

TITLE: Real Wages and Skill Premiums during Economic Development in Latin America

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Abstract: This paper discusses and documents a new dataset of real wages for unskilled, semi-skilled, and relatively skilled labour in Argentina, Brazil, Chile, Colombia, Mexico, and Venezuela (LA-6) over the period 1900–2011. Three interrelated aspects are examined: the wage growth record associated with periods dominated by a particular development strategy; wage convergence across the LA-6; and changes in wage skill premiums and their links with fundamentals. The key findings are: i) the region's unskilled wage rose by 147% in the period compared to rises of 243% in the average wage and 440% in income per worker (including both property and labour income); ii) there is a limited process of wage convergence across the LA-6; and weak persistence in the country hierarchy; iii) skill premiums tended to peak during the middle decades of the 20th century, coinciding with the acceleration of industrialisation and the timing of the demographic transition. Movements in the terms of trade are broadly associated with both fluctuations and trends in wage premiums, though the direction of the link is country and time specific.

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