

SEMINAR NOTICE

Topic:

Returns to Education and Labour Market Discrimination
in India: An Examination

Speaker:

Mr. Tushar Agrawal
Research Scholar, Indira Gandhi Institute of Development Research
Goregaon (E), Mumbai-400065

The seminar details are as follows:

Date & time: Friday, July 30, 2010 at 3.30 p.m.

Venue: Committee Room, Institute of Economic Growth, University of
Delhi Enclave,
North Campus, Delhi-110 007

Chair: Professor Indrani Gupta

All are welcome. Tea will be served in the seminar.

(Sabyasachi Kar)
Seminar Convenor

ABSTRACT

An important determinant of the demand for schooling or training is its expected benefits. This paper estimates the returns to education using an earnings function approach and analyzes wage discrimination across different sub-groups of population in India. The study uses unit level data from the India Human Development Survey 2005 produced by the National Council of Applied Economic Research, New Delhi, and the University of Maryland. It is a nationally representative survey of 41,554 households in 1503 villages and 971 urban neighbourhoods across India. We estimate the standard Mincerian wage equation, separately for both the rural and urban sectors and, unlike the

existing studies, control for ability and family background characteristics of an individual to avoid the possible bias due to endogeneity of schooling. To account for the possibility of sample selection bias, the Heckman two-step procedure is used. The Blinder-Oaxaca decomposition technique is used to identify the proportion of the observable wage gap that is attributable to personal characteristics and the proportion attributable to labour market discrimination. Results indicate that returns to education increase with the level of schooling and differ perceptibly for rural and urban residents. Demographic and social characteristics of the households and individuals significantly affect the earnings. In general, *ceteris paribus*, the deprived social groups of the society tend to earn lower wages. Ability and family background are important determinants affecting the earnings of individuals. A large wage differential between males and females is evidence of gender discrimination in the Indian labour market. The decomposition analysis reveals that the wage difference between males and females is largely because of discrimination which accounts 73 per cent of the wage gap. Nevertheless, in case of social group this gap is mostly driven by differences in endowments.