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The Returns to Flexible Postsecondary Education: The Effect of Delaying School

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**The Returns to Flexible Postsecondary Education:
The Effect of Delaying School¹**

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Abstract. We investigate the returns to postsecondary education relaxing the standard assumption that it proceeds in a continuous manner. Using a unique survey that collects information on a representative cohort of graduates, we are able to estimate the effects of delaying school among successful graduates abstracting from specific macroeconomic conditions at the time of graduation. Our results show that graduates that delayed their education receive a premium relative to graduates that did not, even after considering other factors such as experience or labour market connections. These estimates are robust to the possibility of selection in the decision to return to school.

JEL classification: J24, I2

Keywords: Human capital, postsecondary education, flexible school choice, school delay

Executive Summary

Rapidly changing technologies and increasing costs of postsecondary education induce individuals to delay education or to return to school to update productive skills. As a result, the fraction of individuals who engage in education after some time away from learning institutions increases. With few exceptions, traditional models that analyze the returns to education do not take into account the flexibility of schooling choices. This paper considers flexible post secondary educational choices, and estimates the returns to delaying post-secondary schooling using the Canadian National Survey of Graduates (NSG) 1995. This information is not only of interest for students and institutions of learning. At a time of intense debate about how government, institutions, and students should share the costs of postsecondary education, it is important to have as complete as possible knowledge of the returns to different programs and disciplines of study. In addition, we conduct separate analysis for universities and colleges, which allows us to contribute to the debate about the value of the skills learned in different institutions.

We consider four type of graduates: (a) *Single degree continuing graduates or traditional* (mainly high school graduates that proceeded directly to postsecondary education) (b) *Multiple degree continuing graduates* (those who were also in school before enrolment, but had obtained at least one previous postsecondary degree) (c) *Single degree delayed graduates* (those who delayed their postsecondary education after high school to work or to pursue other activities) and (d) *Multiple degree delayed graduates* (those who attained some level of postsecondary education but delayed the completion of additional postsecondary education to work or pursue other activities)

We find that:

- Graduates from non-university post-secondary institutions. Relative to traditional college and trade school graduates, substantial premiums exist for delayers (3%) and delayers with multiple degrees (10%). These premiums are realized for individuals who were working between education periods. However, no penalty exists for those who were unemployed or out of the labour force. They earn the same returns for their degree than traditional graduates. Continuers with multiple degrees earn a premium only if they complete a second trades certificate or diploma.
- Graduates from universities. Those that delay university (bachelor) education experience a premium of 8% relative to traditional bachelor graduates, if they were in the labour force between education periods. Those who were out of the labour force, however, experience substantially lower earnings (20% lower). Continuing graduates with multiple degrees earn on average 13% more than traditional graduates, but only if their previous degree was a university degree as well.
- These returns diminish by half, but remain significant, five years after graduation.

The above figures underestimate the returns to delay because they do not take into account that students who choose to delay might be different from those who do not. More accurate returns are on the order of 13% for non university institutions and 26%

for university institutions. Therefore, these findings add to previous studies that suggest that individuals with higher opportunity costs of schooling may have relatively high returns to education.

Due to the nature of our data, we cannot conclude that this premium would exist for all cohorts of graduates. We can conclude, however, that for those students from the class of 1995 who were back in school after a period of absence from learning institutions, the interruption did not have a negative impact on earnings when compared to continuously enrolled students.