

## **Intra-Firm Wage Discrimination against Foreign Workers in Germany**

**What are the differences to discrimination against women?**

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**Aus dem Forschungsprojekt: Quantifizierung der Lohndiskriminierung im Sinne des  
AGG – Welche Rolle spielen Geschlecht, Alter und Nationalität?**

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„Flexibilisierungspotenziale bei heterogenen Arbeitsmärkten“.

### **Abstract**

Existing studies on the wage gap between native and foreign workers in Germany compare wages at the labour market-level. In contrast, we analyse firm-specific wage differentials between natives and foreigners as well as the amount of potential wage discrimination *within* firms using linked employer-employee data (LIAB) for the period 1996 to 2007. By doing so, we explicitly consider the heterogeneity of wage setting processes within firms. We find substantially lower wages for foreigners compared to natives within establishments (11,4% on average). These can be explained mainly by differences in education and work experience (9%points). At equal levels of human capital endowment foreigners earn 2.5% less than native Germans within establishments. However, splitting up foreigners in different groups reveals higher unexplained wage gaps for immigrants from guest worker countries and immigrants with “other” nationalities (predominantly from eastern Europe and Asia). In comparison to our findings on gender wage gaps within firms, the total wage gap as well as its unexplained part is much smaller for natives and foreigners.