Data appendix

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1.1 Data file: ind68_92.dat

Documentation in "Individual-Level Codebook" at
ftp://ftp.isr.umich.edu/pub/src/psid/documentation/93inddoc.zip.

1. Choose those who where heads 1988-1992
2. Select SRC sample only, i.e. only include individuals with V30001<5000.
3. Load 1988 age, completed education 1988, sex. Completed education, V30584, is the number of year spent in school up until 1988.
4. Define dummy variable MAN = (2-V32000), so that MAN=1 for men and MAN=0 for women.

1.2 Data file: fam88.dat

Documentation in "Family Documentation" at
ftp://ftp.isr.umich.edu/pub/src/psid/documentation/88doctxt.zip.

1. Load data on the head of household's "main job work hours", "overtime workhours", "extra job work hours", "hours of work lost due to others illness", "hours of work lost due to own illness", "unemployment hours" in 1988.
2. Remove individual if heavily assigned values on "main job work hours", "overtime workhours", "extra job work hours", "hours of work lost due to others illness", "hours of work lost due to own illness", "unemployment hours".

3. Load data on head's 1988 labor income: "labor part farming", "labor part business", "wages", "bonus, overtime, commission", "professional pactice or trade", "labor part market gardening", "labor part roomers".

4. Remove individual if heavily assigned values on "wages" or if any part of income has been top-loaded.

5. Load data on "employment status" and "main occupation". Main occupation, V15162, is the 3-digit occupation code from 1970 Census of Population.

6. Remove individual if not in the labor force (i.e. if V15154$\geq$4). The labor force then consists of people in employment, temorarily laid off / on sick leave / on maternity leave, and people in unemployment.

This procedure is repeated for the 1989,1990,1991, and 1992 data files.

1.3 Hours worked, and wages

1. Hours worked in year X (HX) is defined as the sum of the head's: "annual work hours in year X-1", "hours lost due to others illness in X-1", "hours lost due to own illness X-1" and "hours in unemployment X-1". Annual work hours in X-1 is the sum of "main job", "overtime" and "extra job" work hours in X-1.

2. Individuals with HX<1000 or HX>5000 for any year are removed from the sample.

3. Wages in year X (WX) is defined as the sum of the head's: "wages in X-1", "bonus/overtime/commission X-1", "labor part farming X-1", "labor part business X-1", "professional pactice or trade X-1", "labor part market gardening X-1", "labor part roomers X-1".

4. Wage per hour, WHX = WX / HX.

5. The relative wage is calculated as

$$\text{RWHX} = \max\{\text{WHX}/\text{mean}(\text{WHX}), 0.10\}$$

where the mean is taken over all individuals in year X. Moreover, all individuals with a relative wage less than 0.10 are assigned 0.10 as the relative wage.

6. The wage measure we use is the log of RWHX,

$$w = \ln(\text{RWHX})$$