

# Who Pays for Training?

## Theory and Evidence on Firm-Level Differences in Training Investments

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Discussion by **Josep Pijoan-Mas** (Cemfi)

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- Main insights: combine model with data
  - ✓ Training declining w/ **labor share** reveals large role played by firm decisions
  - ✗ Training increasing w/ **firm productivity** is uninformative  
(in qualitative terms)

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  - Quantitative model for quantitative work
- I have enjoyed (and learned) a lot reading it !!

# My discussion

- Comments on
  - ① Empirics and analytical model
  - ② Quantitative exercise

# Empirics and the Analytical Model

# A. Connecting Model and Empirics

## *Model Predictions*

- Returns to training for firms:
  - $\Delta$  with TFP
    - Complementarity of human capital and firm TFP
    - Harder from other firms to poach workers (ease the hold-up problem)
  - $\nabla$  with labor share
    - Firms appropriate a lower share of the gains

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- Returns to training for workers:
  - $\Delta$  or  $\nabla$  with TFP
    - $\Delta$  due to complementarity of human capital and firm TFP
    - $\nabla$  if opportunity cost of time more important than intertemporal returns
  - $\Delta$  with labor share
    - Workers appropriate a higher share of the training gains

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## *Comments*

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  - Assume firms are heterogeneous on returns and/or costs of training
  - High-return and low-cost firms are willing to
    - Offer more training
    - Offer higher wages to retain trained workers
- ⇒ This generates positive correlation between wages and firm training
- ⇒ May this revert the negative correlation emphasised by the authors?

## B. Labor Market Segments

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    - (a) Because workers may leave, lower expected return from training
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    - Do labor markets with higher tightness show lower training rates?
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  - ② What is the relationship between firm training and worker turnover?
    - In Spain, FT workers receive less training  
Alba-Ramirez (1994), De la Rica et al. (2008), Cabrales et al. (2017)
    - Other types of evidence?

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  - 2) Training data
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- Would it be tractable in this framework?

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  - a) Discriminate between different versions of the theory  
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