Stepping Stone to Better Life? Internal Migration in Ethiopia: The Case of Production Workers in Cut Flower Industry

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Internal migration within developing countries has received less attention compared international migration and empirical evidence of the internal migrants' wage discrimination and performance in the labor market in sub-Saharan Africa is scarce. Considering the importance of the nonagricultural labor market for poverty reduction, it is important to understand the welfare and possible wage discrimination migrants may face. This paper aims to analyze differences in wages and productivity between migrants and non-migrants using primary data from 710 production workers in cut flower industry in Ethiopia and to investigate whether there exist wage differential and discrimination against migrants. The Mincer-type wage regression is estimated, and chow test and the Blinder-Oaxaca decomposition approach is used to test for wage discrimination. We find that earnings are significantly different between migrant and non-migrant and migrants are less likely to be paid. However, migrant group is more likely to be productive and less likely to be absent. Chow test also supports that there is significant difference in earnings and productivity. The Blinder–Oaxaca decomposition result reveals that around 44 percent of wage differentials is unexplained even when non-cognitive skills are controlled, supporting the idea of wage discrimination against migrants in cut flower industry in Ethiopia. With field observation and descriptive statistics on financial behavior of migrants, this study will discuss motivations of internal migration even if they may face discrimination in the labor market. This study contributes to the literature on discrimination by providing rich empirical evidence using various earnings and productivity outcome variables.

Table. Estimation Results of Earnings and Productivity Regression (OLS Estimates)

	(1)	(2)	(3)	(4)
VARIABLES	Log of monthly wages	Log of bonus	Log of total income	Monthly average productivity
= 1 if migrant	-0.006	-0.422**	-0.011	0.024*
	(0.013)	(0.210)	(0.013)	(0.013)
Age	0.015***	-0.057	0.014***	0.008*
	(0.005)	(0.062)	(0.005)	(0.004)
Age squared	-0.000***	0.001	-0.000***	-0.000*
	(0.000)	(0.001)	(0.000)	(0.000)
= 1 if female	-0.050***	-0.030	-0.054***	-0.103***
	(0.016)	(0.231)	(0.016)	(0.016)
Years of schooling	0.004***	0.043*	0.005***	-0.001
	(0.002)	(0.025)	(0.002)	(0.002)
Years of working experience	-0.001	0.270***	0.002	0.018**
	(0.009)	(0.093)	(0.008)	(0.008)
Years of working experience	0.003***	-0.018***	0.003***	-0.001
squared	(0.001)	(0.005)	(0.001)	(0.001)
= 1 if married	0.018	0.087	0.020	-0.001
	(0.014)	(0.186)	(0.013)	(0.013)
= 1 if Oromo ethnic group	0.027	-0.320	0.023	0.010
	(0.021)	(0.241)	(0.021)	(0.020)
= 1 if new worker less than	0.006	-1.960***	-0.019	0.021
one year	(0.014)	(0.274)	(0.014)	(0.018)
Constant	6.597***	0.678	9.094***	0.587***
	(0.082)	(1.083)	(0.083)	(0.075)
Observations	710	710	710	677
R-squared	0.494	0.437	0.509	0.176

Note: 1. Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1. 2. Each regression includes farm fixed effects.