

Package ‘EMSS’

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Type Package

Title Some EM-Type Estimation Methods for the Heckman Selection Model

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Author

Kexuan Yang <717260446@qq.com>, Sang Kyu Lee <leesa111@msu.edu>, Jun Zhao <zhaojun2021@hotmail.com>, and Hyoung-Moon Kim <hmk966a@gmail.com >

Maintainer Sang Kyu Lee <leesa111@msu.edu>

Description Some EM-type algorithms to estimate parameters for the well-known Heckman selection model are provided in the package. Such algorithms are as follows: ECM(Expectation/Conditional Maximization), ECM(NR)(the Newton-Raphson method is adapted to the ECM) and ECME(Expectation/Conditional Maximization Either). Since the algorithms are based on the EM algorithm, they also have EM's main advantages, namely, stability and ease of implementation. Further details and explanations of the algorithms can be found in Zhao et al. (2020) <doi: 10.1016/j.csda.2020.106930>.

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R topics documented:

coef.EMSS	2
confint.EMSS	3
EMSS	4
Smoke	6
summary.EMSS	7
vcov.EMSS	8

coef.EMSS

*Getting Coefficients of EM type Sample Selection Model Fits***Description**

coef method for a class "EMSS".

Usage

```
## S3 method for class 'EMSS'
coef(object, only = NULL, ...)
```

Arguments

object	an object of class "EMSS" made by the function EMSS.
only	a character value for choosing specific variable's coefficients. Initial value is NULL, which shows all variable's coefficients. If "response" is written, only coefficients for response variables will be returned, and if "selection" is written, only coefficients for selection variables will be returned.
...	not used, but exists because of the compatibility.

Value

a numeric vector or a list, containing one set or two sets, is given.

Examples

```
# examples continued from EMSS
data(Smoke, package = "EMSS")
ex1 <- EMSS(response = cigs_intervals ~ educ,
            selection = smoker ~ educ + age,
            data = Smoke)
coef(ex1)

data(Smoke, package = "EMSS")
ex2 <- EMSS(response = cigs_intervals ~ educ,
            selection = smoker ~ educ + age,
            data = Smoke, method="ECMnr")
coef(ex2)

## example using random numbers with exclusion restriction

N <- 1000
errps <- mvtnorm::rmvnorm(N,c(0,0),matrix(c(1,0.5,0.5,1),2,2) )
xs <- runif(N)
ys <- xs+errps[,1]>0
xo <- runif(N)
```

```

yo <- (xo+errps[,2])*(ys>0)

ex3 <- EMSS(response = yo ~ xo,
            selection = ys ~ xs,
            initial.param = c(rep(0,4), 0.3, 0.6), method="ECMnr")
coef(ex3)

```

confint.EMSS	<i>Getting Confidence Intervals for Parameters of EM type Sample Selection Model Fits</i>
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Description

confint method for a class "EMSS".

Usage

```

## S3 method for class 'EMSS'
confint(object, parm, level = 0.95, ...)

```

Arguments

object	an object of class "EMSS" made by the function EMSS.
parm	not used, but exists because of the compatibility.
level	a numeric value between 0 and 1 for controlling the significance level of confidence interval; default value is 0.95.
...	not used, but exists because of the compatibility.

Examples

```

# examples continued from EMSS
data(Smoke, package = "EMSS")
ex1 <- EMSS(response = cigs_intervals ~ educ,
            selection = smoker ~ educ + age,
            data = Smoke)
confint(ex1)

data(Smoke, package = "EMSS")
ex2 <- EMSS(response = cigs_intervals ~ educ,
            selection = smoker ~ educ + age,
            data = Smoke, method="ECMnr")
confint(ex2)

## example using random numbers with exclusion restriction

N <- 1000
errps <- rmvnorm(N,c(0,0),matrix(c(1,0.5,0.5,1),2,2) )
xs <- runif(N)

```

```

ys <- xs+errps[,1]>0
xo <- runif(N)
yo <- (xo+errps[,2])*(ys>0)

ex3 <- EMSS(response = yo ~ xo,
            selection = ys ~ xs,
            initial.param = c(rep(0,4), 0.3, 0.6), method="ECMnr")
confint(ex3)

```

EMSS

EM type Estimation Methods for the Heckman's Sample Selection Model

Description

Some algorithms: ECM, ECMnr and ECME can be used to estimate parameters in Heckman selection model and contain the advantages of the EM algorithm: easy implementation and numerical stability. "ECMnr" stands for Expectation/Conditional Maximization with Newton-Raphson, and "ECME" for Expectation/Conditional Maximization Either.

Usage

```

EMSS(
  response,
  selection,
  data,
  method = "ECM",
  initial.param = NULL,
  eps = 10^(-10)
)

```

Arguments

response	a formula for the response equation.
selection	a formula for the selection equation.
data	a data frame and data has to be included with the form of data.frame.
method	a character indicating which method to be used. ECM stands for Expectation Conditional Maximization, and ECMnr stands for Expectation Conditional Maximization with Newton-Raphson, and ECME for Expectation Conditional Maximization Either.
initial.param	a vector, initial parameter values for the estimation. The length of the initial parameters has to be same as the length of parameters, which are to be estimated.
eps	a numerical error value for the end of the loop. A minimum value that can be arbitrarily set to terminate the iteration of the function, in order to find the optimal parameter estimation.

Details

The dependent variable of the selection equation (specified by argument `selection`) must have exactly two levels (e.g., 'FALSE' and 'TRUE', or '0' and '1'). The default argument method is "ECM" and the default start values ("NULL") are obtained by two-step estimation of this model through the command `selection` from the package `sampleSelection`. NA's are allowed in the data. These are ignored if the corresponding outcome is unobserved, otherwise observations which contain NA (either in selection or outcome) are changed to 0.

Value

ECM returns an object of class "ECM". The object class "ECM" is a list containing the following components.

<code>call</code>	a matched call.
<code>estimate_response</code>	estimated regression coefficients for the response formula.
<code>estimate_selection</code>	estimated regression coefficients for the sample selection formula.
<code>estimate_sigma</code>	an estimated scale parameter for the bivariate normal distribution.
<code>estimate_rho</code>	an estimated correlation coefficient for the bivariate normal distribution.
<code>hessian_mat</code>	hessian matrix for parameters.
<code>resp_leng</code>	the numbers of coefficients for the response formula
<code>select_leng</code>	the numbers of coefficients for the selection formula
<code>Q_value</code>	the value of the Q function for EM type algorithms
<code>names_response</code>	names of regression coefficients for the response formula.
<code>names_selection</code>	names of regression coefficients for the selection formula.

Background

Heckman selection model is classic to deal with the data where the outcome is partially observed and the missing part is not at random. Heckman (1979) developed 2-step and maximum likelihood estimation (MLE) to do the estimation for this selection model. And these two methods are described in R package `sampleSelection` by Toomet and Henningsen (2008). Zhelonkin et al. (2016) developed robust 2-stage method which performs more robustly than the 2-step method to deal with the data where outlying observations exist and `ssmrob` package is available. Zhao et al. (2020) extended EM algorithm to more general cases resulting in three algorithms: ECM, ECM(NR), and ECME. They also own EM algorithm's main advantages, namely, stability and ease of implementation.

References

- Heckman, J. (1979) Sample selection bias as a specification error. *Econometrica*, 47, 153-161.
- Toomet, O. and Henningsen, A. (2008) Sample selection models in R: Package `sampleSelection`. *Journal of Statistical Software*, 27, 1-23.
- Zhao, J., Kim, H.-J. and Kim, H.-M. (2020) New EM-type algorithms for the Heckman selection model. *Computational Statistics and Data Analysis*, 146, <https://doi.org/10.1016/j.csda.2020.106930>.

Zhelonkin, M., Genton, M.G. and Ronchetti, E. (2016) Robust inference in sample selection models. *Journal of the Royal Statistical Society Series B*, 78, 805-827.

Examples

```
data(Smoke, package = "EMSS")
ex1 <- EMSS(response = cigs_intervals ~ educ,
            selection = smoker ~ educ + age,
            data = Smoke)
print(ex1)

data(Smoke, package = "EMSS")
ex2 <- EMSS(response = cigs_intervals ~ educ,
            selection = smoker ~ educ + age,
            data = Smoke, method="ECMnr")
print(ex2)

## example using random numbers with exclusion restriction

N <- 1000
errps <- rmvnorm::rmvnorm(N,c(0,0),matrix(c(1,0.5,0.5,1),2,2) )
xs <- runif(N)
ys <- xs+errps[,1]>0
xo <- runif(N)
yo <- (xo+errps[,2])*(ys>0)
ex3 <- EMSS(response = yo ~ xo,
            selection = ys ~ xs,
            initial.param = c(rep(0,4), 0.3, 0.6), method="ECMnr")
print(ex3)
```

Smoke

Survey Data on Smoking Behaviour

Description

The Data is the subset of the original data from Mullahy (1985) and Mullahy (1997). The dataset is from Wooldridge (2009) used for researches on cross sectional data studies. The dataset is also available from [Smoke](#) from the package `sampleSelection`.

Usage

```
data(Smoke, package = "EMSS")
```

Format

a dataframe with 807 observations and 8 variables as below:

educ years of schooling (numeric)

age age of respondents (numeric)

cigpric cigarette price(state), cents per pack (numeric)
income annual income in us dollar (numeric)
restaurn state smoking restrictions for restaurants exist or not (categorical)
smoker smoked at least once or not (categorical)
cigs_intervals number of cigarettes smoked per day, with interval boundaries: 0,5,10,20,50 (numeric)
cigs number of cigarettes smoked per day (numeric)

Source

Wooldridge's dataset is available on <https://ideas.repec.org/p/boc/bocins/smoke.html#biblio>.

References

Jeffrey, M. Wooldridge (2009) *Introductory Econometrics: A modern approach*, Canada: South-Western Cengage Learning.

Mullahy, John (1985) *Cigarette Smoking: Habits, Health Concerns, and Heterogeneous Unobservables in a Microeconomic Analysis of Consumer Demand*, Ph.D. dissertation, University of Virginia.

Mullahy, John (1997), Instrumental-Variable Estimation of Count Data Models: Applications to Models of Cigarette Smoking Behavior, *Review of Economics and Statistics*, 79, 596-593.

summary.EMSS

Summarizing EM type Sample Selection Model Fits

Description

summary method for a class "EMSS".

Usage

```
## S3 method for class 'EMSS'
summary(object, ...)

## S3 method for class 'summary.EMSS'
print(x, digits = max(3, getOption("digits") - 3), ...)
```

Arguments

object	an object of class "EMSS" made by the function EMSS.
...	not used, but exists because of the compatibility.
x	an object of class "summary.EMSS".
digits	a numeric number of significant digits.

Examples

```

# examples continued from EMSS
data(Smoke, package = "EMSS")
ex1 <- EMSS(response = cigs_intervals ~ educ,
            selection = smoker ~ educ + age,
            data = Smoke)
summary(ex1)

data(Smoke, package = "EMSS")
ex2 <- EMSS(response = cigs_intervals ~ educ,
            selection = smoker ~ educ + age,
            data = Smoke, method="ECMnr")
summary(ex2)

## example using random numbers with exclusion restriction

N <- 1000
errps <- rmvnorm(N,c(0,0),matrix(c(1,0.5,0.5,1),2,2) )
xs <- runif(N)
ys <- xs+errps[,1]>0
xo <- runif(N)
yo <- (xo+errps[,2])*(ys>0)

ex3 <- EMSS(response = yo ~ xo,
            selection = ys ~ xs,
            initial.param = c(rep(0,4), 0.3, 0.6), method="ECMnr")
summary(ex3)

```

vcov.EMSS

Getting Variance-Covariance Matrix for Parameters of EM type Sample Selection Model Fits

Description

vcov method for a class "EMSS".

Usage

```

## S3 method for class 'EMSS'
vcov(object, ...)

```

Arguments

object an object of class "EMSS" made by the function EMSS.
 ... not used, but exists because of the compatibility.

Examples

```
# examples continued from EMSS
data(Smoke, package = "EMSS")
ex1 <- EMSS(response = cigs_intervals ~ educ,
            selection = smoker ~ educ + age,
            data = Smoke)
vcov(ex1)

data(Smoke, package = "EMSS")
ex2 <- EMSS(response = cigs_intervals ~ educ,
            selection = smoker ~ educ + age,
            data = Smoke, method="ECMnr")
vcov(ex2)

## example using random numbers with exclusion restriction

N <- 1000
errps <- mvtnorm::rmvnorm(N,c(0,0),matrix(c(1,0.5,0.5,1),2,2) )
xs <- runif(N)
ys <- xs+errps[,1]>0
xo <- runif(N)
yo <- (xo+errps[,2])*(ys>0)

ex3 <- EMSS(response = yo ~ xo,
            selection = ys ~ xs,
            initial.param = c(rep(0,4), 0.3, 0.6), method="ECMnr")
vcov(ex3)
```

Index

* datasets

Smoke, [6](#)

coef.EMSS, [2](#)

confint.EMSS, [3](#)

EMSS, [4](#)

print.summary.EMSS (summary.EMSS), [7](#)

Smoke, [6](#), [6](#)

summary.EMSS, [7](#)

vcov.EMSS, [8](#)