

# The effect of unfair chances and gender Discrimination on labor supply

## INTRODUCTION

- One of the most pervasive characteristics of adverse market activity and outcomes is chance. These chances can take many forms, depending on whether they are fair or unfair due to a variety of factors ranging from favouritism and nepotism to the occurrence of discrimination.
- The employment of female employees in the economic department, who have fewer opportunities than men with equivalent abilities, is a prime example of this issue of discrimination in the labour market (Sarsons et al., 2019).



## Problem Statement

1. Workers' behaviour will be impacted by unequal pay, which could lead to a decrease in labour supply and productivity and an increase in job segregation (Bracha et al., 2015; Breza et al., 2018; Dube et al., 2019).
2. Equal employment opportunities can have a significant impact on employee behaviour.
3. Gender discrimination is the root cause of this problem's inequality.

## HYPOTHESIS

### Hypothesis I & II

**EQLOW / EQHIGH**  
-EQLow refer to low wage  
-EqHigh refer to high wage

- Both workers receive the low wage or receive the high wages, respectively.

### Hypothesis III

**UNEQFAIR**  
-UNEQFAIR refer to fair chances

- Both workers have fair chance (50%) of receiving the high wage.

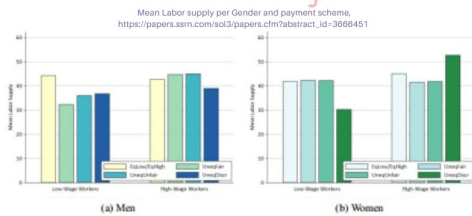
### Hypothesis IV

**UNEQUNFAIR / UNEQDISCR**  
-UNEQUNFAIR refer to unequal chances  
-UNEQDISCR refer to unequal discrimination

- One workers has a 25% chance of receiving the high wage and the other has a 75% chance.
- One worker has a 25% chance of receiving the high wage explicitly because she is woman or he is a man, whereas the other worker has a 75% chance because he is man or she is a woman.



## DATA FINDINGS



### Gender Discrimination

- Low-wage male workers significantly decrease their labor supply in UNEQFAIR compared to EQLow but the men workers do not further decrease labor supply on inequalities contained in UNEQFAIR and UNEQDISCR.
- Low-wage female workers significantly decrease their labor supply only in UNEQDISCR relative to UNEQFAIR.
- Relative to EQLow, low-wage men do significantly decrease their labor supply in reaction to any of the three types of inequalities, whereas low-wage women significantly decrease their labor supply only when facing gender-discriminatory.
- Workers who receive a high wage do not significantly reduce their labor supply in response to the different payment schemes, irrespective of their gender.
- For high-wage female workers the descriptive statistics suggest an interesting pattern opposite to Hypothesis 2, namely an increase in labor supply in response to positive discrimination.
- High-wage women in UNEQDISCR significantly increase their labor supply relative to UNEQFAIR.

## RESULTS

- (a) The decrease in labor supply caused by gender-discriminating unfair chances (UNEQDISCR) relative to unfair chances from an unspecified source (UNEQUNFAIR) is larger for low-wage workers than for high-wage workers.
- (b) The decreases in labor supply caused by unfair chances from an unspecified source (UNEQUNFAIR) relative to fair chances from an unspecified source (UNEQFAIR) and by UNEQFAIR relative to EQLow/EQHIGH are similar for both types of workers
- (c) For men, gender discrimination do not change the labor supply as much as unfair chances, while for female workers, they reduce the labor supply due to gender discrimination compared to unfair chance

## DISCUSSION

### • Unequal Wages and Labor Supply

Unequal wages significantly decrease labor supply of low-wage workers, but do not affect their labor supply in the same way as those studied by Bracha, Breza and Dube. The results on the negative labor supply effects of wage inequality add evidence that this may be mainly driven by men.

### • Fairness Of Chances

Unfair chances coming from gender discrimination, a prominent form of procedural unfairness. Many have argued that an unequal outcome is more acceptable if it is generated by fair chances than one that results from unfair chances. The study shows that workers are insensitive to initial chances when they are generated by an unspecified source, as labor supply is almost identical under the payment schemes

### • Discrimination, Labor supply, and the Gender Gap in Earnings

The most important determinant of the modern gender earnings gap is that women exhibit lower labor supply. Women are less present high-pay occupations, which usually demand long working hours. The result suggests that women decrease their labor supply in response to gender-discriminatory chances. Positive gender discrimination may increase labor supply of women.

## CONCLUSION

Low wages stemming from gender-discriminatory chances reduce labor supply almost twice as much as low wages resulting from fair chances. Advantaged workers are unresponsive to any type of inequality that we examined. Men reduce their labor supply when they are in a disadvantaged wage position, irrespective of the reason behind the disadvantage.