

The Effects Of Education On Labor Productivity: Differences Between Tradable And Non-Tradable Industries

Elise S. Brezis

Aharon Meir Center for Banking and Economic Policy, Bar-Ilan University

Gilad Brand

The Taub Center for Social Policy Studies in Israel

Paper Abstract: This research focuses on the differences in labor productivity between tradable and non-tradable industries, and the contribution of human capital to the differences between these two sectors. We find that while productivity rose substantially in the tradable sector, in the non-tradable sector, output per worker has remained the same; although, the rise in human capital in both sectors does not differ significantly.

This paper emphasizes that heterogeneous ability of individuals as well as a double duality both in the labor market and the higher-education might explain these facts. The double duality in the economy permits a separation of individuals by their ability, which can explain the differences in labor productivity between sectors.