

THE PUBLIC-PRIVATE EDUCATION WAGE GAP: EVIDENCE FROM EL SALVADOR

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Abstract

I evaluate the impact of graduating from a private educative institution on hourly wages in El Salvador. The impact of private education is decomposed into its direct effect on wages as well as its indirect effect on income through educational attainment. IV estimations using reception of remittances and family background characteristics as instruments, reveal the mechanism through which private education translates into additional educative achievement, and higher wages, and are used to obtain consistent estimates of the return to education. Results suggest that private education is associated with an increase of 1.9-2.8 years of additional educative attainment, which translates into an increase of 12.6%-22.1% on hourly wages. No direct impact of private education on wages was found, suggesting that the effect of quality of education affects income mainly by improving advancement through the educative system.

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