

MINIMUM WAGE COVERAGE IN LATIN AMERICA

Worker coverage of the minimum wage is an important issue in addition to its purchasing power and capacity to buy the basic consumer basket. This depends on the level established in minimum wage policy, its relationship with other labour market wages, as well as the administrative capacity of governments to ensure that enterprises affected by legislation adhere to this wage standard, among other factors.

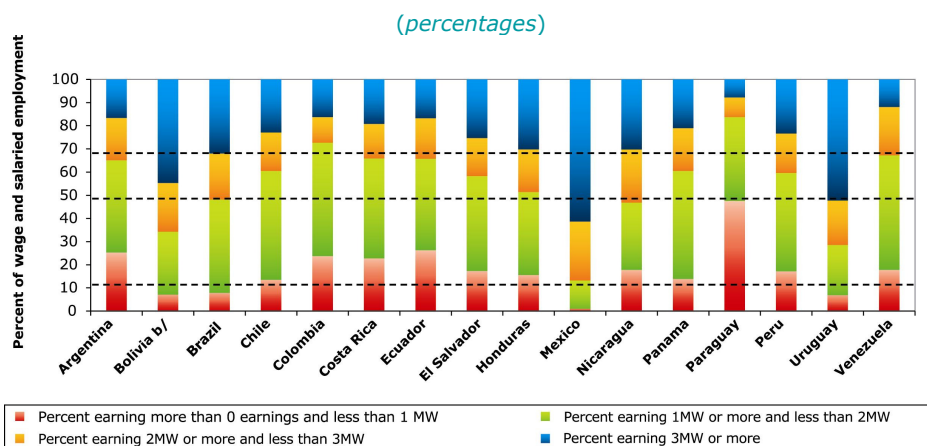
In 2006, the last year with available information, in the urban area of 16 Latin American countries, approximately 10 million wage and salaried workers (11.3% of total wage and salaried workers that year), had earnings below the hourly minimum wage, a third of whom were women (Figure 8). This percentage was higher in Argentina (21.6%), Chile (13.2%), Colombia (20.6%), Costa Rica (21.0%), Ecuador (25.7%), El Salvador (17.2%), Honduras (15.3%), Nicaragua (17.8%), Panama (13.7%), Paraguay (47.6%), Peru (17.2%) and the Bolivarian Republic of Venezuela (15.8%). Paraguay has an especially high percentage of wage and salaried workers earning below the minimum wage, indicating the need to evaluate the reasons for such poor coverage.

Considering earnings by multiples of the minimum wage (MW), the highest percentage of wage and salaried workers belonged to two groups: those that earned 1 MW or more but less than 2 MW (37.4%), and those that received 3 MW or more (31.6%). A total of 19.6% earned 2 MW or more but less than 3 MW.

Mexico is noteworthy because the country's real minimum wage in 2006 was 70% of that recorded for 1990, a percentage that has changed little in the past 10 years (Table 10-A, Statistical Annex). Thus in 2006, the percentage of wage and salaried workers who earned 3 MW or more (53.1%) was considerably above the regional average for this category.

FIGURE 8

LATIN AMERICA (16 COUNTRIES): PERCENTAGE OF WAGE AND SALARIED WORKERS WHO EARN DIFFERENT MULTIPLES OF THE MINIMUM WAGE IN URBAN AREAS, 2006^{a/}



Source: ILO, based on official information of the countries.

a/ Estimates exclude wage and salaried workers whose earnings were equal to zero; they also exclude wage and salaried workers who did not declare their earnings.

b/ Estimates for Bolivia are for 2005.

The analysis of the cases of Mexico and Paraguay provides important lessons. When the minimum wage is low, so is the number of unprotected workers since, at this level, the minimum wage does not significantly affect decisions to hire and dismiss unskilled workers. Nevertheless, as the minimum wage is set higher with respect to earnings for unskilled labour, the level of non-compliance with this wage standard increases. In both cases, coverage regarding the minimum wage should be studied, and the results should serve to improve enforcement of this wage.

Note:

Excerpt from: ILO, Regional Office for Latin America and the Caribbean. *2007 Labour Overview, Latin America and the Caribbean*. Pages 25-26.

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