

Essays on the Minimum Wage, Immigration, and Privatization

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Abstract

My dissertation empirically examines effects of the minimum wage, immigration, and privatization; three of the most crucial policies that impact workers worldwide. I use recent advances in statistics and econometrics to provide causally interpretable results, and to reconcile controversies in the literature.

In the first chapter of my dissertation, titled “**Seeing Beyond the Trees: Using machine learning to estimate the impact of minimum wages on affected individuals**”, I ask the question of “who are minimum wage workers?” prior to estimating its effects. I use machine learning tools to answer the question, and provide a highly representative demographically-based groups to capture as much as 73.4% of all likely minimum wage workers. I find that there is a very clear increase in average wages of workers in these groups following a minimum wage increase, validating my approach to constructing these groups. I find scant evidence of employment loss or a decline in fringe benefits in response to the policy change. I show that the results are robust for a variety of methods to construct the counterfactuals including a data-driven interactive fixed effects model. Importantly, when I consider specifications that indicate a disemployment effect for teens similar to some of the literature, I find no adverse employment effect on affected non-teens, —suggesting that the current controversy is largely limited to teens, a small and a shrinking share of the minimum wage workers. Finally, I propose a falsification test that reveals whether an estimated minimum wage effect is confounded by shocks to unaffected individuals which further reconciles conflicting evidence in the literature.

In the second chapter of my dissertation, titled “**Is It Merely A Labor Supply Shock? Impacts of Syrian Migrants on Local Economies in Turkey**” co-authored with Hasan Tekgürç, we use a large and geographically varying inflow of over 2.5 million Syrian migrants in Turkey between 2012 and 2015 to study the effect of migration on local economies. We do not find adverse employment or wage effects for native-born Turkish workers overall, or those without a high school degree. These results are robust to a range of strategies to construct reliable control groups. On the other hand, we find evidence for a number of channels indicating demand side effects of migration that help offset the impact of a labor supply shock. Turkish workers’ participation in the formal sector rose in response to the migration, consistent with complementarity of migrants and native born workers. In addition, migration led to an increase in residential building construction, with the number of new dwelling units increasing by more than 33%. Finally, we show that Syrian migration brought in capital and entrepreneurs to the host regions, spurring new business

creation: the migration led to a more than 24% increase in new companies, reflecting an increase in both Syrian-founded and non-Syrian founded companies. Our findings suggest that migration-induced increases in regional demand and capital supply enable local labor markets to absorb inflow of migrant labor, and prevent sizable wage decline or job loss for native workers.

In the third chapter of my dissertation, titled “**When Does Privatization Process Begin? Total Effects of Privatization in Turkey**”, I examine effects of privatization process as a whole in Turkey. I find that the privatization has resulted in a 65% decline in firm-level workforce, an 18 percentage point increase in the profit-margin, and statistically no change in real sales. In addition, I show that the privatization is a process that starts before the date of sale of the firm. Therefore, overlooking the downsizing of the firm before the sale severely biases the results, which appears to be the underlying cause behind conflicting findings in the literature. I conclude that privatization results in an income transfer from wage-earners to profit-earners.