Measuring Education Services as Intangible Social Infrastructure

Mary O’Mahony
King's College London
Email: mary.omahony@kcl.ac.uk

Carol Corrado
The Conference Board

Lea Samek
National Institute of Economic and Social Research

The starting point for this paper is that society's consumption of education services is the acquisition of schooling knowledge assets whose change in value should be included in saving and net investment. We estimate the nominal value of education services produced by the public sector by using the Jorgenson-Fraumeni lifetime income approach. Enrolments by education type are multiplied by the amount by which lifetime earnings at that age, sex and education change with additional qualifications taking account of the extra time required to achieve that additional education. Implementing this approach requires a number of assumptions including estimating wages net of experience and taking account of international students who pay for the cost of their tuition. The model is estimated using data for the UK covering the time period 2001 to 2014 and uses a range of assumptions. The ratio of our preferred measure to education expenditures is much greater than one, suggesting that society obtains a high economic benefit from education.