Language Skills and Social Integration: Ethnic Disparities in Bilingual Economy

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Language skills and social integration: Ethnic disparities in bilingual economy

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Motivation

Immigrants’ labor market outcomes worse than those of natives
- Language, local education matters (Chiswick & Miller, 2002; Leslie & Lindley, 2001)
  - For income, employment
  - The effect is large
- Fluency in local language may increase salary by 30%
- Effect small where minority large (Hwang, Xi, Cao, 2010)
- Causality ambiguous (Bleakley & Chin, 2004; Hwang, Xi & Cao, 2010)
- Hostility, discrimination, entry barriers
- Discrimination is widespread (Bertrand & Mullainathan, 2004; Carlsson & Rooth, 2006).
- Low motivation (life is good on welfare: Bratsberg et al, 2008)
- Hard to disentangle between willingness and opportunities

What we do:
- We look at return to official language skills
  - How much more salary (percentage) you get if speaking the language
- Use OLS and quantile regression
- In a largely bilingual economy (Estonia)
- Look only at males

Background: Estonia
- A tiny country in NE Europe
- Population 1.3 millions
- Former USSR republic
- Two large population groups
  - 70% Estonian speaking (ethnic Estonians)
  - 30% mostly Russian speaking (mostly ethnic Russians)
- Tense relations in periods
  - Different interpretation of WW2 events
  - Riots in 2007
- Estonian the sole official language required in civil service
- Russian language schools widespread

Returns to language skills: quantities

Impact on wage (pct*100)

Smart guys are doing worse

Unexplained wage difference (pct)

Negative numbers: Russians do worse

Explanations
- Co-worker discrimination
  - On promotion/upper end hiring
  - Taste for ethnically homogenous workplace
- What is language?
  - A lot more than grammar + vocabulary?
  - Cultural background?
- Russians less productive at the high end?
  - But shouldn’t see the returns to English either
  - All this points to the lack of intergroup contact
  - Labor market integration not sufficient equality