University prestige, performance evaluation and promotion:
Estimating the employer learning model using personnel datasets

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Abstract
The employer learning model postulates that employers form prior employees’ ability distribution from educational credential and update its distribution by observing workers’ performance on the jobs. This paper estimates the employer learning model for university graduate white collar workers using personnel datasets from two large manufacturers that contain rich set of information including the name of university a worker graduated, annual performance evaluation, position in the promotion ladder and wage. The estimates indicate that employers learn workers’ ability relatively quickly through observing performances on the job. The initial expectation errors on ability decline by half in about 3 years in both Companies A and B. Companies promote elite school graduates quickly mainly because they tend to perform better on the job.

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