Female selection into employment across the earnings distribution

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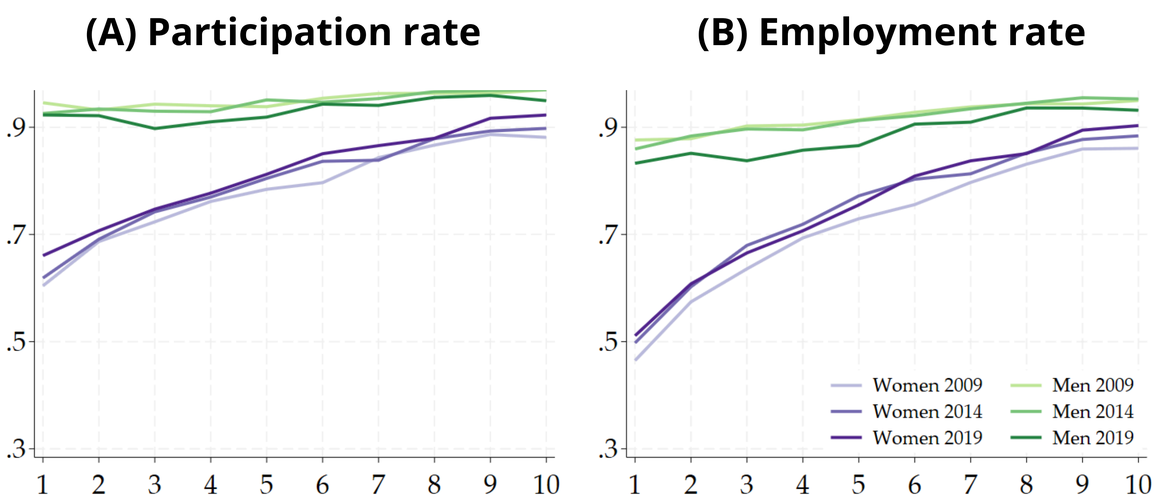
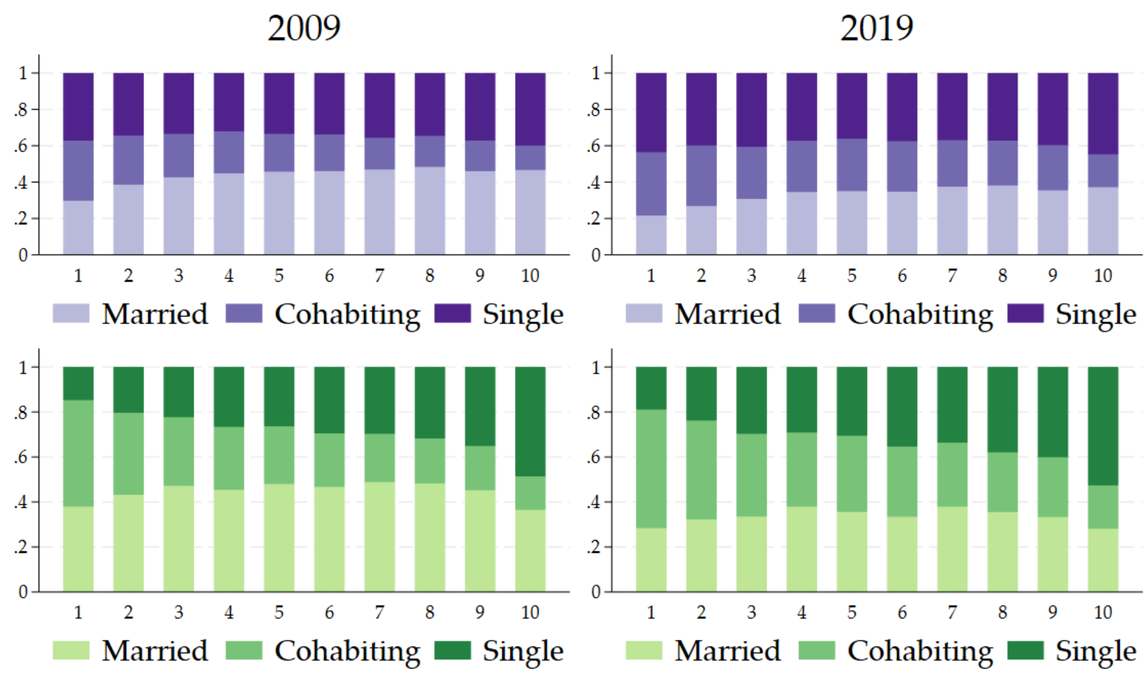
URUGUAYAN CONTEXT



Marital status across the household per-capita income distribution



ABSTRACT

Uruguay presents significant gender employment gaps that vary along the household per capita earning's distribution. In this study, I explore the evolution of the selection-corrected gender earnings gap across the distribution using the Uruguayan household surveys for the period 2009-2019.

I apply the three-step quantile selection model proposed by Arellano and Bonhomme (2017).

Results show that selection patterns vary across marital statuses. Potential earnings gaps are greater than the uncorrected (raw) earnings gap for individuals in couples in all earnings quantiles, albeit maintaining a decreasing trend over the studied period. The difference between both earnings distributions is larger for lower earnings quantiles, suggesting the existence of 'sticky floors'. Lastly, when considering married and cohabiting individuals separately, I find that women's selection into employment is driven entirely by the selection of married women.

EMPIRICAL STRATEGY

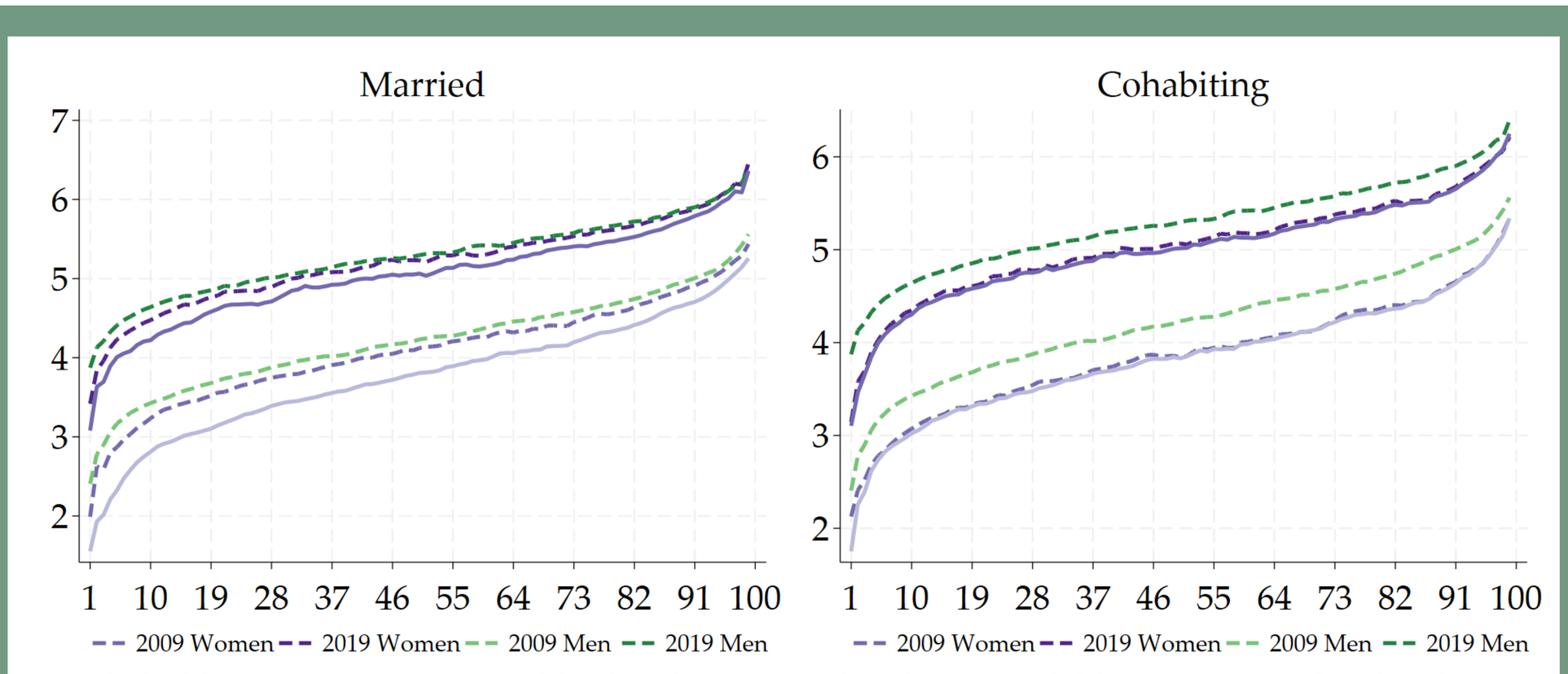
This study follows the quantile selection model proposed in Arellano and Bonhomme (2017), that allows to estimate selection-corrected gender earnings gaps across the distribution. This semi-parametric approach estimates the joint distribution of potential earnings by quantiles.

Selection is modelled via a bivariate cumulative function (copula function), of the errors in the earnings and the employment equation. To estimate the probability of being employed I use a measure of potential out-of-work income as an instrument.

CONTRIBUTION

The comparison of the potential and observed gender earnings gap offers further information on gender inequalities in the Uruguayan labour market. If working individuals are systematically different from non-working individuals, not correcting for selection leads to biased results. The comparison of the observed gap with the potential gap shows whether the selection bias is heterogeneous across the earnings distribution. Although this estimation method (Arellano and Bonhome 2017) has been applied in developed economies (Elass, 2022; Maasoumi and Wang, 2019) this is the first application for a developing country, where female participation rates, institutional factors and labour market structures differ greatly.

RESULTS



Note: dashed lines represent estimated log hourly earnings distributions, solid lines represent female selection-corrected log hourly earnings distributions.

- **Once selection is accounted for, the distance between men and women's hourly earnings distributions (representing the gender gap) increases in the case of individuals in couples, specially married individuals.**
- **Selection decreases between 2009 and 2019**
- **Gender gaps and selection are not homogeneous along the earnings percentiles**

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