

**Matched employer-employee course. Cost meeting May 2008.**

In this lecture, I will present techniques and recent results using matched employer-employee data sources. I will start with the setup of the problem as presented in Abowd, Kramarz, and Margolis (1999). This will help understand the nature of the various problems encountered in labor whenever one uses other types of data sources. It will also help understand the best solution for estimating simple linear models using matched employer-employee sources. I will introduce the solution from Abowd, Creecy, and Kramarz (2002), and the algorithm used (available now in fortran and stata ado files). Some results on inter-industry wage differentials in the United States and France will be shown (Abowd, Kramarz, Lengermann, and Roux, 2007). I will also present related results on education (Kramarz, Machin, and Ouazad, 2008) with students (the workers) and schools (the firm). Finally, to investigate firm-specific compensation and human-resource policies for which matched employer-employee data sources are particularly well-suited, I will present some elements of Abowd, Kramarz, and Roux (2006).

J. Abowd, R. Creecy, F. Kramarz (2002), « Computing Person and Firm Effects Using Linked Longitudinal Employer-Employee Data, » Cornell University Working Paper, revised.

J. Abowd, F. Kramarz, P. Lengermann, S. Roux (2008), « Persistent Inter-Industry Wage Differences: Rent-Sharing and Opportunity Costs, » Crest Working Paper, revised.

J. Abowd, F. Kramarz, D. Margolis (1999), « High-Wage Workers and High-Wage Firms, » *Econometrica*, 67, 2, 251-333.

J. Abowd, F. Kramarz, S. Roux (2006), «Wages, Mobility, and Firm Performance: Advantages and Insights from Using Matched Worker-Firm Data,» *Economic Journal*, 116, 245-285.

F. Kramarz, S. Machin, A. Ouazad (2008), « What Makes a Test Score? The Respective Contributions of Pupils, Schools, and Peers in Achievement in English Primary Education,» mimeo.