

## **Which Human Capital Matters for the Wages of the Poor and the Rich? Evidence from Matched Worker-Firm Data from Tunisia**

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In this paper, we study the return to human capital variables for wages of workers observed in Tunisian matched worker-firm data in 1999. We develop a new method based on multivariate analysis of firm characteristics, which allows us most of the benefits obtained by introducing firm dummies in wage equations. It also provides a human capital interpretation of the effect of these dummy variables. Moreover, in the studied data, using three firm characteristics easy to collect yields results close to those obtained by using the matched structure of the data.

The poorest workers (as defined in terms of wage levels or of conditional wages in quantile regressions) experience greater returns to human capital than workers belonging to middle of the wage distribution. However, the return to schooling of the poorest workers is significantly lower than that of the richest workers. Wage regressions including the computed factors confirm that human capital is associated with positive intra-firm externality on wages. A given worker would be more productive and better paid in an environment strongly endowed in human capital. However, the poorest workers do not take advantage of the structure of human capital in the firm. Conversely, the poor benefit from working in the textile sector in terms of wage unlike the medium and high wage workers. Finally, the poorest and the richest workers benefit from an innovating environment while workers in the middle of the wage distribution do not.

Keywords: wage, returns to human capital, matched worker-firm data, quantile regressions, factor analysis, Tunisia

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