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Do Supply-Side Education Programmes Work? The Impact of Increased School Supply on Schooling and Wages in Indonesia Revisited*

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Abstract: Indonesia each year allocates a large proportion of its total public spending to education and it is important to understand whether different groups, for instance, children from less advantageous socioeconomic backgrounds or girls benefit differentially from these public investments. It is also desirable to comprehend whether schooling translates into increases in wages that are similar in size for both for men and for women who obtain additional schooling. This paper uses the large-scale Presidential Instruction Primary School construction programme (SD INPRES) rolled out in Indonesia in the 1970s to examine the effect of increased school supply on schooling attainment: overall, by gender, and by socioeconomic background. It also constructs a new SD INPRES programme exposure variable that is used as an instrument for schooling to assess the causal effect of schooling on wages and whether the additional schooling induced by the programme had differential impacts for men and women. To preview the findings, SD INPRES programme exposure significantly increased schooling both for men and for women. Moreover, women benefitted more from the SD INPRES programme than men and so did individuals from less advantageous socioeconomic backgrounds contributing to a narrowing of schooling gaps by gender and by socioeconomic background. In addition, more schooling is found to cause higher wages for men and women and there appears to be an additional positive effect on wages for women through the additional schooling induced by the SD INPRES programme.

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Key Words: wages, schooling, Indonesia

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