The Association Between the Kaitz Index and Employment in Puerto Rico

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Abstract

This study examines the relationship between the Kaitz Index and employment levels in Puerto Rico using panel data at the postal code level. The data covers the period from Q1 2012 to Q4 2023. A Spatial Durbin Model with fixed effects is applied to investigate both the direct effect of the Kaitz Index on employment and potential spatial effects from adjacent regions. The findings largely support existing literature suggesting a negative relationship between the minimum wage and employment. Additionally, despite some convergence issues with the MCMC of the Kaitz variable, the confidence interval indicates a negative spillover effect on neighboring regions' employment levels.