General education vs vocational training: How do they affect individual labour market performance?

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Using the Panel Study of Belgian Households (PSBH, waves 4 to 10) we estimate the effects of education (initial and life-long, general and vocational) on incomes, labour supply and unemployment. This implies a decomposition of the economic returns of education on earnings in two parts; one attributed on wages and one on employment time. The sample includes individuals 18-65 who have completed initial education at school or university, who are at the labour market and receive income from professional activity. Individuals who are currently following a vocational after-school course are also included in the sample. We use the Hausman- Taylor estimators, which are consistent in the presence of correlation between the unobserved individual effects and the explanatory variables and at the same time produce estimates for the time-invariant variables. The results show a large positive effect of initial education both on earnings and on employment; however, this positive effect is smaller for those who follow vocational or technical education while at school. On the other hand, continuous vocational training and life-long learning result to extra gains on top of the gains from initial education. There is a similar picture in the effect of education on unemployment time and labour supply.