

Occupational Choice under Credit and Information Constraints

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Abstract

This paper considers the occupational choice decisions of individuals about to enter the labor market. I first develop a model of occupational choice that explicitly accounts for both credit and information constraints and then use a survey experiment and an information intervention in 7 vocational high schools in Egypt to test the model's predictions. I find that relaxing these constraints has significant effects on both the proportion of the population that would pursue a particular occupation as well as the distribution of preferences and characteristics of individuals within those occupations. In particular I find that although credit provision is sufficient to induce an increase in the proportion of individuals pursuing self-employment, access to information manages to mitigate this effect while at the same time improving the optimal allocation of individuals across sectors. This work has implications for policy makers interested in tackling the large youth unemployment problem prevalent in many economies.

Keywords: Occupational Choice, Subjective Expectations, Information, Credit Constraints, Education, Entrepreneurship

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