

How a Labor Market Sorts Workers to First Jobs Compared to a Lottery:
Norway's Shift Away from Doctor Assignment by Random Serial Dictatorship*

Ashna Arora

University of Chicago
& Statistics Norway

Jonas Hjort

Columbia University
& CEPR & NBER

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Abstract

In this paper we study how well different types of labor markets allocate workers to first jobs, from workers' perspective. We compare a standard labor market—decentralized job-finding—and a particular form of lottery-based, centralized assignment—a Random Serial Dictatorship (RSD). In Norway, doctors' first job—their residency—was until 2013 allocated through an RSD mechanism. We first exploit the resulting random variation in individual doctors' choice sets to estimate good first jobs' impact on long-run earnings and other career outcomes for each type of individual. We then decompose each type's directly observed preference ranking of good jobs into a component that is due to such good-job-effects (GJEs) on career earnings and another that captures good jobs' overall amenity value for the relevant group. With these estimates in hand, we show how the replacement of the RSD mechanism with decentralized job-finding in 2013 affected total worker welfare and the distribution of *realized* GJEs across worker types implied by the observed change in worker-job matches. This paper thus presents some of the first causal evidence on the career impact of individual level variation in first jobs and the challenges and opportunities such variation presents for graduates and labor market designers.

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