Human Capital Externalities and Private Returns to Education in Kenya

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Abstract

We use micro data to analyse the effect of human capital externality on earnings and private returns to education. The earnings equations are estimated using the OLS method for a sample of full-time workers. The results show that human capital has a positive effect on earnings, indicating that an increase in education benefits all workers. However, men benefit more from women's education than the women do from men's. The effects of human capital externality on private returns to schooling are shown to vary substantially between rural and urban areas and across levels of the education system.