The wage returns to education over the life-cycle: Heterogeneity and the role of experience

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This paper uses data from the New Earnings Survey Panel Dataset 1975-2011 and the UK Labour Force Surveys 1986-2011 to re-examine the wage returns to the 1972 Raising of the School Leaving Age (RoSLA) in England and Wales. We show that there is substantial variation in the impact of RoSLA over the lifecycle, which is masked by the standard regression discontinuity (RDD) methods used to estimate returns to education. Moreover, the discontinuity in labour market experience at the point of RoSLA has a significant negative effect on the initial earnings of compliers. This has implications for the interpretation of the estimated causal effect of education on earnings in this case and in general when RDD designs exploit compulsory school leaving age reforms to derive causal estimates.

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