Segmentation and Return to Higher Education: a microsimulation of the French Case

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We assess the issue of return to higher education in France considering a segmentation hypothesis. We use a dynamic microsimulation model to analyze the distribution of higher education returns for the generation born in 1970. Using a life course perspective, our demographic model reproduces the links between educational system and labor market as they appear in the French Labor Force Survey 2003-2005. The education system is apprehended by types of diplomas (20 items) whereas the labor market is apprehended by the distribution of careers corresponding to those diplomas (wages, unemployment risk, etc.). We show that in the French case, the returns to higher education do not increase with years of schooling; it rather follows a U-shaped curve. A more intuitive result is find, when we disaggregate these result based on a segmentation hypothesis. In the French higher education system there is two different higher education paths: the tertiary school system (BTS, Business Schools, Engineer Schools) and the University. When one considers separately these two systems, the returns to higher education do increase with the years of schooling. More generally, this result shows that the common assumption of linearity of schooling years, is misleading to analyze return to education. The links between higher education and labor market have to be assessed in a more comprehensive way.