The market and non-market benefits of compulsory school policies in the long-run

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Policy makers increase minimum school leaving ages with the aim to reduce social inequality associated with lower levels of education. In this study, we exploit changes to Australian state compulsory schooling laws in the 1960s to identify the long-run benefits of such a reform. Using a difference-in-difference approach, we find that the reforms boosted older-age cognitive- and non-cognitive skills and improved family capital. The reform had a strong effect on women’s labor and financial capital, while men mostly benefited from an increase in non-cognitive skills. Our results emphasize that raising high school education for individuals at the lower end of the education spectrum has a powerful long-term effect on overall capital formation.

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