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ARE SCHOOL-PROVIDED SKILLS USEFUL AT WORK? RESULTS OF THE WILES TEST

Abstract:

Although it has been over 40 years since labour economists started testing human capital vs. signalling explanation of the wage premium from education, the debate is still going on and authors keep on proposing new methods of testing. The human capital theory postulates that investment in education enhances the productive capacity of individuals, while according to the signalling hypothesis the value of a graduation diploma follows from the fact that it signals innate abilities of its holder.

We apply the approach proposed by Wiles to test for the signalling hypothesis and, in particular, to find out if there is a positive relation between education and productivity. For this purpose, we construct a job match index based on information if school provided knowledge and skills are useful at work and the job performed is relevant to the field of study. Then we check if the quality of job matching is related to wages of graduates in Poland. To answer this question, a wage equation was estimated using OLS on the basis of data from a representative, nationwide tracer survey of Poles who left secondary schools or graduated from higher education institutions over the period of 1998-2005.

We find out that knowledge and skills acquired in the course of formal education bring wage benefits only to university graduates. Besides, this group receives a wage premium, which may be attributed to their high innate abilities. In sum, the outcomes are consistent with the weak signalling hypothesis, since they show that tertiary education signals a high level of innate abilities and at the same time it provides knowledge and skills which enhance individual productivity at work.

Besides, we find evidence of the strong signalling hypothesis with regard to the secondary vocational schools leavers.

Keywords:

education, human capital, signalling, job matching, wage equation

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