

# A Natural Experiment in the Organization of Entry-Level Labor Markets: Regional Markets for New Physicians and Surgeons in the United Kingdom

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*The histories of seven regional markets for new physicians and surgeons in the United Kingdom are considered. Like the American market, these markets have experienced failures that led to the adoption of centralized market mechanisms. Because different regions employ different centralized mechanisms, these markets provide a test of the hypothesis that the success of the American market is related to the fact that it produces matches which are stable in the sense that no two agents mutually prefer to be matched to one another than to their assigned partners. Even in the more complex U.K. markets, this kind of stability plays an important role. Centralized markets that produced unstable matches in environments in which agents could act upon instabilities fared no better than the decentralized markets they replaced. (JEL C78, D00, J41, J44)*

In this paper, I seek to analyze a unique natural experiment that has emerged over the last 20 years in the United Kingdom, concerning the organization of entry-level labor markets. The markets in question are those in which newly graduated medical students seek their first hospital positions, called preregistration house-officer positions. These positions are closely comparable to first-year intern positions in American hospitals (although there are some important differences, which will be

discussed). The natural experiment arises because these markets are organized differently in different regions of the National Health Service. These different markets allow investigation of how market behavior is influenced by market organization. This diverse set of markets also invites comparison with the American market for interns and allows the hypothesis advanced in Roth (1984a) about the behavior of that market to be tested and refined.<sup>1</sup>

The particular forms of market organization in the United Kingdom that are the subject of this paper arose in reaction to problems that emerged in the 1960's. Prior to the mid-1960's, the preregistration house-officer markets in the various regions of the National Health Service were largely run in a decentralized way, with students responsible for finding positions on their own and with consultants (as senior physicians and surgeons are called) responsible for filling the positions under their supervision. Competition among students for desirable positions and among consultants for desirable house officers eventually led to

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<sup>1</sup>Some of my conclusions about this comparison were earlier described briefly in Roth (1990).