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Do University Diplomas Depreciate? Examining the Human Capital Theory Applying in Taiwan's Situation (0062)

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In Taiwan, not only does public university have higher value than private one, but quantities of students graduating from the public ones less than quantities of students graduating from the private, so students strive for entering public ones, and they can get better jobs after graduating from the public. However, Since 1997 higher education has expanded, and then the effect of university diplomas has been challenged. Do university diplomas depreciate? This study examines the effect of public and private university diplomas on social economic status by using the 2007 Taiwan Social Change Survey (TSCS). The data of TSCS is started from 1983 and collected by Institute of Sociology, ACADEMIA SINICA. The primary finding shows that students from public universities get higher current salaries than students from private ones, but the effect of university diplomas become non-significant after putting age, and meaning of age is similar to experience.

Do University Diplomas Depreciate? Examining the Human Capital Theory Applying in Taiwan's Situation

Introduction

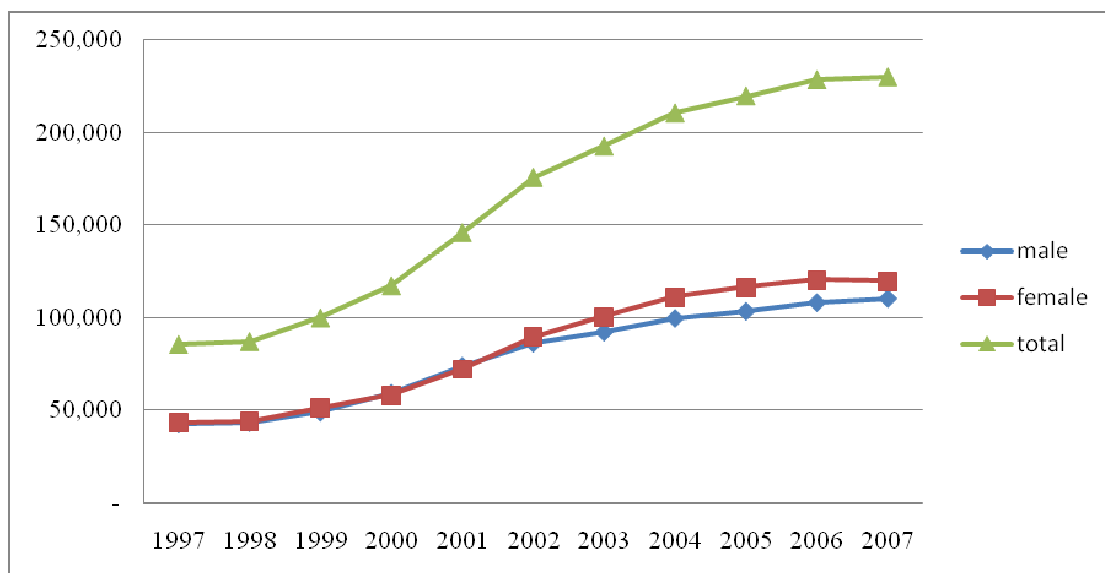
1. Taiwan's circumstance: the belief of human capital

From past studies, it reveals strong relationships among education and social economic status in Taiwan, and students from public universities get better jobs(Chuang, 2007 ; Lin, 2007). As insights of human capital theory(Becker & Chiswick, 1966), students strive hard and then deserve higher income, because they can bring better returns for their employers.

2. Higher education expansion

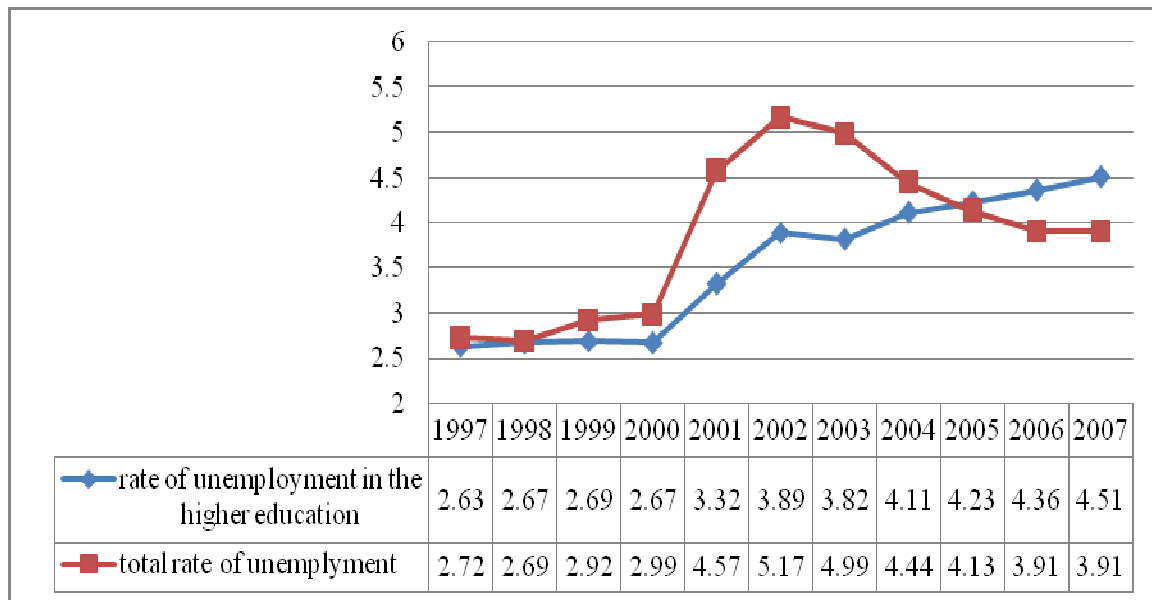
Figure 1 people graduating from university

Source: Department of Statistics(n.d.)



Higher education has expanded since 1997(Figure 1), and then the supply of undergraduate students in labor market has increased fast. However, the rate of unemployment grows fast, especially the unemployment of higher education(Figure 2). Is value of Bachelors is still high?

Figure 2 Rate of unemployment



Source: National Statistics(n.d.)

Note: The unemployment of higher education includes bachelors, and the graduates who get master and Ph.D.

Purpose

1. Does the students with diplomas of public universities get better social economic status than students with the private?

From human capital theory approaches, young people invest in themselves and their futures at school, so reap the returns in labor market. However, after higher education expansion, does it really make huge differences between entering public and private universities?

2. The mediation mechanism: the effect of diplomas could change via experiences, or other mechanism.

After considering some mediation mechanisms, does public or private universities still matter? After putting in some variables such as SES, experiences or gender, the relationship between university diplomas and social economic status may become non-significant or significantly smaller.

3. Recommendation of policy

Last but not least, the most important of all my goals is to make some suggestions for educational policy makers. That is, by more resources invested in human capital training at school and experiences accumulating like university, public vs. private school differences will gradually be cut down, and then all college students could learn in an adaptive and equal system. Therefore, education should play an active role in every student's life.

Literature Review

1. Human capital

The returns of university are the hot issues for a long time(Becker, 1960), such as economists, sociologists, and educationists, they all have lots of results about this field. According to Becker & Chiswick(1966), they assumes that everyone strives to maximize their economic welfare by accumulating appropriate amount in human capital, and the distribution of earnings is determined by the distribution of investments and the rates of return. These determinants are always related to lots of "institutional" factors : inheritance of property income, equality of opportunity, distribution of abilities, subsidies to education, and others about human capital.

Becker & Tomes(1986) shows that the parents in the rich families can borrow to finance and use this inheritability of endowment to help their children. However, poor families have difficulty financing investments in children, so they cannot transport their human capital rapidly. Their view seems the same as Taiwan, because Taiwan's parents strive to help their children, and take it for granted that children get higher social economic status with public diplomas, so that is the reason why parents always encourage to their children entering public universities.

According to Becker & Chiswick(1966), here is our hypothesis:

Hypothesis 1: On the social economic status, people with public universities will get higher than the people with private ones.

2. The effect of on-the-job training

Mincer(1962) points out that on-the-job training has positive effect on social economic status from Unites States Cases, and he also thinks on-the-job training plays a important role in labor market, and the effect of on-the-job training could be large.

But, Chuang(2007) thinks on-the-job training in Taiwan have not significant effect on salaries, but he also thinks that this results must need more evidence to support.

From Mincer(1962) & Chuang(2007), here is our hypothesis:

Hypothesis 2: After putting the on-the-job training, the effect of public universities will be non-significant.

3. Comparing the effect of experiences with diplomas.

Experiences play crucial roles at employee's career on account of Tsay & Lin(2002) and Chuang(2007). From Mincer(1958), he points out that age measured as both process of acquiring experience and biological growth and decline, and people get higher current salaries after getting experiences. Mincer(1958) also thinks that effect of biological aspect includes growth and decline, and effect of growth is pronounced and effect of decline is less pronounced.

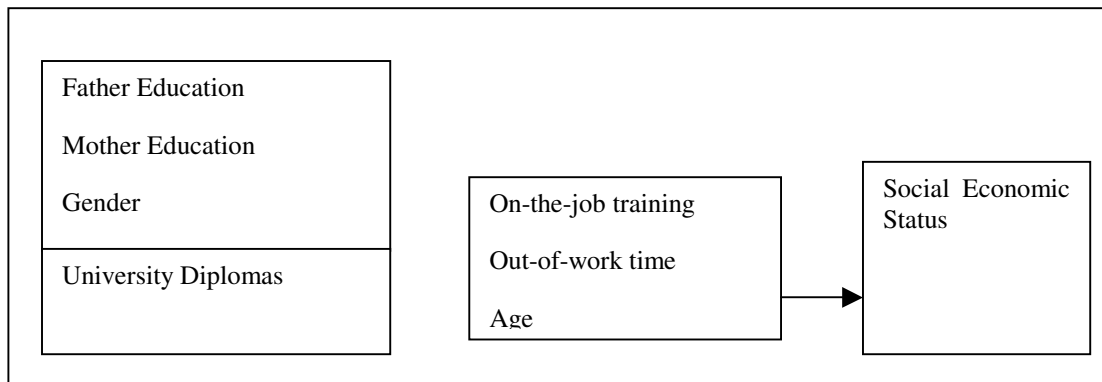
So from Mincer(1958), age could accumulate experience, because someone gets more experience, and then someone could be older. But if someone is out-of- work, he/she could not get the experience from work. So I also test the out-of-work time, and test the effect of age.

From Mincer(1958), Tsay & Lin(2002) and Chuang(2007), third hypothesis is:

Hypothesis 3: After putting the age, the effect of public universities will be non-significant.

Data and Methods

1. Conceptual Framework



2. Data and Methods

This study examines the effect of public and private university diplomas on social economic status by using the 2007 Taiwan Social Change Survey (TSCS)¹. The data of TSCS is started from 1983 and collected by Institute of Sociology, ACADEMIA SINICA. My method is hierarchical regression analysis.

Primary Finding

Finding shows that students from public universities get higher current salaries than students from private ones, but the effect of university diplomas become non-significant after putting age, and on-the-job training has effect.

Male gets higher current salaries than the female. Effect of parents' education doesn't have positive effect on children's current salaries.

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¹ Data analyzed in this paper were collected in the fifth cycle's third year survey of the research project "Taiwan Social Change Survey". The project was conducted by the Institute of Sociology, Academia Sinica (surveys before the first year of the third cycle were conducted by the Institute of Ethnology, Academia Sinica), and sponsored by the National Science Council, Republic of China.

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