

## **The Gender impact in Earnings Inequality: Evidence from Sri Lanka**

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### **Abstract**

*This paper estimates an earnings function for Sri Lanka, followed by a decomposition analysis of male-female earnings suggest that the gender disparity in earnings largely represents 'discrimination' against women. The findings showed that irrespective of their "inferior" labour market attributes, men had average earnings that were considerably higher than the female average and that this could be attributed entirely to discrimination in favour of male earners.*

**Keywords:** Inequality, Earnings, Gender, Sri Lanka

**JEL codes:** O53,R2,O29

### **1. Introduction**

Despite the high levels of human development, the civil war has affected Sri Lanka's economic growth significantly. Sri Lanka embarked on the liberalisation policies since late 1970s, and this led to an increase in economic growth; however, this was not reflected on the distribution of income, which remained more or less unchanged (Dunham and Jayasuriya, 2000). In developing countries, Kuznets (1955) has identified the shift of population from traditional to modern activities as an important reason for inverted U relationship between inequality and development and found that developing countries had relatively greater inequality than developed countries. The variations in inequality reflect real differences across countries in participation in the modern sectors of the economy and indicate the importance of urbanisation and industrialisation in determining the extent of inequality. However, a recent work reveals reduced inequality trends in Latin America, which may be due to the narrowing of the earnings gap between skilled and to the poor (López-Calva and Claudia, 2010).

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