Guest editorial: The economics of vocational education and training policies

Backes-Gellner, U; Wolter, S C
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About the guest editors

Uschi Backes-Gellner is Professor of Business and Personnel Economics at the University of Zurich. In addition, she is one of the directors of the Swiss Leading House on Economics of Education: Firm Behaviour and Training Policies. Recent research focuses on apprenticeship training and continuing vocational education, and on human resource management issues and incentives in firms.

Stefan C. Wolter is Professor of Economics of Education at the University of Bern. In addition, he is Director of the Swiss Coordination Centre for Research in Education and one of the directors of the Swiss Leading House on Economics of Education: Firm Behaviour and Training Policies. Recent research focuses on apprenticeship training and continuing education, and on demography and public educational spending.

The economics of vocational education and training policies

Vocational education and training have gained increased attention over the last decade, despite the fact that they are prominent features of only a restricted number of countries. One of the reasons for this increased attention is that vocational education and training are able to help solve a number of pressing social and economic problems that have persisted despite several decades of heavy educational expansion. Among these problems are persistently high youth unemployment, inefficiently long education and training programs, and the exclusion of less academically talented persons from the formal education system. Resolving these problems does not seem to be a matter of simply providing more education, but rather a problem of providing a fundamentally different type of education. Accordingly, renewed attention is given here to vocational education, which is not a second-rate education but rather a particular form of education that is better aligned with the needs of young adults and the job market. In addition, continuing vocational training and lifelong learning have become increasingly important, most recently because of increasing technological changes and alarming demographic trends.

Fortunately, this heightened interest in vocational education and training has engendered a growing number of research papers published in relevant scientific journals. However, these papers have been scattered over a large number of journals, which makes it difficult to keep track of new results. Therefore, it is our pleasure to present a special issue of the International
Journal of Manpower on the economics of vocational education and training, and thereby contribute to the development of this literature and this field.

In June 2008, the Swiss Leading House on Economics of Education, Firm Behaviour and Training Policies organized an international conference on the Economics of Education: Firm Behaviour and Training Policies to discuss and exchange international research in the field of vocational education and training. The conference took place at the University of Zurich, Switzerland from June 25-27 2008. Papers focused on a wide variety of issues around apprenticeship training, vocational education, and continuing training. The collection of papers in this special issue is a highly selective sample from the total, all of which underwent a strong referee process and were improved substantially in the process. We therefore trust that this special issue provides new and exciting evidence on the economics of apprenticeship training and continuing vocational education.

The study by Tuor and Backes-Gellner presents a novel approach to investigating individual returns to vocational education. Instead of measuring education in terms of highest educational degree, the authors study complete educational paths and thereby analyze the returns to different combinations of education. They distinguish between a purely academic educational path and a purely vocational path, as well as a mixed path with loops through both systems. In order to compare these paths in terms of their labor market outcomes, the authors use the Swiss Labor Force Survey (SLFS) to calculate rates of return and risk. The authors provide evidence that so-called mixed educational paths are well-rewarded in the labor market, which points to a potential complementarity between academic and vocational education. These findings emphasize the importance of studying complete educational paths, which has been almost completely neglected in the literature thus far.

Keeping the focus on formal education, Maliranta, Nurmi, and Virtanen provide a closer look at the educational production function. They study a broader set of labor market outcomes, such as ‘employment,’ ‘further studies,’ ‘non-employment,’ and ‘dropping out.’ Since vocational education aims to both improve employability and increase eligibility for further studies, ‘employment and further studies’ are considered “positive” outcomes and are therefore analyzed in more detail. By using especially rich linked register data, the authors are able to separately identify the effect of school resources, student characteristics, and local business conditions on labor market outcomes. They show, for example, that schools winning
an award for high quality education increase their graduates’ probability of entering further studies but at the same time decrease the probability of going into employment.

In the next paper, Mohrenweiser and Backes-Gellner focus on the role of firms in vocational education and training. They are particularly interested in identifying different types of motivations firms have for providing apprenticeship training. The paper presents a method for identifying a firm’s training strategy by using Social Security Records, which are now more or less readily available in many countries with apprenticeship training systems (e.g., Austria, Denmark, Germany, Finland, and Norway). Mohrenweiser and Backes-Gellner approximate the training strategy by using the within-firm retention rate over several years, defined as the average proportion of apprentices staying in a company as compared to all apprenticeship graduates from a company over several years. One important result from their study is that nearly 14 percent of all training companies do not retain any of their graduated apprentices over several years, which strongly indicates that they cannot follow an investment strategy, as they have no possibility of gaining returns after the investment period (i.e., after termination of the apprenticeship training).

In the second part of the special issue, the focus shifts to continuing vocational education and training in firms. The study by Castany is motivated by the observation that small firms provide less training to their employees than do large firms. Since existing evidence shows that training is generally associated with particular firm, employment, and individual characteristics, the author hypothesizes that the observed firm-size differences may also be attributed to differences in these characteristics. Unlike other studies investigating the relationship between training and firm size, this paper models the training decision as a double-decision process and, thus, allows the determinants of the training probability and quantity to vary. In fact, the empirical analyses based on data from Spanish firms demonstrate that small firms face greater difficulties in accessing training. This is mainly due to variables related to technological activity and geographic scope of the market in which firms operate. Interestingly, the training gap between small and large firms in terms of training quantity appears to be directly related to differences in characteristics like technological activity and geographic scope, and also due to differences in the impact of these characteristics.

The final contribution examines the economic effects of job-training programs. A novel component of this study is that its data comes from an emerging country, namely Morocco. The government of Morocco has established a national training policy similar to that of
France: firms must pay a share of their wage bill to the Office for Vocational Training and Labour Promotion. If, however, a training program meets certain conditions, the Office offers special training contracts in return and covers part of the company’s training expenses. In their paper, Dumas and Hanchane investigate the impact of such training programs on firm performance. They show that these so-called special training contracts are, on average, associated with increased competitiveness and performance for firms. Interestingly, this effect strongly depends on the firms’ intentions when they establish their training contract: for those firms who only consider their training contract as just another financing opportunity, there seems to be no effect. For those firms who integrate their training activities into their overall human resource management strategy, there seem to be positive effects.

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Uschi Backes-Gellner, Stefan C. Wolter