

Urban versus Rural Return to Human Capital in Portugal, A Cook-Book Recipe for Applying Assignment Models

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Urban versus Rural Return to Human Capital in Portugal, A Cook-Book Recipe for Applying Assignment Models

Authors:

Teulings, Coen N.
Vieira, José A.C.

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Abstract:

The Portuguese economy has been characterised by modernisation since the post-war period. Lisbon and the Tagus Valley is a centre of this process. Hence, this region faces a high demand for highly skilled labour. This paper analyses rates of return on human capital in the region of Lisbon and in the rest of the country in the period 1982-1992. An assignment model of heterogeneous workers to heterogeneous jobs is discussed. We also develop a cook-book recipe for its estimation. The main implication, a high return being associated with similar workers being assigned to more complex jobs, is borne out by the data. Apparently new technology in Lisbon triggers the demand for human capital, not the other way around. The estimation procedure allows us to obtain a simple, free dimension, parameter that measures the heterogeneity in jobs and therefore the ease of substitution between worker types. This is called the complexity dispersion parameter. Calculations suggest that paying half the optimal wage level is about to double the cost per efficiency unit of labour.

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Outcomes for the poor remains a key challenge for India. It is central to improving their income-earning opportunities and welfare. Note: Consumption estimates are in all-India rural or urban rupees and are corrected for cost-of-living differences between states using the official poverty lines. International poverty lines were converted to rupees using 2005 purchasing power parity rates of 11.4 Rs/\$ in rural areas and 17.24 Rs/\$ in urban areas. For that reason the Cobb Douglas model was applied. As a result, four statistically significant models were obtained, where the following two indicators served as the resultant variables: the number of personal computers in organizations per 100 workers and the number of personal computers in organizations with an Internet connection per 100 workers. The explanatory variables were human capital, measured as the average number of years of training per one employed in the region, the average monthly wage in the regions and the share of urban population in the regions. This paper discusses a general equilibrium model of the assignment of heterogeneous workers to heterogeneous jobs. Both jobs and workers are measured along a continuous one-dimensional scale. The composition of labor supply is represented by a distribution function. C. N. Teulings, J. A. C. Vieira Urban Versus Rural Return to Human Capital in Portugal: A Cookbook Recipe for Applying Assignment Models, *Labour* 18, no.22 (Jun 2004): 265-291. <https://doi.org/10.1111/j.1121-7081.2004.00267.x>. Coen N. Teulings, Pieter A. Gautier The Right Man for the Job, *The Review of Economic Studies* 71, no.22 (Apr 2004): 553-580. <https://doi.org/10.1111/0034-6527.00296>. Michèle V. K. Belot Migration Costs and Human Capital Investments, *SSRN Electronic Journal* (Jan 2004).