

Long-Term Effects of Occupational Choice on Unemployment. First Evidence from German Registry Data

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Abstract

Germany's dual education system has long been criticized for being inflexible and for sorting people into rigid occupations very early in life. This study formally tests the long-term unemployment effects of occupational choice in West Germany with an innovative censored quantile instrumental variable estimator and up-to-date, rich and reliable administrative micro data. Instrumenting occupational choice with local occupation-specific labor demand it shows that the occupation pursued by apprentices at the start of their first apprenticeship causally influences their amount of unemployment during the following 25 years. This effect is strongest in the right tail of the unemployment distribution.