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Good Skills in Bad Times: Cyclical Skill Mismatch and the Long-Term Effects of Graduating in a Recession

by Kai Liu, Kjell G. Salvanes, Erik Ø. Sørensen
(August 2012)

Abstract:

We show that cyclical skill mismatch, defined as mismatch between the skills supplied by college graduates and skills demanded by hiring industries, is an important mechanism behind persistent career loss from graduating in recessions. Using Norwegian data, we find a strong countercyclical pattern of skill mismatch among college graduates. Initial labor market conditions have a declining but persistent effect on the probability of mismatch early in their careers. We provide a simple model of industry mobility that is consistent with our empirical findings. The initially mismatched graduates are also more vulnerable to business cycle variations at the time of graduation.

Text: See [Discussion Paper No. 6820](#)



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