

Abstract for “The Cost of Ethnicity”

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Since the late 90s Latin American countries have experience fast growing, a reduction in analphabetism and a mutation from agricultural economies to industrialized middle income countries. Most of the population has enjoyed the benefits of a bigger growth rate, increasing the mean income level of the population as well as diminishing the inequalities. Unfortunately, the poorest countries in Latin America did not follow the same path. Bolivia and Guatemala, the 3rd and 4th poorest countries of the LAC region, have extremely high poverty levels, Bolivia reaches 62% while Guatemala rose the 56%; the low education level explain its low Human Development Index which reaches 0.67 and 0.63 respectively. But the level of education and poverty are not the only cause of their slow growth, inequality also plays a big role. Guatemala is the most unequal country of the whole region and Bolivia does not perform better ranking in the 3rd position.

The backlog endured by those countries makes us wonder about its causes and consequences. Having a closer look, we realize the proximity of both countries. Bolivia and Guatemala share some characteristics; they are both Latin American middle income countries with important natural resources. Their economy main export is based on primary goods such as coffee and oil and they both have a large Indian, rural based population (more than 70%). They also share similar conditions of employment characterize by a low rate of unemployment but with a huge informal job market (around 80%). Inequality in both countries is mainly driven by ethnic and gender discrimination suffered by the population not only on the job market, but also in education and health access. Therefore if inequality plays such an important role in the population and in the economy, what is the actual cost of discrimination suffered by the different ethnic groups and what would be the benefit of reducing the gap?

Much of the research on gender and ethnic inequality focuses on wages differences in the labor market, neglecting the importance of domestic labor and time use. In this article, we examine the gender and ethnic distribution of both, paid and unpaid work, in Bolivia and Guatemala, while trying to explain whether the existing differences come from a purely race and gender discrimination or if part of them can be attributed to the inequality of endowments that each population possess. Monetary and time resources are optimized in a different way depending on the importance of the households' monetary constraint. If time is money then timeless people may be poorer in reality once we take time into account. Does the poorest and the more discriminated population also suffering from time poverty? In order to measure these inequalities, we first proceed with the usual Blinder-Oaxaca decomposition, we then run logistic regression models in order to know what would be the poverty status within each group of the population if a given group would have the same socioeconomic composition that another group. Secondly, we compute the probabilities of being poor given the different combinations of gender and ethnicity in each of the countries under study and finally we add to the monetary parameters the price of time a proxy of the opportunity cost.