



Estimating the reservation wage across city groups in Colombia: A stochastic frontier approach

Download Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Luz A. Florez Ligia Alba Melo-Becerra Carlos Esteban Posada

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date: Wednesday, 30 of June 2021 Abstract

We use the stochastic frontier approach to estimate the reservation wage across different city groups in Colombia. We use the information of GEIH from 2008-2019 of 23 urban cities. We find empirical evidence in favour of the search theory predictions that suggest a positive relation of the reservation wage with the level of education and with the net family labour income. We also find a gender gap in the reservation wage and explore this gap controlling by the level of education and presence of children in the household. Contrary to the results found in the literature, we find that the presence of children reduces the reservation wage of women and men. Finally, we found that the reservation wage increases with the level of development and productivity of the cities, however, qualified workers in low-quality cities present higher reservation wages than median quality cities.