

# IAB-Colloquium zur Arbeitsmarkt- und Berufsforschung

## Big Fishes in Small Ponds: Ability Rank and Human Capital Investment

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We study the impact of a student's ordinal rank in a high-school cohort on educational attainment several years later. To identify a causal effect, we compare multiple cohorts within the same school, exploiting exogenous variation in cohort composition. We find that a student's ordinal rank in high-school significantly affects educational outcomes later in life. If two students with the same ability have a different rank in their respective cohort, the student with the higher rank is significantly more likely to finish high-school, to attend college, and to complete a 4-year college degree. These results suggest that students underinvest in their human capital if they have a low rank within their cohort even though they have a high ability compared to most students of the same age. Exploring potential channels, we find that students with a higher rank have higher expectations about their future career, and feel that they are being treated more fairly by their teachers.

**Donnerstag, 21. Mai 2015**

13:00 Uhr

Sitzungssaal 126a