

RESEARCH AND TEACHING

Christoph Hedtrich

Edinburgh University

Giulia Vattuone

Stockholm University

December 10, 2025

MOTIVATION AND RESEARCH QUESTION

- Large earnings differences across graduates of different universities
- Selection or value added by university?
- Value added by initial skill of students: Does university value added differ between low and high skill high school graduates?
- Do universities selectivity and value added by initial skill covary?
 - ◇ Tracking logic: if only selective universities are able to provide value added for most able students, but non-selective universities are not → motivation to segregate university students by skill
 - ◇ only holds if lower skill students pose a negative externality on other students, which should be true due to congestion (decreasing returns to scale) even without direct peer effects
- Later: Which inputs matter for value added (by initial skill)?

CONTRIBUTION

- Mountjoy and Hickman (2021)
 - ◇ Allow for heterogeneity in value added by pre-university skills of students. Lack of value added differences in baseline estimates might be hidden due to sorting+heterogeneity in treatment effects
 - ◇ Combine typical input measures with "research quality" of faculty
- Roca and Puga (2016)
 - ◇ Dynamic gains to universities - closely linked to locations due to granularity and location of universities

METHOD/APPROACH

- start roughly like Mountjoy and Hickman (2021), review heterogeneity in value added

DATA OVERVIEW

1. Earnings differences across universities (-Field)

- ◇ Average earnings at age 30,35,40
- ◇ Earnings difference between 40 and 30
- ◇ Total Earnings 30-40 (cumulative)
- ◇ Number of observations

2. Selection vs. Value Added

- ◇ Student selection - high school grades (year 9?, 12)

3. "Value Added" Components:

- 3.1 genuine increase in human capital
- 3.2 exposure to better firms/labor market, including better sorting (Q is occupation distribution within a field more dispersed in small markets?)

4. "Value added" by high school grade (year 9?, 12) (simply bin)

REFERENCES I

- Mountjoy, Jack, and Brent R Hickman.** 2021. “The returns to college (s): Relative value-added and match effects in higher education.” Technical report, National Bureau of Economic Research.
- Roca, Jorge De La, and Diego Puga.** 2016. “Learning by Working in Big Cities.” *The Review of Economic Studies* 84 (1): 106–142. [10.1093/restud/rdw031](https://doi.org/10.1093/restud/rdw031).

TABLES AND FIGURES