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More on the estimation of the human capital depreciation rate

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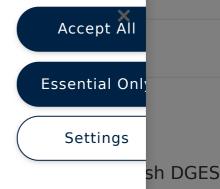
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Abstract

This study formulates an alternative empirical model to that of Groot (Applied Economics Letters, 5, 535–8, 1998) to estimate the rate of depreciation of human capital, in which the post-schooling investment and the difference between the potential and the observed earnings of the individuals are taken into account. As an illustration, the model has been estimated for a sample of Spanish men and women. The results show depreciation rates of human capital of around 1–1.5% per year.

Ack

Notes

[1] Given that neither K_{i0} nor I_{it}^{*} are observable, any other type of assumption could be made about their functional form.

[2] The seven regions included in the database were considered: the Canary Isles, Central Spain (Castile and Leon, Castile La Mancha and Extremadura), the North West (Galiçia, Asturias and Cantabria), the North East (the Basque Country, Navarra, Rioja and Aragon), Madrid, the East (Catalonia, Valencia and the Balearic Isles) and the South (Andalusia and Murcia).

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