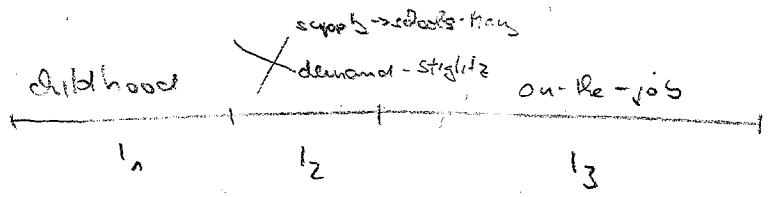
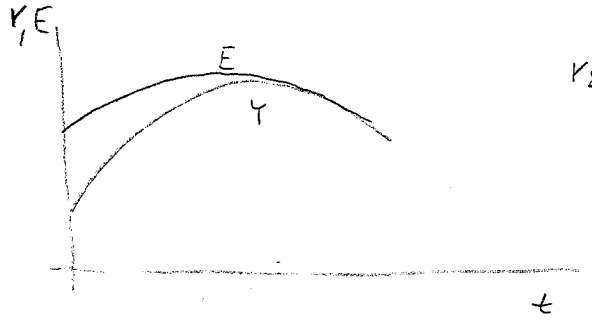
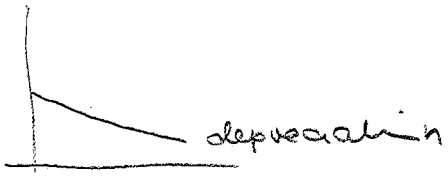
ON THE JOB TRAINING





Y & E would not raise if $C_t = 0$ -> HC investment



↳ ON THE J.T is important OJT – formal, expensive, RTS > 1
-> large employers

– learning by doing – older workers spend some time training young T&T smaller firms

- COSTS OF OTJ Training
  - difficult to measure (lost time of both in production)
- DECISION ABOUT THE COSTS OJT
  - employer expects rate of return
  - employee unwilling to pay in form of lower pay if increase of Y does not follow

- GENERAL & SPECIFIC HC

G – skills of equal value in many firms (jobs)

S – – " – demanded by monopsonist or special methods (local firm producing shoes in the Czech rep)

$$VMP = MP * P = \frac{\partial Q}{\partial L} P$$

if competition $VMP = W$

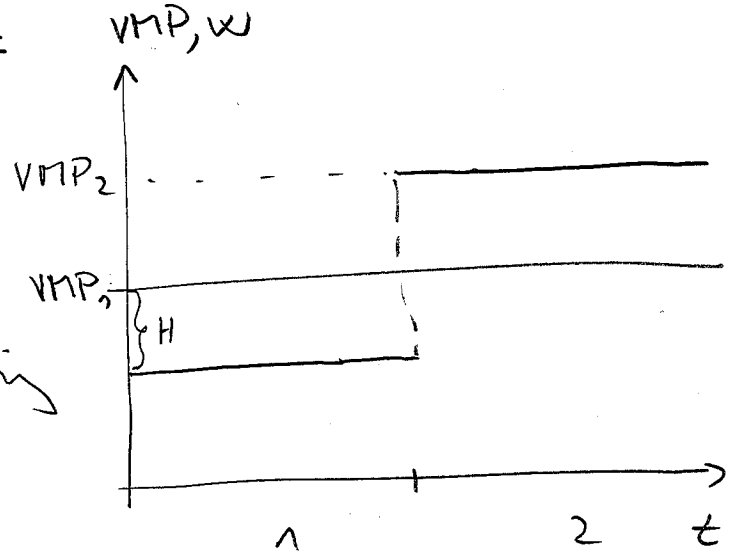
- Whoever bears the cost rationally expects returns

2 period model of OJT

If perfect competition

$$TC_1 + \frac{TC_2}{1+r} \leq VMP_1 + \frac{VMP_2}{1+r}$$

OJT in $t=1$: H costs of training



$$w_1 + H + \frac{w_2}{1+r} \leq VMP_1 + \frac{VMP_2^*}{1+r}$$

$$w_1 + H = VMP_1 + \underbrace{\frac{VMP_2^* - w_2}{1+r}}_{G}$$

NOTE:

$$VMP = MP * P = \frac{\partial Q}{\partial L} P$$

If competition

$$VMP = w$$

WHO PAYS FOR H?

General HC: $G \overset{!}{=} 0$ ← forced by mkt to prevent leave

↳ $w_1 + H \leq VMP_1$

$$w_1 \leq VMP_1 - H$$

worker gets $[VMP_1 - H] + \frac{VMP_2}{1+r}$

- medical interns
- out of firm courses IT, by
- monopsonies

Specific HC: consider $G = 0$ {costs covered by (w)}

alternative w not affected by H

↳ $w_1 = VMP_1 - H$ → save costs

$w_2 = VMP_2$ → uncertain gains for (w)

Prob layoff

consider $w_1 = VMP_1$ {costs covered by (F)

$$H \leq \overbrace{VMP_2 - w_2}^{>0} \Big/ (1+r)$$

↳ save costs H

↳ uncertain gains for (F)

Alternative w not affected by H

SPECIFIC HC.

• alternative wage not affected by training

WHO PAYS & WHO GETS RETURN?

① Firm PAYS: $H_E > 0$, $G > 0$
but if worker quit → loss

② Worker PAYS: $H_w > 0$, danger of laid-off -> loss.

6. Becker: $\bar{w} < w_2 < VMP_2$ sharing returns
↳ sharing cost of H

IMPLICATIONS

IF SP. TRAINING
- at T_1 ... worker's get $w_1 < VMP_1$
  ↳ slave on H
- at T_2 ... worker's get $w_2 < VMP_2$
  ↳ firm gets part of return

$w < MP * p$!!

- formal & informal contracts
- if negative demand shock MPL since $w < MP \times P$ -> buffer of senior workers -> less lay-offs
  -> firing low tenure

Inv into spec. HC ->
-> ↓ job termination
-> lower turnover with Tenure.

last hired - first laid off
↳ skilled workers are less unemployed

COST SHARING EVEN IN THE (S) CASE

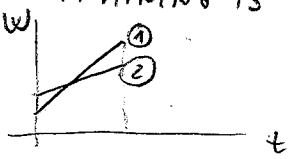
1) <u>Uncertainty about Future</u> - risk that employee will leave even with specific HC if he is not paying for it → $w < W_1$
A form of a "bond" - rewards only if he stays

2) Cost sharing as incentive to learn → returns also to worker.

⇒ DIVISION OF COSTS DEPENDS ON:

- Prob of job change
- Constraints of investment in training of workers

but workers at least partly pay the costs → UPWARD SLOPING AGE-EARNING PROFILE IF TRAINING IS TAKING PLACE



=> if identical workers in different jobs PV should be equal