ABSTRACT

Men and women in Indonesia have differences in average educational attainment and average wage. The relationship between education and wage can be explained through the Mincerian Earnings Function framework. According to this framework, each additional year of education will provide benefits in the form of increased future wage. This study aims to estimate the rate of return to education in Indonesia and to analyze its differences between men and women using data from the 2023 National Labor Force Survey (Sakernas).

This study employs the Ordinary Least Squares (OLS) method and the Heckman selection model to address sample selection bias. The results show that the return to education in Indonesia is 5.4% (OLS) and 4.9% (Heckman). When viewed by gender, women receive a higher return to education, namely 6.5% (OLS) and 6.7% (Heckman), while men receive 4.7% (OLS) and 4.4% (Heckman). In addition, the study finds that work experience exhibits a concave relationship with wage. After correcting for sample selection bias, most control variables in this study show a significant effect on wage, except marital status in the total sample.

Keywords: Return to Education, Gender, Mincerian Earnings Function, Human Capital Investment