

BBS
BROWN BAG SEMINARS

KEVIN PINEDA HERNANDEZ

**ORIGIN-BASED WAGE GAPS:
HOW MUCH DOES RENT-SHARING
MATTER?**

Although there is a growing body of literature on the nexus between rent sharing and wage inequality in the presence of heterogeneous labour, the influence of firm profits on immigrant-native wage gaps remains to be explored. This article aims to fill this empirical gap by relying on rich employer-employee data for Belgium over the period 1999-2016. Controlling for a wide range of observables and dealing with endogeneity issues, two-stage least squares regressions find that the profit-wage elasticity of immigrants matches that of natives over two generations. Put differently, firms distribute a part of their profits equally among natives, first-generation immigrants and their second-generation peers. Nonetheless, weighted Oaxaca-Blinder decompositions show that first-generation immigrants receive lower wages than natives due in part to their overconcentration in firms that make lower profits. In comparison, this type of segregation by firm profitability is halved for second-generation immigrants.