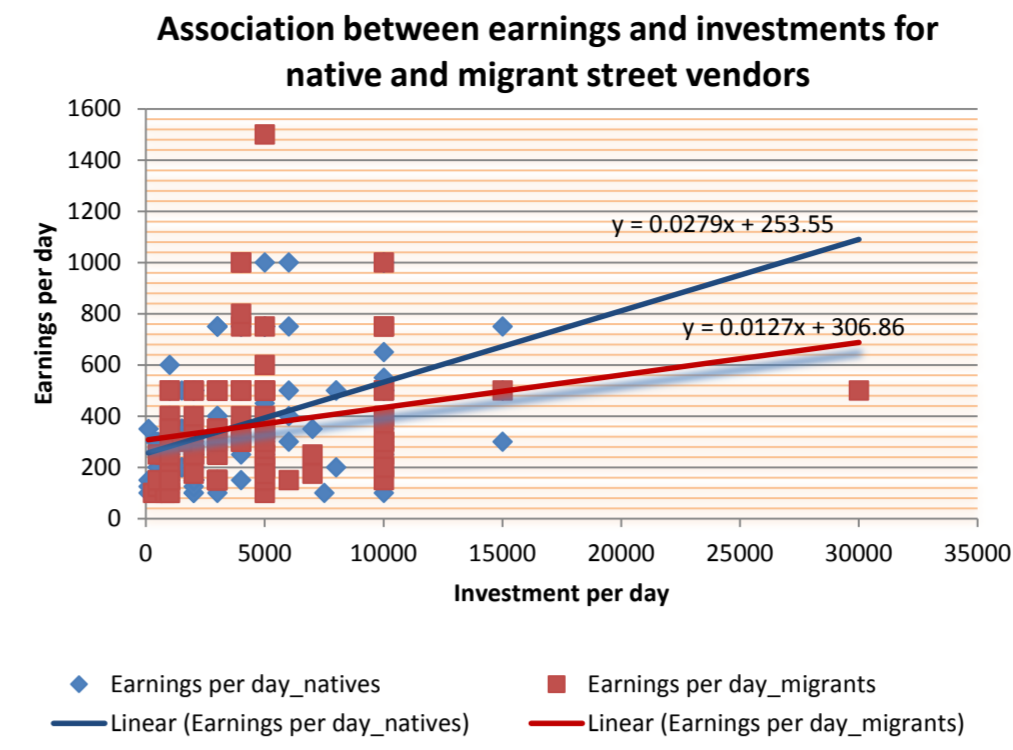


# Does Earnings Differentials Exist between Migrants and Natives in Self-employed Businesses? A Study of Indian Economy

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## Introduction



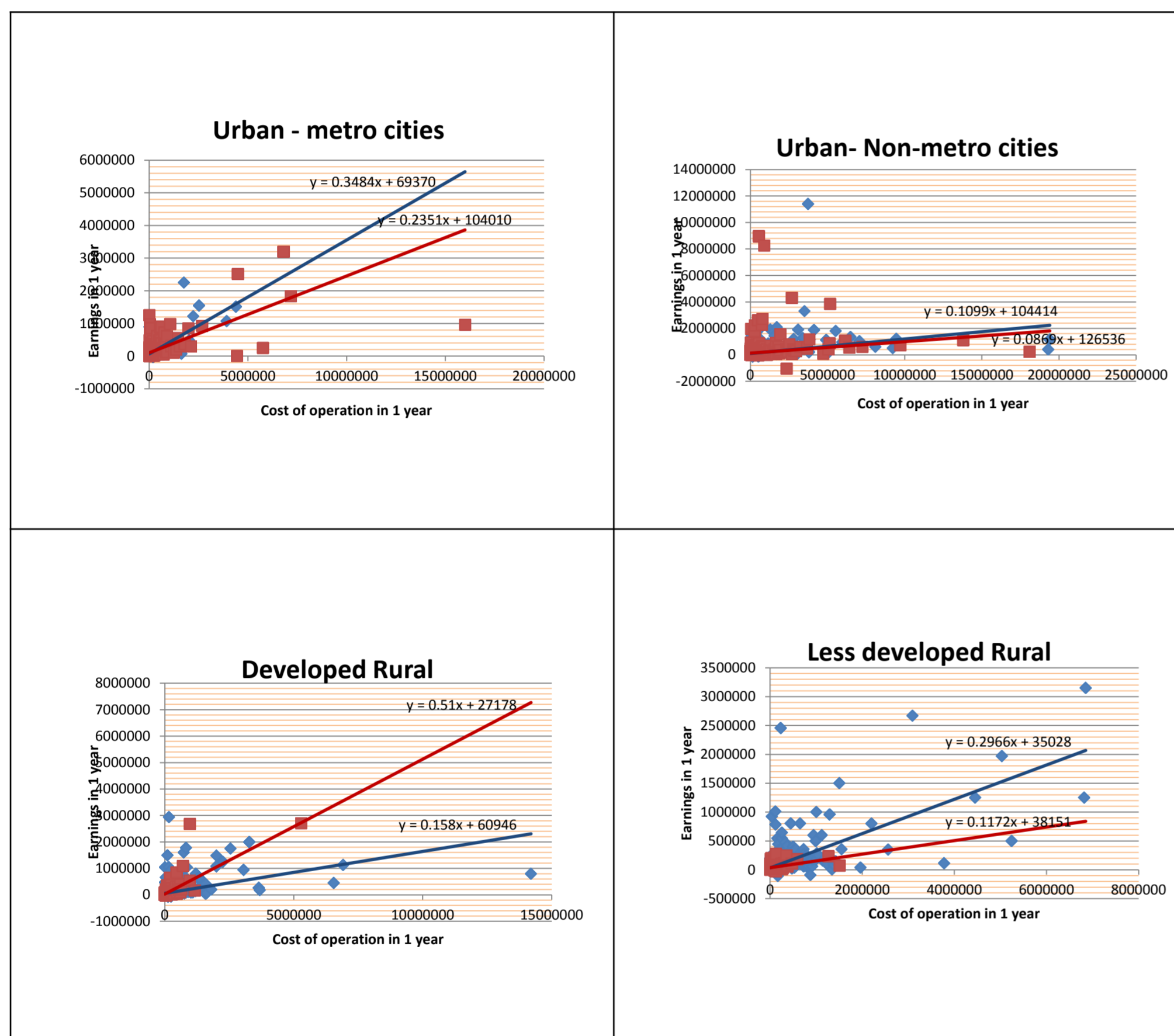
Source: Kambara and Bairagya (2017)

Based on 316 randomly selected female street vendors in Bangalore City, **Kambara and Bairagya (2017)** have found that there is no significant difference in the earnings between natives and migrants in street vending business, but a significant difference does exist in the investments i.e., to earn the same amount of income, migrant vendors need to invest more than natives.

## Research Questions

- Can we generalise this statement across all regions and all types of self-employed businesses in India?
- If yes, why such a difference exists in the rate of return between native and migrants in self-employed businesses?

The association between earnings and investments for natives and migrants across different regions in self-employed businesses in India



Mean difference in the earnings between natives and migrants across regions

Regions	Group			Group			95% CI for Mean Difference	t	df
	Natives	M	SE	Migrants	M	SE			
Urban-metro	5.44	1.02	298	3.09	0.49	455	0.34, 4.37	2.29*	751
Urban-non-metro	3.95	0.47	1805	3.86	0.35	1194	-1.17, 1.35	0.14	2297
Developed rural	4.83	0.45	1244	2.98	0.78	195	-0.46, 4.16	1.57	1437
Less developed rural	3.48	0.33	938	2.87	0.53	121	-1.23, 2.45	0.65	1057

Mean difference in the earnings between natives and migrants across types of businesses in Urban-metro

Types of self-employment	Group			Group			95% CI for Mean Difference	t	df
	Natives	M	SE	Migrants	M	SE			
Artisan/indpt work	11.89	6.92	17	2.86	0.59	25	-2.52, 20.59	1.57	40
Small business	4.84	1.05	266	2.48	0.42	382	0.37, 4.35	2.33*	646
Organized business	1.55	0.58	19	2.22	0.79	53	-3.4, 2.07	-0.48	70

## Sources of differences in the rate of returns between natives and migrants

### Oaxaca-Blinder Decomposition Method

We have started with a basic linear model of RoR,

$$(RoR)_v = X_v \beta_v + \varepsilon_v \quad (1)$$

where self-employment (v) includes two groups: natives (n) and migrants (m). Following Blinder-Oaxaca method of decomposition (Jann, 2008), the extent of RoR differences (R) between natives and migrants can be written as

$$R = \overline{X_n} \beta_n - \overline{X_m} \beta_m \quad (2)$$

Following Jann (2008), eq (2) can be further decomposed as

$$R = (\overline{X_n} - \overline{X_m}) \beta_m + \overline{X_m} (\beta_n - \beta_m) + (\overline{X_n} - \overline{X_m}) (\beta_n - \beta_m) \quad (3)$$

### Selectivity Bias Adjustment in Decomposition

Following Jann (2008) and Neuman and Oaxaca (2004), the selection bias (Heckman, 1976; 1979) in the decomposition is taken care by deducting the selection effect from the overall differential and then using the standard decomposition formulas to this adjusted differential.

## Blinder-Oaxaca decomposition of rate of returns

	Blinder-Oaxaca with OLS		Blinder-Oaxaca with Heckman	
	Coef.	Std. Err.	Coef.	Std. Err.
Natives	4.85***	1.09	5.19***	1.10
Migrants	2.49***	0.44	8.61	16.13
Difference	2.36**	1.17	-3.42	16.17
Endowments	0.10	0.27	-0.11	1.27
Coefficients	2.42**	1.25	-3.46	16.17
Interaction	-0.16	0.69	0.15	1.45

## Conclusion

- Difference in rate of return (RoR) between migrants and natives exists only in the (i) Urban metro cities and (ii) small unorganised businesses.
- Blinder-Oaxaca decomposition results show that the difference in RoR for natives and migrants due to endowment effects is not statistically significant. i.e, pre-labour market endowment factors are not responsible for the difference in the RoR.
- The significant differences in the RoR between natives and migrants take place even with the same personal characteristics, which can be attributed to discrimination against migrants in the small unorganised businesses in metro cities.