The Politics of Discrimination: Right-Wing Parties and Immigrant Wages in Italy

Federico Vicentini

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Abstract

This paper investigates the impact of the share of votes to right-wing parties on the wage gap between Italian-born individuals and immigrants. Using data from the Italian Survey on Household Income and Wealth (SHIW) for the years 2010, 2014 and 2020, we estimate separate wage regressions for immigrants and natives, controlling for individual and regional characteristics, as well as wave-specific fixed effects. Our results show that the wage gap between immigrants and natives is significant. Moreover, we find evidence that the share of votes to right-wing parties widens the wage gap, and affects the unobservable part of the wage gap, which we interpret as discrimination, by a significant amount. However, our estimates are imprecise, and the direction of causality between the two phenomena is not entirely clear. Our findings suggest the need for further research on the subject.

1 Introduction

In recent years, the matter of immigration has become a pressing matter in many European countries, including Italy. Along with the rise in the number of immigrants, there has also been a surge in support for right-wing parties that ride the wave of anti-immigrant rhetoric (and sometimes even add fuel to the fire). This has led to concerns about discrimination against immigrants and their integration into the labor market.

This project aims to contribute to the literature on immigrant labor market outcomes by examining the wage differences between native Italians and immigrants in Italy. Specifically, we seek to investigate whether changes in the share of votes attributed to right-wing parties affect the level of discrimination between these two groups.

To address this question, we use a rich dataset on individual-level labor market outcomes in Italy, combined with information on the electoral results of right-wing parties across different regions and time periods, to estimate the

wage differentials between native Italians and immigrants, and to assess the impact of changes in right-wing party vote shares on these differentials.

1.1 Literature Review

Immigration is a relatively recent phenomenon for Italy. Precisely because of this, not many studies are available that investigate the discrimination between italian natives and immigrants. However, most of the studies (as well as anecdotal evidence) tend to point in the direction of the existence of a wage gap between native Italians and the immigrant workers employed in the labor force.

We will briefly examine some findings from this literature. Busetta, Campolo, and Panarello (2018) [1] find that taste-based discrimination may be a contributing factor to the lower likelihood of immigrants being hired into jobs that require face-to-face contact with customers, such as those in the service sector. The authors suggest that employers may be using stereotypes or prejudices to make hiring decisions rather than relying solely on job-relevant factors; this would indicate that taste-based discrimination is at play. Allasino, Reyneri, Venturini, and Zincone (2014) [2] find that immigrants are significantly more likely to be unemployed, even after controlling for factors such as education, work experience, and language skills. The authors suggest that discrimination may be particularly prevalent in the Italian labor market due to a number of factors, including the high level of informality in the Italian economy and the unavailability of public sector jobs for the immigrant population. Coppola, Di Laurea, and Gerosa (2013) [3] find that immigrants earn significantly less than native-born workers. The authors argue that discrimination may be a contributing factor, particularly given that the wage gap varies depending on the country of origin of the immigrant.

These studies bring us to believe that both statistical and taste based discrimination are at play in the italian labor market. However, no study has been published (at least to our knowledge) that tries to link changes in the Italan political landscape in the last decade with the closing (or widening) of this gap. This is precisely what we will be trying to do in this paper.

1.2 The Italian Case

As we previously said, immigration is a relatively new phenomenon in Italy. Up until the early-to-mid 1990s, most italian regions experienced negligible levels of immigration, and most of new arrivals were internal, as people migrated from the south to the north of Italy. With the increased inflow of external immigrants, in the beginning from the Balkans, then from North Africa, and lately from the Sub-saharan regions, Italy experienced in the last 30 years a considerable influx of migrants (albeit less than other comparable European countries, like Germany or France).

This relatively fast influx of people from different cultures was seen unfavorably by a considerable share of the population, and over the years, political

parties took note of that and started to appeal more to this "popular" sentiments, sometimes even fueling them with xenophobic rhetoric and propaganda. Right-wing parties were the more successful in getting these voters on board, while attempts at the same strategy carried on by segments of the far left fell short of getting popular attention (or votes at the ballot box). This is why we will focus only on right-wing parties.

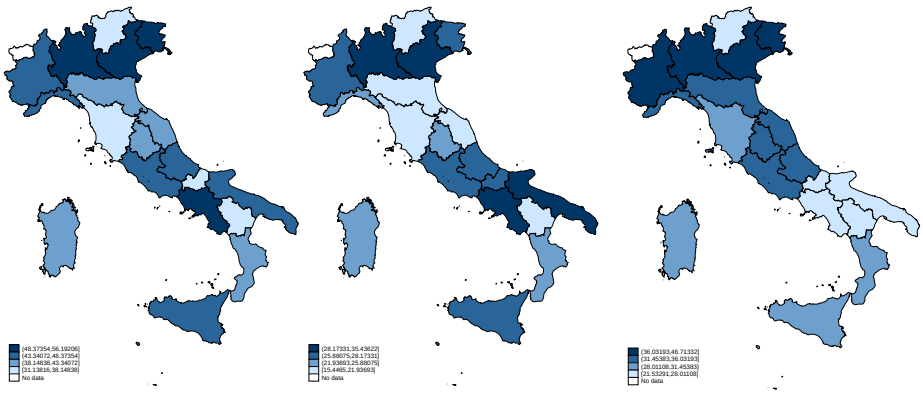

Figure 1: *Regional distribution of votes to right-wing parties. Starting from the left: 2008, 2013 and 2018 Italian Chamber of Deputies elections results*

Another thing to point out is how votes to right wing parties from 2008 to 2018 tend to polarize towards the northern regions, which are the ones who have the largest share of immigrants residing in them. As you can see, if in 2008 and even in 2013 the right-wing political parties are strong even in the south, with peaks in Campania and Apulia, in 2018 every single region with a vote share that is above the median for these parties is in the northern half of the country. This is a further indication of the fact that these parties may indeed get an advantage from the presence of a large immigrant population in these regions.

1.3 The Framework for our Analysis

In this analysis we will use the share of the overall votes in the Italian General Elections mainly for two reasons: firstly, we believe that the share of votes to those parties is a good proxy for estimating the "general sentiment" of the population in a particular area. Namely, if xenophobic parties tend to increase their share of the votes, we expect that the population in that area is becoming more xenophobic. Thus, we should expect more discrimination there, compared to areas where the vote share to those parties stayed the same or even went down. Moreover, there is a second reason why votes to right wing parties may influence discrimination on the job market, as increasing votes to parties that carry on xenophobic rhetoric tend to convince even parties that do not share those views that putting in place integration policies may be unpopular, thus stumbling legislative progress on that front. Moreover, if xenophobic parties

grow so much to win the election, they themselves will change policies in order to fuel discrimination (or, at the very least, will do nothing to combat it). These are the main reasons why we think that using votes shares to explain discrimination may be useful.

2 Data

To carry on our analysis we used individual-level data from the Historical Archive of the Bank of Italy's Survey on Italian Household Income and Wealth (from here on, *SHIW*). The archive contains observations from surveys carried on since 1977 by the Bank of Italy, with a frequence of around 2 years.

Our electoral results data are taken from the web portal of the Italian Ministry of the Interior (*Eligendo Historical Archive*). We selected just 3 elections of the Chamber of Deputies: 2008, 2013 and 2018. Results for the Senate are usually not that different, since voters who act "strategically" and split their vote are a negligible fraction of the voter population); thus, selecting the Chamber of Deputies should not affect the validity of our results. For the 2008 and 2013 elections, open data provided municipality-level electoral results, so we simply summed up the votes based on the corresponding region. However, since the electoral law changed in 2018 (when the *Rosatellum* law was put in place for the first time), the way results are published also changed, so we had to deal with municipality-level data, divided into electoral districts, which we had to map onto regions before summing them up.

We decided to sum up every party that had at least a connection to anti-immigrant rhetoric or anti-immigrant policy making. Here we report parties included for each election:

- In 2008: *Forza Nuova*, *Lega Nord*, *La Destra - Fiamma Tricolore* and *Il Popolo della Libertà*
- In 2013: *Forza Nuova*, *Fratelli d'Italia*, *Lega Nord*, *La Destra*, *Casapound Italia*, *Io Amo l'Italia* and *Il Popolo della Libertà*
- In 2018: *Forza Nuova*, *Fratelli d'Italia con Giorgia Meloni*, *Italia agli Italiani*, *Casapound Italia*, *Lega* and *Forza Italia*

The attentive reader, if literate on the subject of Italian politics, will have noted that we have included *"PdL"* and *"Forza Italia"* electoral results as if they were right-wing xenophobic political parties, while they are usually seen as moderate. However, we argue that even if those parties used less violent rhetoric, their policymaking and choice of electoral allies show their true colors. These "moderate" parties were largely responsible for writing Italy's immigration laws, which indicates their opposition to relaxing these policies. Moreover, *"PdL"* up until 2011 included the post-fascist party known as *"Alleanza Nazionale"* which was the descendant of the *"MSI"* political party. Representatives coming from this far-right wing of the party were always less keen on immigration, and especially in the southern region, they reportedly brought a considerable

number of votes to the party, making the choice to not count them unjustifiable in our opinion. However, removing those parties from the vote count does not change the results of the analysis.

Since we had results only from those three elections, we selected only relevant surveys from the bank of Italy. Thus, we matched results from the 2008 election with 2010 survey responses, 2013 results with 2014 surveys, and 2018 with 2020 surveys. Vote shares were stored in the variable `voteshare`.

In the end, we had around 14000 observations to work with. Identification of the same individuals across the different waves of the survey was done through the variable `nquest`, which indicates the family identification code, combined with the variable for region of residence and its year of birth. Of course, having identified the individuals in this way, we had to drop a few observations, mainly from twins.

We then constructed some dummy variables for characteristics such as gender, type of occupation (white-collar, blue-collar or manager), married status and having kids. Also, we changed the education level from a cathegorical variable to years of completed education, based on the highest educational level obtained by the individual. Also, we created dummies for area of residence, dividing individuals between North-East, North-West, Center and South of the country.

After that, we constructed a dummy indicating if `voteshare` is above or below the median in that particular region (considering the corresponding election), another one indicating if it is between the median and the 75th percentile, and then one indicating results above the 75th percentile.

We also created a dummy variable to identify the immigrants. However, this is based on the nation of birth, so only first-generation arrivals can be distinguished (note that this means that second-generation immigrants are included with the Italian population, thus making the wage gap probably smaller).

Some summary statistics on our data can be seen in the table below, divided between the immigrant and native populations.

Variable	Mean	Std. dev.	Min	Max
Female	.451	.498	0	1
Age	45.194	11.678	15	92
Education	12.272	4.147	0	21
Child	.758	.428	0	1
North-West	.234	.423	0	1
North-East	.219	.413	0	1
Center	.210	.407	0	1
South	.336	.472	0	1
White-collar	.137	.344	0	1
Blue-collar	.084	.278	0	1
Manager	.045	.209	0	1

Table 1:
Summary Statistics for the Native Population

Variable	Mean	Std. dev.	Min	Max
Female	.48	.49	0	1
Age	42.327	10.352	18	71
Education	10.538	3.965	0	21
Child	.657	.474	0	1
North-West	.273	.445	0	1
North-East	.384	.487	0	1
Center	.224	.417	0	1
South	.117	.322	0	1
White-collar	.043	.202	0	1
Blue-collar	.148	.355	0	1
Manager	.015	.123	0	1
Disadvantaged	.402	.490	0	1

Table 2:
Summary Statistics for the Immigrant Population

We can see how males are more prevalent in the immigrant population (at least in our dataset), and how their average level of education is lower. Also, we can see how the immigrant population is much more concentrated in the northern regions, accounting for well over 60% of the immigrant population, while for italians, the share of those who live in the north is around 45%

3 Empirical Model

To estimate the wage gap between italians and immigrants and measure the impact of the vote share on that gap, we used the following empirical model:

$$y_{irt}^{imm} = \beta X_{it} + \gamma^{imm} * voteshare_{rt} + \alpha_t + \varepsilon_{it} \quad (1)$$

$$y_{irt}^{it} = \beta X_{it} + \gamma^{it} * voteshare_{rt} + \alpha_t + \varepsilon_{it} \quad (2)$$

Here we have two separate regressions for the immigrant and native populations, where y_{it} is the natural logarithm of income for the individual i in wave t of the survey, X_{it} is a vector of individual characteristics (more details on included variables can be found in the *Results* section), α_t are wave-specific fixed effects, and ε_{it} is the error term.

Our coefficients of interest are γ^{imm} and γ^{it}: from their signs and magnitude we can infer if the gap between the italian and immigrants' salaries is going to increase or decrease when votes to right-wing parties increase in the general election.

As we previously said, we are going to use various methods to measure the change in the share of votes to right-wing parties, and we are going to delve more in-depth into this in the *Results* section.

Our initial model included also regional fixed-effects. However, including them lead to lots of omitted coefficients, since the amount of variability in the `voteshare` variable (only 3 observations per region) is not enough to estimate accurately all the coefficients. Thus, we chose to include regional differences just with 3 dummies for macro-regions in the X_{it} vector. Initially, the idea was to use electoral results at the provincial level, which could have made the use of regional fixed-effects more feasible. However, unfortunately the variable that indicates the province of residence (`iprov`) is unavailable for external users of the *SHIW* survey, for years after 1986, so we had to avoid this path.

After having estimated the coefficients, we will perform an Oaxaca Decomposition in order to see if the existing gap in wages can be explained by the different endowments between the two populations, or if there is indeed taste-based discrimination at play.

3.1 Possible Issues and Limitations

The model we have just outlined can be subject to some issues and limitations, such as:

- Endogeneity: there could be factors affecting both `voteshare` and the wages of immigrants and italians. E.g. regions with higher numbers of immigrants could be more likely to vote for right wing parties. Thus, coefficients can potentially be biased.

- Sample selection bias: individuals who are employed in the informal sector of the economy may be discouraged from participating in the survey. This could also bias our estimate (probably this would underestimate the gap).

- Causality: namely, we cannot say which way the causality flows. It could be that more votes for right-wing parties lead to changes in the wage gap, but it could also be that changes in the wage gap lead to variation in the voteshare.
- Generalizability: obviously, the analysis is carried on in a specific time period and in a specific country, thus the results are hardly generalizable to different countries or even time periods.
- Different sample sizes: since immigrants are a minoritarian share of the italian population, we have about 1.4k observations for them, while for italians we have almost 13k observations. Thus, having a difference of one order of magnitude will probably lead to more precise estimates of coefficients in the italian population compared to the immigrant population.

4 Results

Results of our analysis can be seen in the table presented in the next page. As you can see, in every specification of the model (here, 3 different specifications are reported, with one equation for immigrants and one for natives) there is a common vector of individual characteristics. Namely, we included Working Hours (Weekly), a dummy for Females, Age (also Age^2, omitted from the table because of the small coefficients), Education, a dummy for having children, dummies for type of occupation (Blue-Collar is omitted because of insignificance), dummies for macro-regions of residence, and a dummy for "disadvantaged" immigrants (obviously omitted from the equation for italians). This last dummy was included to differentiate between immigrants of North American and European descent (considered advantaged because of cultural and developmental motives) and everybody else, which is considered disadvantaged and given value of 1.

Then, each specification has a different way to account for regional changes in `voteshare`:

- Model (1) uses the plain `voteshare` variable.
- Model (2) uses a dummy which is given value 1 if the region is above the median share of votes for that particular election.
- Model (3) uses 2 dummies: one for votes between the median and the 75th percentile of the regional distribution of votes, and one for votes above the 75th percentile. This can help us to identify if some regions with supernormal levels of `voteshare` are driving our results.

Examining the results, the first encouraging detail is that coefficients for individual characteristics which are common to all specifications have consistent estimates, and they are all pretty sensible. Note: coefficients here are interpretable as semi-elasticities, so they signifiy percentage changes in the total income of individuals.

	(1) Imm.	(1) It.	(2) Imm.	(2) It.	(3) Imm.	(3) It.
Working hours	0.02***	0.02***	0.02***	0.02***	0.02***	0.02***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Female	-0.27***	-0.23***	-0.27***	-0.23***	-0.27***	-0.23***
	(0.03)	(0.01)	(0.03)	(0.01)	(0.03)	(0.01)
Age	0.05***	0.06***	0.05***	0.06***	0.05***	0.06***
	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)
Education	0.03***	0.05***	0.03***	0.05***	0.03***	0.05***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Child	0.05	-0.04***	0.06	-0.04***	0.06	-0.04***
	(0.03)	(0.01)	(0.03)	(0.01)	(0.03)	(0.01)
White-Collar	0.75*	0.18	0.75*	0.18	0.76*	0.18
	(0.32)	(0.10)	(0.32)	(0.10)	(0.32)	(0.10)
Manager	1.53***	0.62***	1.51***	0.62***	1.53***	0.62***
	(0.33)	(0.10)	(0.33)	(0.10)	(0.33)	(0.10)
North-East	0.08*	0.05***	0.07	0.05***	0.10**	0.06***
	(0.04)	(0.01)	(0.04)	(0.01)	(0.04)	(0.02)
North-West	0.12**	0.05**	0.11*	0.05**	0.13**	0.05***
	(0.05)	(0.02)	(0.04)	(0.02)	(0.04)	(0.02)
South	-0.09	-0.17***	-0.09	-0.17***	-0.08	-0.17***
	(0.06)	(0.01)	(0.06)	(0.01)	(0.06)	(0.01)
Vote share	-0.60*	-0.16				
	(0.25)	(0.09)				
Disadvantaged	-0.15***		-0.16***		-0.15***	
	(0.03)		(0.03)		(0.03)	
Vote > 50th pctile			-0.07*	-0.02*	-0.02	-0.01
			(0.03)	(0.01)	(0.04)	(0.01)
Vote > 75th pctile					-0.11**	-0.03**
					(0.04)	(0.01)
N	1423	12701	1423	12701	1423	12701
R^2	0.407	0.467	0.406	0.467	0.409	0.467

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

We note immediately that the gender wage gap is higher in the immigrant population (about 27% compared to 23% in the native population). Also, returns to education for natives are significantly higher (almost double). Having children seems to have a small positive effect on immigrants' wage. This seems strange, but we can explain it with different attitudes to child bearing and job market participation for females in the immigrant population.

The coefficient estimating the effect of being a "disadvantaged" immigrant is negative and significant, estimated to be about 15%, which is huge compared to other coefficients.

Let's now look at our main variable of interest, starting with Model (1). Here we see that each percentage point increase in the share of votes to right-wing parties seem to affect negatively personal income of immigrants by 6%, and the effect is significant. Note that `voteshare` is measured between 0 and 1 (this is why we need to divide the coefficient by 100). If however we look at the italian population, the effect is smaller and appears to be non-significant. Thus, it seems that there is indeed a widening of the gap between italian and immigrants, as *ceteris paribus*, more votes to right-wing parties seem to imply an higher wage gap.

Turning our attention to Model (2), we see that coefficients indicate a similar effect for immigrants: in regions where votes to right-wing parties are above the median, wages for the immigrants decrease by 7% (note that it is significant only up to 5%). For italians, the effect is also weakly significant, and estimated at only 2%. Thus, even with Model (2) we have a widening of the wage gap.

Ending with Model (3), we see that vote shares between the median and the 75th percentile are not significant in explaining the dynamics of wages, while vote shares above the 75th percentile are significant up to the 1% level. Here, we see that the effect on immigrants' wages is hugely negative, about 11%, while for italians it is just about 3%.

Thus, we saw how there is an increase in the italian-immigrant wage gap that is consistent across specifications. Note that an additional specification was tried to see if the effect was non-linear. For checking this, we tried to add $\texttt{voteshare}^2$ as a regressor, but due to the low number of observations we had, estimates were not significant.

Let's now turn our attention to the Oaxaca Decomposition results. We can see them in the next table (note that most variables are not present in the table due to spacing constraints).

	Model (1)	Model (2)	Model (3)
Overall			
Natives	9.83***	9.83***	9.83***
	(0.01)	(0.01)	(0.01)
Immigrants	9.48***	9.48***	9.48***
	(0.02)	(0.02)	(0.02)
Difference	0.35***	0.35***	0.35***
	(0.02)	(0.02)	(0.02)
Explained	0.11***	0.11***	0.11***
	(0.01)	(0.01)	(0.01)
Unexplained	0.24***	0.24***	0.24***
	(0.02)	(0.02)	(0.02)
Explained			
Vote Share	-0.00		
	(0.00)		
Vote > 50th pctile		0.00*	0.00
		(0.00)	(0.00)
Vote > 75th pctile			0.00**
			(0.00)
Unexplained			
Vote share	0.12*		
	(0.05)		
Vote > 50th pctile		0.04	0.00
		(0.02)	(0.01)
Vote > 75th pctile			0.04**
			(0.02)
N	14124	14124	14124

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

From the table we can see how the difference between immigrants' wages and those of the natives is significant: about 35%. Of this gap, only 11% is explained by differences in the measured endowments, while a staggering 24% is related to unobservable differences, which we can in part link to discrimination. We see also how different "endowments" in `voteshare` do not lead to higher levels of the gap. From the Oaxaca decomposition it seems like the share of votes

going to right-wing parties affects the unobservable part of the wage gap by a significant amount. However, coefficients are weakly significant (apart from the dummy for votes above the 75th percentile) and estimates are not that precise.

5 Conclusions

In the end, we can say that, even if our analysis presented some flaws, we have found some evidences of the existence of - at least - a correlational link between votes to right-wing political parties and the widening of the italian-immigrants wage gap. However, the existence of a causal link and the direction of causality between the two phenomena is everything but defined.

Therefore, there is definitely the need to perform further research into the subject in order to draw more insightful conclusion.

An easy extension, which we didn't perform just because of time constraints is using votes going to other political parties (like the *Democratic Party* or the *Five Star Movement*) to see if they also have a significant impact or not. Not finding any impact would lend more credibility to our estimation results.

Another possible interesting extension of the analysis could be to add more elections, extending the analysis up to the 1994 italian general elections. Before that election, data on the immigrant population may be too scarce to use, and also the political landscape was too different to perform consistent analysis.

Another promising avenue could be the use of provincial-level electoral results, instead of only regional-level ones. Of course, having 110 different observations per elections would add much needed variability to the `voteshare` variable, thus generating more consistent results.

References

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