

DRAFT
Comments on the Ferrer paper
‘Sheepskin Effects and the Returns to Education’

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General

This paper is an important first step for Canadian policy makers. It provides an excellent review of research to date and, using an excellent national database, focuses on aspects of the Canadian experience. This strength is, in some respects, a weakness. Because of the lack of homogeneity in Canadian education, the paper with its focus on ‘a national sample’ is unable to relate the effects found to province specific education delivery mechanisms. Given that the locus of control of education in Canada is provincial, future research certainly needs to move to a focus on the provincial differences and their effects. There are substantial structural differences among provinces. At the high school level, different years are required to earn a high school diploma. (This has been mitigated somewhat as Ontario is currently implementing the elimination of grade 13 but, Quebec still has an 11 year program.) Similarly, the community college systems are quite different in many provinces and it certainly would be of real interest to policy makers if the sheepskin effects between the different models were studied.

The returns on the baccalaureate credential in both the U.S. and Canada are remarkably similar (24%-28%). Surprisingly (at least to this reader), the returns to a high school diploma are about 50% smaller in Canada than in recent U.S. studies. It would have been interesting had the authors speculated on the reasons for these differences or, at least suggested further studies that might explain the differences.

At the community college level in Canada, several areas of further research are apparent. One is struck by the relatively low returns to a college or trade diploma or certificate when compared to a bachelor’s degree. This is a difference that requires further study. College diplomas need to be disaggregated to determine the impacts of different types of programs such as; general arts, business, technical, and specific trade focused programs. In a country with a chronic undersupply of qualified trades persons, this apparent ‘earnings disincentive’ is something we can ill afford. Certainly, the authors’ data suggest there are strong earnings incentives for students to pursue bachelors degrees and to eschew college education. Why is the credential effect so large? Is this because of a ‘masking effect’ of ‘arts type programs? Is the definition used here is too generic and insufficiently focused to determine the credential effect of trades or technical programs? It would be interesting to find if more focussed trade or technology programs can mitigate the earnings gap. If the data sets exist, it would be useful to conduct a similar study to this in some European countries to determine if, with their more focussed trades education approach, there are larger earnings returns to college and/or trades education than those found in Canada? If there are differences, policy makers could then consider a range of incentives designed to attract more students into the programs to train short supply skill trades.

The study found that those with both a university degree and college certificates have lower earnings than those with a university degree alone? This is counter-intuitive. It would be helpful if the authors could speculate on the reasons for this finding.

Some policy questions

1. Given the large differences in earnings related to bachelor's degrees, should student fees more directly reflect earning potential? Should fee incentives be in place for areas of skill shortage?
2. Given the fact that there appears to be little 'earnings effect' for degrees beyond the bachelors, what types of incentives might attract more candidates into doctoral study leading to the professoriate?
3. What might high school guidance programs do to publicize the earning impact of credentials?