

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

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**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.