

# 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
- $\delta_t$  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		
	Estimator of wage discrimination	
Equally productive workers born:	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?