

# A Social Network Analysis of Occupational Segregation

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## Abstract

We develop a social network model of occupational segregation between different social groups, generated by the existence of positive inbreeding bias among individuals from the same group. If network referrals are important for job search, then expected homophily in the contact network structure induces different career choices for individuals from different social groups. This further translates into stable occupational segregation equilibria in the labor market. We derive the conditions for wage and unemployment inequality in the segregation equilibria and characterize first and second best social welfare optima. Surprisingly, we find that socially optimal policies involve segregation.

**JEL codes:** J24, J31, J70, Z13

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