

The heterogeneous effects of vocational education and training: Transition from company-based training to investing in oneself

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Abstract

Due to the long economic stagnation and intensifying international competition, Japanese firms have decreased the internal human capital accumulation in workplace. In addition to this trend, workers got to have incentive to make the self-motivated investment in oneself in response to the increase in turnover rate and non-regular workers. The unique individual panel data allows us to estimate the return to participating training with controlling for individual fixed effects. In addition to that, we also examine the effects on wage and the opportunity of vocational education and training of state sponsored job training subsidy (Training and education benefit), which was established in 1998 to promote investment in oneself. Our fixed effects estimates indicate that the vocational education and training increases wage rates significantly, especially among college graduates and high-income workers. Although the state-sponsored job training subsidy does not have any additional premium in addition to the return to the Off-JT, it leads to enhance the probability of taking job training, especially among those with low education, low-income, and female workers. The evidence suggests that the state subsidy could play a role of offering equal opportunity of vocational training to everyone, rather than a role of income redistribution.

Keywords: vocational education and training, wages, return to training, human capital, investment in oneself

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