

Skills, Occupational Choice and Educational Attainment

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Abstract

This paper brings a fresh perspective to inequality in educational attainment, suggesting occupational sorting as an unexplored channel that may depress education outcomes in children from less advantaged families, in addition to established considerations such as school readiness and financing constraints. To study this channel, education and occupation choices have to be analyzed jointly, whereas existing research usually treat them as separate. We therefore develop a model of educational choice in which the formation of wage expectations accounts for anticipated occupational choices. This model is brought to data in a nested multinomial logit setting, which can account for different taste shocks at each of the two simultaneous choices. We further innovate in the occupational choice literature by studying sorting along the task-intensity margin, where occupations are defined according to information from the Dictionary of Occupational Titles. We use a 5% representative sample of US high schoolers to determine the impact of multiple cognitive and non-cognitive skills on occupational choice, relative to parental background.

JEL Classification: J24, I24, J62, I21.

Keywords: educational attainment, occupational mobility, nested multinomial logit, inequality, personality traits, cognitive skills, tasks, factor analysis, Dictionary of Occupational Titles.

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