

ABSTRACT

This research estimates the rates of return on education in Indonesia using data from IFLS 4 and IFLS 5. This study employs Ordinary Least Squares (OLS), Heckman Selection Model to address sample selection bias, and Instrumental Variable (IV) methods to address endogeneity. The estimated rates of return were between 8% to 16%. In addition, the study also shows a concave relationship between experience and individual income.

Keywords: Human capital, Return on education, Wage.

JEL: I21, I26, J24, J30