

148. How often have you felt disadvantaged in the last two years because of your ethnic origins?

Often.....

Seldom .....

Never.....

Source: SOEP Questionnaire 2013

- Labour market outcomes

Job applications (Kaas & Manger 2012)

- Public administration

Job center inquiries (Hemker & Rink 2016)

- Housing

Airbnb rentals (Edelman & Luca 2014)

# Nation-wide evidence ???

- Wage discrimination
  - slight wage discrimination due to different endowments (Velling 1995, Ivanov 2008)
  - no wage discrimination but low labor market entry positions and less job mobility (Constant & Massey 2005)
- In-work poverty
  - low qualified, single parents, families, and *migrants* (Andreß & Lohmann 2008; Lohmann 2009; Brady, Fullerton & Cross 2010; Crettaz 2011a,b)

# Competing with the natives

Does discrimination explain  
migrants' labor market outcomes?

Romana Careja and Hans-Jürgen Andreß

# Discrimination: a definition

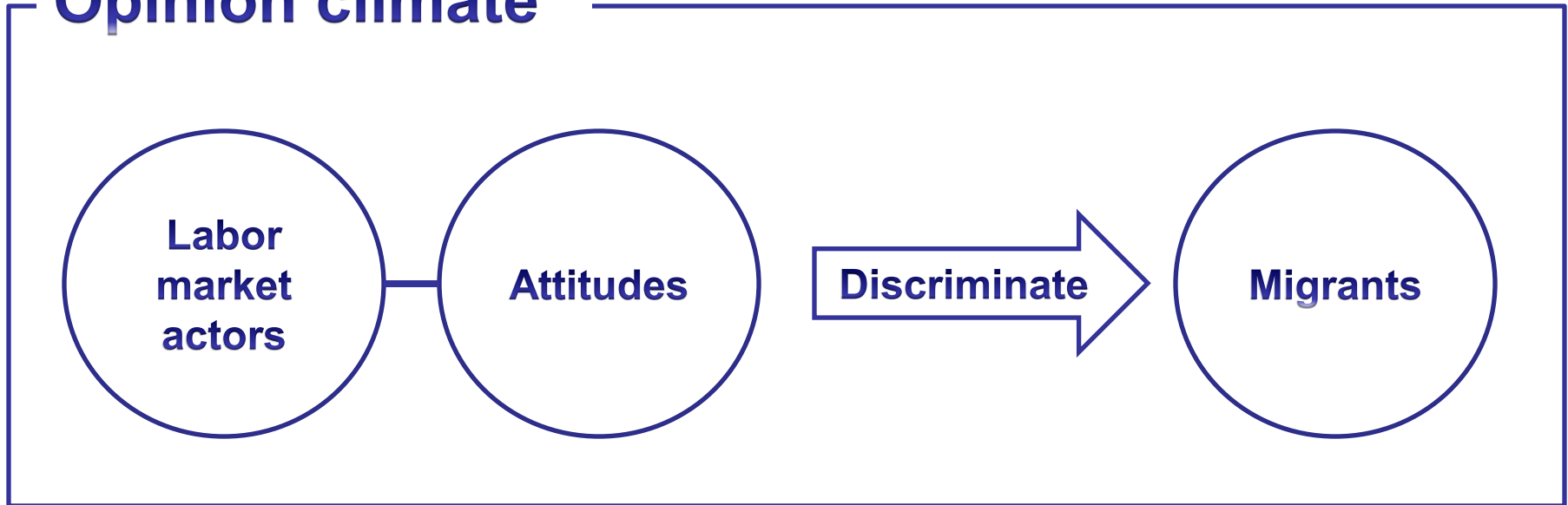
- Oxford Dictionary
  - “Unjust or prejudicial treatment of different categories of people, especially on the grounds of race, age, or sex.”
- Labor market discrimination
  - Individuals are differently treated based on their ascriptive characteristics instead of their actual labor market productivity.
- Two necessary conditions
  - structural: people that can be discriminated
  - individual: people that are willing to discriminate

# Necessary conditions

- Structural
  - Different categories of people compete for the same valuable good (job offer, certain job).
  - Migrants' labor supply
    - complementary (jobs not attractive for natives)
    - competing (in jobs attractive for natives)
- Individual
  - Labor market actors willing to discriminate migrants over natives
  - “Taste for discrimination” (Becker 1957)

# Opinion climate

## Opinion climate



“Opinion climates in the form of hostility or openness toward immigrants shape the opportunity structure” for immigrant outcomes (Just & Anderson 2013).

# Research design & measures

- Variation in opinion climate
  - [cross-sectional: regional variation]
  - longitudinal: over-time variation
- Measures
  - [Discriminatory actions]
  - [Attitudes of labor market actors]
  - Subjective experiences of discrimination (SED)
  - Extreme right-wing party voting (ERP)

# Analysis

- *Y*: Labor market outcomes
  - (log) gross hourly wage (monthly gross wage / 4.2 \* weekly working time; top and bottom coded)
  - low wage (2/3 of median gross hourly wage)
  - in-work poverty (IWP) (.6 \* median of equivalized net hh incomes)
- *X*: Opinion climate
  - mean level of SED in each year
  - interpolated ERP vote share of federal elections
- SOEP data
  - 1996-2013 (SED), 1990-2013 (ERP)
  - West German employees
  - groups: natives, 1st generation (FGM), 2nd generation migrants (SGM)



# Model and hypotheses

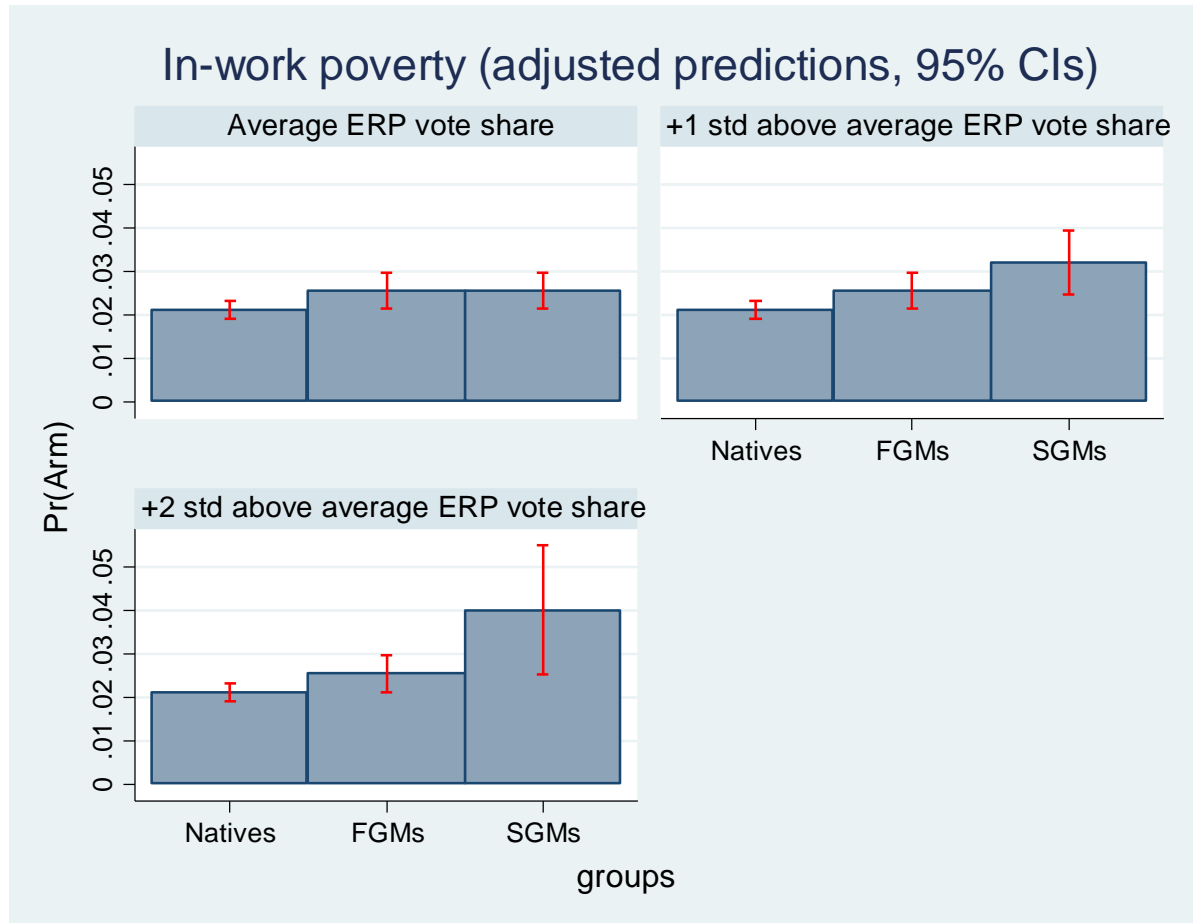
- $Y_{it} = \ln(\text{wage}_{it}) = \eta_{it}$   
 $Y_{it} = \text{logit}(\text{Pr}(\text{lowwage}_{it})) = \eta_{it}$   
 $Y_{it} = \text{logit}(\text{Pr}(\text{IWP}_{it})) = \eta_{it}$
- $X_t = \text{SED}_t$  or  $X_t = \text{ERP}_t$
- $\eta_{it} = \beta_0 + \beta_1 \text{FGM}_i + \beta_2 \text{SGM}_i + \beta_3 \text{FGM}_i \cdot \text{SED}_t + \beta_4 \text{SGM}_i \cdot \text{SED}_t + \text{controls}_{it} \cdot \gamma + u_i + u_t + e_{it}$
- $H_1$ : Migrants perform worse than natives, but  $(\beta_1 = \beta_2) \neq \beta_0$  with controls.
- $H_2$ : FGMs not affected by opinion climate:  $\beta_3 = 0$ .
- $H_3$ : SGMs *affected* by opinion climate:  $\beta_4 \neq 0$ .

## Logistic regression coefficients (standard errors in parentheses)

	Discrimination (1996-2013)			Extreme right parties' vote share (1990-2013)		
	IWP	Low wage	Hourly wage	IWP	Low wage	Hourly wage
Natives	Reference	Reference	Reference	Reference	Reference	Reference
1st generation migrant (FGM)	NI	NI	NI	NI	NI	NI
2nd generation migrant (SGM)	NI	NI	NI	NI	NI	NI
Discrimination / ERP	NI	NI	-0.084*** (0.002)	NI	NI	-0.113*** (0.002)
Interaction Natives	Reference	Reference	Reference	Reference	Reference	Reference
Interaction FGM	-0.048 (0.051)	0.052 (0.037)	0.003 (0.002)	-0.010 (0.047)	0.087** (0.034)	0.005* (0.002)
Interaction SGM	0.147* (0.082)	0.216*** (0.053)	-0.017*** (0.003)	0.178* (0.078)	0.234*** (0.051)	-0.016*** (0.003)

Notes: NI = not identified. Controls not shown. \* p<.05, \*\* p<.01, \*\*\* p<.001 (one-sided tests).

# Practical effect limited



Logistic regression with  
year & unit FE

All other variables set  
at their mean

# Conclusion

- The opinion climate in the form of hostility or openness toward immigrants shapes migrants' labor market outcomes
- Importantly, its effect is differentiated
  - 1st generation migrants
    - are not affected
    - confirms our expectation that FGMs' labor supply is complementary
  - 2nd generation migrants
    - *suffer from hostile opinion climate*
    - *confirms our expectation that SGMs' labor supply is potentially competitive*
- Our research adds...
  - another dimension to the analysis of discrimination.
  - *Instead of treating discrimination as a statistical residual we have tried to measure it by the society's opinion climate.*

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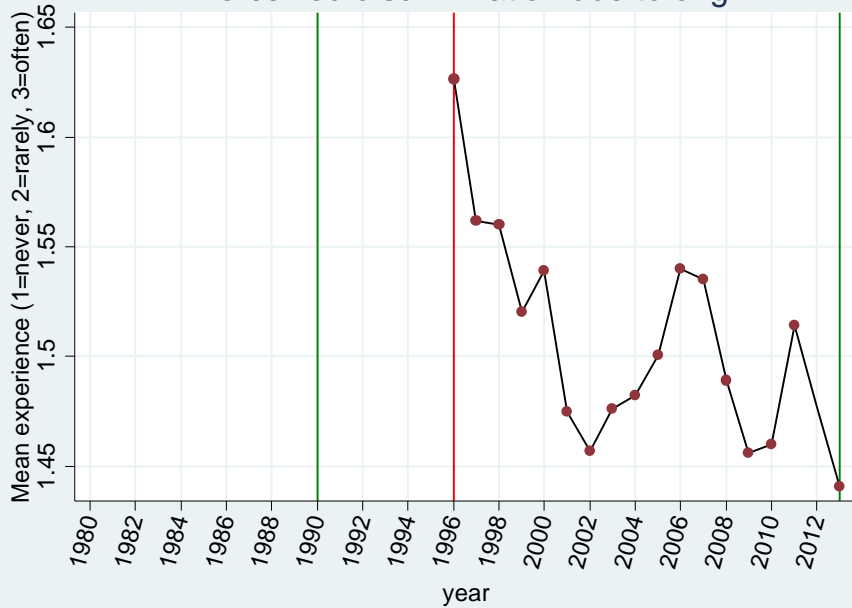
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# Appendix

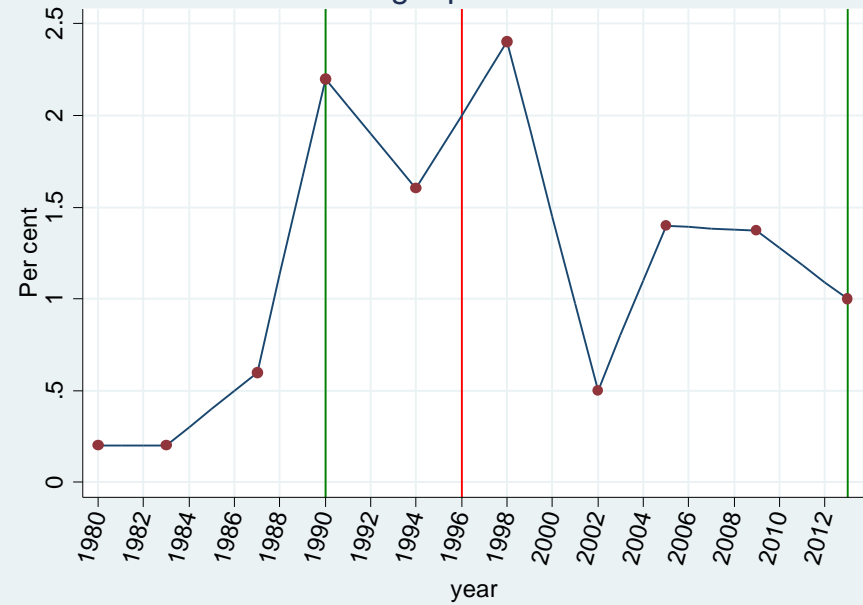


# The context: SED and ERP

Perceived discrimination due to origin



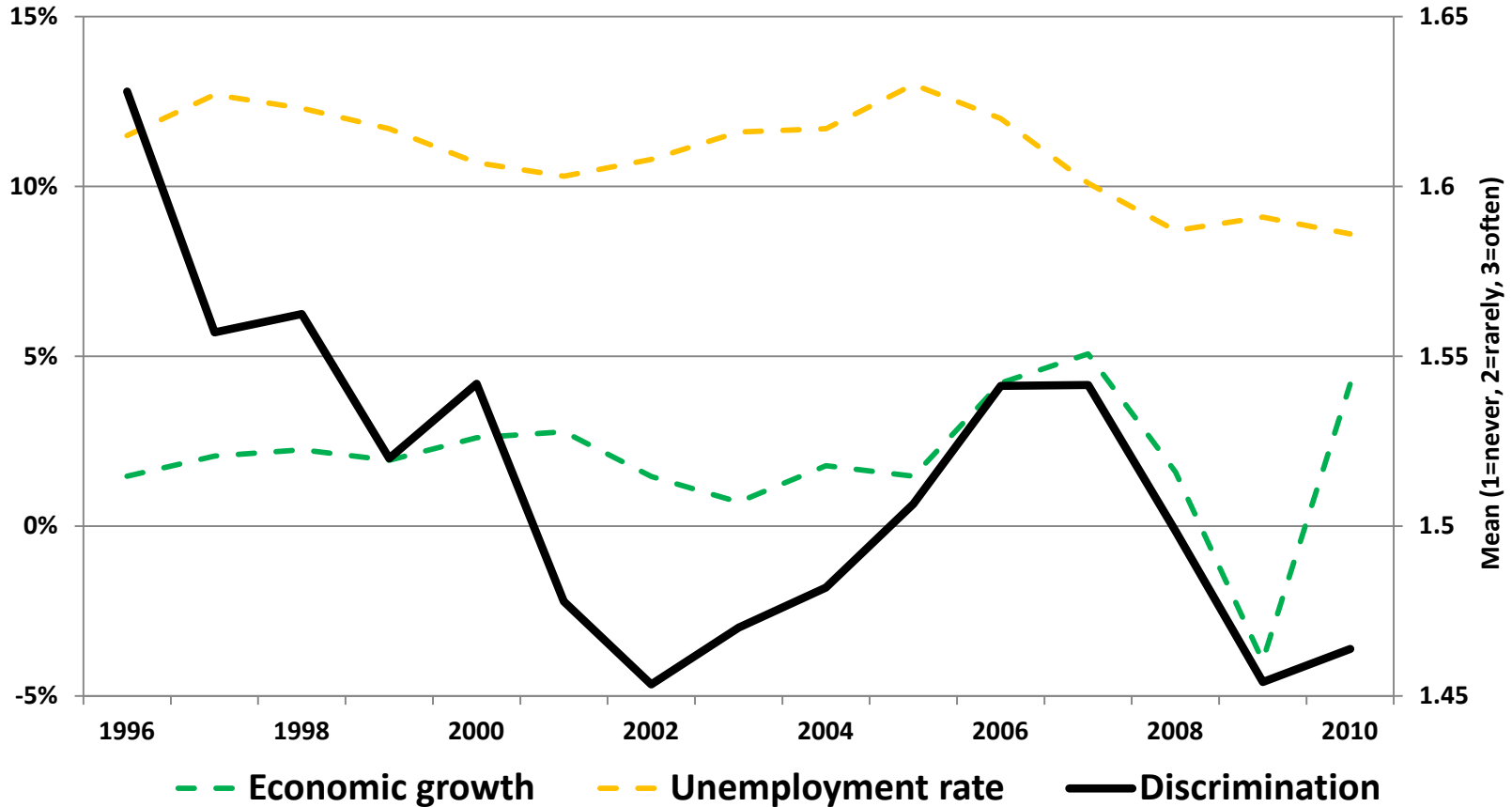
Extreme right parties' vote share



# Is SED endogenous ?

- National average
  - All migrants, irrespective of their labor market position, would have to react in a similar way.
- Cross-lagged associations between discrimination and poverty
  - no lagged positive effect of poverty on discrimination
- Using lagged SED in the model
  - provides identical results
- Independent indicator of opinion climate
  - ERP provides identical results

# The context: growth & employment



# Control variables

Control variable		IWP	Low wage	Hourly wage
Context	Time (Year - 1996)	✓	✓	✓
	GDP growth	✓	✓	✓
	Unemployment rate	✓	✓	✓
Individual	Women	✓	✓	✓
	Year of birth	✓	✓	✓
	Education	✓	✓	✓
	Economically active adults	✓		
	Ratio children / adults	✓		
	Occupational status	✓	✓	✓
	Low wage	✓	✓	✓
	Receipt: income support	✓		
	Receipt: unempl. insurance	✓		
	Receipt: housing allowance	✓		
	German language use	✓	✓	✓
	Percent German friends	✓	✓	✓

# Complementary or competing ?

- 1st generation migrants
  - came for specific jobs in lower positions
  - foreign qualifications did not matter
  - receive low wages and have many dependents
  - ⇒ work in segments not attractive for natives
- 2nd generation migrants
  - finished German educational system
  - job aspirations identical to Germans
  - but enter labor market at lower positions
  - and show less upward mobility
  - suffer from entry discrimination
  - ⇒ potential competitors for natives

# Descriptive statistics

Variable	Natives	FGMs	SGMs
In-work poverty (%)	3.4%	8.3%	5.4%
Low wage (%)	12.5%	16.1%	14.7%
Hourly gross wage (€)	15.72	12.52	14.71
Year of immigration	-	1979.0	-
Women (%)	48.1%	44.3%	47.8%
Year of birth	1960.2	1958.2	1966.6
Education (years)	12.6	10.8	12.3
Economically active adults	0.55	0.56	0.56
Ratio children / adults	0.36	0.50	0.35
Occupational status	44.3	33.1	41.7
Industry (similarity to natives)	-	52.3	11.3
Receipt: income support (%)	2.8%	6.1%	5.4%
Receipt: unempl. insurance (%)	5.6%	9.9%	7.8%
Receipt: housing allowance (%)	1.9%	4.7%	2.7%
German language use (scale)	0.00	-0.80	0.00
Percent German friends (%)	97.9%	42.4%	79.5%

Macro

**low**  
discrimination

unemployment  
rate

economic  
growth

Micro

migrant 1st  
generation

migrant 2nd  
generation

**control variables**

- gender
- education
- no. of dependents
- job prestige
- transfers etc. etc.

-

-

+

**IWP**

Macro

**high**  
discrimination

unemployment  
rate

economic  
growth

Micro

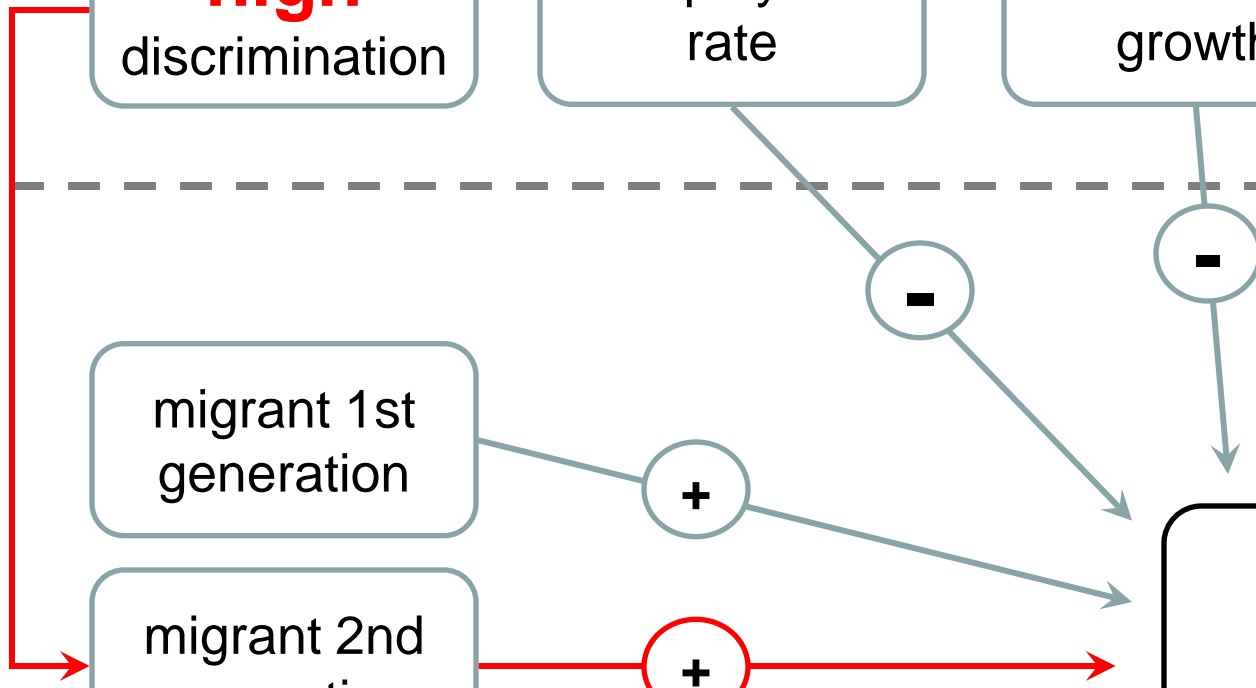
migrant 1st  
generation

migrant 2nd  
generation

**control variables**

- gender
- education
- no. of dependents
- job prestige
- transfers etc. etc.

**IWP**





# Working poor

- **income:** equivalized net disposable household income (weighting based on the modified OECD equivalence scale)
  - **poverty:** households with income below 60% of the population median
  - **employment:** full time / part time / marginal workers
- **working poor:** employed & living in a poor household