

CAN PERSONALITY TRAITS HELP TO EXPLAIN  
DIFFERENCES IN EMPLOYMENT DYNAMICS BETWEEN  
NATIVES AND MIGRANTS IN GERMANY?

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## Abstract

Migrants often face higher unemployment rates than natives. In Germany, a country with one fifth of its population having a migrant background, this difference amounts to more than 10 percentage points and has a rising tendency. This paper explores the influence of noncognitive skills on this difference using a novel strategy to deal with potential endogeneity issues.

Existing literature on economic differences between migrants and natives normally uses classical "hard" human capital variables such as education and language skills as explanatory variables. Moreover, a shortcoming of a large part of the unemployment dynamics literature is that it cannot deal sufficiently well with the endogeneity of education in a duration setting. To remedy these deficits, we suggest an integrated model which accounts for "soft" personality traits, their endogeneity and time-varying covariates such as education.

First, we explore whether personality traits differ at all between migrants and natives and hence whether they are suitable as an explanation in the variation of labor market success. Using the GSOEP data set we find significant differences in most of the Big Five traits, as well as in locus of control, between Germans and Turks, the main migrant group. To deal with potential endogeneity we apply a 2SLS-estimator in a restricted sample. This robustness check confirms the initial results. Then, we apply a mixed proportional hazard model to unveil the influence of personality traits on the unemployment and employment durations. A major contribution of this paper to the existing literature is the implementation of an IV-approach in a duration setting. Using the longitudinal features of the GSOEP, we apply the linear rank estimator of [1] to account for the endogeneity of locus of control. This approach can be applied to a broader class of duration models. Finally, we conclude deriving nontrivial policy implications.

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## References

- [1] *Govert Bijwaard. Instrumental variable estimation for duration data. Tinbergen Institute Discussion Paper, 2008.*