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Variations in Human Capital Investment Activity by Age

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Three hypotheses concerning human capital investment by older individuals were examined using the Adult Education (AE) file from the 1995 National Household Education Survey (NCES). While late career workers (50–65) participated less in activities that provide primarily general skills, they were *more* likely to participate in academic credentialing programs, targeted career and job-related courses, on-the-job computer-based training, and "unspecified" other formal training activities. There was no difference in the levels of employer support reported by older workers. The implication of these results is that older adults' human capital investment is more complex than conventional economic formulations of the decision-making process suggest. Both the content and delivery approaches associated with work-related education and training must be accommodated in future conceptual models of the process. Further, the relevancy of Sterns' (1986) model of environmental change is also highlighted. Practical implications suggest that organizations must reconsider older workers' interest in continuing education/training activities.

Key Words: aging; careers; training; late career; labor economics; employability.

There is a paradox when considering the careers of older workers. In vocational behavior we usually try to understand how opportunities and options can be opened for people, whether early or late in their careers. But, most of the theory and research on older workers' careers has been done by labor economists, drawing heavily on neoclassical human capital theory. This work has consistently indicated that human capital investments *are not* and *should not* be made for people in late career. Of course, in failing to enhance their skills, these employees significantly reduce their

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ability to remain productive labor market participants. One's separation from the labor market—voluntary or otherwise—then often becomes inevitable, even more so in a period of rapid technological change and corporate downsizing.

Yet, recent observations of the labor market and current research suggest this is not the whole story. Popular accounts of older workers undertaking training and development are common (Tuckett & Sargant, 1996). The changing environment more or less compels older workers to somehow stay abreast of new ideas, techniques, and information (Sterns, 1986). The fact that so many older workers do remain viable suggests they must somehow get around the supposed irrationality of investing in their own development. There is evidence that many of the people who do leave the workforce are unhappy with their decision (Barth, McNaught, & Rizzi, 1993). Such inconsistencies suggest a need to more carefully consider the human capital literature.

In addition, there are some limitations to the extant economic research on the subject. It can be criticized for failing to adequately account for widely discussed current trends in adult education. It tends to use limited measures of human capital investment. So, it is not simply a matter of mining the economics literature for ideas, but of moving forward from that point.

Toward this end, we review the relevant economic literature below. Following this review, we outline a contrasting approach for understanding human capital investment among older workers based on research by noneconomists. This research indicates that as the labor market position of older workers has become increasingly insecure, older workers have been participating in work-related adult education activities at unanticipated levels in recent years. However, this investment is not always in the same forms as that measured in traditional labor economics research. Using a broader definition of human capital investment, we are better able to analyze age-related variation in investment among the adult population.

Alternative Models of Human Capital Investment

The labor economics model. Late career has been relatively understudied. Most vocational researchers have emphasized the experiences of workers through mid-career, while gerontologists study the years spent in retirement (Adams, 1999; Greller & Stroh, 1995; Marshall, 1995). Until recently, the only consensus that had emerged across the social science and public policy literature was that employers were reluctant to train older workers (National Commission for Employment Policy, 1985; Sterns & Doverspike, 1988). Further, studies have repeatedly indicated that older employees received less on-the-job training (e.g., Booth, 1993; Frazis, Gittleman, & Joyce, 1998).

Neoclassical economists were exceptional in advancing a theoretical explanation for this phenomenon. Economists rely heavily on a present-value cost-benefit framework in their understanding of how both employers and employees make decisions regarding human capital investment. The core present-value formula is based on comparing the discounted net returns from education or training over the employee's remaining years of labor market participation.