

ABSTRACT

The low income received by the labour force in Central Java Province may be due to low education. Investment in human capital, especially in education, is a major issue. The investment brings many benefits to individuals who make educational investments, commonly called the rate of return on education. The study aims to analyze the level of return on education in Central Java Province and the factors that influence the estimate of return on education in the Central Java province with the Mincer Earnings Function, also to compare the difference between secondary education (SMA) and higher education.

This study uses data from the National Labor Force Survey of Central Java Province in 2021. The method of analysis the rate of return on education are estimated using Two-Step Heckman Method to overcome the sample selection bias. The results are, in 2021, the rate of return on education or an additional one year of schooling increases future income by 4.5%. And the factors that influence the estimated return on education have a significant influence on labour income. Moreover, college graduates earn a 46.7% higher rate of return on education than high school graduates.

Keywords: *Return on Education Investment, Human Capital, Labour, Two-Step Heckman, Mincer Earnings Function.*

