Hourly Earnings in the United States: Another Look at Unionization, Schooling, Sickness, and Unemployment Using PSID Data

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<u>Chowdhury & Nickell</u> (Hourly earnings in the US: another look at unionization, schooling, sickness and unemployment using PSID, *Journal of Labor Economics*, 1985)

Data

Michigan Panel Study of Income Dynamics

Sample: Male heads of households (671); 1968-76 (est. 1972-76)

Variables:

- Earnings (y_{it}) – hourly earnings (deflated)

- Schooling (S_{it}) – years of schooling

- Age (e_{it}) – age in years

- Race – Black or Hispanic

- Sickness spell (s_{it}) – dummy – spell during t

- Union (U_{it}) – union member

- Unemp spell (u_{it}) – dummy – spell during t

- Time dummies

Hausman-Taylor setup

Summary from Table 1

- Linear age effect is not identified because of the time/indiv effect

- Have age^2

- Allows for AR(1) in the idiosyncratic error

- Age, Race is always an exog event

- Schooling always endog.

	WG	WG(ρ)	GLS(ρ)	HT(ρ) Union (x_1)	HT(ρ) Unemp (x_1)	HT(ρ) Sick (x_1)
Age^2	-0.0006[*]	-0.0006[*]	0.00007	-0.0002	0.00002	0.00004
Unem$_{-1}$	-0.130[*]	-0.138[*]	-0.124[*]	-0.138[*]	-0.134[*]	-0.140[*]
Unem$_{-2}$	-0.058[*]	-0.062[*]	-0.039[*]	-0.061[*]	-0.056[*]	-0.062[*]
Union	0.089[*]	0.076[*]	0.159[*]	0.072[*]	0.080[*]	0.074[*]
Race			-0.127	-0.447[*]	-0.271[*]	-0.219
School			0.080[*]	-0.032	0.027	0.042
χ^2 test (Hausman)			$\chi^2(10)$ 27.7 (rej)	$\chi^2(1)$ 4.3	$\chi^2(4)$ 7.1	$\chi^2(4)$ 11.4 (rej)

5% sig level