Executive Summary

This paper addresses three questions: 1) Do young males with high school diplomas earn more than observationally similar males with a GED? 2) Do males who left high school before graduation obtain any labor market benefits from the GED credential? 3) Are the labor market benefits of the GED different for dropouts who left school with very weak cognitive skills than for dropouts who left school with stronger skills? A theme of the results (which are discussed in more detail below) is that the GED credential is of much greater value to males who leave school with very weak cognitive skills than it is to males who left school with stronger skills.

Data and Methodology

The data base for this study consists of males who were part of the sophomore cohort of High School and Beyond, a longitudinal data set which includes information on a large sample of students who were high school sophomores in 1980. A large subset of the original sample was re-interviewed in 1982, 1984, 1986, and 1992. These follow-up surveys provide information on educational attainments and labor market earnings. Our analysis is based on 4,216 males for whom complete information on schooling and labor market earnings is available. An important attribute of the data is that participants completed a battery of cognitive tests as part of the baseline survey. This permitted us not only to control for 10th grade test scores, but also to examine whether the effects of educational credentials (such as the high school diploma and the GED) on labor market outcomes were different for students with strong tenth grade skills than for students with weaker skills. We used multiple regression analysis as our statistical method. The outcome measure in our analyses was the natural logarithm of the average of each participant’s annual earnings in 1990 and 1991.

Results

Male GED recipients do not earn as much, on average, at age 27 as observationally similar high school graduates. Part of the explanation is that males with conventional high school diplomas are much more likely to complete significant amounts of post-secondary education than GED
recipients are, and college credits lead to higher subsequent earnings. There is one notable exception to the pattern that male high school graduates earn more than GED recipients. Males with conventional high school diplomas whose tenth grade math skills were in the bottom quartile of the national distribution do not earn more than GED recipients with low tenth grade math scores.

On average, male GED recipients earn more than observationally similar dropouts who have not obtained this credential. Much of the explanation is that GED recipients acquire more work experience by the age of 27 than do uncredentialed dropouts.

The difference between the average earnings at age 27 of male GED recipients and those of observationally similar uncredentialed dropouts masks a more complicated pattern. Male dropouts who leave school with very weak cognitive skills (defined as tenth grade math scores in the bottom quarter of the national distribution) have very low earnings, on average, at age 27. For them, acquisition of a GED has a large positive effect on earnings. Males who drop out of school with stronger skills (defined as tenth grade math scores in the upper three-quarters of the national distribution) earn considerably more, on average, than dropouts who left school with very weak skills. The GED credential allows males who dropped out of school with very weak cognitive skills to earn about as much as uncredentialed dropouts who left school with stronger cognitive skills earn. We also find that acquisition of the GED credential does not result in higher earnings, on average, at age 27 for male dropouts whose 10th grade math scores were in the upper three-quarters of the national distribution.

**Conclusion**

A central lesson of our research is that the labor market value of the GED credential is very different for students who leave school with very weak cognitive skills than it is for students who leave school with stronger skills. Students who leave school with weak cognitive skills tend to have an especially difficult time in today’s labor markets. As a result, by the time they have been out of school for a few years, they typically have employment records characterized by a series of short-term jobs interspersed with periods of unemployment. Such track records make these dropouts extremely unattractive job applicants because employers most of all want reliable workers. For these dropouts, our research shows that acquisition of a GED improves labor market outcomes by at least 15 percent. The likely reason is that the GED signals to employers that the dropouts have matured enough to complete a seven-hour set of examinations and have acquired at least a minimum set of cognitive skills. In other words, the GED improves access to jobs and allows dropouts to acquire critical work experience.

It is important to keep in mind that the economic benefits of the GED for low skilled dropouts, while quite large in percentage terms, are modest by the scale of what it costs to raise a family in the United States. By itself the GED is not a powerful credential for escaping poverty. Those GED recipients who use the credential to gain access to college do reap significant returns on this investment. However, only 11 percent of male GED recipients in the High School & Beyond data set completed at least one year of college by age 27.