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Information, financial aid and training participation: Evidence from a randomized field experiment[☆]

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ABSTRACT

This study analyzes whether providing information about a newly introduced training voucher that reduces individual training costs by half has the potential to increase employees' training participation. More than one year after the introduction of the voucher, only 25 percent of the eligible employees knew that the voucher exists. The analysis is based on a randomized field experiment that provides information to eligible employees about the existence and the conditions of the training voucher. The results indicate that the intervention significantly increased treated individuals' knowledge of the program, but had no effect on voucher take-up or participation in training activities.

1. Introduction

In recent years, many European countries have introduced financial aid programs for training participation of employees (OECD 2004).¹ These programs subsidize individual monetary costs for training fees. The political objective of providing financial aid is to increase training activities of the employees which would be justified under efficiency considerations when credit constraints are the reason for non-participation in training. Schwerdt et al. (2012) and Hidalgo et al. (2014) show that training levels can be increased by training vouchers. Increasing participation in lifelong learning is a political aim that was formulated by the strategic framework for European cooperation in education and training 'ET 2020'. While many studies have been concerned with training for the unemployed as part of active labor market policies (see e.g. Card et al., 2010 for an overview), much less is known about training participation of the employed population.

This study analyzes whether providing information about a newly introduced voucher program in Germany that reduces individual

training costs by half (up to a maximum subsidy of 500 Euro) has the potential to increase employees' self-financed training participation. In a randomized field experiment, a treatment group of eligible employees were given detailed information by telephone about the voucher, its conditions and how to obtain it. Both the treatment and the control group were drawn from a representative sample of eligible employees and they were not aware of participating in an experiment at any time. At the time of the first interview, only one-fourth of the eligible employees knew of the existence of the voucher program which could be the reason why in the overall population the number of issued vouchers was low. Comparing the treatment groups' voucher take-up in a follow-up survey one year later with the corresponding outcomes of the control group reveals whether it is the information constraint that is responsible for low take-up rates. Thus, our findings have important implications from a public policy point of view.

Because our field experiment comprises an information treatment about the voucher, we contribute to the literature analyzing the role of information about financial aid on aid take-up and educational choice.²

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¹ Examples include Austria, Belgium, Germany, Italy, the Netherlands, the UK and Switzerland.

² The literature also analyzes e.g. the role of information regarding the returns to education on educational decisions (see, e.g., Jensen, 2010, Oreopoulos and Dunn, 2013) and aspirations (McGuigan et al., 2012) as well as the role of information about school quality on school choice and student achievement (Hastings and Weinstein, 2008). For our research question, however, the literature providing information about financial aid is more relevant.

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In particular, [Dinkelman and Martínez \(2014\)](#) show that informing 8th grade students about how to finance higher education increases the probability that they will enroll in a college preparatory high school and reduces absence from school. [Bettinger et al. \(2012\)](#) provide evidence that financial aid information alone does not increase college attendance unless applicants are given assistance with filling out a lengthy application form. [Herber \(2015\)](#) also shows that providing general information on merit-based scholarships for students from non-academic background does not increase their likelihood to apply, while more tailored information conveyed through a role model does. Additionally, [Booij et al. \(2011\)](#) reveal that informing students about loans does not affect their behavior with respect to loan take-up. Our analysis examines adult education investment decisions that are undertaken after having entered the labor market. To our knowledge, we are the first to relieve the information constraints on training subsidies for the group of employees. Training decisions differ from decisions regarding college enrollment because they are less costly, much shorter in duration, occur more frequently and involve much lower opportunity costs because training usually occurs while employed, thus requiring no break in employment.

The main results indicate no significant effect of the information intervention on training activities measured at the extensive and intensive margin, i.e. by training incidence and the number of courses attended. This is because the intervention did not affect voucher take-up of the treatment group. We can rule out that this insignificant effect is due to an ineffective information treatment because the intervention did increase program knowledge one year after the treatment by a significant 8 to 9 percentage points, representing a 30-percent knowledge increase compared to the control group. The insignificant effect on voucher take-up can also not be attributed to small samples sizes (3110 individuals participated in both panel waves) and limited statistical inference because power calculations reveal that an effect size for voucher take-up of as little as 0.6 percentage points would have turned statistically significant. We conclude that other reasons than the lack of information were responsible for not taking up the voucher and, thus, for not increasing training of the eligible employees.

To find out which other reasons prevent individuals from voucher take-up, we conduct a descriptive analysis in the discussion section of this paper. This is another novel insight of our paper that is particularly relevant for policy. The insights of this discussion also contribute to the literature that is concerned with evaluating the effectiveness of training vouchers. Among them, only few studies rely on rigorous comparisons using control groups. Exceptions include [Schwerdt et al. \(2012\)](#), who evaluate the effects of a voucher by running a field experiment in Switzerland, and [Hidalgo et al. \(2014\)](#), who analyze a field experiment for the low-educated in the Netherlands. [Schwerdt et al. \(2012\)](#) find that women and individuals with tertiary education are more likely to use the voucher. Moreover higher-value training vouchers (CHF 1500, slightly less than 1000 Euro at the time the voucher was sent out) are used more often. They also find evidence for substitution effects between individual and employer-financed training as well as crowding out of private investments through the voucher. [Hidalgo et al. \(2014\)](#) evaluate a voucher worth 1000 Euro and find that women and those with more savings are more likely to use the voucher. Although the voucher is able to increase the rate of training participation, [Hidalgo et al. \(2014\)](#) also document severe crowding out. The vouchers analyzed by [Schwerdt et al. \(2012\)](#) and [Hidalgo et al. \(2014\)](#) differ from ours with respect to the maximum amount of the voucher, which is lower in our setting and in the fact that workers are obliged to self-finance at least half of the training costs. Both, the Swiss and the Dutch voucher did not necessarily require co-financing. Furthermore, the voucher analyzed in our paper requires a mandatory counseling.

The remainder of the paper is organized as follows. [Section 2](#) presents the voucher program and [Section 3](#) describes the data, the experimental design and the empirical strategy. [Section 4](#) documents the main results, [Section 5](#) discusses them in detail and [Section 6](#) concludes.

2. Background: the voucher program

The training voucher program *Bildungsprämie* (henceforth, the “BP voucher”) was implemented in Germany in December 2008. In 2010 and 2011, the years of interest in this paper, the voucher reduced direct training costs by 50 percent up to a maximum subsidy of 500 Euro and was targeted at employees.³ The maximum voucher subsidy is high compared to the average costs paid by German training participants who had to incur training costs in 2012, which are on average 615 Euro (median: 230 Euro, see [Behringer et al., 2013](#)). Direct costs cover fees for participation in training courses that are charged by the providers of training. The voucher could be used for training at the vast majority of German training providers. The goals of the program were to increase the participation of employees in training activities, to enable them to individually finance lifelong learning activities and not only to participate in training financed by their employer. Training that was partly or fully financed by the employer was excluded from the subsidy. Note that employers are generally the major source of financing for training, not only in Germany, but in Europe in general ([Bassanini et al., 2007](#)).

Eligibility for the BP voucher was pegged to several criteria. First, the voucher was only available for employees and self-employed workers with low or medium income. The income thresholds for taxable household income were 25,600 Euro per year for singles and 51,200 Euro for married couples. Approximately two-thirds of all employees (around 25 million) meet these income criteria. The unemployed were not eligible for the program, but instead they had access to active labor market programs. Second, only work-related training could be co-financed with the voucher and the voucher could not be used for training that had started before the voucher was issued or for training that was offered by the employer of the applicant. Third, the direct training costs that remained after deducting the voucher had to be borne by the applicants themselves; i.e., the voucher could not be combined with employer support or other public subsidies. Vouchers were issued in person at one of the 500 counselling offices located all over Germany. Counselling served the purpose of verifying the eligibility criteria and recording the training content on the voucher. The number of vouchers issued per person was restricted to one per year. When booking a course at a training provider, the voucher reduced individuals’ fees immediately. Training providers were reimbursed by a governmental agency after submitting the voucher to the agency.

Administrative data on all vouchers and voucher users reveals that the number of vouchers issued per year increased from approximately 63,000 in 2010 to 95,000 in 2011 ([RWI et al., 2012](#)). With respect to the number of eligible employees, the share of program users equals 0.4 percent in 2011 ($95,000/25,000,000 = 0.4$ percent). The average redemption rate of vouchers was 78 percent.

3. Experimental design, data and empirical strategy

3.1. Experimental design and data

The information intervention was implemented for a representative sample of eligible employees. The target population was drawn from administrative records of the social security system containing the income biography of employees, excluding self-employees and civil servants. Thus, the effect of the intervention is only representative of the sample of salaried employees, who, however, account for the vast majority of individuals eligible for the BP voucher (almost 90 percent of eligible employees are salaried and not self-employed or civil ser-

³ Before January 2010 the conditions of the program were somewhat different and less attractive (e.g. maximum subsidy of 152 Euro), but remained unchanged during the years 2010 and 2011. The reason for the change in the conditions in January 2010 was low program take-up.

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