

# The Immigrant Wage Gap

## A Panel Data Forecasting Analysis

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### Abstract

Media reports state that there is a significant wage gap between native borns and non-native borns in Sweden. Using societal data from all Swedish municipalities and a simple linear regression, this study concludes that not only is this true, but that the gap grew between 2002 and 2017. In order to change this trend, it is helpful to build a predictive model so we can find the factors that affect the gap the most. To do this, the study builds three different panel data models: a pooled OLS regression, a fixed effects model and a random effects model. This in order to answer two questions: *can we predict the future of the wage gap using a panel data model*, and *which panel data model makes the best predictions?* The models are then evaluated and compared, in order to determine which one is best suited for the data. The study concludes that it is possible for a panel data model to make predictions of this wage gap based on the data we have, and that the fixed effects model is best suited for this analysis. It also concludes that some kind of panel data model could help in minimizing the wage gap. However, a more extensive analysis would be needed.

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