

Caught in the Cycle: Economic Conditions at Enrollment and Labor Market Outcomes of College Graduates*

Alena Bičáková
CERGE-EI[†]

Guido Matias Cortes
York University

Jacopo Mazza
University of Essex

July 17, 2018

Abstract

We find robust evidence that cohorts of graduates who enter college during worse economic times earn higher average wages than those who enter during better times. This difference is not explained by differences in economic conditions at the time of college graduation, changes in the field of study composition, or changes in selection into occupations or industries. Cohorts who start college in bad times are not more positively selected based on their high-school outcomes, but they graduate with higher college grades, and earn higher wages conditional on their grades. Our results suggest that these cohorts exert more effort during their studies.

Keywords: Business Cycle, Higher Education, Cohort Effects
JEL Classification: I23, J24, J31, E32

*Bičáková thanks the Czech Science Foundation for support under grant P402/12/G130. Cortes and Mazza thank the British Academy for support under grant R119450. We are grateful to Štěpán Jurajda, Nikolas Mittag, Uros Petronijevic, George Stefanidis, Hans van Ophem, and seminar participants at York, Bristol, Utrecht, Shanghai, and at the RES and CEA Conferences for helpful comments and suggestions.

[†]CERGE-EI is a joint workplace of Charles University and the Economics Institute of the Czech Academy of Sciences. Email addresses: Alena.Bicakova@cerge-ei.cz (Bičáková), gmcortes@yorku.ca (Cortes), jacmazza@gmail.com (Mazza).