

The Long-term Dynamics of Average Wages and Gaps Earnings in a Developing Country: Argentina 1940-2015

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This paper analyzes the evolution of average wages, and earning gaps between different types of occupations, during the 1940-2015 period in Argentina.

A series of the index of average annual real wages is built after a careful examination of various sources as there is no one readily available for the whole of the period under analysis. Some of these sources are establishment surveys covering different groups of workers. The social security system also provides relevant information for a period beginning in the nineties and for some years of the eighties. The official household survey is another alternative considered, although longer period data cover only some major cities of the country. Finally, the results of previous studies that have assembled information from these and other sources are also evaluated.

The evolution of real wages is be analyzed from a long and a short-term perspectives. We examine its dynamics in comparison to that of typical macroeconomic variables, such aggregate output, inflation and the exchange rate. The general situation of the labor market is also assessed by resorting to evidence on employment and unemployment.

The discussion recognizes that a central aspect of the evolution of wages is the limitation imposed the external sector. These limitations have operated though different specific mechanisms during the period under analysis. The so called “stop and go” model emphasizes that real wage growth will lead to a phase of economic growth but, given the inelasticity of the agriculture supply and the reduction of export surplus (exports are mainly made up of wage goods), the trade balance become increasingly negative, leading to a peso devaluation which, in turn, is passed-through domestic prices provoking a real wage decline.

In certain periods, the external restrictions were more linked to the payments of large external debt. But during some years, policies led to a rapid growth of open unemployment, and wages did not rise even when inflation was very low.

In particular, in order to assess the impact of unemployment on wages of different subgroups of workers -characterized by occupation and level of education- “wage curves” are estimated. From these results it is possible to evaluate the potential unequal effect of unemployment.

Regarding wage gaps, we concentrate on those existing between occupations of different levels of qualification and on the formality / informality dimension. Data used differs between periods. Micro-data from the official household surveys are available for many years of the 1974-2015 period. This source makes it possible that, in addition to a descriptive analysis, an econometric exercise can be performed. It decomposes changes in inequalities indicators into the portion that can be attributed to changes in employment composition and the proportion associated to modifications in the return to the considered dimensions (Firpo, Fortin and Lemieux, 2007, 2011). Before 1974, figures on earnings distribution for some years –coming from an study on national accounts- as well as data for average wages of “qualified” and “not qualified” positions fixed in collective bargaining, is used.

The evolution of wages in Argentina during the period under analysis has two salient aspects. On the one hand, a long-term trend towards stagnation after the increase achieved at the beginning of the period - in the second part of the forties-. On the other hand, marked short-term fluctuations.

This long-term trend seems to be associated with the low economic growth, of labor productivity and formal employment that has characterized the Argentine economy during the last eight decades.

The frequent and ample fluctuations of average real wages are mainly consequences of the pronounced instability that characterize the macroeconomic behavior of the country. In particular, the high and unstable rate of inflation, related frequently to the exchange rate evolution.

Many of those variables that influenced the dynamics of average earnings also affected the evolution of gaps in remunerations between workers of different occupations. Consequently, even if Argentina exhibited a relatively low degree of inequality in the context of Latin America by the end of the forties, it experienced significant changes in the period under analysis.