

**Assessing the value of additional years of schooling for the
non-academically inclined**

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EXECUTIVE SUMMARY

Policies to increase school retention rates to Year 12 or to otherwise increase the number of years spent in school are often promoted to improve employment opportunities and other social outcomes for young people. These policies are largely based on the observation that those who complete high school fare better in the labour market than early school leavers, and therefore upon the implicit assumption that early school leavers would similarly achieve superior outcomes were they too to stay on longer at school. It is well established in the evaluation literature that such an assumption cannot be made, on a number of grounds. Most obviously, the observed correlation between years of schooling and better labour market outcomes may not be due to the additional schooling *per se*, but rather to other characteristics of those who complete school, such as higher ‘ability’.

This study questions whether completing school will really be of benefit to all young people. In particular, it provides estimates of the benefits to additional years of schooling for young people who are assessed as non-academically inclined using data from the 1995 Year 9 cohort of the Longitudinal Surveys of Australian Youth. The effects of additional years of schooling on earnings and on the probability of being in employment are estimated. Standard regression models are estimated across the full sample to provide “benchmark” estimates, including instrumental variables models in the case of wages, and these incorporate a range of controls for ability contained in the LSAY and which are often not available to researchers. A number of techniques are then used to further assess the effects for non-academically inclined youth. Interaction terms between years of schooling accumulated and the predicted propensity to complete school are included to test for heterogeneity in the effect of schooling. The regression models are estimated across sub-samples chosen to represent non-academically inclined youth under two different definitions. Finally matching methods are used to identify both the “average treatment effect on the treated” and the “average treatment effect on the untreated” for the full and restricted samples.

As is the case in previous studies, the different empirical approaches generate a range of results and these are far from conclusive. However, in the case of both wages and the incidence of unemployment, there is considerable evidence of the benefits to schooling being concentrated among the most able. Evidence that further years of schooling is actually detrimental to some young people, as the literal interpretation of many of the results suggests, is less clear but should not be ignored by policy makers. Certainly alternatives such as reasonable job openings, traineeships and apprenticeships should not be ignored for the sake of accumulating years of schooling. In conclusion the paper argues that alternative pathways and institutional arrangements need to be available to meet the varying needs, abilities and preferences of all young people, as well as the information they require to make informed decisions on what is optimal for them.

