

# Disability discrimination and the effectiveness of hiring subsidies: A job-search approach

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In recent decades many countries have enacted significant policies to reduce labour market inequalities between persons living with and without disabilities. Inequalities can emerge for many reasons including differences in productivity but and also possible employer discrimination against person living with disabilities. In this paper we develop and estimate a job search model of the labour market with matching and bargaining in the presence of employer taste based discrimination. The model is estimated using panel data from Canada's Survey of Labour and Income Dynamics (SLID). This database is obtained through the Quebec Inter-university Center for Social Statistics (QICSS). Estimates suggest that employer discrimination and productivity differences can explain the bulk of the labour market inequalities between people living with and without disabilities. Our estimates suggest that close to 70% of employers have a prejudiced against persons living with disabilities. What is more, with an average productivity of \$10 an hour for instance, we find that prejudiced employers are willing to sacrifice \$5.4 by hiring a persons without disabilities instead of persons with disabilities with the same productivity. On average, persons living with disabilities are predicted to be 33% less productive than persons without disabilities. We use our model estimates to measure the counterfactual impact of removing discrimination on the efficiency of affirmative action policies (wage subsidies) aimed at supporting persons with disabilities. We find that the presence of discrimination chokes off 28% of the positive effects of the subsidy on hiring rates relative to a counterfactual labour market where discrimination is absent.

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