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HIV, WAGES, AND LABOR PRODUCTIVITY

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Abstract

The HIV/AIDS epidemic has dramatically increased morbidity and mortality among prime-age adults in sub-Saharan Africa. In this paper, we investigate the relationship between HIV and labor market outcomes by linking information from manufacturing firms and employee surveys to HIV prevalence estimates from population-based HIV testing. Using within-country variation in regional HIV prevalence, we estimate the relationship between HIV and labor market outcomes, both in levels and growth rates. In general, there is no significant relationship between regional HIV prevalence and wages, labor productivity, or the capital/labor ratio. However, we find that areas with higher levels of HIV have a higher education premium today, and that HIV is associated with increases in the education premium from the 1990s to the 2000s. This suggests that the HIV/AIDS epidemic may have generated a shortage of high-skilled labor in the urban manufacturing sector.

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