

Policy Brief

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Covid-19's adverse economic impact on higher education students

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Abstract

Many students work to finance their studies and livelihoods. This study finds that the Covid-19 crisis has had a disproportionately negative effect on students' employment and income, potentially affecting their ability to graduate as planned. In addition, the subsequent student cohort will find it more difficult to support themselves in a situation of high unemployment and increased competition for the few suitable jobs for students. These current hardships may be magnified by future ones since today's students will one day have to be able to shoulder much of the future burden of repayment of the mounting government debt.

Introduction

The Covid-19 pandemic has had a disproportionally adverse economic impact on Israel's young workers.¹ Many of the younger persons in the labor force are students who work in order to finance their studies. Due to the major constraints on their time, not all jobs are suitable for students – with many having to work in the food and hospitality sectors which were hit

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¹ Empirical evidence was provided by Endeweld, Heller and Karady (2020), Bank of Israel (2020), Ministry of Finance (2020), and Flug, Aviram-Nitzan and Kedar (2020) for Israel, by Brynjolfsson et al. (2020) for the U.S., and by Oswald and Powdthavee (2020) for the UK.

particularly hard by the government's multiple lockdowns. As a result, students appear to have been more adversely affected by the pandemic than their non-student counterparts.

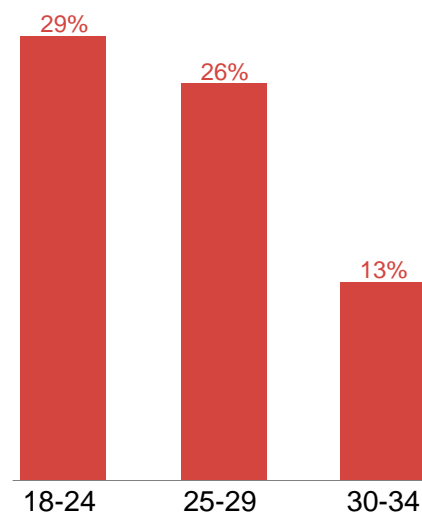
The negative economic impact on students may lead some to drop out of school, and –, if they fear that they will not be able to finance their tuition and livelihood – it may prevent potential students from even entering higher education. This, in turn, may have a harmful effect on human capital accumulation in Israel, with clear negative implications for subsequent long-run economic growth. This study performs a quantitative assessment of Covid-19's adverse economic impact on students and examines its implications.

Findings

The analysis below is based on data from the Central Bureau of Statistics 2018 Survey of Household Expenditures in Israel. Figure 1 shows the fraction of students within the relevant age cohorts. The fraction of students in the 18-24 and 25-29 year-old cohorts is 29% and 26%, respectively. The share of students drops to roughly half of that in the 30-34 year-old cohort, and becomes negligible in older cohorts. Hence, this study focuses on these three age cohorts.

As pictured in Figure 2, the fraction of wage-earning employees among students is lower than among their non-student counterparts.² There is little variance between the three age cohorts in the share of wage-earning non-students. In the 18-24 year-old cohort, the fraction of

Figure 1
Share of students
in relevant age groups



Source: Ayal Kimhi, Shores Institute and Hebrew University
Data: Central Bureau of Statistics

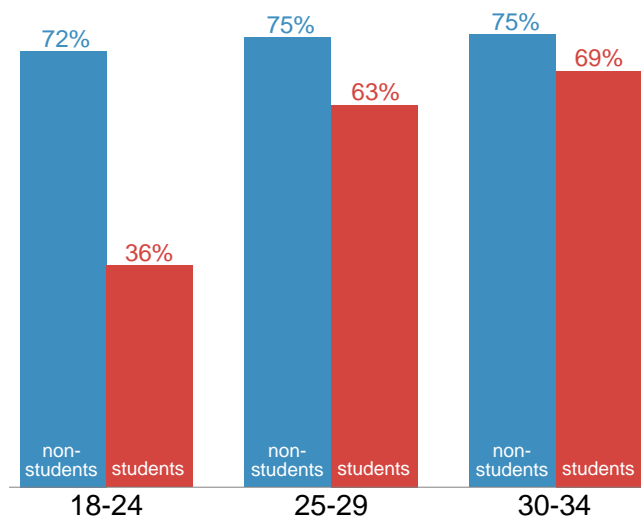
² The fraction of self-employed ranges between 1% (0%) in the younger age cohort to 8% (3%) in the older age cohort for non-students (students).

wage-earning students is about half that of non-students. In the other age cohorts, the proportion of wage-earning students is still smaller than among non-students, with much narrower gaps. Since the share of students in the 30-34 year-old cohort is rather small (Figure 1), the overall share of wage-earning students is considerably lower than that of wage-earning non-students.

Student employees work substantially fewer hours than non-student employees (Figure 3A). The gap is particularly pronounced in the youngest age group, narrowing with age.

The monthly wages of salaried students are lower than those of non-students (Figure 3B). However, wage differences between the two groups are lower than the differences in work hours,

Figure 2
Share of employees
in relevant age groups



Source: Ayal Kimhi, Shores Institution and Hebrew University
Data: Central Bureau of Statistics

Figure 3

Figure 3a
Monthly work hours of employees
in relevant age groups

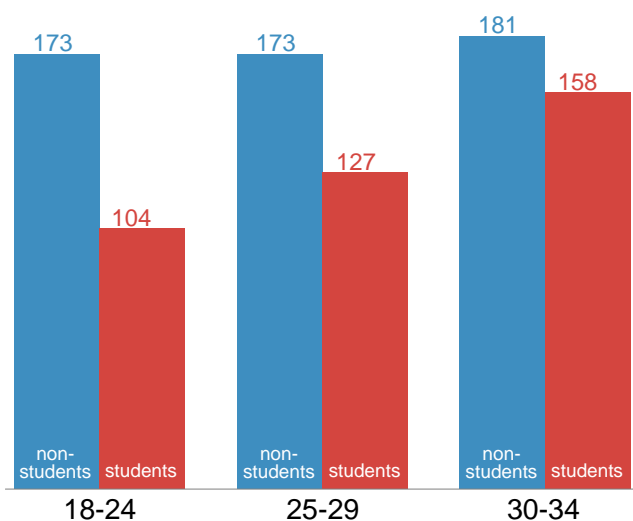
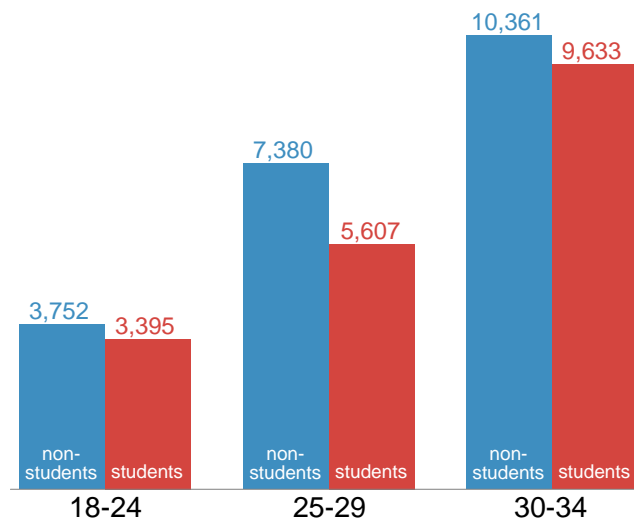


Figure 3b
Monthly wage of employees
in relevant age groups



Source: Ayal Kimhi, Shores Institution and Hebrew University
Data: Central Bureau of Statistics

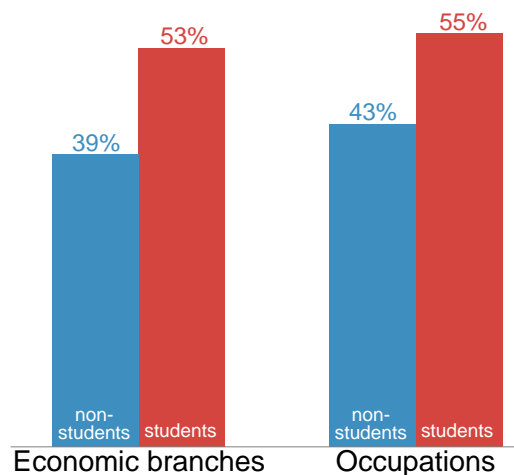
especially in the younger age group. The implication of the smaller difference in monthly wages and the larger difference in work hours is that students' hourly wages are higher than those of non-students.

Central Bureau of Statistics (2020) data make it possible to rank economic branches and occupations according to the share of salaried employees who were on temporarily leave of absence

from work during May 2020 due to Covid-19-related reasons. Economic branches and occupations were each divided into two groups: those in which the rate of Covid-19-related absenteeism from their work is no higher than 25%, and those branches and occupations with absentee rates greater than 25%.³

Figure 4 compares the share of students and non-students ages 18-34 working as employees in those economic branches and occupations with the highest absentee shares due to the Covid-19 crisis (using 2018 Household Expenditure Survey data). A greater share of students than non-students are employed in those economic branches and occupations that were the hardest hit by the Covid-19 crisis. It can therefore be concluded that the adverse economic impact on students was more severe than it was on their non-student peers.

Figure 4
 Share of young employees* in economic branches and occupations with high rates of absenteeism from Covid-19



* Ages 18-34

Source: Ayal Kimhi, Shores Institute and Hebrew University
 Data: Central Bureau of Statistics

³ The ranking of economic branches and occupations and the division are presented in the appendix.

Conclusion

Israeli students tend to be older than the counter-parts abroad – and, as such, many must work to finance their studies and livelihoods. Their work hours as well as their wages are lower than those of their non-student peers. This study shows that the Covid-19 crisis has had a disproportionately negative effect on students' employment and income, potentially affecting their ability to graduate as planned. In addition, the subsequent student cohort will find it more difficult to support themselves in a situation of high unemployment and increased competition for the few suitable jobs for students.

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Appendix

Ranking of economic branches and occupations

by the fraction of salaried workers absent from work
due to Covid-19-related reasons during May 2020

Industry	Fraction
Local, public and defense administration and social security	5.2
Electricity supply	7.8
Agriculture, forestry and fishing	8.0
Water supply, sewerage and waste management	9.7
Information and communications	10.5
Households as employers	10.7
Financial and insurance activities	13.7
Manufacturing; Mining and quarrying	16.2
Construction	18.6
Professional, scientific and technical activities	21.4
Human health and social work activities	22.2
Real estate activities	25.0
Wholesale and retail trade and repair of motor vehicles	28.4
Administrative and support service activities	28.6
Education	30.2
Transportation, storage, postal and courier activities	31.9
Other service activities	39.5
Arts, entertainment and recreation	51.9
Accommodation and food service activities	66.8
Occupation	Fraction
Skilled agricultural, forestry and fishery workers	10.3
Managers	11.9
Professionals	18.1
Skilled workers in manufacturing and construction, and other skilled workers	21.3
Elementary occupations	22.7
Practical engineers, technicians, agents, and associate professionals	26.0
Clerical support workers	27.5
Service and sales workers	36.1