

**Global Development Network (GDN) and CERGE-EI Regional Research
Competition Project “Returns to Schooling in Croatia”**

Does It Pay to Invest in Education in Croatia?

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Non-Technical Summary

Countries of Central and Eastern Europe experienced a rapid increase of return to education with the advent of the transition. This is well-documented for most of the countries but, until now, there were no empirical studies of the dynamics of wage premiums in post-transition Croatia. This paper, therefore, intends to fill in that gap.

We look at the dynamics of wage premiums in Croatia and estimate how much the return to education has changed between 1996 and 2004 on the basis of labor force survey data. We compare these results with similar ones for selected transition countries and then we look at some possible explanations of our findings.

Contrary to most transition countries, premiums for education in Croatia began to grow only at the end of the 1990's. In a way, wage adjustment in Croatia has been delayed. However, by 2004, it reached the level of premiums found in other transition countries and advanced market economies, thus creating market incentives for investment in education.

We also look at additional features of the wage structure, such as non-linearities in the return to education associated with attainment of credentials and return to experience.