Determinants and Effects of Educational Dropout in Germany
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Abstract

Using data from the German Socio-Economic Panel for the years 2000 to 2006 we analyze the determinants and wage effects of educational dropout. In addition to classical variables like family background and occupation, we examine noncognitive skills and computer use as potential factors influencing educational dropout and the wages of educational dropouts. Noncognitive skills reduce the probability of educational dropout. The wage gap between dropouts and those with completed school and professional education vanishes for males once we control for additional characteristics such as occupations, computer use and noncognitive skills.

Based on individual data from the SOEP, we have found the following main results: Higher noncognitive skills have positive effects on school attainment as well as on individuals' earnings. A five-point increase in the Rotter index reduces the probability of dropout by 2.5 % and increases wages by 2 %, on average. Second, given observed cognitive skills, the Rotter index and the family background, young adults who engage in sports and music and as student presidents are less likely to become educational dropouts. Meanwhile a significant effect of computer usage on dropout probabilities is not detected. Controlling for age and education only, male educational dropouts earn 7 % less than those with completed lower secondary and professional education. For females, the earnings are 12 % lower. Adding further controls including PC usage and the Rotter index reduces the wage gap to an insignificant value for men and to 4 % for women.

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