

Note:

There was some confusion on the part of some readers as to the fringe benefit percentage quoted in the paper. While fringe benefits made up 29.6% of all compensation in 2005, the percentage of a worker's income that is added for fringe benefits was indeed 42% in 2005. Average hourly rate in 2005 was \$18.22 while employer costs per hour worked for employee compensation was \$7.65. Therefore the additional cost of benefits is 42% of income (7.65/18.22).

Appendix table 1: Goodness-of fit tests for the competing models

	<u>Mean Square Error</u>	<u>Kurtosis</u>	<u>Park test (λ)</u>	<u>Park Test (SE)</u>
I. One-part models				
OLS: Constant variance, linear link function	983,094,055	2.20	0.92	0.08
GLM: Constant variance, ln link function	1,332,340,851	5.13	0.81	0.06
GLM: Constant variance, sq-rt link function	958,235,895	2.83	1.03	0.07
GLM: Variance prop mean, ln link function	947,691,235	4.68	1.48	0.12
GLM: Variance prop mean, sq-rt link function	965,105,721	2.28	1.34	0.08
GLM: Variance prop mean-sq, ln link function	955,947,440	4.09	1.36	0.10
GLM: Variance prop mean-sq, sq-rt link function	1,063,587,761	5.31	1.41	0.09
II. Two-part models				
OLS: Constant variance, linear link function	981,853,764	1.81	0.05	0.06
GLM: Constant variance, ln link function	1,359,020,241	5.23	0.02	0.01
GLM: Constant variance, sq-rt link function	964,596,056	2.85	0.08	0.09
GLM: Variance prop mean, ln link function	954,186,865	4.57	0.12	0.13
GLM: Variance prop mean, sq-rt link function	966,511,351	2.17	0.08	0.09
GLM: Variance prop mean-sq, ln link function	963,268,280	3.97	0.09	0.09
GLM: Variance prop mean-sq, sq-rt link function	1,031,044,587	5.95	0.01	0.03

*For predicted values of the nonzero "observed" income

Appendix figure 1. The associations between predicted and observed earnings (by decile of predicted earnings) based on two-part models in the total sample (n = 4982)

