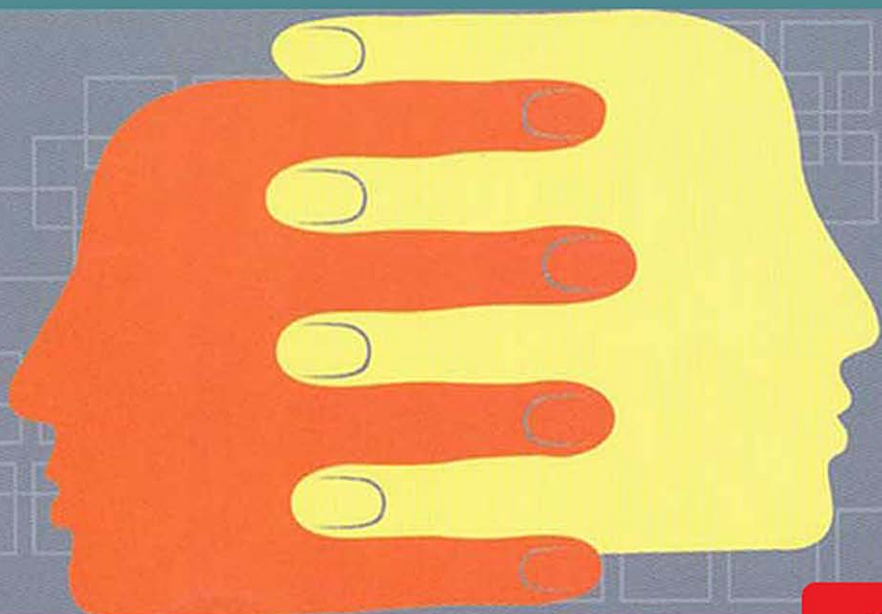


An Empirical Approach to Topicson the World of Work

主编：英文/（加）李尔成 (Lee, B.) 著



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AN EMPIRICAL APPROACH TO TOPICS **ON THE WORLD OF WORK**



———— BYRON LEE ————

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Chapter 1: The World of Work

Broadly, this book is about the world of work and everything that has to do with what happens in society as it relates to work. Given this broad topic, many pages would have to be written to do justice to the world of work. As a result, this book does not aim to cover what the world of work means. Instead, its aim is to take an empirical approach and examine ways that can be used to empirically understand certain topics in the world of work. Within the world of work, the employment relationship can be defined as any issue or situation related to work. Similarly, there are many aspects of the employment relationship which can be covered, however it would be too extensive to cover all of these broad issues in this book. Instead, this book aims to take a deep examination of specific issues by providing empirical evidence to supplement the theories that have been written in the employment relationship domain. The majority of the data is taken from Statistics Canada, providing a data source high in validity and representative in nature of certain populations in Canada. In this book, I examine first the topic of training in firms in the employment relationship. I then move on to explore the impact of a labor market experience on the employment outcomes of youths using a quasi—natural experiment that has occurred in the Western province of Canada. The next chapter takes a brief but unique examination of the industrial relationship atmosphere in Canada by exploring the antecedents of the duration of the union contract. Most previous studies in this vein have examined topics such as bargaining and bargain-

ing outcomes stemming from the industrial relationship contract between unions and firms. This chapter takes a rather unique perspective by examining what affects the length of this union contract. After examining this relationship, I then explore the time in unemployment and its subsequent impact on the outcomes of individuals. While most studies have focused on the negative impacts of unemployment, this study focuses on whether unemployment can provide the individual with a new vocational perspective allowing them time to rethink their place in the work environment and then enter the workplace with a refreshed perspective to gain a better career. Finally, the last topic returns to the training arena, but explores the secondary aspects of training to the extent that it enhances the occupational health and safety of the individual.

In compiling the chapters of this book, the intent is to provide a detailed perspective on the employment relationship through the exploration of relationships that are somewhat unique and have not been fully investigated in the literature related to work. This book is meant to provide an interesting perspective on the relationships that occur in the workplace, particularly focused on training. Based on human capital theory, this book takes the perspective that everything that occurs in the life of an individual contributes to the human capital of the individual and can positively influence future outcomes. For example, volunteering experience, training and unemployment can add to the accumulation of human capital of the individual and be associated with a gain in the income or career prospect of the individual. It is the hope that this book provides an interest to the complex relationships and complex effects of what the majority of people will spend the majority of their lives doing — working. As such, this book is intended to be a taste or a preview of the importance of seriously examining the relationships that occur at work. It is meant to provide the readers with a preliminary outlook on topics that are interesting when the employment relationship is explored in detail. By providing empirical data and empirical analysis, this book

moves beyond the theory to help understand whether theoretical predictions are accurate and how data can and should be used in order to further explore and examine the knowledge and the predictions that is sometimes taken for granted. One final purpose of this book is to provide readers with a taste for answering questions of interest and trying to prove questions that have been foremost in inquisitive minds. It is important to never let the inquisition of the mind to be frozen in time, but in any way possible to explore the questions that are of interest and find real relationships and prove them to the fullest manner possible.

The first chapter in this book focuses on the question of training and its impact on the employment decision of the individual. More specifically, this chapter examines the relationship between the types of training received by employees and its impact on their decision to leave for another job. While human capital theory clearly separates training into two separate types — general and firm—specific and has clear predictions for each type of training, the reality is that training cannot be divided into these two types so clearly. In addition, from the psychological literature, it is clear that some of the predictions of human capital theory are violated and that opposite predictions as to the turnover behavior of employees are predicted using a psychological theoretical basis. Given the divergent nature of the human capital theory and psychological theory, it is ultimately an empirical exercise which can shed light under which conditions these theories are accurate. Using a nationally representative data set in Canada, this study uses complex empirical techniques to estimate the average treatment effects of training that indicate that individuals who took course training were more likely to leave the current firm for another organization. Conversely, individuals who undertook institutional training were more likely to stay with the current firm. These estimates provide evidence that the type of training has a differential impact on whether employees choose to remain with a firm or leave for another job. The results highlight the importance of

examining the type of training provided to the employee in order to avoid unwanted turnover.

The second chapter extends the work in the previous chapter and realize the limitations to the work done in the previous chapter. As a result, it tries to answer the same question as to what happens to an employee after they receive training from the firm. Specifically, the aim of this chapter is to use a different data set representing different people in Canada to explore the effects of a firm's investment in human capital and the factors that determine an individual will voluntarily leave the firm after receiving this investment. While the previous chapter's aim was to focus on whether different types of training leads to turnover behavior, the aim of this chapter is to explore the specific factors that are associated with an individual leaving the firm. These factors are categorized in terms of individual, job, firm and training specific characteristics. The findings indicate that the characteristics that determine an individual will leave the firm after training are very different for males and females. Females are primarily influenced by job specific characteristics. Conversely, males are influenced by their own individual specific characteristics. The paper also finds that firm specific training, more courses and shorter training duration, has a positive impact on the likelihood that an individual will stay with the firm for both males and females. These findings differ from that of the previous empirical literature. The previous literature has indicated that a firm should focus on providing training to certain groups of individuals. These findings indicate rather that firms should focus on providing training under specific firm—controllable circumstances in order to maximize the firm's return on training investment which provides evidence for the human capital theory.

The third chapter moves away from the discussion in the employment relationship surrounding human capital accumulation and even human capital itself. Instead it turns to a more institutional perspective on the employment relationship by examining the union as a representative

of employees in firms as opposed to the employee themselves. It is important in a study of the employment relationship to not ignore this institution which acts as the agent for many employees in the workplace. As a result, this next chapter delves into the union and its role in the employment relationship. While many books have been written on this topic, this chapter takes a different outlook on the industrial relations perspective. Instead of stating what unions do, this study explores an interesting factor, given that as the representative of employees in the workplace, one of the major functions of the union is to negotiate the employment contract with the employer. There is a vast literature examining how this negotiation takes place and the outcomes of such negotiation. However, the negotiation outcome in terms of contract duration has not been explored fully in the past. As contract duration represents peace and stability in the industrial relationship between the union and the employer, it is an important concept to be examined in the employment relationship. As a result, this chapter explores the factors which influence contract duration. Both the external environment in the form of risk and uncertainty and transaction costs has a significant impact on contract duration. In addition, bargaining power on a macro level also has the expected impact on contract duration. The results in this study are generally consistent with the previous literature. However, it is also important to examine the bargaining power that exists in the relationship between the union and the employer on a micro — level. Another important factor impacting contract duration is the negotiation relationship between these two parties. When these factors are examined, the results are somewhat surprising. In general, if there is an imbalance in the bargaining power (as indicated by wages), then the party holding the power imbalance will continue to use the power to negotiate a contract of longer duration. Negotiations that take longer and are more antagonistic usually end up in longer contract durations. This result indicates that the transaction costs associated with work stoppages may be

an important factor in determining contract length

The fourth chapter returns to a micro—perspective and examines the results of unemployment on the outcomes of these individuals. While much has been written and studied in terms of employees and firms, there has been much less literature examining what happens to individuals when they are out of work. While unemployment is an unfortunate occurrence, the government in Canada does provide financial support for individuals who are unemployed in most instances. This financial commitment by the government to ease the financial pain in being unemployed can act as a mechanism to also increase the ability of the individual to find a job that fits rather than to just find any job which is beneficial to both the individual and the firm. If this is the case, then the financial resources that the government puts into unemployment insurance carries much greater returns than just being able to support the individual through this difficult time. However, if the individual is unable to find a better job or does not have intentions to this effect and as a result, increases the reservation wage and uses the unemployment income from the government as an excuse to increase the leisure time of the individual, then the use of the unemployment income is wasted. This chapter examines the impact of duration of unemployment and unemployment income on the occupational advancement of individuals. Instead of examining more traditional outcomes such as wages, this chapter explores the occupational advancement of individuals which captures future earning opportunities. Using a nationally representative survey in Canada, the results indicate that there is no linear impact of unemployment duration on occupational advancement. However, when the non—linearity of the relationship is examined, the estimates indicate that individuals who are unemployed for a period of 10 to 12 months advance occupationally. The unemployment income results indicate that individuals who receive more employment insurance benefits become re—employed in occupations of less status. Individuals who are able to sustain

themselves financially for a period of time are able to remarket their skills and find re—employment in a job of significantly higher occupational status.

The fifth chapter returns to the topic of training but it combines it with literature on the importance of workplace health and safety. In the world of work, one of the obligations that have been written into the legal system of most countries is that employers have a duty to keep employees safe at work and not require them to undertake some duty that is likely to impact their health. In some cases, employers have been sued by their employees and have needed to provide significant compensation for the damage done to the health of individuals in certain workplace environments. On another level, in the world of work many employees spend the majority of their waking hours working for the employer. As the workplace and finances become a more important factor in society, workers are spending more and more time at work. Even in an office setting this can be hazardous to the health of individuals leading to chronic illnesses such as back pain. In addition, the increased amount of time spent in the workplace can also lead to a lack of exercise and unhealthy snacking. Employers have realized the importance of keeping workers healthy as both selfishly a need to protect their investment and maybe altruistically a way to make society better by maintain the health of their employees. Employees learn to be healthy through activity but also through the receipt of information and possible through various training programs that they attend. Even if the training program is unrelated to health and safety, being in a social environment with other people and participating in an instructional group setting can positively lead to behaviors which emphasize the importance of occupational health and safety. In the previous literature, the possible positive externalities of training have generally been ignored. The results of this paper indicate that there may be some positive externalities of training as it relates to the actual health outcomes of individuals who receive the work—

place training. The empirical results reveal that individuals who receive training are more likely to perceive that their work affects their health and that their health and/or safety may be at risk because of their work. The analysis also shows that individuals who receive training are more likely to be absent from work because of their health. However, further analysis reveals that even though individuals who receive training may be more likely to be absent from work due to health reasons, these workers are likely to take less time off work than individuals who did not receive any workplace training. Given these results, there is some evidence to conclude that workplace training improves the occupational health of employees as measured by absenteeism.

The sixth and final chapter is also related to training but not in the context of the employment relationship. Instead it begins by examining the factors which influence what an individual decides to do in the accumulation of human capital. While the first two chapters emphasize the results of training in the context of a workplace situation, this chapter also is related in—part to training, but focuses on individuals who are at the beginning of their career and their subsequent outcomes after human capital accumulation outside of the context of a paid work experience. This topic is rather unique to the extent that most companies are concerned with the impact of their training budget on employee outcomes. However, in this situation, the organization is removed from the equation in order to provide a natural setting to examine whether there is any use to human capital accumulation and whether this affects the subsequent decision making of these individuals. Specifically, this chapter examines the effects of a labour market experience program on the transitions of high school graduates using a difference—in—difference framework. While standard empirical procedures may examine the receipt of some time of labor market experience and directly correlate it to a change in behavior, there are many biases associated with this approach. For example, there may be biases due to differences in cohorts since the

sample that participated in this human capital accumulation intervention was not randomly selected. In order to avoid these empirical biases, this study uses a British Columbia provincial policy reform that requires the acquisition of labour market experience through either working at a paid job or volunteering as a mandatory high school graduation requirement, the results show that this reform results in an increased likelihood of high school graduates to pursue post—secondary education. The labour market experience during high school also has an impact on labour market outcomes as the estimates from the policy reform indicate that these graduates who enter the labour force have a lower probability of employment and lower wages.

Chapter 2: Training and Turnover

I. Introduction

Employee turnover can be a serious problem that most organizations face in the post—recession economy. Many employers realize the need to prepare for the departure of key employees as these highly valued employees begin to look for other jobs once the economy begins to improve (Deloitte, 2009). If employees leave a company, the costs of the turnover are extremely high; for example in one major medical center, turnover was estimated to cost the firm at least five per cent of its total annual operating budget (Waldman, Kelly, Aurora, & Smith, 2004). Voluntary turnover by key employees leaves a firm with tangible replacement costs such as recruiting, selection and training. In addition, the organization also needs to replace the loss of intellectual property, client relationships and productivity. Altogether, the combined cost of replacing an employee is generally about two to three times that of an employee's annual salary (Deloitte, 2009).

One possible mechanism for firms to retain their human capital and minimize the adverse effects of turnover is to provide training and development to their employees (Gunderson, 2007; Kaye, & Jordan—Evans, 2000; Maurer, Weiss, & Barbeite, 2003). The provision of training allows employees to develop additional skills that help increase their productivity and innovation capability in the creation of a product or

service which ultimately enhances the competitive advantage of a firm. Organizations are aware of these benefits to training and thereby invest a large amount of money in their employees through this mechanism. In 2006, more than 10 million or 60 per cent of employees participated in some form of training in Canada, costing organizations nearly two per cent of their payroll costs (Conference Board of Canada, 2007). However, this investment is only parlayed into benefits and profits for a firm if the trained individuals remain with the firm. Even worse, if the individual leaves the firm after training for a competitor, this investment on the part of the firm could be used to benefit competitors resulting in a situation of double jeopardy. This relationship between training and voluntary turnover has not yet been fully developed in the empirical literature. While case studies indicate that training may minimize voluntary turnover, I am able to make three key contributions to the existing literature. First, I use a nationally representative survey in Canada to examine this relationship. Second, I not only examine the incidence of training, but also the different types of training that are offered to the individual. Finally, I take a precise measure of voluntary turnover which is most likely to result in a situation of double jeopardy whereby the individual leaves the company for another firm.

II. Theoretical Framework

Human Capital Theory

From an economic perspective, the theoretical discussion on workplace training originates from the pioneer work of Becker (1962). He theorized that there are two different types of human capital investments that can be provided by a firm. The first type of human capital investment is general training which is equally useful in many firms. Skills that are generated from the receipt of general training are transferable

across a multitude of firms. In effect, the marginal product of the worker who received general training would rise across all of these firms. The second type of human capital investment is firm specific training which is only useful in the particular firm that provides the training. Skills that are generated from this training are non-transferable across firms. As opposed to general training, the marginal product of the worker who received this firm-specific training will only rise within this one specific firm.

Given these distinctions between firm-specific and general training, individuals who receive general training are more likely to leave the firm due to their highly transferable skill set. These newly trained individuals would expect to be paid at higher wages in order to equalize their higher marginal products with outside firms willing to pay this higher wage. *Ceteris Paribus*, higher voluntary turnover would result if the current firm was unwilling to pay the individual at the higher rate of productivity. Conversely, individuals who receive specific training are less likely to leave the firm because the skills gained from training are only valuable to their current firm. These individuals only have a higher marginal product within the current firm and as a result, outside firms would be unwilling to pay a higher wage to these individuals leaving the individual with no other option but to remain with the firm. Becker concludes that the likelihood of turnover depends on the type of training the individual receives.

Organizational Commitment Theory

From the organizational behavior perspective the relationship between training and turnover is explained by the organizational commitment theory. Organizational commitment refers to a psychological state or an emotional attachment of the individual which characterizes his/her relationship with an organization and fosters remaining with this organization. According to the theoretical framework established by Meyer