

Sectoral effects of discrimination on labour input allocation

Topic: Gender issues in IO models (II)

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CGE models have incorporated gender features since 2000 mainly by disaggregating labour factors by sex. Additionally, in recent years some authors have also included unpaid household work and have accounted by the interactions between market and non-market activities. Other features that may be very relevant in the gender-aware CGE, but that have not been incorporated yet, are the labour inefficiencies. Labour market inefficiencies such as discrimination have been very studied both in the labour and gender literatures, but have not been considered in CGE modeling. The omission of these features may bias the simulation results of policy evaluation. Thus, the aim of this paper is to do an exploratory analysis of the effects of discrimination on labour input allocation, with a view to incorporate them in future gender-aware GCE models. This paper contributes to the literature in being the first paper analysing the effect of wage discrimination or unexplained gaps on labour input allocation. Additionally, we analyse the sectoral differences of these effects depending on factor elasticities of substitution and labour intensities. Using yearly data for Spain between 2005 and 2013, the paper estimates constant elasticity of substitution production function (CES) by sector that incorporates male and female labour inputs, a non-labour input and a productivity parameter. The model is estimated by two stage least squares (2SLS) with cross-equation restrictions for each sector.