

Education Choices and Returns on the Labour and Marriage Markets: Evidence from Data on Subjective Expectations.

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Abstract

The goal of this paper is to improve our understanding of educational decisions in the following dimensions: We are interested in the role of expected labour and marriage market returns as determinants of schooling decisions and in whether their role differs for male and female youths. In particular, we analyze whether individuals' expectations about monetary returns to schooling, perceived risks of earnings and unemployment for different schooling scenarios and returns to schooling in the marriage market help to predict their decisions. To address these questions we use a data set on Mexican senior high school graduates that elicits their beliefs about future labour market outcomes for different scenarios of highest schooling degree. In addition we construct proxies for returns in the marriage market and have information about the actual schooling choice and an extensive set of controls.

We find that both boys and girls expect high returns to college education. At the same time we find that labour market expectations, in particular expected returns to college, are an important determinant for boys, while they play a more limited role for girls. Marriage market considerations on the other hand appear to be more important for girls.

JEL-Classification: I21, I22, O15

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1 Introduction

In a standard model of human capital accumulation, individuals make decisions about school attendance taking into account the distribution of future returns of different education choices. Expected utility maximizers should consider the returns of alternative choices and career paths to inform their choices. The monetary return on the labour market, however, might not be the only relevant dimension individuals take into account when making these choices. It is possible, for instance, that getting a degree will not only enable an individual to command a higher level of earnings in the labour market but also give her or him access to better opportunities in the marriage market.

The goal of this paper is to improve our understanding of the role of expected labour and marriage market returns as determinants of schooling decisions. In particular, we analyze whether individuals' expectations about monetary returns to schooling, perceived risks of earnings and unemployment for different schooling scenarios and returns to schooling in the marriage market help to predict their decisions. To address these issues, we use a data set on Mexican senior high school graduates that elicits their beliefs about future labour market outcomes for different scenarios about the highest schooling degree achieved. In addition, we construct proxies for returns in the marriage market and have information about the actual schooling choice and an extensive set of controls.

Surprisingly little is known about the importance of gender differences in the determinants of schooling choices. To what extent do expected returns in the labour and marriage markets (and other variables) play a different role in the schooling decision for boys and girls? This question is important for understanding gender differences in educational attainment as well as for the effective design of programs intended to increase schooling among poor households. For this reason, throughout the analysis, we differentiate the behaviour of male and female youths.

One of the main challenges in modeling education choices is the fact that one typically does not directly observe beliefs about the potential returns individuals face nor can one observe individual returns ex-post. Much of the existing literature on schooling decisions uses earnings realizations to measure (or proxy for) expected returns to education. Researchers using this approach rely on strong assumptions about people's information sets and about how people form expectations. In particular, they need to make assumptions about whether large shocks to an individual's earnings (that take place once the individual has completed her schooling and works) were predicted by the individual ex-ante, i.e. at the time of the schooling decision. Moreover, this approach has to deal with the issue that for any individual, only earnings for the specific choice taken by that individual are observed. What is not observed is the return of different education choices. If individuals with different levels of education are selected into that education level because of their comparative advantage and therefore their specific returns, it is problematic to proxy the unobserved counterfactuals with the earnings of different individuals with different levels of education.

These assumptions are of particular concern in the analysis of gender differences in schooling decisions, since there might be important differences in terms of how well boys and girls are informed about future labour market earnings. For example, female college attendance rates and female

labour force participation have been low compared to men until very recently and thus girls might be less well informed. Also beliefs about future labour market outcomes depend on an individual's perception of her (or his) own skills and on how these skills (and other characteristics) affect her (his) future earnings.

We can avoid all these problems, as we elicit boys' and girls' expectations directly. What matters for the college attendance decision should be each individual's perception of her or his potential returns to schooling and, more generally, of her (his) labour market outcomes for different schooling levels. As we discuss below, our data allow us to quantify these individual beliefs directly. In particular, we will be using measures of the subjective probability of employment and of the subjective distribution of future earnings under different scenarios.

We address our questions in the context of the college enrolment decision, that is we analyze the decision to enrol (or not) in college of youths who have completed senior high school. Using the data on subjective expectations, we construct measures of expected earnings, perceived earnings risk and perceived unemployment risk for different schooling scenarios. We then relate schooling decisions to these (and other) variables to study the extent to which these expectations affect education choices of male and female youths.

We also provide evidence on the role in education choices of returns in the marriage market. Unfortunately, our data does not contain direct information on perceived returns in the marriage market. We use two different proxies for these variables: (i) the ratio of unmarried men to women in the locality of residence to capture the availability of partners; and (ii) the ratio of unmarried men to women with a certain level of schooling, if the suitability of the partner depends on having a similar (or higher) education level. The idea for using these proxies is simple: if the likelihood of finding a (suitable) partner in the locality of residence is low, leaving the locality to go to college has the benefit of increasing the chances of finding a (suitable) partner and of improving the outside option in the case that no partner is found.

Due to social norms in Mexico, the link between schooling and marriage market considerations is particularly strong for girls, because parents would be very reluctant to let their unmarried daughter move to a different city to work and live by herself, while more willing to let her leave for continuing school (where she can live with classmates). Anecdotal evidence strongly points to the importance of marriage market considerations in schooling decisions: in Mexico, people even use the acronym "mmc"s (*'mientras me caso'*) for girls going to college to find a husband.

Of course one might be worried that our proxies (sex ratios conditional on education and unconditionally) capture not only marriage market conditions, but also labour market conditions. Our data on each individual's expectations about her potential labour market outcomes proves very useful to address this concern, since we can analyze jointly the importance of labour market and marriage market considerations as determinants of schooling decision. A second concern are potential peer effects that might be picked up by our first proxy, that is the sex ratio conditional on education. For that reason, the comparison of the results we obtain with the two different proxies for marriage market returns is particularly interesting. We can also check whether our results are robust to controlling for potential peer effects directly.

Our results indicate that both boys and girls expect high labour market returns to college education and perceive lower unemployment and earnings risks for higher education levels. In this respect, subjective expectations are consistent, on average, with ex-post realized returns. However, we find that labour market expectations, in particular expected returns to college, are an important determinant for boys's decisions to enroll in college, while they play less of a role for girls' decisions. Marriage market considerations on the other hand appear to be more important for girls.

Related literature Our paper is related to a growing literature using data on people's subjective expectations to understand educational decisions. The seminal paper eliciting subjective expectations of earnings for different schooling degrees is by Dominitz and Manski (1996). They illustrate that Wisconsin high school and college students included in a small sample are willing and able to answer subjective expectations questions in a meaningful way. Dominitz and Manski (1996), however, do not analyze the relationship between earnings expectations and investment into schooling.¹

Three closely related papers investigating the link between subjective expectations of earnings and schooling choices are Jensen (2010), Kaufmann (2009) and Nguyen (2008).² Jensen (2010) investigates how perceived returns to education affect schooling investments using data from the Dominican Republic. He finds that his sample of eighth-grade boys significantly underestimate returns to schooling, as measured by the difference in actual earnings of individuals with secondary relative to those with primary education. Informing a random subset of the youths about higher measured returns leads to a significant increase in perceived returns and in attained years of schooling among these students. Nguyen (2008) finds that informing a random subset of students in Madagascar about high returns to schooling also increases their attendance rates and their test scores.

Kaufmann (2009) uses the same Mexican data set as this paper to analyze the causes and consequences of the large income gradient in college attendance in Mexico. In particular, data on subjective individual expectations enable her to analyze to what extent the gradient can be explained by the poor expecting lower returns to college than the rich, for example due to ability and/or information differences. She finds that while differences in expected returns only explain part of the gap, poor individuals require significantly higher returns to be induced to attend college.

¹See also the survey paper on the use of subjective expectations data by Manski (2004). Attanasio (2009) and Delavande, Giné, and McKenzie (2011) survey the literature that uses data on subjective expectations in developing countries and find that also in this context individuals are willing to answer the expectations questions and understand them reasonably well (sometimes with the help of visual aids). There is, of course, a large literature on the (ex-post) effects of schooling on earnings and other outcomes. For monetary returns, see for example Card (2001), for non-monetary returns see for example Currie and Moretti (2003) on intergenerational returns and the survey by Lochner (2011) on the effects of education on crime, health and civic duties.

²Another related paper is by Stinebrickner and Stinebrickner (2009) about how college students from low income families form expectations about academic ability. Their results show that learning about ability plays a very prominent role in the college drop-out decision. Dinkelman and Martinez (2011) investigate the role of information in schooling decisions. They conduct a field experiment in Chile to investigate whether children in 8th grade from poor backgrounds increase their effort in school upon learning about financial aid options for post-secondary schooling and find significant improvements in knowledge about financial aid and reductions in school absenteeism, but no effects on grade 8 scores or grade 9 enrollment. Arcidiacono, Hotz, and Kang (2011) use data on subjective expectations of students at Duke University to explain college major choices.

Kaufmann (2009) tests implications of a school choice model in the presence of credit constraints and finds that expected returns of students at the margin of attending are significantly higher than average returns of people who already attend college, consistent with credit constraints for poor high-expected-return students. Relative to these papers, we address several complementary questions making use of unique features of the Mexican data.

One novel aspect of this paper is our focus on gender differences in the determinants of schooling. The only study we know of that uses data on subjective expectations (but not on risk perceptions) to understand gender differences is Zafar (2009), that analyzes the college major choice of undergraduate students at Northwestern University. In a very recent paper, Wiswall and Zafar (2011) conduct an experiment informing a random subset of NYU students about average earnings in the population and analyze how the resulting changes in expected earnings affect their major choice.

Another two recent papers also show the link between schooling choices and returns to schooling –with some interest in gender differences– by making use of (quasi) experimental changes in returns to schooling. Abramitzky and Lavy (2011) make use of a policy change in Israeli kibbutzim, which increased returns to schooling. They observe that students in early-reforming kibbutzim increased their investment in education in terms of matriculation rates and scores and male youths responded particularly strongly. Jensen (2011) examines whether educational investments in girls in India respond to changes in employment opportunities. He provides recruitment services to young women in randomly selected rural villages helping them get jobs in the business process outsourcing industry and finds that this intervention increases schooling of girls in treatment villages. The latter two papers do not use data on subjective expectations. The fact that we do enable us to also analyze if perceived earnings and unemployment risk play a role in educational decisions and if their role differs for boys and girls, while allowing for potential differences in how well boys and girls are informed about potential labour market outcomes (and how they form expectations).

As mentioned above, we also shed light on the role of marriage market returns for schooling decisions of male and female youths. One of the few papers addressing this issue is Lafortune (2010), that explores whether second generation Americans modify their human capital acquisition decision when faced with a shift in the sex ratio of their state-level marriage market induced by immigration of their own ethnicity.

There is a large interest in the functioning of marriage markets more generally, for example the two following papers use an approach related to ours involving the sex ratio to investigate a range of questions: Abramitzky, Delavande, and Vasconcelos (2011) find important effects of changes in sex ratios on marital assortative matching by social class and Botticini and Siow (2008) analyze if there are returns to scale in marriage markets.

Outline The rest of the paper is organized as follows: Section 2 presents a basic model of education choices. Section 3 describes in detail the data, in particular the module on subjective expectations. In this section we also present summary statistics on attendance rates and a variety of background variables.

While our data on subjective expectations allow us to address several interesting questions –

which would be complicated to address otherwise or require strong additional assumptions—, there are certain concerns that are sometimes raised with respect to using data on subjective expectations, such as endogeneity or ex-post rationalization. We will discuss these concerns in detail and argue why we believe that these issues are not driving our results. Section 4 provides evidence that individuals are able to give meaningful answers to the subjective expectation questions and investigates how informed male and female youths are about potential returns to schooling.

Section 5 discusses the results (including a robustness section on concerns related to the use of subjective expectation data). Section 6 concludes.

2 Schooling Decisions and Returns to Schooling.

To model college enrolment decisions and to determine how they are affected by expected returns to college, one possible approach would be the construction of a full dynamic optimization model where individuals choose current activities taking into account current and future benefits and costs of the alternative decisions (see, for instance, Keane and Wolpin (1997), Todd and Wolpin (2006) and Attanasio, Meghir, and Santiago (2011)). Instead of following this route, we present probit regressions that relate the probability of enrolment to several control variables, and to subjective expectations of earnings and proxies for returns in the marriage market. The variables we consider are plausible determinants of enrolment choices in a fully specified dynamic model of expected utility maximization. We can therefore interpret our results as describing the reduced form of such a model.

In a fully specified model, schooling decisions are determined by the entire probability distribution of future earnings at different ages under alternative scenarios. Here we assume that the effect of this distribution can be summarized by a few moments of the distribution of earnings at age 25. When considering the effect of these expectations, we control for current labour market conditions through state dummies and for family background and ability through several variables we observe in our data set.

Specifically, to model the decision to enrol in college, having completed senior high school, we use a latent index model we estimate on the sample of senior high school graduates. Denoting with S the enrolment decision ($S = 1$ if the individual decides to attend and $S = 0$ otherwise), the latent index model for attending college can be written as:

$$S = \begin{cases} 1 & \text{if } S^* \geq 0 \\ 0 & \text{otherwise.} \end{cases}$$

where,

$$S^* = \alpha + \beta\rho + \sum_{z=1}^2 \gamma_z Var(\log Y_z) + \sum_{z=1}^2 \delta_z P_z^W + \mu R^M + X'\theta + U. \tag{1}$$

where $z = 1, 2$ denotes senior high school and college, respectively. The vector X contains a

number of control variables that are likely to affect the schooling decision, ranging from measures of individual ability to parental background characteristics and θ denotes the vector of corresponding parameters. In terms of subjective expectation measures ρ denotes the expected (gross) returns to college defined as $\rho = E(\log Y_2) - E(\log Y_1)$, where $E(\log Y_z)$ is the expected value of the distribution of (log) earnings at age 25 for the scenario that degree z ($z = 1, 2$) is the highest completed by the youth. $Var(\log Y_z)$ denotes the variances of future earnings under different schooling scenarios and P_z^W the subjective probability of employment under different scenarios, as discussed further below. R^M is a proxy for marriage market returns.

We obviously expect the return to college relative to senior high school, as perceived by the individual, to have a positive effect on the decision to attend senior high school. In addition to the expected return, we also want our empirical model to take into account the possibility that the riskiness of a given investment might affect schooling decisions. For this reason, we include in our regressions the variances of the future earnings under different schooling scenarios $Var(\log Y_z)$. Moreover, as the questions on future expected earnings are conditional on working, we enter the subjective probability of employment under different scenarios, P_z^W .

One would expect a high perceived earnings risk with a senior high school degree to have a positive effect on the probability of continuing to college, and a high variance of log earnings with a college degree to have a negative effect.

In conventional approaches without data on subjective expectations, proxies for ability, such as GPA and parental education, are supposed to capture differences in the ability to benefit from high school or college through higher expected returns as well as differences in psychological costs of attending college (see, e.g., Cameron and Heckman (1998) and Cameron and Heckman (2001)). However, such variables are only imperfect proxies of the returns that an individual can obtain from her education. Skills are likely to be multi-dimensional and can hardly be captured even with good data on test scores. In addition individuals have idiosyncratic knowledge about these skills. Most importantly, what matters for the individual's decision is the individual's own perception of her skills and her beliefs about how they affect future earnings (conditional on her information set at the time of the schooling decision). These considerations provide a strong rationale for using "perceived" returns and "perceived" risk. We nevertheless also control for GPA and parental education both of which turn out to be very important determinants of the two schooling decisions we model. These variables might be proxying for the probability of completing college and for preferences for education.

To investigate whether marriage market considerations are important for education choices, we include in the regressions proxies for returns in the marriage market, R^M . Using census data, we compute the ratio of unmarried men to women with at least a senior high school degree in the locality of residence. Limited availability of suitable partners in the locality of residence could constitute an important push-factor to leave the locality.³ In Mexico social norms are such that Mexican parents are generally reluctant to let their unmarried daughter move to a bigger city

³Edlund (2005) uses a similar argument to explain migration patterns that lead to young women outnumbering young men in urban areas. To proxy for marriage market considerations she uses the ratio of men to women in the municipality of residence and finds supportive evidence for this explanation using Swedish municipality data.

to work and live by herself, while they are more willing to let her leave home to attend school and live with classmates. This creates a link between schooling decisions and marriage market considerations, which is likely to be less strong for boys, as they could migrate to a bigger city to work and find a spouse. But even for boys, in the presence of strong patterns of assortative mating, it might be less costly to find an educated partner at school or college. For this reason we interpret “suitable partner” in terms of a partner who has a similar education level (or higher) and thus use the ratio of unmarried men to women with an education level as high or higher than the youth deciding about schooling.

We construct our proxies for marriage market returns using locality level data because we believe that this is the appropriate reference area (marriage “market”) for most youths. This proxy is more likely to capture people’s actual knowledge about availability of partners than when using a larger reference area.

Our proxy for marriage market returns could, potentially, hide different effects. One key concern is that the sex ratio (conditional on education or unconditionally) captures labour market conditions that affect individuals’ decisions to attend college. In this context, our data on expectations about labour market outcomes is very useful, since what matters for an individual’s decision is her beliefs about her individual future labour market outcomes and we have direct measures of these beliefs.⁴ For that reason we can analyze jointly the role of labour market and marriage market considerations in college attendance decisions.

A second important concern are potential ‘peer’ effects. We address this concern in two ways. First, we control directly for the fraction of men and women with a college degree in the locality, to see if this affects the coefficient on the sex ratio.⁵ Second, we also consider an alternative proxy for the marriage market return: the ratio of unmarried men to women without constraining the measure to a specific education level (so that this ratio should not capture any peer effects on the schooling decision). This measure might be more appropriate, if the youth (for example, the male youth) cares less about the education level of the spouse.

One of the aims of this study is to characterize the differences in enrolment decisions between genders. To examine these differences in the determinants of schooling, we completely interact each regressor with a male and a female dummy to test for differential effects.

3 Data

The conditional cash transfer program *Oportunidades*, previously known as PROGRESA, introduced a new component known as *Jóvenes con Oportunidades* in 2002/3. The data we use was collected in 2005 as part of the evaluation of this new program component. In addition to standard

⁴In addition we can control for general labour market conditions and show that this does not change the results either (while we can show that general labour market conditions are not very important for individuals’ schooling decisions, once we control for individuals’ beliefs about their own future labour market outcomes).

⁵When constructing our control variable for potential peer effects, we consider both married and unmarried women (men) who went to college (in contrast to the sex ratio that takes into account only unmarried men and women with at least a high school degree), since all youth in our cohort already have a high school degree and we want to control for potential peer effects arising from observing others going to college.

variables, the survey contained a detailed subjective expectation module which we use extensively. In this section, we describe the data and its structure. We also describe in some detail the module used to elicit information on subjective expectations and report some evidence on the quality of these data.

3.1 The Survey

The evaluation survey of *Jóvenes con Oportunidades* was conducted in the fall 2005. *Jóvenes con Oportunidades* provides an additional grant to youths in the last three years of high school (preparatoria). This grant is deposited into a bank and can be accessed only upon graduation, if the recipient engages in one of several activities (such as going to college or starting a micro enterprise). Alternatively, the recipient has to wait for a year during which time the amount, about US\$300, accumulates at the market interest rate.

The primary sampling units of the evaluation survey are individuals who have just graduated from senior high school or from junior high school and who are eligible for *Jóvenes con Oportunidades*. There are three eligibility criteria: being in the last year of junior high school (9th grade) or attending senior high school (10 to 12th grade), being younger than 22 years of age, and being from a family that benefits from Oportunidades.

The survey consists of a family questionnaire and a youth questionnaire administered to each household member aged 15 to 25. As a consequence, the youths for whom we have data are not only the primary sampling units but also their siblings, provided they are aged 15 to 25. In total we have about information on about 23,000 youths. The questions in the youth questionnaire were addressed directly to the youth. However, if a specific youth was not present during the interview, the module was answered by the main respondent, who is generally the mother.

It is important to keep in mind that the overall sample includes all youths aged 15 to 25, regardless of their schooling status. In our analysis we concentrate only on students who just finished grade 12 (senior high school graduates) and decide about enrolling in college or not (around 2500 observations).⁶ We use the data on the siblings sample for a number of robustness exercises on the expectations data.

The survey provides detailed information on demographic characteristics of the young adults, their schooling levels and histories, their junior high school GPA, and detailed information on their parental background and the household they live in, such as parental education, earnings and income of each household member, assets of the household and transfers/remittances to and from the household. The youth questionnaire contains a section on individuals' subjective expectations of earnings as discussed next.

⁶Unfortunately, we lose nearly 60% of observations when merging our data with Census data to construct marriage market proxies on locality level, since Census information is only available for part of the localities in which the youths of our sample live (for a more detailed description, see Section 3.5).

3.2 The Expectations Module

The subjective expectations module was designed to elicit information on the individual distribution of future earnings and the probability of working for different scenarios about the highest completed school degree. The module starts with a simple explanation of probabilities. In particular, individuals are shown a ruler, graded from zero to one hundred, which is then used to express the probability of future events. The example that is used to illustrate the concept of probability is the event of rain the following day.

After explaining the use of the ruler to express probabilities and having practised that with the rain example, the interviewer moves on to discuss future earnings and the probability of working under different schooling scenarios. For our cohort of senior high school graduates the following two scenarios are considered: that the students stops at senior high school and that the student goes on to college and completes it.

For each of the two scenarios, the youth is then asked questions about the probability of working at the age of 25 and about future earnings at age 25. For example, in the case of the second scenario for a senior high school student, the questions are:

1. *Assume that you complete College, and that this is your highest schooling degree. From zero to one hundred, how certain are you that you will be working at the age of 25?*
2. *Assume that you complete College, and that this is your highest schooling degree. Assume that you have a job at age 25.*
 - (a) *What do you think is the maximum amount you can earn per month at that age?*
 - (b) *What do you think is the minimum amount you can earn per month at that age?*
 - (c) *From zero to one hundred, what is the probability that your earnings at that age will be at least x ?*

where x is the midpoint between maximum and minimum amount elicited from questions (a) and (b) and was calculated by the interviewer and read to the respondent. It is important to remember that these questions were included in the youth questionnaire and therefore are available for every youth in the household aged 15 to 25.

When the youth who was supposed to answer these question was not present, they were answered by her/his mother. This poses a number of selection issues that we discuss at length below.

This type of subjective expectations questions has been used extensively in a variety of contexts (see, e.g., the survey papers by Attanasio (2009), Delavande, Giné, and McKenzie (2011) and Manski (2004)). The first two survey the literature that uses data on subjective expectations in developing countries and find that also in this context individuals are willing to answer the expectations questions and understand them reasonably well (sometimes with the help of visual aids). In Section 4 we show that also the respondents of our sample of high school graduates seem to have understood the questions reasonably well and that the data pass a number of internal and external validity tests.

In what follows, we relate educational decisions to subjective expectations. This is possible because of the timing of the survey. The *Jóvenes* survey was conducted in October/November 2005, that is two or three months after high school and college had started and enrolment decisions had been made.

While the timing of the survey (which occurred just after the school enrolment decision had been taken) allows us to use the expectations data to estimate the enrolment model described in Section 2, it might also raise a potential concern that individuals might try to rationalize their choices. Individuals who decided to enrol in college rationalize their choice by stating higher expected returns to college (that is higher college earnings and/or lower expected high school earnings), and those, who decided not to enrol, state lower expected returns to college. This would lead to a more dispersed cross-section of returns after the decision compared to before the enrolment decision.⁷

To check whether ex-post rationalization introduces biases in expectations, we look at the expectations data of the siblings of our main subjects, that is we can compare the cross sectional distribution of the expectations of our senior high school graduates to the expectations of the cohort of youths who are one year younger (just starting grade 12 at the time of the survey in October/November). If the older youths are ex-post rationalizing their choices, we would expect a cross-sectional distribution of expected earnings and returns that is more spread out for the cohort of senior high school graduates who have decided already whether to enrol in college or not, compared to the distribution of the cohort that is one year younger and just starting grade 12. The same reasoning should hold for perceptions of the probability of working. In Section 5.2 we discuss this issue at length and present evidence that our main results cannot be explained by ex-post rationalization.

3.3 Calculation of Expected Earnings, Perceived Earnings Risk, and Expected Gross Returns to Schooling

We use the answers to the three survey questions (2(a)-(c)) described above, together with some additional assumptions, to compute moments of the individual earnings distributions and expected gross returns to college. We are interested in the individual subjective distribution of future earnings $f(Y^z)$ under two possible scenarios of final education attainment: senior high school ($z = 1$) and college ($z = 2$). The survey provides, for each individual, information on the support of the distribution $[y_{min}^z, y_{max}^z]$ and on the probability mass to the right of the midpoint, $y_{mid}^z = (y_{min}^z + y_{max}^z)/2$, of the support, $p = Pr(Y^z > y_{mid}^z)$. Thus we need an additional distributional assumption, $f(\cdot)$, in order to be able to calculate moments of these individual earnings distributions, using the three pieces of information on y_{min}^z , y_{max}^z and p . Given such an assumption on $f(\cdot)$, we can compute all the moments of any function of future earnings under different scenarios we are interested in. For example, the expected value of log future earnings for *each* individual and each scenario ($z = 1, 2$) will be given by $E(\ln Y^z) = \int_{y_{min}^z}^{y_{max}^z} \ln y f_{Y^z}(y) dy$.

⁷This is true unless people switch positions in the distribution in such a way that the resulting cross-section looks exactly the same as before. This can only be the case if people with *low* expected returns to college decide to enrol in college and now state high returns to college and vice versa.

For many of the specifications we estimate below, we consider the (gross) returns to college. We compute these as the difference between expected log college earnings and expected log senior high school earnings, $\rho = E(\ln(Y^2)) - E(\ln(Y^1))$.⁸

In Attanasio and Kaufmann (2008), we use three different distributional assumptions, step-wise uniform, bi-triangular and triangular (compare Guiso, Jappelli, and Pistaferri (2002)). The last two assumptions give more weight to the middle of the support and less to the extremes. The first, instead, implies a relatively large value for the total variance. We rule out the possibility that the density function is U-shaped, giving more weight to the extremes. In our companion paper, we show that the first moment of the individual distribution is extremely robust with respect to the underlying distributional assumption, while the second moment is obviously larger for the step-wise uniform distribution that puts more weight on extreme values. In this paper we present results based on the triangular distribution, but we perform robustness checks using the other two distributional assumptions and point out differences if they occur.

3.4 Potential Sample Selection Issues.

As mentioned above, interviewers visited the primary sampling units and their families in October and November 2005 and interviewed the household head or spouse using the family questionnaire and youths between age 15 and 25 using the “Jovenes” (youth) questionnaire. If a youth was not present, the household head or spouse answered the Jovenes questionnaire as well. As a result, for almost half the sample, the questions on the subjective distribution of future earnings were not answered by the youth herself. Instead mothers stated their expectations about future earnings of her child(ren) that are not present during the interviewer’s visit.

In Attanasio and Kaufmann (2009) we use these data to analyze the intra-household decision process, that is we investigate whose expectations matter for schooling decisions, the ones of mother or the ones of the youth. We show that in terms of the college attendance decision youths’ own expectations play the major role. For that reason, we will be using the expectations held by the youths’ in the following analysis, that is we use the subsample of senior high school graduates for which the youths answered the expectation questions themselves.

Since the respondent was not randomly determined, we address the concern of sample selection bias using a standard Heckman selection correction approach (see Heckman (1979)) adjusted to the non-linear context we are considering. In particular, we estimate jointly a latent index model for college attendance and a sample selection equation.

To achieve non-parametric identification of such a selection model, we need one or more variables that determine whether the question is answered by the youth rather than the mother and that, plausibly, do not affect the schooling decision directly. For such a purpose, we use information on the timing of the interview (the time of day of the interview, whether it took place on a weekday or weekend and whether it took place during weeks of holiday or not). When considering the

⁸Notice that, as we have no information on the covariance of earnings under different scenarios, we cannot compute the variance of the return. For this reason, to capture the risk aspect of education choices we consider the variance of (log) earnings for the two potential scenarios of highest schooling degree.

timing variables we experimented with various set of variables. We find that, in our sample, youths are significantly more likely to be at home (and thus able to answer the expectation questions themselves) during evenings on weekends. In addition, the indicator for holiday weeks is a strongly significant determinant of who is the respondent (see Appendix B, Table 9).

3.5 Data Source for Marriage Markets Returns.

To proxy for the returns that education might have in the marriage market, we measure the ratio of unmarried men to women in the locality of residence of the youths in the sample. We construct the ratio of unmarried men to women who are in a similar age range as the youth, that is age 18 to 30.

To construct those proxies, we make use of Census data of the year 2000, for which information is available at the locality level.⁹ Having information at the locality level is important, because we believe that our “marriage market return” proxy works best in terms of capturing people’s knowledge about availability of partners in the case of a small reference area (marriage “market”) and we believe that the locality of residence is the correct reference area for most of the youths.

Unfortunately, this strategy has the drawback that Census information is only available for part of the localities in which the youths of our sample live. Therefore we lose close to 60% of observations of our original sample of senior high school graduates.

4 Subjective Expectations.

Before using the data on subjective expectations to model schooling choices, we describe the general patterns and provide some evidence on their quality. We also discuss some of the econometric issues involved with the use of these data.

4.1 Descriptive Statistics: Characteristics of the Youth.

Table 1 reports summary statistics of individual and family background characteristics for our sample of senior high school graduates. We present results separately for male and female youths and report whether differences are significant.

In the first three columns of Table 1, we present summary statistics for the full sample of high school graduates, while in columns 4 to 6 we present summary statistics for the subsample of youths respondents, which is the relevant sample for our analysis. As discussed in Section 3.4, for nearly half the sample the questions on subjective expectations were not answered by the youths themselves, but by their mothers. For our analysis of college attendance decisions, we will be using the sample of youth respondents, since we have shown in a related paper that for the decision to go to college, youths’ expectations are the ones that are relevant (see Attanasio and Kaufmann (2009)).

⁹The 2000 Census, “XII Censo General de Poblacion y Vivienda”, can be found on the website of the Mexican statistical institute, INEGI.

We show statistics for both the full sample and the sample of youth respondents for two reasons: First, we want to show how the subsample of youth respondents compares to the full sample in terms of characteristics. Second, we want to show that differences between boys and girls are very similar in both the full sample and the subsample. Testing for gender differences in the youth sample requires to correct for potential sample selection problems, since the selection process might have been different for boys and girls. We use the standard Heckman selection correction and the identification assumption that the timing of the interview is excluded from the equation for expectations (see Section 3.4).

In the youth sample, around 27% of male and female high school graduates enrol in college (see columns 4 and 5). For the whole sample, attendance rates are slightly higher, around 30% for males and 33% for females (gender differences are not significant). Mexico has reached the stage where boys' and girls' educational attainment is very similar, while for example in the US girls have overtaken boys in terms of college attainment (see, e.g., Goldin, Katz, and Kuziemko (2006)).

In what follows, we make use of data on GPA (grade point average between 0 and 100) of junior high school as a proxy for academic achievement. Table 1 shows that girls have a significantly higher GPA than boys (in both the total sample and the youth sample). This is consistent with empirical evidence for many countries that girls outperform boys at school (see, e.g., Goldin, Katz, and Kuziemko (2006)).

To control for parental education as one of the most important determinants of children's schooling choices, we use information on mothers' years of completed schooling in the form of four education dummies: for primary education, junior and senior high school and university. About 80% of mothers have only some primary education, while around 16% have attended junior high school, 3% senior high school and less than 1% of mothers have some university education. Mothers are slightly more likely to have a senior high school degree in the case of girls. Results are very similar for full sample and youth sample.

We create three per capita income categories, where the thresholds are equal to twice and four times the minimum wage.¹⁰ About 45-50% of the sample is in the lowest income category (that is yearly per capita income is below 5000 pesos) and thus relatively poor, reflecting the fact that our sample only consists of Oportunidades families. About 30% are in the second highest category (5000 to 10000 pesos) and the remaining 20-25% in the top income category. There are no significant gender differences (neither in the full nor youth sample).

We also control for the presence of the father in the household, that is whether the mother is single, separated, divorced or widowed, to see if this has an effect of children's schooling decision (on top of a resource effect that we aim to control for directly by including measures of parental income divided by family size). In around 20-25% of households, no father is present. While this fraction is slightly higher in the youth sample, there are no significant gender differences in either

¹⁰Per capita parental income is constructed using parental income –such as parents' labour earnings, other income sources such as rent, profits from a business, pension income etc and remittances– divided by family size. Median yearly per capita income is 6066 pesos (approximately 606 US\$). We add the income measures in the form of dummies to allow –in a flexible way– for nonlinear effects of income. The reason for the chosen income thresholds is their approximate correspondence with eligibility requirements for receiving fellowships (even though they are quantitatively not very important, see Kaufmann (2009)).

sample.

Another potentially important factor in schooling decisions is the number of siblings. Boys have around 2.4 to 2.6 siblings, girls have a slightly larger number of siblings (2.7-2.8), but gender differences are not significant.

Turning to our proxies for marriage market returns, the ratio of unmarried men to women is 1.11 for boys and girls, while the ratio of unmarried men to women with at least a senior high school degree is 1.05 and slightly larger in the full sample and for girls (difference insignificant).

We can summarize the evidence from Table 1 by saying that the features of the sample reflect that we are working with families that are beneficiaries of a welfare program targeted to the poorest sector of Mexican society. The differences between girls and boys we observe are conform to our expectations and confirm findings of other empirical studies, for example the fact that girls outperform boys at school. The gender differences we find are very similar for the full sample and for the subsample of youth respondents, that is whenever we find significant differences for the full sample, we also find significant differences for the sample of youth respondents (and vice versa). We now turn to analyze the differences in subjective expectations.

4.2 Descriptive Statistics: Subjective Expectations

In Table 2, we present summary statistics for the variables derived from the subjective expectations questions. The top two panels of the Table report expected log earnings and expected (gross) returns. The bottom two panels, instead, focus on perceived earnings and employment risk for two different schooling degrees, senior high school and college. We summarize these measures separately for male and female youths and determine if there are significant differences between boys' and girls' expectations for the sample of youth respondents, while correcting for potential sample selection using a standard Heckman approach as discussed in Section 3.4 and in the last Section.

Not surprisingly, but reassuringly, expected log earnings increase in schooling level. Gross returns to college –measured as the difference between expected log earnings of the two consecutive schooling degrees, high school and college– are large. Male youths expect slightly higher earnings and lower returns consistent with a gender earnings gap that decreases in schooling level as observed in actual earnings data from Mexico (see the following Section 4.3).

Standard deviations of log earnings are one possible measure of (perceived) earnings risk and commonly used for measuring risk in the case of observed earnings. It is important to point out that having information on the individual earnings distributions (e.g. in the form of minimum, maximum and probability above the midpoint) allows us to derive a measure of “true” risk, as perceived by the individual, while using the variability of observed earnings data will confound risk with unobserved heterogeneity. Moreover, observed variability will not distinguish between predicted and unpredicted changes.

Perceived earnings risk, as measured by the standard deviation of logs, decreases with education and is lowest for the expectations of earnings conditional on having a college degree. At the same time the probability of work increases with education. Thus lower income risk could be another important motivation, in addition to higher expected earnings, for achieving higher schooling lev-

els. Male and female youth respondents perceive a very similar level of earnings risk and similar probabilities of working at age 25.¹¹

4.3 Data Validation: Expected Earnings and Individual Characteristics

The goal of this Section is to present evidence that people are able to understand questions on their subjective expectations of earnings and give meaningful answers. For that purpose we first compare the data on subjective expectations we are using to earnings data from the Census. Second, we relate the expected value of future earnings to a number of individual and family background characteristics.

As we will discuss in detail below, it is probably impossible to establish whether the elicited expectations are ‘rational’. But, in the following sense, it is not too important for the goals of this paper: for modeling education choices what matters is whether the elicited expectations reflect the subjective expectations that people base their decisions on. In that case data on people’s earnings expectations can help us improve our understanding of educational decisions. We therefore aim to convince the reader that people are indeed able to give meaningful answers to the questions on their earnings expectations and that the elicited expectations are able to capture—at least to some degree—the beliefs that people base their decisions on.

In the following analysis, we are particularly interested in the pattern for male versus female youths. We compare earnings expectations to Census earnings using Census data of the year 2000 and compute average log earnings (by gender and by schooling degree) in the municipality of residence for each youth in the sample. While the expectations questions refer to earnings at age 25, we use earnings of individuals who are between 25 and 30 years old to get a sufficiently large sample size for each municipality.

While the comparison between the subjective expectations data and the Census data is certainly informative, it is not enough to check whether the subjective expectations data are roughly of the same order of magnitude, a direct comparison and a formal test of equality between the two would be misleading. There are many reasons why the Census data and the subjective expectations would be different. First, the former refer to a specific year (2000) and are therefore affected by specific aggregate shocks that might have been relevant in that year. To test some version of Rational expectations, one would need several years of realizations to average out aggregate shocks. Second, the data refer to individuals who were between 25 and 30 in 2000 and therefore belong to a different cohort from the individuals whose expectations were elicited in our survey (who are around 18 in 2005, and who were asked about their expected earnings when they are 25). Finally, the Census data report realizations for individuals who self-selected into a specific education level and do not contain “counterfactual” earnings, which are instead elicited in the expectations questions.

Table 3 presents mean expected earnings based on the distribution of earnings and Census earnings for different schooling degrees, for boys and girls respectively. Table 3 shows that boys’

¹¹In addition to second moments, one can consider higher moments of the distribution. Looking at the skewness, one finds that, on average, individual earnings distributions are left-skewed (i.e. the probability to have earnings above the midpoint is larger than 0.5) and increasingly left-skewed with increasing schooling level.

and girls' expectations about future earnings are clearly of the same order of magnitude as observed Census earnings. Both boys and girls expect future college earnings (that will be realized in 2012) to be higher than college earnings that are observed at the time of the Census in 2000. Girls also expect their future high school earnings to be slightly higher than female high school earnings that are observed in 2000, while boys believe them to be very similar to contemporaneous high school earnings. Boys and girls thus expect high future returns to college and they expect them to be larger than the ones observed in 2000. These beliefs are consistent with the continuation of previous trends of rising returns to college (driven by rising college earnings and stagnating high school earnings).

Girls expect lower high school earnings than boys and similar college earnings. Interestingly, the gender gap in expected future earnings is smaller than the gender gap that was observed in the Census in 2000, while expected and actual gender gap are decreasing in the level of education.

The second interesting exercise consists in relating the expected value of future earnings to a number of observable variables, such as those listed in Table 1. Such an exercise serves the purposes of a validation exercise, that is we can check whether expected earnings vary with observables in a way similar to actual earnings. We expect people to draw inferences about their own potential earnings from what they observe from others. Thus finding that expectations vary with observable characteristics in a way similar to observed earnings lends support to their validity. We refer the interested reader to Attanasio and Kaufmann (2008) for a more detailed discussion.¹²

Table 4 shows that both boys and girls expect lower earnings if they are from poorer families. This might be due to the fact that richer families have networks that provide better job opportunities. Parental income might also proxy for skills of the child, such as cognitive and non-cognitive skills and personality traits (motivation, perseverance etc) that are favorable to higher earnings. Interestingly, our measure of performance at school, GPA, appears important for girls, in that girls with higher GPA expect higher earnings (in particular for the case of having a college degree), while for boys there does not seem to be a correlation between GPA and expected earnings. Mothers' education is not a significant predictor of earnings expectations, though for boys the coefficient on having a college educated mother is large and positive. For boys we find that a larger number of siblings corresponds to higher expected high school earnings (note that parental income is held constant). One potential explanation could be that boys without siblings need to take up a specific job that is expected by the parents, e.g. taking over the parents' small scale business, while boys with siblings have more freedom.

Our analysis shows that there is a considerable amount of heterogeneity in expectations. This still holds after controlling for individual and family background characteristics, which reflects the importance of unobserved heterogeneity in terms of perceptions about cognitive and social skills and differences in information sets e.g. about skill prices.¹³

¹²It is important to keep in mind that our goal is not to explain how people form expectations. Our data clearly does not allow us to conduct such an ambitious exercise given the fact that we do not have panel data of expectations and only small sample sizes.

¹³An alternative explanation is that the remaining "heterogeneity" reflects noise. But we show that subjective expectations are able to predict schooling choices even after controlling for an extensive set of individual and family background characteristics. This suggests that at least part of the heterogeneity captures factors unobserved to the

To conclude, the evidence of this section suggests that our sample of Mexican youths understand the expectation questions and give meaningful answers. Both boys and girls expect high returns to college in the labour market and perceive that unemployment and earnings risk decrease with higher education.

Although the goal of this section was not to show how rational or well-informed people are (or how people form expectations), but only to give the reader an idea about how expectations compare to observed earnings and how they correlate with individual characteristics, a number of tentative conclusions can be drawn from this descriptive analysis. We do not find evidence that girls are less well-informed about potential labour market outcomes. First, girls' expectations are not more noisy than boys' expectations. Second, girls' expectations about earnings are of a similar order of magnitude as observed earnings (as is the case for boys). Third, girls' expectations vary with characteristics in a way one would expect.

At the same time there are some interesting differences in the way expectations vary with characteristics when comparing boys and girls. For example, girls who performed better at school expect higher earnings (in particular with a college degree), i.e. girls believe that performance at school is rewarded in the labour market, while this is not the case for boys. Such findings point towards potential differences in the way that girls and boys form expectations, which is a question we plan to investigate further in future research (with more appropriate data, that is repeated observations of expectations and a larger sample size). This illustrates that direct data on subjective expectations can be useful, since it would be difficult to predict ex-ante how girls and boys differ in their information sets and the way they form expectations (while it would be necessary to make such assumptions when using earnings realizations to infer people's expectations).

5 Schooling Decisions and Returns to Schooling.

In this Section, we show how the college attendance decision of young poor Mexicans relates to their expectations about labour market returns and risks as well as to returns in the marriage market. We then discuss the robustness of our results and possible problems with our approach.

5.1 Labour and Marriage Market Returns

We first relate the college attendance decision to expected labour market outcomes, that is monetary returns to college and to perceived risk of unemployment and earnings. We then add to this basic specification our two proxies of marriage market returns. We estimate the schooling decisions jointly for boys and girls and interact all regressors with gender dummies to study gender differences. In the tables, we present the estimation results by gender in two separate columns.

All our results are obtained on the subsample of youths who answered the subjective expectations module. As discussed in Section 4.2, we address the potential sample selection problem that may arise by augmenting our Probit model with a selection equation that we estimate jointly with

researcher, such as skills and information about skill prices, which influence earnings expectations.

the college attendance equation. The model is (non-parametrically) identified by variables that capture the date and time of the interview, which are strong predictors for whether the youth is present at the interview to answer the expectations questions and plausibly do not enter the college decision equation.

Our first set of results are in Table 5, which shows that boys' expectations about returns to college are a strongly significant predictor for their decision to enrol in college (significant at 1%). Girls' expectations about returns are significant as well, but only at the 10% level. This result is not driven by a larger standard error for the girls' coefficient, i.e. it is not the case that the impact of returns in girls choices is estimated less precisely (nor is it the case that girls' expectations are measured in a more noisy way, as shown in Section 4.3). Instead the coefficient on girls' expected returns is only about a third of the size of boys' coefficient.

Perceptions about unemployment or earnings risk are not significant in the college enrolment decision. Attanasio and Kaufmann (2009) show that risk perceptions are important in the high school decision, suggesting that this result is not driven by risk perceptions being measured in a too noisy way, but that risk might be less important in college decisions.

As we will discuss in detail in Section 5.2, it is unlikely that these results are driven by people rationalizing their choices ex-post. Although we control for potential self-selection problems because of non-randomness of who responds to the expectation questions, it is worthwhile to point out that self-selection does not appear to be a problem (we never reject that the correlation between the error terms of selection equation and main equation is zero).

In terms of individual characteristics, academic performance, as measured by the GPA, is an important determinant of the decision to attend college for both boys and girls. Past academic performance is a measure of the psychological costs or benefits of getting further education and also captures the likelihood of being able to complete college (compare Stinebrickner and Stinebrickner (2009)). Interestingly, having a highly educated mother is more important for girls' decision to attend college than for boys, while boys are more likely to go to college if there is no father in the household. Parental income appears to be more important for girls than boys in the decision to attend college.

To summarize, the results in Table 5 suggest that in the context of college enrolment decisions, there are important gender differences in the importance of labour market returns as determinants of school choices. We now consider a specification that includes an additional potentially very important determinant of schooling: returns in the marriage market.

As discussed in the introduction, there is surprisingly little evidence on the importance of this determinant of schooling, despite the fact that finding an appropriate partner is certainly one of the big challenges individuals face during their lifetime. Thus, one would expect that individuals assign a high value to being in an environment where it is more likely to find a high quality partner.

In Tables 6 we add to the specification whose estimates we reported in Table 5 our two proxies for marriage market returns, that is the sex ratio conditional on education in Columns 1 (for boys) and 2 (for girls) and not conditional on education in Columns 3 and 4 (for boys and girls, respectively).

The coefficients in Table 6 shows that for girls the coefficient on the ratio of unmarried women to men conditional on education is significant and has the expected sign: fewer available suitable partners in the locality of residence (i.e. many women per man) increase the likelihood of girls to attend college (see Column 2). For boys, the coefficient on the analogous ratio of unmarried men to women is negative and not significantly different from zero (Column 1). The difference between boys and girls of the coefficient on the marriage market proxy is significant at the 5% level.

The estimates in Columns 3 and 4, where the marriage market variable is constructed conditioning on the level of education of available partners, show the same pattern as those in Columns 1 and 2, where the proxy does not condition on education. The coefficient for girls is again positive and significant (at the 5% level), that is fewer available partners (i.e. more women per man) increase the likelihood of a girl to decide to enrol in college. The coefficient on the ratio for boys is negative but not significantly different from zero. As before the coefficients of boys and girls are significantly different from each other at 5%.

The introduction of the marriage market returns does not change much the coefficients on the other variables: In terms of labour market returns, the coefficient on expected returns to college is highly significant for boys and the magnitude of the coefficient is basically unchanged. The coefficient on girls' expected return is unchanged and still significantly smaller in magnitude than for boys.

The results of Table 6 suggest that marriage market considerations are indeed important for girls' college attendance decision, while this determinant appears to play a smaller (or no) role for boys. Of course, we might be concerned that our proxies for marriage market returns could, potentially, hide different effects. One key concern is that –in addition to marriage market effects– the sex ratio in the locality of residence (conditional on education or unconditionally) captures labour market conditions that affect the individual's decision to attend college. In this context, our data on expectations about labour market outcomes proves very useful, since what matters for an individual's decision is her beliefs about individual future labour market outcomes, and we control directly for these beliefs.¹⁴

A second possible concern is that our proxy for marriage market returns (the sex ratio of unmarried men to women conditional on having at least a high school degree) could also capture 'peer' effects. Our second proxy for marriage market return (the ratio of unmarried men to women without constraining the measure to a specific education level - so that this ratio should not capture any peer effects on the schooling decision) partly addresses this concern. As discussed above, this measure might also be more appropriate if the youth (for example, the male youth) cares less about the education level of the spouse. In addition, we can control directly for the fraction of men and women with a college degree in the locality, to see if this affects the coefficient on the sex ratio.¹⁵

¹⁴In addition we can control for local labour market conditions in general and show that this does not change the results either (while we can show that general labour market conditions are not very important for individuals' schooling decisions, once one controls for individuals' beliefs about their own potential labour market outcomes, see Appendix B Table 10).

¹⁵When constructing our control variable for potential peer effects, we consider both married and unmarried women (men) and only take into account women (men) who went to college, since all youth in our cohort already have a high school degree and we want to control for potential peer effects in the college decision arising from observing others

We report the results of this last exercise in Table 7.

Controlling for potential peer effects directly, that is controlling for the fraction of women (men) in the locality who have a college degree, does not change our main results. The coefficients in Table 7 show that the marriage market proxy conditional on education actually becomes larger (and is now significant on 5%) when controlling for potential peer effects. At the same time our proxy for potential peer effects is strongly significant for girls, i.e. girls are more likely to go to college if they live in a locality of highly educated women. All the other coefficients change very little. These robustness checks suggest that the correlation we find between schooling decisions and our marriage market proxies is not driven by peer effects in education.

It is also important to note that –in contrast to some other papers in the literature–, we construct our proxies for marriage market returns using a relatively small geographic area, that is the locality level, because we believe that this is the appropriate reference area (the marriage “market”) for most youths. This approach has the advantage that our proxy is more likely to capture people’s actual knowledge about availability of partners than when using a larger reference area.

To summarize, our results suggest that there are important gender differences in the importance of labour market and marriage market returns as determinants of college attendance decisions. While for boys expected returns to college seem to be particularly important, expected labour market outcomes appear less important for girls. For girls on the other hand, marriage market considerations seem to play an important role in the college enrolment decision, consistent with anecdotal evidence. In other words, our evidence is consistent with the use of the Mexican acronym “mmc”s (*‘mientras me caso’*) for girls going to college to find a husband.

5.2 Robustness: Subjective Expectations and Endogeneity

In this Section, we discuss in detail concerns that are sometimes raised with respect to data on subjective expectations. In particular, we discuss potential problems of endogeneity due to omitted variables and due to reverse causality (ex-post rationalization).

Ex-Post Rationalization (or Reverse Causality)

The term “ex-post rationalization” describes the behaviour of people who state beliefs to justify their choices (ex-post), that is the decision affects the beliefs instead of beliefs affecting the decision. In the context of this paper, one might be worried that people decide to go to college for reasons other than expected monetary returns, and that they justify this decision by stating high expected returns.

We think that ex-post rationalization of college enrolment, which would imply that the main reason to attend college is its consumption value (or similar reason, see discussion on classical endogeneity below) rather than expected future returns, is unlikely for poor Mexican youths. One could think that such an explanation might ring true for rich or even middle class individuals, but not for individuals from extremely poor families for whom college enrolment is often extremely going to college.

difficult from a financial point of view. However, to test the possibility that our respondents answer the expected return questions to justify ex-post their choices, as the survey on expectations was conducted two-three months after the schooling decision, we conduct the test that we discussed in Section 3.2. In particular, we compare the cross-section of expected earnings for our cohort of interest (i.e. students who had just graduated from senior high school before the survey) with a cohort that is one year younger (and thus just starting grade 12). If individuals rationalize their choices, we would expect the following pattern: Individuals who decided to enrol in college rationalize their choice by stating higher expected college earnings or lower high school earnings. Those individuals who decided not to enrol state lower college earnings (or higher high school earnings). This would lead to a cross-sectional distribution of expected earnings and returns that is more spread out for the cohort of senior high school graduates who have decided already, compared to the distribution of the cohort that is one year younger and just starting grade 12.¹⁶ The same reasoning holds for perceptions of the probability of working and perceptions of earnings risk.

To test for differences between the distribution of expectations of those two adjacent cohorts, we use a Kolmogorov-Smirnov test, which is a nonparametric test for the equality of continuous, one-dimensional probability distributions. The null hypothesis is that the cross-sectional distribution of -for example- expected returns is the same for the sample of senior high school graduates and the sample of a cohort that is one year younger and just starting grade 12.

In Table 8 we report p-values of Kolmogorov-Smirnov tests separately by gender for the different measures of subjective expectations, i.e. for expected earnings for different schooling scenarios, expected returns (which is the relevant variable we use in the main regression analysis instead of expected earnings) and perceived risks.

Table 8 illustrates that the distribution of expectations is the same for the senior high school graduates themselves compared to the cohort that is one year younger. We never reject equality of distributions apart from one instance, that is girls' perceptions about the probability of working with a senior high school degree. In that case the distribution of the older cohort is not more spread out, but some of the older girls seem to have updated their beliefs about probability of working upward compared to the one-year younger cohort (see Figure 1). At the same time, this is not driving any of our results because in any case girls' perceptions about the probability of working are never significant in the college attendance choice regression. The other instance where we come close to rejecting equality of distributions is for girls' expectations about college earnings (p-val 0.112). In that case the distribution of the older cohort of senior high school graduates is actually more compressed (instead of more spread out), contrary to what one should expect in the case ex-post justification (see Figure 2).¹⁷

¹⁶As discussed above, this is true unless people switch positions in the distribution in such a way that the resulting cross-section looks exactly the same as before. This can only be the case, if people with *low* expected returns to college are the ones who decide to enrol in college and now state high returns to college, and those with high expected returns are the ones who decide not to go to college and then state low returns.

¹⁷We illustrate graphically only the two instances, in which distributions are (close to) significantly different. The other graphs can be obtained from the authors upon request.

Classical Endogeneity

A second concern with using subjective expectations as determinants of schooling choices arises from another form of endogeneity: the one that is due to omitted variables, such as, for example, unobserved taste heterogeneity. Individuals who have high expected returns and go to college more often might also be the ones who have high preferences for being in college or attach weight to other outcomes, which are not measured, to which college is conducive. While we have discussed above the concern that individuals go to college because of the consumption value of college, in the following we discuss the concern that individuals might go to college because they expect returns other than labour market returns. We have to ask ourselves what could be other outcomes that are (as or) more important than expected monetary returns and correlated with the latter. One possibility of course are returns in the marriage market.

Can this phenomenon explain our main results? We have shown in the last section that our two main results are unchanged when we include both determinants, labour and marriage market concerns, jointly in our model of college choice. Both measures we use, data on people's subjective expectations and two different marriage market proxies, appear to be capturing the labour market and marriage market concerns that we want to measure (where, in the case of boys, labour market returns appear most important, while in the case of girls marriage market considerations appear important as well).

To argue that instead of labour market and marriage market considerations, a third omitted determinant is driving college attendance decisions of boys and girls, one would have to explain why this third factor is correlated with expected returns and marriage market proxy for girls (while our two variables 'expected returns' and 'proxy' are themselves basically uncorrelated), but only with expectations for boys. Or else, there have to be two other determinants affecting boys and girls differentially (in which case we are back to gender differences in determinants). We find it hard to think of determinants other than labour market returns, marriage market returns and preferences, that are more important than these three determinants that are discussed most extensively in the literature.¹⁸

6 Conclusion

The results of this paper speak to several important questions about the determinants of investment in human capital among poor households in Mexico. In particular, we have analyzed how expectations of future returns affect schooling decisions of Mexican youths. In doing so we consider not only the expected monetary returns (as expressed by future earnings under different schooling alternatives) but also the risks involved with such choices and the returns on the marriage market.

Our main result is that determinants of schooling decisions differ between boys and girls. While expected labour market outcomes, in particular returns to college, are very important for boys,

¹⁸While there is a lot of evidence on the importance of labour market returns and indirect evidence on preferences, there is less evidence on marriage market returns, but this –in our opinion– is mostly due to the fact that, because of data constraints, it is very hard to identify marriage market returns ex-post or ex-ante.

they seem to be less important for girls. Girls on the other hand appear to care about marriage market considerations in their decision to attend college, consistent with anecdotal evidence.

Direct data on people's beliefs enable us to be agnostic about differences in information sets and ways of forming expectations between boys and girls. Avoiding strong assumptions about how people form expectations and what information they possess is crucial for our analysis, as results on gender differences in determinants of schooling might be very sensitive to these assumptions.

Unfortunately, our data does not contain direct questions on the returns to education on the marriage market. For this reason, we are forced to use some indirect proxies for such a return. In this sense, our evidence on marriage market considerations might be interpreted as only suggestive and subject to a number of caveats. However, such evidence, at the very least, warrants further research on this issue, which is potentially very important and which has not received much attention in the literature so far.

Our results have important policy implications for the design of programs aiming at increasing schooling, such as conditional cash transfer programs, fellowship programs, information campaigns etc. For the effective design of such programs, it is indispensable to understand what are the key determinants of schooling choices and whether there are gender differences in the role of these determinants.

Our paper adds to the literature on subjective expectations in illustrating that –also in developing countries, at least conditional on a certain level of education– people seem able and willing to respond meaningfully to questions about their perceptions of future earnings and employment and that these data can improve our understanding of important economic decisions, such as investment into human capital.

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Table 1: Summary Statistics of Individual and Family-Background Characteristics

Sample	Total			Youth		
	Boys Mean/(SD)	Girls Mean/(SD)	Diff (P-Val)	Boys Mean/(SD)	Girls Mean/(SD)	Diff (P-Val)
Enrollment Rate: College	0.307 (0.462)	0.333 (0.472)	(0.326)	0.268 (0.444)	0.267 (0.443)	(0.707)
GPA of Jr HS (Scale 0-100)	80.272 (8.221)	82.885 (9.688)	(0.000)	80.172 (6.422)	83.462 (8.038)	(0.000)
Mother's Educ - Primary	0.814 (0.400)	0.787 (0.413)	(0.286)	0.822 (0.405)	0.804 (0.407)	(0.884)
Mother's Educ - Jr HS	0.163 (0.369)	0.171 (0.383)	(0.697)	0.164 (0.371)	0.151 (0.358)	(0.133)
Mother's Educ - Sr HS	0.018 (0.134)	0.039 (0.194)	(0.026)	0.007 (0.086)	0.040 (0.195)	(0.025)
Mother's Educ - Univ	0.005 (0.074)	0.003 (0.054)	(0.492)	0.007 (0.086)	0.005 (0.070)	(0.848)
Per Cap Income - 5 to 10k	0.327 (0.470)	0.307 (0.462)	(0.453)	0.309 (0.463)	0.287 (0.453)	(0.907)
Per Cap Income - above 10k	0.247 (0.432)	0.222 (0.416)	(0.302)	0.264 (0.442)	0.210 (0.408)	(0.537)
No Father in Household (Mother Single/Sep/Div)	0.216 (0.412)	0.209 (0.407)	(0.764)	0.253 (0.435)	0.220 (0.415)	(0.222)
Number of Siblings	2.660 (1.827)	2.828 (1.798)	(0.107)	2.401 (1.758)	2.715 (1.773)	(0.237)
Ratio Unmarried Men/Women	1.109 (0.204)	1.109 (0.232)	(0.988)	1.110 (0.211)	1.109 (0.236)	(0.375)
Ratio Unmarried Men/Women (With Sen HS)	1.057 (0.539)	1.074 (0.633)	(0.615)	1.025 (0.555)	1.067 (0.670)	(0.570)
Observations	547	690		269	404	

Notes: The first three columns ("Total") refer to the whole sample (including youth and mother respondents). In our analysis we will be using the "Youth" sample (columns 4 to 6). The difference between boys' and girls' characteristics in column 6 corrects for potential sample selection using a standard Heckman selection correction. As exclusion restriction we use variables that capture the timing of the interview, which are strong predictors for whether the youth is present when the interviewer arrives, to answer the questions on subjective expectations herself.

Table 2: Summary Statistics of Subjective Expectations of Future Earnings

	Boys	Girls	Diff
	Mean/(SD)		(P-Val)
Exp Log Earnings			
- Senior HS	7.633 (0.471)	7.532 (0.516)	(0.199)
- College	8.288 (0.461)	8.272 (0.496)	(0.605)
Exp Return			
- College	0.655 (0.359)	0.735 (0.436)	(0.025)
Std Dev of Log Earn			
- Senior HS	0.064 (0.041)	0.062 (0.038)	(0.534)
- College	0.052 (0.032)	0.054 (0.034)	(0.874)
Prob of Work			
- Senior HS	0.676 (0.180)	0.670 (0.189)	(0.844)
- College	0.817 (0.174)	0.823 (0.156)	(0.516)
Observations	269	404	

Notes: The difference between boys' and girls' expectations in column 3 corrects for potential sample selection using a standard Heckman selection correction. As exclusion restriction we use variables that capture the timing of the interview, which are strong predictors for whether the youth is present when the interviewer arrives, to answer the questions on subjective expectations herself.

Table 3: Expected Earnings and Observed Census Earnings

	Boys		Girls	
	Exp Earn Mean/(SD)	Return Mean/(SD)	Exp Earn Mean/(SD)	Return Mean/(SD)
Exp Log Earnings				
- Senior HS	7.633 (0.471)		7.532 (0.516)	
- College	8.288 (0.461)	0.655 (0.358)	8.272 (0.496)	0.734 (0.436)
Log Census Earnings				
- Senior HS	7.661 (0.302)		7.462 (0.323)	
- College	8.140 (0.309)	0.486 (0.375)	8.048 (0.252)	0.599 (0.407)
Observations	269		404	

Table 4: Correlation between Expectations and Individual and Family Background Characteristics

Dependent Variable	Expected Log Earnings			
	Boys		Girls	
	High School	College	High School	College
GPA of Junior HS (0-100)	-0.007 (0.004)	-0.004 (0.005)	0.005 (0.003)	0.006* (0.003)
Number of Siblings	0.051* (0.031)	0.031 (0.033)	0.020 (0.017)	0.026 (0.017)
Per cap Income - 5 to 10k	0.092 (0.073)	0.062 (0.079)	0.135** (0.068)	0.084 (0.065)
Per cap Income - more than 10k	0.161** (0.082)	0.130 (0.089)	0.179** (0.079)	0.099 (0.076)
Mother's Educ - Jr HS	-0.031 (0.077)	0.007 (0.084)	-0.113 (0.074)	-0.084 (0.071)
Mother's Educ - Sr HS	-0.398 (0.376)	-0.348 (0.389)	-0.078 (0.132)	0.030 (0.126)
Mother's Educ - Univ	0.235 (0.343)	0.592 (0.384)	-0.097 (0.393)	0.099 (0.375)
Observations	547	547	690	690
Cens. obs.	278	278	286	286
Chi-Square	13.089	8.848	11.972	8.739
Inverse Mills Ratio	0.093	0.410	0.118	-0.012
S.E. of Inv Mills	0.371	0.402	0.204	0.195

Notes: Table displays coefficients and standard errors in brackets. * p<0.1 ** p<0.05 *** p<0.01. Excl. categories: mother's education primary or less, lowest per capita parental income category.

Table 5: College Attendance Choice: Labour Market

Dependent Variable	College Attendance	
	Labor Market Expect Boys	Expect Girls
Expected Return - College	0.784*** (0.247)	0.274* (0.162)
Prob of Work - Sr HS	0.077 (0.590)	0.444 (0.476)
Prob of Work - College	-0.484 (0.617)	0.38 (0.574)
Log Var of Earn - Sr HS	6.331 (11.767)	14.554 (10.475)
Log Var of Earn - College	2.855 (18.996)	-3.734 (13.975)
GPA of Jr HS (0-100)	0.045*** (0.010)	0.036*** (0.010)
No Father in Household	0.517** (0.238)	-0.198 (0.176)
Mother's Educ - Jr HS	0.189 (0.233)	0.109 (0.199)
Mother's Educ - Sr HS	-4.402 (616.588)	0.988*** (0.360)
Mother's Educ - Univ	-5.131 (572.811)	6.723 (507.200)
Per cap Income - below 5k	0.336 (0.217)	-0.249 (0.188)
Per cap Income - above 10k	-0.071 (0.232)	0.441** (0.178)
Observations	1237	
Censored Obs	564	
Log Likelihood	-1169.079	
Sample Sel: Corr of Errors (P-Val)	-0.213 (0.686)	

Notes: Table displays coefficients and standard errors in brackets. * p<0.1 ** p<0.05 *** p<0.01. Excl. categories: father in household, mother's education primary or less, per capita income between 5000 and 10000 pesos.

Table 6: College Attendance Choice: Labour Market and Marriage Market

Dependent Variable	College Attendance Decision			
	Marriage Market Proxy 1		Marriage Market Proxy 2	
	Boys	Girls	Boys	Girls
Ratio of Unmarried Men to Women (Sr HS)	-0.147 (0.136)			
Ratio of Unmarried Women to Men (Sr HS)		0.186* (0.100)		
Ratio of Unmarried Men to Women			-0.589 (0.449)	
Ratio of Unmarried Women to Men				0.642** (0.282)
Expected Return - College	0.748*** (0.247)	0.279* (0.158)	0.721*** (0.247)	0.277* (0.155)
Prob of Work - Sr HS	0.056 (0.569)	0.44 (0.460)	0.085 (0.562)	0.427 (0.456)
Prob of Work - College	-0.514 (0.599)	0.383 (0.553)	-0.414 (0.591)	0.364 (0.543)
Log Var of Earn - Sr HS	7.028 (11.383)	12.938 (10.290)	9.078 (11.368)	15.564 (10.049)
Log Var of Earn - College	-0.144 (18.474)	-6.242 (13.371)	-2.360 (18.217)	-5.960 (13.145)
GPA of Jr HS (0-100)	0.046*** (0.011)	0.033*** (0.010)	0.053*** (0.012)	0.031*** (0.010)
Number of Siblings	0.056 (0.060)	0.021 (0.046)	0.07 (0.059)	0.030 (0.044)
No Father in Household	0.510** (0.232)	-0.194 (0.172)	0.505** (0.233)	-0.211 (0.171)
Mother's Educ - Jr HS	0.140 (0.230)	0.063 (0.193)	0.129 (0.228)	0.129 (0.186)
Mother's Educ - Sr HS	-4.475 (1877.176)	0.904** (0.362)	-7.333 (2.8e+04)	0.900** (0.358)
Per cap Income - below 5k	0.280 (0.221)	-0.275 (0.189)	0.285 (0.220)	-0.315* (0.183)
Per cap Income - above 10k	-0.024 (0.233)	0.451** (0.179)	0.006 (0.232)	0.458*** (0.178)
Observations	1237		1237	
Censored Obs	564		564	
Log Likelihood	-1156.434		-1156.332	
Sample Sel: Corr of Errors (P-Val)	-0.416 (0.357)		-0.471 (0.278)	

Notes: Table displays coefficients and standard errors in brackets. * p<0.1 ** p<0.05 *** p<0.01. Excl. categories: father in household, mother's education primary or less, per capita income between 5000 and 10000 pesos. A dummy for mother's education university is included but not displayed due to space constraints (insignificant).

Table 7: College Attendance Choice: Labour and Marriage Market - Potential Peer Effects

Dependent Variable	College Attendance Decision			
	Marriage Market Proxy 1		Marriage Market Proxy 2	
	Boys	Girls	Boys	Girls
Ratio of Unmarried Men to Women (Sr HS)	-0.102 (0.147)			
Ratio of Unmarried Women to Men (Sr HS)		0.223** (0.107)		
Ratio of Unmarried Men to Women			-0.5 (0.474)	
Ratio of Unmarried Women to Men				0.605** (0.294)
Expected Return - College	0.782*** (0.248)	0.343** (0.166)	0.764*** (0.251)	0.331** (0.164)
Prob of Work - Sr HS	0.091 (0.601)	0.400 (0.484)	0.113 (0.599)	0.400 (0.483)
Prob of Work - College	-0.563 (0.632)	0.314 (0.590)	-0.48 (0.630)	0.309 (0.583)
Log Var of Earn - Sr HS	5.047 (12.408)	12.272 (10.633)	6.961 (12.489)	15.556 (10.454)
Log Var of Earn - College	-0.062 (19.671)	-7.841 (14.337)	-1.874 (19.576)	-7.019 (14.238)
Fraction of College Educated Men (Women)	1.440 (1.228)	3.491*** (1.225)	1.309 (1.223)	2.958** (1.222)
GPA of Jr HS (0-100)	0.050*** (0.010)	0.037*** (0.010)	0.056*** (0.011)	0.035*** (0.010)
Number of Siblings	0.047 (0.065)	-0.006 (0.050)	0.059 (0.064)	0.009 (0.049)
No Father in Household	0.552** (0.228)	-0.282 (0.183)	0.551** (0.231)	-0.282 (0.181)
Mother's Educ - Jr HS	0.143 (0.239)	0.0120 (0.203)	0.129 (0.239)	0.093 (0.197)
Mother's Educ - Sr HS	-4.651 (761.757)	0.883** (0.368)	-4.445 (641.853)	0.906** (0.365)
Per cap Income - below 5k	0.305 (0.228)	-0.261 (0.206)	0.310 (0.228)	-0.306 (0.200)
Per cap Income - above 10k	-0.055 (0.245)	0.424** (0.184)	-0.029 (0.245)	0.441** (0.183)
Observations	1237		1237	
Censored Obs	564		564	
Log Likelihood	-1151.164		-1152.450	
Sample Sel: Corr of Errors (P-Val)	-0.174 (0.736)		-0.240 (0.625)	

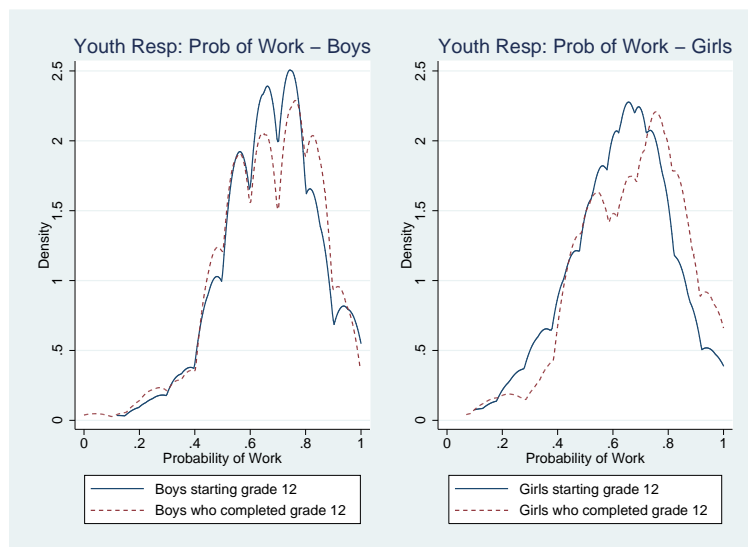
Notes: Table displays coefficients and standard errors in brackets. * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$. Excl. categories: father in household, mother's education primary or less, per capita income between 5000 and 10000 pesos. A dummy for mother's education university is included but not displayed due to space constraints (insignificant).

Table 8: College Attendance Choice: Rationalization of Choices

	P-Val of KS-Test	
	Boys	Girls
Exp Log Earnings		
- Senior HS	0.495	0.714
- College	0.826	0.112
Exp Return		
- College	0.211	0.142
Prob of Work		
- Senior HS	0.906	0.003
- College	0.995	0.165
Log Var of Earnings		
- Senior HS	0.204	0.638
- College	0.369	0.142
Observations		
(Sen HS Grads/Grade 12)	269/212	404/257

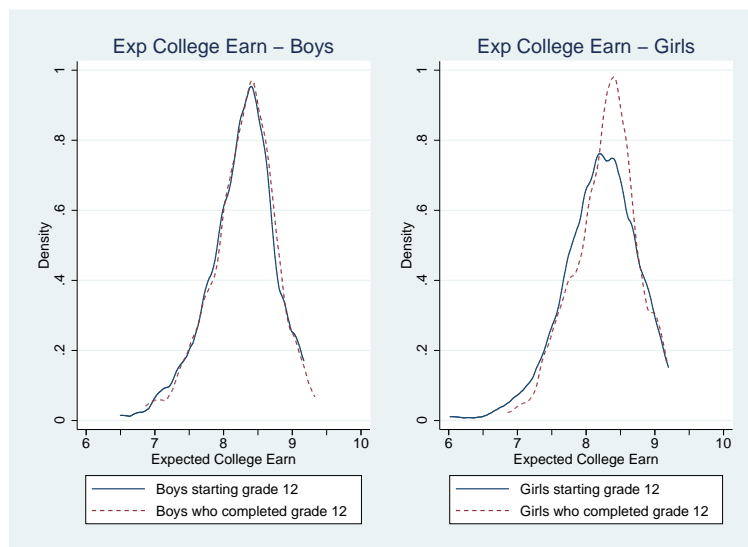
Notes: Table displays the p-values of Kolmogorov-Smirnov tests of equality of distributions. The null hypothesis is that the cross-sectional distribution of -for example- expected returns is the same for the sample of senior high school graduates (whose schooling decision we are analyzing) and the sample of a cohort that is one year younger and just starting grade 12 (who have thus not decided yet about whether to enrol in college or not).

Figure 1: Comparing Expectations of Senior High School Graduates with a One-Year Younger Cohort: Probability of Working with a College Degree



Notes: In this figure we illustrate the cross-sectional distribution of the probability of working with a college degree, comparing our cohort of analysis, the senior high school graduates, with a cohort that is one year younger (for boys and girls respectively).

Figure 2: Comparing Expectations of Senior High School Graduates with a One-Year Younger Cohort: Expected College Earnings



Notes: In this figure we illustrate the cross-sectional distribution of expected college earnings, comparing our cohort of analysis, the senior high school graduates, with a cohort that is one year younger (for boys and girls respectively).

Appendix B: Robustness Checks

Table 9: First-stage Regression for Whether the Youth Responds Herself

Dep Var:	Youth Respondent: Yes/No		
	Instruments 1 Coeff/(SE)	Instruments 2 Coeff/(SE)	Instr and Controls Coeff/(SE)
Interview Evening of Weekday	-0.284* (0.155)	-0.344* (0.177)	-0.295* (0.176)
Interview Evening	0.280* (0.143)	0.365** (0.157)	0.320** (0.156)
Interview Week 40 to 42	0.126*** (0.029)	0.175*** (0.039)	0.168*** (0.039)
Male	-0.091*** (0.028)	-0.048 (0.036)	0.305 (0.276)
Interv Evening Weekday * Male		0.340 (0.401)	0.273 (0.399)
Interv Evening * Male		-0.404 (0.384)	-0.334 (0.381)
Interv Week 40 to 42 * Male		-0.106* (0.059)	-0.073 (0.059)
GPA of Jr HS (0-100) *Male			-0.002 (0.003)
GPA * Female			0.003* (0.002)
Number of Siblings * Male			-0.038*** (0.013)
Number of Siblings * Female			-0.028** (0.011)
No Father in Household * Male			0.071 (0.052)
No Father in Household * Female			0.019 (0.046)
Mother's Educ - Jr HS * Male			0.001 (0.057)
Mother's Educ - Jr HS * Female			-0.083* (0.050)
Per cap Income - below 5k * Male			0.009 (0.054)
Per cap Income - below 5k * Female			0.125** (0.049)
Per cap Income - above 10k * Male			-0.041 (0.056)
Per cap Income - above 10k * Female			-0.025 (0.049)
Sex Ratio (Sr HS) * Male			0.058* (0.035)
Sex Ratio (Sr HS) * Female			0.001 (0.030)
Observations	1237	1237	1237
F-Statistic	8.270	5.414	3.425
R-Squared	0.026	0.030	0.061
Adjusted R-Squared	0.023	0.024	0.043

Notes: Table displays coefficients and standard errors in brackets. * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$. Excl. categories: mother's education primary or less, per capita income less than 5000 pesos. Weeks 40 to 42 are holidays. Dummies for mother's education senior high school and college are included, but not shown due to space constraints (insignificant).

Table 10: College Attendance Choice: Labour and Marriage Market - Local Labour Market Conditions

Dependent Variable	College Attendance Decision			
	Marriage Market Proxy 1		Marriage Market Proxy 2	
	Boys	Girls	Boys	Girls
Ratio of Unmarried Men to Women (Sr HS)	-0.038 (0.146)			
Ratio of Unmarried Women to Men (Sr HS)		0.223* (0.127)		
Ratio of Unmarried Men to Women			-0.062 (0.597)	
Ratio of Unmarried Women to Men				0.647* (0.361)
Expected Return - College	0.923*** (0.275)	0.451** (0.195)	0.917*** (0.278)	0.466** (0.195)
Prob of Work - Sr HS	0.038 (0.653)	0.638 (0.553)	0.021 (0.651)	0.663 (0.557)
Prob of Work - College	-0.428 (0.702)	0.037 (0.680)	-0.408 (0.700)	0.099 (0.679)
Log Var of Earn - Sr HS	4.778 (13.758)	13.543 (11.672)	4.463 (13.738)	17.497 (11.606)
Log Var of Earn - College	-0.797 (20.421)	-5.396 (17.938)	-0.589 (20.541)	-5.130 (18.014)
Average Log Census Earnings - Sr HS	-0.313 (0.347)	0.213 (0.260)	-0.338 (0.345)	0.190 (0.263)
Average Log Census Earnings - College	0.424 (0.331)	0.089 (0.302)	0.386 (0.331)	-0.050 (0.294)
Fraction of College Educated Men (Women)	1.486 (1.319)	2.565* (1.396)	1.566 (1.321)	2.116 (1.371)
GPA of Jr HS (0-100)	0.059*** (0.015)	0.038*** (0.012)	0.058*** (0.015)	0.039*** (0.012)
Number of Siblings	0.053 (0.069)	-0.021 (0.054)	0.052 (0.069)	-0.004 (0.053)
No Father in Household	0.697*** (0.241)	-0.266 (0.198)	0.691*** (0.241)	-0.249 (0.197)
Mother's Educ - Jr HS	0.074 (0.253)	-0.046 (0.219)	0.077 (0.252)	0.021 (0.214)
Mother's Educ - Sr HS	-4.472 (328.963)	0.853** (0.375)	-7.109 (0.000)	0.844** (0.372)
Per cap Income - below 5k	0.396 (0.251)	-0.242 (0.220)	0.394 (0.250)	-0.284 (0.219)
Per cap Income - above 10k	0.006 (0.261)	0.232 (0.212)	0.014 (0.260)	0.272 (0.213)
Observations	1237		1237	
Censored Obs	564		564	
Log Likelihood	-946.466		-946.900	
Sample Sel: Corr of Errors (P-Val)	-0.009 (0.986)		-0.029 (0.952)	

Notes: Table displays coefficients and standard errors in brackets. * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$. Excl. categories: father in household, mother's education primary or less, per capita income between 5000 and 10000 pesos. A dummy for mother's education university is included but not displayed due to space constraints (insignificant).