

Wage Discrimination Based on the Country of Birth: Do tenure and product market competition matter?

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1. Motivation and goals

Wage discrimination

= when 2 equally productive workers are ≠ paid based on their ≠ non-productive characteristics (gender, origin, age, etc.)

Gaps in the literature on wage discrimination against migrants

1. use of broad groups of migrants that hide heterogeneity in terms of country of birth

⇒ **Goal 1: Wage discrimination versus migrants according to their region of birth**

2. Theoretical predictions for the relationship between wage discrimination and product market competition tested but preliminary results

⇒ **Goal 2: Wage discrimination versus product market competition?**

3. Theoretical predictions for the relationship between wage discrimination and tenure tested but no clear-cut results

⇒ **Goal 3: Wage discrimination versus tenure?**

4. Data using *indirect* measures of workers' productivity

⇒ **For Goals 1, 2 and 3: Use of *direct* measures of workers' productivity**

2. Model

Bartolucci (2014) equation:

$$\log(w_{j,t}) = \beta_0 + \beta_1 I_{j,t} + \beta_2 \log(p_{j,t}) + \beta_3 X_{j,t} + \delta_t + \varepsilon_{j,t}$$

with

- $w_{j,t}$ the average hourly wage
- $I_{j,t}$ the average share of hours worked by migrants
- $p_{j,t}$ the average hourly added value
- $X_{j,t}$ a vector containing worker and firm characteristics aggregated at the firm level
 - Education, tenure, age
 - Gender
 - Share of part time jobs, type of contract
 - NACE codes at the 3-digit level, firm-level collective agreement, number of employees in full time equivalent, region
- δ_t the time dummies; $\varepsilon_{j,t}$ the error term

3. Data

Matched employer-employee firm-level panel data over the 1999-2010 period about the private sector in Belgium

⇒ 13,631 firm-year observations

Region of birth	% of hours worked
Workers born in EU15 countries (≈native population)	91.6
Workers born outside EU15 countries (≈migrant population)	8.4

4. Results

Goal 1		
Equally productive workers born:	Estimator of wage discrimination	
in EU15 countries	Ref.	
outside EU15 countries	-0.061***	
- in Africa	-0.070***	
- in North-Western Asia	0.017	
- in Asia	-0.175***	
- in Eastern Europe	-0.120***	
- in Latin and Northern America	0.160**	
- in South Pacific and other countries	-0.059***	
Goal 2		
Equally productive workers born:	Estimator of wage discrimination	
	In firms facing medium or low product market competition	In firms facing high product market competition
in EU15 countries	Ref.	Ref.
outside EU15 countries	-0.058***	-0.018
- in Africa	-0.068**	-0.097
- in Eastern Europe and Asia	-0.095***	-0.048
- in other countries	-0.006	0.115
Goal 3		
Equally productive workers born:	Estimator of wage discrimination	
in EU15 countries	Ref.	
outside EU15 countries		
- ≤ 4 years of tenure	-0.060***	
- [5, 9] years of tenure	-0.002	
- ≥ 10 years of tenure	-0.034	

Data source: SES-SBS-National Register-Statistics Belgium 1999-2010
***, **, * significant at 1, 5 and 10% levels, respectively

5. Future research

What is going on with second-generation migrants?