

Technology, training and transition: evidence from the Western Balkans

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Non-technical summary

In this study authors analyse the link between technological change and employer-provided training at the firm. Authors hypothesise that that firms subject to technological change have an increased demand for skills and one mechanism to accommodate this demand is by providing additional training for their workforce. Skill shortages have become one of the main constraints on business expansion in transition economies, partly fuelled by a large out-migration of skilled workers to the EU15. In these countries skill shortages coincide with high unemployment rates and low rates of labour force participation, reflecting mismatch between the supply of human capital and that required by the expanding private sector in these countries. These findings suggest that the development of human capital and of continuing training in particular, may be an important determinant of successful transition. To test the proposition of an association between technological change and training data are extracted from the European Bank for Reconstruction and Development-World Bank Business Environment and Enterprise Performance Survey (BEEPS). Firm level data are for the Western Balkan economies: Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia and Yugoslavia (Serbia and Montenegro). Probit and tobit estimations are used to analyse the impact of technological change upon training incidence and intensity. The findings of this analysis suggest that firms that undergo technological change are indeed more likely to provide training and there is some evidence that they provide a greater training intensity. This positive association between technological change and training suggests that one way to address under-investment in training in the Western Balkans is by enhancing incentives for firms to undertake technological change.