

# External Effects of Education: Human Capital Spillovers in Firms

Thomas K. Bauer  
Ruhr-Universität Bochum  
RWI Essen

Matthias Vorell  
RWI Essen

August 2006

## **Abstract**

Using the LIAB longitudinal dataset, we analyze the external effects of education as spillover effects in individual wage regressions. Our basic framework closely follows Moretti (2000), allowing spillovers to occur within a specific firm or a specific region. We implement a twoway fixed effects estimation method as proposed by Abowd, Kramarz and Margolis (1999) to control for individual- and firm-specific fixed effects.