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# Drivers- and Limits

## **Wages and commuting: quasi-natural experiments' evidence from firms that relocate**

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We examine workers' compensating differentials for commuting distance in a quasi-natural experiment setting by examining how wages of workers belonging to the same firm respond to changes in commuting distance induced by firm relocations. This setup enables us to test for the relevance of non-competitive market models, because the competitive market model does not generate compensating differentials that depend on the distance from the workplace to the residence location. Due to the quasi-experimental setup, we are able to avoid a range of endogeneity issues and control for competitive market explanations. We focus on wage changes in the year after, as well as three years after, the firm relocation. We demonstrate that a one km increase in commuting distance induces a wage increase of only 0.06 percent in the year after the relocation, but a more substantial wage increase of about 0.2 percent three years later. Our findings imply individual level compensating differentials for commuting, in line with non-competitive market models.