

# Low Wage Growth in Germany? Don't Blame the Migrants!

IMK IW IAB - 3. Institutskolloquium

Löhne und Lohnstrukturen

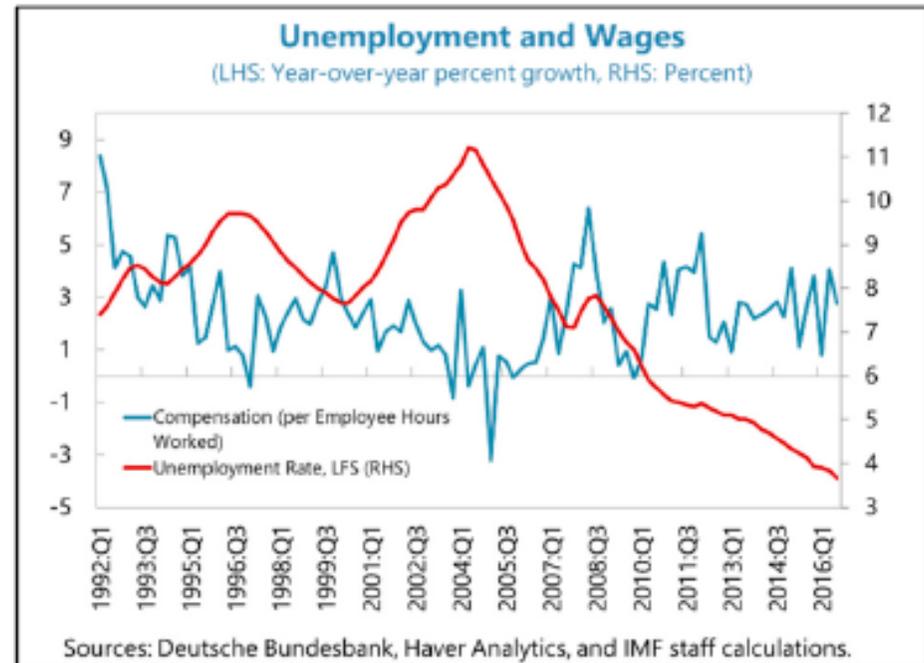
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# Approach 1: Wages should grow faster in view of increasing scarcity of labour?

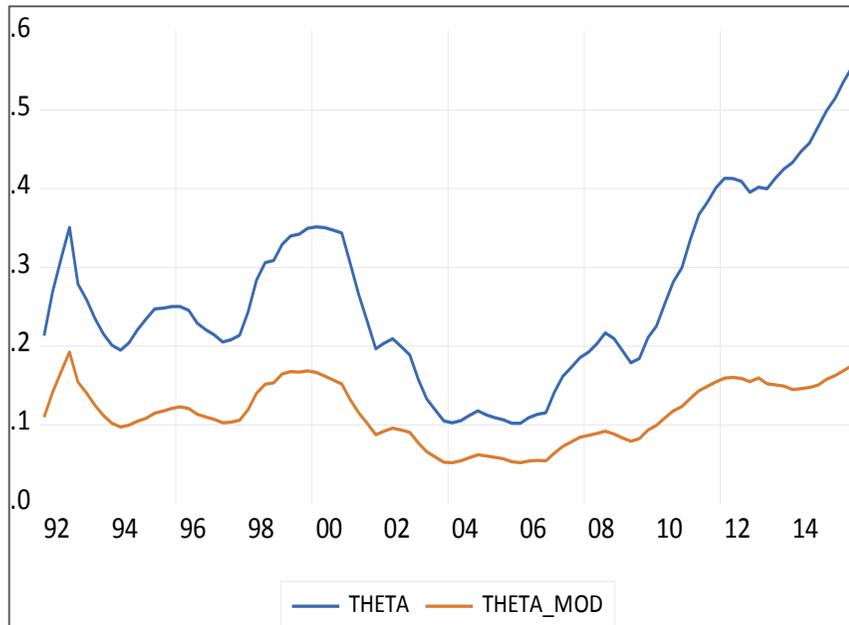
- Yes, but:
- Clear pickup after German wage moderation:
- Limited productivity growth
- Tightness V/U is overestimated:
  - Firms open the more vacancies the better the chances are to fill them – and foreign workers represent hiring chances.
  - But: Potential immigrants not contained in the unemployment measure



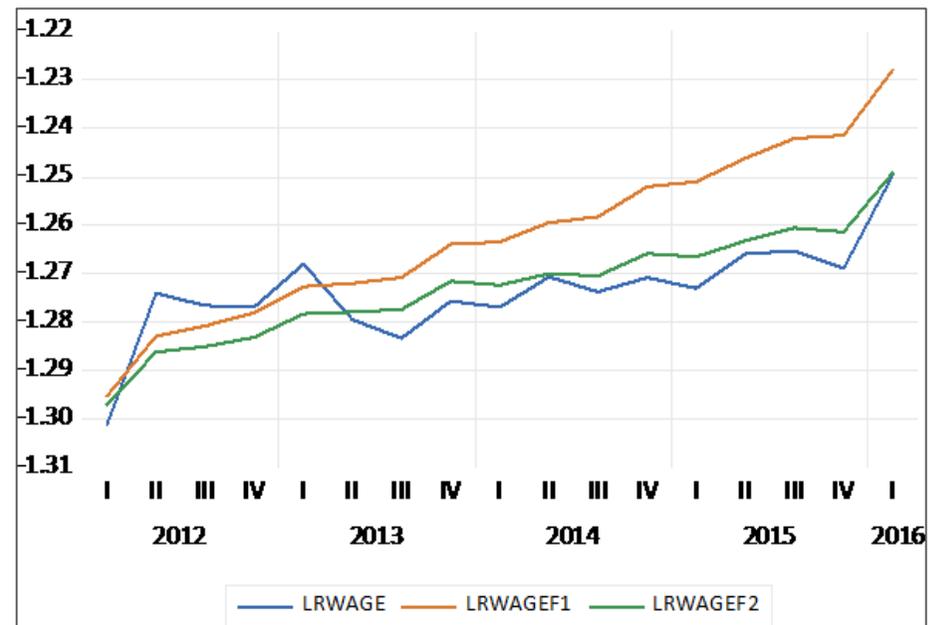
# Adjusting tightness

- Extending the U-measure by underemployed, hidden unemployment, net migration

## Tightness and modified tightness



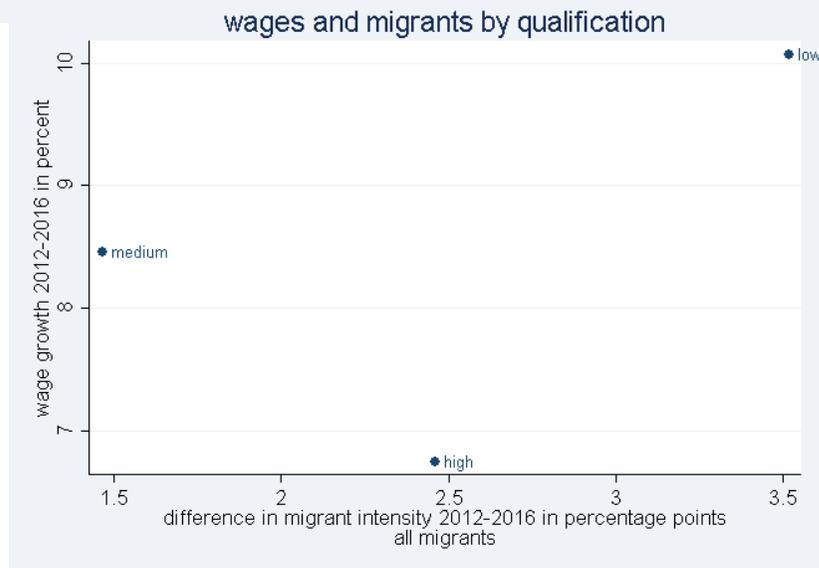
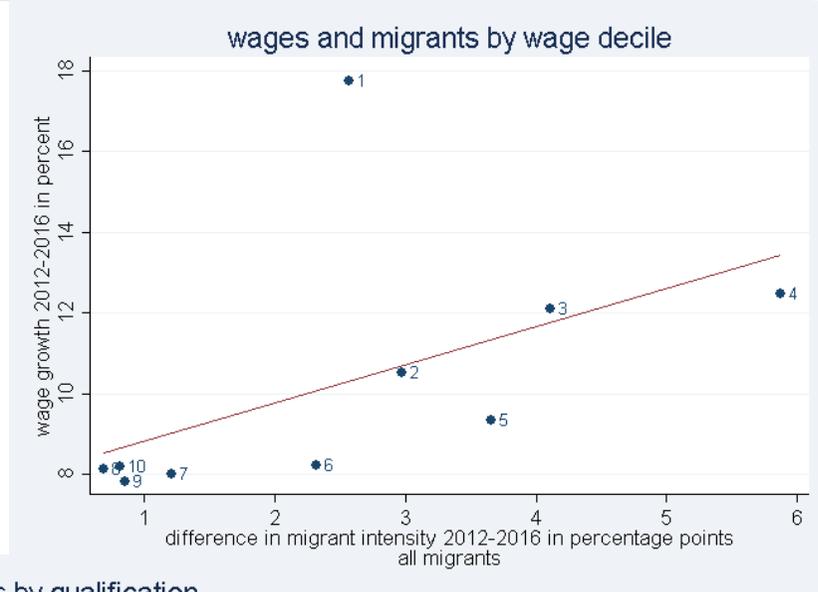
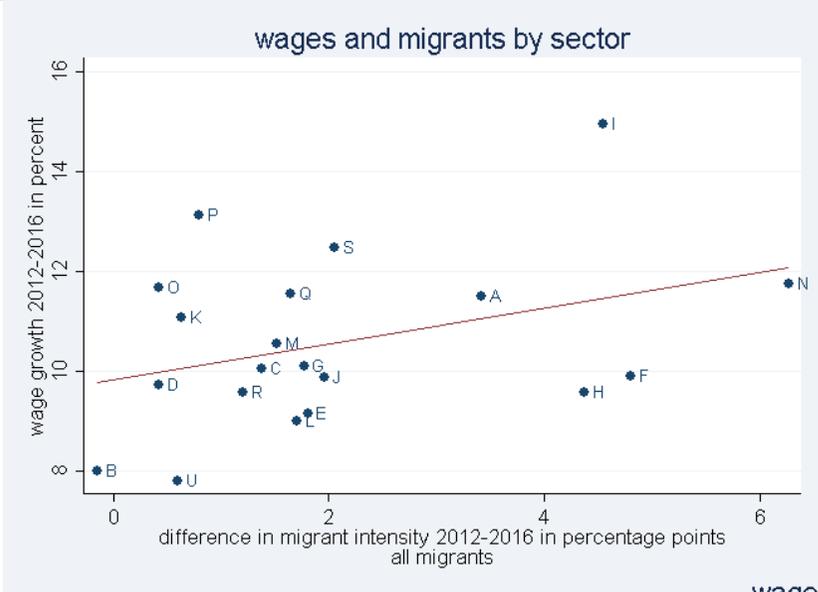
Out-of-sample performance of adjusted tightness in wage regression clearly improved



## Approach 2: Micro-level structural evidence

- Complete micro-level social security data
- Panel data 2012-2016 of employees clustered by nationality, sex, age, qualification, sector, region, social security / working time
- Correlation analyses
- Wage regressions: aggregate wage level explained by categorial dummies and lagged migrant intensity

# Correlations: No negative links of wages and migration



## Panel regression: Negative composition effect

- Because immigrants are paid less than natives, aggregate wages were dampened by 0.56% over 2012–2016 = 0.14% per year.

<b>Shift-Share Analysis: Composition Effect</b>		
<b>Broken Down</b>		
<b>(Percent)</b>		
contribution of:	nationality	-0.18
	sex	0.02
	age	-0.05
	qualification	-0.02
	sector	-0.27
	job/working time	-0.08
	region	0.02
<b>total</b>		<b>-0.56</b>

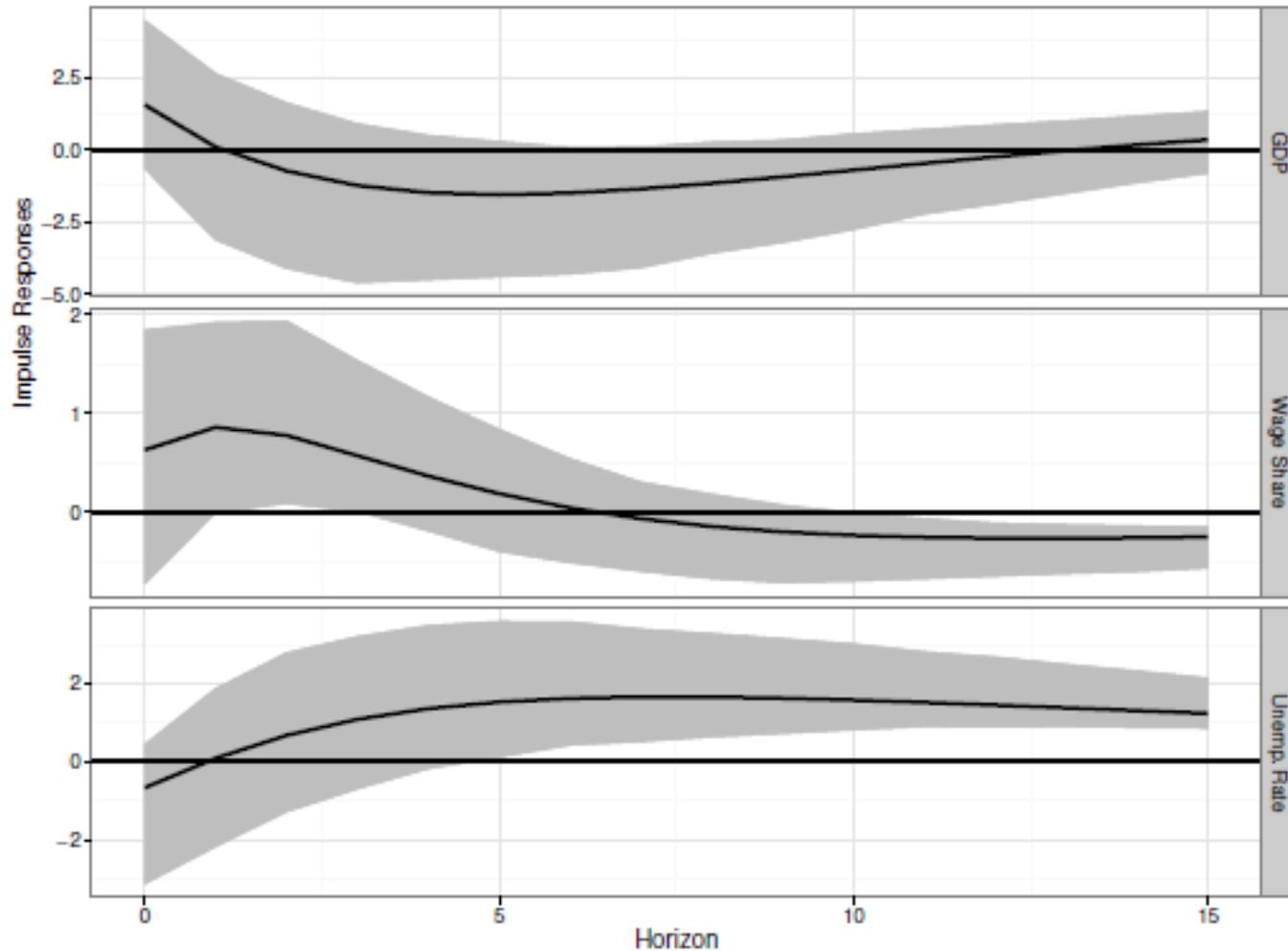
## Panel Regression: Positive market effect

- Direct wage effect of migrant intensity:  
+1 pp migrant share → +0,5% overall wage
- Yearly average increase in the migrant share in total working population: 0.44 pp
- Market effect of immigration: Increase of aggregate wages of 0.22% per year

## Approach 3: Causal macro evidence

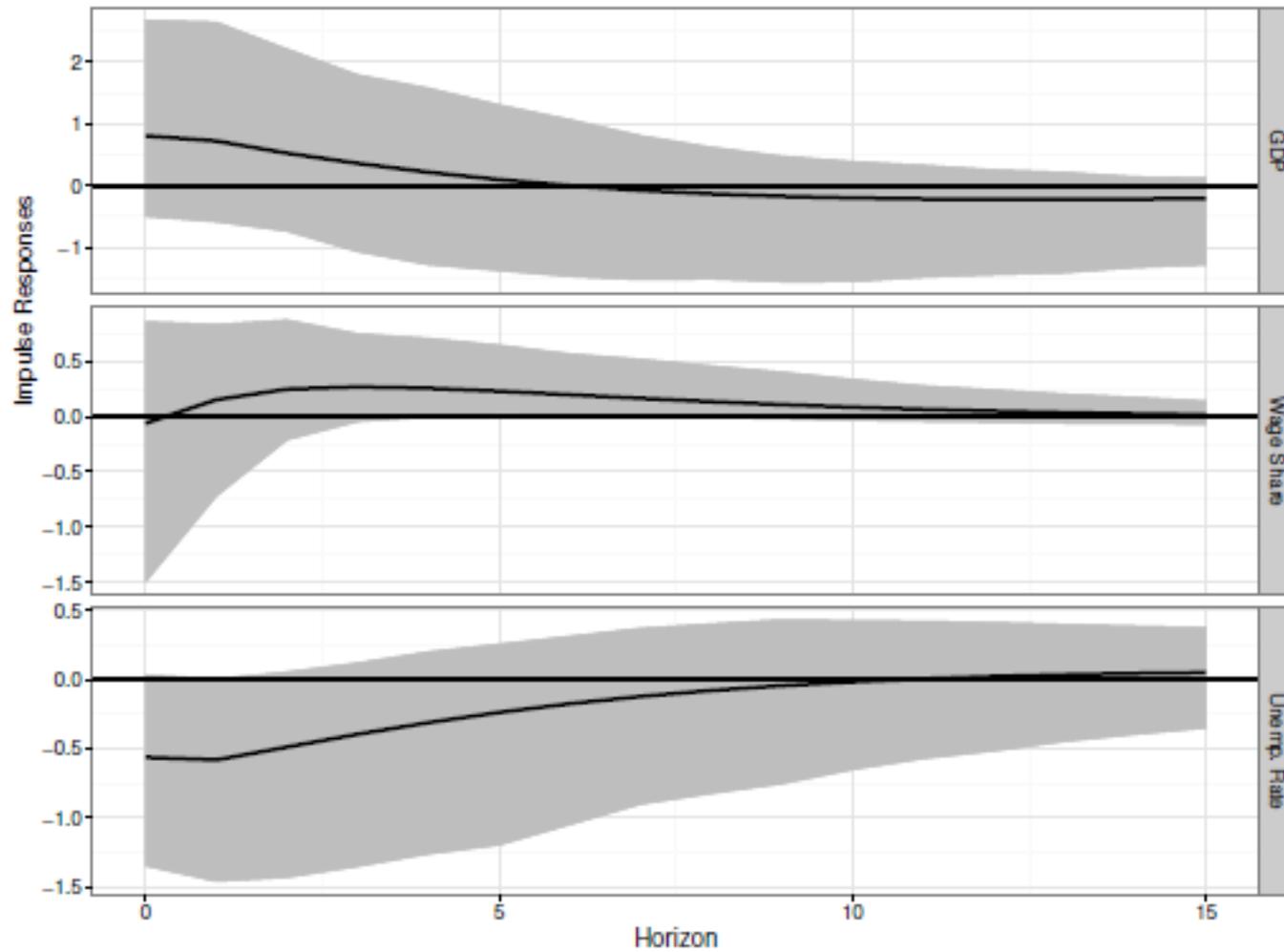
- Macroeconomic effects of refugee and non-refugee immigration
- Structural VAR with instrumental variables: comprehensive macro effects with minimal restrictions, no a priori specification of specific theoretical model structures, low data requirements
- Variables: refugee immigration (asylum applications), immigration except asylum, GDP, wage share, unemployment (ILO)
- Instruments: World population, battle deaths, European unemployment (filtered by projection on German unemployment)
- Instruments affect only migration (battle deaths only RI, European unemployment only NRI) → mutual migration-macro effects and correlation of RI and NRI shocks identified

# Impulse responses to refugee immigration shock



- Impulse responses with 2/3 intervals
- RI shock: 1% of total population
- GDP per capita in percent
- Wage share and unemployment rate in percentage points

# Impulse responses to non-refugee immigration shock



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Weber, Enzo; Weigand, Roland (2018): Identifying macroeconomic effects of refugee migration to Germany. [Economics Bulletin](#), Vol. 38, No. 2, p. 852-862.