

# Early tracking, academic vs. vocational training, and the value of 'second chance' options

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This paper estimates a dynamic treatment effects model to examine educational transitions and expected returns in the German education system which is characterized by rigid early tracking but with options to revise track choices at later stages. We consider expected wage returns to track choices including the continuation values arising from the options opened up by choosing a certain track. We find sorting on gains at many but not all stages of the system. A considerable percentage of the population exercises 'second chance' options to revise earlier track choices. The value of these options strongly depends on parental background.