

Occupational Hazard: Inequalities in Labour Market Mismatch

Lindsey Macmillan, Richard Murphy, and Gill Wyness

Abstract :

In this paper we provide a new metric and framework to describe the extent of occupational mismatch in a labor market. We do so by constructing a single dimensional continuous measure of ability for individuals, and two distinct measures of occupational quality. This allows us to examine the extent to which young people mismatch into occupations that are higher or lower ranked than they could achieve and explore whether there are systematic differences in the nature of match by socio-economic status (SES) and gender. We find inefficiencies in the match between young peoples' achievement ranking and their occupation ranking, and large socio-economic inequalities in education-based and earnings-based match, across the achievement distribution. We also find large gender gaps in earnings-based match, with women working in jobs that are significantly lower ranked than their male counterparts, but similarly ranked in terms of education-based match. While educational routes between compulsory education and occupations at age 25 can explain around 33% of these SES gaps among high achievers, a sizeable difference in undermatch remains for high achieving low SES students (8 percentiles), when taking into account all post-16 activity. The gender gap in mismatch remains stable, suggesting that education choices are not responsible for the large differences observed between men and women. Instead, the type of industry worked in can account for almost 76% of the gender gap among low achievers, although a significant difference still remains between men and women.