




International
Labour
Organization

A young woman with dark hair tied back, wearing a pink floral shirt, is focused on her work in a garment factory. She is working on a piece of dark fabric, possibly a bag or a piece of clothing. In the background, other workers are visible, some sitting at tables. The scene is brightly lit, and the overall atmosphere is one of industriousness.

▶ **The migrant pay gap:
Understanding wage differences
between migrants and nationals**

Executive summary

► Key findings

This report presents a comprehensive global analysis of the migrant pay gap based on data covering 49 countries (33 High Income Countries (HICs) and 16 Low- and Middle-Income Countries (LMICs)) and about a quarter of wage employees worldwide. The 49 countries host nearly half of all international migrants and roughly 33.8 per cent of migrant workers worldwide. The report aims to contribute to efforts towards achieving the SDG targets 8.5 and 8.8, which respectively call for equal pay for work of equal value, and protected labour rights for all workers, including migrant workers, in particular women migrant workers and those in precarious employment in the framework of the United Nations agenda for 2030.

The following summarizes the key messages and conclusions from the study:

- A. **Migrant workers in HICs earn about 12.6 per cent less than nationals, on average.** Notable variations, however, exist among countries and across different wage groups, with migrant workers earning as much as 42.1 per cent less than nationals on average (in Cyprus), and 71 per cent less than nationals among low-skilled workers.
- B. **Within a labour market already quite unfavourable to migrant workers in HICs, women migrant workers face a double wage penalty, both as migrants and as women.** The pay gap between men nationals and migrant women in HICs, for example, is estimated at 20.9 per cent, which is much wider than the aggregate gender pay gap in HICs (16.2 per cent).
- C. **Migrant care workers in HICs (majority of whom are women) also face a double wage penalty for being migrants and care workers.** The pay gap between migrant care workers and non-migrant care workers is about 19.6 per cent compared to the aggregate migrant pay gap of 12.6 per cent.
- D. **The migrant pay gap has widened in many HICs compared to ILO's previous estimates.** Among the 20 countries with the most significant migrant pay gaps, the estimated pay gap has widened in more than half of them compared to previous estimates reported in the ILO Global Wage Report 2014/15. The pay gap in these countries has increased by 1.3 to 26.4 percentage points.
- E. Migrant workers have been among the hardest hit by the economic downturn associated with the COVID-19 pandemic, both in terms of employment losses and a decline in earnings for those who have remained in employment.
- F. Despite similar levels of education, migrant workers in HICs tend to earn less than their national counterparts within the same occupational category.
- G. **Migrant workers in HICs are more likely to work in lower-skilled and low-paid jobs that do not match their education and skills. Higher-educated migrant workers in HICs are also less likely to attain jobs in higher occupational categories relative to non-migrant workers.** This reflects the fact that migrants in HICs are likely to be affected by skills mismatch and have difficulties transferring their skills and experience across countries, in large part due to lack of adequate skills recognition systems for qualifications of migrant workers.
- H. **Among LMICs, migrant workers tend to earn about 17.3 per cent more than nationals on average, with notable exceptions.** This is due, in part, to the significant proportion of temporary high-skilled expatriate workers among the total migrant population in some countries who tend to pool up the average wage of migrant workers.
- I. **A significant part of the migrant pay gap remains unexplained even when workers' characteristics such as education, experience, age, or location are accounted for.** About 10 percentage points of the estimated 12.6 per cent migrant pay gap in HICs remains unexplained by labour market characteristics of migrant workers and nationals. This may point to discrimination against migrant workers with respect to pay.

- J. **If the unexplained part of the migrant pay gap is eliminated, the migrant pay gap would nearly disappear in many countries and reverse in others.** If wages were set based on factors such as education, experience and age, the migrant pay gap would stay very low in many countries and would even reverse in favour of migrant workers in some countries.
- K. **The rate of working poverty among migrants, in particular migrant women would significantly reduce if the unexplained part of the pay gap is to be eliminated.** Measures to eliminate the unexplained part of the migrant pay gap can reduce the proportion of low-paid migrant workers, by about 49 per cent in the sample of HICs and about 12 per cent in the sample of LMICs.
- L. **In some selected countries (14 LMICs and two HICs), 62.4 per cent of migrant wage workers are informally employed compared to 50.8 per cent of nationals.** Informal employment is higher among migrant women than among their men counterparts.
- M. **In HICs, migrant workers are disproportionately represented in the primary sector and take far more jobs in the secondary sector than their national counterparts.** More migrant workers, in particular migrant women, tend to work under temporary contracts and part-time.

► Executive summary

In many countries, men and women migrant workers represent a significant share of the workforce and contribute importantly to societies and economies.¹ According to the most recent ILO estimates, there are 164 million migrant workers worldwide, of whom close to half are women. Despite the positive migration experiences of many, migration is frequently associated with abusive practices and non-respect of fundamental rights at work. Migrant workers often face inequality of treatment in the labour market, including with respect to wages, access to employment and training, conditions of work, social security, and trade union rights. Moreover, recruitment fraud and abuse can cause migrant workers, especially low- and semi-skilled workers, to face high recruitment fees and related costs depleting their wages and savings. One way to measure inequalities between migrant workers and nationals is by comparing the earnings of migrant workers to that of non-migrant workers with similar labour market characteristics.

The general principle of equal pay for work of equal value is set out in the preamble of the ILO Constitution and in ILO standards concerning equality and non-discrimination. The dedicated ILO Conventions concerning migrant workers also require ratifying States to ensure equal treatment between migrant workers and nationals with respect to remuneration. However, the ILO supervisory bodies have noted on several occasions non-compliance with this principle and have pointed to significant unlawful differences between migrant workers and nationals, in law or in practice.

Previous ILO research, including the ILO Global Wage Report 2014/15,² has also highlighted the existence of significant wage differences (called the migrant pay gap) between migrant workers and non-migrant workers in some countries. At the national level, there have been attempts to analyse the migrant pay gap in several countries (some of which are documented in this report). However, global analysis of the migrant pay gap is

limited. Nonetheless, understanding the migrant pay gap is critical not just for ensuring protection of men and women migrant workers around the world and avoiding social dumping, but also, for avoiding unfair competition and labour market distortions. Addressing the migrant pay gap, including by affording migrant workers equality of treatment, will contribute to well-functioning labour markets, which will be particularly important as countries seek to emerge and build back after the COVID-19 crisis. Further analysis is needed to understand the extent of the migrant pay gap around the world, including differences in pay between migrant men and migrant women. This report is a first attempt to capture the migrant pay gap, including its gender dimension at the global level.

The report uses recent available data from 49 countries (where labour market data covering wages of migrant and non-migrant workers are available) that span the five regions of the ILO and which together represent about a quarter of wage employees worldwide.³ The 49 studied countries, comprising 33 High Income Countries (HICs) and 16 Low- and Middle-Income Countries (LMICs), host nearly half (49.4 per cent) of all international migrants and roughly 33.8 per cent of migrant workers worldwide. It is important to note that the quantitative data on labour market outcomes, including data on wages of migrant and non-migrant workers used for the analysis in this report predate the COVID-19 crisis period.

Based on the data sets, the report discusses differences in labour market outcomes of migrant workers and nationals of the 49 countries, including gender differences. It highlights migrant pay gaps across these countries with a view to facilitating the adoption and implementation of evidence-based labour migration policies around the world, ensuring that these are gender-responsive. The report also contributes to the work towards achieving SDG targets 8.5 and 8.8, which respectively call for “equal pay for work of equal value” and “protected

1 For example, using the most recent wave of the European Union (EU) Labour Force Survey, Fasani and Mazza (2020a), in *Immigrant Key Workers: Their Contribution to Europe's COVID-19 Response*, quantify the prevalence of migrant workers in key professions that the European Commission and Member States have identified and show that migrant “key workers” are essential for critical functions in European societies. They also highlight the contribution of migrant workers to the ongoing effort to keep basic services running in the European Union during the COVID-19 epidemic.

2 ILO. 2015. *Global Wage Report 2014/15. Wages and Income Inequality*. Geneva.

3 Majority of countries and territories do not have labour market data that include wages of both migrant and non-migrant workers.

labour rights for all workers, including migrant workers, in particular women migrant workers, and those in precarious employment.” In addition, the information contained in the report can help set the basis for monitoring wage inequalities between migrant workers and non-migrant workers around the world, and between migrant men and migrant women; help support the case for closing these gaps in line with principles set out in the ILO instruments concerning migrant workers; and encourage further research on policies and practices that are effective for promoting change.

For the purpose of this report, the migrant pay gap – expressed in its simplest form – refers to the difference in average wages between all non-migrant workers and all migrant workers who are engaged in paid employment.

Migrant workers earn 12.6 per cent less per hour than nationals in high-income countries and 17.3 per cent more per hour than nationals in low- and middle-income countries

Based on mean wages, the report estimates that migrant workers earn about 12.6 per cent and 8.6 per cent less per hour than non-migrant workers in the sample of 33 High Income Countries (HICs) and across the Member States of the EU,⁴ respectively, while in the sample of 16 Low- and Middle-Income Countries (LMICs) migrant workers tend to earn about 17.3 per cent more per hour than non-migrant workers (see figure E-1). Nevertheless, there are notable variations across countries. A possible reason migrant workers tend to earn more on average than non-migrant workers in some LMICs, among others, is the likelihood of a relatively high proportion of temporary high-skilled “expatriate” workers among the total migrant population in those countries.

Table E-1 shows the list of the 20 widest migrant pay gaps among the countries covered in the report based on the latest available data. The table also

compares these latest estimates with those found in the ILO Global Wage Report 2014/15. The list features 18 HICs and two LMICs (Costa Rica and Jordan). On top of the list is Cyprus where men and women migrant workers earn as much as 42.1 per cent less than non-migrant workers, which is a 7.3 percentage points increase from the estimated gap in 2010 (34.8 per cent) according to the ILO Global Wage Report 2014/15. Slovenia and Costa Rica have the second and third widest migrant pay gaps (33.3 per cent and 30.1 per cent, respectively) while Italy and Jordan have the fourth and fifth widest gaps. While the migrant pay gap has reduced in six countries (Argentina, Denmark, Estonia, Greece, Iceland, Spain), it has increased in the remaining countries for which past estimates are available.

Further differences arise when comparisons are done using monthly earnings rather than hourly wages. In fact, using four different combinations – mean hourly, median hourly, mean monthly, and median monthly – the report finds that the migrant pay gap in hourly wages is smaller than the gap in monthly earnings (reflecting inequalities in working time), although the size of the gap varies across countries and across income groups. Figure E-1 shows the different estimates based on hourly wages and monthly earnings. For example, the weighted migrant pay gap in the sample of HICs ranges from about 12.6 per cent (in the case of mean hourly wages) to 18.4 per cent (in the case of median monthly earnings) in favour of non-migrant workers. Similarly, the estimates for the EU range from about 8.6 per cent (in the case of mean hourly wages) to 16.8 per cent (in the case of median monthly earnings) in favour of non-migrant workers. In the sample of LMICs, however, a different situation emerges. The estimates range from about 7.5 per cent (in the case of median hourly wages) to 19.1 per cent (in the case of mean monthly earnings) in favour of migrant workers.

Unlike the standard approach where the migrant pay gap simply looks at the difference between the average (or median) earnings of all non-migrant workers and the average (or median) earnings of all migrant workers, a different picture emerges when education, age, and gender are used as factors to account for composition effects in estimating the migrant pay gap. This results in what

4 The United Kingdom is included for the reporting period, while Germany is excluded due to unavailability of data at the time of writing this report.

► Table E-1: The 20 widest migrant pay gaps, latest years

Rank	Country	Migrant pay gap (latest year) (%)	Migrant pay gap 2014/15* (%)	Income Group
1	Cyprus	42.1	34.8	HICs
2	Slovenia	33.3	6.9	HICs
3	Costa Rica	30.1	n/a	LMICs
4	Italy	29.6	26.7	HICs
5	Jordan	29.5	n/a	LMICs
6	Portugal	28.9	25.4	HICs
7	Spain**	28.3	29.9	HICs
8	Luxembourg	27.3	14.9	HICs
9	Austria	25.3	15.8	HICs
10	Greece**	21.2	29.9	HICs
11	Estonia**	21.0	22.7	HICs
12	Ireland	20.6	19.2	HICs
13	Netherlands	19.9	16.5	HICs
14	Argentina**	18.1	22.0	HICs
15	Iceland**	17.8	24.4	HICs
16	Denmark**	17.3	21.0	HICs
17	United States	15.3	n/a	HICs
18	Latvia	15.1	9.0	HICs
19	Norway	15.0	12.2	HICs
20	Belgium	12.7	9.8	HICs

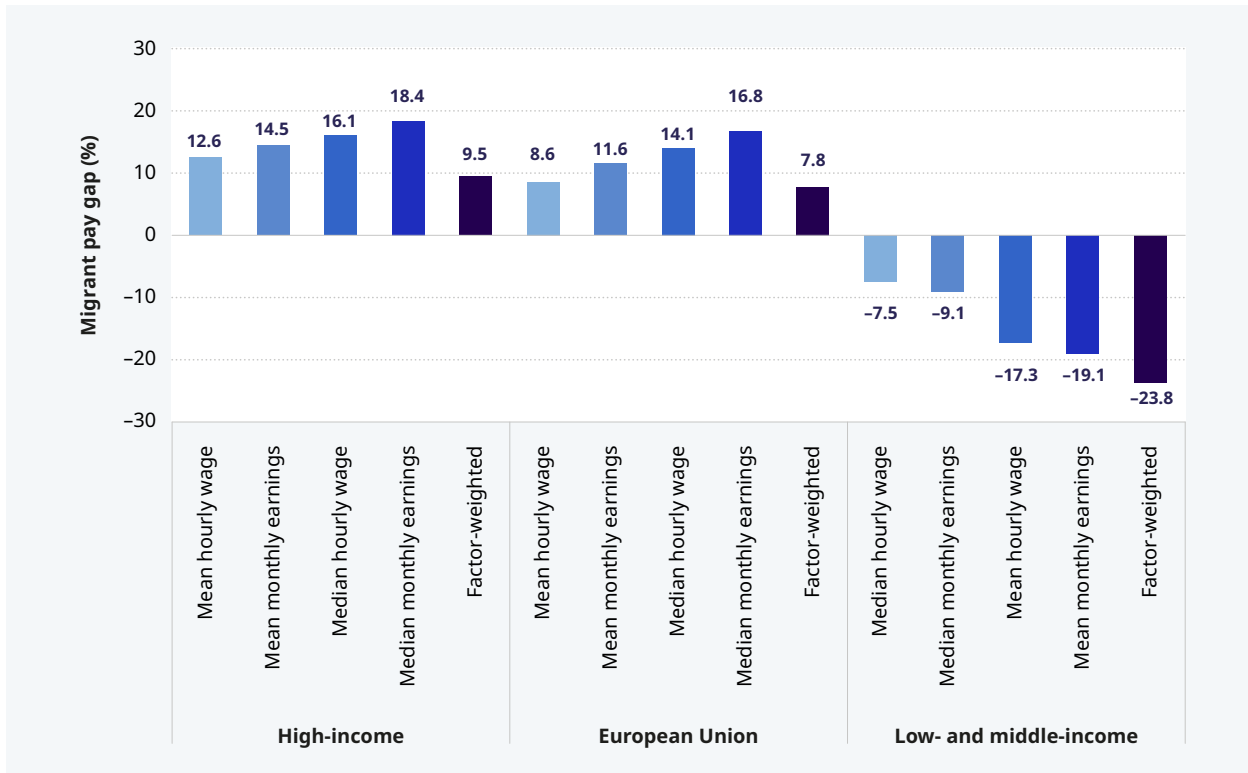
Notes: Estimates are based on mean hourly wages. HICs = High Income Countries. LMICs = Low- and Middle-Income Countries. * Retrieved from the ILO Global Wage Report 2014/15. "n/a" indicates that the estimate was not available in the ILO Global Wage Report 2014/15. Migrant pay gap decreased from the previous estimate based on the ILO Global Wage Report 2014/15. Migrant pay gap increased from the previous estimate based on the ILO Global Wage Report 2014/15.

is called the *factor-weighted* migrant pay gap.⁵ In comparison to the migrant pay gap based on the standard approach, the mean hourly migrant pay gap based on the factor-weighted approach declines to approximately 9.5 per cent (in favour of nationals) in the sample of HICs and 7.8 per cent (in favour of nationals) in the EU. However, in the sample of LMICs, migrant workers tend to earn about 23.8 per cent more than their national

counterparts when the factor-weighted approach is used. Relative to the standard approach, the pay gap based on the factor-weighted approach is narrower in the sample of HICs and the EU, and wider in the sample of LMICs because the latter accounts for composition effects in estimating the pay gap; effects that result from the existence of clusters of few workers – especially migrant workers – at certain locations in the wage distribution.

⁵ The *factor-weighted* migrant pay gap reduces composition effects caused by the existence of clusters in the wage or earnings distribution of wage workers. In essence, migrant and non-migrant wage workers are somewhat grouped into homogeneous subgroups based on education, age and gender, and then the migrant pay gap is estimated for each of the subgroups. A weighted sum of all the subgroups' specific migrant pay gaps is estimated to obtain the *factor-weighted* migrant pay gap, with the weights reflecting the size of each subgroup in the population.

► **Figure E-1: Summary of the migrant pay gap based on different estimation approaches**



Notes: Estimates are based on data from a relatively small sample of countries (33 HICs and 16 LMICs). The analysis yields opposing estimates for the sample of HICs and LMICs. Possible reasons for the opposing findings may include, among others, the relatively small sample of LMICs covered by the report; the relatively small proportion of migrant workers in LMICs; and the composition of jobs among migrant workers in LMICs (for example, the likelihood of a relatively high proportion of temporary high-skilled “expatriate” workers among the total migrant population in some countries).

Migrant women and migrant care workers in HICs pay a double wage penalty

According to ILO global estimates, nearly half of the world’s migrant workers today are women. Migrant women workers also represent a significant share of those in domestic work, comprising 73.4 per cent (or 8.45 million) of all migrant domestic workers around the world (in 2013). However, in HICs, migrant women workers tend to pay a double wage penalty for being both women and migrants, a finding consistent with results from the OECD’s International Migration Outlook 2020.⁶ Likewise, in the care economy where work is often undervalued, migrant care workers – the majority of whom are women – pay a larger wage penalty relative to

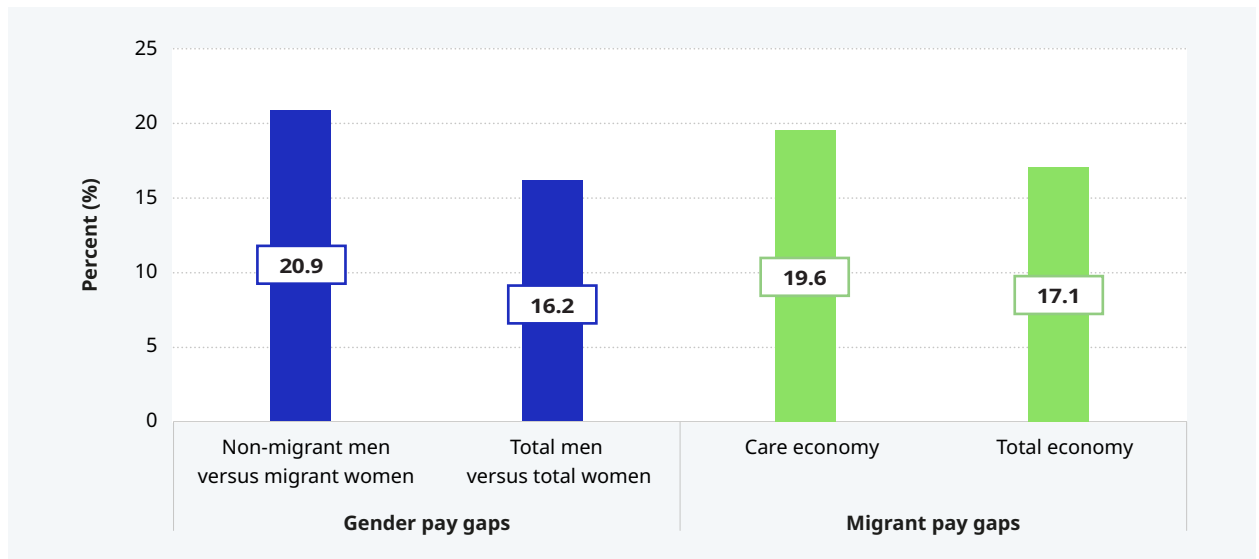
the average migrant worker in HICs. This finding corroborates previous ILO findings, which reveal that due to the asymmetries between countries of origin and destination and often inconsistent law and policy on migration and care, working conditions of migrant care workers tend to differ to a greater or lesser extent from those of their national counterparts.⁷ The care economy, though very broad, is defined in this report to include workers in education, health and social work sectors, including domestic and personal care workers, and care workers in non-care sectors.

The pay gap between non-migrant men and migrant women (based on mean hourly wages) in the sample of HICs is estimated at approximately 20.9 per cent, which is much wider than the estimated aggregate gender pay gap in HICs (16.2 per cent) (see figure E-2). The mean pay gap between

6 OECD (2020), International Migration Outlook 2020, OECD Publishing, Paris, <https://doi.org/10.1787/ec98f531-en>.

7 International Labour Organization (ILO). 2018. *Care work and care jobs for the future of decent work* (Geneva). King-Dejardin, A. 2019. *The social construction of migrant care work. At the intersection of care, migration and gender* (Geneva, ILO).

► **Figure E-2: Double penalties for migrant women and migrant care workers in HICs**



Note: The aggregate gender pay gap is retrieved from the ILO Global Wage Report 2018/19.

migrant workers and non-migrant workers – men and women combined – in the care economy is approximately 19.6 per cent per hour as compared to the aggregate pay gap between all migrant workers and non-migrant workers of about 17.1 per cent in the sample of countries for which care workers can be uniquely identified. Understanding the underlying causes for these double wage penalties in the national context, and adopting measures to eliminate them, would significantly contribute to reducing wage inequalities.

Estimating migrant pay gaps at different points in the wage distribution provides insights on how targeted policies can affect these gaps

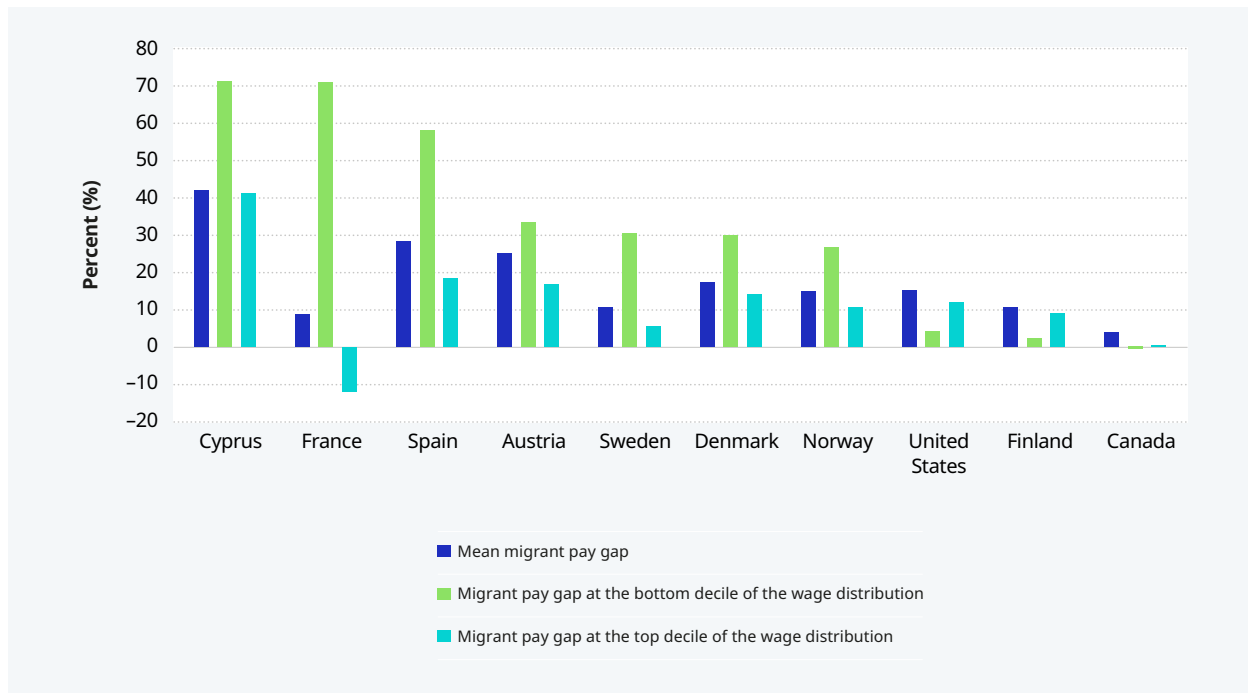
Migrant workers are often concentrated at certain locations in the wage distribution, for example, around the minimum wage. To identify where in the wage distribution the migrant pay gap is widest, the report estimates the hourly migrant pay gap at ten different locations in the wage distribution, that is, the gap for the bottom 10 per cent wage earners up to the gap for the top 10 per cent earners.

The results show that the pay gap varies significantly across the hourly wage distribution of each country. The following patterns appear to stand

out. First, in some countries, there is a tendency for the migrant pay gap to be strikingly high at the bottom deciles but declines steadily from the lower to upper points in the hourly wage distribution. This could possibly imply non-compliance with or exclusion of migrant workers from minimum wage legislation. Exclusion from minimum wage coverage can take many forms. In some countries, national provisions in force may explicitly provide for reduced minimum wage rates for migrant workers. Migrant workers could also be excluded because there is no minimum wage for the sector in which they are primarily employed. Likewise, migrants may not benefit from minimum wage coverage because they are not members of a trade union that is a party to the collective agreement covering the sector of activity concerned.

Among the sample of HICs, this is the case in Austria, Cyprus, Denmark, France, Norway, Spain, and Sweden, where the migrant pay gap at the first and/or second deciles of the hourly wage distribution widens significantly. However, the gap shrinks as it moves from the lower to upper ends of the wage distribution. Figure E-3 reports the mean migrant pay gap in the economy together with the pay gap at the top and bottom deciles of the wage distribution for the aforementioned countries. Clearly, the pay gap at the bottom decile far outweighs the mean migrant pay gap in each of these countries. In the case of France, for example, although the mean gap is estimated at about

► Figure E-3: The mean migrant pay gap and the pay gap at the top and bottom deciles of the wage distribution



Note: Estimates are based on mean hourly wages.

9.0 per cent, the gap at the bottom decile of the wage distribution is approximately 71.1 per cent but declines sharply to about 6.3 per cent at the ninth decile and eventually becomes negative at the tenth decile. This magnitude of disparity has significant policy implications for poverty eradication and for ensuring decent work among low-skilled migrant workers. For comparison, the figure also presents estimates for Canada, Finland, and the United States in which case the pay gap at the bottom decile is lower than the overall migrant pay gap.

Second, in other countries, although the migrant pay gap appears to be lower at the bottom and top deciles of the hourly wage distribution, the gap is very high in the middle of the distribution. This may possibly reflect underrepresentation of migrant workers in collective representation structures in the middle of the distribution because of difficulties in organizing or because nationals dominate the overall representation, a phenomenon that could be exacerbated if migrants are perceived as a low-wage employment threat to nationals.⁸ This pattern

is common in countries such as Argentina, Belgium, Canada, Iceland, Luxembourg, the Netherlands, and the United States. For example, in the case of Canada, the migrant pay gap at the bottom and top deciles of the hourly wage distribution are -0.6 per cent and 0.4 per cent (Figure E-3), respectively, but it increases to about 6.5 per cent in the middle of the distribution (i.e. from the fifth to the eighth decile).

Third, and particularly in some LMICs, the migrant pay gap widens and narrows, and reverses in favour of nationals or in favour of migrant workers across the hourly wage distribution. This pattern can give an indication of where in the wage distribution temporary high-skilled “expatriate” workers are located in these countries. In Gambia for example, non-migrant workers tend to earn more than migrant workers from the bottom to the fourth decile of the wage distribution. However, the gap reverses in favour of migrant workers from the fifth to the top decile of the distribution, peaking at the ninth decile where migrant workers earn about 54.8 per cent more than non-migrant workers.

8 Rubery, J. 2003. *Pay equity, minimum wage and equality at work*, InFocus Programme on Promoting the Declaration on Fundamental Principles and Rights at Work, Working Paper No. 19 (Geneva, ILO).

A significant part of the migrant pay gap remains unexplained

The report shows that in almost all the studied countries there are wage gaps between non-migrant workers and migrant workers. These gaps arise for multiple and complex reasons that differ from one country to another and vary at different locations in the overall wage distribution.

Similarly to the ILO's Global Wage Report 2018/19, this report adapts the decomposition techniques pioneered by Fortin, Lemieux and Firpo (2011)⁹ to divide the migrant pay gap (at different locations in the wage distribution) into two parts: an "explained" part, which is accounted for by observed labour market characteristics, and an "unexplained" part, which captures wage discrimination and includes characteristics that should in principle have no effect on wages. Labour market characteristics here are the so-called human capital characteristics (e.g. age, experience and education); the characteristics that define the jobs held by individuals (e.g. occupational category, contractual conditions or working time); the characteristics that describe the workplace where production takes place (e.g. industrial sector, size of enterprise, geographical location); and personal characteristics such as gender.

The report finds that, on average, education and other observed labour market characteristics explain a relatively small part of the migrant pay gap at different locations in the wage distribution. The unexplained part of the migrant pay gap largely dominates the explained part in most countries, irrespective of income group. On the one hand, the report shows that about 10 percentage points of the weighted migrant pay gap of approximately 12.6 per cent (based on average hourly wages) in the sample of HICs remains unexplained by observed labour market characteristics of migrant workers and nationals. On the other hand, nearly all the 17.3 per cent of the pay gap in favour of migrant workers in LMICs is unexplained, on average. It is significant to add that there are notable exceptions, as well as wide variations across countries and across the wage distribution. Among HICs, differences in observed labour market character-

istics have sizeable effects on the migrant pay gap in countries such as Austria, Canada, Luxembourg, Norway, Portugal, Slovenia, the United Kingdom, and the United States, though a significant part still remains unexplained. Among LMICs, the same is true of Bangladesh, Costa Rica, Gambia, Jordan, the United Republic of Tanzania, and Turkey. But in most countries, a large part of the migrant pay gap remains unexplained. For example, in Cyprus (which has the widest estimated pay gap in the sample of HICs), only about 4.4 percentage points of the pay gap of 42.1 per cent is explained by observed labour market characteristics of migrant workers and nationals. Other countries with significantly higher levels of unexplained pay gaps include Argentina, Belgium, Denmark, Greece, Iceland, Ireland, Italy, Jordan, Netherlands, and Spain. In the United States, on the other hand, about 10 percentage points of the estimated migrant pay gap of 15.2 per cent is explained by observed labour market characteristics. Chapter three, section 3.5 shows estimates for all the countries covered in the report.

For similar levels of education, migrant workers in HICs tend to earn less than nationals within the same occupational category

Findings from the report show that, for a given occupation, migrant workers' education levels are similar (at the least) to that of nationals, in particular in the sample of HICs. In spite of this, the results show that, migrant workers tend to earn significantly less than non-migrant workers with the same occupation in most of the studied countries.¹⁰ For example, in the case of France, although migrant workers account for only 3.4 per cent of professional positions across the country, they have similar educational scores as nationals in this occupational category (24.7 and 23.7, respectively). Nevertheless, these migrant workers still earn around 22 per cent less per hour than their national counterparts. This illustrates the fact that migrant workers tend to have lower wage returns to their education relative to nationals, even when they have the similar occupations as nationals.

9 Fortin, N.; Lemieux, T.; Firpo, S., 2011. "Decomposition methods in economics", in O. Ashenfelter and D. Card (eds): *Handbook of Labor Economics* (Amsterdam, Elsevier), pp. 1–102.

10 For example, in Argentina, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, and the United States.

This phenomenon is compounded by the fact that migrants in HICs are typically likely to be affected by skills mismatch and may have difficulties transferring their skills and experience across countries. Moreover, migrant workers’ skills may not be fully recognized by employers and they may resort to continuous work in lower-skilled and low-paid jobs that do not account for their higher skills. The report also finds that, given similar levels of education, the probability of being employed in a semi- or high-skilled job is much lower for migrant workers in HICs than for non-migrant workers in these countries.

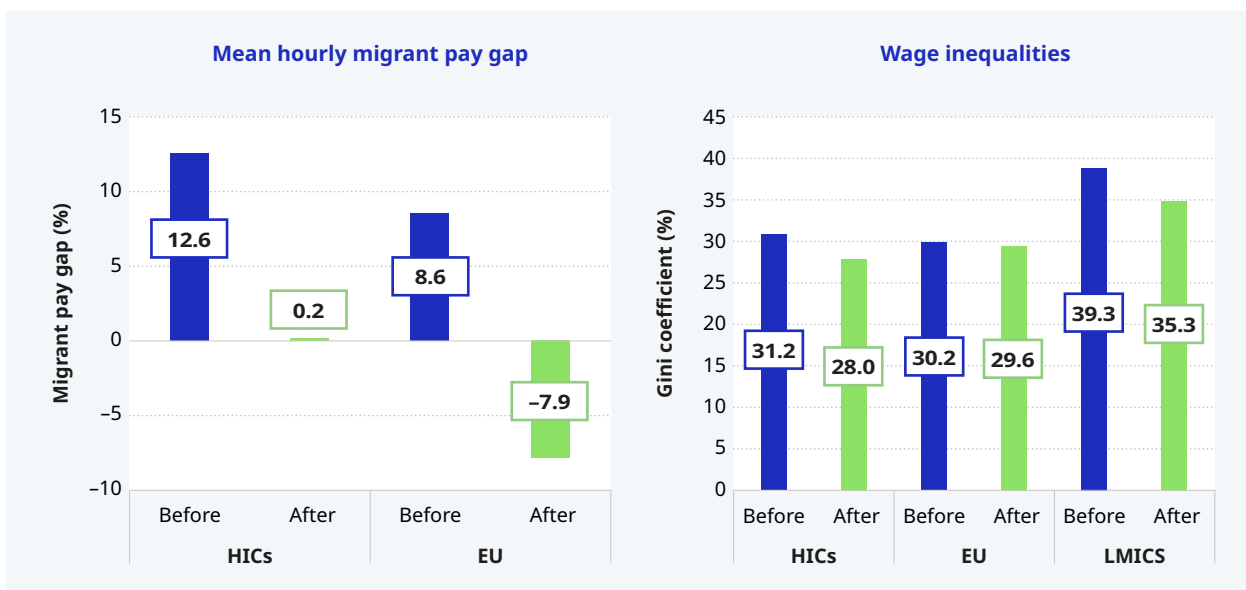
Measures to eliminate the unexplained part of the migrant pay gap would keep pay differentials between nationals and migrant workers low, and reduce overall wage inequalities

Based on a counterfactual wage distribution of migrant workers, the report shows that the migrant pay gap would generally stay narrow if migrant workers were equally remunerated as nationals for their labour market characteristics. Once labour market characteristics are taken into

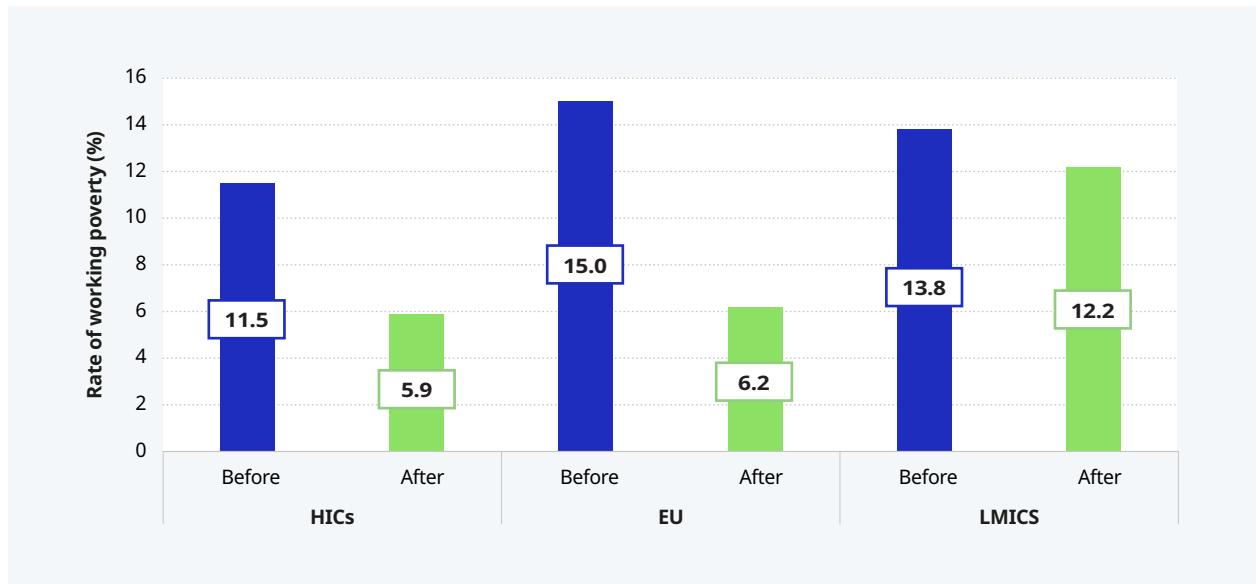
account and any remaining unexplained pay gap is eliminated, among the sample of HICs, the migrant pay gap would nearly disappear in countries like Argentina, Belgium, Denmark, Finland, Italy, and Sweden; and would reverse in favour of migrant workers in Chile, Cyprus, France, Greece, Hungary, Ireland, Latvia, the Netherlands, and Spain. It would decline substantially but remain positive in Austria, Canada, Luxembourg, Portugal, Slovenia, Switzerland, and the United States. On average, the migrant pay gap across the sample of HICs would decline substantially from approximately 12.6 per cent to about 0.2 per cent if wages were set according to observed labour market characteristics. In the EU, the migrant pay gap would reverse from about 8.6 per cent to about -7.9 per cent, on average (figure E-4). Among the sample of LMICs, the migrant pay gap would remain negative in some countries, while it would be positive in others.

Additionally, measures to eliminate the unexplained part of the migrant pay gap can help to reduce overall wage inequalities across countries. The report estimates that the Gini inequality coefficient – which expresses the level of wage inequalities within the economy – would reduce from about 31.2 per cent to approximately 28.0 per cent on average in the sample of HICs, from about 30.2 per cent to 29.6 per cent in the EU, and from about 39.3 per cent to 35.3 per cent in the sample of LMICs (figure E-4).

► Figure E-4: The migrant pay gap and overall wage inequalities before and after eliminating the unexplained part of the migrant pay gap



► **Figure E-5: Working poverty among migrant workers before and after eliminating the unexplained part of the migrant pay gap**



Thus, in countries where the unexplained part of the migrant pay gap is significantly high, eliminating this gap would help enhance skills and jobs matching for men and women migrant workers, and promote equality as well as economic productivity and development across countries.

Measures to eliminate the unexplained part of the migrant pay gap can help reduce working poverty among migrant workers

Given the significant size of the unexplained part of the migrant pay gap, measures that eliminate this part of the gap would help to reduce the rate of working poverty among migrant workers, especially among migrant women. By defining working poverty (low-paid workers) as “the proportion of workers earning less than half of the median hourly wage”, eliminating the unexplained part of the migrant pay gap would reduce the proportion of low-paid migrant workers, by roughly 49 per cent in the sample of HICs (from about 11.5 per cent to 5.9 per cent), by about 59 per cent in the EU (from around 15.0 per cent to 6.2 per cent), and about 12 per cent in the sample of LMICS (from about 13.8 per cent to 12.2 per cent) (figure E-5).

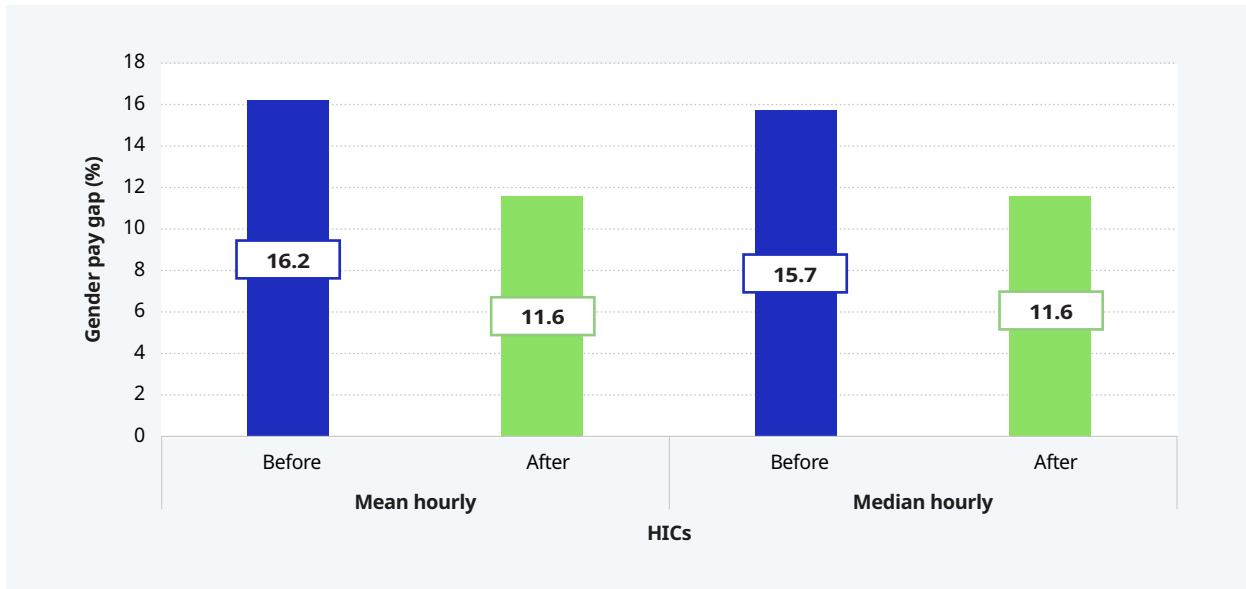
Measures to eliminate the unexplained part of the migrant pay gap can help reduce the aggregate gender pay gap in the economy

In addition to reducing the migrant pay gap, wage inequalities, and working poverty among migrant workers, the report finds that measures that eliminate the unexplained part of the migrant pay gap can help to reduce the aggregate gender pay gap between all men and all women in the economy, particularly in HICs. The report estimates that the aggregate gender pay gap in favour of men across the sample of HICs would decline from around 16.2 per cent to approximately 11.6 per cent when using mean hourly wages, and from about 15.7 per cent to 11.6 per cent when using median hourly wages (figure E-6).

Other salient differences in labour market characteristics of migrant workers and nationals

Similarly to the ILO Global Estimates on International Migrant Workers (2018b), this report

► **Figure E-6: The aggregate gender pay gap before and after eliminating the unexplained part of the migrant pay gap**



finds that migrants of working age in the sample of HICs tend to have higher labour force participation than non-migrants, on average (72.1 per cent and 69.0 per cent, respectively), with notable variations across countries. Among the sample of LMICs, however, migrants of working age tend to have lower labour force participation than non-migrants, on average (62.0 per cent and 64.6 per cent, respectively). In terms of distribution by sex, migrant men tend to have higher labour force participation rates than their non-migrant counterparts, on average, in the sample of HICs (83.1 per cent and 74.1 per cent, respectively), but have lower participation rates than their non-migrant counterparts in the sample of LMICs (78.6 per cent and 81.7 per cent, respectively), with variations across countries. Among women, migrant women tend to have lower labour force participation rates than non-migrant women, on average, in both the samples of HICs (61.3 per cent and 64.0 per cent, respectively) and LMICs (45.9 per cent and 48.4 per cent, respectively).

The report finds that more active migrant participants (in the labour market), especially women migrants, in 14 of the studied countries – where data on informality is available – tend to be informally employed compared to the non-migrant workforce. Notably, about 63.2 per cent of the

non-migrant workforce in the 14 studied countries are employed in the informal economy, compared to about 66.5 per cent of migrant workers. The gap among wage workers is even wider, with about 50.8 per cent of non-migrant wage workers employed in the informal economy compared to 62.4 per cent of migrant wage workers. In terms of distribution by sex, informal employment is higher among migrant women than among migrant men, on average (66.4 per cent and 65.7 per cent, respectively). Likewise, informality is higher among women nationals than among their men counterparts (67.1 per cent and 60.9 per cent, respectively).¹¹ It is significant, however, to add that the estimates cover only two HICs (Argentina and Chile) and 12 LMICs. These countries host roughly only 5.3 per cent of international migrants and about 3.0 per cent of migrant workers worldwide.

By looking at the distribution of wage workers by industrial sector, the report finds that, on average, migrant wage workers, compared to nationals, are disproportionately represented in the primary sector – agriculture, fishing and forestry – in the sample of HICs (2.5 per cent and 1.5 per cent, respectively), while in the sample of LMICs, the proportions of both groups are similar (10.6 per cent and 10.3 per cent, respectively). In the sample of HICs, more migrant

¹¹ The estimates are weighted to account for each country's population size. Based on simple averages, about 70.3 per cent of the non-migrant workforce in the 14 studied countries have informal employment compared to about 70.4 per cent of migrant workers. In terms of sex, about 74.8 of migrant women active in the labour market engage in the informal economy compared to 66.4 per cent of migrant men.



Cape Town, South Africa – August 2020: African business woman start her own small business, informal trading during the COVID-19 pandemic. © shutterstock.com

wage workers than nationals take up secondary sector jobs – mining and quarry; manufacturing; electricity, gas and water; and construction – (26.8 per cent and 20.8 per cent, respectively), while in the sample of LMICs, they (migrant wage workers) tend to take up fewer secondary sector jobs, on average, than nationals (24.9 per cent and 32.6 per cent, respectively). However, while there is a tendency for fewer migrant workers to be employed in the tertiary sector (i.e services) than nationals in HICs (70.7 per cent and 77.7 per cent, respectively), they tend to take up more tertiary sector jobs than nationals in the sample of LMICs, on average (64.6 per cent and 57.1 per cent, respectively), with few exceptions, including in Costa Rica, the Gambia, Jordan, Namibia, Nepal, and Turkey. In terms of distribution by gender, migrant men wage workers tend to work more than their national counterparts in the primary and secondary sectors in the sample of HICs and the tertiary sector in the sample of LMICs Similarly, migrant women wage workers tend to work more than their national counterparts in the primary and secondary sectors in the sample of HICs and the primary and tertiary sectors in the sample of LMICs.

Similar to findings from previous ILO research, the report shows that migrant workers in both the samples of HICs and LMICs are, on average, more likely than nationals to work under temporary contracts (27.0 per cent and 14.9 per cent, respectively in the sample of HICs, and 42.9 per cent and 41.7 per cent, respectively in the sample of LMICs), with few exceptions including Australia, Canada, Chile, Hungary, Ireland, and Latvia (among the sample of HICs); and Bangladesh, Malawi, and Mexico (among the sample of LMICs), and variations across countries. This corroborates the findings of earlier ILO research¹² according to which migrant workers are particularly prone to be employed in non-standards jobs. Entry through temporary migration programmes or individual characteristics are often one of the reasons. In addition, migrant workers tend to be overrepresented in sectors with traditionally high incidence of non-standard jobs. As a consequence, migrant workers may also be more likely to suffer from the disadvantages inherent to non-standards forms of employment, a fact that has become more evident during the COVID-19 pandemic across the world.

¹² See: ILO. 2016. *Non-standard employment around the world: Understanding challenges, shaping prospects* (Geneva, ILO).

The report also finds that incidence of part-time work is slightly higher among migrant workers than non-migrant workers in HICs but lower than non-migrant workers in LMICs, on average. Migrant workers have slightly higher part-time incidence rates than non-migrant workers in the sample of HICs, on average (15.0 per cent and 14.6 per cent, respectively), primarily due to the significantly higher incidence of part-time work contracts among migrant women compared to non-migrant women. While part-time incidence rates of migrant men is slightly lower than that of non-migrant men in the sample of HICs (7.7 per cent and 8.3 per cent, respectively), an average gap of 2.2 percentage points exists between the part-time rates of migrant women and non-migrant women in HICs (23.8 per cent and 21.6 per cent, respectively), although the scale of the difference varies widely across countries.

In the sample of LMICs, incidence of part-time work tends to be lower among migrant workers than among non-migrant workers, on average (6.2 per cent and 8.7 per cent, respectively), with notable variations across countries. Both migrant men and migrant women in LMICs tend to have lower part-time incidence rates than their national counterparts, on average (3.9 per cent and 6.5 per cent of migrant men and non-migrant men, respectively, and 10.3 per cent and 12.0 per cent of migrant women and non-migrant women, respectively), although part-time work is more prevalent among women than among men in general.

What are the policy implications?

A major question emerging from the analysis in this report is, what can be done to progressively reduce migrant pay gaps observed across countries, in particular in HICs and in some LMICs, including through the effective application of the principle of “equal pay for work of equal value”. While there is a range of measures that can be taken to reduce these pay gaps, the answer to this question will necessarily be country specific. This is because the factors that drive and explain migrant pay gaps vary from country to country as well as in different parts of the wage distribution. They may also vary across

different migration corridors, where bilateral labour agreements are negotiated for different wages for a segment of the migrant population depending on the migrants’ countries of origin. The following are some important policy implications emerging from the findings of this report:

► **Monitoring the impact of the ongoing COVID-19 crisis on migrant workers is important in addressing their specific vulnerabilities**

While estimates presented in this report reflect periods prior to the COVID-19 crisis, the findings bear enhanced relevance in the face of COVID-19. The ongoing worldwide COVID-19 crisis has put a spotlight on decent work deficits among men and women migrant workers around the world. Experiences from previous economic crises suggest that the economic downturn associated with the COVID-19 pandemic may have disproportionate and long-lasting negative effects on the integration of migrants in their countries of destination.¹³ Recent survey data from Mexico and the United States that covers up to the third quarter of 2020 shows that migrant workers have been among the hardest hit by the COVID-19 crisis, both in terms of employment losses and a decline in earnings for those who have remained in employment. In view of these recent changes, the migrant pay gap estimates presented in this report are likely to widen during and after the crisis.¹⁴ Analysis of the social and economic outcomes of men and women migrant workers therefore remain most relevant in the immediate and long-term response to the COVID-19 crisis. As countries safeguard their economies during and beyond the pandemic, there is a need to monitor and protect the rights of migrant workers. This should include covering them in national COVID-19 policy responses, such as ensuring that migrant workers are covered by measures relating to wage subsidies, and facilitating their access to social security, including health care and income protection measures.

► **Reliable data, including data on wages of migrant workers and nationals, is needed on other regions and countries of destination**

Quality of data is key, notably availability of reliable data on the distribution of wages amongst

13 See OECD, 2020a. *Managing international migration under COVID-19*, OECD Publishing, Paris.

14 For example, Fasani and Mazza (2020b) shows that migrant workers in the EU are more likely to be in temporary employment, earn lower wages and have jobs that are less amenable to teleworking during the COVID-19 crisis compared to non-migrant workers (see, <https://ec.europa.eu/jrc/en/publication/vulnerable-workforce-migrant-workers-covid-19-pandemic>). The OECD's International Migration Outlook 2020 finds that the COVID-19 crisis is reverting the trend of progress and jeopardising more than a decade of progress in migrant labour market inclusion in OECD countries (see, <https://doi.org/10.1787/ec98f531-en>).



Guatemala agricultural migrant workers heading to Canada. © Copyright ILO

migrant workers and nationals, in particular for other regions and countries of destination not covered in this report. This would help bridge the existing data gap, for example, with regard to data on migration to Asia and the Arab States (in particular the Gulf Cooperation Council (GCC) countries) and within North Africa, and South-East Asia and the Pacific.

Consideration could be given to reviewing and modifying existing surveys across these countries by introducing modules specifically related to migrant pay gaps into cross-sectional surveys. What the report recommends here is that these integrated modules should capture the labour market outcomes of both migrant workers and nationals, including information on wages and working conditions.

The ILO is currently working towards filling a part of this gap by implementing the Guidelines Concerning Statistics on International Labour Migration (see ILO, 2018c), in particular focusing on appropriate methodologies for capturing and collecting data on the main categories and sub-categories of international migrant workers. This is part of the ILO effort to improve the collection

and production of labour migration statistics at national, regional and global levels, as well as the development of international concepts and standards on labour migration statistics agreed worldwide.

► **There is a need to go beyond simple summary measures of the migrant pay gap**

It is important to go beyond simple summary measures of the migrant pay gap (such as the average (the mean) or median migrant pay gap) in order to understand the underpinning causes and thus identify the most effective policy measures to reduce the gaps. This can be done by examining in more detail the respective wage structures of migrant workers and nationals, including their gender dimensions. In particular, it is essential to analyse the migrant pay gap at different locations in the wage distribution (including decomposing the gap into explained and unexplained parts) as well as in different sectors of the economy, and to calculate factor-weighted migrant pay gaps, which account for composition effects in estimating the pay gaps.

Computing migrant pay gaps at different points in the wage distribution as well as in different sectors

of the economy has important policy implications. For example, a well-designed minimum wage with broad legal coverage – including those sectors and occupations in which migrants are chiefly employed – could reduce the migrant pay gap at the lower end of the wage distribution. To maximize the effect of minimum wages, setting lower wage levels for sectors in which migrant workers often predominate such as domestic work or agriculture should be avoided. Collective agreements that include provisions on equal pay and pay transparency could have a similar effect in the middle and upper ends of the wage distribution. Finally, policies and measures that promote training and equal opportunity for upward mobility for migrant workers in the labour market, especially for those with long-term residence, could have a positive effect on wage levels in senior positions. Likewise, eliminating discrimination and addressing occupational segregation of migrant workers in lower paid occupations and sectors may also help reduce the migrant pay gap.

Measures that promote the formalization of the informal economy – such as extending to all workers, including migrant women, the right to a minimum wage and social security – can also greatly benefit migrant workers, especially women, bringing them under the umbrella of legal and effective protection and empowering them to better defend their interests.

► **Tackling the "explained" and "unexplained" parts of the migrant pay gap, including through education, changing stereotypes, and combating employer prejudice in hiring and promotion decisions**

A significant share of migrant workers in paid employment in many countries, in particular HICs, have higher levels of education and skills relative to non-migrant workers but receive lower returns to these endowments. According to ILO research these high levels of over-education and skills mismatch among migrant workers is consistent with the fact that immigrants have difficulties transferring their skills and experi-

ence across countries, in large part due to lack of adequate skills recognition systems for qualifications of migrant workers. It also highlights the vulnerable position these migrant workers have in labour markets.¹⁵ Discriminatory practices may also prevent migrant job seekers from obtaining employment in accordance with their education and skills. Skills mismatch translates into migrant workers being concentrated in lower-paid occupations, contributing to the observed migrant pay gaps.

Educational or retraining programmes targeting men and women migrant workers who are more likely to be affected by skills mismatch, particularly in countries where migrant workers earn significantly less than non-migrant workers, could help to reduce the migrant pay gap. Reducing polarization and occupational segregation may require changing social and cultural perceptions and stereotypes contributing to discrimination against migrants; creating opportunities for men and women migrant workers to enter into a wider range of occupations, including managerial and professional occupations, which offer better paid employment opportunities; and combating employer prejudice in hiring and promotion decisions. More generally, labour market integration measures can help reduce skills mismatch in terms of access to jobs or recognition of foreign qualifications. These measures can also help counter discriminatory practices, including with respect to pay, against migrant workers and promote the principle of equal pay for work of equal value, which would in turn help narrow the unexplained part of the migrant pay gap and reduce working poverty among migrant workers, especially among women.

In any event, reducing the migrant pay will require a broader strategy that includes also the adoption of fair and effective labour migration policies that address decent work deficits and ensure greater coherence across employment, education and training, and other relevant policies at national, regional and global levels.

¹⁵ Sparreboom, T.; Tarvid, A. 2017. *Skills mismatch of natives and immigrants in Europe* (Geneva, ILO).

▶ The migrant pay gap: Understanding wage differences between migrants and nationals

Based on recent data from 49 countries, this report analyzes differences in wages between migrant workers and nationals, providing a global overview of how migrant women and men fare in labour markets in low-, middle- and high-income countries.

The report compares the labour market characteristics of migrants and nationals that contribute to their economic success and the migrant pay gap, with special attention to gender differences within and among these groups. Focusing on wage workers, it studies the raw and the factor-weighted migrant pay gaps, shedding light on the “explained” and “unexplained” parts of the raw migrant pay gap.

In highlighting the persistent differences in wages between migrants and nationals, the report points to the urgency of implementing fair, evidence-based labour migration and labour market policies that contribute to more just societies, in line with the principles embodied in international labour standards.