How Important is Endogenous Mobility for Measuring Employer and Employee Heterogeneity?

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Abstract

We study the effects of endogenous mobility on the linear decomposition of log wage rates into observable, personal, and employer heterogeneity. Endogenous mobility is modeled using the adjacency matrix from the realized mobility network, which is identical to the moment matrix used in the estimation of the realized individual and employer effects. Statistical techniques from random bipartite graph models are used to estimate the bias to estimated heterogeneity, and functions of the heterogeneity. The model is applied to US longitudinally linked employer-employee data.