

Evolution of wages by skill level in Uruguay, 1918-2009

Evolución de los salarios reales por cualificación en Uruguay, 1918-2009

María Camou* 

Universidad de la República (Uruguay)

Silvana Maubrigades 

Universidad de la República (Uruguay)

ANALYTICAL SUMMARY

This article provides new evidence on the evolution of wages by skill level in Uruguay between 1918 and 2009. Furthermore, it explores the interplay between the shifts in supply and demand, stemming from the moving through different stages of economic development, and the institutional changes occurring in the same period and context. In sum, the paper discusses the trajectory of wages focusing on three main aspects: increasing levels of education among workers, growth and decline of the demand for skilled labor, and the different institutional configurations promoted by the State over time.

One important contribution of this article comes from the elaboration of new wage series for skilled, semi-skilled and unskilled workers based on new sources. The methodological definitions supporting the research imply the development of different occupational groups segmented by qualification for various sectors. Thus, the estimated average wage for each skill level encompasses different occupations throughout the period, given that the set of chosen occupations should reflect changes in labor market structures in the long-term scenario.

The analysis reveals that shifts in demand and changing institutional aspects are determining factors in the trajectory of wages. The wage gap between different skill levels varied considerably over time. Although the wage gap narrowed towards the middle of the 20th century, it began to widen in the 1960s. Despite the increase in the level of education among the general population in Uruguay, the nation's industrialization process did not have an intensive demand for skilled labor.

Throughout this period, the average increase in years of education coincides with a decrease in the wage gap between skilled and semi-skilled workers. This is explained mainly by a relative decrease in the skill premium. However, the opposite happens at the end of the 20th century, when wage differentials across all workers increase, exhibiting a significant gap between the most and the least qualified.

Institutional factors also play a role in the story. A long-term perspective shows that the presence or absence of wage regulation mechanisms are directly associated with changing trends in the evolution of relative wages. During the industrialization process, state regulation and protectionist policies contributed to wage improvements and inequality reduction. In the liberal period after the 1970s, union repression as well as deregulation and flexibilization of the labor market contributed to widening wage differentials.

Our research presents some limitations, such as the lack of reliable information on the relative weight of each salary group in the working population. Future research could improve our knowledge of the labor markets in Uruguay over the long term by working in this direction.