

Department of Economics
2024-2025
Seminar Series



Monday, November 4, 2024
12:30 PM-1:50 PM
SBS, Room N603

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Who Pays for Training? Theory and Evidence on Firm-Level Differences in Training Investments

Abstract: We investigate how on-the-job training varies with firm characteristics and how this informs the distribution of training costs between firms and workers. Analyzing data from over 100 countries, we find that smaller firms consistently offer fewer training opportunities to their workers. Using administrative data from China and Mexico, we identify differences in labor share and productivity levels as key factors explaining this pattern. We build a general equilibrium model with various training cost-sharing schemes and show that only those where firms cover a significant portion of costs after hiring align with these empirical findings. A quantitative version of the model reveals significant inefficiencies in training provision in the US, especially in smaller firms, and suggests that (1) the optimal training subsidy rate is higher for smaller firms, but even a uniform subsidy can increase net output by 7% in the US; and (2) increasing the labor market share of larger firms can significantly impact on-the-job human capital formation.
Authors: Daniela Vidart, Xiao Ma, Alejandro Nakab

All in-person seminars will be held in the Social and Behavioral Sciences Building, Room N603. For additional information, contact the seminar organizers: Profs. Chang Liu & Eva Carceles-Poveda. Visit our webpage for additional information: stonybrook.edu/economics.

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