

Training Employees



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- There are two types of training
 - General training
 - Specific Training
- Who pays for what?

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 - General training now increases her VMP next period to \$40,000. **Her wage rate next period will be \$40,000.**

An Example

- Helen Jones, will work *Now* and *Later*.
- If the training costs \$5,000, her firm will offer the choice
 - Pay for the general training herself
 - Accept a wage rate this period of \$25,000

Part Time MBA Programs

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 - Requiring cost participation.
 - Price discrimination.

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 - In theory, the firm should offer to pay for all of it and not give her any extra pay, but she has no incentive then to get the training.

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- The training will increase Helen's value to her firm only.
- The usual deal is that Helen Jones pays for part of the training and her firm pays for the rest.
 - If she invests, say \$100, perhaps with her own time, she will expect compensation in the future with a discounted present value exceeding \$100.

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- The lower the employee turnover, the more attractive is investment in employees.

Turnover and Training

- Japanese firms with low turnover relative to their American counterparts invest more in their workers than do American Firms.
- Large American Firms with lower turnover than small firms invest more than small businesses.

End

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