Economic Consequences of Political Persecution

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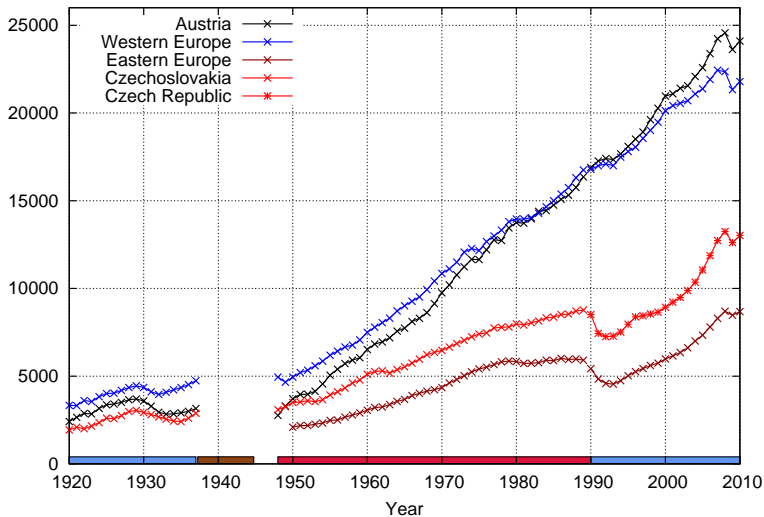Washington D.C.
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Introduction

► Effects of political persecution on labor market outcomes in Czechoslovakia under the communist regime

► Effect of layoffs and displacement in politically controlled labor markets (earnings, pensions)

► Compensation for political discrimination or oppression (transitional justice theory)

► Quantitative evidence and documentation of communist persecution in communist Czechoslovakia

► Based on data from life history interviews in the Survey of Health, Ageing and Retirement in Europe (SHARE)

  • results based on wave 3 of SHARE, to be updated with recently released wave 7 data

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AND RETIREMENT IN EUROPE

Real GDP per capita (1990 Intl. USD)

Persecution in Czechoslovakia, 1948-1989

Population 1948	8,893,000
Arrests	205,000
Corrective Labor Camp	70,000
Penal Labor Camp	20,000
Military	60,000
Clergy	10,300
Deaths	
Executed	248
Prison	4,500
Border	300
Total estimate	15,000
Emigration	270,000
Job losses in 70s and 80s	280,000

PRACÍ KE SVOBODĚ

SHARELIFE data - wave 3 of SHARE, 2008/09

- ► Czech Republic: 2,800 interviews of respondents aged 50+ and partners

    - ► childhood, family and health history, major life events
    - ► labor market history: jobs (with details incl. starting salary), unemployment, disability, retirement
    - ► jobs information: start, end, industry, full/part time, starting salary

- ► SHARELIFE interview calendar:

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► Persecution

  There are times in which people are persecuted or discriminated against, for example because of their political beliefs, religion, nationality, ethnicity, sexual orientation or their background. People may also be persecuted or discriminated against because of political beliefs or the religion of their close relatives. Have you ever been the victim of such persecution or discrimination?

► Details and consequences of persecution

  • ever being forced to stop working in a job

  • denied promotions, work below qualifications, harassment, pay cuts

► Specific jobs identified if ever persecuted and lost job or discriminated on the job as a result

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SHARELIFE jobs and pensions

- ▶ 1,521 individuals who had at least one job before 1989

- ▶ 2,319 all jobs

- ▶ 1,220 all but first jobs

- ▶ 614 initial pension before 1994 and current pension in 2006

- ▶ Earnings and pensions: relative to official averages in each year (indexation)

- ▶ Treatments due to persecution:

    - ▹ time invariant: ever persecuted, ever dispossessed

    - ▹ varying over time: job loss, job discrimination

- ▶ Treatments due to other reasons:

    - ▹ varying over time: laid off (by employer), displaced (due to closure)

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SHARELIFE sample (*N*=1,521)

	All	Ever		Ever Job Discr.	Ever Job Loss		
		Persec.	Disposs.		Persec.	Laid Off	Displ.
Fraction	**1.00**	0.12	0.13	0.05	0.03	0.06	0.18
Year of birth	**1944**	1942***	1943*	1941**	1940*	1948***	1947***
Female	**0.57**	0.45**	0.54	0.30***	0.33*	0.51	0.60
Educ. >13 yrs	**0.18**	0.33***	0.20	0.48***	0.67***	0.18	0.20
Birthpl. owner	**0.61**	0.61	0.76***	0.53	0.67	0.66	0.58

p-values: two-group mean comparison test treated vs. non-treated group

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Effects of fixed treatment on earnings

$$ln(rEarn_{it}) = \alpha T_i + \gamma' X_i + \delta' Z_{it} + \varepsilon_{it}$$

- $rEarn_{it}$ — relative starting earnings on a job at time t

-

$$T_i \in \{0,1\} \text{ treatment} = 1 \text{ if } \left\{ \begin{array}{l} \text{Persecuted ever} \\ \text{Dispossessed ever} \end{array} \right.$$

- X_i — individual characteristics before treatment
  (year of birth, gender, education, birthplace and age-10 conditions)

- Z_{it} — job characteristics
  (year of job, job industry, job title, full time, experience, job tenure, out-of-LM)

Effects of dynamic treatment on earnings in subsequent jobs

$$ln(rEarn_{it}) = \alpha T_{it} + \gamma' X_i + \delta' Z_{it} + \varepsilon_{it}$$

- ▸ $rEarn_{it}$ — relative starting earnings on a job at time t

$T_{it} \in \{0,1\}$ treatment at time $t = 1$ if $\left\{ \begin{array}{l} \text{Job after persecution loss} \\ \text{Job after discrimination} \\ \text{Job after laid off} \\ \text{Job after displaced} \end{array} \right.$ at $s < t$

- ▸ X_i — individual characteristics before treatment
  (year of birth, gender, marriage, children, education, birthplace, age-10)

- ▸ Z_{it} — job characteristics
  (year of job, job industry, job title, full time, experience, job tenure, out-of-LM)

Effect of each treatment on retirement pensions

$$ln(rPens_i) = \alpha T_i + \gamma' X_i + \delta' Z_i + \nu_i$$

- $rPens_i$ — relative pension (initial before 1994 or current in 2006)

$$T_i \in \{0,1\} \text{ treatment} = 1 \text{ if} \begin{cases} \text{Persecuted ever} \\ \text{Dispossessed ever} \\ \text{Job loss persecution ever} \\ \text{Job discrimination ever} \\ \text{Job laid off ever} \\ \text{Job displaced ever} \end{cases}$$

- X_i — individual characteristics before treatment
    (year of birth, gender, marriage, children, education, birthplace, age-10)

- Z_i — career characteristics
    (year of first pension, ever in industry, job title)

Treatment effect on earnings: OLS estimates

	(1)	(2)	(3)
Persecuted ever	-0.040		
	(0.044)		
Job after dispossession			-0.098**
			(0.046)
Job after persecution loss		-0.338***	-0.316***
		(0.086)	(0.084)
Job after discrimination		0.011	0.072
		(0.146)	(0.153)
Job after laid off		0.227	0.226
		(0.163)	(0.159)
Job after displaced		0.026	0.026
		(0.104)	(0.103)
Additional controls			
R^2	0.361	0.369	0.373

N=1,220. $*p<0.1$, $**p<0.05$, $***p<0.01$.

Treatment effect on pensions: OLS estimates

	Initial Pension			Current Pension in 2006		
	(1)	(2)	(3)	(4)	(5)	(6)
Persec. ever	-0.030			-0.003		
	(0.051)			(0.024)		
Disposs. ever			-0.012			-0.011
			(0.045)			(0.021)
Job loss persec. ever		-0.402**	-0.405**		0.030	0.027
		(0.187)	(0.186)		(0.066)	(0.066)
Job discr. ever		0.032	0.036		-0.021	-0.016
		(0.049)	(0.051)		(0.036)	(0.037)
Job laid off ever		-0.169**	-0.170**		-0.005	-0.006
		(0.086)	(0.086)		(0.033)	(0.033)
Job displ. ever		-0.084*	-0.085*		-0.039*	-0.040*
		(0.048)	(0.048)		(0.023)	(0.023)
Female	-0.175***	-0.192***	-0.191***	-0.134***	-0.134***	-0.133***
	(0.052)	(0.051)	(0.052)	(0.024)	(0.024)	(0.024)
R^2	0.173	0.207	0.207	0.386	0.390	0.391

N=614. *$p<0.1$, **$p<0.05$, ***$p<0.01$.

Likely mechanism of career degradation

Predicted probability of switching
from white to blue collar job

- sample: 6.6%

- after being laid off: 16.2%

- after being displaced: 18.8%

- after job loss due to persecution:
  23.9%

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Checking robustness of OLS estimates

▶ Potential endogeneity: justification bias, "selection" into persecution and other unobservables

▶ OLS results are robust to a number of test and methods:

   ▸ observed heterogeneity: OLS and matching models

   ▸ bias due to unobserved heterogeneity: Altonji *et al.* (2005)

   ▸ IV estimation using admin data on intensity of persecution (year specific so require strong assumptions)

   ▸ test in placebo regressions (first jobs)

   ▸ tests for recall bias (missing earnings)

▶ Possible non-random representativeness of the sample (interview in 2008) → lower bound

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Conclusions

- ▶ (To our knowledge) first quantitative analysis of economic implications of political persecution under the the communist regimes

- ▶ Analysis based on retrospective information from the life history part of SHARE in wave 3 - ongoing work to extend to wave 7 data:

  - ▶ substantial proportion of the 2008/09 Czech population subjected to persecution before fall of the regime

- ▶ Labour market related persecution strongly related to education and with important implications on job changes and material conditions:

  - • over 30% loss in earnings following persecution related job losses

  - • over 40% loss in the level of initial pensions assigned by the communist regime among those who lost jobs due to persecution

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- Important role of transitional justice developments in Czechoslovakia after 1990:

  - pension levels in 2006 compensated for the implications of communist persecution

  - broader implications for countries with politically driven labour market institutions in past or present