

## **The Puzzle of Non-Participation in Continuing Training - An Empirical Study of Chronic vs. Temporary Non-Participation**

Although participation in continuing vocational training is often found to be associated with considerable individual benefits, a puzzlingly large share of the workforce still does not take part in training. In order to solve the puzzle we distinguish between temporary and chronic non-participants.

Previous studies have shown that training participants and non-participants differ in many ways. They may be more or less ambitious, they may be more or less stress-resistant, they may have higher or lower analytical or language skills and many other things. Due to such (unobservable) characteristics some people decide to take part in training and many others do not, i. e. people self-select into training. If this is the case, the high earnings of people who have taken part in training may not be due to training but due to these other characteristics that make them more productive even without training. On the other hand this also means that those people who decided not to take part in training would not have the same high earnings. They would usually have much lower returns or sometimes nothing but costs if they participated in training. Many empirical studies have shown that returns to training are indeed higher for individuals who have participated in training than the returns of individuals who actually decided not to take part in training.

In our paper we show that not only participants and non-participants are different but that non-participants themselves can also be split in two different groups: there are those who never take part in training (chronic non-participants) and those who are only currently not taking part in training (temporary (non-)participants). We argue that for these two groups the same problems as above arise when returns to training are compared. Chronic and temporary non-participants differ in many ways as well. Chronic non-participants may have lower abilities, they may be less stress-resistant, they may be more inflexible or may have more difficulties with learning etc. Due to such (unobservable) characteristics they decide never to take part in training, i. e. they also self-select. In this case their returns to training could also be systematically lower than the returns of temporary (non-)participants. So chronic non-participants may have very small positive returns to training - or sometimes they may indeed have nothing more than costs if they participated in training. This is the problem we study in our paper. We distinguish between chronic non-participants and temporary (non-)participants in order to solve the puzzle of non-participation despite the generally high positive returns of participants.

We use a unique data set of non-participants which was commissioned by the German “Expert Commission on Financing Lifelong Learning” and covers a very large number of individuals not taking part in training. We use an econometric estimation model that takes into account the above-mentioned self-selection problems and estimate returns to training that chronic non-participants would realistically be able to gain given their special (unobservable) characteristics.

We find firstly that chronic non-participants would have higher costs than temporary (non-) participants if they were to participate. This is either driven by loss of leisure (e. g. they would need more time and effort) or direct costs (e. g. learning stress), as the forgone salary does not seem to be a crucial determinant. We secondly find that the short-term benefits of chronic non-participants associated with their current jobs would be lower. Temporary (non-

)participants would on average have a higher probability of receiving a pay rise as well as increased job security than chronic non-participants. Thus, considering only their current job, the decision of chronic non-participants never to take part in training seems to be a rational decision in the short and medium term. However, since these are precisely the workers who are at greater risk of losing their jobs in the long run it would be important for them to think more in the long term. Regarding employment prospects, our results clearly indicate that participation in training would be very important since it would provide the individuals with knowledge enabling them to do more complex or even completely different jobs in the future. Although training does not protect workers from losing their jobs, in the case of unemployment it would clearly increase their likelihood of finding new jobs. Thus long-run gains are comparatively higher and more important for chronic non-participants than for temporary (non-)participants. However, chronic non-participants seem to have either too short a time perspective or too little information about future options and obstacles. Although chronic non-participants suffer from a negative cost-benefit ratio of training from their viewpoint, in the long run even chronic non-participants would similarly benefit from participation due to improved prospects on the labor market. Our results clearly indicate that chronic non-participants either misperceive future developments or suffer from an exceptionally high discount rate, which solves the puzzle of non-participation.