role in the literature, is only a small part of the story: non-pecuniary factors are four times as important as earnings expectations in determining whether someone goes to university. Non-pecuniary factors also drive the SES-gap in educational attainment, and are responsible for the huge growth in degree attainment between the 1970 and 1990 cohorts. Decomposition analysis of the non-earnings factors is ongoing, and will hopefully shed more light on their main components.

Keywords: Higher education; Earnings; Psychic costs; Wage premium.

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