

# Commuting Barriers to Low Wage Employment

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## **Abstract**

Commuting costs can constitute a significant share of income for low earners, and may forestall employment altogether. We show that average wages are higher for jobs with longer commutes and for those with higher expenses, indicating that workers must wait for better wage offers in order to be able to afford to accept jobs with costlier commutes. Using a structural job search model to investigate how such costs influence the labor market behavior of low skill workers in the United States, we find that they drive an employment wedge of about 3 percentage points. A policy to subsidize commuting costs can significantly increase the employment rate and reduce unemployment times with only a small offsetting reduction in accepted wages. Such a policy is most cost effective when targeted at the very lowest earners.