



► **1.3.302 – Further training and the
business cycle (WeibuK)**

Research project – 2022 Annual Research Programme

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Key points in brief

Cyclical economic fluctuations – including unexpected extreme cases such as boom and depression – have far-reaching consequences for the labour and further training market. Recent research shows that firms reduce their training investments in times of scarce resources. However, further training is necessary for employees to maintain and enhance their job skills. The question arises, how employees deal with potentially lower supply of firm-financed training in times of crisis and whether they substitute at least some of the forgone training engagement of firms. Until now, research on the relation of economic developments and further training have mainly looked at short periods following exogenous shocks. Furthermore, existing studies have been primarily restricted to both firm-related and firm-financed further training. Possible effects on the individual further training behaviour along different phases of the business cycle have not yet been addressed.

The project “Further training and the business cycle” (**Weiterbildung und Konjunktur**”, WeibuK) will address this gap and thereby focuses on two mediating or moderating mechanisms at different analytical levels: 1) *Digitalisation of the working environment* might take place either parallel or reciprocal to business cycles. It determines the prevailing general conditions and the need for further training. 2) *Individuals’ risk preferences* have an influence on the education and training investments of employees (including further training decisions) and are at the same time influenced by economic developments.

To answer the question of how economic effects are related to individual further training decisions, WeibuK is divided into three sub-projects (SPs), focusing on different levels of analysis. The intention of *SP1* is to investigate the basic and “direct” relation between the business cycle and participation in non-formal further training. It consequently takes a more *macro*-oriented view on the research question. *SP2* will investigate how this direct effect is moderated – i.e. reinforced or extenuated – by both occupational digitalisation and individuals’ occupational replacement potential on the *meso* level. *SP3* will analyse the extent to which risk preferences at the *micro* level mediate or moderate the relation between business cycle effects and individual further training participation whilst controlling for level of digitalisation and replacement potential.

Our research questions will be answered by using secondary survey data (Microcensus and the German National Educational Panel Study (NEPS, starting cohort 6)). For the empirical analyses, the project group intends to use various multivariate regression techniques. Apart from estimating the direct effect of business cycle fluctuations on further training, a particular focus will be set on addressing well-known methodological problems such as unobserved heterogeneity and reverse causality. Our business cycle indicators stem from the official statistics of the Federal Employment Agency (e.g. unemployment rate) and from the Federal Statistical Office (e.g. gross domestic product). Indices relating to the business and employment expectations of companies published by the Leibnitz Institute for Economic Research (ifo) will also be used.

In addition to long-term analyses on the relation between business cycles and participation in further training, we will use the NEPS-SC6 COVID19 add-on survey to model the COVID-19 pandemic as an exogenous shock with thus identifiable effects on further training. Results from this project will improve the understanding of individual training behaviour and provide empirical evidence for policy makers and practitioners in understanding the interplay between economic development, digitalisation, risk preferences and individual further training decisions. WeibuK will provide

evidence, which is helpful for the design of potential policy measures in case of future economic fluctuations or crisis.