

**Wage inequality and segregation between native
and immigrant workers in Switzerland:
evidence using matched employee-employer data**

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It has often been observed in empirical studies that migrant workers are paid lower wages than natives and suffer from occupational segregation. For the design of measures that aim at improving the economic and social integration of migrants, it is crucial to identify the sources of the observed discrimination and segregation. This paper focuses on the empirical analysis of wage inequality and segregation between immigrants and natives in the workplace. To our knowledge, there is no direct empirical evidence available yet. Indirect evidence is given by Zimmermann (1994) who documents the sectoral segregation of natives and immigrants in the guest-worker countries Germany and Switzerland. Segregation with respect to hierarchical positions in Switzerland is analyzed in Flückiger and Ramirez (2002). Our empirical focus will be different from these contributions, since we will analyze segregation between natives and immigrants at the firm (or plant) level. According to different segregation measures (including exposure rates and Kremer and Maskin's (1996) segregation index), there is considerable segregation between Swiss and foreign workers. Moreover, the degree of segregation is inversely related to the skill level. The link between wage inequality and segregation between natives and immigrants is then analyzed following the methodology proposed by Groshen (1991) and Bayard et al. (1999). This methodology allows to measure the relative contribution of segregation (by establishment, skill, and skill-establishment cell) and individual characteristics to the overall wage difference. We use data from the Swiss Wage Structure Survey 2002 which records individual wages among a very large sample of establishments in all industries, covering approximately 15000 establishments and 1 million workers.