

Returns to Education in the Russian Federation: Towards Evidence Based Decision Making with Social and Private Returns to Education

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Data and Code

Thanks are due to Rosstat for making the anonymized Statistical Survey of Income and Participation in Social Programs micro-data readily available for researchers around the world. The code used for this paper is made freely available for all researchers at <https://bitbucket.org/zagamog/edreru/src/master/>

This paper is the third in a series of working papers investigating the returns to education in the Russian Federation. This paper uses regionally representative household survey data to determine the rates of return to education in different regions. Returns show a wide dispersion together with the labor market context. With a view to support development of specially selected depressed regions, the paper provides a set of policy conclusions to improve the human capital in the regions. This paper will support policy directed towards reducing development disparities between Russian regions.

KEYWORDS

Returns to Education, Russian Federation, Regional Analysis
JEL Codes: I26, I28, J240, R110

1 | ESTIMATING REGIONAL RETURNS TO EDUCATION

1.1 | Motivation for this study

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TABLE 1.1 Average Earnings reported by graduate.ru

	Mean	Std	Quantile.25.	Quantile.50.	Quantile.75.
College Graduates Avg. Earnings 2014	301,255	81,712	247,093	279,156	328,995
College Graduates Avg. Earnings 2015	281,567	76,821	229,697	261,667	311,208
College Graduates Avg. Earnings 2016	287,918	80,574	233,763	267,480	320,583
University Graduates Avg. Earnings 2014	411,050	152,936	300,829	365,771	481,628
University Graduates Avg. Earnings 2015	419,488	158,256	304,798	368,518	496,961
University Graduates Avg. Earnings 2016	433,387	175,586	305,856	380,304	508,152

1.2 | Previous estimates of regional returns for Russia

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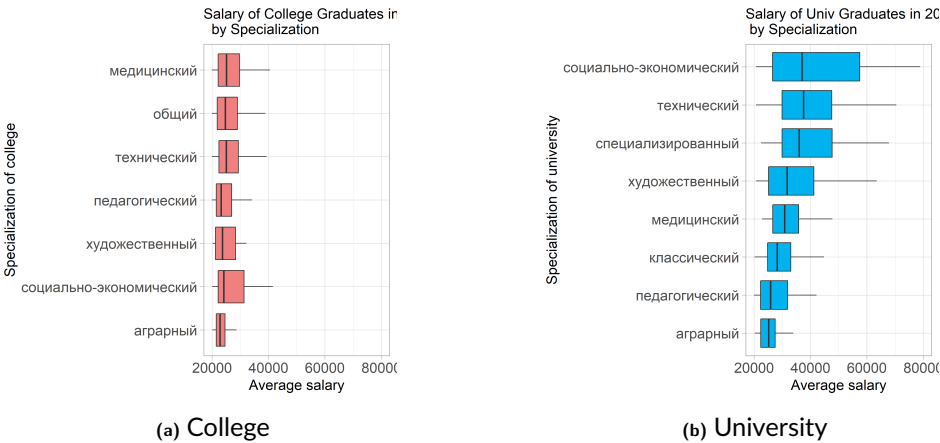


FIGURE 1.1 Salary of Graduates by Study Specialization

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1.3 | Data

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1.4 | Methods

The Mincerian equation with an added gender dummy is the main focus in the regional investigation of returns to education in Russia: in this section we look at how these returns vary across regions. Additionally, we explore the determinants of the established variation through a random effects regression analysis. The equations of interest are as follows:

First level:

$$\text{Log(Wage)}_{ij} = b_{0j} + b_{1j} \cdot \text{Educ} + b_{2j} \cdot \text{Exp} + b_{3j} \cdot \text{Exp}^2 + b_{4j} \cdot \text{Gender} + \epsilon_{ij} \quad (1)$$

Second Level:

$$b_{0j} = \gamma_{00} + \gamma_{0n} \cdot Z + u_{00}; \quad b_{1j} = \gamma_{10} + \gamma_{1n} \cdot Z + u_{10}; \quad b_{ij} = \gamma_{i0} \quad \text{for } i \neq 0 \quad (2)$$

Salary of University Graduates by Study Area in 2014 and 2016



FIGURE 1.2 Salary of Univ Graduates 2014 to 2016

TABLE 1.2 Derivation of College and University costs from bus.gov.ru data

Colleges			
	Mean	Quantile.25.	Quantile.75.
Total Cash Receipts - mean for 2012-2017	106,233,973	47,882,033	109,940,985
Cash Receipts from Paid Services	13,423,225	4,220,980	17,147,603
Cash Receipts from Targeted Subsidies	13,644,089	2,973,843	13,122,018
Cash Receipts from the Budget Investments	380,156	-	-
Cash Receipts from the State (Municipal) Tasks	71,886,730	34,835,450	77,701,603
Social Cost per student for Colleges	206,856	110,175	248,683
Private Cost per student (excludes govt. revenue sources)	24,287	10,204	32,854
Universities			
Total Cash Receipts - mean for 2012-2017	1,557,966,861	488,137,618	1,555,625,338
Cash Receipts from Paid Services	553,941,067	133,154,544	663,924,931
Cash Receipts from Targeted Subsidies	219,389,727	75,000,342	220,372,051
Cash Receipts from the Budget Investments	35,201,477	-	3,125,759
Cash Receipts from the State (Municipal) Tasks	653,606,278	246,276,440	649,967,746
Social Cost per student for Universities	264,869	107,278	308,393
Private Cost per student (excludes govt. revenue sources)	97,452	34,450	112,030

where an individual i is nested within a region j , $Log(Wage)$ is the logarithm of monthly wage, $Educ$ stands for highest attained level of education, Exp and Exp^2 reflect the years of working experience and its quadratic term respectively, $Gender$ is a dummy variable for gender, Z is an $n \times i$ matrix of regional characteristics, ϵ and u_{00}, u_{10} are the first- and second-level errors respectively.

1.4.1 | Left Hand Side (LHS) variable

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1.4.2 | Right Hand Side (RHS) variables

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SOCIAL AND PRIVATE IRR UNIVERSITIES

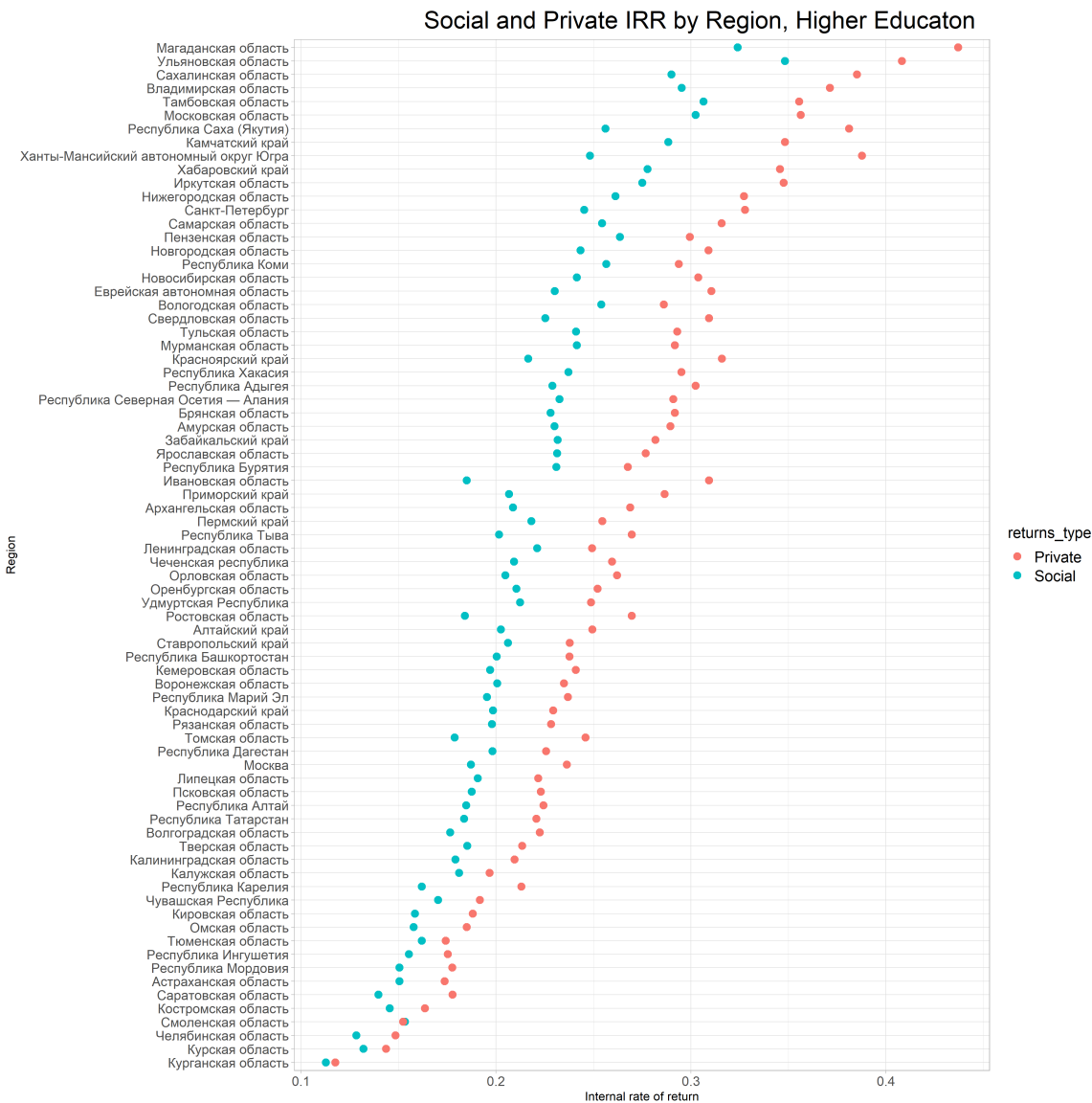


FIGURE 1.3 Salary of Univ Graduates 2014 to 2016

SOCIAL AND PRIVATE IRR COLLEGES

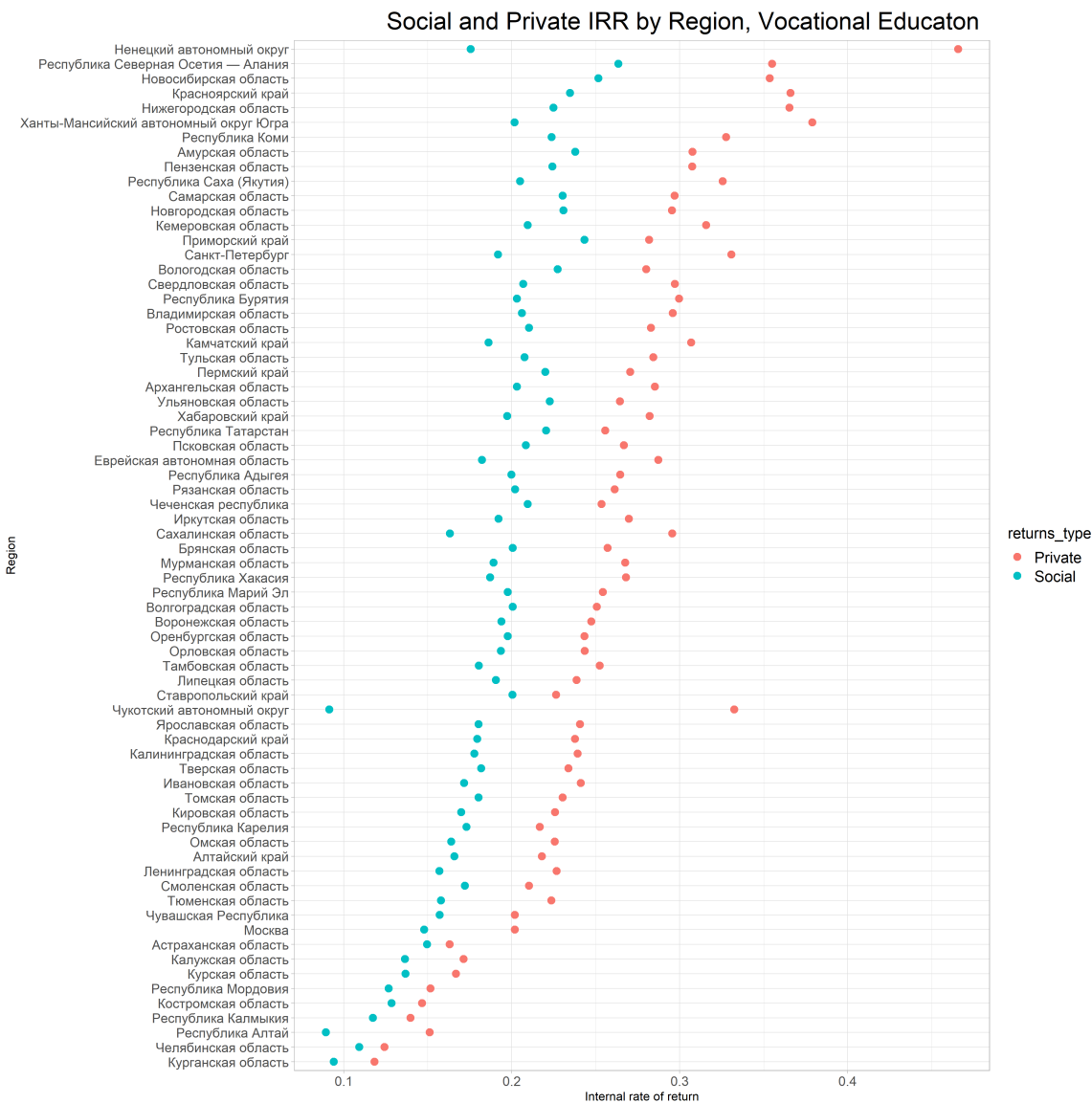


FIGURE 1.4 Salary of Univ Graduates 2014 to 2016

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$$\{b_{1j}|Z = 1\} = \gamma_{10} + 1 \times \gamma_{1n}$$
$$\{b_{1j}|Z = 0\} = \gamma_{10}$$
$$\{b_{1j}|Z = -1\} = \gamma_{10} - 1 \times \gamma_{1n}$$

(3)

Appendix Table A1 demonstrates descriptive statistics of the key variables of interest by regions.

1.5 | Estimation Results of Regional Analysis

ZE SCATTER PLOT

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2 | ORGANIZATIONAL RETURNS

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3 | CATEGORIZATION OF PRIORITY REGIONS

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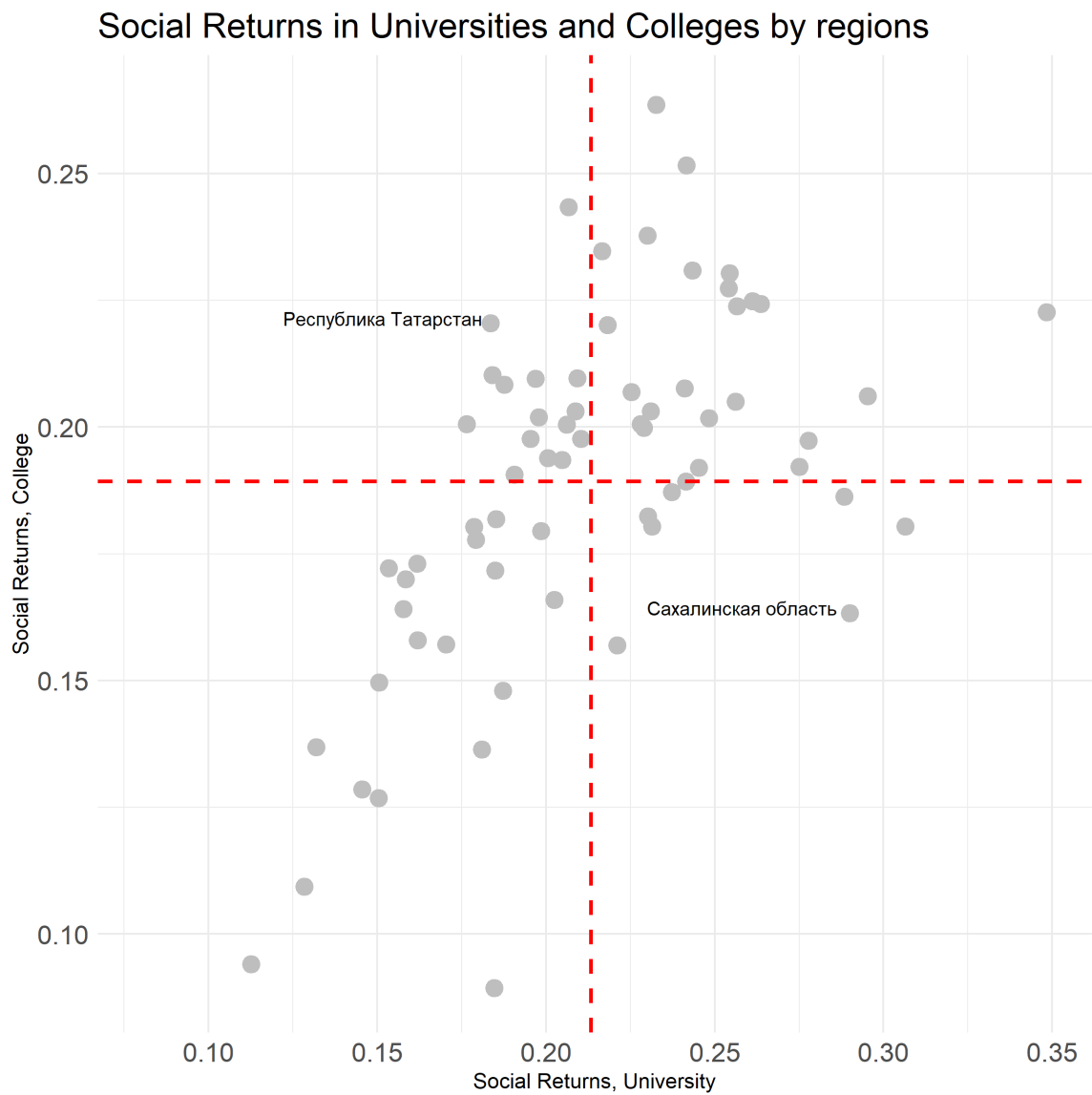


FIGURE 1.5 Salary of Univ Graduates 2014 to 2016

TABLE 2.1 Social and Private Returns by Institution: Top and Bottom 10

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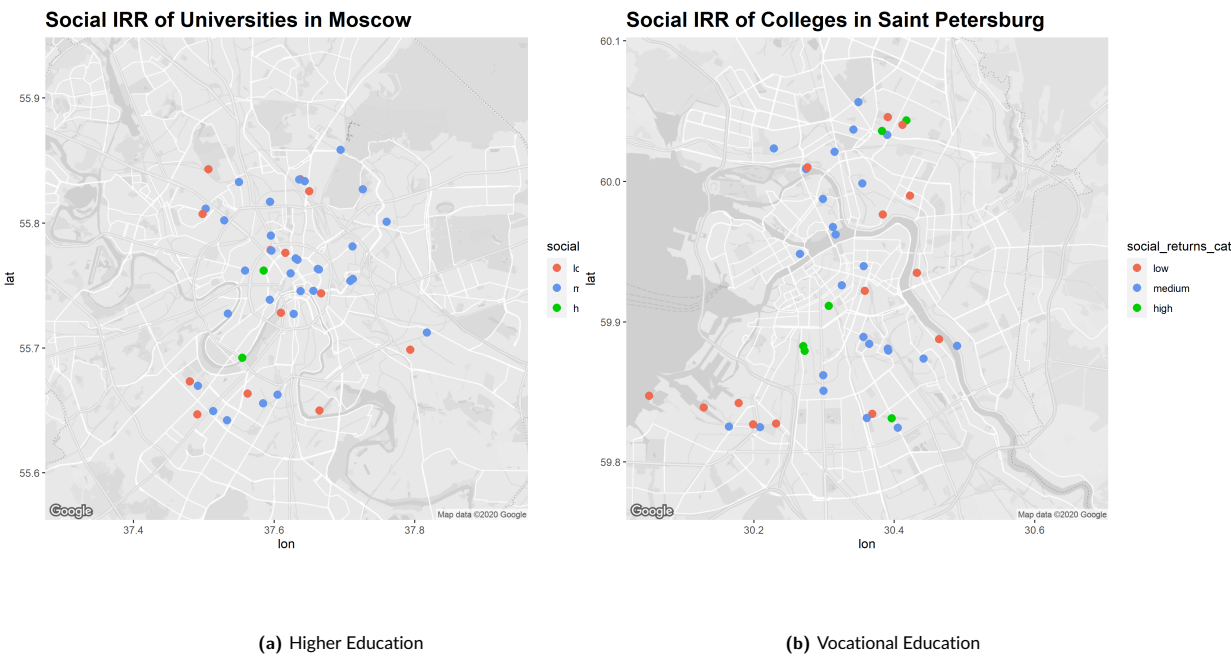


FIGURE 2.1 Social IRR of Universities in Moscow and St. Petersburg

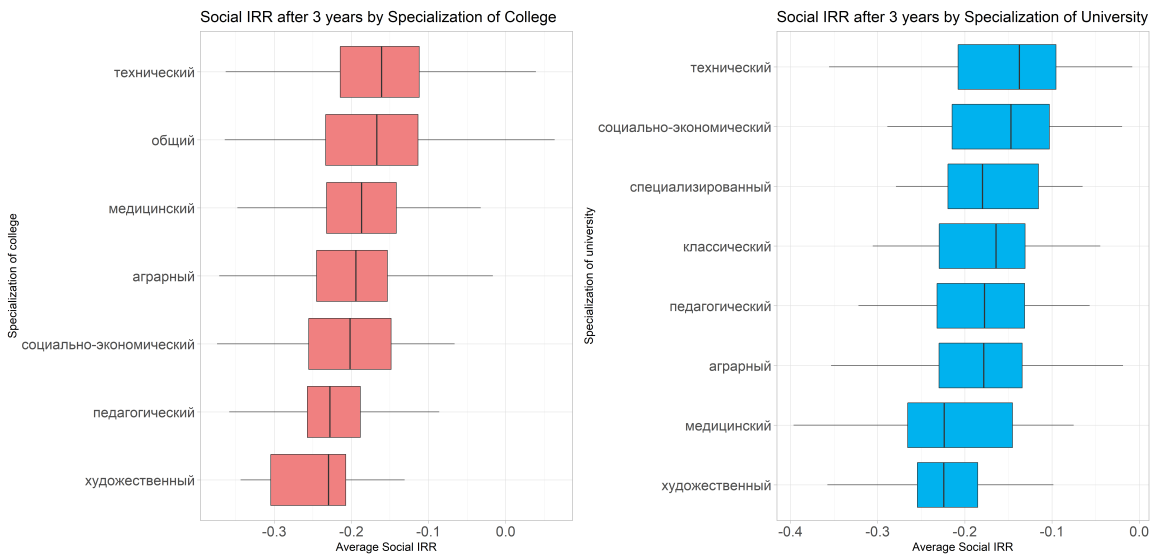


FIGURE 3.1 Salary of Univ Graduates 2014 to 2016

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Appendix

TABLE A1 Descriptive Statistics for Regions in Russia, Rosstat 2018

Regions	N	Wage		Experience		Education, %			Gender, %	
		mean	sd	mean	sd	SE	VE	HE	Males	Females
Altayskiy Kray	4646	22127.6	11952.2	23.6	11.0	17.456	54.50	28.05	48.90	51.10
Amurskaya Oblast	2557	33441.2	17409.0	23.2	11.2	16.347	50.65	33.01	49.59	50.41
Arkhangelskaya Oblast	3183	33438.1	16884.2	22.6	10.6	12.692	54.95	32.36	44.17	55.83
Astrakhanskaya Oblast	2836	26474.1	13737.6	23.0	11.3	13.646	55.08	31.28	50.99	49.01
Belgorodskaya Oblast	3692	26281.0	10811.9	23.8	11.1	12.351	54.47	33.18	49.76	50.24
Bryanskaya Oblast	3087	22482.3	9634.1	23.5	10.9	19.631	50.66	29.71	48.66	51.34
Chechenskaya Respublika	2010	27718.4	11793.2	18.7	10.6	25.721	26.37	47.91	65.37	34.63
Chelyabinskaya Oblast	6717	27990.8	14280.9	23.9	11.2	12.104	54.53	33.36	47.39	52.61
Chukotskiy Aok	1535	65574.1	32370.8	23.6	10.6	13.941	46.06	40.00	43.97	56.03
Chuvashskaya Respublika	3248	21453.7	12602.2	24.3	11.0	19.119	50.80	30.08	50.18	49.82
Evreyskaya AObl	1536	28532.1	17385.1	23.8	11.2	22.005	50.33	27.67	50.00	50.00
Irkutskaya Oblast	4686	29967.6	17443.1	22.3	11.2	17.520	47.06	35.42	47.57	52.43
Ivanovskaya Oblast	2876	24881.8	12496.8	23.3	10.9	20.341	49.90	29.76	47.77	52.23
Kabardino-Balkarskaya Res.	2006	23592.3	10766.2	21.7	11.6	21.137	40.53	38.33	52.04	47.96
Kaliningradskaya Oblast	2838	29749.2	15489.1	23.5	11.4	13.495	52.40	34.11	50.07	49.93
Kaluzhskaya Oblast	3155	29662.1	12879.5	24.1	11.2	13.312	52.11	34.58	47.92	52.08
Kamchatskaya Kray	2203	51160.5	29997.7	23.1	11.2	13.118	42.99	43.89	47.89	52.11
Karachayevo-Cherkessiya	1510	22900.6	12540.8	22.0	11.8	17.152	40.07	42.78	48.01	51.99
Kemerovskaya Oblast	5056	26287.0	13774.4	23.6	11.3	18.137	52.99	28.88	48.04	51.96
Khabarovskiy Kray	3731	42008.8	21837.8	22.3	11.2	11.900	44.33	43.77	46.15	53.85
Khanty-Mansiyskiy Aok	4335	50837.9	22261.7	22.8	10.5	13.564	46.78	39.65	49.60	50.40
Kirovskaya Oblast	3284	22941.0	13674.6	25.1	11.2	20.128	55.33	24.54	47.69	52.31
Kostromskaya Oblast	2518	23993.1	12090.9	23.6	11.1	12.669	61.28	26.05	47.82	52.18
Krasnodarskiy Kray	8730	32563.7	17499.8	23.0	10.9	15.888	48.57	35.54	50.02	49.98
Krasnoyarskiy Kray	5540	33954.6	21199.2	23.0	11.0	21.588	48.05	30.36	49.64	50.36
Kurganskaya Oblast	2468	20896.9	11539.5	24.4	10.7	21.394	52.47	26.13	48.38	51.62
Kurskaya Oblast	2956	23622.6	11475.0	23.9	11.0	14.783	52.17	33.05	50.30	49.70
Leningradskaya Oblast	4506	32124.3	17227.4	24.2	11.5	7.723	54.77	37.51	46.03	53.97
Lipetskaya Oblast	2869	25037.8	10813.5	24.1	11.0	13.106	53.82	33.08	49.60	50.40
Magadanskaya Oblast	1841	51000.8	23729.4	24.1	11.4	18.523	43.02	38.46	43.24	56.76
Moscow	29921	66263.5	26437.9	20.8	10.8	4.953	32.18	62.86	47.06	52.94
Moskovskaya Oblast	13431	46725.1	20563.7	22.6	11.4	10.975	39.13	49.89	47.51	52.49
Murmanskaya Oblast	3078	43992.5	28841.9	23.4	11.2	12.801	50.45	36.74	49.84	50.16
Nenetskiy Aok	1118	54467.3	23147.1	22.6	10.8	17.263	49.73	33.01	39.98	60.02
Nizhegorodskaya Oblast	6139	30912.9	13291.8	23.4	11.2	16.941	49.31	33.75	47.42	52.58
Novgorodskaya Oblast	2673	26856.0	12683.0	24.6	11.2	15.638	55.74	28.62	45.16	54.84
Novosibirskaya Oblast	5374	29229.9	14687.7	23.9	11.6	16.561	49.33	34.11	47.06	52.94
Omskaya Oblast	3978	25337.5	14613.1	23.6	10.9	22.197	51.31	26.50	51.11	48.89
Orenburgskaya Oblast	4190	24207.0	12519.9	23.3	11.0	15.131	53.68	31.19	51.29	48.71
Orlovskaya Oblast	2424	21901.2	10561.0	24.7	11.1	15.017	50.66	34.32	46.99	53.01
Penzenskaya Oblast	3103	23478.4	10982.9	24.2	11.0	20.722	51.40	27.88	51.02	48.98
Permskiy Krai	5290	29176.6	14449.4	23.4	11.0	13.894	58.32	27.79	48.17	51.83
Primorskiy Kray	4104	37839.9	18420.2	23.8	11.3	14.985	52.97	32.04	49.98	50.02
Pskovskaya Oblast	2382	23838.4	12015.3	25.0	11.0	17.632	55.33	27.04	48.11	51.89
Respublika Adygeya	2013	21350.3	10505.9	23.4	11.3	20.666	43.67	35.67	49.53	50.47

TABLE A1 Descriptive Statistics for Regions in Russia, Rosstat 2018

Regions	N	Wage		Experience		Education, %			Gender, %	
		mean	sd	mean	sd	SE	VE	HE	Males	Females
Respublika Altay	1381	20285.3	12029.5	23.0	10.6	23.027	45.26	31.72	43.08	56.92
Respublika Bashkortostan	7126	31100.8	15175.2	23.4	11.0	12.167	56.67	31.17	51.98	48.02
Respublika Buryatia	2469	29536.3	17237.4	22.1	10.6	17.173	45.61	37.22	48.12	51.88
Respublika Crimea	2895	19916.2	9743.9	22.8	11.0	21.244	43.90	34.85	52.99	47.01
Respublika Dagestan	3388	26377.3	11971.9	23.0	10.7	30.519	30.79	38.70	55.99	44.01
Respublika Ingushetiya	1207	23740.2	10168.5	18.2	9.6	10.025	18.89	71.09	61.14	38.86
Respublika Kalmykiya	1751	18568.8	11749.1	23.6	11.4	15.762	40.89	43.35	46.43	53.57
Respublika Karelia	2164	28510.2	16639.5	23.7	10.8	17.144	55.45	27.40	47.00	53.00
Respublika Khakasiya	2064	27288.1	16613.3	23.3	11.1	22.045	51.11	26.84	50.97	49.03
Respublika Komi	2972	35891.6	21554.4	23.8	11.0	16.689	53.47	29.85	46.67	53.33
Respublika Mariy El	2486	21133.1	11941.6	24.1	11.2	18.785	52.98	28.24	47.87	52.13
Respublika Mordovia	2236	21221.0	10837.3	23.1	11.2	15.519	49.11	35.38	48.35	51.65
Respublika Saha (Yakutia)	3243	45763.1	25001.6	23.2	11.3	18.440	45.76	35.80	46.69	53.31
Respublika Severnaya Osetiya	2114	22993.1	12762.5	21.8	11.3	12.677	40.92	46.40	48.91	51.09
Respublika Tatarstan	7212	30327.9	12928.8	23.5	11.1	18.691	48.64	32.67	51.48	48.52
Respublika Tyva	1704	23421.9	16851.3	21.4	10.0	19.777	44.78	35.45	40.43	59.57
Rostovskaya Oblast	6985	28287.2	12779.9	23.1	11.0	15.476	48.03	36.49	50.68	49.32
Ryazanskaya Oblast	2609	25889.2	11760.9	24.7	11.1	12.457	59.37	28.17	49.18	50.82
Saint-Petersburg	11352	48520.8	23771.0	22.8	11.4	5.259	38.15	56.59	46.04	53.96
Sakhalinskaya Oblast	2258	50325.1	25563.0	23.6	11.2	17.493	48.23	34.28	46.94	53.06
Samarskaya Oblast	6275	32584.4	15015.6	23.8	11.1	11.331	47.87	40.80	47.71	52.29
Saratovskaya Oblast	4572	23698.6	12322.4	23.7	10.8	14.961	50.22	34.82	50.42	49.58
Sevastopol	1489	24811.3	13498.9	22.4	11.2	9.671	44.93	45.40	53.32	46.68
Smolenskaya Oblast	2726	25517.8	12104.9	24.6	11.3	14.380	52.31	33.31	46.04	53.96
Stavropolskiy Kray	4945	25263.6	12696.7	22.6	11.3	16.946	43.80	39.25	47.48	52.52
Sverdlovskaya Oblast	7712	35983.2	15242.7	23.6	11.3	16.779	54.94	28.28	48.59	51.41
Tambovskaya Oblast	2781	22698.6	10440.1	24.1	11.0	16.397	53.54	30.06	50.67	49.33
Tomskaya Oblast	3074	29580.6	16745.7	22.1	11.1	13.500	47.56	38.94	46.78	53.22
Tulskaya Oblast	3516	27687.4	11814.7	24.3	11.3	17.491	54.69	27.82	48.98	51.02
Tverskaya Oblast	3157	26310.0	15025.1	25.5	11.1	14.824	56.57	28.60	44.73	55.27
Tyumenskaya Oblast	3095	31441.2	17278.6	22.7	11.2	16.123	52.89	30.99	50.05	49.95
Udmurtskaya Respublika	4073	24044.6	11540.9	23.9	11.3	20.108	51.04	28.85	46.99	53.01
Ul'yanovskaya Oblast	3109	23215.3	10596.4	24.8	10.9	19.170	53.84	26.99	50.37	49.63
Vladimirskaia Oblast	3502	25001.4	12605.8	24.5	11.4	19.503	50.77	29.73	46.49	53.51
Volgogradskaya Oblast	4836	24459.0	12915.8	23.2	11.0	15.881	50.91	33.21	49.69	50.31
Vologodskaya Oblast	2965	28248.9	16693.8	23.9	11.2	17.302	57.47	25.23	49.61	50.39
Voronezhskaya Oblast	4348	26261.9	11813.9	23.6	11.5	22.700	43.38	33.92	48.37	51.63
Yamalo-Nenetskiy Aok	3164	69356.7	28075.6	21.0	10.4	10.683	40.27	49.05	48.74	51.26
Yaroslavskaya Oblast	3361	30261.4	14682.8	24.1	11.4	16.215	53.73	30.05	47.01	52.99
Zabaykalskiy Kray	3017	28336.6	16350.4	23.0	10.6	24.561	47.40	28.04	47.07	52.93

TABLE A2

	Null model	Mincerian	Random Slope	Cross-Level Interaction
	(1)	(2)	(3)	(4)
Constant	10.178*** (0.034)	10.032*** (0.034)	10.056*** (0.036)	10.065*** (0.036)
Vocational		0.283*** (0.009)	0.279*** (0.021)	0.267*** (0.021)
Higher		0.638*** (0.009)	0.641*** (0.025)	0.622*** (0.025)
Coverage VE X Vocational				0.050** (0.025)
Coverage VE X Higher				0.083*** (0.030)
Experience		-0.026*** (0.002)	-0.027*** (0.002)	-0.027*** (0.002)
Experience squared		-0.065*** (0.002)	-0.065*** (0.002)	-0.065*** (0.002)
Females		-0.403*** (0.005)	-0.404*** (0.005)	-0.404*** (0.005)
Coverage VE			-0.101*** (0.039)	-0.142*** (0.043)
Variance of Intecept	0.09	0.08	0.09	0.09
Variance of Vocational			0.02	0.02
Variance of Higher			0.04	0.04
Residual Deviance	0.45	0.35	0.34	0.34
sigma	0.67	0.587	0.584	0.584
deviance	119505.212	106528.235	106137.315	106129.127
df.residual	49184	49179	49173	49171
Observations	49,187	49,187	49,187	49,187
Log Likelihood	-59,755.060	-53,289.500	-53,094.620	-53,096.640
Akaike Inf. Crit.	119,516.100	106,595.000	106,217.200	106,225.300
Bayesian Inf. Crit.	119,542.500	106,665.400	106,340.500	106,366.100

Note:

*p<0.1; **p<0.05; ***p<0.01