

## Employer Learning, Statistical Discrimination and University Prestige

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**Abstract :** This paper investigates whether firms use university prestige to statistically discriminate among college graduates. The test is based on the employer learning literature which suggests that if firms use a characteristic for statistical discrimination, this variable should become less important for earnings as a worker gains labor market experience. In this framework, we use a regression discontinuity design to estimate a 19% wage premium for recent graduates of two of the most selective universities in Chile. However, we find that this premium decreases by 3 percentage points per year of labor market experience. These results suggest that employers use college selectivity as a signal of workers' quality when they leave school. However, as workers reveal their productivity throughout their careers, they become rewarded based on their true quality rather than the prestige of their college.

**Keywords :** employer learning, statistical discrimination, college returns, college selectivity

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