Assignment 1

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Question 1

1. The sample selection model. A researcher aims to gain insight in the potential earnings of the non-employed. (In the data, the non-employed can be identified by a missing value for the earnings variable). She realizes that the sample of observed wages may be subject to sample selection.

(a) Run an OLS regression for log-earnings on schooling, age, and age squared. Present the results and comment on the estimates.

Table 1:

	Dependent variable:
	logWage
schooling	0.216^{***}
	(0.032)
age	-0.342
	(0.521)
age2	-0.011
	(0.008)
Constant	26.409^{***}
	(8.057)
Observations	416
R^2	0.815
Adjusted R^2	0.813
Residual Std. Error	1.499 (df = 412)
F Statistic	604.261^{***} (df = 3; 412)
Note:	*p<0.1; **p<0.05; ***p<0.01

The results show that 1 additional year of schooling has an effect of 0.216 on log(Wage), which means that it has an effect of 1.2411024 on schooling. Hence, each year of schooling supposedly increases earnings with 1.2411024.

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## [1 2 3]
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