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Long-Run Effects of Free School Choice

College Attainment, Employment, Earnings, and Social Outcomes at Adulthood

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Research on the effectiveness of educational programs has centered on evaluating short-term outcomes, such as standardized test scores. Education aims ultimately to improve lifetime well-being, however, so attention has shifted recently to long-term consequences. Outcomes examined in the literature include post-secondary educational attainment, early adult earnings, years of completed schooling, labor market outcomes, young adult crime, and college entry, choice and completion.

My research examines the long-term consequences of free school choice programs offered to primary school students at the transition to secondary school. The main question is whether the effects of free school choice persist beyond high school and lead to long-term enhancements in human capital and well-being.

To address this issue, I examine a school-choice experiment conducted two decades ago in Tel Aviv, Israel. In Lavy (2010) I analyzed the short- and medium-term effects on cognitive outcomes and schooling attainment during middle and high school. With the passage of time, I can now evaluate whether school choice among public

schools has a long-term impact on social and economic outcomes. This research provides the first evidence of links between school choice and students' employment, earnings, and social outcomes at adulthood. I examine the impact on various types of post-secondary schooling that vary by quality, along with the impact on employment, earnings, and welfare-dependency at about age 30. This work thus presents a wide characterization of school choice's impact at adulthood.

My results show that the school-choice experiment increased a wide range of post-secondary schooling measures. Two decades after students made their school choice at the end of primary school, treated students are 4.7 percentage points more likely to enroll in post-secondary schooling and to complete almost an additional quarter-year of college schooling, in comparison to students in the control group. These gains reflect a 15 percent increase relative to pre-program averages, and they are similar to the program-induced gains in high-school matriculation outcomes (Lavy 2010). The increase in post-secondary schooling reflects mainly an increase in academic education through increased enrollment in aca-

demical and teachers' colleges, without any gain in enrollment in research universities. This is not surprising, since those affected by the program are marginal students from low socioeconomic families who would not enroll in any academic post-secondary schooling if not for the school-choice program.

I also find a shift away from vocational education (one-year study programs leading to a technician diploma, or two-year colleges granting practical engineering degrees). These results are general equilibrium in nature because those affected by the experiment are a small proportion of their cohort and therefore the expansion in post-secondary schooling in the treated sample is not at the expense of others who could have been "crowded out" by the new demand for higher education. Naturally, this concern will have to be addressed in a nationwide school-choice program.

Alongside these academic improvements, I also estimate an increase of 5–7 percentage points in average annual earnings among treated students at ages 28–30 relative to the respective control-group average. These gains are most likely explained by the improvement caused by the choice program in high school academic outcomes (matriculation composite score, matriculation diploma, number of matriculation subjects at the honors level) and in post-secondary schooling attainment, both

of which are highly correlated with labor market earnings. Finally, I also estimate that school choice led to a decline in eligibility for, and receipt of, government disability transfers. I do not find any systematic effect on marriage or parenthood.

The lessons from this analysis are easily transferable and applicable to other educational settings in developed countries. Both the high-school system in Israel and its high-stakes exit exams are similar to those elsewhere. Importantly, variants of the school-choice program studied here have been implemented in recent years in developed and developing countries. Another important advantage of my evidence is that school choice is a policy change that can be manipulated directly by policy, while related studies provide evidence on long-term outcomes for measures not easily manipulated by policy, such as school or teacher quality.

NOTE

This research brief is based on Victor Lavy, "Long Run Effects of Free School Choice: College Attainment, Employment, Earnings, and Social Outcomes at Adulthood," http://www2.warwick.ac.uk/fac/soc/economics/staff/vlavy/nber_working_paper_w20843.pdf; all references are provided therein.
