



Does more general education reduce the risk of future unemployment? Evidence from an expansion of vocational upper secondary education[☆]



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ABSTRACT

This paper investigates whether acquiring more general education reduces the risk of future unemployment. I study an educational reform in Sweden which prolonged the vocational programs in upper secondary school and gave them a considerably larger general content. The research design exploits variation across regions and over time in the implementation of a large-scale pilot which preceded the reform. I examine the students' labor market experiences during the 2008–2010 recession, at which time they had reached their late 30s. I find no evidence that having attended a longer and more general program reduced the risk of experiencing unemployment. Among students with low GPAs from compulsory school, attending a pilot program seems instead to have led to an increased risk of unemployment. This pattern is strongest among male students and the effect is likely to be explained by the increased dropout rate which resulted from the change of the programs.

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1. Introduction

Countries differ remarkably in the emphasis their school systems place on general versus vocational education. In many European countries, e.g. Germany and Sweden, secondary education consists partly of vocational programs that prepare individuals for work in specific occupations. The main argument for providing such programs is that equipping students with specific job-related skills will facilitate their entry into the labor market and thereby make them productive at an earlier point (e.g.

Fersterer, Pischke, & Winter-Ebmer, 2008; Hanushek, Woessmann, & Zhang, 2011). Secondary schools in others countries, e.g. the United States, focus more exclusively on general academic education, which should provide broad knowledge and serve as a basis for further learning. Equipping students with general skills is often considered to be particularly important in a fast-changing economy, as it should enable individuals to change occupations and respond more quickly to technological change (e.g. Goldin, 2001).¹ There may thus be a trade-off between short-term and long-term costs and benefits of vocational versus general education: While vocational education may facilitate school-to-work transitions, initial employment gains could be offset by higher unemployment later on if occupational skills become obsolete at a faster rate

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¹ Krueger and Kumar (2004a, 2004b) argue that that the focus on general rather than vocational education may be a reason for differences in growth rates between United States and Europe.

(Hanushek et al., 2011). The previous literature also highlights another potential trade-off: as general academic programs are likely to have more demanding graduation requirements they may improve labor market outcomes for some, but may at the same time be associated with higher dropout rates among those less likely to meet these requirements (e.g. Bishop & Mane, 2001; Dee & Jacob, 2006). Generally, since selection into different types of educational programs is not random, evaluating their impact on individuals' labor market outcomes is very difficult.

In the beginning of the 1990s Sweden launched a major reform of its vocational education in upper secondary school. The vocational education programs had previously been two years long and almost exclusively consisting of vocational education. Through the reform they were prolonged by an additional year and obtained a considerably larger general content. Vocational students thereby became eligible for university studies. In the years preceding the reform, longer and more general vocational tracks were tried out in a large-scale pilot scheme. The pilot, which involved around half of Sweden's municipalities and three cohorts of students, provides a unique setting for testing whether a more general curriculum reduces the risk of future unemployment.

While several studies have compared labor market outcomes for individuals with different proportions of general and vocational courses in their high school curricula, they have rarely accounted for the fact that selection into different educational tracks is most likely based to a large extent on unobservable characteristics.² Only a couple of papers have exploited policy changes that give rise to (potentially) exogenous shifts in curriculum content. Malamud and Pop-Eleches (2010) study an educational reform in Romania in 1973 that shifted a large fraction of students from vocational to general education. They use this reform to examine the relative benefits of general versus vocational education during the country's transition to a market economy. Using a regression discontinuity design, they find no significant difference in unemployment or earnings between pre-reform and post-reform cohorts. Oosterbeek and Webbink (2007) investigate the effect of a Dutch reform in 1975 that prolonged three-year vocational tracks with an additional year of general education. The effect is estimated using a difference-in-differences approach where students in tracks that did not change length serve as a control group. They find no positive effect of the extra year of schooling on the vocational students' long-term wages. Hall (2012) studies the same pilot as in the current paper and concludes that entering a longer and more general vocational program increased the amount of upper secondary schooling obtained, but did not raise enrollment in university studies. It also does not seem to have affected individuals' wage earnings (although these estimates are very imprecise). Moreover, the more demanding programs significantly increased the dropout rate among weaker

students. However, neither Oosterbeek and Webbink (2007) nor Hall (2012) consider impacts on the risk of unemployment. As pointed out by Malamud (2012), to the extent that a more general education helps to insure workers against adverse shocks on the labor market, it is possible that these benefits show up on the margin of unemployment and not on wages.³

This paper adds to this limited literature by investigating whether entering a longer and more general vocational program affected the risk of unemployment later in life. I focus on the students' labor market experiences during the 2008–2010 recession, at which time they had reached their late 30s. If more general education can help to insure individuals against the risk of unemployment, it is possible that beneficial effects on labor market outcomes would be more pronounced when labor market conditions are weak.⁴ I also investigate possible differential effects of the new programs among individuals with different ability (proxied by compulsory school GPA), as well as examine whether the effects vary across fields of education, over time, or depend on local labor market conditions. To handle that selection into different educational tracks is likely to be endogenous, I follow Hall (2012) and take advantage of variation across municipalities and over time in the implementation of the pilot. This institutional feature creates a source of potentially exogenous variation in access to more general vocational tracks. The data come from administrative registers that cover the entire Swedish working-age population and contain a large set of individual characteristics (year of birth, foreign background, place of residence, etc.), parental characteristics, and detailed annual information on each person's education, employment, and periods of registered unemployment.

I find no evidence that enrolling in the longer and more general vocational programs implied a reduced risk of experiencing unemployment during the 2008–2010 recession. Among students with low grades from compulsory school, entering a pilot program seems instead to have resulted in an increased risk of unemployment. This pattern is strongest among the male students, who exhibit a substantially increased risk of experiencing long periods of unemployment after entering the longer and more general programs. A likely explanation for the worse labor market outcomes for this group is the increased dropout rate from upper secondary school that resulted from the change of the programs.

The paper proceeds as follows: The next section describes the pilot and the labor market conditions during the pilot period. Section 3 discusses the empirical strategy and presents the data. Section 4 reports the results as well as a variety of robustness checks. Section 5 concludes.

³ There is also a related set of papers which study the return to specific high school courses, see e.g. Altonji (1995), Levine and Zimmerman (1995), and Rose and Betts (2004).

⁴ Malamud (2012) finds that curriculum breadth is associated with a lower probability of unemployment after leaving university among students in England, and that the benefits of curriculum breadth are larger when labor market conditions are relatively weak.

² For examples of studies that are based on a selection on observables approach, see Kang and Bishop (1989), Arum and Shavit (1995), and Mane (1999). See also the review in Ryan (2001).

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