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## Human Capital over the Life Cycle

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**« Human Capital over the Life Cycle: A European Perspective », Catherine Sofer (Ed.); Edward Elgar, Cheltenham and Northampton, x and 200 pages, Index.**

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*Human Capital over the Life Cycle: A European Perspective* identifies the problem of human capital creation as one of the fundamental issues in the development of knowledge-based economies. Of course, education policies matter in providing the skills required by innovation and competition. But this book also offers a stimulating analysis of the responsibility of these policies in the fight against social inequality that can be considered as a challenge for the achievement of sustainable growth. The value-added which the book contributes is imputable to its life-cycle perspective, considering education from its early stages. Long after psychologists, economists now consider that education in early childhood is a critical issue in the further development of human capital and on success in the labor market. Another interesting aspect of this book lies in its comparative dimension. The diversity of European education systems and labor markets helps in empirically identifying sources of performance and sources of failure. Therefore, if this book will rapidly find its way onto the shelves of education and labor economists, I am also convinced that it should occupy a high position on the desk of policy-makers because of its high policy relevance.

C. Sofer has collected 9 contributions from leading experts in Europe, presenting the original findings from a European research project on schooling, training and transitions. This book is organized in three broad sections. Part 1 introduces the economics of schooling systems. Part 2 analyzes the transitions from school to work. Part 3 relates human capital to work careers.

Part 1 begins with an introductory survey on the economics of early childhood education by W. Groot, H. Maassen van den Brink, S. Dobbelsteen and N. van Mierlo. Early intervention programs exert a positive influence on the cognitive and social development of the child but also on the family members' participation in the labor market and on the performance of siblings. These externalities justify policy interventions favoring a less unequal access of children to education. The question remains however unanswered as to the best mode of intervention. P. Dolton, R. Levacic and A. Vignoles's essay on the economic impact of schooling resources (Chapter 2) offers a clear overview of the methodological problems associated with the use of education production functions that contribute to explain the mixed evidence of a direct effect of school resources on student achievements. The originality of the approach developed by L. Levy-Garboua, N. Damoiselet, G. Lassibille and L. Navarro-Gomez (Chapter 3) consists of introducing both a policy trade-off for schooling systems between the provision of general education and of vocational training and a distinction between general ability and occupation-specific talents in the measure of performance. Interestingly, if differentiated schooling systems reach a higher performance level than uniform ones, the analysis pleads for a postponement of differentiation until after talents can be assessed accurately. One could however object that the choice of vocational training by students may be motivated by a rejection of general education and that the demand for education is influenced by the employment conditions.

An answer to the latter question is provided by Part 2. The analyses of transitions from school to work begins with a study of the influence of unemployment on school-leaving by M.J. San Segundo and B. Petrongolo (Chapter 4). The demand for post-compulsory education is influenced positively by youth unemployment but negatively by adult unemployment,

revealing the importance of short-term vs. long-term opportunity costs. Its main determinant remains however the parents' level of education. The long-term implications of this result are all the more important as early career experiments strongly influence further success and failure in the labor market. This relationship is documented by the stimulating cross-country comparison carried out by D. Margolis, E. Plug, V. Simonnet and L. Vilhuber using long panel data sets (Chapter 5). No hope for a general theory of transition: if sorting models, tournament theory, job search models or human capital theory deliver differentiated predictions, each of them finds support in some countries, although no country can be described by a single theory. This result points to the necessity for the theorist to remain humble! In Chapter 6, S. Mendes and C. Sofer compare the efficiency of apprenticeship and vocational education in terms of transition to work. If the human capital acquired by apprentices is more valued by firms in the early stages of the working life, this relative advantage vanishes over time. This suggests that general human capital becomes more valued at later stages, when adaptability is at stake.

Part 3 is introduced by a review of employer-provided training policies in Europe by P. Elias and R. Davies (Chapter 7). The countries trying to offset market failures by regulating compulsory continuing vocational training facilitate the training of less skilled employees; they remain however less efficient than systems based on a large access to initial training. It would be interesting to determine whether technological and organizational innovations have reduced the extent of market failures. In Chapter 8, J. Canada Vicinay and M. Sollogoub analyze the link between the nature of labor contracts and economic performance in strongly-regulated countries. While access to permanent employment is mainly driven by skill endowments, these regulations push companies to favor fixed-term contracts, under which the incentive to invest in human capital is low. This chapter illustrates the limitation of public intervention for the development of human capital. The last chapter--one of the best--consists of the analysis of the relationship between education and labor mobility by K. Salvanes. It shows that net job creation for highly educated women is higher than for highly educated men. If job destruction is declining in education, churning follows an inverse U-shape across education levels. These results are particularly interesting because they show that job flows and churning are distinct processes.

One could have expected more emphasis on the role of peer effects and social interactions on human capital, and on the behavioral effects of education. It is also time for a more systematic examination of which aspects of education efficiency and equity require intervention through public policy and which should be the responsibility of individuals. This book however constitutes a good state-of-the-art study in this field and paves the way for further research in this direction.