

DECOMPOSING THE MIGRANT RENT GAP IN AUSTRIA

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RESEARCH QUESTIONS

Is there a Migrant Rent Gap in Austria?

How high is the Migrant Rent Gap in Austria?

What are the key determinants of the Migrant Rent Gap in Austria?

MOTIVATION I – WHY RENTS?

- Housing costs are a sizeable and rising expenditure category for households
- Housing is a highly inelastic good and a basic need → a high rent burden is problematic
- Affordability crisis:
 - Income side: Rising inequality
 - Expenditure side: Rising housing costs (2010-2021: +24% vs. HVPI +18%)

MOTIVATION II – WHY AUSTRIA?

- High share of renters
 - 45% (EU average: 30%)
- High share of migrants
- Good micro data availability (and access)
- High policy relevance:
 - Austria is an immigration country

MOTIVATION III – WHY MIGRANTS?

- Higher share of renters among migrants
 - More than two thirds of migrants are renters (vs. 35% of natives)
- Lower average income for migrants
 - Gross salary of 2,090 euros per month (vs. 2,640 euros for natives)
- Migrants paying higher rents has distributional consequences
 - Especially amid the persistent inflation dynamics

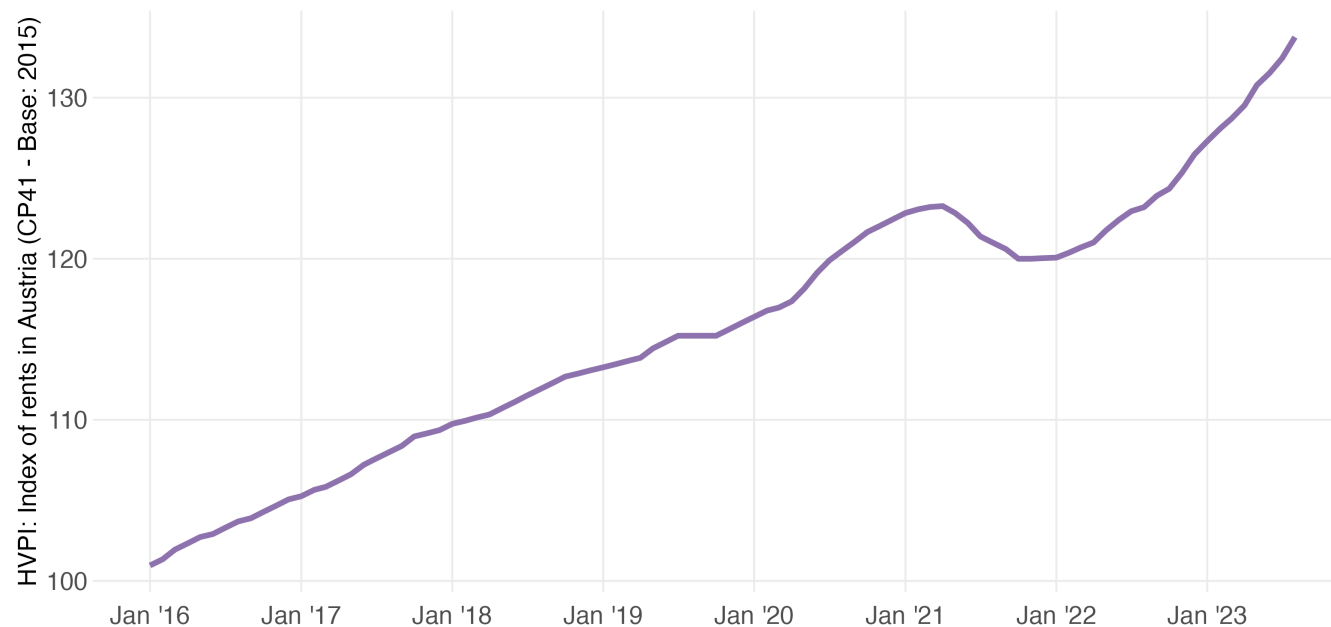
A GLIMPSE ON THE DATA I – AUSTRIAN MICROCENSUS

- Quarterly, mandatory survey
- Around 22,500 households per quarter
- Survey and replicate weights
- Information on labor market, housing, (un)employment, education
 - Size, construction year or amenities of dwelling and type, duration or limitation of contract
 - Register-based income data (but only for employees)

A GLIMPSE ON THE DATA II – SELECTION OF SURVEY YEAR

- Not yet decided which year to chose for the analysis
 - Pre-crisis or mid-crisis?
 - 2021: change in survey methodology for rent payments

Development of rent prices: Clear indication of break in series



THE 4 SEGMENTS OF THE AUSTRIAN RENTAL MARKET

<i>Contract type</i>	<i>Market rate</i>	<i>Reduced market rate</i>		
Market segment	Free and appropriate rents	Indicative rent and category rents	Housing associations	Council housing
<i>Characteristics</i>	No restrictions	Rent capped at different levels depending on region and building facilities	Non-profit firms and associations, rent characterized by cost-covering orientation	Publicly owned social housing with reduced rents
Potential origins of rent gap	/Supply shortages /Discrimination against migrants	/Supply shortages /Apartments sizes not appropriate /Discrimination against migrants	/Down payments /Lack of information /Language barriers	/Supply shortages /Lack of mobility /Lack of information /Language barriers
<i>Literature</i>	Perry (2012); Kemp (2011); Kunnert (2016); Ahmed & Hammarstedt (2008); Carpusor & Loges (2006); Carlsson & Eriksson (2014); Baldini & Federici (2011); Bosch et al. (2010);		Karasz et al. (2022); Kumnig (2018)	Kadi (2015); Karasz et al. (2022)
Rental Regime	Private and for-profit landlord regime	Public and non-profit landlord regime		

Table 1: Different types of rental market segments in Austria

METHOD I – DECOMPOSITION METHOD

- Recentered Influence Function regression
 - Developed by Firpo, Fortin & Lemieux (2018) to analyze differences in income distributions between male workers in the US between 1980s and 2010s
- Decomposition method for differences in distributions
- Many advantages:
 - Shift focus away from the mean (Oaxaca-Kigawa-Blinder decomposition) to other distributional measures (median, percentiles, Gini)
 - Path independent with regard to order of decomposition (unlike Dinardo, Fortin & Lemieux (1996))
 - Not computationally intensive (unlike Machado & Mata (2006))

METHOD I – STEP ONE: REWEIGHTING

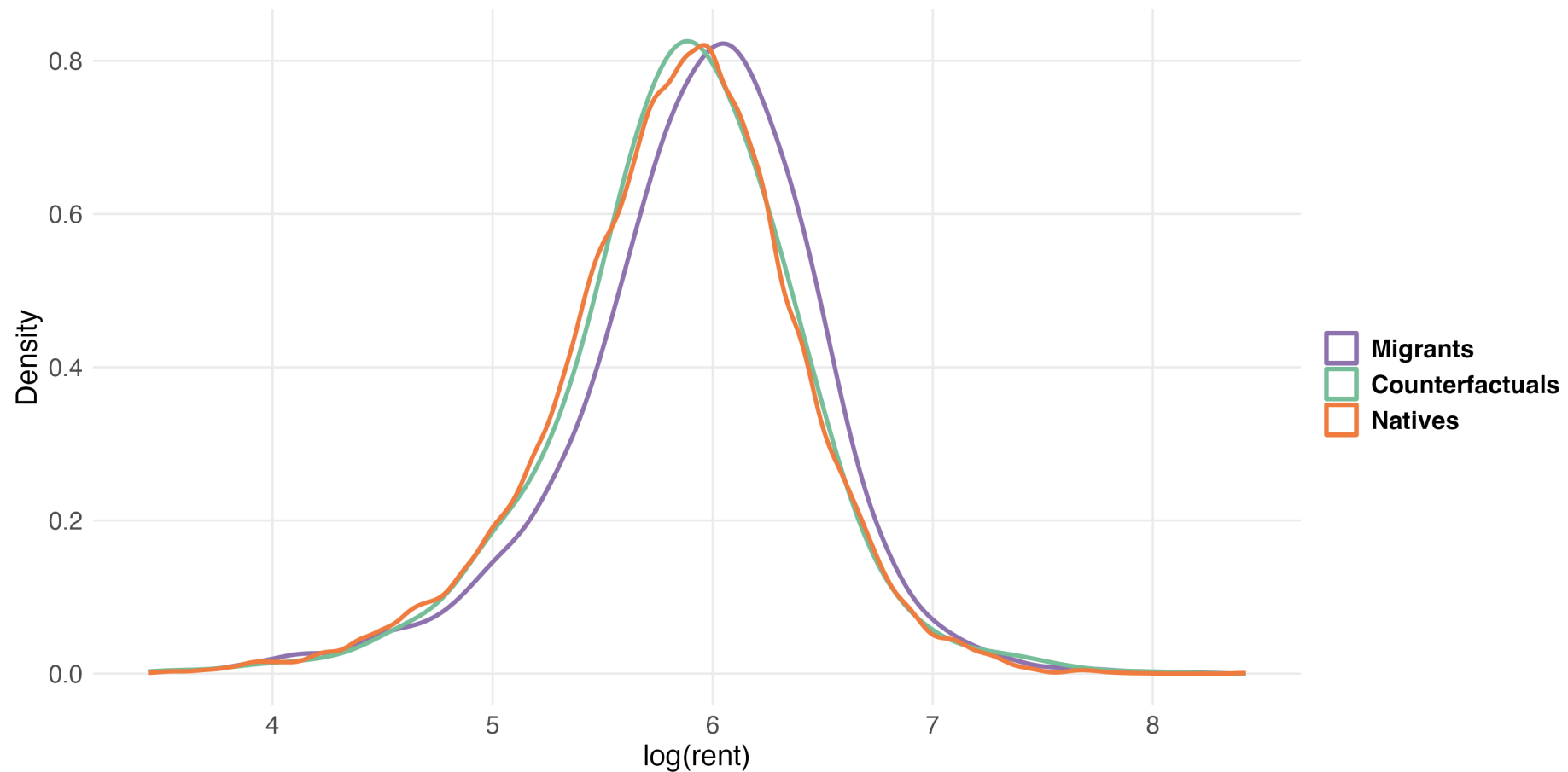
- Logistic regression of the migration dummy on the characteristics used in the decomposition
- We use the regression results to obtain inverse probability weights
- The weights allow us to obtain a counterfactual distribution
 - Migrants as if they had the characteristics of natives
- We get the (total) explained and the (total) unexplained part of the migrant rent gap
 - Explained gap: Rents of counterfactuals – rents of migrants
 - Unexplained gap: Rents of natives – rents of counterfactuals

METHOD II – STEP TWO: RIF REGRESSIONS

- Simple OLS regression of the RIF of the log of rents on characteristics
 - Run separately for each sample
- For each variable the OLS coefficient of the migrant sample is multiplied with the difference in means between counterfactuals and migrants
- Result: Contribution of each characteristic to the explained part of the migrant rent gap

RESULTS I – DENSITIES OF LOG RENTS

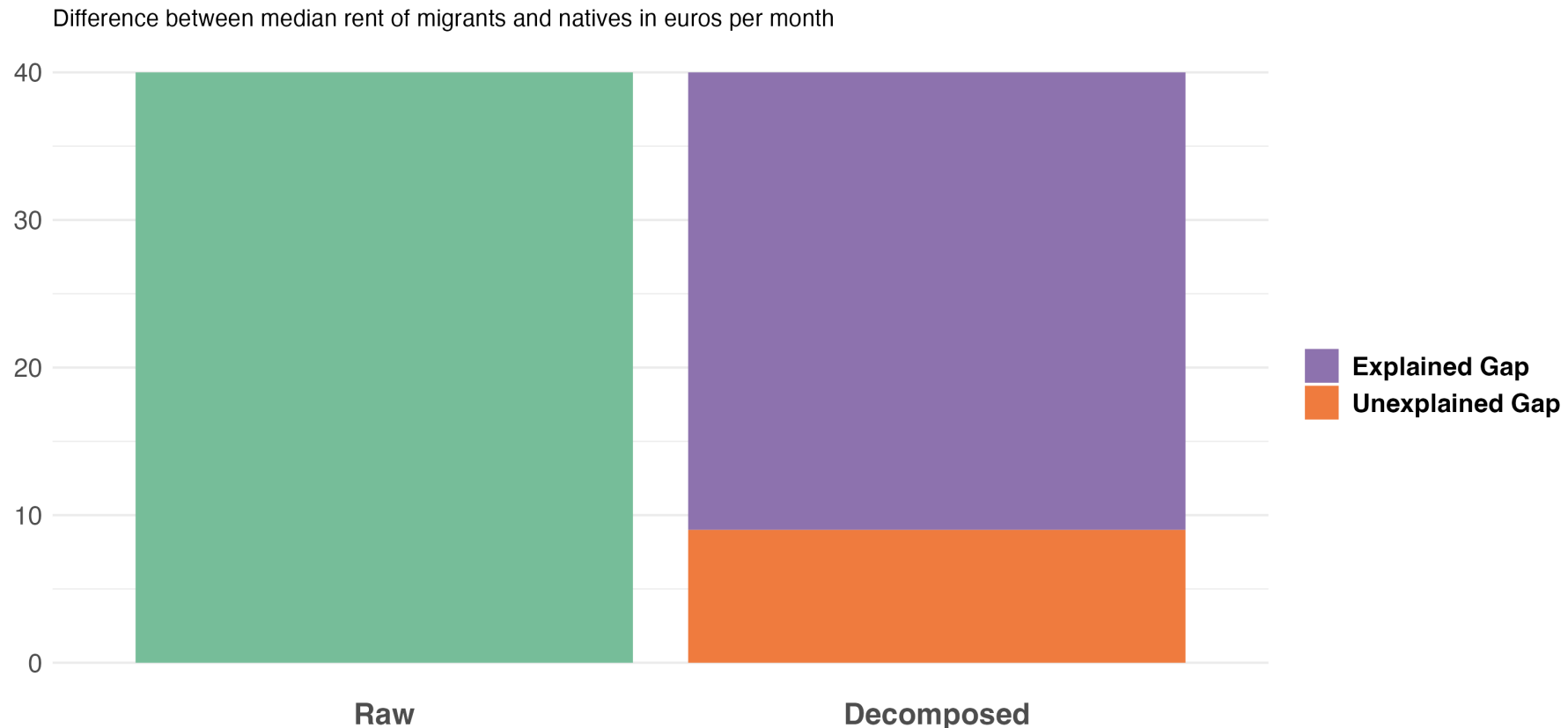
Densities of log-transformed monthly rents



Source: Austrian Microcensus (2019), own calculations.

RESULTS II – OVERALL DECOMPOSITION

Migrant Rent Gap: Raw gap and overall decomposition



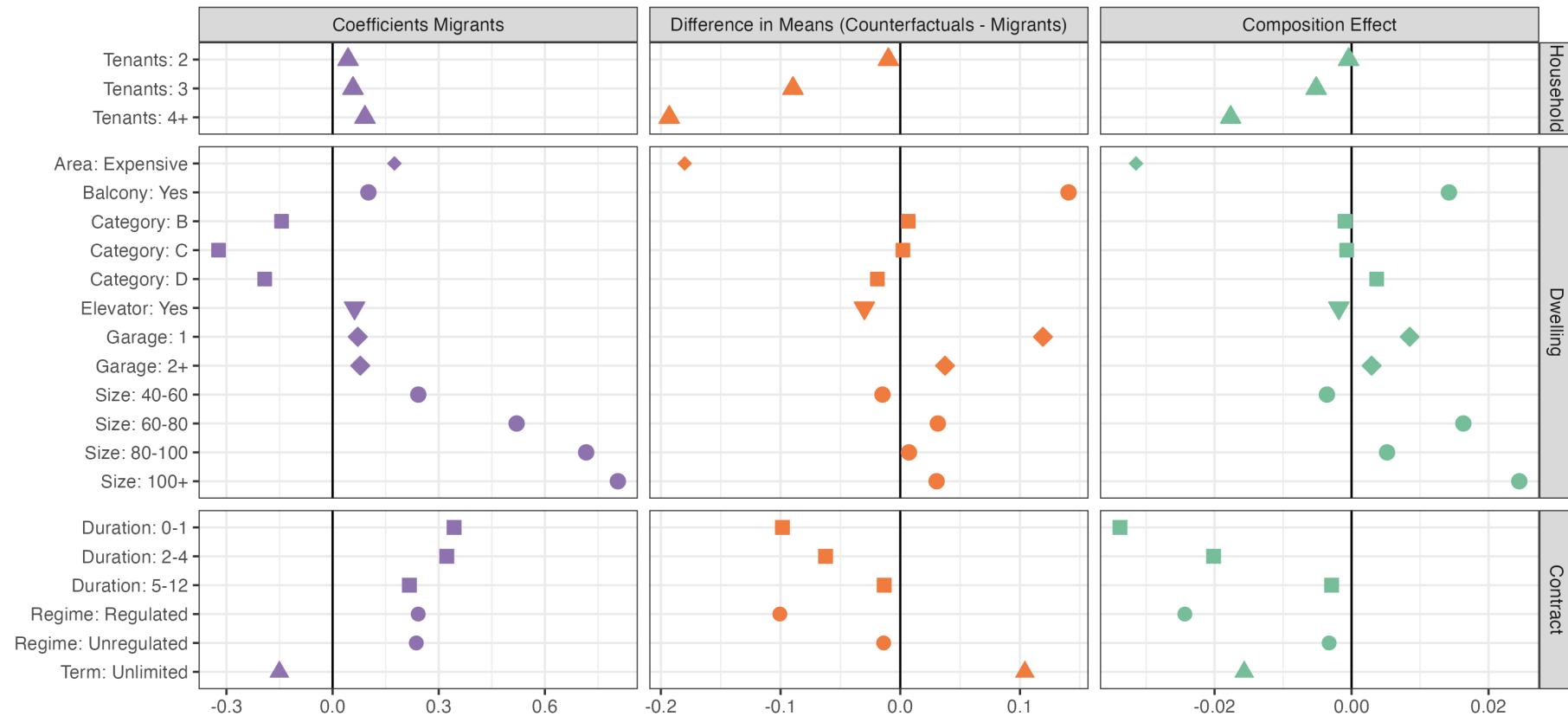
Source: Austrian Microcensus (2019), own calculations.

Reading note: At the median migrants pay 40 euros more per month for their rent than natives.

A difference of 30 euros (around 75%) can be explained by taking into account observable differences in characteristics.

RESULTS III – DETAILED DECOMPOSITION

Detailed Composition Effects

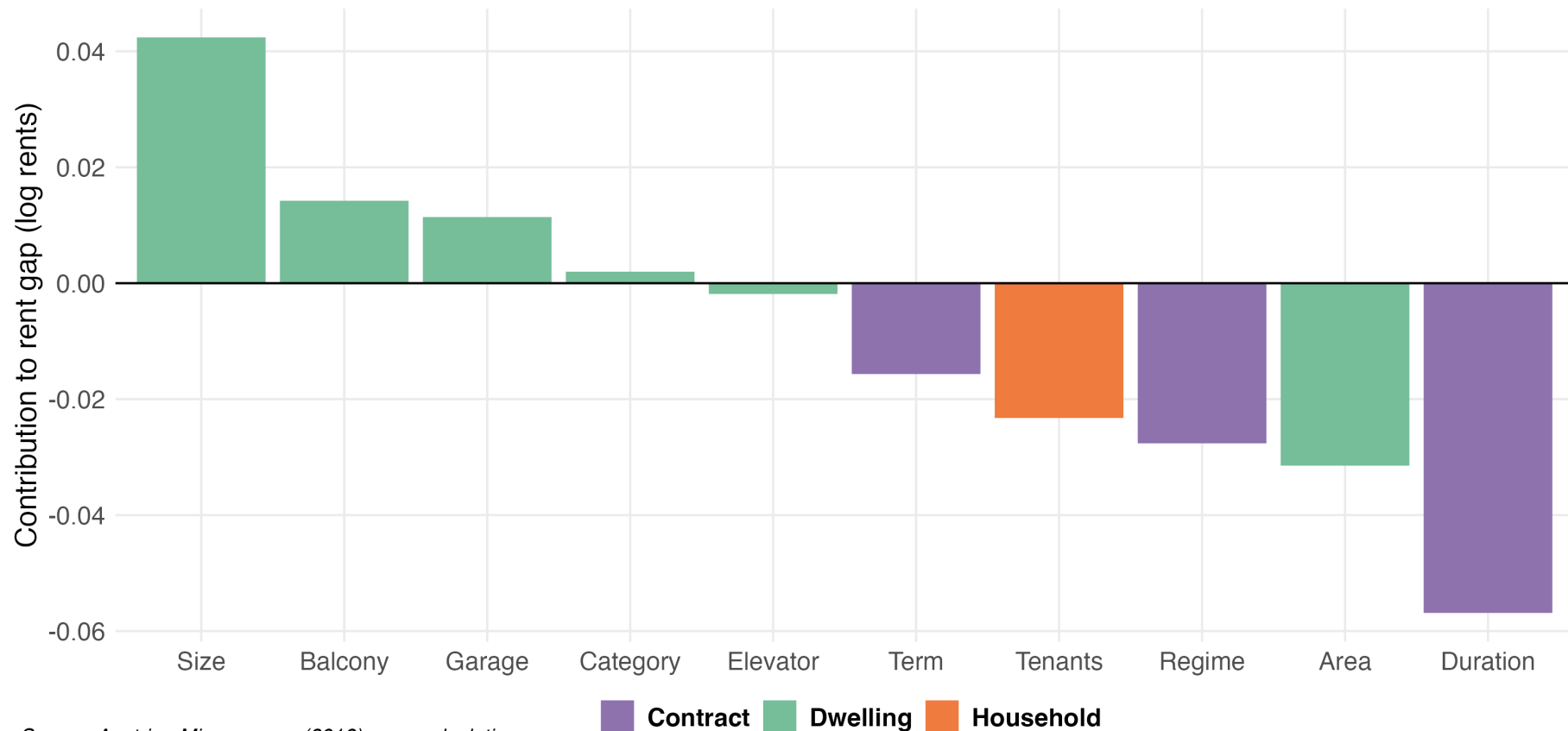


Source: Austrian Microcensus (2019), own calculations.

Reading note: Living in an expensive area increases migrants rents (positive coefficient) and a far bigger share of natives (counterfactuals) live in expensive areas (negative difference in means) so the composition effect is negative.

RESULTS IV – DETAILED DECOMPOSITION

Migrant Rent Gap: Detailed Explained Effects (Aggregated)



Source: Austrian Microcensus (2019), own calculations.

Reading note: Positive values mean an increase of the migrant rent gap. If migrants had the same distribution of dwelling sizes as natives, the rent gap would be bigger.

THANK YOU FOR YOUR ATTENTION

Questions/Discussion