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The Dynamics of Increased Accessibility to Academic Education and its Returns: A Case Study of Israel's Periphery in the Labor Market

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Abstract

Most studies, which deal with the evaluation of large-scale reforms in education, typically focus on the likelihood of acquiring higher education and the associated returns in the labor market. Our previous research indicates that such reform in Israel has made academic education accessible for the residents of the periphery and improved their earning ability. In this study we examine the dynamics of this improvements over time. Our empirical analysis uses Central Bureau of Statistics (ICBS) data of individual income surveys for 2001-2016 in Israel.

The estimation of wage equation as a function of the individual's characteristics generally might cause bias in education coefficient (return to education). Therefore, in order to correct such bias, we will identify the effect of education on salary using observed variable that describes the policy change in the Israeli higher education system (i.e. Academic Colleges Law 1995) which has supported the accessibility of academic studies to a broad spectrum of groups and thereby has also contributed to reducing the wage gap in the long run.

Results indicate that the impact of the Academic Colleges Law on the earning capacity and employment of individuals in the labor market has diminishing marginal effect and stabilizes after several years. In addition, it was found that reform in higher education continues to contribute, but not to a large extent, to the narrowing of the wage gap between the two investigated groups in the Israeli labor market (core vs. periphery).

Keywords: Labor Market, Accessibility to Higher Education, Return to Schooling, Wage Gap.

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