Title: Educational upgrading and labor market performance of young low qualified

Dr. Hans Dietrich & Alexander Patzina
Institut für Arbeitsmarkt- und Berufsforschung (IAB)

Abstract

In Germany the young low qualified work force (no vocational degree and no upper secondary degree) shows unstable employment biographies and a higher unemployment risk compared to qualified workers. In our paper we explore both which low qualified achieve additional educational or vocational degrees and the impact of additional degrees on individuals’ income.

Central for our empirical study are the following theoretical derived hypotheses:

H1: Unstable employment biographies increase the risk of educational or vocational upgrading.

H2: Low qualified workers with better school performance (grades, level of general degree) show a higher risk of educational and vocational upgrading.

H3: Family formation of young low qualified (partnership, children in household) increases the probability of educational and vocational upgrading.

H4: Vocational or educational upgrading increases the log hourly wage.

Data design: SOEP-Waves 1 to 29 were pooled delivering 1.175 individuals from the old Länder who are “low qualified” at the age of 25. That population is observed till the age of 34. Educational upgrading is defined by upgrading general education to Abitur or acquiring any kind of vocational degree.

In a first part we estimate educational upgrading. Logistic regression models are applied, estimating individuals’ probability of upgrading general or vocational degrees. Unemployment experience and non-German nationality lower individuals’ risk of educational upgrading. However, realized family formation prevents from degree upgrading, both for males and females.

In a second part we employ linear regression models (fixed and random) and matching models to estimate the effect of educational upgrading on wages. Preliminary results show positive degree-upgrading effects in the wage estimates, which increase with experience in the new degree. Males tend to benefit more from degree upgrading compared to females and Germans benefit more from degree-upgrading compared to non-Germans.