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Post-school-age training among women: training methods and labor market outcomes at older ages

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Abstract

This study uses the NLS Mature Women's Cohort to examine labor market effects of education and training on women at pre-retirement ages, comparing training methods: formal education, on-the-job training, and other training. Results show that younger, more educated women tend to train more than other women and that some women appear in a 'training track'. While both education and on-the-job training are associated with higher wage levels, on-the-job training is most strongly associated with wage growth. Women who acquire training as adults tend to work at older ages. © 2001 Elsevier Science Ltd. All rights reserved.

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1. Introduction

The majority of the population over age 55 living in poverty have been identified as unmarried women who are not employed (Sandell, 1987). Because women's earnings and labor force participation are lower than men's, their retirement income is also typically lower. This situation may be worsened by attempts to reform the social security system.

Although most people rise above the poverty level through wage income, this avenue may close to older women. According to human capital theory, age-earnings profiles, which rise with human capital at younger ages, flatten out as workers become older and may even fall due to depreciation and obsolescence of human capital (Becker, 1975; Mincer, 1993). If women enhance their skills through education or training, their subsequent income would likely rise, thereby reducing their probability of entering the class of elderly poor. But to

what extent does adult education and training cause older women's earnings to continue to rise? Among recent studies of training, none seems to have focused on older women, and few have included them.

Several studies reveal women's training disadvantage compared to men. These indicate that women are often placed into jobs where less training is provided, presumably because of their lower labor force attachment (Royalty, 1996; Loewenstein & Spletzer, 1994; Barron, Black & Loewenstein, 1993). While this study does not compare men and women, it does find a wage advantage for women who train at older ages over those who do not train.

If women who train later in life reach higher wage levels than other women and work to a later age, training provides older women with a path out of poverty. Lynch (1992) found that women who obtain education and training tend to remain in the labor force longer because of a wage advantage, although labor force attachment may have been considered in training decisions. This study finds that later training is associated with wage increases and greater labor force participation at older ages. Training may be more beneficial in this regard than education acquired later in life.

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Although many women obtain training after the usual schooling age and government training programs exist to promote women's training, studies have not compared training methods and subsequent labor market benefits for older women. Government training programs such as the Job Training Partnership Act and the Displaced Homemaker Program, which have attempted to help offset women's labor market disadvantage, have not focused on one training method. Some grant aid for women to further their education. Others provide incentives to employers for hiring and training women, thus providing both on-the-job training and work experience. But if one method of training provides a greater labor market benefit than others, increased government aid for the more beneficial training is desirable. If one training method: classroom, on-the-job, or off-the-job training, results in greater wage increases, that information would also help women make better training decisions. This study finds that on-the-job training appears to provide the greatest wage advantage.¹

The person making the training decision differs somewhat according to the type of training. Employers decide, at least partly, who receives on-the-job training while workers themselves make more decisions about education and other training programs. Determining the characteristics of women who receive on-the-job training will provide insight into the types of women employers choose to train. If the access of older women to on-the-job training is blocked because of a shorter investment return period, this type of training will not help solve their problems.

Results show that women can improve their wages with training even at older ages. But to obtain on-the-job training—which raises wages most—it appears necessary that women show employers that their training expenditures will pay off. Loewenstein and Spletzer's (1994) observation that employers delay substantial training in women appears to support this notion. Women with early labor force attachment and additional work experience obtain more training at work. And both work experience and on-the-job training are associated with wage increases and labor force participation at older ages.

This study finds that other factors may offset the train-

ing disadvantage of older women. Better-educated women train more, a finding similar to that of Lillard and Tan (1992). Some women move into a training track. The results indicate that later education is not significant with regard to wage increases for older women, a result which differs from Lynch (1992) who found that education results in a wage change advantage for younger women.

2. Data

The National Longitudinal Survey of Labor Market Experience for Mature Women which began in 1967, interviewed women for the first time when they ranged from 30 to 44 years of age. This study focuses on the period up to 1984 when the women reached ages 47 to 61 because that was the last year before this cohort began eligibility for social security retirement benefits and/or pensions, no doubt changing their labor market incentives.

The NLS Mature Women's Cohort contains 5083 women. In order to select women for whom 1984 information was available, only women who responded to the survey that year are included, producing a sample of 3422 cases. Wage data for many of the survey years are available so that wage changes can be measured.²

The survey asked whether respondents had obtained post-school-age education and training in the first wave of the survey, in several subsequent waves, and on the 1984 survey by which time, 2127 (62%) of the women reported training after the usual schooling age.³ Because this is panel data, training questions could be asked soon after relevant time periods, probably resulting in more accurate recollections. Also, the initial (pre-1967) train-

² Information about age, race, 1967 educational level, marital history, and 1984 region of residence were available for all of those cases; years employed, for 90% of them. Wage data were available for about half of the 1984 respondents and asset data, for 73%. Comparing women interviewed in 1984 with the total original sample in terms of having taken training prior to 1967 reveals differences of 0.2 percentage points or less so that attrition does not appear related to training during early post-school years. For other 1967 characteristics, the percentage differences were 1% (race—fewer non-whites in 1984) or less than 1% (age, educational level, years work experience).

Obtained before 1967	Responding in 1984 (N=3422)	Entire NLS Mature Women's cohort (N=5083)
Education	15.3% (525)	15.1% (770)
On-the-job training	9.2% (314)	9.3% (474)
Other training	23.9% (818)	23.8% (1210)

³ The questionnaire defined the 'usual schooling age' as the time respondents ceased going to school full time, producing a range of ages and educational levels.

¹ According to traditional human capital theory, workers pay for general training either directly or through reduced wages if training is provided by employers, while the firm and the employee share the cost of specific training. For recent training, reduced wages to compensate for training might render the effect of training on wages inconclusive. However, this analysis uses the data when respondents had reached ages 47–61. The data provide training information over a number of years so that any time of reduced wages to pay for training is likely past for most training episodes, and many of the resultant changes in productivity and wages have already taken place.

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