

Labor Market Entry Conditions and Occupational Mismatch: Evidence from Apprenticeship Graduates

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Abstract :

Using administrative data on the largest group of labor market entrants in Germany - graduates from an apprenticeship in a specific occupation - this paper studies the effect of entry conditions on occupational mismatch. I find that higher entry unemployment leads to persistent earnings losses that are almost entirely driven by full-time wage effects. At the same time, occupational matching, as measured by work in the training occupation or the task similarity between training and occupation, persistently falls. Occupational mismatch accounts for around 20% of the estimated wage effects. A conceptual framework sheds light on underlying mechanisms. Lower levels of matching arise from skill-specific shocks, caused by either changes in occupation-specific demand or lower retention rates by training firms. The framework entails empirical predictions that I test using novel data on occupation-specific unemployment. The findings highlight that the high-quality provision of specific skills can protect apprenticeship graduates from unemployment due to adverse entry conditions, but may expose them to occupational mismatch that can entail long-term productivity effects.