

Minimum wages and pay equity in Latin America

Damian Grimshaw and Marcela Miozzo

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Working Paper

**Minimum wages in Latin America:
identifying the employment and pay equity effects**

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FOREWORD

In June 1998 the International Labour Conference adopted the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up. The Declaration obligates all member States of the International Labour Organization to respect, promote and realize freedom of association and effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation.¹ The InFocus Programme on Promoting the Declaration is responsible for the reporting processes and technical cooperation activities associated with the Declaration Follow-up; and it carries out awareness-raising, advocacy and knowledge functions – of which this Working Paper is an example. Working Papers are intended to stimulate discussion of the issues covered by the Declaration. They express the views of the author, which are not necessarily those of the ILO.

Dr. Damian Grimshaw and Dr. Marcela Miozzo were commissioned by the ILO to write this Working Paper, as an input for the preparation of the ILO Director-General's Global Report to the 2003 session of the International Labour Conference.² Their study examines the experience of minimum wage policy in Latin American, in respect of its effectiveness in reducing gender pay inequalities, especially at the bottom of the occupational hierarchy. The main goal of this study was to see how a minimum wage policy may be used as a tool to promote pay equity, as women are represented disproportionately among the low paid.

Latin American countries were among the first to legislate on minimum wages, and evidence shows that the minimum wage has been used both as a redistributive tool to address poverty and as a stabilization tool to counter inflation. Problems of compliance with minimum wage legislation must be seen in Latin America against the background of macroeconomic turbulence, rapid political change, a high incidence of precarious work and a large informal economy. Comparison across countries shows a marked 'societal effect' in the way nation states have responded to international pressures to flexibilise labour markets, generating quite different scenarios of the way the minimum wage shapes patterns of equality in the wage structure. Argentina, Colombia and Mexico were selected as case studies to illustrate the diversity of the Latin American experience.

Dr. Damian Grimshaw is an economist, specialist in employment studies, labour markets and the organisation of work. He is a member of the European Association of Labour Economists. Dr. Marcela Miozzo is an economist, specialist in innovation studies and trade and industrial policies in developing countries. They are both Senior Lecturers at the Manchester School of Management of the University of Manchester Institute of Science and Technology (UMIST), in the United Kingdom. The ILO is grateful to them for this timely contribution

¹ For the text of the Declaration, please visit our website at: <http://www.ilo.org/public/english/standards/decl/declaration/text/index.htm>.

² ILO, *Time for Equality at Work* (Geneva, ILO, 2003).

to a renewed interest in labour market institutions and equality, and for providing background studies for the 2003 Global Report. This exercise was conceptualized and overseen by Manuela Tomei, the ILO official responsible for that report, and her team-members Janine Rodgers, Mara Steccazzini and Tzehainesh Teklè.

Zafar Shaheed
Director, Global Reports and Advocacy,
InFocus Programme on Promoting the Declaration
March 2003

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Introduction

The use of the minimum wage as a tool for redistributing income and improving the level of pay equity among workers has risen to the surface of the international policy agenda in the wake of a number of important studies that question its assumed 'disemployment' effects (Card and Krueger 1995; Freeman 1996; Prabsch 1996). The argument is that in the context of increasing income inequality in Anglo-Saxon and many developing countries, the minimum wage may redistribute earnings to the lower paid. Moreover, since women are represented disproportionately among the low paid, another virtue of the minimum wage is that it can improve the level of gender pay equity (Rubery and Grimshaw 2002a). However, while there is a consensus of evidence from developed countries (especially for the US and the UK) to show that the employment effects of a minimum wage are negligible (Card and Krueger 1995; Katz and Krueger 1994; Neumark and Wascher 1994), the evidence from Latin American countries is mixed. On the one hand, a number of important studies (including several World Bank Working Papers) find strong evidence of displacement of low paid workers, suggesting that the costs of a minimum wage outweigh its benefits (Angel-Urdinola 2002; Bell 1995; Feliciano 1998; Maloney and Nuñez 2001). On the other hand, there is also evidence that the minimum wage is not a significant factor in explaining labour market performance, but does shape wage equality (Cortez 2001; Forteza and Rama 2001; Saget 2001).

The present report investigates this conflicting evidence drawing on the experiences of minimum wage policy in selected Latin American countries. A focus on Latin America is of interest for two central reasons. First, Latin American countries were among the first to legislate on minimum wages (Brosnan 2002; Starr 1981) and thus provide rich and diverse illustrations. Second, minimum wage reform has been targeted by international institutions, such as the World Bank and the Inter-American Development Bank, as a key component of labour market deregulation required by structural adjustment policies in Latin America (Burki and Perry 1997; Maloney and Nuñez 2001). Nevertheless, comparison across countries shows a marked 'societal effect' in the way nation states have responded to international pressures to flexibilise labour markets, generating quite different scenarios of the way the minimum wage shapes patterns of equality in the wage structure. At one extreme, we find the collapse and apparent irrelevance of the minimum wage for the contemporary workforce in Argentina, yet at the other end of the spectrum we find evidence of its increasingly strong role in shaping the wage structure in Colombia and Mexico, albeit associated with an increase in its relative value in Colombia and a decline in Mexico.

Reflecting this diversity of evidence, the report contributes to build a comparative framework for understanding the distributive effects of a minimum wage in the context of three main economic and labour market conditions:

- the linkages between the minimum wage and other elements of the national system of wage-setting, such as collective bargaining, the degree of union power and state intervention;

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- the stability of policy objectives (especially those related to macroeconomic and social security policy) guiding enforcement and uprating of the minimum wage; and
 - the composition of the working population, distinguishing between sectors and the extent of formal (and secure) integration within the economy.

It is perhaps the second and third conditions that receive greatest attention in our focus on Latin America given the greater tendency for macroeconomic turbulence and political change, as well as the higher incidence of precarious work and the informal economy and problems of compliance with minimum wage legislation.

The report is structured as follows. We begin with an overview of minimum wage systems (section 1) and then consider patterns of pay equity (section 2) across Latin America, drawing on data collected by the ILO.¹ Section three presents a detailed analysis of minimum wage systems and their employment and pay equity effects in three countries – Argentina, Colombia and Mexico. These countries are selected, in part, because they are illustrative of different trends in the impact of minimum wage policies and, also, because, more than other Latin American countries, they have been the focus of a number of studies on the implications of minimum wages for employment and the wage structure. In a final section, the evidence from the three country case studies is drawn together around three policy-related questions. First, what are the costs and benefits of using the minimum wage as a tool to control inflation? Secondly, what are the effects of increases or decreases in the minimum wage on job growth in the formal sector and the employment share of the informal sector?² Thirdly, is there evidence that the minimum wage has contributed to improve the position of the low paid and to narrow the gender pay gap?

1. Minimum wage systems in Latin America

In this section we provide a brief overview of minimum wage systems in selected Latin American countries. In some countries, such as Brazil, Chile and Mexico, the introduction of the minimum wage dates back to the 1930s. As we show below, most countries in this continent allowed the real value of the minimum wage to deteriorate during the 1980s and 1990s. Nevertheless, because average real wages have also deteriorated markedly during this period (Weeks 1999), the minimum wage continues to exert a strong ‘bite’ at the lower end of

¹ "Sistema de Información y Análisis Laboral" (SIAL/OIT, Panama). The ILO Regional Office for the Americas, based in Lima, publishes an annual "Labour Overview" based on those statistics.

² Note from the editor: the 'informal sector' has been the object of numerous studies ever since the 1970s, and scholars and analysts from Latin America have played an important role in refining the concept and generating a body of empirical evidence. In the late 1990s, the ILO has revisited the concept and expanded it into that of 'informal economy' which encompasses both informal production units and workers in informal employment relationships outside informal enterprises. Economic activities take place along an informality-formality continuum characterised by decreasing decent work deficits. See "Decent Work and the Informal Economy," Report VI, International Labour Conference, 90th Session June 2002.

<http://mirror/public/english/standards/relm/ilc/ilc90/pdf/rep-vi.pdf>.

the wage distribution in the formal and informal sectors. Here, we focus on- five dimensions of minimum wage systems: links with other wage-setting arrangements; instability of minimum wage trends; non-compliance; implications for formal and informal employment; and links with trends in real wages and unemployment (for an overview, see Table 1.3). Much of the detailed discussion is picked up in the country case studies reported in section 3.

1.1. Links with the broader system of wage setting

The impact of a minimum wage on the wage structure depends on how it fits in the national system of wage setting and industrial relations. However, this does not imply a straightforward relationship. For example, in a country with relatively centralized wage-setting arrangements, any increase in the legal minimum wage may trigger a series of sector-wide wage settlements that restore the pre-existing pattern of wage differentials; where such a response is expected it may act as a disincentive to government efforts to increase the minimum. On the other hand, where there is a consensus of opinion among social partners that rents ought to be redistributed to the low paid, the same centralized arrangements may in fact provide the most suitable conditions for reforming the wage structure. In countries with decentralized wage-setting arrangements, minimum wage policy administered by the state may be the only means of ensuring that the bulk of workers are protected by a wage floor; this is especially the case where levels of trade union membership and coverage of collective bargaining are low.

Across Latin American countries, while all have some form of minimum wage legislation, there is a diversity in systems of wage setting ranging from Argentina and Uruguay with wage setting occurring mainly at the industry level (and pervasive state control over wages) to Chile and Colombia where wage setting is far more decentralized and union membership is lower (the position of Chile is partly the result of legislation that, until 1992, prevented multi-employer agreements³) (Table 1.1). During the 1990s, the trend in most countries has been towards more firm-level bargaining. For example, in Argentina, the proportion of firm-level agreements rose from 24% in 1989 to 57% in 1995 (Marshall 1995: 7). Also, in many countries, legislative measures enacted during the 1990s limited trade union power; nevertheless, there is no conclusive evidence of a decline in unionization rates (Marshall 1999: 17-18). Centralised bargaining of the kind associated with a 1980s Nordic model is not present in Latin America, although there were several failed attempts at centralized tri-partite wage determination during the 1990s (op. cit.: 25). Instead, direct state control of wage setting has been the most conspicuous form of centralization in Latin America, both through the use of the minimum wage and through controlling rates set through collective bargaining (typically associated with periods of military rule, as for example in Argentina 1976-82 and in Uruguay from 1973 until 1985; op. cit.: 9-10).

³ Although by 1993, Chile was still illustrative of an extreme decentralization of wage setting; only 0.4% of all agreements were the result of inter-firm bargaining (Marshall 1995: 6).

Table 1.1. Systems of wage setting in selected Latin American countries

	Unionization rate (manufacturing, 1980s) (%)	Level of bargaining	State wage control
Argentina	66	Hybrid; industry level predominates	Pervasive
Brazil	34	Hybrid; firm level predominates	Pervasive
Chile	22	Decentralised	None or occasional
Colombia	8	Decentralised	None or occasional
Mexico	34	Hybrid; firm level predominates	None or occasional
Peru	54	Decentralised	None or occasional
Uruguay	31-72	Hybrid; industry level predominates	Pervasive
Venezuela	20% or over	Hybrid; firm level predominates	None or occasional

Source: adapted from Marshall (1995: Table 4 and Appendix Table B).

Overall, in countries like Argentina and Uruguay one might expect the minimum wage to act as a safety net, which mainly affects the position of a minority of the workforce not covered by the relatively strong system of collective bargaining. In other countries (Chile and Colombia) the minimum wage is likely to demonstrate a strong ‘bite’ into the wage structure, reflecting both the weakness of trade unions and the decentralized nature of wage setting. We return to evidence for these conjectures in section 3 below.

1.2 Instability of the minimum wage

Since the mid-1970s, most Latin American countries have outpaced other developing countries in the aggressive reversal of positive minimum wage policies pursued through the 1950s and 1960s. Reporting on 1980s trends, Fiszbein shows that eight out of eleven Latin American countries experienced a decline in the real minimum wage of between 20% and 70%, and this was accompanied by a decline in the ratio of the minimum to the average wage in all but one country (Fiszbein 1992: Table 1). During the first half of the 1990s, some of this decline was reversed in many Latin American countries, with the notable exceptions of Mexico, Peru and Uruguay. However, by 1995 the real minimum wage in 12 out of 16 countries was still lower than its 1980 level - in some cases by more than a third (in Bolivia, Ecuador, El Salvador, Mexico and Peru; see Table 1.2).

Across the five countries shown in Table 1.3 Argentina, Brazil and Mexico have experienced steady and, at times, rather dramatic declines in the real value of the minimum wage from the mid-70s to the late 1990s. In all three cases, the real value at the end of this period was less than its value in the mid-1970s (see section 3 below for more detail). In Chile and Colombia, the picture has been more mixed, with evidence of significant increases in value during the 1990s in both countries (especially since 1995 in Colombia, see section 3 below).

Table 1.2. Trends in urban real minimum wages in Latin America (1980 = 100)

	1990	1991	1992	1993	1994	1995	% annual change
Argentina	40.2	52.9	45.3	70.0	81.1	78.4	14.3
Bolivia	31.2	49.3	50.0	54.1	59.3	58.0	13.2
Brazil	55.4	64.6	56.5	63.9	60.8	67.1	3.9
Colombia	105.7	103.5	101.8	104.6	102.8	102.4	-0.6
Costa Rica	127.2	123.3	125.4	130.6	134.6	129.9	-0.4
Chile	73.3	79.9	83.4	87.5	90.8	94.8	5.3
Ecuador	36.2	30.4	29.5	33.7	38.5	44.4	4.2
El Salvador	33.9	34.6	29.2	35.9	37.3	36.8	1.6
Guatemala	108.7	99.5	87.5	78.4	74.7	89.3	-3.9
Honduras	81.9	83.5	100.1	100.9	82.8	80.2	-0.4
Mexico	42.0	39.6	38.3	37.8	37.7	33.3	-4.5
Panama	98.4	97.1	95.5	107.2	105.8	105.6	1.4
Paraguay	132.1	125.7	114.7	110.2	113.2	112.8	-3.1
Peru	21.4	14.9	15.6	12.1	14.4	14.7	-7.2
Uruguay	68.8	62.9	60.0	51.5	46.0	42.9	-9.0
Venezuela	55.2	61.5	70.2	50.8	52.7	53.7	-0.5
Average	69.3	70.5	68.6	69.6	69.1	72.0	0.8

Source: Guasch 1996: Table 10.

Differences in trends across countries do not show any convergence around a similar position of the minimum wage within the overall wage distribution. The level of the minimum wage varies between 22% (Brazil) and 40% (Colombia) of the average wage (Table 1.3). Expressed as a ratio of percentile wage earning groups of workers, the differences among countries become more marked. Argentina stands out as the only country where the minimum wage is substantially lower than the wage earned at the 10th percentile point; in Brazil, Chile and Colombia the minimum wage is at approximately the same level. Also, the minimum wage in Chile and Colombia is more than half the level of the median wage (the 50th percentile), but falls to around a third in Argentina and Brazil.

The erratic trends in the minimum wage in this region reflect, to some extent, sporadic attempts by governments to use the minimum wage as a tool to prevent poverty among the working population and, more commonly, governments' efforts to use the minimum wage as a tool to counter inflation. Trends in the minimum wage thus reflect the changing balance between using the minimum wage as a redistributive device as opposed to using it as a tool for stabilization (Sanchez and Giordano 1988b).

Political attempts to improve the level of the minimum wage are hindered in some countries by the strong links between the minimum wage and social

security expenditures. In Brazil, the 2002 announcement to raise the minimum wage by one fifth (from 151 reais to 180 reais) followed an agreement within the government to provide for the 3.1 billion reais (around \$1.6 billion) needed to fund the increase in social security spending this induced (for example, payments to many pensioners through social security are linked to the level of the minimum wage) (Bloomberg News 11.06.02). Also, in Argentina, various elements of social security spending are tied to the minimum wage; for example, the range of unemployment benefits payable is restricted to a minimum-maximum range of one to four times the monthly minimum wage and dismissal compensation is linked to the minimum wage.⁴

1.3. Non-compliance

While the minimum wage sets a floor to the wage structure, there may be problems with enforcing compliance and, in some countries, coverage may be restricted to particular sectors or firms above a certain size. This is a problem especially in countries where there is a large proportion of the workforce employed in the informal sector (micro-enterprises or self-employed). For example, a study of compliance in Costa Rica found that workers in firms with less than ten employees were far more likely to earn less than the minimum wage than those in larger firms (46% compared to 23%, respectively, Gindling and Terrell 1995).

Nevertheless, in many Latin American countries the minimum wage is commonly used as a general unit of measure, both in collective bargaining at various points of the wage structure and in the payment of various types of social security and other benefits, (see above). For example, in Brazil the study by Neri et al. (2000) found that 9% of formal workers were paid exactly the minimum wage and 6% received exactly a multiple (cited in Maloney and Nuñez 2001). Also, the official wage data released by the Mexican government identify the proportion of the workforce paid less than the minimum; one to two times the minimum; two to five times the minimum; and more than five times the minimum (see data below). However, despite the apparent transparency, problems of compliance remain. Across the five countries reported in Table 1.3, evidence of compliance shows only moderate to moderate-high success. An ILO (1997) study reports that the percentage of workers earning below the minimum wage in micro enterprises was 28% in Chile, 19% in Mexico and 16% in Colombia and Brazil (cited in Saget 2001)

⁴ Conversation with Lic. Emilia Eugenia Roca, National Director of Social Security Policies, Social Security Secretariat, Ministry of Labour and Social Security, Argentina

Table 1.3. Minimum wage systems in selected Latin American countries

	Argentina	Brazil	Chile	Colombia	Mexico
Starting date	1964	1938	1937	1955	1937
Coverage	18 years+ All sectors		All sectors (since 1973)		All sectors and all firm sizes
Change in real value of MW	Erratic pattern of decline since mid-70s	Steady decline since mid-1970s	Increase until 1980; major decline until 1987; increase in 1990s	Increases between 1977-1987 and again between 1995-1999	20 years of steady decline
Trends in urban real MW					
1980	100	100	100	100	100
1990	40	55	73	106	42
1995	78	67	95	102	33
Relative level of MW:					
MW/ mean wage	26%	22%	34%	40%	34%
MW/ 50 th percentile	33%	37%	55%	68%	48%
MW/ 10 th percentile (year of data)	67% (1998)	100% (1998)	109% (1996)	100% (1998)	87% (1999)
Differential rates	Single rate		Single rate (since 1973) (90% rate for domestic workers)	Single rate (since 1985)	Three general rates by geographical region; half rate for domestics; 88 occupational rates
Up-rating mechanism	Special Council responsible for uprating; minimum period of 180 days unless inflation exceeds 15%				Annual revision based on recommendations by National Commission for Minimum Wages; Secretary of Labour has discretion to adjust rates more frequently
Link to social security	Links to unemployment benefits and redundancy costs				Links to state pension
Compliance	Moderate-high	Moderate-high	Moderate	Moderate-high	Moderate
Actual or potential impact on pay equity	Decline associated with increasing wage inequality, but decreasing gender pay inequality	Low level associated with narrowing of gender pay gap	Increase associated with slight narrowing of gender pay gap	Increase associated with a reduction in wage inequality and substantial narrowing of gender pay gap	Decline associated with increasing wage inequality, but decreasing gender pay inequality

Sources: Angel-Urdinola (2002); Brosnan (2002); Garcia (1991); Guasch (1996); Maloney and Nunez (2001); Marinakis (2000); Saget (2001).

Other studies use kernel density plots to estimate non-compliance and show the position of the minimum wage in the overall wage distribution. For the five countries reported in Table 1.3, such plots tend to show that the minimum wage has a surprisingly significant impact on wage setting in both the informal and the formal sectors. For example, Maloney and Nuñez (2001: 9) argue that it often acts as a benchmark for fair remuneration in the informal sector and it is this practice that explains the spike in the wage distribution around the minimum wage level (particularly in Brazil, Chile and Colombia) (op. cit.: Figure 2).

1.4. Formal and informal employment

Discussion of the impact of the minimum wage in a developing country context must be sensitive to the chronic problem of urban unemployment and underemployment (see Lewis 1954; Todaro 1969). In fact, neoclassical economic analysis of the impact of minimum wages in developing economies has readily exploited models of segmented labour markets to simulate the effects in the formal and informal sectors. The conclusions, and prescriptions, are in accordance with conventional neoclassical reasoning: a minimum wage above the so-called market clearing level reduces employment in the formal sector, increases the supply of labour to the informal sector, thus producing a sub-market clearing wage in the informal sector (Todaro 1969). As such, unusually for orthodox economists, a reduction in the minimum wage in developing countries is justified on the basis of both equity and efficiency grounds, since it would increase employment in the formal sector and reduce the wage differential between formal and informal sector workers (see Fiszbein 1992). These results fit within the conventional thinking of World Bank Working Papers that sees minimum wages as one among a raft of ‘rigid’ policies that give rise to inflexibility (e.g. Burki and Perry 1997; Gausch 1996: 156-157) – a viewpoint that contrasts with alternative thinking that considers the impact of different country-wide systems of labour market institutions on employment and equity.

A recent example of mainstream theoretical reasoning is found in the abstract model developed by Agénor and Aizenman (1999). This shows that a permanent reduction in the minimum wage (enforced in the formal sector only) will improve the competitiveness of the country, associated with an expansion in the formal sector and a contraction in the informal sector. This is an important argument against ‘the new economics’ of the minimum wage (Card and Krueger 1995), insofar as the model incorporates monopsony employer behaviour (efficiency wage considerations) for skilled workers in the formal sector, but not for unskilled workers in the formal and informal sectors, and yet still supports the traditional reasoning that a reduction in the minimum wage increases competitiveness.

However, this stylized theoretical model bears no resemblance to an empirical account of what happened in many Latin American countries during the 1990s (see Berry and Mendez 1999). In Argentina, reductions in the minimum wage have been associated with falling real wages for skilled workers and an expanding informal sector (see below). Similarly, data for fourteen Latin American countries for the first half of the 1990s show that the proportion of non-

agricultural workers in the informal sector increased in all cases, despite mixed trends in the minimum wage (Guasch 1996). Moreover, Saget demonstrates (using regression analysis on data for six Latin American countries) that:

"...changes in the ratio of the minimum to the average wage seem to exert no significant impact on the share of the informal economy . . . This result tends to support the view that labour market rigidity and more specifically wage rigidity introduced by minimum wage regulation is not the main responsibility [ed: = cause] of the informality of Latin American economies" (Saget 2001: 15)

In fact, the significant variable in explaining changes in the size of the informal sector is the level of per capita GDP (op. cit.). The reason for a lack of clear evidence may be that the minimum wage impacts on the formal and informal sectors through both the supply and the demand sides of the labour market, with potentially offsetting effects (Fiszbein 1992). On the supply side, changes in the minimum wage may result in a reallocation of the workforce; a rise in the minimum wage is assumed to increase the supply of workers to the informal sector, thus reducing informal sector earnings. On the demand side, inter-sectoral trade flows may generate a counteracting result; assuming that most informal sector 'exports' to the formal sector are low quality consumption goods, a rise in the minimum wage could increase the demand for informal sector goods, leading to pressures for earnings to rise in response to excess demand for workers. Overall, Fiszbein's World Bank Working Paper argues that 'the presence of demand links between the two sectors does not allow one to make strong a priori predictions' (1992: 37). More concretely, he concludes:

"The empirical evidence, which apparently indicates a higher likelihood of a non-standard result, seems to be supportive of the case against reductions in the minimum wage. In that sense, the main policy implication of this paper is that governments, and multilateral organizations, should be cautious when following the advice of standard theories, which suggest that reductions in the minimum wage will benefit workers in the informal sector." (Fiszbein 1992: 38-39)

1.5 Trends in unemployment and real wages

Policy recommendations from institutions associated with the Washington consensus typically call for the withdrawal, or reduction, of labour market policies such as the minimum wage that protect low income workers on the grounds that this will free up labour market flexibility and improve living standards. Here, we report trends in the real value of the minimum wage alongside simultaneous trends in unemployment and real wages in selected Latin American countries (see Table 1.4).

As described above, of the five countries considered here (Argentina, Brazil, Chile, Colombia and Mexico) real minimum wages have been reduced from their 1980 level in all cases except Colombia; and in Chile there is evidence of a reversal of the negative trend during the 1990s. These trends are not associated in any straightforward pattern with trends in either unemployment or average real wages. The worst scenario is recorded in Argentina, where a declining real minimum wage has been accompanied by a rapid rise in unemployment rates and deterioration of the average real wage (28 per cent lower in 1998 than its level in

1982). In Brazil and Mexico where, like Argentina, the real value of the minimum wage has slipped during the 1990s, workers have suffered one of the two penalties; in Brazil unemployment increased (from 4.5% to 7.8% during the 1990s) but average real wages also increased, while in Mexico unemployment shows no clear trend but the average real wage continued to fall (29% lower in 1998 than its level in 1982). In Chile and Colombia, where, by the mid-1990s, the real minimum wage had more or less kept up with its 1980 level, again there are mixed outcomes. Unemployment remained high in Colombia but at a moderate level in Chile, yet in both countries the average real wage improved substantially – it was 31 per cent higher and 20 per cent higher than the 1980s level in Chile and Colombia, respectively. In fact, the double positive outcome in Chile marks it out as the exception among all Latin American countries during the 1980s and 1990s (Weeks 1999: 156). Notably, this outcome was associated with a rising real minimum. The other countries are more typical of the general Latin American scenario where, despite some economic growth during the 1990s, few gains were passed on to the workers either in the form of job increase or real wage growth (op. cit.).

Table 1.4. Trends in real minimum wages, unemployment and real average wages

	Urban real minimum wages (1980=100)					Urban unemployment rate					Urban average real wage (1982=100)				
	Arg	Braz	Chile	Colom	Mex	Arg	Braz	Chile	Colom	Mex	Arg	Braz	Chile	Colom	Mex
1980	100	100	100	100	100	2.6	6.2	10.0	9.7	4.5	72	86	92	96	98
1985						6.1	5.3	17.2	14.1	4.4	100	96	86	109	70
1990	40	55	73	106	42	7.5	4.5	6.5	10.3	2.8	73	75	96	111	72
1992	45	57	83	102	38	7.0	5.8	7.0	10.2	2.8	77	76	106	109	82
1994	81	61	91	103	38	11.5	5.1	8.3	8.9	3.7	76	83	115	115	93
1995	78	67	95	102	33	17.5	4.6	7.4	8.9	6.3	75	87	119	116	80
1998						12.9	7.8	6.1	15.1	3.7	72	102	131	120	71

Source: Guasch (1996: Table 10); Weeks 1999: Tables 2-5).

2. Gender pay equity in Latin America⁵

This section reports trends in gender pay equity among Latin American countries in order to provide a background for subsequent detailed discussion of the three country case studies. The data used in this section derive from a database compiled by the ILO, which was kindly provided for the purposes of this study. The data include figures on wages and employment for male and female workers in the formal and informal sectors at two points in time for each country (the early 1990s and the late 1990s).

Across Latin America, average levels of pay equity between male and female workers improved during the 1990s. Across all 15 countries reported in Table 2.1, the average relative pay of female workers compared to men's increased from a range of 56%-88% to a range of 68%-94%. All countries demonstrate an improvement in women's pay and in five countries (Colombia, Paraguay, Peru, Honduras and Nicaragua) the increase exceeds ten percentage points, with the largest gains of 19 points in Paraguay. In others (Ecuador, Venezuela, El Salvador, Chile and Panama) the gains were more modest - no more than five percentage points. The data do not provide an accurate basis for cross-national comparison since for some countries data are restricted to metropolitan areas and for others data cover the entire economy. Hence, the ranking reported in Table 2.1 ought to be treated with caution.

In particular countries, average figures for gender pay equity, all sectors combined, may disguise divergence in trends among different segments of the economy. Below, we explore three dimensions of segmentation: public versus private; occupational status; and formal versus informal sector.

Table 2.2 reports patterns of gender pay equity within the public and private sectors (salaried workers in the formal sector only), as well as the average wage premium earned by women working in the public sector compared to women in the private sector. Here, we see marked divergence in patterns across countries. For example, 1999-2000 data show that in six countries the gender pay ratio in the public sector is higher than in the private sector, but in eight countries the reverse is true (at the extremes, compare the cases of Uruguay and Paraguay). Also, the sector disaggregation reveals many instances where women's average earnings exceed men's. This reflects both country effects and sector effects. For example, in Colombia and El Salvador a positive wage differential is recorded for female earnings in both sectors, and this is reflected in the positive differential recorded for all salaried workers (see, below, Table 2.4). Sector effects are especially marked in Uruguay and Mexico, where women earn substantially more than men in the public sector but not in the private sector (a difference in gender pay ratios of more than 20 percentage points) and in Ecuador and Paraguay where the reverse effect is most marked (1999-2000 data).

⁵ Note from the editor: the disparity of income between men and women over the 1990s has also been the focus of a section of the *Labour Overview 2001* published by the ILO regional office for the Americas in Lima.

**Table 2.1. Changes in the gender pay ratio during the 1990s
(All workers in public, private, formal and informal sectors, except agriculture)**

	Gender pay ratio 1990-94 (%)	Gender pay ratio 1999-2000 (%)	Change
Argentina ¹	88 ⁶	94	+0.06
Colombia ²	77	91	+0.14
Costa Rica	81	90	+0.09
Panama	85	88	+0.03
Venezuela	80	85	+0.05
Mexico	78	85	+0.07
Peru ³	72	84	+0.12
Uruguay	73	81	+0.08
Paraguay ⁴	59	78 ⁶	+0.19
Chile	69	74 ⁶	+0.05
Ecuador ⁵	73	74 ⁶	+0.01
Brazil	63	72	+0.09
El Salvador	65	70	+0.05
Nicaragua	56	69	+0.13
Honduras	57	68	+0.11

Notes: 1) Greater Buenos Aires only; 2) 10 Metropolitan areas; 3) Metropolitan Lima; 4) Metropolitan area of Asuncion; 5) Urban areas; 6) 1998 data.
Source: ILO data.

The comparison of trends across the public and private sectors shows that while there has been improvement in the gender pay ratio in the private sector in all countries except Argentina (a slight fall from 102% to 100% between 1998 and 2000), evidence is more mixed in the public sector. Here, seven countries register a decline in women's relative earnings compared to men's - of ten percentage points or more in Honduras and Nicaragua. The value of improving gender pay equity in either the public or private sectors must be assessed against the level of women's relative pay in each sector. Table 2.2 shows that while the near universal evidence of improvements in women's relative pay in the private sector ought to be welcomed, private sector pay is, on average, substantially lower than in the public sector in all countries (for both men and women). During 1999-2000, women working in the public sector earned anywhere between 12 and 86 percent more than women working in the private sector (the unusually high ratio of 352% recorded for El Salvador looks suspect). Unsurprisingly, given the high gender pay ratio in many countries, this positive wage differential extends to a comparison between female pay in the public sector and male pay in the private sector. Moreover, in nine out of fourteen countries this gap widened during the 1990s, although whether this reflects a collapse in wage prospects for men working in the private sector, or steady improvements in the position of women in the public sector can not be ascertained from this data.

**Table 2.2. Public and private sector differences in gender pay equity during the 1990s
(formal sector only)**

	Gender pay ratio (%)				Female public/ Female private (%)		Female public/ Male private (%)	
	1990-94		1999-2000		1990-94	1999-2000	1990-94	1999-2000
	Public	Private	Public	Private				
Argentina ¹	91	102	96	100	134	144	137	143
Brazil	84	81	80	88	212	172	172	151
Chile ^{2,3}	--	84	--	92	--	--	--	--
Colombia	94	90	106	103	167	179	150	185
Ecuador ³	83	83	80	103	136	140	112	145
Paraguay ³	86	98	91	119	143	148	140	176
Peru	95	96	94	99	148	112	141	110
Uruguay	114	81	112	88	120	138	97	121
Venezuela	92	93	98	99	112	117	104	116
Costa Rica	98	83	102	93	193	180	160	168
El Salvador	114	87	127	112	197	352	172	393
Honduras	119	86	108	89	234	186	201	166
Mexico	95	85	108	87	130	180	111	157
Nicaragua	74	62	64	86	122	166	175	142
Panama	96	94	90	101	159	146	150	147

Notes: 1. Earliest data are for 1998; 2. Public sector data missing; 3. Most recent data are for 1998. (Also, notes 1-5 from Table 2.1 apply).
Source: ILO data (own calculations).

A second source of segmentation in the wage structure is occupational status. Table 2.3 presents employment and pay data disaggregated by broad occupational group for three selected Latin American countries – Argentina, Brazil and Mexico. Women are under-represented in high status groups, such as managers and administrators, as well as in the traditionally male dominated craft-related areas. Occupations with an over-representation of women include office workers and service workers. Levels of pay inequity within these very broad occupational classifications vary markedly; moreover, there is little evidence of similar occupational pay trends across these three countries. For example, services represent one of the highest concentrations of female employment in all three countries, yet, compared to the average pay of male service workers, women earn 13 percent more in Argentina but 40 percent less in Brazil. Pay inequity in the Brazilian case is exacerbated by the fact that female service sector workers are very low paid – they earn just 33% of the average pay received by all male workers (noted as F_i/M in Table 2.3); such low relative pay for female service workers is not recorded in Argentina where the figure is 68%. In Mexico female service sector workers enjoy relative equity compared with their fellow male service sector workers (a gender pay ratio of 83%), but are penalized by working in the service sector compared to average male earnings across all sectors (relative pay of 48%).

The example of commerce and sales demonstrates greater homogeneity in trends. In all three countries intra-occupational pay inequity varies from 68% to 74% and the relative pay varies from 50 to 64%. Thus, in all three countries women are penalized relative to their male counterparts working in commerce and sales and penalized relative to all male earnings (relative to the country-wide level of gender pay inequality). Finally, it is worth noting that the relatively high

gender pay ratio recorded in Argentina for all sectors reflects, in part, the high employment concentration of women among highly paid professional and technical workers (which in the Argentine case presumably also includes managers and administrators). More than one in five women are employed in this high paying occupational group, compared to just 11% in Brazil and Mexico (taking the two occupational groups together).

Table 2.3. Sex segregation and gender pay ratios by occupational group (Argentina, Brazil and Mexico; formal and informal sectors)

	Female share (%)	Female concentration (%)	Total concentration (%)	Gender pay ratio(%)	Relative pay (F/M) ² (%)
Argentina, 2000					
Total	40	100	100	94	94
Professional and technical	39	21	22	81	147
Office workers	61	12	8	94	89
Commerce and sales	45	14	13	68	50
Farmers	0	0	0	0	0
Transport workers	6	1	9	83	53
Craft workers and operators	1	0	7	16	11
Manual workers	21	7	13	75	54
Service workers	63	27	17	113	68
Brazil, 1999					
Total	42	100	100	72	72
Professional and technical	49	7	6	64	170
Managers and administrators	28	4	7	77	183
Office workers	60	8	6	85	73
Commerce and sales	43	16	16	69	55
Farmers	11	0	0	57	27
Transport workers	6	1	5	105	85
Craft workers and operators	23	11	20	74	42
Manual workers	2	0	6	84	57
Service workers	71	33	20	60	33
Mexico, 2000					
Total	36	100	100	85	85
Professional and technical	36	9	9	74	134
Managers and administrators	22	2	3	73	252
Office workers	52	13	9	86	89
Commerce and sales	42	20	17	74	64
Farmers	6	0	0	132	247
Transport workers	0	0	5	84	64
Craft workers and operators	17	10	23	76	57
Manual workers	41	8	7	77	54
Service workers	54	19	13	83	48

Note: 1) % figures do not add to 100% because of missing values; 2) F/M refers to average female pay in each occupation as a percentage of average male earnings across all sectors. (Also, note 1 from Table 2.1 applies). Source: ILO data (own calculations).

The third major source of segmentation is differentiation between formal and informal sectors of employment. Here, since we are using data provided by the ILO we also follow their standard method of defining the informal sector as combining all salaried workers (owners and workers) in firms with five or less employees, the self employed (except professional and technical self employed)

and domestic workers.⁶ As Table 2.4 shows, informal sector employment makes up a significant share of female employment – between 41% and 64% in all but two countries (Mexico and El Salvador). In thirteen of the fifteen countries, women’s relative average pay compared to men’s is lower in the informal sector than in the formal sector. This pattern is especially marked in Brazil, Paraguay, Uruguay, Costa Rica, Honduras and Panama where the difference is 25 percentage points or more. Costa Rica is an interesting case since women earn, on average, more than men in the formal sector (103%), but substantially less in the informal sector (69%). The issue of the wider gender pay gap in the informal sector presents a greater problem for total gender pay inequity in those countries where a sizeable share of women work in the informal sector (such as Paraguay and Honduras); Peru displays the exceptional pattern with two in three women working in the informal sector, but enjoying a higher level of pay equity compared to that in the formal sector.

Table 2.4 also shows the impact of estimating gender pay ratios with and without domestic workers. This is a useful exercise given the concentration of up to 25% of female workers in this service. As expected, in most countries the gender pay ratio for salaried workers increases when domestic workers are not included. The exceptions to this pattern are Chile, where there is no difference in the gender pay ratio, and Nicaragua where there are no employment data for domestic workers. The difference tends to be highest in those countries with a relatively large concentration of women working as domestic workers. For example, in Brazil, with almost 5 million female domestic workers (24% of all female workers), the gender pay ratio increases from 75% to 93% when domestics are excluded from the calculation. Also, in Paraguay where a similar proportion of women workers are employed as domestic workers the gender pay ratio increases from 89% to 113%. Indeed, in eight countries, once domestic workers are excluded from calculations women’s average pay exceeds men’s - among salaried workers only; it is only Argentina where women’s relative pay is 100% or higher relative to men’s whether domestic workers are included or excluded.

⁶ Note from the editor: The international definition of the informal sector was revised in 1993 through a resolution adopted by the 15th International Conference of Labour Statisticians (ICLS). <http://www.ilo.org/public/english/bureau/stat/res/infsec.htm>

Table 2.4. Female employment and gender pay ratios in the formal and informal sectors (1999-2000)

	Formal sector		Informal sector		All salaried workers		All salaried workers excluding domestic workers		All
	F conc. %	GPR %	F conc. %	GPR %	F conc. %	GPR %	F conc. %	GPR %	GPR %
Argentina	56	99	45	86	78	100	64	104	94
Brazil	50	84	51	59	78	75	55	93	72
Chile ¹	51	85	49	62	79	81	58	81	74
Colombia	44	97	56	82	64	96	53	103	91
Ecuador ²	40	88	60	64	62	80	47	101	74
Paraguay ²	38	97	62	70	66	89	42	113	78
Peru	36	89	64	94	57	89	44	99	84
Uruguay	57	94	43	63	81	85	61	95	81
Venezuela	49	95	51	74	61	95	55	102	85
Costa Rica	53	103	47	69	79	93	63	103	90
El Salvador	82	66	18	67	59	99	47	125	70
Honduras	38	89	62	54	54	81	42	101	68
Mexico	64	88	36	74	83	91	72	97	85
Nicaragua	36	82	64	65	60	81	60	81	69
Panama	59	96	41	70	79	87	64	101	88

Notes: 1) Most recent employment data are for 1990; 2) Most recent pay and employment data are for 1998. (Also, notes 1-5 from Table 2.1 apply).

Source: ILO data.

Patterns of relative pay earned by female workers in the informal sector are explored in more detail for selected countries in Table 2.5. While there are problems related to the cross-country comparability of these data, the differences in relative pay between countries are striking. Women working as domestic workers are low paid in all five countries shown, but their position is particularly poor in Brazil and Chile where their pay relative to the average for all women workers in the economy is only slightly more than one third; compared to the average for all male workers, their relative pay is just 27% and 29%, respectively. Quite a contrasting pattern is found in Argentina where female domestic workers earn 71% of the average total female pay and 67% of the average total male pay. Women working in small firms (defined here as those employing up to five persons) are heavily penalized in Brazil, Chile and Mexico but less so in Argentina and Colombia.

Overall, while there is a common trend towards a closing of the gender pay gap across all Latin American countries, this is underpinned by a marked diversity in patterns of wage and employment structure across sectors and occupations. We return to these patterns in the wage structure in section 4 below in order to assess how they fit with differences in minimum wage regimes in our selected country case studies during the 1990s.

Table 2.5. Women's relative pay in the informal sector, selected countries (1999-2000)

	Relative to average female pay in all sectors (%)			Relative to average male pay in all sectors (%)			
	Small firms	Domestic work	Informal sector	Small firms	Domestic work	Informal sector	All sectors
Argentina	71	71	66	67	67	62	94
Brazil	60	38	61	43	27	44	72
Chile ¹	57	39	83	43	29	62	74
Colombia	75	64	66	68	59	60	91
Mexico	54	51	69	46	43	58	85

Note: 1) 1998 data. Source: ILO data (own calculations).

3. Country case studies

In this section we consider the role of the minimum wage in three countries – Argentina, Colombia and Mexico. In each case we consider the evolution of the minimum wage – both as a policy tool and in terms of its value relative to prices and the average wage – and its effects on employment and pay equity. More detail is provided in the case of Argentina since we have been able to conduct interviews with officials at the Ministry of Labour and Social Security and with academic experts (Professor Adriana Marshall), and collect documentary evidence from the libraries of the Ministry of Economics and the Ministry of Labour and Social Security.

3.1. Argentina: the erosion of the minimum wage

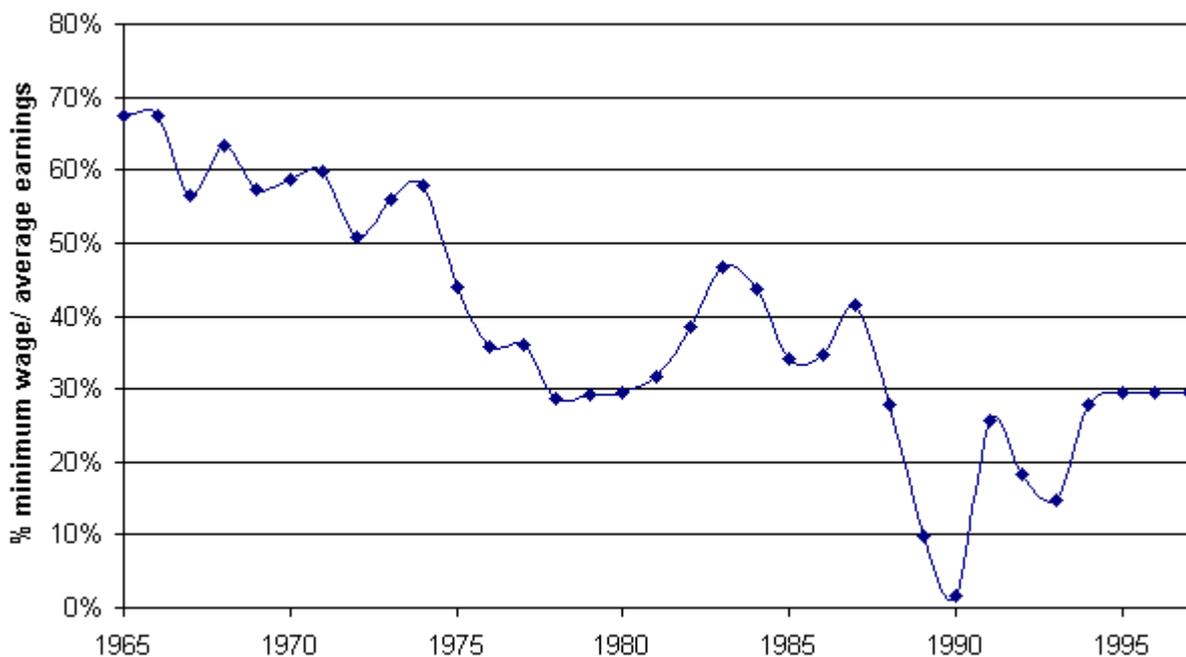
What is striking about the minimum wage in Argentina is its collapse in value since 1974 to the present and its apparent irrelevance as a mechanism of wage indexation in the contemporary Argentine labour market. Nevertheless, closer inspection of the way this collapse has occurred alongside a rapid widening of the differential between the low paid and high paid (Altimir 1986; Altimir and Beccaria 2001), the freezing of basic rates set in sector-level collective agreements, persistent high rates of unemployment and the growth in the informal economy shows in fact that the minimum wage, if properly enforced, would still have a significant impact among low paid workers. Moreover, given the current depression in the Argentine economy and urgent demands by the IMF and other international banks for deregulatory reforms to economic and labour market policy, it is all the more necessary to re-establish the alternative case for a minimum wage as a relevant floor to the wage structure as a structural defence to volatile shocks to the economy.

Initial attempts to establish a minimum wage in Argentina date back to 1904 (close behind New Zealand which implemented a national minimum wage in 1894, see Brosnan, forthcoming). However, it was not until 1964 that legislation was finally passed, instituting the *Salario Vital, Mínimo y Móvil* (SVMM). This defines the minimum wage as sufficient to provide for adequate nutrition, proper housing, education, clothing, health, transport and entertainment, holidays and insurance (MTSS 1988: 5). It applies to all workers over the age of 18 years old, but excludes domestic services workers and those working in provincial and municipal government. Alongside the legislation, a special Council was established (*Consejo del SVMM*) charged with uprating the minimum wage level. The principles guiding uprating set a minimum period for modification of 180 days, unless inflation was higher than 15% (Sanchez and Giordano 1988b).

Problems with labour market data, combined with the magnitude and variability of inflation, make an assessment of trends in the minimum wage in Argentina quite difficult. Here, we draw on a mix of secondary analysis of trends and data collected from the Ministry of Labour. After correcting for inflation, the trend of the minimum wage over the period 1964-2001 is one of accentuated

decline punctuated by strong seesaw like oscillations associated with the massive variability in price changes from one month to the next during certain years. Averaging out these trends on a year-by-year basis gives a trend less marked by oscillations. Here, we describe six main phases in the evolution of the SVMM (Sanchez and Giordano 1988a/ 1988b; Cárcamo Manna 1999). Graph 3.1 depicts the ratio of the SVMM to the average wage for all workers.

Graph 3.1. Minimum wage as a ratio of salaried workers' average earnings in Argentina



Source: 1965-1987 data from Sanchez and Giordano (1988a: Table 4);
1988-1997 data for the Greater Buenos Aires area from Bour and Susmel (1999; Table A5).

The first period, September 1964 to July 1975, could be described as the golden age of Argentina's minimum wage. During these years, the minimum wage varied very little around a relatively high level (averaging 57% of average earnings; Sanchez and Giordano 1988a: Table 4, own calculations); statistical analysis demonstrates a small negative trend in the real rate of the minimum wage, although this is not statistically significant (MTSS 1988: 11). This period was interrupted by the hyperinflation of 1975-1976. From a monthly rate of 1,286 australes in July 1975, the SVMM dropped to 1,050 australes in August 1975 and continued falling to the low level of 233 australes in June 1976 (real earnings corrected to May 1988 prices). In other words, within just eleven months the real level of the minimum wage fell by 82% (MTSS 1988). This marked a complete break in the SVMM trend and, arguably, initiated a period of decline from which the SVMM has still not recovered.

The third phase (July 1976 to April 1989) is one of positive, albeit slow and uneven, readjustment of the real level. Over this thirteen-year period, the real

value of the minimum wage increased from 233 australes to more than 500 australes. Nevertheless, this readjusted rate was still lower than the lowest level reached during the first phase (a real value of 695 australes in March 1973; May 1988 prices, MTSS 1988), suggesting that there was not much political will (or economic capability) to restore the value of the minimum wage. Whatever the gains, however, these were wiped out by the macroeconomic climate of 1989-1990 (which explains the extreme dip in Figure 3.1). This fourth phase, like the second phase, saw a dramatic deterioration in the real value of the SVMM due to hyperinflation. This represents the lowest point in the 40-year evolution of the SVMM, with the level dropping to just 3 per cent of the average wage (averaged over 1989-1990, Bour and Susmel 1999: Table A5, own calculations). Cárcamo Manna comments on this period as follows:

"The last time the minimum wage was set before August 1990 was in September 1989. The decision to avoid the legislation of increments in the minimum wage, despite monthly inflation rates of over 70% led to the observed decrease. During this period, the real minimum wage no longer held a relationship to a basic basket of goods or certain purchasing power. Consequently, this impaired its use as a tool of policy or welfare improvement (Cárcamo Manna 1999: 7, own translation)."

The fifth phase reflects the partial readjustment of the real value of the SVMM that took place between October 1990 and July 1993 when inflation was relatively low. Nevertheless, the higher real value was no higher than the level to which the SVMM fell during the hyperinflation of 1975-76 (Bour and Susmel 1999: Figure 9). Since August 1993 to the present, a sixth phase is associated with the imposition of a fixed nominal minimum wage rate at \$200 per month, or \$1 per hour (MTSS 1999: Table 1.9.7); representing a level of between 25 and 30 per cent of the average wage in the economy. As Table 3.1 shows, while the real value was stabilized during the late 1990s (reflecting the stabilization of inflation with the peso pegged to the dollar), the relative value was still less than its 1988 level.

Table 3.1. Trends in the nominal and real value of the hourly minimum wage

Year	Nominal value (pesos)	Real index (1988=100)
1988	3.85	100.00
1989	58.58	47.92
1990	1,266.67	42.92
1991	4,641.67	57.90
1992	0.49	48.48
1993	0.74	67.04
1994	1.00	86.66
1995	1.00	83.83
1996	1.00	83.70
1997	1.00	83.26
1998	1.00	82.50
1999 (June)	1.00	83.59

Source: Ministerio de Trabajo y Seguridad Social (1999: Tables 1.97 and 1.98).

Evidence of the collapse and stagnation of the minimum wage in Argentina provides a useful case study for assessing the conditions and pressures that may

conspire against, or directly conflict with, the minimum wage as an institutional mechanism in the labour market. Our aim here is to show that an understanding of what went wrong in the Argentine case may shed light on how the SVMM may be re-institutionalised in Argentina and provide lessons for other countries that face turbulent macroeconomic and political change. We continue our analysis with a focus on the apparently contradictory pressures on the use of the SVMM as a policy for redistribution, on the one hand, and, on the other, for stabilisation. This is followed by an assessment of the way the role of the SVMM is shaped by broader changes in the wage relation (the role of the state and collective bargaining in wage setting) and its effects on employment and pay equity.

Minimum wage as a policy tool: redistribution vs. stabilisation

While most analyses of the minimum wage focus on its unintended employment consequences, its intended goal is to redistribute earnings to low paid workers (Freeman 1996). The extent to which a minimum wage achieves this goal depends on the surrounding labour market conditions and the broader political framework of redistribution, as well as on the level of the minimum wage and on its enforcement.

In Argentina, the failure of the minimum wage to play a more direct role in shaping the wage structure is, at least in part, due to the contradictory pressures to use the SVMM sometimes as a redistributive tool and sometimes as a mechanism for stabilising the wage and price structures of the economy (Sanchez and Giordano 1988b). The background of volatile price changes is, of course, important in understanding the reasons for these contradictory pressures.

When first introduced in 1964, the SVMM followed a clear redistributive objective, reflected both in its legal definition and its high level.⁷ During the peak years of the SVMM (1972-1974), increases in the SVMM superseded the rise in GDP per capita. With the associated increase in the average wage, redistribution of income in favour of wage earners was evident (see Table 3.2). However, this policy was abandoned by the new military regime that came to power during the period of hyperinflation. Under this new regime, the SVMM was used primarily as a tool to control inflation. This led to pressure to keep the lid on the SVMM not only in an effort to control price inflation, but also to reduce other labour market costs and to promote flexibility; as Sanchez and Giordano put it:

"In this way, the SVMM . . . came to be used as an anti-inflationary tool with a tendency towards diminishing the pressure of wage costs on inflation and, eventually, this contributing to the 'flexibilisation' of the labour market through a reduction in the cost of dismissal (1988b: 116-117, own translation)."

Importantly, therefore, stabilisation of the economy was implemented under a particular model of how the labour market could best recover from the severe downturn in the economy. Since the compensation for dismissal was related to the SVMM, keeping the SVMM in check also appears to have been partly driven

⁷ As Cortés and Marshall also note, the Radical Government that was elected in 1963 (and lasted until the 1966 coup) established the minimum wage and eliminated restrictions on the right to strike as part of a redistributive economic policy (1993: 400).

(although it is difficult to see how intentional this was) by an ideological goal to increase the flexibility of hiring and firing practices (Sanchez and Giordano 1988b). Moreover, in May 1986, the government attempted to distinguish between the SVMM, used as a reference to calculate compensation for dismissal, and the Social Wage Guarantee (*Salario Social Garantizado*), designed as a redistributive tool, although this was ruled out by the court (op. cit.).

Table 3.2. SVMM as a tool for redistribution and stabilisation, 1972-85

Period	Wage share ¹ (%)	% change in SVMM	% change in average wage	Policy objective
1972-74	46 to 55	46	28	Redistribution
1974-76	55 to 35	-43	-37	Stabilization
1982-84	43 to 59	62	42	Redistribution
1984-85	59 to 55	-32	-13	Stabilization

Note: 1. Wage share refers to the average wage divided by the total output per worker
Source: adapted from Sanchez and Giordano (1988b: Figure 5 and Table 4).

SVMM and changes in wage-setting institutions

The minimum wage is only one of several institutional mechanisms for setting wages in Argentina. There is a strong tradition of state intervention and relatively centralised collective bargaining, which needs to be considered in order to assess the extent to which these cohere or conflict with the role of the SVMM in shaping the wage structure.

Since the mid-1970s, Argentina has witnessed a transformation from a strongly institutionalised system of wage setting based on protectionist state intervention to a deregulated system (Cortes and Marshall 1993; Calvo 2001). In particular, there was a general decrease in public spending, welfare policies and changes in labour legislation and social security. General state intervention was replaced by policy initiatives driven by electoral criteria and clientelism. In particular, collective bargaining was decentralised with more negotiations at the firm level and productivity bargaining. This was accompanied by the practical abandonment of practices of minimum norms such as minimum wage or basic agreement salary. This led to increased wage dispersion and to differences in wages according to gender, education, skills and size of firm. Also, the differentiation in the bargaining power of different trade unions contributed to wage differentials across sectors. From the early 1980s, there was recourse to mechanisms of “additional” incomes (such as supplementary incomes, access to private health and pension and degree of continuity of employment) (see Table 3.3). This led to a growing heterogeneity in the different fragments of the labour force (Cortes 1996).

Table 3.3. Conditions of employment and pay of different groups

	Merit payment and bonuses	Employment Continuity	Social security cover
Private sector professionals in management positions	Yes	Yes	Private
Private sector skilled technicians supervisory positions	No	Yes	Public
Public sector wage earners	No	-	Public
Manual workers and unskilled services	No	-	Public

Source: Cortes (1996: 242)

Since the early 1990s, wage rates set through collective bargaining have been frozen across the entire range of sectors of economic activity.⁸ Surprisingly, in some sectors these rates fall below the minimum wage. As Table 3.4 demonstrates, hourly rates of less than the minimum rate of 1 peso are present in three industry agreements – in textiles, confectionery and the paper industry. These contrast with the higher rates paid in some other sectors, e.g. the basic hourly rate of 2.27 pesos in printing and 2.07 pesos in the rubber sector. Hence, for a substantial number of workers covered by collective agreements, enforcement of the minimum wage still appears an important potential device for protecting the standards of wages.

Table 3.4. Basic nominal hourly wage rates set in industry-wide collective agreements, 1999

Industry	Basic nominal hourly rate (pesos)	Year in which rate was frozen
Food	1.39	1995
Meat	1.31	1994
Dairy	1.86	1995
Beverages	1.36	1995
Wine	1.81	1995
Textiles	0.85	1992
Confectionery	0.88	1994
Leather	1.06	1994
Footwear	1.30	1994
Timber	1.39	1996
Paper	0.70	1993
Printing	1.50	1994
Chemicals	1.17	1993
Soaps	1.86	1995
Rubber	1.24	1993
Plastics	1.74	1994
Ceramics	1.26	1992
Mosaics	2.27	1994
Glass	1.64	1997
Metal	1.34	1995
Mechanics	2.07	1993
Construction	1.51	1994

Source: Ministerio de Trabajo y Seguridad Social (1999: Table 1.9.14).

⁸ This coincides with the introduction of the convertibility plan under the Menem government that pegged the Argentine currency (peso) to the US dollar.

Employment effects of the falling minimum wage

The basic features of the post-war labour market until the mid-1970s in Argentina have been the object of controversy in the employment literature (Beccaria and Lopez 1997). On the one hand, some authors argue that the labour market in Argentina revealed similar features to that of other Latin American countries, including excess labour supply (Marshall 1978; 1980; Monza 1993). Wages grew modestly and relatively equitably through the “defensive” action of trade unions in a context of high inflation. On the other hand, another strand of literature suggests that the Argentine labour market was different from that of other Latin American countries, in particular owing to the lower rates of increase in the economically active population and labour force participation and higher urbanisation and education levels (Llach and Gerchunoff 1977). The first group of authors stress the existence of informal employment characterised by lower productivity. However, there is also evidence that this sector did not represent a ‘shelter’ during this period, but did offer relatively stable and high income levels (Beccaria and Lopez 1997).

Regardless of the different characterisations of the labour market during the post-war period, there is some consensus that since the mid-1970s there has been a break in the labour market model, brought about by the military government and the economic restructuring induced by sudden trade and financial liberalisation. Between 1974 and 1990 real wages fell by 37% as productivity increased without increases in investment. During this period, the informal sector did appear to play a role as ‘shelter’, representing an increase in hidden unemployment.⁹ While the participation of women in the labour force increased, unemployment among male heads of household also increased. But this was not a ‘substitution’ since women did not go into occupations from which males were expelled (Cortes 1996).¹⁰

With the reforms in the early 1990s, Argentina experienced stability and rapid growth. However, a new problem emerged – unemployment. Unemployment reached 18.6% in 1993. This has been associated with an increase in labour supply rather than low labour demand. While some authors have suggested that greater demand and increases in real income ‘encouraged’ a transition from inactivity (Bour 1995; Canitrot 1995); others speculated that economic restructuring (especially the loss of jobs by breadwinners) promoted the introduction into the labour market of new members of the household, or an ‘additional worker effect’ (Beccaria and Lopez 1994). The imperative to reduce the fiscal deficit and privatise formerly state-owned firms worsened this situation, leading to a reduction in public sector employment. The informal sector did not play a ‘shelter’ role during this period. In fact, between 1993 and 1996, when total employment fell by 4%, waged employment fell only by 2.7%. It was only in 1996 and 1997 when there was an expansion of employment in ‘non

⁹ Precarious labour increased from 11.7% in 1980 to 28.3% in 1990 (Cortes 1996).

¹⁰ In 1980s, two thirds of women workers were concentrated in a small number of service sector jobs (21% in paid domestic employment, 10% in education and health and 35% in retail in 1980) (Wainerman 1986). In 1980-90 the participation of women in the labour market went from 32% to 40% (in services from 55% to 60%, in retail from 30% to 36% and finance from 28% to 45%) (Cortes 1996). The 1990s saw a further and important increase in female labour participation.

registered' or short term (and probationary) contracts (encouraged by the 1991 Law of Employment which sought to facilitate labour flexibility) that precarious forms of employment started to grow.

In this context, what role has the minimum wage played? In practice, the relevance of the minimum wage – either as a payment practice or a wage norm – has been reduced ever since the mid-1970s. And this happened while dramatic changes occurred in the Argentine labour market. This may corroborate Saget's (2001) analysis that the minimum wage is often not a significant variable in explaining employment changes in the informal sector. However, during the early 1990s, Argentina offers a case of rising GDP with regressive distribution effects (Weeks 1999). This means that, as we show below, the proper enforcement of a higher minimum wage might have important beneficial effects in the context of growing numbers of low paid workers.

Pay equity effects of the falling minimum wage

A little over 25% of the average wage for all workers, the minimum wage appears to have fallen below a level where it might play a meaningful role in the labour market. Indeed, wage data restricted to core-age full-time workers of both sexes show that the minimum wage has had no impact during the late 1990s. Table 3.5 shows the average hourly nominal wage for core-age male and female workers (aged 25-55 years) in 1992, 1995 and 1997, as well as the averages among the lowest and highest decile groups. In 1997, the nominal wages of all groups are well above the level of the minimum wage fixed at one peso per hour since 1994. The table also shows the changing fortunes of the lowest and highest paid during this period. The real hourly wage of men and women in the lowest decile dropped slightly by the end of the period, while that of workers in the highest decile rose: 14% for men and 32% for women. Together this contributed to a widening of the inter-decile differential for both sexes, from 10.3 to 11.9 for men and from 9.3 to 12.3 among women. Interestingly, while wage inequality increased, the pay gap between male and female core-age full-time workers narrowed by ten percentage points (women's relative pay increased from 85% to 95%).¹¹

¹¹ Comparison of decile groups within the male and female working population (core-age, full-timers) show that apart from the lowest decile group where both men and women experienced no change in nominal hourly pay during 1992-1997, women workers outstripped gains among male workers in all decile groups. Gains were most marked in the eighth and ninth decile groups where the gender pay ratio was in fact reversed from 85.4 to 106.4 and from 86.1 to 101.6, respectively (Gasparini 1999: Table 4.2).

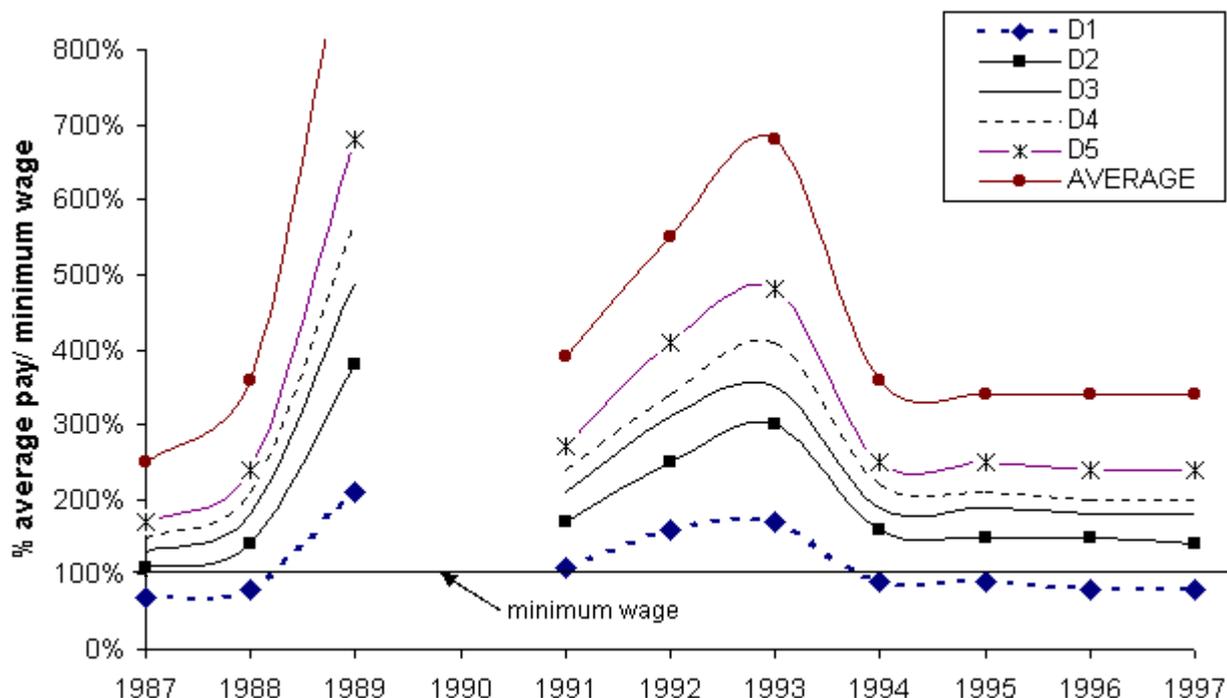
Table 3.5. Average hourly pay in Argentina by decile income group for full-time workers aged 25 to 55 years (October 1997 pesos)

Deciles	1992		1995		1997		1997-1992 change	
	Male	Female	Male	Female	Male	Female	Male	Female
1	2.1	1.8	2.3	1.9	2.1	1.8	-3%	-2%
2	3.2	2.8	3.5	3.2	3.3	3.1	3%	8%
3	3.8	3.5	4.3	4.0	4.1	3.9	8%	10%
4	4.5	4.1	5.1	4.8	4.9	4.6	9%	14%
5	5.2	4.7	6.0	5.6	5.7	5.4	11%	15%
6	6.0	5.5	7.1	6.7	6.7	6.6	12%	20%
7	7.1	6.4	8.3	8.1	7.9	8.0	11%	25%
8	8.9	7.6	10.2	9.9	9.4	10.0	6%	30%
9	11.5	9.9	13.7	12.6	12.5	12.7	9%	28%
10	21.7	16.8	25.9	23.7	24.9	22.2	14%	32%
Total	7.4	6.3	8.7	8.1	8.2	7.8	10%	24%

Note: construction of decile pay levels is based on decile averages. Source: Gasparini (1999: Table 4.2).

The extreme fragmentation of the Argentine workforce (see above) means that the situation described for core-age workers needs to be checked against that for the wider working population. Graph 3.2 shows the trend of average hourly pay relative to the minimum wage for all salaried workers in the Greater Buenos Aires region who fall among the lowest five decile groups during the period 1987-1997 (unfortunately the published source of data does not provide disaggregation by sex). The population sample thus includes a wider variety of the population than that covered by the data underpinning Table 3.5. For all workers, there is a blip in 1990 caused by the hyperinflation which meant that wage changes vastly superseded changes in the level of the minimum wage; the 1990 figures are therefore excluded from the graph. The striking finding is that average hourly pay was less than the minimum wage for salaried workers in the lowest decile during the periods 1987-88 and 1994-97. Also, for the second decile group the average hourly pay was less than 150% the minimum wage during these years. The change from 1993 to 1997 is striking: lowest decile earnings dropped from 170% to 80% of the minimum wage and earnings of workers among the second decile dropped from 300% to 140%. According to Bour and Susmel (1999: 211), the extreme decline in the earnings of workers in the lowest decile groups during this period is associated with the growth in the share of salaried workers in the informal sector (*asalariados informales*, defined as those not paying pension contributions). Among all salaried workers (in Greater Buenos Aires) the share rose from 44% to 68% among the lowest decile wage earners (D1) and from 39% to 60% among the second lowest decile wage earners (D2) (Bour and Susmel 1999: Table A7; see, also above).

Graph 3.2. Average hourly decile earnings as a ratio of the minimum wage (salaried workers)



Note: decile earnings refer to the average for each decile group.
Source: Bour and Susmel (1999: Table A5).

For many, this finding is likely to serve as an indication of how far the position of the low paid has deteriorated in Argentina during the mid-to-late 1990s and the need to improve the enforcement of the minimum wage, as well as, perhaps, the need to uprate the minimum wage to a decent threshold. For others, however, the fact that many workers have fallen below the wage floor is taken as evidence that the minimum wage is exacerbating the inflexibility of the labour market to adapt to economic change:

"Labour institutions have contributed to an inflexible labour market in Argentina, with short periods of greater flexibility (1996-1998). The minimum wage has been set from 1993 at levels that are higher than average wages in the first decile, which increases the probability of unemployment and of informality of the low skilled groups of workers. The Argentine experience is, therefore, consistent with the international one: the greater the labour market inflexibility, the less the capacity to adjust to negative shocks (international changes in prices, capital flows, exchange parities, activity) and therefore the greater the unemployment rate that prevails, and that affects the relatively lower skilled groups of workers. (Bour and Susmel 1999: 215-6, own translation)."

Overall, compared with the late 1970s and the mid-1980s, the minimum wage up to 1994 lost much of its power to shape the overall wage structure. In essence, this reflected the failure to make adequate adjustments following the hyperinflation of 1989-90. However, since 1994 the level of the minimum wage has been higher than the average among salaried workers at the lowest decile of

the wage distribution and is of direct relevance for many other workers whose earnings are only slightly higher than the minimum. Moreover, it is likely that more complete data including the self-employed would reveal additional groups of workers whose earnings fall below the very low minimum wage.

In conclusion, as studies of minimum wages in central and eastern Europe have found (Standing and Vaughan-Whitehead 1995), the minimum wage in Argentina lost its link to the price of a basic basket of goods and since the 1970s it has been set arbitrarily and lost its relevance as a distributive tool. Alongside these changes, the 1990s saw important changes in the Argentine labour market: increase in female labour market participation; increase in unemployment; contraction of real wages; and a regressive income distribution. These changes mean that the minimum wage remains relevant as a policy tool to address the needs of low paid workers, and especially women who are overrepresented in the low paid sectors.

3.2. Colombia

In contrast to Argentina (and Mexico, see below), Colombia experienced a rising real minimum wage in the 1980s and again in the late 1990s. Because the minimum wage is binding and the incidence of compliance is high - especially in the formal sector, but also in the informal sector - the Colombian case has attracted much attention from those concerned with assessing the employment effects and distributive effects of positive increases in the minimum wage.

Colombia institutionalised a minimum wage in 1955, with different rates set for the urban and rural sectors, and across economic sectors. This dual structure for fixing minimum wages existed until 1985 when a single rate was established (Angel-Urdinola 2002; Bell 1995).

Until the late 1970s changes in the real minimum wage were volatile. For example, its value doubled between the early 1960s and the mid-60s, only to fall back to its early 1960s level by the end of the decade (Angel-Urdinola 2002: Fig A2). Since 1978 changes have been more even. Between 1977 and 1987 its real value increased by more than a third (see Table 3.6). The real level fell back somewhat between 1988 and 1995, but then increased again slightly between 1995 and 1999 (Angel-Urdinola 2002: Figure A2).

Table 3.6. Minimum wage trends in Colombia, 1977-87

Year	Real minimum wage (1977 = 100)	Real wage (1977 = 100)	Min wage/ mean (skilled wage)	Min wage/ mean (unskilled wage)
1977	100.0	100.0	0.317	0.464
1978	113.8	126.1	0.277	0.421
1979	124.9	121.8	0.343	0.479
1980	130.0	120.9	0.371	0.503
1981	131.6	120.1	0.373	0.513
1982	140.2	126.6	0.389	0.519
1983	148.8	134.7	0.382	0.518
1984	148.6	136.8	0.380	0.513
1985	141.5	132.6	0.385	0.507
1986	142.3	129.5	0.400	0.527
1987	136.5	126.6	0.395	0.523

Source: Bell (1995: Table 2).

Employment effects of a rising minimum wage

Three World Bank studies (Angel-Urdinola 2002; Bell 1995; Maloney and Nuñez 2001) suggest that the high minimum wage has caused significant negative employment effects. Bell estimates that the 15 percent increase in the minimum wage (from 1977 to 1987) reduced manufacturing employment by 5 percent (1995: Table 6). More detailed analysis that distinguishes between unskilled and skilled employment suggests that the negative effect may have been even greater; regression analysis on panel data for the period 1981-87 suggests that the 10 percent rise in the real minimum during this period reduced low skilled employment in the range of 2 to 12 percent (op. cit.: 13). Nevertheless, Bell does note that these estimates deserve to be treated with caution since over the entire period of the panel (1977-87) ‘the contemporaneous effects of the minimum wage on employment are statistically insignificant’ (op. cit.: 15). Ultimately, however, the fact that during this period employment decreased as minimum wages increased is sufficient to convince Bell that there must have been a negative causal relationship between the two.

Drawing on a different and more recent data set, Maloney and Nuñez (2001) suggest a similar outcome. Distinguishing between the self-employed (informal sector) and salaried workers (formal sector) they find that the rise in the minimum wage has had a statistically significant impact on the probability of becoming unemployed, which decreases with the rising position of the worker in the wage distribution. As might be expected, the negative impact is stronger among formal sector workers; among salaried workers paid 90% to 110% of the minimum, the elasticity of employment is 0.28, whereas among self employed paid at a similar level it is 0.09 (op. cit.: Table 3b). Overall they find an elasticity of employment with respect to the minimum wage of 0.15, suggesting that the 9% rise in 1999 had the effect of reducing employment by 1.4% (op. cit.: 16).

Pay equity effects of a rising minimum wage

The high and rising minimum wage during the 1980s was accompanied by an erratic pattern of steady decline in the overall level of wage inequality. Inter-industry wage variation declined from 0.165 in 1977 to 0.135 in 1980, then increased to 0.161 in 1983 and, by 1987, stood at 0.155 (Bell 1995: Table 5). It is highly likely that the rising minimum wage was responsible for narrowing the

wage distribution. Kernel density plots show that the minimum wage in Colombia has a real ‘bite’ into the wage distribution, with a remarkably vertical ‘cliff’ in the distribution at the minimum wage level in both the formal and informal sectors (Maloney and Nuñez 2001). Also, regression analysis on the impact of a 1% rise in the minimum wage on hourly pay shows that workers earning between 70% and 90% of the minimum wage experience a 0.87% increase, but this tails off gradually with workers earning three to four times the minimum wage experiencing an increase of 0.16% (op. cit.: Table 3a); again, providing further evidence that a rising minimum compresses the wage structure.

Nevertheless, Angel-Urdinola (2002) makes the rather surprising claim that, once the negative employment effects are included in an economic model, the positive rise in the minimum wage actually led to an increase in wage inequality. This result follows from a simulation technique where the Gini coefficient measure of inequality for 1999 is re-estimated assuming the minimum wage had stayed the same as in 1978 and controlling for the employment effects (that is, the reduced employment among low paid groups) during this period. The problem, however, is that this result does not square with the fact that a rising minimum wage occurred during a time of a declining measure of wage inequality; as such, the study does not offer a convincing analysis since it lacks an explanation of the factors leading to a compression of the wage structure in Colombia.

3.3. Mexico

Mexico, like Argentina, is illustrative of a country that has experienced a massive decline in the real value of the minimum wage. However, while firm-level data tend to corroborate its apparent irrelevance in shaping the formal sector wage structure, data based on household surveys reveal greater impact in both the formal and informal sectors.

While the contemporary minimum wage structure dates from legislation enacted in 1962 (Feliciano 1998), Mexico first introduced a statutory minimum wage in 1937 to reflect a guarantee enshrined in the 1917 Constitution (Burchell 2002).¹² The 1962 legislation established a range of minimum wages across 111 municipalities, each with its own local committee of representatives from the three social partners which submitted recommendations to a National Minimum Wage Commission, the body with authority over all minimum wage levels (Feliciano 1998). Also, the 1962 law established three categories of minimum wages, applied to general, agricultural and professional workers, with 12 different minimum rates set for professional workers in specific occupations (op. cit.). This relatively complex structure remained in place until 1976, the year marking the beginning of a series of reforms designed to simplify the structure. The number of different regional rates was gradually reduced until, finally, regional committees were abolished in 1986. In addition, the agricultural minimum was abolished in 1982. However, the number of occupations classified was increased from 12 to 88

¹² During the first phase of the history of the minimum wage in Mexico, 1937-1962, minimum rates were set in a highly decentralised manner involving local decisions by tripartite commissions in more than 2,300 municipalities (Marinakakis 2000)

(Feliciano 1998; Marinakis 2000). The present system consists of three general levels, reflecting three geographical areas.¹³ This is supplemented by a special rate for domestic workers, for whom housing and food is provided, set at half the general minimum level. Also, the system of occupational minimum wages has been maintained with a standard system of differentials applied for all three geographical levels (ranging from a differential of 25% higher for a poultry worker to a 200% differential for a journalist, applied to the corresponding general level; Marinakis 2000). The National Commission for Minimum Wages is now the only body with responsibility for setting the general and occupational minimum wages. It makes its recommendations in the form of an annual report (although adjustments are often more frequently made by the Secretary of Labour during periods of high inflation).¹⁴

The reforms were not solely designed to simplify the setting of a minimum wage floor. They also reduced the value of the minimum wage (Table 3.7). Between 1984 and 1992, the real minimum wage fell by more than 30 per cent, and in 1990 the minimum wage expressed as a ratio of average blue collar earnings and average white collar earnings was 31% and 13%, respectively. Other studies report this decline with alternative measures. For example, Feliciano shows that the average minimum wage relative to average manufacturing earnings reduced from 0.34 in 1970 to 0.30 in 1980 to 0.18 in 1990 (op. cit.: Figure 1). Also, Marinakis (2000) shows that, in 1996, the real minimum wage was only a third of its level in 1970; and the average wage was 3 to 3.6 times the minimum wage, depending on the geographical zone.

Table 3.7. Minimum wage trends in Mexico

Year	Real minimum wage (1984 = 100)	Real wage (1984 = 100)	Min wage/ mean (white collar wage)	Min wage/ mean (blue collar wage)
1984	100.0	100.0	0.22	0.42
1985	101.4	106.2	0.20	0.39
1986	91.9	95.9	0.21	0.41
1987	84.9	91.5	0.20	0.40
1988	76.3	89.5	0.18	0.38
1989	73.8	100.7	0.15	0.34
1990	69.2	106.6	0.13	0.31
1991	68.9	--	--	--
1992	68.1	--	--	--

Source: Bell (1995: Table 1).

Like in Argentina, there appears to have been a switch in policy objectives in the late 1970s. Before 1976, the minimum wage was used as a tool to improve real income through redistribution (guided by the philosophy of increasing demand through a strong domestic market). After 1976, minimum wage adjustments were used, in part, as a means to fight inflation. The regressive distributive impact is illustrated by the drop in the wage share of GDP, from 37%

¹³ For example, in August 1996 the three rates, in pesos per day, were 22.60 (zone A), 20.95 (zone B) and 19.05 (zone C) (Marinakis 2000: Table 4).

¹⁴ For example, 3 adjustments were made in 1986 and 1989 and five during the year 1987 when inflation was running at 132% (Marinakis: Table 1).

in the late 1970s to just 27% in the 1980s (Marinakis 2000). In recent years, there is little sign of renewed interest in uprating the real value of the minimum wage. Media reports following the December 2000 rise of 6.5% in the daily rate demonstrate that this was in line with the government's expected inflation forecast (of 6.5%) (*Associated Press*, 22.12.2000), which has a history of undershooting its mark and therefore, at best, this increase only maintained the pre-existing real value.

Employment effects of declining minimum wage

Here, there is conflicting evidence: some studies show a fall in the employment of skilled workers and an increase of unskilled workers (Feliciano 1998) and others show no significant change in employment among skilled or unskilled workers (Bell 1995). From these accounts of employment change, it is also possible to draw out the redistributive impact of the changing value of the minimum wage on the wage and employment structure of men and women.

The study by Feliciano (1998) draws out the implications of the decline in the minimum for workforce groups delineated by age and gender. Using a wage equation for males aged 35-44 as the control group within each economic zone (since this is the highest paid workforce group and therefore least likely to be influenced by changes in the minimum wage), Feliciano estimates that over the years 1970, 1980 and 1990 the decline in the minimum wage has had an insignificant impact on male employment but a significant impact on female employment (op. cit.: Table 3). More detailed analysis reveals that there was a small, but significant, decrease in employment among older male workers (aged 55-64), no change among young male workers (aged 15 to 24), but increases in employment among women of all ages with elasticity rising with age (op. cit.: Tables 4, 5). As such, these results support the view that reductions in the minimum wage improve women's participation in the labour market; and, conversely, potentially lend support to the view that increases in the minimum rate are harmful to female employment. However, there are a number of problems with the study. First, the results are explained in terms of skill differences among workers despite the fact that gender seems the more intuitive explanation:

When the minimum wage decreases, the price of unskilled labour decreases. If skilled and unskilled workers are substitutes, employers have an incentive to hire more unskilled labour, leading to a reduction in the employment of skilled workers and an increase in the employment of unskilled workers' (op. cit.: 176).

However, this skill-led explanation contrasts markedly with the results. In particular, while it is reasonable to assume that both male and female young workers share a relatively low skill level (compared to older workers) there is no evidence for an employment effect among young men, but a significant effect among young women. The alternative implication is not that employers are substituting unskilled workers for the higher priced skilled workers as the minimum wage drops, but that, for a range of social, family and discriminatory reasons, women are more likely than men to respond to employers' demand for more workers at the lower minimum, regardless of the skill level. But examination of the gender dimension is not possible in the Feliciano study given the second problem, the gender-blind choice of control group (core-age male

workers). Patterns of labour market participation, involving labour supply and labour demand decisions, are strongly gendered. The significant coefficients found for female workers of all ages may therefore be a reflection of changes in exogenous factors shaping the supply and demand of female labour during the 1970s and 1980s, factors that are not included in the wage equations; use of employment/ population ratios among core-age male workers only as a control variable does not pick up these kinds of changes.

A second study by Bell also investigates the impact of the declining minimum wage on workforce groups with different levels of skill. Regression analysis on firm-level data for the formal sector reveals no evidence of its impact on levels of employment among either unskilled or skilled Mexican workers (1995: Table 7). However, the regression analysis does not disaggregate the data by gender and thus, unlike the Feliciano study, may miss important differences in the impact of the minimum wage on male and female workforce groups. As we report below, the analysis of female workers in the informal sector shows that a significant proportion of those workers have earnings at or below the minimum wage level. Further work is needed to assess the impact on employment in this sector.

Pay equity effects of the declining minimum wage

Other studies pick up on the direct (and intended) redistributive effects of changes in the minimum wage in the context of changing labour relations. Cortez (2001) argues that the impact of the declining minimum wage on the wage structure is inter-related with limiting trade union power during the 1980s and 1990s. As Table 3.8 shows, there is a great variation in average wages and levels of wage inequality among unionised and non-unionised male and female workers, so that changes in the share of unionised workers may be expected to exert substantial change in the overall wage structure. In particular, Cortez estimates that among both male and female workers the combined impact of a reduction in union density and a fall in the union wage premium led to an increase in wage inequality, as workers moved to sectors and firms characterized by flexible wage-setting arrangements and the ability of unions to defend wage rates fell. At the same time, average female earnings relative to male earnings increased slightly over the period, from 102 percent to 104 percent (own calculations), representing the net effect of a fall in the gender pay ratio among unionised workers (from 117% to 115%) and a rise among non-unionised workers (from 86% to 90%; own calculations). The analysis of wage distribution by sector (agriculture, manufacturing, commerce and services) shows that the declining value of the minimum wage was associated with a significant shift toward the lower end of the wage structure in all four sectors, particularly in services, over the period 1984 to 1996 (op. cit.: Figures 2-5). Moreover, because of the waning power of unions, the distribution becomes increasingly marked by a peak around the wage floor with a higher proportion paid at or around the minimum wage in 1996 than in 1984. The implication is that despite its massive decline in value, the minimum wage has become increasingly important in shaping wages for a growing proportion of the workforce.

Table 3.8. Average wage rate and wage inequality between non-union and union workers

	1984		1989		1992		1996	
	Union	Non-union	Union	Non-union	Union	Non-union	Union	Non-union
Male								
% share	21.4	78.6	22.5	77.5	17.0	83.0	13.5	86.5
Average wage	7.97	5.05	7.73	5.47	7.81	5.07	7.30	3.94
Wage inequality	0.328	0.933	0.611	0.960	0.541	0.933	0.548	1.022
Female								
% share	29.1	70.9	27.6	72.4	22.1	77.9	20.8	79.2
Average wage	9.32	4.34	7.45	4.9	8.78	4.82	8.36	3.56
Wage inequality	0.277	1.022	0.440	0.912	0.613	1.022	0.538	1.020

Source: adapted from Cortez (2001: Table 8).

In the Mexican case, estimation of the proportion of workers paid at, or around, the minimum wage appears to be relatively sensitive to the source of data – in particular, whether household data or firm data is used. For example, Bell shows that, in 1988, data from the Mexican household survey reveal a smaller difference between the minimum wage and the mean wage (for male and for female workers) compared to data reported by firms. Also, the household data reveal strong evidence of non-compliance (share of workers with wages below the minimum wage), whereas there is no such evidence in the firm data. The second characteristic of estimations of low pay among Mexican workers is that, in common with the other countries reviewed in this report, there is a major segmentation between the formal (defined by Bell as where a worker reports receiving social security benefits) and informal sectors. Table 3.9 shows that non-compliance is strongly related to type of occupation and whether the work is undertaken within the formal or the informal sector (1988 data).¹⁵

Table 3.9. Percentage share of workers with wages less than the minimum wage in Mexico, 1988

	Formal sector				Informal sector			
	Male		Female		Male		Female	
	FT	PT	FT	PT	FT	PT	FT	PT
Professionals	0.3	2.8	0.2	4.7	3.8	16.8	11.8	34.8
Operators	0.7	3.6	1.3	2.6	8.3	33.7	26.8	76.7
Labourers	1.8	15.4	0.0	0.0	24.8	59.2	25.0	--
Office staff	0.5	5.6	1.6	5.4	8.8	46.9	18.1	42.9
Salespersons	0.9	13.6	4.5	45.5	14.3	48.2	34.4	59.5
Service work	2.7	14.3	2.0	25.0	24.2	58.7	66.0	76.2

Note: FT = full time; PT = part time.

Source: Bell (1995: Table 9).

The findings can be interpreted in two ways. First, it is striking that a high proportion of informal sector workers (more than 80% of male full-time workers and 60% of female full-time workers) earn more than the minimum wage (Bell 1995). Second, however, given the drastic fall in the real value of the minimum wage in recent years, the high shares of non-compliance among many informal sector workers appear to be a major cause for concern. This is particularly a

¹⁵ More recent data for 1997 (although not necessarily comparable with the data reported in the Bell study) show that of total wage earners, 26% earned less than the minimum wage and 35% earned between one and two times the minimum wage (INEGI 1997).

problem for female workers. For example, two in three female full-timers and three in four female part-timers employed informally in the services sector earn less than the minimum wage level. Detailed econometric analysis of these findings by Bell suggests that these wage differentials do not reflect skill (or productivity) differences, but reflect labour market segmentation. After controlling for differences in workers' individual characteristics and regional differences in informal sector employment, women still suffer a 15% wage penalty simply by working in the informal as opposed to the formal sector; the comparable penalty for men is only 4% (Bell 1995: Table 10). The 'raw' wage differential between the formal and informal sectors is 52% among women and 11% among men (op. cit.).¹⁶

4. Discussion: what can the minimum wage do?

We conclude this report with a brief assessment of three general policy issues that inform debates over minimum wage reform, especially in relation to Latin American countries. First, in many cases, the macroeconomic turbulence and high levels of inflation has often led governments to use the minimum wage as a centralized wage-setting device to stabilize the economy. What are the costs and benefits of such policy actions? One clear cost is the decline in the real value of the minimum wage in countries where it was not updated during periods of high inflation. In Argentina, two periods of hyperinflation (1975-76 and 1989-90) were the main factors underpinning the dramatic erosion of the value of the minimum wage, sinking to less than 30 per cent of the average wage. Similarly, in Mexico a switch in policy after 1976 led to a massive drop in the value of the minimum wage. Arguably, an assessment of the relative costs and benefits ought to examine the benefits of a stable macroeconomy (strong job growth and increases in living standards) against the potential costs of the changing fortunes of low paid workers. In Argentina, unemployment was persistently high throughout the late 1980s and 1990s and the average real wage fell by 28 per cent from 1985 to 1998 (Table 1.4 above); as such, there were significant costs associated with macroeconomic policy during this period. Moreover, more and more workers depend on the minimum wage (despite its falling value) in setting a basic floor to the wage structure because a tradition of strong collective bargaining and powerful trade unions has been overturned in favour of decentralized bargaining and the subordination of unions to political power. In Mexico, while workers did not suffer an increased risk of job loss, real average wages declined by more than a third between 1982 and 1998. Again, various studies show that despite its low level the minimum wage still has the potential to protect a significant share of workers at the bottom of the wage structure. In the case of Argentina and Mexico, therefore, the costs of using the minimum wage as a stabilization policy appear to outweigh its benefits; its use as a tool for redistribution ought to be restored.

¹⁶ Excluding the heterogeneous group of the self-employed from calculations gives wage differentials of 18% and 24% among male full-timers and female full-timers, respectively (after controlling for differences) (Bell 1995: Table 11).

The second policy issue is the impact of the minimum wage on job growth in the formal sector and its knock-on effects on employment in the informal sector of the economy. To which degree the redistributive effects of a minimum wage (by lifting the position of low paid workers) are offset by the displacement of workers from the formal sector and an increasing share of workers in the informal sector where compliance with the minimum wage may be more problematic? Orthodox analysis suggests that cuts in the minimum wage increase employment in the formal sector and improve earnings in the informal sector (by reducing labour supply). Colombia and Mexico provide for an interesting comparative analysis since they constitute examples of a rising real minimum wage and declining real minimum wage, respectively. For Colombia, evidence suggests that the rising real minimum wage had a negative impact on employment, especially among unskilled workers employed in the formal sector. For Mexico, the results are mixed, with one study showing job losses among older males workers and job gains among females workers and a second study revealing no evidence of employment effects. However, these econometric studies do not account for the medium to long-term effects of wage changes on demand, which is particularly important as the formal and informal sectors are linked through the product market as well as the labour market (Fiszbein 1992). Even assuming that employment in the formal sector increases with a reduction in the minimum wage, earnings and job opportunities for workers in the informal sector might decrease because of reduced demand for goods ‘exported’ to the formal sector. An additional problem with the econometric studies cited above is that they fail to incorporate more complete data on a range of macroeconomic variables that, arguably, have a more significant impact on job growth and the size of the informal sector; this is especially important in countries where macroeconomic instability is a prime characteristic. In the one study where GDP per capita is included in an econometric analysis of the impact of the minimum wage on the share of informal sector employment, changes in the minimum wage were found to have no significant impact (Saget 2001).

The final policy question is whether a minimum wage policy can improve the position of the low paid and improve pay equity between male and female workers. In part, an answer to this question depends on the evidence for the employment effects of a minimum wage, which, as we argue above, have not been appropriately scrutinized to date. Aside from this there are three issues that need to be considered. First, the implications for pay equity depend on how effectively the minimum wage is enforced in a country. There appear to be problems of non compliance in the formal sector in Costa Rica, Honduras and, to a lesser extent, Chile (Gindling and Terrell 1995; Maloney and Nuñez 2001), yet surprisingly high compliance in the informal sector in Argentina, Brazil, Chile and Colombia where there is a distinctive peak in the wage structure (Maloney and Nuñez 2001). In part, the fact that low shares of workers in the informal sector earn less than the minimum wage reflects the very low level of the minimum wage. However, the peaks in the distribution suggest that the minimum wage does shape wage norms, whether through employers’ actions or workers’ demands. The second issue is that across the countries covered in this report, there is evidence that the earnings of a substantial proportion of workers falls below the minimum wage and this – surprisingly – appears to be especially marked in countries where the minimum has fallen considerably. As such, regular

uprating and improved compliance would reduce occupational class differentials by lifting the position of the low paid. Data for Argentina show that even among salaried workers, those in the lowest decile of the wage structure earned less than the hourly minimum wage during the late 1980s and mid-1990s. For Mexico, data from the household survey show that a significant share of male and female workers of all types of occupation, employment contract and sector earned less than the minimum wage during the late 1980s and this is especially true of female workers in the informal sector.

Finally, this study shows that while higher minimum wages are likely to improve the position of the low paid this does not necessarily translate into a narrowing of the gender pay gap. The reason is that the gender pay gap is an expression of the average level of inequality between male and female workers. As such, a narrowing of this measure may occur either when women's average pay improves or when men's average pay deteriorates. Across the countries considered here, we have examples of both scenarios. Across all Latin American countries, gender pay equity improved during the 1990s (for example, the gender pay gap narrowed 14 percentage points in Colombia, six in Argentina, nine in Brazil and seven in Colombia). In countries like Argentina, Brazil and Mexico, improved gender pay equity appears to be the result of increased inequality between low paid and high paid workers and an increasing proportion of male workers among the low paid. Conversely, in Colombia, where minimum wages improved during the 1990s and reached a level of 40% of the average wage, improved gender pay equity seems to result from a levelling up of female wages rather than a levelling down of male wages.

In conclusion, the example of Colombia stands out as a country where a rising minimum wage has been accompanied by a strong narrowing of the gender pay gap (second highest improvement after Paraguay across Latin America), strong compliance in both the formal and informal sectors, a narrowing of wages between the highest and lowest paid and sustained improvement in the average real wage. Econometric studies suggest strong negative employment effects of the rising minimum wage, but these results ought to be treated with caution given the absence of macroeconomic variables in the models. By contrast, in Argentina and Mexico where the minimum wage has slipped to a very low level, rising wage inequality, the fragmentation of the workforce and decentralization of wage bargaining mean that an increasing proportion of the workforce, in both the formal and informal sectors, rely on the minimum wage policy in fixing a floor to wage-setting. While the minimum wage stands at less than a third of the average wage in both countries, it still has the potential to improve the position of the low paid in a context (especially in Argentina) where future trends in employment are likely to be shaped by factors from outside the domain of labour market policy.

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Annexe (based on ILO data¹⁷)

Pay by public/private sectors

	Gender pay gap (%)				Female public/ female private (%)		Female public/ male private (%)	
	1990-94		1999-00		1990-94	1999-00	1990-94	1999-00
	Public	Private	Public	Private				
Argentina ¹	91	102	96	100	134	144	137	143
Brazil	84	81	80	88	212	172	172	151
Chile ²		84		92				
Colombia	94	90	106	103	167	179	150	185
Ecuador ³	83	83	80	103	136	140	112	145
Paraguay ²	86	98	91	119	143	148	140	176
Peru	95	96	94	99	148	112	141	110
Uruguay	114	81	112	88	120	138	97	121
Venezuela	92	93	98	99	112	117	104	116
Costa Rica	98	83	102	93	193	180	160	168
El Salvador	114	87	127	112	197	352	172	393
Honduras	119	86	108	89	234	186	201	166
Mexico	95	85	108	87	130	180	111	157
Nicaragua	74	62	64	86	122	166	175	142
Panama	96	94	90	101	159	146	150	147

1. Earliest data are for 1998
2. Public sector data missing
3. Most recent data are for 1998

¹⁷ "Sistema de Información y Análisis Laboral" (SIAL/OIT, Panama).

AVERAGE HOURLY EARNINGS OUTSIDE AGRICULTURE BY SEX: SELECTED COUNTRIES, 1990-2000 (in local currencies)

Countries and Years	Private Sector Employees ¹						Public Sector		Total Employees Excluding Domestic Workers		Own-account workers		Employers		Total Informal Employment		Total Formal Employment		Total outside agriculture		F public/ F private	F public/ M private	
	Up to 5 employees		Over 5 employees		Total ¹		Males	Females	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females			
	Males	Females	Males	Females	Males	Females																	
Argentina ²	1998	2.3598	2.3917	3.8607	3.8945	3.428	3.4816	5.137	4.6989	3.6158	3.7616	3.9682	3.1166	6.7405	3.2678	2.9807	2.3315	4.6415	4.3429	3.9635	3.4892	1.349638097	1.370740957
	2000	2.2216	2.3289	3.669	3.6125	3.239	3.2304	4.8296	4.6399	3.4117	3.5612	3.1154	2.9335	5.1527	2.7569	2.4921	2.15	4.1961	4.1416	3.4763	3.2802	1.436323675	1.432510034
Brasil	1990	70	64	169	134	151	122	308	259	160	137	173	111	464	350	148	68	205	160	183	115	2.12295082	1.715231788
	1999	1.5097	1.4604	3.0676	2.6294	2.6819	2.3489	5.0731	4.0403	3.0673	2.8656	3.0156	2.3449	8.1637	7.3351	2.5368	1.5046	4.0617	3.4285	3.3902	2.4511	1.72008174	1.506506581
Chile	1990	267	249	456	380	425	357	*	*	425	357	638	553	2256	1375	487	398	553	429	531	365		
	2000	768	795	1441	1333	1338	1229	*	*	1338	1229	2280	2141	7609	5073	1858	1152	1861	1588	1860	1385		
Colombia ³	1992	387.8262	358.4624	618.5691	539.7685	557.2911	500.5992	894.2752	836.6328	600.8803	552.2979	542.8581	396.6457	1205.2568	958.1806	522.5621	345.5514	730.4487	619.5787	641.9582	493.4983	1.671262759	1.501249168
	2000	1479.53	1620.66	2609.687	2561.657	2247.217	2317.989	3931.3235	4155.1352	2440.8338	2575.0751	1717.0981	1361.3477	4789.2803	3756.5291	1742.8854	1425.6567	3067.9527	2969.1197	2370.8583	2151.6594	1.792560362	1.849014192
Ecuador ⁴	1990	372.901	325.199	596.148	473.287	532.352	439.195	719.369	598.497	588.651	503.028	401.12	306.275	655.035	684.347	392.229	260.71	655.233	543.993	527.384	382.912	1.362713601	1.124250496
	1998	3121.004	2676.4	5881.242	5999.784	4883.945	5040.17	8856.813	7078.386	5628.349	5657.34	4402.644	3492.491	11552.319	8114.815	4607.725	2960.696	7453.142	6564.607	5911.693	4375.751	1.404394296	1.449317304
Paraguay ⁵	1990	813.4527	732.7245	1175.885	1187.605	991.3812	975.6146	1623.5363	1391.8047	1084.1464	1065.7079	1222.9124	825.1372	2522.8	2022.7252	1180.6586	594.6362	1508.8856	1324.4746	1317.9827	776.3402	1.426592734	1.403904674
	1998	2427.101	2946.093	4092.37	4630.409	3561.269	4238.337	6898.5365	6283.9074	4159.5618	4684.8437	4853.9475	3673.4237	10308.031	7495.5879	4128.0372	2906.6927	5734.0873	5589.8007	4991.0668	3897.1992	1.482635182	1.764513449
Peru ⁶	1990	30430.01	43934.45	44950.39	38559.34	41590.44	39805.28	62134.022	58808.521	46246.81	45249.03	43385.766	27398.122	82911.521	110749.935	42024.16	26795.345	52947.456	46727.747	48004.789	34342.817	1.477405181	1.41399135
	2000	2.829	3.615	6.509	5.932	5.344	5.266	6.261	5.895	5.473	5.391	3.36	2.345	7.172	7.672	3.169	2.978	6.707	5.981	4.841	4.072	1.119445499	1.103106287
Uruguay	1991	2.34	1.63	2.95	2.45	2.87	2.32	2.45	2.79	2.73	2.47	2.72	2.05	7.24	5.54	2.78	1.44	3.12	2.76	3.03	2.2	1.202586207	0.972125436
	1999	19.99	16.98	33.6	30	31.41	27.64	34.04	38.07	32.08	30.52	30.8	25.29	80.7	68.69	27.5	17.38	37.24	34.82	34.25	27.67	1.377351664	1.212034384
Venezuela	1994	91.501	76.939	150.072	144.001	136.029	126.534	153.595	141.41	139.503	132.018	153.484	112.826	281.22	228.809	143.809	90.663	166.025	147.767	155.638	124.38	1.117565239	1.039557741
	1999	680.016	631.86	1091.727	1078.864	978.288	964.489	1156.349	1131.834	1010.139	1027.437	995.926	771.79	1903.507	1631.784	925.243	680.762	1204.136	1143.381	1071.043	915.06	1.173506385	1.15695378
Costa Rica	1990	77.35	66.79	108.82	89.29	101.14	83.79	164.86	161.85	119.87	112.14	115	89.09	146.83	137.32	99.48	60.95	131.16	121.8	120.37	97.57	1.931614751	1.600257069
	2000	404.59	361.21	556.43	523.37	513	479	845.66	860.6	583.36	603.51	547.36	439.76	791.18	735.76	504.61	346.47	648.85	665.22	590.53	531.96	1.796659708	1.677582846
El Salvador	1994	4.82	3.4	8.02	7.1	7.11	6.21	10.71	12.23	7.83	7.54	8.34	4.75	18.13	14.81	7.62	3.99	9.44	8.97	8.69	5.63	1.969404187	1.720112518
	1999	2.08	2.78	6.94	7.18	5.49	6.14	17.02	21.59	7.33	9.15	8	2.44	30.89	29.05	5.86	3.92	9.87	6.56	8.76	6.09	3.516286645	3.932604736
Honduras	1990	1.41	0.85	2.29	2.16	2	1.71	3.37	4.01	2.3	2.51	2.49	1.11	17.69	4.15	2	0.85	2.97	2.93	2.58	1.47	2.34502924	2.005
	1999	7.14	6.24	13.52	11.22	11.47	10.23	17.6	18.99	12.32	12.41	12.66	7.19	25.11	16.2	11.67	6.27	14.97	13.38	13.45	9.21	1.856304985	1.655623365
Mexico	1990	2.5422	2.3876	3.98	3.253	3.6352	3.0949	4.209	4.0179	3.7587	3.3565	4.3446	3.464	9.4599	8.2627	3.8955	2.6406	4.3645	3.6038	4.1958	3.2632	1.298232576	1.105276188
	2000	11.048	9.6948	20.7025	17.3498	18.1401	15.846	26.3302	28.4816	19.4361	18.8072	18.7653	14.8365	46.6175	38.5804	16.5104	12.1746	23.7587	20.8979	21.028	17.7922	1.797399975	1.570090573
Nicaragua ⁴	1993	4.11	2.49	5.78	4.04	5.01	3.09	5.11	3.78	5.05	3.46	9.6	4.07	8.66	3.97	7.31	3.6	6.06	3.95	6.71	3.74	1.223300971	0.754491018
	1999	2.59	2.6	6.34	6.13	4.85	4.16	10.84	6.89	6	4.84	5.01	2.65	15.04	9.67	3.96	2.58	8.18	6.72	5.95	4.12	1.65625	1.420618557
Panamá	1991	1.18	1.01	1.88	1.79	1.77	1.67	2.76	2.65	2.15	2.15	1.19	0.93	3.67	2.27	1.13	0.64	2.38	2.28	2.01	1.7	1.586826347	1.497175141
	1999	1.17	1.23	2.23	2.22	2.06	2.08	3.38	3.03	2.4	2.42	1.58	1.22	3.99	2.82	1.45	1.01	2.67	2.56	2.26	1.98	1.456730769	1.470873786

(1) Domestic workers excluded; (2) Gran Buenos Aires; (3) Ten Metropolitan Areas; (4) urban area; (5) Metropolitan area of Asunción; (6) Metropolitan Lima
 * The public sector is included in the private sector

Employment and pay by occupation; 1999-00 data

Employment

	Argentina			Brazil			Colombia			Mexico		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
Total	2701946	1787790	4489736	29,093,904	21,091,523	50,185,427	3403878	2756495	6160373	11890750	6614852	18505602
Professional and technical	587822	380192	968014	1,530,730	1,496,922	3,027,652	320247	243710	563957	1027617	588388	1616005
Gerentes? and administrators				2,388,524	929,398	3,317,922	86291	49080	135371	437067	123711	560778
Office workers	134554	214038	348592	1,146,608	1,711,586	2,858,194	268228	347275	615503	795527	855421	1650948
Commerce and sales	308931	255553	564484	4,483,911	3,318,655	7,802,566	719825	609357	1329182	1848181	1312749	3160930
agricultores y ganaderos	3046	0	3046	122,176	15,425	137,601				13796	942	14738
Transport workers	388977	22770	411747	2,281,238	151,988	2,433,226				967279	2245	969524
Artesans and operatives	307121	3151	310272	7,860,680	2,308,156	10,168,836				3476831	687917	4164748
Obreros y jornaleros	443052	119385	562437	3,033,605	75,956	3,109,561				725243	510310	1235553
Service workers?	282337	482349	764686	2,820,895	7,013,954	9,834,849	337187	887546	1224733	1085128	1264560	2349688
1.All other non-agricultural workers							1440901	387261	1828162			

Pay	Argentina			Brazil			Colombia			Mexico		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
Total	3.4763	3.2802	3.4105	3.4	2.5	3.0	2370.8583	2151.6594	2279.74	21.028	17.7922	19.988
Professional and technical	6.3108	5.0935	5.9033	9.0	5.8	7.5	5843.1256	4709.0635	5342.2192	38.2205	28.1956	34.8503
Gerentes? and administrators				8.1	6.2	7.6	9592.6238	8045.3275	9062.1426	72.9913	53.0075	68.5192
Office workers	3.2838	3.0794	3.1613	2.9	2.5	2.7	2192.4964	2136.993	2161.7564	21.9436	18.7625	20.3615
Commerce and sales	2.5837	1.7478	2.2478	2.7	1.9	2.4	1985.2034	1765.7121	1889.959	17.9935	13.3999	16.2629
?	2.6515	0	2.6515	1.6	0.9	1.5				39.3269	51.9447	40.1492
Transport workers	2.2156	1.8336	2.1999	2.7	2.9	2.7				16.0897	13.4944	16.0852
Artesans and operatives	2.3083	0.3749	2.2968	1.9	1.4	1.8				15.7779	11.9606	15.2185
?	2.4956	1.8715	2.3797	2.3	1.9	2.3				14.7889	11.437	13.3904
Service workers?	2.0854	2.3468	2.221	1.9	1.1	1.4	1561.6223	1375.4684	1436.8973	12.2128	10.1844	11.2371
1.Non-agricultural workers							1631.217	1340.6833	1577.6712			

Notes: 1. Applies to Colombia only given distinct classification

Pay by occupation

Argentina, 2000

	Female share	Female concentration	Total concentration	Gender pay ratio	Fi/M
Total	40%	100%	100%	94%	94%
Professional and technical	39%	21%	22%	81%	147%
Office workers	61%	12%	8%	94%	89%
Commerce and sales	45%	14%	13%	68%	50%
Farmers	0%	0%	0%	0%	0%
Transport workers	6%	1%	9%	83%	53%
Craftworkers and operators	1%	0%	7%	16%	11%
Manual workers	21%	7%	13%	75%	54%
Service workers	63%	27%	17%	113%	68%
1.Non-agricultural workers					

Brazil, 1999

	Female share	Female concentration	Total concentration	Gender pay ratio	Fi/M
Total	42%	100%	100%	72%	72%
Professional and technical	49%	7%	6%	64%	170%
Managers and administrators	28%	4%	7%	77%	183%
Office workers	60%	8%	6%	85%	73%
Commerce and sales	43%	16%	16%	69%	55%
Farmers	11%	0%	0%	57%	27%
Transport workers	6%	1%	5%	105%	85%
Craftworkers and operators	23%	11%	20%	74%	42%
Manual workers	2%	0%	6%	84%	57%
Service workers	71%	33%	20%	60%	33%

Mexico 2000

	Female share	Female concentration	Total concentration	Gender pay ratio	Fi/M
Total	36%	100%	100%	85%	85%
Professional and technical	36%	9%	9%	74%	134%
Managers and administrators	22%	2%	3%	73%	252%
Office workers	52%	13%	9%	86%	89%
Commerce and sales	42%	20%	17%	74%	64%
Farmers	6%	0%	0%	132%	247%
Transport workers	0%	0%	5%	84%	64%
Craftworkers and operators	17%	10%	23%	76%	57%
Manual workers	41%	8%	7%	77%	54%
Service workers	54%	19%	13%	83%	48%

Argentina

Relation between average hourly earnings and the minimum wage by decile group

	D1	D2	D3	D4	D5	AVERAGE
1987	0.7	1.1	1.3	1.5	1.7	2.5
1988	0.8	1.4	1.8	2.1	2.4	3.6
1989	2.1	3.8	4.9	5.7	6.8	10.1
1990						
1991	1.1	1.7	2.1	2.4	2.7	3.9
1992	1.6	2.5	3.1	3.4	4.1	5.5
1993	1.7	3	3.5	4.1	4.8	6.8
1994	0.9	1.6	1.9	2.2	2.5	3.6
1995	0.9	1.5	1.9	2.1	2.5	3.4
1996	0.8	1.5	1.8	2	2.4	3.4
1997	0.8	1.4	1.8	2	2.4	3.4
1990	12.3	22.8	29.4	35.6	41	59.4

List of the working papers of the InFocusprogramme to promote the Declaration

- No. 1 Bonded labour in Pakistan, by Aly Ercelawn and Muhammad Nauman, June 2001.
- No. 2 A perspective plan to eliminate forced labour in India, by L. Mishra, July 2001.
- No. 3 Défis et opportunités pour la Déclaration au Bénin, by Bertin C. Amoussou, August 2001.
- No. 4 Identification des obstacles à la mise en œuvre des principes et droits fondamentaux au travail et propositions et solutions au Niger, by Moussa Oumanou, August 2001.
- No. 5 Égalité de rémunération au Mali, by Dominique Meurs, August 2001.
- No. 6 Défis et opportunités pour la Déclaration au Burkina Faso, by Seydou Konate, September 2001.
- No. 7 Child labour in the Russian Federation, by Svetlana Stephenson, June 2002.
- No. 8 Intersecting risks: HIV/AIDS and Child Labour, by Bill Rau, June 2002.
- No. 9 Los principios y derechos fundamentales en el trabajo: su valor, su viabilidad, su incidencia y su importancia como elementos de progreso económico y de justicia social, de María Luz Vega Ruiz y Daniel Martínez, Julio 2002.
- No. 10 Collective bargaining and equality: Theorizing the links between Fundamental Principles and Rights at Work, by Adelle Blackett and Colleen Sheppard, September 2002.
- No. 11 Annotated bibliography of forced/bonded labour in India, by Mr. L. Mishra, December 2002.
- No. 12 Libertad de asociación, libertad sindical y el reconocimiento efectivo del derecho de negociación colectiva en América latina, de María Luz Vega Ruiz, Marzo 2003
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