

The Effects of Training on Unemployment and Pay in Greece

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Greece during the last two decades spends a remarkable and increasing amount of money, both from her own resources and through the European Social Fund, on adult training. At the same time unemployment rate has remained relatively high, mostly increasing, concentrated among young and women. The expressed aim of the training policy is on the one hand the improvement of the skills of the labour force and thus enhancement of productivity and competitiveness and on the other hand the reduction of the relatively high unemployment. In this sense training is considered as an investment in human capital with prospective returns higher probabilities of finding a job and increased productivity and earnings as well. Moreover, training is expected to act as a mechanism reducing the discrepancies between demand for labour, as expressed with the available vacancies, and supply of labour, as indicated by the number of unemployed, thus decreasing the structural unemployment.

However there have not been undertaken systematic studies to measure the effects of such training programmes and to examine whether such programmes achieve their goals. Existing studies only evaluate particular training programmes, focusing mainly on their design and implementation (see Palios (2003) for a recent survey). The lack of systematic studies on the effects of training is almost complete for the case of Greece, while the evidence from other countries is not always encouraging. Thus, the formulation and implementation of training policy is built at least upon inadequate knowledge. Yet the estimation of the potential impact of certain types of training upon employment and pay seems interesting in a number of ways, for example to evaluate the training policy, to allocate the limited available resources efficiently, and to explain private behaviour. The main purpose of this paper, using individual data from the Labour Force Survey, is to provide estimates for the case of Greece of the probable effects of certain types of training upon labour force participation, unemployment and upon earnings of employees as well.

The paper is set out as follows. Section II describes the data sources, and Section III examines the determinants of the individual probability of receiving training. Section IV estimates the impact of such training on employment and earnings, and some conclusions are summarized in the final section.