

Team Project 1

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Data Overview

During the National Supported Work Demonstration (NSWD) study, researchers assessed whether or not job training for disadvantaged workers had an effect on their wages. Eligible workers were randomly assigned either to receive job training or not to receive job training. We analyze a subset of the data from the NSWD.*

We will use linear and logistic regression modeling to answer the following questions of interest.

- Is there evidence that workers who receive job training tend to earn higher wages than workers who do not receive job training? What is a likely range for the effect of training? Is there any evidence that the effects differ by demographic groups?
- Is there evidence that workers who receive job training tend to be more likely to have positive (non-zero) wages than workers who do not receive job training? What is a likely range for the effect of training? Is there any evidence that the effects differ by demographic groups?

A summary of the dataset used in both our linear and logistic regression is summarized below:

treat	age	educ	black	hispan
0:429	Min. :16.00	Min. : 0.00	Min. :0.0000	Min. :0.0000
1:185	1st Qu.:20.00	1st Qu.: 9.00	1st Qu.:0.0000	1st Qu.:0.0000
	Median :25.00	Median :11.00	Median :0.0000	Median :0.0000
	Mean :27.36	Mean :10.27	Mean :0.3958	Mean :0.1173
	3rd Qu.:32.00	3rd Qu.:12.00	3rd Qu.:1.0000	3rd Qu.:0.0000
	Max. :55.00	Max. :18.00	Max. :1.0000	Max. :1.0000
married	nodegree	re74	re75	
Min. :0.0000	Min. :0.0000	Min. : 0	Min. : 0.0	
1st Qu.:0.0000	1st Qu.:0.0000	1st Qu.: 0	1st Qu.: 0.0	
Median :0.0000	Median :1.0000	Median : 1042	Median : 601.5	
Mean :0.4153	Mean :0.6303	Mean : 4558	Mean : 2184.9	
3rd Qu.:1.0000	3rd Qu.:1.0000	3rd Qu.: 7888	3rd Qu.: 3249.0	
Max. :1.0000	Max. :1.0000	Max. :35040	Max. :25142.2	
re78	re78c	re75c	re74c	
Min. : 0.0	Min. : -6793	Min. : -2185	Min. : -4558	
1st Qu.: 238.3	1st Qu.: -6555	1st Qu.: -2185	1st Qu.: -4558	
Median : 4759.0	Median : -2034	Median : -1583	Median : -3515	
Mean : 6792.8	Mean : 0	Mean : 0	Mean : 0	
3rd Qu.:10893.6	3rd Qu.: 4101	3rd Qu.: 1064	3rd Qu.: 3331	
Max. :60307.9	Max. :53515	Max. :22957	Max. :30483	
agec	employed78	employed75	employed74	
Min. : -11.363	Min. :0.0000	Min. :0.000	Min. :0.0000	
1st Qu.: -7.363	1st Qu.:1.0000	1st Qu.:0.000	1st Qu.:0.0000	
Median : -2.363	Median :1.0000	Median :1.000	Median :1.0000	
Mean : 0.000	Mean :0.7671	Mean :0.601	Mean :0.6042	
3rd Qu.: 4.637	3rd Qu.:1.0000	3rd Qu.:1.000	3rd Qu.:1.0000	
Max. : 27.637	Max. :1.0000	Max. :1.000	Max. :1.0000	
educ.bin	educ.bin2			
HS :157	Some HS + :480			
MS or less :134	MS or less:134			

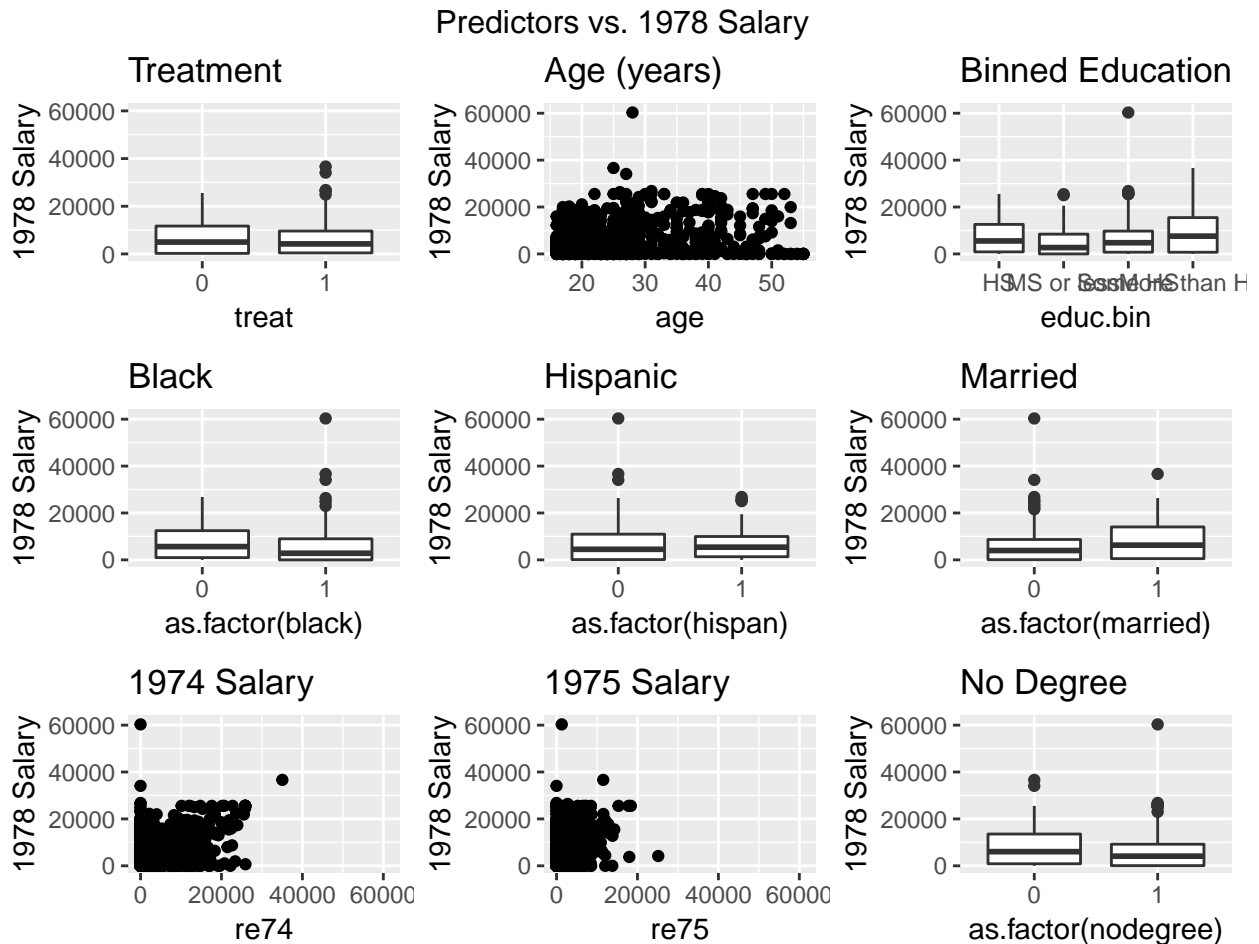
Some HS :253
More than HS: 70

Linear Regression

Exploratory Data Analysis

For concern of multicollinearity, we cannot include both nodegree and education in our model (nodegree is, in essence, a binned version of education with 0 being over 12 years of education and 1 being less than 12 years of education). We were originally concerned with including both 1974 salary (re74) and 1975 salary (re75), however, the correlation between these two variables is only 0.55 which is low enough to allow both salary variables as predictors in our model. No other variables had high enough correlation to be a multicollinearity concern.

A plot of each predictor in relation to our outcome variable, 1978 salary is below.



Model Selection

Through a series of modeling fittings, we examined a variety of logistic models to answer the question, 'Is there evidence that workers who receive job training tend to earn higher wages than workers who do not

receive job training?'. We evaluated each model based on R-squared value and whether addition variables and interactions resulted in a significant or near-significant nested F test result.

We attempted logging our outcome variable (1978 salary (re78)), logging 1974 and 1975 salaries, using nodegree as opposed to education, using education as a continuous variable as well as a binned factor variable. We also looked at potential interaction effects between treatment and education, treatment and black, treatment and Hispanic, and treatment and age (For further details on considered interaction effects ,see appendix). Ultimately, we included a binned version of education separating those with no high school education, some high school education, high school completion, and additional education beyond high school (see exploratory plots for incentive for variable alteration). Additionally, we used mean-centered continuous variables to aid in interpretation.

Before we finalized our model selection, we examined the residuals and influential points. The residuals of this model are normally distributed and have constant variance thus our model fits our assumptions of linear regression (see appendix). The most influential points in our model were determined to be corner cases and did not call for alteration of our final model. (For further details on our model's residuals and influential points, see appendix).

Ultimately, we selected the model summarized below.

Call:

```
lm(formula = re78 ~ treat + agec + educ.bin + black + hispan +
    married + re74c + re75c, data = lalonde)
```

Residuals:

Min	1Q	Median	3Q	Max
-13858	-4842	-1516	4062	54869

Coefficients:

	Estimate	Std. Error	t value	Pr(> t)
(Intercept)	6655.8106	724.1249	9.192	< 2e-16 ***
treat1	1612.9207	779.9046	2.068	0.0391 *
agec	6.9456	32.4362	0.214	0.8305
educ.binMS or less	-1693.6195	844.2911	-2.006	0.0453 *
educ.binSome HS	29.6427	726.9096	0.041	0.9675
educ.binMore than HS	2254.6884	1003.6187	2.247	0.0250 *
black	-1278.3191	767.4450	-1.666	0.0963 .
hispan	357.4441	931.7120	0.384	0.7014
married	518.6474	696.6006	0.745	0.4568
re74c	0.3044	0.0580	5.247	2.14e-07 ***
re75c	0.2205	0.1043	2.113	0.0350 *

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 6934 on 603 degrees of freedom

Multiple R-squared: 0.1526, Adjusted R-squared: 0.1385

F-statistic: 10.86 on 10 and 603 DF, p-value: < 2.2e-16

	Estimate	Std. Error	2.5%	97.5%
(Intercept)	6655.8106348	7.241249e+02	5.233697e+03	8077.9238346
treat1	1612.9206555	7.799046e+02	8.126151e+01	3144.5797973
agec	6.9455831	3.243616e+01	-5.675599e+01	70.6471528
educ.binMS or less	-1693.6194714	8.442911e+02	-3.351728e+03	-35.5112419
educ.binSome HS	29.6427548	7.269096e+02	-1.397939e+03	1457.2247332
educ.binMore than HS	2254.6883702	1.003619e+03	2.836756e+02	4225.7010937

black	-1278.3190756	7.674450e+02	-2.785509e+03	228.8707398
hispan	357.4440745	9.317120e+02	-1.472351e+03	2187.2387178
married	518.6474110	6.966006e+02	-8.494106e+02	1886.7054177
re74c	0.3043451	5.800401e-02	1.904307e-01	0.4182595
re75c	0.2205303	1.043544e-01	1.558821e-02	0.4254725

Interpretation

Our model has an R-squared of 0.15. In other words, our model explains 15% of the variance in 1978 salary.

Intercept: For non-black, non-Hispanic, un-married individuals of average age, average 1974 and 1975 salaries, with High School only education, who did not receive treatment, we estimate the average salary in 1978 to be \$6655.81 (95% CI: \$5233.7, \$8077.92).

Treatment: Holding all else constant, individuals who participated in the treatment are estimated to have an average 1978 salaries increase of \$1612.92 (95% CI: \$81.26, \$3144.58).

Age: Holding all else constant, for each 10 years an individual ages on average we estimate his salary to increase by \$69.46 (95% CI: \$-567.56, \$706.47). Given that this confidence interval includes 0, we are not confident that there is a meaningful effect of age on 1978 salary.

Education: Holding all else constant, for an individual with:

- Less than a middle school education: we estimate average 1978 salary to be \$1693.62 less (95% CI: \$-3351.73, \$-35.51).
- Some high school education: we estimate average 1978 salary to be \$29.64 more (95% CI: \$-1397.94, \$1457.22). Given that this confidence interval includes 0, we are not confident that there is a meaningful effect of some high school compared to completion of high school on 1978 salary.
- More than a high school education: we estimate average 1978 salary to be \$2254.69 more (95% CI: \$283.68, \$4225.7).

Married: Holding all else constant, for married individuals we estimate average 1978 salaries to be \$518.65 more (95% CI: \$-849.41, \$1886.71). Given that this confidence interval includes 0, we are not confident that there is a meaningful effect of being married on 1978 salary.

Black: Holding all else constant, for Black individuals we estimate average 1978 salaries to be \$1278.32 less (95% CI: \$-2785.51, \$228.87). Given that this confidence interval includes 0, we are not confident that there is a meaningful effect of being Black on 1978 salary.

Hispanic: Holding all else constant, for Hispanic individuals we estimate average 1978 salaries to be \$357.44 more (95% CI: \$-1472.35, \$2187.24). Given that this confidence interval includes 0, we are not confident that there is a meaningful effect of hispanic ethnicity on 1978 salary.

1974 Salary: Holding all else constant, for each \$1,000 an individual made in 1974, on average we estimate his 1978 salary to be \$304.35 higher (95% CI: \$190.43, \$418.26).

1975 Salary: Holding all else constant, for each \$1,000 an individual made in 1975, on average we estimate his 1978 salary to be \$220.53 higher (95% CI: \$15.59, \$425.47).

Discussion

Our findings suggest that participation in the examined job training results in increased salaries. Because this is a randomized control trial, we can say this is a casual effect. However the effect size may be small. Specifically, we estimate that individuals who participated in job training to have average 1978 salaries increased by \$1612.92 however this effect could be as small as \$81.26 or as large as \$3144.58.

Additionally, our findings suggest that 1978 salary is also mediated by level of education and previous salary. Specifically, education above high school is positively associated with 1978 salary and education level below 9th grade being negatively associated with 1978 salary. In other words, it is unclear whether having a high school diploma differs significantly from having some high school education when it comes to salary in 1978. However, it is clear that having less than a high school education results in a lower salary, and having more than a high school education results in a higher salary.

Simiarly, higher 1974 and 1975 salaries are both indepedently associated with increased 1978 salaries. Interestingly, the relationship between 1974 and 1978 salary appears to be stronger than that between 1975 and 1978 salary. In other words, it appears the 1974 salary of individuals is more representative of earning potential in 1978 compared to 1975, and thus a stronger predictor factor of 1978 salary in our final model.

On the other hand, age, race, ethnicity and marital status may or may not have an effect on salary. This is evident because, when isolated, the cofidence intervals of the model coefficients include zero.

Limitations

Our model has an R-squared of 0.15. In other words, our model explains 15% of the variance 1978 salary. These results suggest that there are additional variables that may be stronger predictors of salary than are included in our dataset. More research is needed to fully understand the relationship between job training programs and salary and the mediating variables in this relationship.

Additionally, our model appears to be less predictive for those with relatively high 1974 or 1975 salaries. This may be due to the lack of observations including high starting salaries. Additional research is needed to fully understand the relationship between salary and job trainings for those high above average salary before job training.

Logistic Regression

Exploratory Data Analysis

In terms of mulicollinearity, by the same reasoning as decribed in our linear regression summary, our only restriciton is a mutually exclusive choice between either education or nodegree.

A plot of each predictor in relation to our outcome variable, nonzero wage in 1978, is below (nonzero wage being defined as salary above 0).

Table 1: Average Nonzero Salary '78 Cases by predictor

	0	1
treat	0.77	0.76
educ.bin2	0.79	0.67
black	0.80	0.72
hispan	0.76	0.83
married	0.76	0.78
nodegree	0.78	0.76



Model Selection

We examined a variety of linear models to answer the question, ‘Is there evidence that workers who receive job training tend to be more likely to have positive (non-zero) wages than workers who do not receive job training?’. We evaluated each model based on the area under the curve (AUC) and whether additional variables and interactions resulted in a significant or near-significant change in deviance tests.

We attempted binning education in multiple ways, adding nonzero 1974 and 1975 salary variables. We also examined potential interactions between treatment and previous salaries as well as interactions between treatment and level of education (see appendix for examination of interaction effects). Ultimately we included a binned version of education separating those with at least some high school education or more and those with no high school education (see exploratory plots for incentive for variable alteration). The only interaction that resulted in a significant change in deviance test was the addition of an interaction effect between nonzero 1974 salary and treatment.

Additionally, we used mean-centered continuous variables to aid in interpretation.

Before we finalized our model selection, we examined the residuals and influential points. The residuals of this model fit our assumptions of logistic regression (see appendix). The most influential points in our model were determined to be corner cases and did not call for alteration of our final model. (For further details on our model’s residuals and influential points, see appendix).

Ultimately, we selected the model summarized below.

Call:

```
glm(formula = employed78 ~ treat * employed74 + agec + married +
     black + hispan + educ.bin2 + re75c, family = binomial, data = lalonde)
```

Deviance Residuals:

Min	1Q	Median	3Q	Max
-2.4043	0.3469	0.6049	0.7440	1.4117

Coefficients:

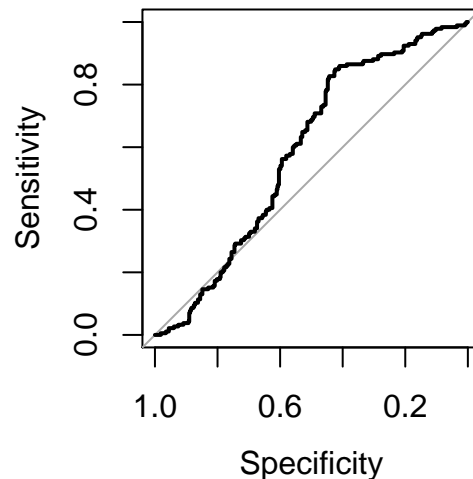
	Estimate	Std. Error	z value	Pr(> z)	
(Intercept)	1.177e+00	2.796e-01	4.209	2.57e-05	***
treat1	7.732e-01	3.244e-01	2.383	0.01716	*
employed74	4.703e-01	2.771e-01	1.698	0.08959	.
agec	-3.260e-02	1.039e-02	-3.137	0.00171	**
married	4.758e-02	2.429e-01	0.196	0.84468	
black	-5.287e-01	2.675e-01	-1.976	0.04810	*
hispan	2.088e-01	3.601e-01	0.580	0.56201	
educ.bin2MS or less	-5.688e-01	2.328e-01	-2.443	0.01456	*
re75c	1.297e-04	4.511e-05	2.874	0.00405	**
treat1:employed74	-1.187e+00	4.711e-01	-2.519	0.01176	*

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

(Dispersion parameter for binomial family taken to be 1)

Null deviance: 666.5 on 613 degrees of freedom
 Residual deviance: 622.7 on 604 degrees of freedom
 AIC: 642.7

Number of Fisher Scoring iterations: 4



[1] "Confusion Matrix"

	FALSE	TRUE
0	118	25
1	287	184

[1] "Confidence intervals"

	Estimate	2.5%	97.5%
(Intercept)	3.2440128	1.8954738	5.6865021
treat1	2.1666346	1.1510708	4.1177880
employed74	1.6005330	0.9269135	2.7524916
agec	0.9679244	0.9483436	0.9878683

married	1.0487287	0.6527574	1.6943581
black	0.5893666	0.3481850	0.9953958
hispan	1.2321777	0.6250256	2.5907711
educ.bin2MS or less	0.5662319	0.3598939	0.8980752
re75c	1.0001297	1.0000460	1.0002234
treat1:employed74	0.3051571	0.1219336	0.7774356

Interpretation

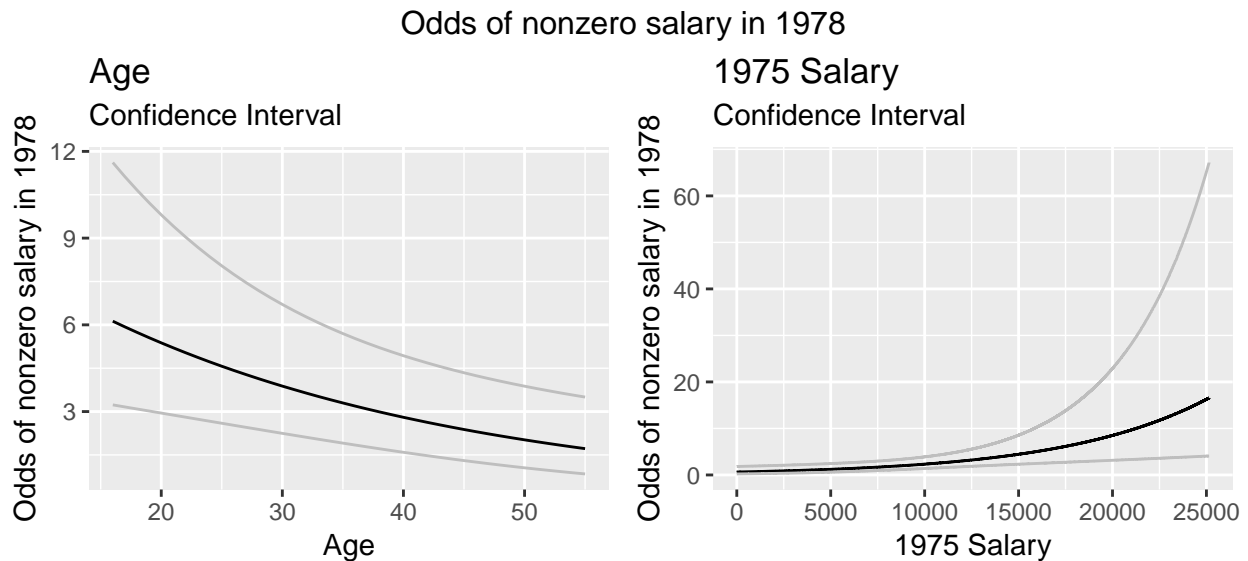
Our model has an AUC of 0.59. Using the suggested threshold of 0.82, our model has a sensitivity of 0.391 and a specificity of 0.825. In other words, our model correctly predicts 39.1% of nonzero wage earners and 82.5% of zero wage earners.

Intercept: For non-black, non-hispanic, un-married individuals of average age, average 1975 salaries and a zero 1974 salary, with some High School or more education, who did not receive treatment, we estimate the odds of nonzero salary 1978 to be 3.24 (95% CI: 1.895, 5.69).

Treatment: Holding all else constant, for individuals who participated in the treatment we estimate the odds of nonzero salary in 1978 to increase by a factor of 2.17 (95% CI: 1.15, 4.12).

Education: Holding all else constant, for an individual less than a middle school education we estimate the odds of nonzero salary in 1978 to decrease by a factor of 0.57 (95% CI: 0.36, 0.9).

Age: Holding all else constant, for each 10 years an individual ages on average we estimate odds of nonzero salary in 1978 decrease by a factor of 0.72 (95% CI: 0.59, 0.89).



Married: Holding all else constant, for married individuals we estimate the odds of nonzero wage in 1978 to increase by a factor of 1.05 (95% CI: 0.65, 1.69). Given that this confidence interval includes 1, we are not confident that there is a meaningful effect of being married on odds of nonzero salary in 1978.

Black: Holding all else constant, for Black individuals we estimate the odds of nonzero wage in 1978 to decrease by a factor of 0.59 (95% CI: 0.35, 1).

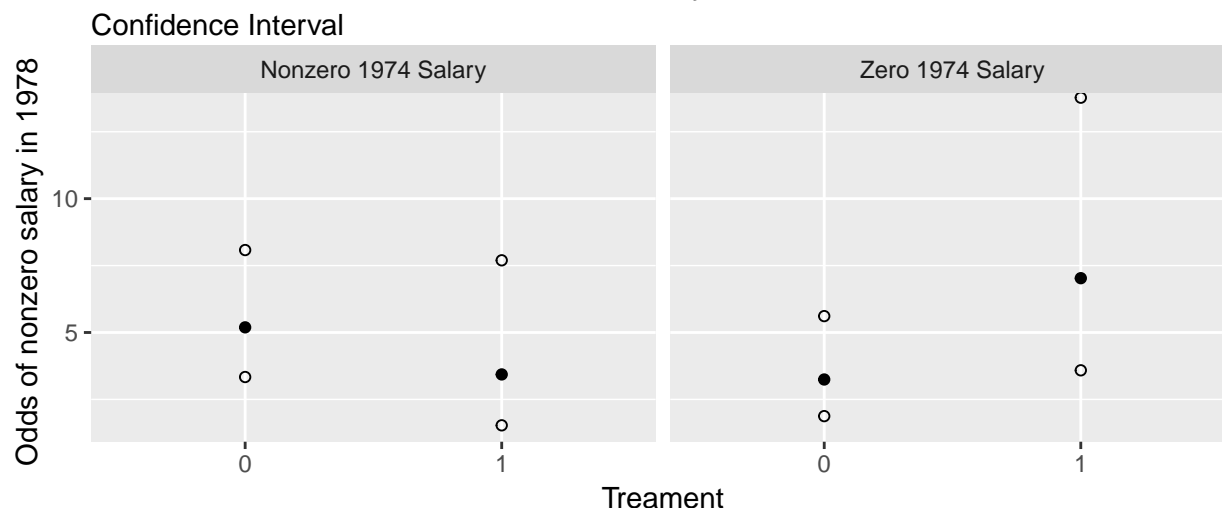
Hispanic: Holding all else constant, for Hispanic individuals we estimate the odds of nonzero wage in 1978 to increase by a factor of 1.23 (95% CI: 0.63, 2.59). Given that this confidence interval includes 1, we are not confident that there is a meaningful effect of hispanic ethnicity on odds of nonzero salary in 1978.

1975 Salary: Holding all else constant, for each \$1,000 an individual made in 1975, on average we estimate the odds of nonzero wage in 1978 to increase by a factor of 1.14 (95% CI: 1.05, 1.25).

1974 Salary (Zero vs. Nonzero):

- Zero Salary: Holding all else constant, for individuals who participated in the treatment we estimate the odds of nonzero wage in 1978 to increase by a factor of 2.17 (95% CI: 1.15, 4.12).
- Nonzero Salary: Holding all else constant, for individuals who participated in the treatment we estimate the odds of nonzero wage in 1978 to decrease by a factor of 0.74 (95% CI: 0.34, 1.67). Given that this confidence interval includes 1, we are not confident that there is a meaningful effect of treatment on nonzero salary in 1978 for those with nonzero salaries in 1974.

Interaction effect of nonzero 1974 salary on treatment



Discussion

According to our findings, for those with no wages in 1974, participating in the training program has a positive effect on the odds of having a positive wage in 1978, increasing the odds of a nonzero wage in 1978 by an estimated factor of 2.17. However, we can not say with certainty whether the impact is the same for those with nonzero wages in 1974. For those with nonzero wages in 1974, our estimates indicate that the job training program may actually have a negative impact, decreasing odds of nonzero wage in 1978 by an estimated factor of 0.74. There appears to be a negative effect on the odds of nonzero wage for those who were employed in 1974, but we are not able to say with confidence that this effect is negative. Moreover, we are unable to say an interaction between treatment and nonzero wage in 1974 exists. The confidence intervals overlap, and as such, the true odds ratio may be the same for both groups.

Odds of nonzero wage in 1978 are also influenced by level of education, age, being black. Specifically, level of education not including any high school, increased age, and blackness are all associated with decreased odds of nonzero wage in 1978. In other words, increased age, an elementary or middle-school level education, or being black are all associated with increased odds of zero wages. On the other hand, higher 1975 salary is associated with increased odds of nonzero wage in 1978.

Additionally, being Hispanic and being married may or may not be associated with odds of nonzero wage in 1978. When all other factors are held constant, each of these factors has an odds ratio confidence interval that includes 1.0.

Limitations

There are several limitations to our model that should be taken into consideration when interpreting results. First, while the confidence interval for the odds ratio of nonzero wage in 1978 for an individual in a job

training program doesn't include 1.0, it is very close to 1.0. Therefore, while a positive effect is likely, it may not be large.

Second, our resulting model has a low area under the curve (AUC) of 0.59. Therefore, an AUC of 0.59 is on the lower end of the possible range of .5-1.0. Specific to our model, there is a sizable difference in the sensitivity (.820) and specificity (.424) of our model. Meaning, while our model is good at predicting individuals likely to have zero wages in 1978, it is not as good at capturing the breadth of individuals who do truly have nonzero wages in 1978.

Multi-Model Conclusion

Based on our models, there is good evidence that job training positively influences the odds of nonzero wage and the salaries of individuals who complete the program. However, neither our linear model nor our logistic model provide confidence in large increases in odds of nonzero wage nor salaries, as they both have large confidence intervals.

Appendix

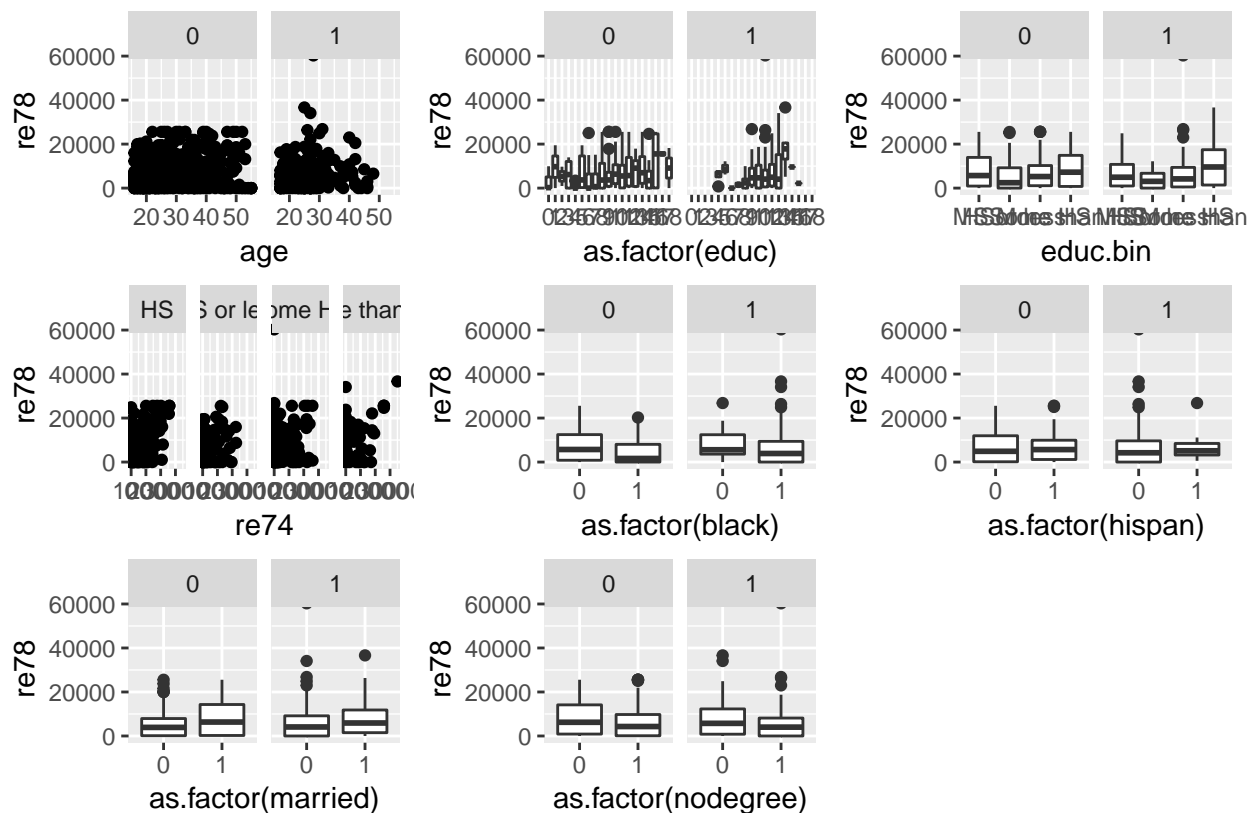
*These and other data were originally analyzed by the economist Robert Lalonde (Lalonde, R. J. (1986), Evaluating the econometric evaluations of training programs with experimental data, The American Economic Review, 76, 604 - 620.)

Interaction Effects

Linear Model

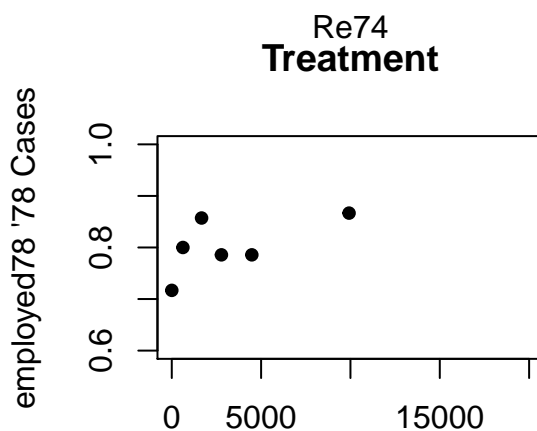
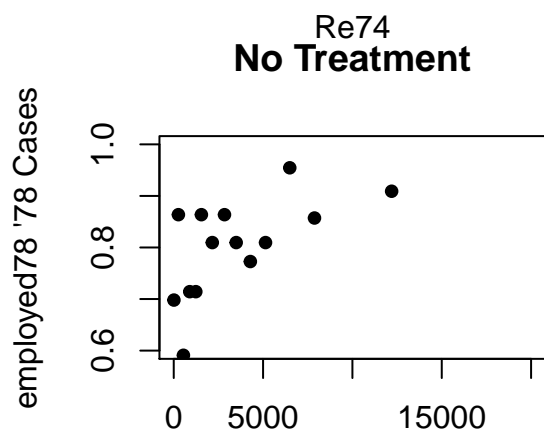
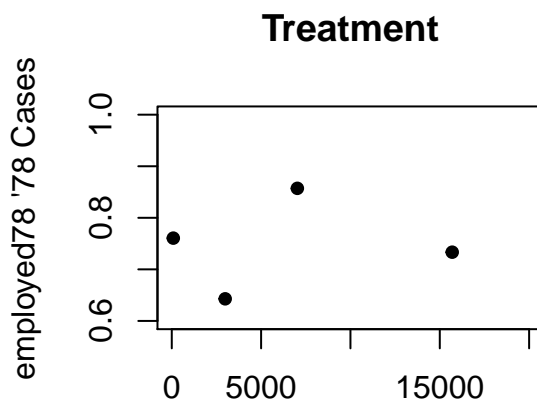
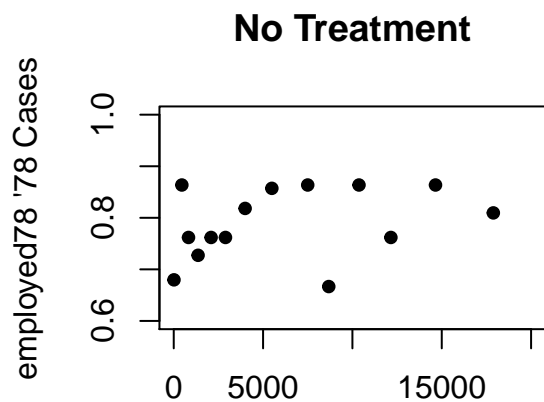
Below is an exploration of potential interaction effects between treatment and other predictor variables in our dataset. Although some exploratory analysis seemed to indicate an possible interaction effect, no addition of interaction terms meaningfully increased our models performance. Therefore our final model did not include any interaction effects.

Potential Interaction Effects: Linear Model



Logistic Model

Below is an exploration of potential interaction effects between treatment and other predictor variables in our dataset. The only interaction effect that meaningfully improved prediction for our model was the addition an interaction between a nonzero wage in 1974 and treatment.



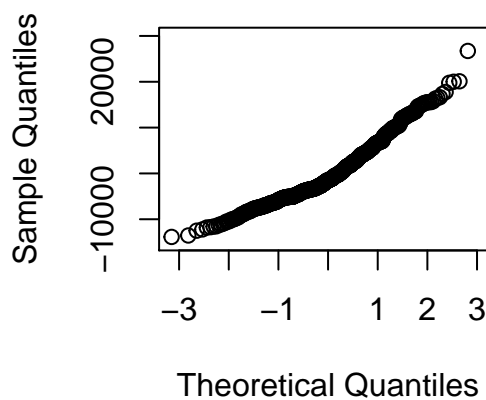
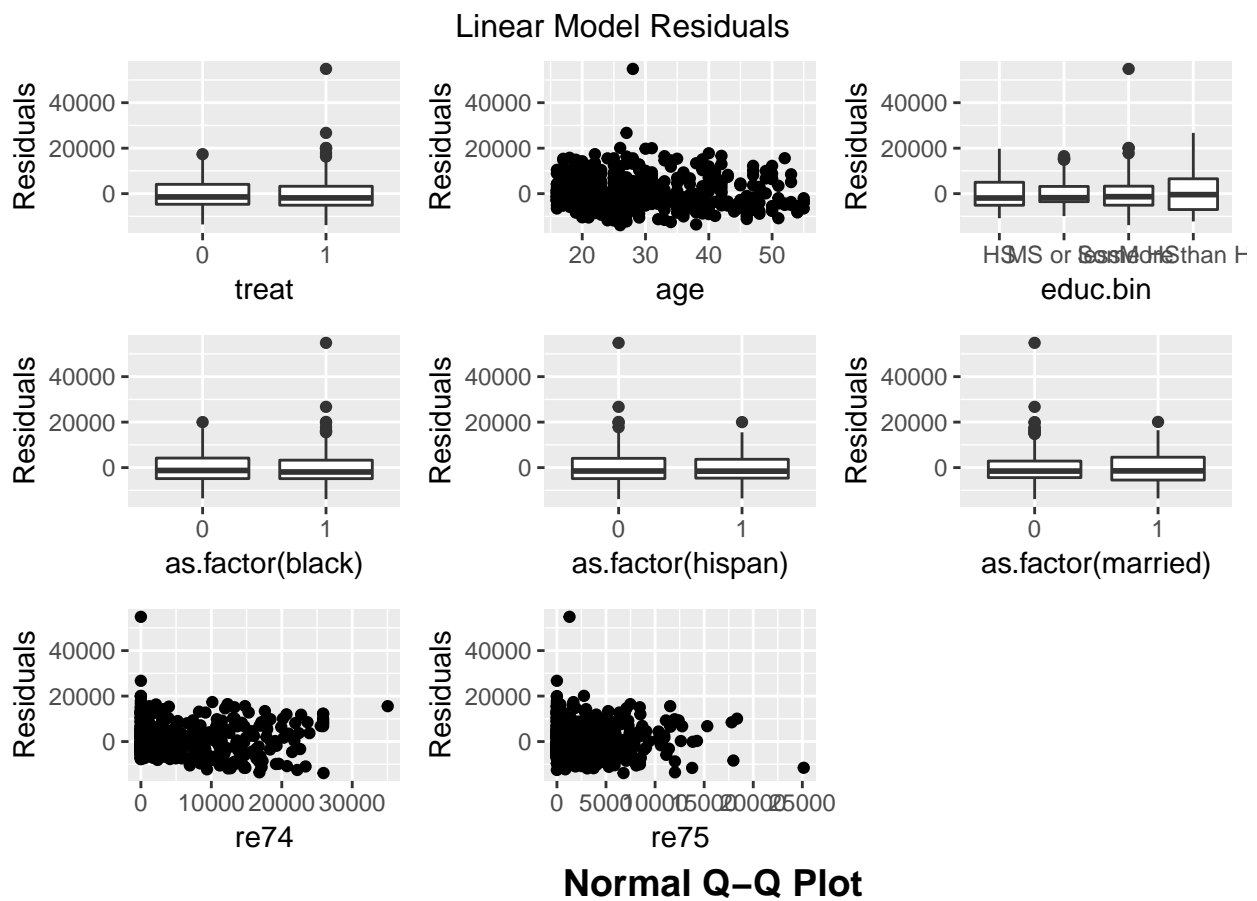
	Zero wage 75	Employed 75
## No Treatment	0.6865672	0.8101695
## Treatment	0.7207207	0.8108108

	Zero wage 74	Employed 74
## No Treatment	0.6696429	0.8075710
## Treatment	0.7633588	0.7407407

	Some HS + MS or less
## No Treatment	0.8049536 0.6698113
## Treatment	0.7707006 0.6785714

Residuals

Linear Model



Logistic Model

```
[1] "Education (educ.bin2)"
      Some HS +   MS or less
1.120612e-09 1.286734e-09
```

```

[1] "Black"
      0      1
1.230703e-09 1.044137e-09

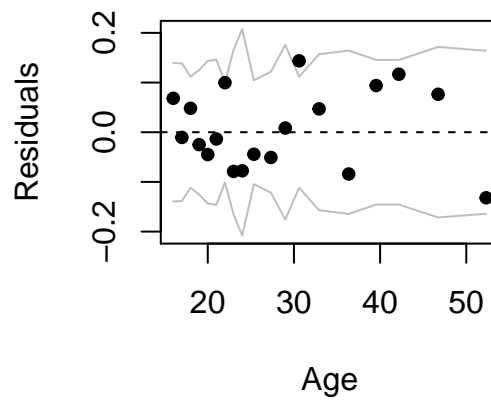
[1] "Hispanic"
      0      1
1.134503e-09 1.325221e-09

[1] "Married"
      0      1
3.727226e-10 2.260819e-09

[1] "Nonzero 1974 Salary"
      0      1
1.668805e-10 1.805295e-09

```

Binned residual plot

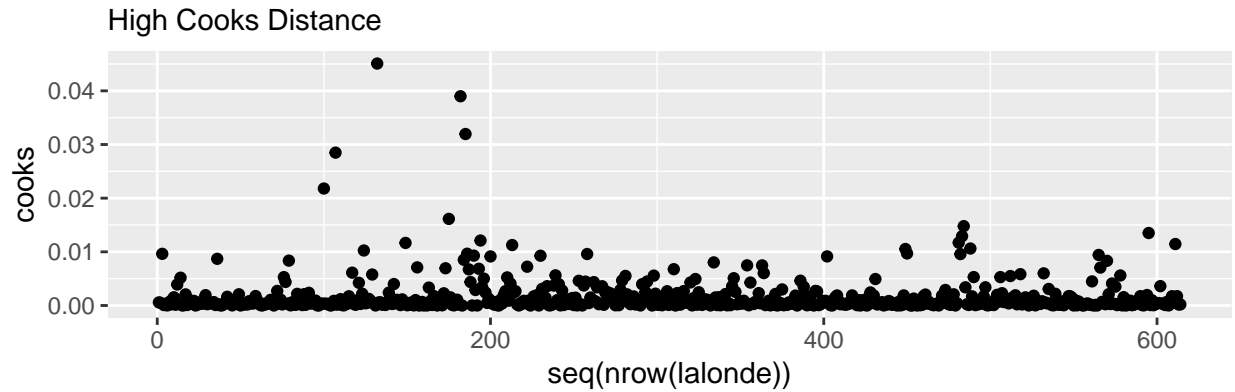
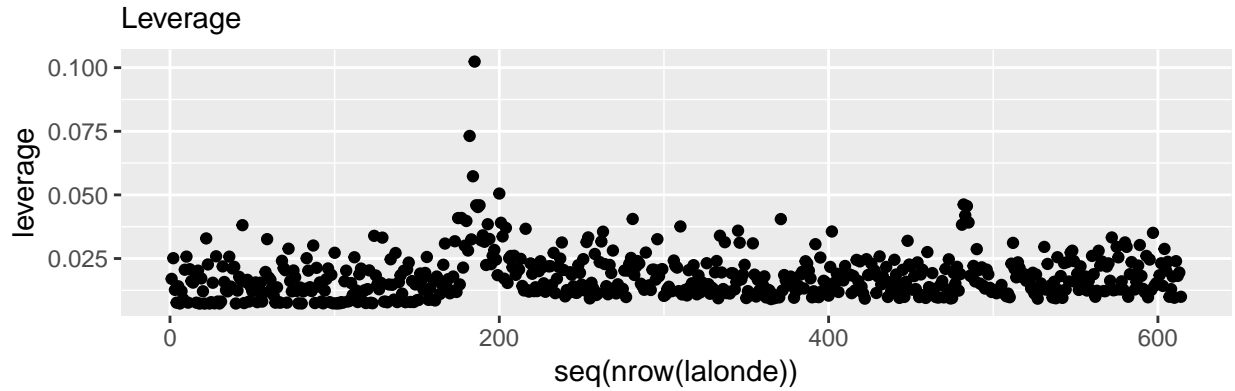


Influential Points

Linear Model

Observations with high leverage or cooks distance in our final linear model are below:

Potentially Influential Points



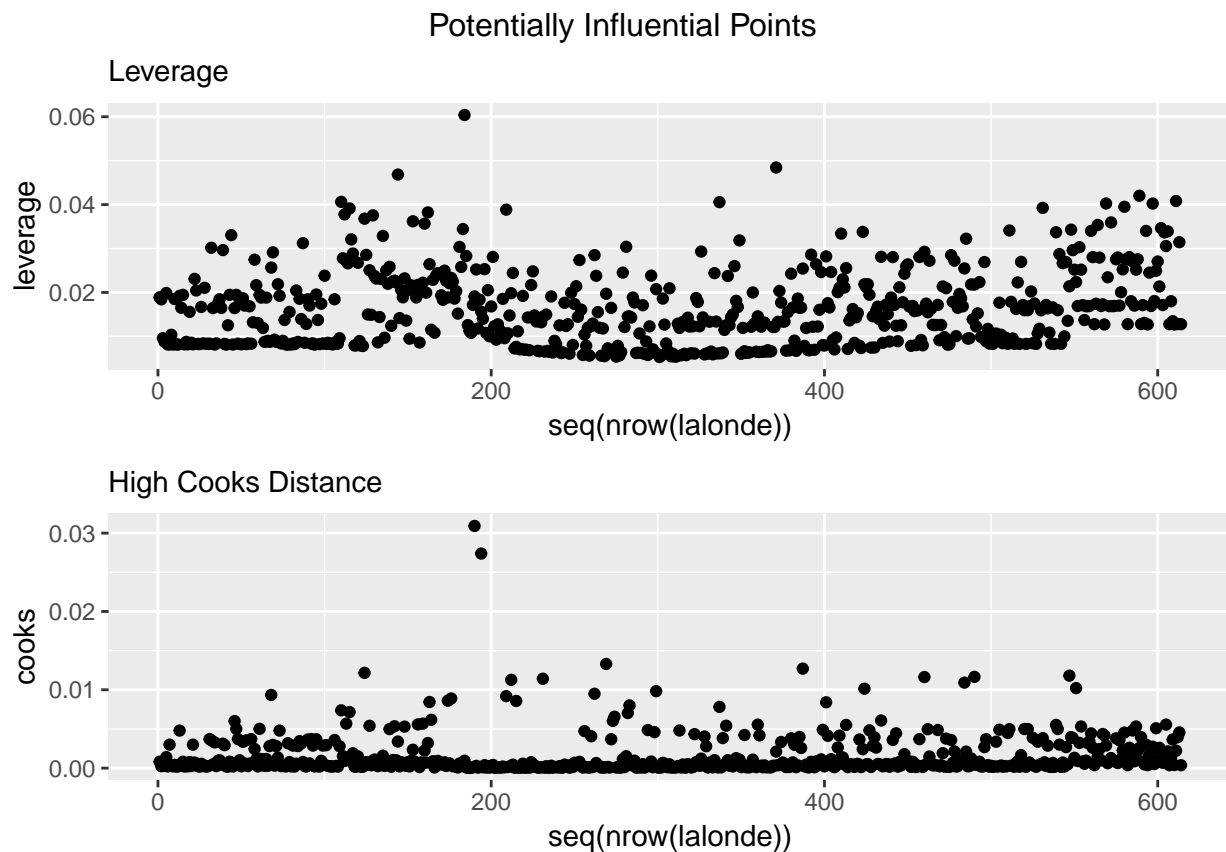
```
##      X treat age educ black hispan married nodegree      re74      re75
## 1 NSW100    1  31   9    0      1      0      1    0.0000    0.000
## 2 NSW107    1  27  13    1      0      0      0    0.0000    0.000
## 3 NSW132    1  28  11    1      0      0      1    0.0000  1284.079
## 4 NSW182    1  25  14    1      0      1      0  35040.0700 11536.570
## 5 NSW184    1  35   8    1      0      1      1  13732.0700 17976.150
## 6 NSW185    1  33  11    1      0      1      1  14660.7100 25142.240
## 7 PSID15    0  22  14    1      0      1      0   748.4399 11105.370
##      re78      re78c      re75c      re74c      agec employed78
## 1 26817.600 20024.766 -2184.9382 -4557.547  3.6368078      1
## 2 34099.280 27306.446 -2184.9382 -4557.547 -0.3631922      1
## 3 60307.930 53515.096  -900.8592 -4557.547  0.6368078      1
## 4 36646.950 29854.116  9351.6318 30482.523 -2.3631922      1
## 5  3786.628 -3006.206 15791.2118  9174.523  7.6368078      1
## 6  4181.942 -2610.892 22957.3018 10103.163  5.6368078      1
## 7 18208.550 11415.716  8920.4318 -3809.107 -5.3631922      1
##      employed75 employed74      educ.bin      educ.bin2      age2      age3
## 1           0           0      Some HS      Some HS + 13.2263711  48.10176982
## 2           0           0 More than HS      Some HS +  0.1319086  -0.04790816
## 3           1           0      Some HS      Some HS +  0.4055242   0.25824098
## 4           1           1 More than HS      Some HS +  5.5846773 -13.19766572
## 5           1           1 MS or less MS or less 58.3208336  445.38499829
## 6           1           1      Some HS      Some HS + 31.7736024  179.10169025
## 7           1           1 More than HS      Some HS + 28.7638304 -154.26595026
##      leverage      cooks
## 1 0.027257833 0.021798727
## 2 0.020244859 0.028482254
```

```
## 3 0.007797395 0.045086361
## 4 0.073164174 0.038990285
## 5 0.057317557 0.008516218
## 6 0.102376529 0.031957785
## 7 0.050528522 0.009140412
```

The influential points show that our model is not as accurate in its predictions for those who have high salaries in either 1974 or 1975. Because these are not the typical demographic to partake in a job training program, they are not of great interest for this research paper. Therefore we do not alter our model.

Logistic Model

Observations with high leverage or cooks distance in our final logistic model are below:



##	X	treat	age	educ	black	hispan	married	nodegree	re74
## 1	NSW110	1	26	10	1	0	1	1	2027.9990
## 2	NSW124	1	27	13	0	0	1	0	9381.5660
## 3	NSW144	1	46	8	1	0	0	1	3165.6580
## 4	NSW184	1	35	8	1	0	1	1	13732.0700
## 5	PSID5	0	25	9	1	0	1	1	14829.6900
## 6	PSID9	0	38	9	0	1	1	1	16826.1800
## 7	PSID84	0	37	11	0	1	0	1	615.2098
## 8	PSID152	0	52	0	0	1	1	1	773.9104
## 9	PSID186	0	53	10	0	1	0	1	7878.2120
## 10	PSID202	0	20	9	0	1	1	1	0.0000
## 11	PSID384	0	31	4	0	1	0	1	0.0000
## 12	PSID404	0	55	7	0	0	0	1	0.0000


```

## 13 PSID412      0 53 12      1      0      0      0      0.0000
## 14 PSID426      0 24 1      0      1      1      1      0.0000
##      re75      re78      re78c      re75c      re74c      agec
## 1      0.0000      0.000 -6792.834 -2184.9382 -2529.548 -1.3631922
## 2      853.7225      0.000 -6792.834 -1331.2157 4824.019 -0.3631922
## 3      2594.7230      0.000 -6792.834 409.7848 -1391.889 18.6368078
## 4      17976.1500 3786.628 -3006.206 15791.2118 9174.523 7.6368078
## 5      13776.5300      0.000 -6792.834 11591.5918 10272.143 -2.3631922
## 6      12029.1800      0.000 -6792.834 9844.2418 12268.633 10.6368078
## 7      4713.9190      0.000 -6792.834 2528.9808 -3942.337 9.6368078
## 8      2506.4520      0.000 -6792.834 321.5138 -3783.636 24.6368078
## 9      1489.5480 13170.980 6378.146 -695.3902 3320.665 25.6368078
## 10     1283.6610      0.000 -6792.834 -901.2772 -4557.547 -7.3631922
## 11      0.0000 1161.493 -5631.341 -2184.9382 -4557.547 3.6368078
## 12      0.0000      0.000 -6792.834 -2184.9382 -4557.547 27.6368078
## 13      0.0000      0.000 -6792.834 -2184.9382 -4557.547 25.6368078
## 14      0.0000 19464.610 12671.776 -2184.9382 -4557.547 -3.3631922
##      employed78 employed75 employed74      educ.bin      educ.bin2      age2
## 1      0      0      1      Some HS      Some HS +      1.8582929
## 2      0      1      1      More than HS      Some HS +      0.1319086
## 3      0      1      1      MS or less      MS or less      347.3306056
## 4      1      1      1      MS or less      MS or less      58.3208336
## 5      0      1      1      Some HS      Some HS +      5.5846773
## 6      0      1      1      Some HS      Some HS +      113.1416805
## 7      0      1      1      Some HS      Some HS +      92.8680649
## 8      0      1      1      MS or less      MS or less      606.9722994
## 9      1      1      1      Some HS      Some HS +      657.2459151
## 10     0      1      0      Some HS      Some HS +      54.2165991
## 11     1      0      0      MS or less      MS or less      13.2263711
## 12     0      0      0      MS or less      MS or less      763.7931463
## 13     0      0      0      HS      Some HS +      657.2459151
## 14     1      0      0      MS or less      MS or less      11.3110617
##      age3      leverage      cooks
## 1 -2.533210e+00 0.04062583 0.0073756699
## 2 -4.790816e-02 0.03679869 0.0121590942
## 3 6.473134e+03 0.04684611 0.0033930294
## 4 4.453850e+02 0.06040330 0.0009428119
## 5 -1.319767e+01 0.01909379 0.0309170281
## 6 1.203466e+03 0.01561386 0.0273889532
## 7 8.949517e+02 0.01969965 0.0132959816
## 8 1.495386e+04 0.04056232 0.0078171676
## 9 1.684969e+04 0.04844849 0.0021112125
## 10 -3.992072e+02 0.02544092 0.0127010077
## 11 4.810177e+01 0.04025713 0.0028860602
## 12 2.110880e+04 0.04201691 0.0025731029
## 13 1.684969e+04 0.04024095 0.0027277268
## 14 -3.804127e+01 0.04081239 0.0022232284

```

We see that many of influential points are those who have nonzero salary in 1974, but who have a zero salary in 1978. These are, in fact, outliers in our observation as they are people who seem to be meaningfully financially worse off in 1978 than in 1974. These cases are potentially influential in our model, but are scientifically relevant cases to include in our observations. Because we cannot justify removing these observations from our dataset, we leave our model unaltered.

Additionally, there are several outliers including relatively high 1978 salaries. Again, although this observation

is not the norm, we include this observation in our model as it is an important edge case.