

# "Ethnic discrimination in the labor market: the case of Colombia's rural sector"

Laura Pacin

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# About this paper

## Why should we study ethnic discrimination in Colombia?

Ethnic discrimination interferes with employers' decisions, leading to an allocation of labor that may be inefficient. If labor is misallocated, there will be product losses.

In this investigation:

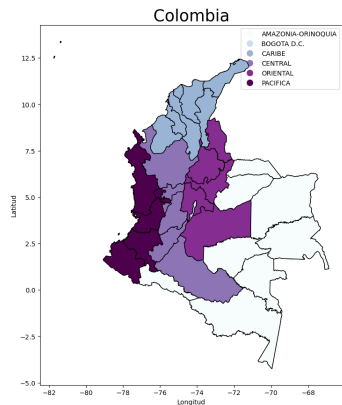
- 1 We studied how workers are distributed in rural Colombia, according to their ethnicity and education
- 2 We distinguished which kind of discrimination takes place in Colombia's rural labor market
- 3 We identified in which departments we can expect labor misallocation, due to the concentration of less-educated workers

# Literature

- **Discrimination:** One type of discrimination is called “by taste” (Becker 1957 ), where employment decisions are based on employer’s preferences rather than workers’ objective qualifications. Arrow 1971 called “statistical discrimination” when employers take the group average about some feature to predict each worker’s individual attributes.
- **Misallocation:** As a low-income country, evidence supports that, most likely, there will be an inefficient allocation of labor leading to product losses (Restuccia and Rogerson 2013, Restuccia and Rogerson 2017, Hsieh and Klenow 2009, García-Aracil and Winter 2006, Kelley 1988, Silva 1985 ).
- **Methodology:** Logit models (Train 2003 ) allow us to predict hiring probabilities (Schmidt and Strauss 1975 ).

# About Colombia

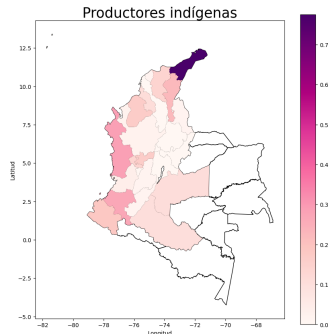
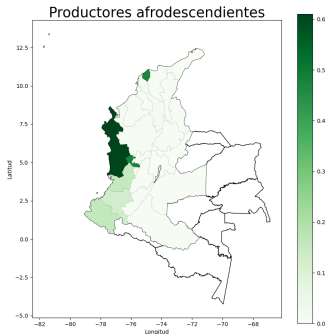
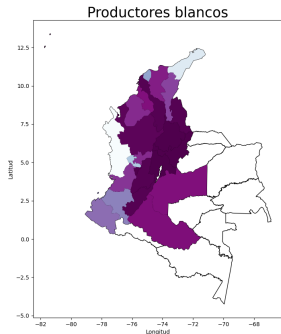
- The 4 regions dedicated to rural activities were studied.
- The data source was the National Agricultural Census from 2014, which allowed to match workers with their employers. It also shows their ethnicities.
- Historically, some groups have had difficulties entering the labor market because of discrimination.<sup>a</sup>
- Legislative actions have been taken, trying to solve the differences in opportunities, but they do not seem enough.
- Rural employment is mainly informal



<sup>a</sup>Leibovich, Ospina, and Veloza 2006, Caicedo and Bermúdez Rico 2022, Viáfara and Alvarado 2015, Fernández, Eslava Mejía, et al. 2022

# Producers

Indigenous and Black Communities' Territories are geographically concentrated



# Workers

## Education

Most rural workers did not reach secondary school

## Participation in the labor market

Although there is some preference by family, there are no significant differences in the probabilities of participating in the labor market<sup>a</sup>. At the same time, census data shows inter-ethnicity employment

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<sup>a</sup>Leibovich, Ospina, and Veloza 2006.

## Ethnicity and education

Indigenous workers are the least educated in most departments, followed by Afro-descendants

# Logit models

$$Prob(producer_i = 1) = G(z) = \frac{e^z}{1 + e^z} \quad (1)$$

Where

$$i \in \{white; Afro - descendant; indigenous\} \quad (2)$$

$$z = \beta_0 + \beta_1 ethnicity + \beta_2 education + \beta_3 age \quad (3)$$

With

$$z \in (-\infty; \infty) \quad (4)$$

Therefore

$$Prob(producer_i = 1) \in [0; 1] \quad (5)$$



# Results

These trends can be observed in every department of the country

## White producers

Regardless of the educational level, the probability of being employed is: above 97% for white workers, around 36% for afro-descendant, and about 26% for indigenous

## Afro-descendant producers

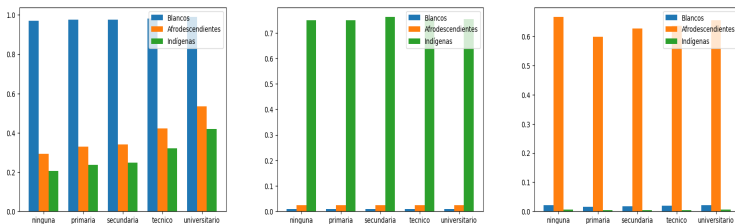
For every educational level, the probability of being employed is: around 67% for afro-descendant workers, around 2% for whites, and less than 1% for indigenous.

## Indigenous producers

Regardless of the educational level, the probability of being employed is: around 75% for indigenous workers, around 2% for afro-descendant, and around 1% for whites

# Robustness checks

- 1 Additional controls:
  - Gender
  - Production for self-consumption
  - Farm size
- 2 Departmental markets: the same discrimination patterns described earlier were found in those departments where markets operate better



**Figure:** Hiring probabilities at the country level for white, indigenous, and afro-descendant producers, respectively

# Ethnicity, education and gender

## 1 Afro-descendant producers:

- In Chocó, most producers are Afro-descendants, who prefer workers from their same ethnic group, despite them being the least educated ones.
- Estimation results showed that ethnicity has more weight in hiring decisions rather than one more year of education.
- If workers had enough information to take this into account, they would not have as many incentives to keep studying as they would otherwise.
- There is also discrimination by gender.

## 2 Indigenous producers:

- In La Guajira, most producers are indigenous and they discriminate against white and Afro-descendant workers, who are, on average, more educated than indigenous.
- In Nariño, every ethnic group has, on average, the same educational level. There, most producers are whites and discrimination can be easily seen. However, it must be taken into account that in that department there are two indigenous families and the robustness check showed that production for self-consumption is significant when producers are indigenous, and this fact could be interfering with workers' mobility.

# Ethnicity, education and gender II

## 3 White producers:

- In Chocó and La Guajira, where most producers are afro-descendants and indigenous, respectively, white workers are the most educated groups. However, those producers discriminate against these workers.
- In the remaining departments, where workers and producers are mostly white, and they are also the most educated, it could be expected that better productive results would be achieved because higher qualifications would be chosen, even though the hiring decision is affected by ethnic discrimination.

## 4 General guidelines:

- Gender discrimination was only found for Afro-descendant producers
- Chocó and La Guajira are the main departments of interest because most producers are choosing, on average, the least educated workers.

# Conclusion

- It was proved that the type of discrimination that is found in Colombia's rural labor market is **"discrimination by taste"**.
- In several departments, the type of producers that represent the majority discriminate against workers with better education, concentrating the worst-educated workers in some productive units.
- Further investigations could complement this analysis with data about the effects that discrimination has on productivity, and how much information workers have, to shed light on the impact of discrimination on incentives to study.