# Research Statement

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I am an applied microeconomist interested in urban and labor economics. My current research uses reduced form and structural methods to study the effects of minimum wages and other labor market policies, in a context of spatial equilibrium. I am also active on applied econometrics topics, with an emphasis on multidimensional poverty. In this statement, I summarize my current papers in these areas and outline my research interests for future work.

## 1   Minimum Wages

Few labor economics topics are as studied and as controversial as the effects of minimum wages. My research studies the effect of minimum wages on outcomes that have not been previously analyzed, and in contexts where past research may not be informative. On my job market paper, I study the effect of city minimum wages in the United States. Because of the large increases proposed and the unique interaction of cities with their surroundings, the effects of city minimum wage policy are likely to be different from the effects of state- or country-wide policy. A higher city minimum wage may attract job seekers to the city. However, if the higher minimum wage reduces labor demand, many of these job seekers will not find jobs. This decreases the attractiveness of the city as a workplace destination. The overall effect of the minimum wage will depend critically on the magnitude of these two effects.

I study the effect of minimum wages on commuting, migration, and employment at the local level. I use detailed geographical data on workers' residences and workplaces. Because there are few active city-level minimum wages, I focus on narrow bands around state borders that are as populated and connected as cities and use variation in minimum

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wages coming from state-level policy. I use a reduced form approach to estimate minimum wage effects. I compare commuting flows across borders where minimum wages diverge to flows across borders where minimum wage differences remain constant. I also compare low wage resident and worker shares to examine the effects on migration and employment. I find that higher minimum wages are associated with lower commuting and lower low skill employment, but I do not find significant migration effects. A 10 percent higher minimum wage reduces low-wage commuting by about 3 percent and reduces the low-wage employment share by about 2 percentage points.

To disentangle the channels behind these effects, I formulate a structural model of commuting, migration and minimum wages. The model I propose incorporates unemployment into quantitative urban economics models, by using a matching framework in labor markets. I calibrate some of the parameters of the model and estimate other parameters using the crossborder variation in minimum wages. I use the proposed model to produce counterfactual scenarios for cities that will increase their minimum wage. Most of these cities would experience commuting and employment losses, and the magnitude of the effects can be explained by heterogeneity in employment probabilities and commuting preferences. On another chapter of my dissertation, I study the effect of minimum wages on formal and informal wage distributions in Colombia. In a context of high labor market informality, minimum wages may have different effects on formal and informal sectors. Increases in the minimum wage do not necessarily translate into higher earnings in the formal sector, and may just shift workers into informality. I use an unexpected shock in the real minimum wage arising from a forecast error in inflation to estimate how wage distributions in the formal and informal sector react to the minimum wage. I find evidence of direct effects of the minimum wage in the informal sector: a 10 percent higher minimum wage increased wages in the informal sector by 1.3 percent, and led to employment losses, after controlling for the impact in the informal sector. This is consistent with a segmented labor market view where the minimum wage is used to index wages in the informal sector.

The upcoming changes in minimum wages in the US and in developing countries such as Mexico and Colombia are interesting paths for further research on this topic. Another potentially fruitful are is the emergence of basic income schemes in Europe. All of these policies should have general equilibrium effects that can be analyzed with the framework introduced in my job market paper.

# 2 Labor Market Policies

In joint work with Michael Suher, we analyze the effectiveness of hiring subsidies in North Carolina. We exploit a discontinuity in the size of the credit that assigned larger credits to the counties that were more economically distressed according to a ranking. The generosity of the credit jumps at specific thresholds. We estimate the effects of hiring credits on labor market outcomes, finding significant reductions in the county unemployment rate. A $10.000 credit leads to a 0.7 percentage point reduction in the unemployment rate. We are working on understanding the drivers behind these effects and on seeing if the hiring credits had general equilibrium effects that encouraged workers to move across counties. Together with my minimum wage research, this paper forms part of a larger agenda of studying labor markets in general equilibrium.

# 3 Applied Econometrics

The third part of my research agenda involves proposing applied econometrics methodologies in areas such as labor and poverty analysis. Multidimensional poverty analysis has become a standard tool for governments in developing countries, as an encompassing measure that complements traditional monetary poverty. On a joint project with Carlos Rodriguez Castelán, Daniel Valderrama, and Jose Daniel Trujillo, we propose a method to decompose changes in multidimensional poverty headcounts into the dimensions that drive the change. Our method allows researchers to track the drivers behind the evolution of poverty headcounts and allows policymakers to focus on dimensions that may be neglected. I would like to expand this research by integrating the counterfactual simulation methodology into other welfare aggregates, such as other multidimensional indicators and inequality measures.