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Susceptibility to default training options across the population☆

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ABSTRACT

This paper analyzes the tendency of people to choose default options when offered courses to acquire job related skills. We ask a random sample of Dutch people aged 6–80 which three skills are most important in their (future or past) jobs. Further on in the survey, we randomly select one of the skills the respondent indicated and (hypothetically) offer the respondent a course regarding this skill. The respondent can accept this offer, but can also exchange it for a course regarding one of the two other skills indicated. Our findings indicate that people generally have a strong tendency to choose the default option. This effect is similar across gender and education level. It appears that the effect of the default option is less strong around age 30 and declines after age 60.

1. Introduction

Default options have been shown to strongly affect behavior in numerous contexts.[1] It is plausible that defaults also matter for decisions related to human capital but the evidence collected on this relationship is thin.[2] One important and unanswered question in this field is to what extent different groups of people in society are susceptible to default options.

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[1] Johnson and Goldstein (2003) and Abadie and Gay (2006) show for instance that the amount of organ donors is much lower in countries where people by default are not an organ donor compared to countries where people by default are organ donors. Other studies have shown that defaults matter with respect to car insurances (Johnson et al., 1993), car purchases (Park et al., 2000), consent with e-mail marketing (Johnson et al., 2002), and pensions with 401(k) saving (Carroll et al., 2009). Altmann and Falk (2014) report that cooperative defaults increase contributions to a public good.

[2] Borghans and Golsteyn (2014) show that defaults affect the choices people make regarding training decisions of recent graduates. Research often focuses on young people. However, theory predicts that the effects might change across age. The period in which people can reap the benefits of their investments changes across time and people become more mature as they age. Our first contribution relative to this paper is that we study the question in a representative sample. The second contribution is that we let people choose the skills themselves instead of offering them the choice between various skills. This implies that the courses that are offered to them later on are more in line with their true interests.

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Table 1a
Characteristics of the Life Long Learning sample.

	%	Mean age	% Male
Men	47.9	41.0	
Women	52.1	45.4	
Working	48.8	42.6	58.9
Retired	15.0	69.6	75.4
At School	16.6	13.6	48.3
Others not working	19.6	50.2	20.7

Source: Life Long Learning Survey (2004).
Note: Students are included in the group "at school."

Table 1b
Characteristics of the DNB Household sample.

	%	Mean age	% Male
Men	51.0	40.6	
Women	49.0	40.0	
Working	47.8	42.0	58.1
Retired	11.4	69.9	68.4
At School	22.8	13.8	51.7
Others not working	18.1	50.8	20.1

Source: DNB Household Survey (2004).
Note: Students are included in the group "at school."

In this paper, we analyze the effects of defaults on the choice of a course. We ask a random sample of Dutch people aged 6 through 80, which three skills are most important in the jobs they have or – for people who are not working – the jobs they would like to have. Further on in the survey, we randomly select one of the skills the respondent indicated and (hypothetically) offer the respondent a course in this skill. The respondent can accept this offer, but is also allowed to exchange it for a course regarding one of the two other skills indicated. The approach allows us to distinguish people who choose the suggested (default) courses from those picking courses from the menu.

We estimate course selection behavior using conditional logit regressions. Our estimates suggest that people on average have a strong propensity to choose the default course. The effect is similar across gender and education level. It appears that the effect of the default option is less strong around age 30 and declines after age 60.

The remainder of this paper is organized as follows. In Section 2 we describe the design of the experiment, and provide some descriptive data. Section 3 contains our empirical approach. Section 4 presents the main findings. Section 5 concludes.

2. Design of the experiment

Our experiment is included in the Life Long Learning Survey. This survey is a supplement of the Dutch National Bank Household Survey (DNB Household Survey), which is a representative panel of Dutch households. Participants answer questions over the Internet.[3] Annually there is a basic questionnaire which is split up into seven sub-questionnaires that are distributed in different weeks of the year. In other weeks, supplements can be sent to the participants of the panel.

An advantage of the DNB Household Survey is that within households, both adults and children (from 6 years of age onwards) participate. The use of Internet allows randomization and wordings of questions which depend on earlier answers of the respondents. In total 2445 people participated in the experiment. Table 1a shows that approximately half of the sample is male, and that the participants are on average around 43 years of age. 17% of the sample is still in school (including students), half of the sample is working, around 15% is retired, and 20% is occupied with a different activity (unemployed, housewife, disabled, else). In order to investigate whether the sample is representative, we compare these statistics with those of the DNB Household Survey. Table 1b reveals that most of the statistics are similar in the original sample and the sample we use. The average age is remarkably similar in the subgroups in both samples. In our sample, there are more retired women and fewer students than in the original sample.

In the experiment, people will make a choice for a training course from a set of courses relevant for their work or potential work. To this aim, we have to determine the relevant skills of the respondents' occupation or potential occupation, and offer them a choice from a set of courses. We will describe these elements of the design step by step.

[3] It is unlikely that there is selective non-response because of a lack of having a computer or Internet access. People who do not have a computer or Internet access receive a (simple) computer through CenER data.