CHAPTER III

SURVEY OF LITERATURE ON WAGE DISCRIMINATION

3.1 INTRODUCTION

Discrimination may be said to occur in a market where individuals face terms of trade that are determined by personal characteristics which do not appear directly relevant to the transaction. Most concern has centered on differential treatment by race or ethnic group, and by sex.

The first extensive literature on the economics of discrimination dates back to the equal pay controversy in Britain beginning before the turn of the century, focusing on the lower wages of women. The modern development of systematic models of economic discrimination began with the publication of Gary Becker's "The Economics of Discrimination" (1957). With the passage of laws prohibiting discrimination in the U.S., Britain and other countries in the 1960s and 1970s, research in the area has again grown.

Wage discrimination on the basis of gender, sector of employment and caste, and the economic and social factors contributing to such discriminations have been the subject matter of study over the past few decades. Several researchers have studied gender bias in different labour markets and proposed theoretical and empirical models for the analysis. Though there is a marked improvement in the status of women workers against the male dominated work force, detailed analysis does show the persistent discrimination in wages
in all the sectors. The present chapter attempts to review the earlier studies as wage discrimination in the labour market with special reference to India and to discuss the various economic factors leading to such discrimination. The phenomenon of unequal treatment of equals has led to the emergency of several theories of discrimination.

Before presenting the theories of discrimination, it should be noted that an increase in the female education and labour force participation is an important development that has taken place in the developed and developing countries in recent years. Cain (1986), Gunderson (1989) and Agarwal (1993) have reviewed the extensive literature on male-female wage differentials. All the twenty empirical studies on sex discrimination reviewed in Cain relate to the United States. Similarly, Gunderson restricts the review to the United States, Canada, Australia and Britain. Their study indicates that over a period of time, women's earnings have risen relative to men's in almost all countries. Inspite of these developments, a substantial gender gap in earnings and employment still remains. The prevailing wage differences in the labour market has kindled a lot of interest in examining the extent to which the gender gap reflects discrimination against women.

This chapter attempts to review the literature on wage discrimination on the basis of gender, sector of employment and caste. Section 3.2 reviews the theories of discrimination followed by the econometric models in Section 3.3. The empirical evidence on male-female earnings differential, sectoral discrimination and caste discrimination for the developed and developing countries and for India are presented in sections 3.4, 3.5 and 3.6 respectively.
3.2 THEORIES OF DISCRIMINATION

Three theories of discrimination are found in the economic literature.

(1) Neoclassical which includes nonstochastic and stochastic versions

(2) Institutional and

(3) Marxian

The Neoclassical theory of discrimination is almost entirely a demand-side theory as noted by Cain (1986). The supply side of the labour market is effectively neutralised by the assumption that minority and majority groups of workers are equally productive and have equal taste for work. The demand side may be characterised by a competitive or monopolistic structure and by exact versus stochastic models. The abstract concept of 'prejudice' which was relabelled as 'taste' for discrimination can be applied to three categories; namely, the employer, worker and the customer.

3.2.1 Neoclassical Theories

3.2.1.1 Discrimination by Employer

Becker (1957) has advanced two-versions of employer-based discrimination in a competitive market. The first version assumes that all employers have uniform prejudice against all black workers and therefore he may consider a certain psychic cost from employing these persons and therefore pay them lower wages to compensate himself for these costs. Arrow (1972), Marshall (1974) and Thurrow (1975) suggest that the aversion may be an intention to keep a social rather than a physical distance from the discriminated group.
However, the presence of a few non-discriminating firms would result in the elimination of discrimination in the long run, according to Becker. According to Cain (1986), with constantly changing technology and consumer tastes, productivity improves and the employers maximise profits in the presence of discrimination.

In the second version of Becker's model of employer discrimination in a competitive economy, tastes among employers are permitted to vary. Becker's insight from this model is that black workers generally benefit by a dispersion in the tastes of discrimination.

3.2.2 Discrimination by Workers

Under this type of discrimination, employees may charge a premium for working with a particular group or decline to work altogether (Chiswick 1973). Under such circumstances, the wages of white workers would be \( w + d \), where \( w \) refers to the wages and \( d \) is the monetary value of a white worker's distaste for contact with black workers, and that of a black worker would be \( w \) in a competitive market which assumes equal productivity for all the workers. Cain (1986) feels that the worst case is when all white workers have tastes against working with black workers - which yields only segregation among workers.

3.2.3 Discrimination by Consumers

Economic analysts have generally concluded that consumer-based discrimination plays a minor role in the differences in average wages received
by race and sex groups. The consequence of such discrimination would result in some degree of job segregation.

An outcome in which segregation reduces or eliminates market discrimination occurs in several versions of Becker's model. For this reason Welch (1975) called Becker's theory a theory of segregation, not discrimination.

3.2.1.4 Non-stochastic Monopolistic Neo-classical Models

a) Product monopoly: Though regulated monopolies (Government) are in theory capable of exerting some discrimination in labour markets, there are reasons for doubting that monopoly is a major source of market-wide discrimination.

b) Monopoly firms in the labour markets: A single buyer of labour, equates the value of labourer's marginal product (VMP) and its (rising) marginal cost. The supply price paid to the labourer is always lower than the price (wage) needed to induce a large supply under competitive demand conditions and retains the positive difference between VMP and the wage as profit.

c) Labour unions as monopolies: According to Cain (1986), Labour unions are not very strong in the United States and membership in Unions is more common among the blue collar workers, which points to a disproportionate representation among white men and blacks; therefore they are not a major source of discrimination. But in the present day, labourers have become very conscious of their rights and trade unions in the developed and developing
economies have become very strong and gain monopoly rent for their members and also adopt restrictive entries in order to maintain such rents.

d) **Government as a monopoly**: Government agencies generally do not have monopoly power regarding labour market discrimination. In recent years, the intention of Government policies has been to reduce discrimination against minorities.

### 3.2.1.5 Stochastic Neoclassical Models and Statistical Discrimination

An alternative explanation given for discrimination by Thurrow (1975) is statistical discrimination which indicate the incomplete information on prospective employer as the reason for discrimination. According to him, an employer faced with differences in work probabilities will practice statistical discrimination even though there are millions of women who will be in the full-time paid labour force for their entire lifetime. But the employer cannot identify the women who will stay in the market, throughout their lifetime. On-the-job training will be provided only for those who are likely to stay in the full-time labour force. If he provides training to women, he is less likely to recoup his investment. The women who spends her entire lifetime in the labour force is being treated unfairly. The net impact is discrimination against women as a group and as individuals even though there is no basic desire for discrimination against women.

### 3.2.2 Institutional Discrimination

Institutional discrimination arises when employers cannot readily assess job applicants qualifications in which case they might use their race or
sex as a substitute criteria (Marshall, 1974). Though Marshall's theory was presented as an alternative to the Neo-classical theories, it could only be viewed as complementary to such factors as historical contexts, pre-labour market discrimination against minorities, group bargaining, the psychological motives of the economic agents, monopoly elements, and a variety of social factors such as health, education, and business conditions. According to Piore (1970) the initial placement of disadvantaged workers into low-wage, creates attitudes that perpetuate their low status. Arrow (1973) in his sub-optimal equilibrium model suggests that the expectations formed by employers about the inferiority of the group discriminated against will lead to under investment in human capital which is against the best interests of the group discriminated against and also the members who want to overturn such expectations.

Myrdal's (1944) model on discrimination included economic, attitudinal and health variables which interacts dynamically. A disturbance caused to any one of the variables sets in motion, an upward or downward spiral of all the variables. The main criticism leveled against Myrdal's model by Lundahl and Wadensjo (1984) is that why a favourable shock which will bring about an upward spiral of all the variables be initiated quickly by group intervention. Such criticism does not apply to such economic outcomes that are determined by non-economic factors.

3.2.3 Marxian Theory

According to Karl Marx (Spiegel, 1964), the outcome of a capital accumulation is due to the discrepancy between the value of labour power (wages) and the value of its product (price). The difference between the price of
the product and wages will lead to the accumulation of capital which leads to technological changes in the economy. With an improved technology, an array of unemployed comes into existence. When the depressed labourers become the effective majority of the community, with nothing to lose, then they will move to establish the social revolution.

3.2.4 Segmented Labour Market Theories, Dual Market and Radical Theory

The classical and the Neoclassical theories of labour economics has been challenged by the segmented labour market theories (Cain 1976) on the following three issues - empirical, theoretical and policy-related. Some of the empirical generalizations regarding the outcomes of the labour markets are the persistence of poverty, which is confined to the secondary labour market, and that by gaining access to primary markets, poverty can be eliminated. The persistence of income inequality, the failure of education and training programmes contradicts the findings of the Neoclassical labour economists on the positive relation between years of schooling and earnings.

Piore and Doeringer (1971) are the two economists associated with the dual theory. Wage discrimination is a common feature of secondary market, which is characterised by low paid jobs that are held by workers who are discriminated against, and who have unstable working patterns. The SLM literature also focuses on certain ideas like the workers, 'habits and attitudes that are inimical to steady employment. The SLM theorists indicated the role of tastes as an endogenous factor which is the result of one's labour market
achievements. The 'taste' can reinforce the disadvantaged position of low-wage workers.

The radical theory put forth by Bowler and Gintis (1975) is similar to the class struggle theory of Marx. The theory is similar to the dual theory with two classes of interests namely the employers and the labourers who are exploited by the former. However the radicals give more emphasis to historically-rooted class based motivations of behaviour by employers and workers. Technology is another endogenous variable that is manipulated by employers to further class interests rather than profits.

So far a review of some of the theories of discrimination has been presented. These theories does show the existence of some kind of discrimination against the minority workers (blacks or women). Unless the extent of discrimination is measured, it is not possible to reduce such gender-gap in earnings. In the following section, the various econometric models and the empirical study on wage differentials and discrimination are discussed.

3.3 ECONOMETRIC MODELS AND EMPIRICAL STUDIES ON WAGE DIFFERENTIALS AND DISCRIMINATION

3.3.1 Becker's Method

Becker (1971) defined the market discrimination coefficient as the difference between the ratio of two groups' wage rates with and without discrimination. Since it is assumed that in the absence of discrimination, the members of each group would be paid in accordance with their productivities, wage discrimination may also be defined as pay differences between two
groups that are not accounted for by productivity differences. Therefore in a competitive market, discrimination coefficient for labour of different productivity is the difference between their observed wage ratio and the wage ratio that would prevail in the absence of discrimination. The concept of discrimination coefficient (D) as a measure of discrimination is given, as

\[
D = \frac{(W_m / W_t) - (W_m / W_t)^0}{(W_m / W_t)^0}
\]  

(1)

where \((W_m / W_t) = \) the observed male-female wage ratio

\((W_m / W_t)^0 = \) the male-female wage ratio in the absence of discrimination.

The above measure can be expressed as

\[
\frac{W_m}{W_t} - 1
\]

\((W_m / W_t)^0
\)

An equivalent expression in natural logarithm is

\[
\ln D + 1 = \ln (W_m / W_t) - \ln (W_m / W_t)^0
\]  

(2)

Assuming that employers in a non-discriminatory market adhere to the principle of cost minimisation, we have

\[
\begin{array}{c}
\left( \frac{W_m}{W_t} \right)^0 = \frac{MP_m}{MP_t}
\end{array}
\]
where $MP_m$ and $MP_f$ are the marginal products of males and females respectively. In equation (2) the discrimination coefficient is defined as the percentage wage differential between two types of perfectly substitutable labour. In cases where such perfect substitution of labour is not possible, Becker defined the discrimination coefficient as the simple difference between the observed wage ratio and the wage ratio in the absence of discrimination. Equation (1) is simply Becker's generalised measure divided by the wage ratio in the absence of discrimination.

3.3.2 Oaxaca Method

Following Mincer (1974) the earnings function for men and women can be specified as

$$\ln W_{mi} = X_m \beta_m + \mu_i \quad i=1 \ldots N_m \text{(Men)}$$  \hspace{1cm} (1)

$$\ln W_i = X_f \beta_f + \mu_f \quad i=1 \ldots N_f \text{(Women)}$$  \hspace{1cm} (2)

where $\ln W_m$ and $\ln W_f$ are the logarithm of mean earnings of men and women. $X$ is a vector of individual characteristics such as education, labour market experience etc., that influence the wages, $\beta$ is a vector of parameters to be estimated and $\mu$ is the random disturbance term. The difference in mean earnings of men and women can be written as

$$\ln W_m - \ln W_f = X_m \beta_m - X_f \beta_f$$  \hspace{1cm} (3)

The term $X_f \beta_f$ is added and subtracted to equation (3). This additional term can be interpreted as the mean earnings the male teachers would receive if they had the earnings of female teachers.
\[ \ln W_m - \ln W_f = X_m \beta_m - X_f \beta_f + X_m \beta_f - X_m \beta_f \]  

\[ = (X_m - X_f) \beta_f + X_m (\beta_m - \beta_f) \]  

The left-hand side of equation (4) is the difference between the earnings of men and women as predicted by the regression model. The first term on the right hand side shows the portion of the predicted earnings gap which is explained by the difference in the characteristics of male and female, such as schooling level, experience, training and family background etc., evaluated at the beta weights estimated for the female sample wage function. In other words, this would be the difference in earnings of male and female teachers purely as a consequence of their different characteristics. Thus, for example if the higher educational attainment of teachers was the explanation for their higher than average earnings, it would all be accounted for in this first right-hand term.

The second term on the right-hand side of equation (4) shows the fraction of the wage differences that are explained by factors other than differences in mean characteristics, and which are captured by different returns to those factors. If women had the same characteristics as men but were compensated less per year of schooling or experience, then this second right-hand term would fully account for the average wage difference.

Equation (4) can also be written as

\[ \ln W_m - \ln W_f = (X_m - X_f) \beta_m + X_f (\beta_m - \beta_f) \]  

(5)
The first term on the right-hand side of equation (5) shows the portion of predicted earnings gap which is explained by the difference in the characteristics of male and female such as level of schooling, experience etc., evaluated at the beta weights estimated for the male sample wage function. In other words, the male wage structure is assumed as the non-discriminatory wage in the equation (5), whereas in equation (4), the female wage structure is assumed to be the non-discriminatory wage.

The main drawback in Oaxaca’s method is the Index number problem. The decomposition can be quite sensitive to which wage structure is used. A study of the pay of professors in a U.S. University found a 2% wage differential due to differences in returns using the male wage structure but a 70% differential using the female wage structure. In addition, this method ignores the possibility that the wage-gap is affected by the sectors in which men and women are employed.

Methods for addressing these weaknesses have divided along two separate lines, J.Cotton (1988), Neumark (1988) and Oaxaca and Ransom (1988) have focussed on the Index number problem. Brown, Moon and Zoloth (1980), Even, Macpherson (1993), Doiron and Riddell (1994) have suggested ways of decomposing the gender wage-gap along sectoral lines. Let us examine the methods adopted by Cotton, Neumark, Oaxaca and Ransan and Brown, Moon and Zoloth to measure the wage-gap by gender and sector.
3.3.3 Cotton Method

According to Cotton (1988), if the discrimination coefficient is not an exact measure of labour market discrimination, then the residual will reflect more omitted influences as well and will therefore over or under estimate the extent of discrimination. According to Cotton the male and female wage structures are both functions of discrimination and either of them would prevail in the absence of discrimination.

In the absence of discrimination the only reason wage differences would arise would be because of differences in productivity characteristics. Therefore in the absence of discrimination the wage structures are assumed to be equal: \( \beta^w = \beta^b = \beta^* \), where \( \beta^* \) is the non-discriminatory wage structure.

The average wage differential can be decomposed into three parts, viz., the difference in the current white and black average productivity characteristics evaluated as the market would, in the absence of discrimination. It is therefore the true value of the skill component of the wage differential. The second element is that part of the treatment component of the wage differential which if positive is due to whites pure treatment advantage; and the third element is that part of the treatment component which if positive measures blacks 'pure' treatment disadvantage. The average wage differential is therefore decomposed as

\[
\ln \hat{w}_w - \ln \hat{w}_b = \sum \beta_i^* (\bar{X}_j \cdot \bar{X}_j^b) \tag{6}
\]

\[
+ \sum \bar{X}_j^w (\beta_i^w - \beta_i^*)
\]

\[
+ \sum \bar{X}_j^b (\beta_i^* - \beta_i^b)
\]
In this decomposition the treatment or discrimination component is made up of two elements, one representing the amount by which white productivity characteristics are overvalued (the benefit of being a white worker) and the other, the amount by which black productivity characteristics are undervalued (the cost of being a black worker).

The major operational weakness of the above equation is that the $\beta^*$ vector is unobserved and therefore must be estimated if the formulation is to be useful for empirical work. Cotton assumes that the wage structure that would exist in the absence of discrimination is the simple weighted average of the observed structures for the two groups. The estimator of $\beta^*$ used in this procedure is defined as

$$\beta^* = f_w \beta_w + f_b \beta_b$$  \hspace{1cm} (7)

where $f_w$ and $f_b$ are the proportions.

According to Cotton, the decomposition procedure suggested by him not only yields more nearly accurate estimates of the components of the wage differential but also models the true state of differential treatment by estimating the 'cost' to the group discriminated against as well as the 'benefits' accruing to the favoured group.

3.3.4 The Neumark, Oaxaca - Ransom Method

Neumark (1988) argues that the appropriate decomposition depends on the type of discrimination hypothesized. In particular, employers may practice nepotism toward men or discrimination against women. Under nepotism
women are paid the competitive wage, but men are overpaid. In such a
situation, the coefficients from the women's earnings functions provide an
estimate of the non-discriminatory wage structure. Under discrimination,
employers pay men competitive wages but underpay women. In this case, the
male coefficients should be taken as the non-discriminatory wage structure. In
reality employers may practice both nepotism and discrimination. Neumark
proposes a general model of discrimination in which employers may have
different preferences (nepotistic or discriminatory) toward different types of
workers. Useful results can be obtained, given the restriction that employer
preferences are homogeneous of degree zero within each type of labour, that is
to say, employers care only about the proportion of each type of labour
employed. With such a restriction, Neumark shows that the non-
discriminatory wage structure can be estimated from an earnings function
estimated over the pooled sample (that is both men and women). This non-
discriminatory or 'pooled' wage structure, $\beta$ is a weighted average of the male
and female wage structures,

$$\beta = \Omega \beta_m + (1-\Omega) \beta_f$$

(8)

Oaxaca and Ransom (1994) show that the weighing matrix $\Omega$ is

$$\Omega = (XX')^{-1} (X' \beta_m X_m)$$

(9)

where $X$ is the observation matrix for the pooled sample and $X_m$ the
corresponding matrix for males only. This weighing is a generalization of that
proposed by Cotton which used the proportion of men and women in
employment.
The Neumark decomposition is thus,

\[ \hat{W}_m - \hat{W}_f = \beta (\hat{X}_m - \hat{X}_f) + \hat{X}_m (\beta_m - \beta) + \hat{X}_f (\beta - \beta_f) \] (10)

The first term is that part of the wage gap explained by differences in characteristics, given nondiscriminatory returns. The second and third terms show the contribution of differences between the actual and pooled returns for men and women respectively.

3.3.5 Extended Decomposition Method

Brown, Moon and Zoloth (1980) devised a method to expand the decomposition to include job discrimination in addition to wage discrimination. The distinction between wage discrimination and job discrimination becomes relevant where occupation is itself one of the variables determining earnings. Wage discrimination occurs if, even within occupations group differences in mean personal characteristics cannot entirely explain group differences in mean earnings. Job discrimination occurs if, for non-economic reasons, the different sexes or races have unequal access to the higher-paying occupations.

The gross difference in mean wages can be decomposed as follows:

\[ \hat{W}_m - \hat{W}_f = WD + WE + JE + JD \] respectively.

WD represents wage discrimination since it isolates the effect of sex differences in wage structure. WE is the part explained by differences in personal characteristics, since wage structure and job proportions are being held constant. JE and JD together show the contribution of occupation to the gross
difference in mean wages. JE is the explained part, reflecting differences in occupational attainment which are due to differences in personal characteristics. JD represents job discrimination since it isolates the effect of sex differences in occupational attainment which cannot be explained by group differences in personal characteristics.

3.3.6 Measuring Direct Discrimination in Labour Markets using a Frontier Approach

Robinson and Wunnava (1983) criticised the decomposition technique adopted by Oaxaca on two issues: that the reduced form wage equations for the two groups will not be identical in every case, and that there may be large and unobservable differences between the characteristics of the two groups for which the wage equations cannot account. The Frontier Approach uses a stochastic earnings frontier with a discrimination discount to estimate discrimination against women. An earnings frontier for females that depends upon marginal productivity (as measured by human capital and labour market characteristics) of females is estimated. Discrimination is assumed to be the amount female earnings are removed from the frontier, less any labour market inefficiency.

3.4 EMPIRICAL EVIDENCE FOR DEVELOPED COUNTRIES

3.4.1 Male - Female Earnings Differential

Most of the contributions on male - female earnings differential pertain to the developed countries. Some of the important contributions are reviewed in this section.
According to Malkiel and Malkiel (1973) the male-female pay differentials in professional employment is largely due to the fact that women had less education, work experience and seniority than men. Smaller percentage of women studies in critical areas, gained a Ph.D., or had published significantly and women tended to have a higher absentee rate.

Cain (1986) and Gunderson (1989) have reviewed the extensive literature on male-female wage differentials. All the twenty empirical studies on sex discrimination reviewed in Cain relate to the United states. Similarly Gunderson restricts the review to the United States, Canada, Australia and Britain, and Terral (1992) reviews the available studies for developing and developed countries.

Blau and Ferber (1987) give empirical evidence from United States on discrimination using decomposition method. According to them, discrimination is more for both gender and race when a control for occupation is omitted. The explanatory variables are labour market experience, feedback effects, and reduced hours of work for blacks.

Goldin and Polacheck (1987) questioned the entire concept of residue. According to them, female labour force has expanded and is more heterogenous. This has motivated a direct measure of expected life time human capital. This approach is based on Yoram Benporath's (1907) life cycle model of human capital accumulation.

Gunderson (1989) suggests equal employment opportunities and affirmative action as measures to improve the position of groups targeted. He
also suggests comparable worth which has increased the wages of females by 10 - 20 percent and equal pay legislation which becomes effective through collective bargaining.

According to Groshen (1990), comparable worth acts on the occupational and job cell components and therefore has a potentially large impact.

Sovenson (1990) observes that the occupational segregation due to discrimination results in the crowding of females in 'women's work'. The effect of crowding on earning was such that 1/3 of the National male-female earnings differential was explained by crowding.

Yet another interesting study on career plans and expectations of young men and women was conducted by Blau and Ferber (1991). They found that women expected to earn as much as men in the beginning of their career but not later on. Because of greater confidence and promotions for better performance men expect higher returns in later years. The earnings profile for women tend to become flatter with more age and with experience thus proving the hypothesis that women's earnings become less with more age and experience. The authors suggest that the government can ensure equal rewards for career oriented educated women.

Fields and Wolff (1991) constructs an econometric model and finds that an improvement in relative female earnings reduces industrial segregation and discrimination is tend to lower in sectors where the demand is strong and new workers are entering in large numbers. The regression results show that male-female gap closed more rapidly in the faster growing occupations. Employment
growth therefore reduces male-female gap directly and industrial segregation indirectly.

Highlighting the prevalence of segmented labour markets in Australia, Gregory and Duncan (1981) points out the Australian experience of equal pay for women. Their study points out that female employment continued to grow faster than male employment after the equal pay decisions (1969). This resulted in a large change in relative earnings, which brought about significant changes in income distribution in favour of working females. Between 1969 and 1976, their share of the wage bill increased from 20 to 28 percent.

Robinson and Monks (1999) finds gender differences in earnings among economics and business faculty in the United States. The data used in this study is from the National Survey of Post secondary Faculty, 1993. Using Oaxaca decomposition method, the authors find that female Economics and Business faculty earn between 1.3 and 7.4 percent less than would be predicted in the absence of discrimination.

The effect of post-school-age training among women at older ages was examined by Hill (2001). The study uses the National Longitudinal survey of labour market experience for Mature women's cohort to examine labour market effects of education and training on women at pre-retirement ages, comparing three training methods: formal education, on-the-job training, and other training. Results show that younger, more educated women tend to train more than other women. While both education and on-the-job training are associated with higher wage levels, on-the-job training is more strongly associated with wage growth. On-the-job training does pay off for the women
and their employers in that, women who train remain in the labour force at older ages and sustain higher productivity as measured by wages.

Using the detailed data on education from the Canadian Census, Christie and Shannon (2001) documents substantial gender differences in educational attainment and field of study of post-secondary graduates. Their results suggest that allowing for greater educational detail does help explain variation in wages. Difference in the field of study are more helpful; using Oaxaca decomposition they explain 0.025 to 0.037 of the 1990 log-earnings gap of 0.387 and could drive it as low as 0.350 in the future.

The effect of wage discrimination against people with disabilities was measured by Deleire (2001). Using the data from the effects of poor health on earnings in 1984 and 1993, the author uses the decomposition technique to indicate that in 1984, only 3.7 percentage points of the earnings gap is due to discrimination and the amount of discrimination did not decline by 1993. Although discrimination did not change over the 1984 to 1993 period, the negative effects of poor health on the earnings of people with disabilities fell substantially.

Fortin and Liemieux (2000) explain why both the female-male wage ratio and male wage inequality increased more in the 1980's than in the 1970's or in 1990's. These results also suggest that while women have continuously improved their labour market skills through higher educational attainment and higher levels of labour market experience since the 1970s, their rapid relative gains during the 1980s may be linked to the large change in men's inequality in that decade relative to adjacent decades.
Antecol (2001) analyses the interethnic variation in the gender wage gap among immigrants in the United States. Controlling for human capital factors does not eliminate interethnic variation in the gender wage gap. Moreover a positive correlation exists between the gender gaps of first generation immigrants and the same gaps in those groups' countries of origin. Although the author cannot detect a home country effect for second and higher generation immigrants, the pattern for the first generation gap is consistent with a role of cultural factors, in addition to human capital and institutional factors, in explaining why some women earn more relative to men than others. The author focus on two types of personal characteristics: 'exogenous' personal characteristics and 'potentially endogenous' personal characteristics. Though both influence wages, it is the latter that depends on cultural factors.

3.4.2 Wage Differentials in Public and Private sectors

The payment of Government workers has stimulated a great deal of empirical research in both Europe and North America (See Ehrenberg and Schwarz, 1986 and Bender, 1998 for reviews). A common theme suggested in this literature has been that, on average, public sector workers receive positive wage premiums vis-a-vis comparable workers doing comparable jobs in the private sector. More recent research, though, has concentrated upon the nature and shape of the public sector wage distribution. Poterba and Rueben (1994) found that the distribution of wages was narrower in the public sector, and that state and local government workers in the United States enjoyed a wage premium at the lower tail of the distribution, but a wage penalty at the upper tail. Similar traits were found by Mueller (1998) in that rent payments tended
to be the greatest for Canadian Federal Government employees at the lower tail of the wage distribution. Blackaby, Murphy and Leary (1999) also find the highest wage premiums for U.K. public sector workers in the lower tail of the distribution. The other finding is the underpayment of public sector employees at the opposite end of the earnings distribution.

Ballou (2001) compares the use of merit pay in public and private schools. Merit pay is used in a large number of private schools. The reasons for the failure of merit pay according to the author are not inherent in teaching, but are due to specific circumstances in public education, notably the opposition of teacher unions.

3.4.3 Racial Discrimination

In the United States, racial discrimination existed in open form before any legal steps were taken in the early times before World War II (Arrow, 1998). The existence racial discrimination throughout the American Society was “too evident for detection and too gross for aggravation”, according to Samuel Johnson. It was well known that most of the good jobs were not available for blacks. Residential segregation was also overt and was enforced primarily through voluntary choice of seller and by covenants attached to the land. In almost all southern states there were explicit laws requiring segregation in public facilities, transportation and education.

There was in fact no need to establish the existence of racial discrimination in the US by estimating the wage differentials, even though quantitative measure of discrimination may be important for the society as one
of the indices of well-being. Two important lessons can be learnt from the situation that prevailed there in those days. One is that any theory of racial discrimination including its economic implications has to be consistent with the above facts. Secondly such a wide spread set of values among the people in any society will only change very slowly. The passing of legislation will only make the gross evidence of such discrimination available before 1964 to disappear.

Some of the important contributions on racial discrimination in the United States is discussed below. In his "Wealth of Nations"**, Adam Smith developed the proposition that non-money characteristics of jobs affect wages. Becker (1957) presents a theoretical analysis of the labour market implications of what he calls "tastes for discrimination". Becker analyses theoretically the effects of four possible kinds of discrimination: by employers, by employees, by consumers and by the Government.

According to Chiswick (1972), the literature on discrimination contains two versions of the "crowding hypothesis". One is a 'labour supply' hypothesis which says that the greater the proportion of non white in a state, the lower the income of unskilled relative to skilled workers, as nonwhites tend to have lower levels of skills than whites. The second form of crowding hypothesis is the 'job-rationing hypothesis', which says there is a distribution of wage offerings within skill levels and nonwhites are always given the lowest wages. This predicts a decline in white income inequality and a rise in nonwhite income inequality as the proportion of nonwhites increases. In the empirical
analysis, for the states as a whole, within the South and within the non-south the race variable is positive and significant for white males.

Cotton (1988) reformulated the often used method for decomposing wage differentials into human capital and discrimination components; so that both the disadvantage or discrimination imposes on a black or minority wage earner and the advantage or benefit it bestows on a white or majority wage earner can be estimated. Using 1 percent sample of the Public Use Samples of the 1980 census, there were 21341 white males and 2785 black males in the samples. It is estimated that approximately 49 percent of the log wage difference was due to while males' skill or productivity advantage evaluated as it would have been in the absence of discrimination. The white male treatment advantage accounted for 22.5 percent of the log wage differential and the treatment disadvantage component for black males was over 26 percent of the log wage differential.

Oaxaca and Ransom (1994) examine four alternative methods for estimating the extent of labour market discrimination. Using micro data from the U.S. current population survey, the gross White/Black wage differential is about 25 percent. The Cotton and pooled methods estimate the market discrimination coefficient at 13-14 percent and the white productivity advantage at 9-10 percent. These two methods imply that whites are overpaid by 1 percent and blacks are underpaid by 12-13 percent.
3.5 **EMPIRICAL EVIDENCE ON EARNINGS DIFFERENTIAL FOR DEVELOPING COUNTRIES**

### 3.5.1 Male-Female Wage Differential

Several studies on wages reveal an important finding that women are not treated on par with men in many occupations. Wage discrimination is said to take place whenever the market rewards persons with identical productive endowments differently because they differ in some non-economic traits like sex, caste, religion etc.

With respect to gender wage-gap, a substantial literature now exists on countries in Latin America and East Asia. The volume edited by Psacharopoulos and Tzannatos (1983) contains 21 studies of 15 Latin American countries. Correcting for selectivity biases, they find that on average, discrimination accounts for about 88 percent of the male advantage in pay. Horton provides a seven-country study of women in East Asian labour markets. Generally, differences in returns to male and female characteristics account for at least half the gap between male and female earnings, although this differential appears to be narrowing over time. By contrast, the gender wage-gap in Africa is small (Knight and Sabof, 1982).

M. Carvajal and Geithman (1985) found that the difference between the mean earnings of men and women in the Costa Rica work force fell between 1963 and 1973. This decrease was due to an increase in the proportion in the lower-paying agricultural sector. In addition they found that the earnings differential for men and women of the same age and with the same number of
years of formal education fell between 1963 - 1973. The authors concluded that discrimination against women had decreased during this period.

Gindling (1993) examines the changes that occurred in male-female earnings and wage differentials in Costa Rica during the economic crisis of the early 1980s. There was a reduction in the ratio of the education of employed women relative to that of employed men, because during the period of recession (July 1980 - July 1982) there was an influx of female workers with less education into the labour force. Even during the period of stabilization, the male-female wage differential increased due to a large increase in the public sector employment, which was disproportionately male. This result is consistent with the hypothesis that the public sector hiring in this period was discriminatory.

Kao, Polachek and Wunnava (1994) illustrate that when individuals maximise the present value of lifetime earnings, a relation emerges among one's expected lifetime labour force participation, post-school investment and earnings. This relationship implies that human capital investment is crucially dependent on expected lifetime labour force participation. The authors explain 84 percent of observed gender wage differential with the human capital measures.

Birdsall and Fox (1985) explain 74 percent of the discrimination in wages between male-female with non-discriminatory variables like more education, experience and training for men, less geographical mobility on the part of women, and lack of incentives for training among women because of many barriers to take up secondary school jobs. The authors find locational
distribution of men and women and training of Brazilian teachers as important variables that enable male teachers to earn more than female teachers.

Using the official labour force survey for 1982, Gannicott (1986) provides evidence from Taiwan that women earn only 85 percent of males salary even in the absence of discrimination. He uses an expanded model to explain 40 percent of the pay differentials compared to 34 percent with the basic model.

Cohen and House (1998) makes use of Khartoum Employment Survey (1993) to show that Male-Female wage differences are much smaller within occupations than across the labour market as a whole. This tends to support Bergmann's (1974) view that the male-female earnings differential is the result of an occupation distribution that crowds women into a limited number of low-paying, low productivity jobs.

Yet another study that represents the first attempt at estimating the magnitude of the Male - Female earnings differential in Pakistan using a national data set, was made by Ashraf and Ashraf (1998). The household income and expenditure surveys for 1979, 1985-86, and 1987-88 were used to calculate the gender earnings gap. The results show a sharp decline in the male-female earnings differential. Separate estimates were provided for each of the four provinces of the country (Punjab, Sindh, Baluchistan and N.W.F.P.) and for nine major industrial groups.

Appleton, Hoddinott and Krishnan (1999) use the Oaxaca and Neumark decomposition methods to measure the gender wage-gap in three African countries. They find that the gender wage gap is very small in the Cote d'Ivoire
but substantial in Ethiopia and Uganda. Where the gap is substantial, it is largely attributable to differences in returns to wage generating characteristics. In all three countries the wage-gap is narrowed because women are over represented in the higher paying public sector.

3.5.2 Wage Differentials in Public and Private Sector

In a selectivity model of Public-Private wage differentials in Haiti, Terrel (1991) estimates a large Public – Private wage differential in Haiti even after controlling for differences in education and experience. The finding indicates that the public sector (especially the state owned enterprise) earn a sizable rent.

In the early 1980s Lindaver and Sabot (1983) and Corbo and Stelener (1983) used standard earnings functions and found large positive public-private wage differentials in Tanzania and Chile respectively. More recently, Van Dee Gaag, Stelener, and Vijverberg (1989) found that apparently positive differentials in Cote d'Ivoire and Peru became negative when corrected for selectivity bias.

Glick and Sahn (1997) analyse gender differentials in earnings in conakry, Guinea. The study separated earnings from three activities; self-employment, public sector employment and private sector employment. Using the decomposition technique proposed by Neumark, they find that differences in characteristics account for 45 percent of the male-female gap in earnings from self employment and 25 percent of the differences in earnings from
public-sector employment. In the private sector women actually earn more than men do.

Piras and Savedoff (1998) using household survey data from Bolivia show that teachers’ monthly incomes are less on average than the rest of the labour market, but their hourly earnings are higher. Teachers earn more than they would in the private sector, but less than in other unionized public sector jobs. They are relatively well off in the overall distribution of income after accounting for other sources of income.

3.5.3 Wage Differential by Race

A recent study conducted by Mwabu and Schultze (2000) on wage premiums for education and location of South African workers by gender and race shows that the wage returns for schooling were highest in 1993 among the youngest cohort of Africans at all three levels of education namely primary, secondary and higher education. The data was based on a representative household sample of 43,974 individuals. Almost 50 percent of the large differences in wages between racial groups appear to be due to differences in years of education of non-white compared with white groups. 9 percent to 12 percent of the lower levels of wages of African men and women is related to their predominantly rural residential location which differs markedly from that of whites.

Using the data set generated by a 1971 establishment - based survey of some 1000 randomly selected workers in Tanzania's manufacturing sector, Knight and Sabot (1982) observe that only 17 percent of gender wage
differentials are attributable to factors other than observed characteristics\(^1\) but non-Africans are the beneficiaries of such discrimination. Using the extended decomposition method, the residual contribution of sex discrimination was 0.015 for males and -0.107 for females and the residual contribution of racial discrimination was 0.628 for Africans and 0.404 for Non-Africans.

David and Nembhard (2000) in their recent study identified 12 countries with data of a reasonable quality that measure the gap between economically subaltern and dominant groups. Although historic oppression may account for many of the pre-market factors that contribute to the persistent discrimination, the authors find statistical evidence of labour market discrimination when such studies have been done in Brazil, Israel, South Africa, India, Malaysia, Trinidad and Tobago, and the United States. In Canada the only group that continuously faces systematic discrimination is blacks. The international record shows disparity across nations and regions between racial and Ethnic groups within countries, and within groups in the same country. Subaltern racial and Ethnic populations, whether in the majority or minority suffer remarkably similar economic outcomes across the globe. Institutional racism and cultural discrimination affect subcultures and different classes in multiple ways. In every country those who get the "short stick" continue to face poor prospects for full economic inclusion and justice.


By 1980, Armitage and Sabot (1991) argue that this had disappeared.
percent of the mean white log earnings in 1980 to 5.3 percent in 1994. The similar figures for coloureds and Asians relative to whites mean log earnings declined from 9.3 percent in 1980 to 3.7 percent in 1994. Using a different econometric method Moll (1995) found that Africans suffered a 15.9 percent loss of income relative to mean white log earnings in 1980 and 90 percent loss in 1993. According to George Sherer, Asians in Africa lose between 15% to 18% of the earnings gap solely because the market values their productive assets differently than whites. Of the sizable gap in earnings between. Whites and coloureds roughly 15-26% of this is lost due to discrimination. The similar figure for Africans in roughly 10-22 percent. This may be attributed to the fact that an open transition from the apartheid might have been replaced by indirect ways of discrimination.

The following Table 3.1 shows some of the important studies on male-female wage differential for developing countries.

3.6 EMPIRICAL STUDIES ON DISCRIMINATION IN INDIA

3.6.1 Gender Discrimination

Nayar (1987) in her study considers low labour force participation of women and labour market segmentation as indicators of discrimination against women. Women constitute 33 percent of main workers and 75 percent of marginal workers.

Krishnamoorthy (1985) and Shariff (1990) explain wage differentials in Agriculture in India. They indicate that female wages are 30 percent lower
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<th>Name of Author and year</th>
<th>Data Base and Name of Country</th>
<th>Estimation Technique</th>
<th>Dependent Variable</th>
<th>Explanatory variables</th>
<th>Important Results</th>
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<tr>
<td>Nancy Birdsell and M. Louise Fox (1985)</td>
<td>BRAZIL Secondary data published by the various states (Census data)</td>
<td>Oaxaca Decomposition</td>
<td>Natural log of monthly income</td>
<td>Education (Years of study completed), experience proxy (Age-21 for those who completed University course and Age-18 for those who did not), Experience proxy square, Head dummy, Secondary School dummy, Female dummy; Added variables in the expanded model are; locational characteristics, training at the primary and secondary levels</td>
<td>Explained difference Male as Base 90.0 Female as Base 77.8 Unexplained difference Male as Base 10.0 Female as Base 23.2</td>
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<td>Kenneth Gannicot (1986)</td>
<td>TAIWAN Official Labour Force Survey for 1982. Household 16200 Men 10790 Women 6150</td>
<td>Oaxaca Decomposition</td>
<td>Natural log of monthly earnings</td>
<td>Schooling, work experience (divided into two categories: number of years in the present job, and years of previous experience), Marital status, Number of hours worked in the survey week, size of firm, industry and</td>
<td>Log. Endowment -.149 (basic difference model) .177 (Expanded model) Residual -.292 (Basic model) .263 (Expanded model)</td>
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<td>Name of Author and year</td>
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| Barney Cohen and William J. House (1993) | Khartoum Employment Survey | Oaxaca Decomposition | IN (RATE) Natural logarithm of hourly wage rate. | Education, Experience (Age-S-6), Job experience (Specific firm experience) in Ethiopian (1,10), Public (1,0), Foreign (1,0), Occupational Dummy. | Basic model Overall Discrimination = .143
|                        |                               |                     |                    |                       | Expanded model Overall Discrimination = 1.44 |
| T.H. Gindling (1993)    | Costa Rica Household Surveys of Employment and Unemployment | Expanded Decomposition Multinomial logit technique | Hourly wages | Constant, Years of formal schooling, Experience (Age-S-6), experience square, Head of the family (dummy). | July 1980 - wage differential due to the influx of less educated women into the labour force. During stabilisation period it was due to a large increase in the public - sector employment which was disproportionately male. |
| Chang Kao S.W. Poalacheck and V. Wunnava (1994) | Taiwan Secondary data | Decomposition Method | Natural log of monthly wages. | Education, Experience (Age-S-6) Experience square, weekly working hours, expected human capital, Marital status (1,0), Occupational dummies, Industry (dummy), job location dummies, Industry (dummy), job location (dummies) Urban (1,0) Firm size (dummy) | Explained Gender gap Regression I. Without human capital variables = 0.58
II. With expected human capital variables = 0.722
III. Traditional human capital variables = 0.159
Unexplained Gender gap Regression I = .3601
Regression II = .722
Regression III = .159 |
<p>| Javed Asraf and Bilquis Ashraf (1998) | PAKISTAN Census data, Household income and expenditure survey for the years 1979, 85-86, 87-88. | Oaxaca Models 1 and 2 Cotton/ Neumark decomposition | Mean Natural log of wages | Constant, Age (proxy for experience, Age square, Education (dummy), province of residence (dummy) By industry (dummy) | 1979 85-86 86-87 |</p>
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<td>Malathy Duraisamy and P. Duraisamy (1995)</td>
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<td>Decomposition Method</td>
<td>Log monthly earnings</td>
<td>Constant, Education levels, Experience, Experience square, Division dummy, foreign degree dummy</td>
<td>Premium earned by private sector male employee is 48 percent and public sector female employee in 56%</td>
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<td>Banerjee and Knight (1985)</td>
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<td>Decomposition Method and Job Segregation</td>
<td>Natural Logarithm of monthly earnings</td>
<td>Constant, Education, Education square, Age on arrival, Age on arrival square, Urban experience, Urban experience square, Occupational dummies, Dummy variable for scheduled castes</td>
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than male wages in agricultural activities and 50 percent lower in non-agricultural activities in rural Tamil Nadu.

Tilak's work on wage discrimination (1980, 1987) shows 27.5 percent against women. The study based on data collected through a sample survey in the East Godavari district of Andhra Pradesh conducted in 1977-78, covering about 1000 members in the work force, revealed that the incidence of unemployment was higher among women than among men at every level of education. The reasons for such a situation according to the author was due to lack of adequate and suitable employment opportunities for women, market segregation and deliberate discrimination in the job market against women.

Duraisamy and Duraisamy (1996) discussed the sex segregation and discrimination among post secondary educated workers in Indian labour market. Two indices, viz., the dissimilarity index and segregation index are constructed by the authors, to explore the gender differences in the distribution of male and female workers by field and level of education, sector of employment and occupation. A high dissimilarity index suggested the presence of segregation. Occupational distribution alone accounts for about 21 percent of the male-female earnings gap. The result of the decomposition of wage differentials suggests that about 67 to 70 percent of the male-female wage difference can be attributed to discrimination.

Duraisamy and Duraisamy (1998) examined the male-female wage differentials in the labour market with scientific and technical education in India using the scientific and technical survey for the year 1961 and DHTP survey of 1971 and 1981. Their study show that the gender gap appears to be
narrowing but on an average women still earn about 22 percent less than men. The authors made use of the alternative wage structure to decompose the gross earnings differential. The unexplained difference was more or less the same for the basic and extended models of the earnings function when the pooled method is applied. About 41 percent of the wage differential was regarded as the unexplained differential, using the pooled method.

Yet another study on gender discrimination in India by Kingdon (1997) highlights the importance of education in improving the productivity and earnings of females. Making use of a stratified sample survey of 1000 households in 1995 in Urban Agglomeration of Lucknow district, U.P., the author finds that men have higher hourly earnings than women because of more human capital. Using the standard Mincerian semi-logarithmic earnings function, the author finds that education alone accounts for 86 percent of gross gender gap in earnings (Education contributes 0.494 to the total gender gap of 0.574). Of the total effect of education on earnings (0.494), only 0.089 or 18 percent is due to men's higher level of education than women, but a much larger 0.405 or 82 percent is due to men's higher returns to education. Thus the male-female earning gap is explained only to a small extent by women's inferior years of education than men, but to a much larger extent by the differential way in which the labour market appears to reward education for the two genders.

An overview of gender - based discrimination in India's urban labour market was presented by Deshpande and Deshpande (1997). The authors make use of the secondary source of data viz., the Census of India 1981 and
1991 and NSSO 1988, 1996 to distinguish between employment discrimination, occupational segregation, wage discrimination and human capital discrimination. In order to reduce discrimination and promote gender equality, the authors recommend the reservation policy as the best suited measure.

There are very few studies available with respect to wage discrimination in Chennai. Usha (1982) examines the magnitude of discrimination against women in an urban labour market with respect to wages. She has explored the various factors influencing the earnings of men and women employees from a sample survey conducted in the Madras Metropolitan area. Using Oaxaca's decomposition method, her study reveals that on an average women earn less than men even when they are equally productive and women on the average possess less education and other economic characteristics which determine earnings. The difference between average monthly income earned by men and women demonstrates that only 1/3 of the difference is attributable to differences in wage structure while the remaining two-thirds is due to unequal distribution of wage generating endowments.

Divakaran (1996) used the Oaxaca decomposition method and a further extension of it as shown by Brown, Moon and Zoloth to verify gender-based discrimination in terms and earnings in the Indian urban labour market. The data used by Divakaran was obtained from a primary level survey of the Madras Urban Agglomeration. The male and female earnings were decomposed into two components - one explained in terms of productivity differences and the other indicating gender discrimination. She found that the
endowment differences accounted for about 50 percent of the differential; there was a clear indication of discrimination against women. Using an extended decomposition method, she also found that there was unadjustable occupational segregation to the extent of 37.9 percent and wage discrimination of 12.5 percent.

3.6.2 Studies on Wage Differentials by Sector

Using the degree holders and technical personnel (DHTP) survey data collected by the CSIR along with the population Census of 1981, Duraisamy and Duraisamy (1995) examine the possible consequences of structural reform programmes on the wage differentials between public and private sectors in the labour market for persons with higher education in India. The Oaxaca decomposition method was used to decompose the observed wage difference between the public and private sectors in the labour market for persons with higher education in India. Their results suggest that about 87% of the wage difference is due to the higher premium paid by the private sector for male workers than for female workers; the advantage of being in the Public sector is about 143 percent. Correction for self selection into public or private sector reduces the premium to 48 percent and 56 percent respectively for males and females.

Singh and Bhattacharya (1998), selected one of India’s largest term-lending institution for their study and the relevant data was taken from the company’s Annual Report for the year 1995-96. The authors adopted two approaches to test for gender based earnings discrimination, among top level
executives of a firm in the private corporate sector. In the first approach, they use a dummy variable for gender to test whether any discrimination exists. In the second approach, separate earning function for male and female executives are estimated. Their findings show that the returns to human capital variables for female executives was less compared to male executives in the company.

3.6.3 Empirical studies on caste discrimination in India

Some of the views of Davity & Nembhand (2000) on scheduled castes in India from the International Records on 'Racial and Ethnic Economic Inequality' are presented below. India has been practicing affirmative action for half a century on behalf of the Scheduled Caste. Estimates gleaned from the National Sample Survey of the per capita consumption expenditure ratio of SC/others are 0.78 in 1983-84 and 0.79 in 1987-1988 in rural areas and 0.78 and 0.72, respectively in urban areas (Davity & Nembhand, 2000). The 1970 earnings data from the Delhi Fertility Survey provides greater detail on caste and religious affiliation. While the SC's clearly have the most deprived relative status vis-a-vis the Hindu Brahmins, the low and middle class Hindus and the Muslims all had earnings close to half of the Brahmin level. According to Autar Dhesi and Harbhajan Singh (1989), in 1970 the earnings ratios by caste-religious status in Delhi for males were:

- Muslim/ Hindu Brahmin, 0.53
- Sikh/ Hindu Brahmin, 0.87
- Hindu SC/ Hindu Brahmin, 0.39
- Hindu low caste/ Hindu Brahmin, 0.55
Hindu Middle Caste/ Hindu Brahmin, 0.53
Hindu High Caste/ Hindu Brahmin, 1.03

Studies on caste discrimination in India are not many. Banerjee and Knight (1985) examine the problem of caste in the light of discrimination and Government Policy. Using a survey of workers in Delhi, the gross wage difference between scheduled and non-scheduled caste is decomposed into its 'explained' (9 percent) and discrimination components (7 percent) and from a model of occupational choice, into wage and job-discrimination. Discrimination is found to exist and to operate at least in part through the traditional mechanism, viz., the assignment of workers to occupations, with scheduled caste workers disproportionately representing the poorly paid dead-end jobs.

A study of caste disparity in Kerala was made by Despande (2000) by making use of the NSS data on house-hold consumption expenditure from July 1993 to June 1994. The author focussed on two of the three basic survival expenditure, food and clothing to get an idea of the disparity at the most basic level. The results reveal that even in a relatively egalitarian state like Kerala, intercaste disparity continues to underlie overall disparity. The cross-tabulations both for rural and for urban areas on food expenditure, clothing expenditure, land holding and education levels of heads of households indicate substantial intercaste disparity between the SC/ST population compared to the other population. The calculations with the Theil Index suggest a low to medium level of overall inequality and also suggest that the existence of an elite group, or upper class, is much more pronounced in the 'others' category than it is in the SC or ST category.
3.7 SUMMARY

This chapter outlined a brief survey of literature on wage discrimination. The different theories of discrimination, followed by the econometric models and empirical studies on wage differentials by gender, sector of employment and caste in the developing and developed countries are reviewed. The survey also discusses the literature with special reference to Indian studies. Thus this chapter sets the stage for a detailed study of wage differentials in the secondary school teacher labour market by gender, sector and caste in the forthcoming chapters.