

International Labour Review

SPECIAL ISSUE

WAGES: DETERMINANTS, DISTRIBUTION AND LIVELIHOODS

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- 1 **The living wage: Theoretical integration and an applied research agenda**
Stuart C. CARR, Jane PARKER, James ARROWSMITH
and Paul A. WATTERS

The concept of a living wage is defined by quality of life and work life, not merely economic subsistence. It extends to adequate participation in organizational and social life. In development economics, these crucial components of “decent work” connect with “capabilities”, whose development is important to individuals, organizations and society. However, the links between income and capabilities remain unknown, and living wages are often set by fiat. By integrating theories from development studies, management, psychology and employment relations into a single concentric, contingency model, the authors derive a series of propositions with which to test this context-sensitive model in empirical research.

KEYWORDS: LIVING WAGE, MEASUREMENT, QUALITY OF WORKING LIFE.

- 25 **The role of institutions in explaining wage determination in the Eurozone: A panel cointegration approach**
Mariam CAMARERO, Gaetano D’ADAMO and Cecilio TAMARIT

This article estimates the equilibrium wage equation for the Eurozone over the period 1995–2011 using panel cointegration techniques that allow for cross-section dependence and structural breaks. As expected, the results show that wages have a positive relationship with productivity and a negative relationship with unemployment. The authors also include institutional variables, showing that more flexible labour markets are consistent with wage moderation. They find that, since 2004, increased international competition has made wage determination more strictly related to productivity, and that real exchange rate appreciation triggers a drop in

wages. Their results also indicate that government intervention and wage bargaining concertation have a wage-moderating role.

KEYWORDS: WAGES, WAGE DETERMINATION, MONETARY RELATIONS, STATE INTERVENTION, EU COUNTRIES.

57 **Ownership restructuring and wage inequality in urban China**
John WHALLEY and Chunbing XING

Urban income inequality is an increasingly important driver of China's overall income inequality. Using three urban household surveys for 1995, 2002 and 2007, the authors examine how change in enterprise ownership structure – one of the major features of China's economic transition – has contributed to widening urban wage inequality. While wage dispersion was higher in the private sector over the period 1995–2007, it increased faster in the public sector. However, over 50 per cent of the increase in urban wage inequality is associated with labour reallocation from the public to the private sector. Urban wage inequality may thus widen further if more labour is reallocated to the private sector.

KEYWORDS: WAGES, WAGE DIFFERENTIAL, OWNERSHIP, PRIVATE SECTOR, SURVEY, URBAN AREA, CHINA.

73 **Factor income distribution and growth regimes in Latin America, 1950–2012**
Germán ALARCO

Following a comprehensive review of the literature on economic growth regimes, the author develops an econometric model to determine the type of growth regime prevailing in 16 Latin American countries over the period 1950–2012, using statistical data on the respective wage share and profit share of GDP. After analysing the evolution of factor income distribution in relation to economic growth during the period in question, he concludes that most Latin American economies have a wage-led growth regime, and that redistribution policies targeted at wages are therefore conducive to economic growth.

KEYWORDS: ECONOMIC GROWTH, WAGE, ECONOMIC MODEL, INCOME DISTRIBUTION, LATIN AMERICA.

97 **Distribution effects of the minimum wage in four Latin American countries: Argentina, Brazil, Chile and Uruguay**
Roxana MAURIZIO and Gustavo VÁZQUEZ

This article provides a comparative analysis of the distribution effects of the increase in the real value of the minimum wage in Latin America over the approximate period 2000–12 in four Latin American countries: Argentina, Brazil, Chile and Uruguay. Using semiparametric techniques to estimate counterfactual density functions, the authors find that the increase in the minimum wage had an equalizing effect in Argentina, Brazil and Uruguay, but not in Chile. This increase accounted for a considerable part of the decline in wage inequality, which was the result of compression at the lower tail of the wage distribution.

KEYWORDS: MINIMUM WAGE, WAGE DIFFERENTIAL, INCOME DISTRIBUTION, TREND, ARGENTINA, BRAZIL, CHILE, LATIN AMERICA, URUGUAY.

133 **Non-compliance with minimum wage laws in Latin America: The importance of institutional factors**
Andrés MARINAKIS

Based on household survey data, the author compares the level of minimum wages in 16 Latin American countries with average wages, GDP, poverty lines and purchasing power. He then estimates the degree of non-compliance with minimum wage laws and its correlation with the minimum wage/average wage ratio. Comparing the situation in Chile, Costa Rica, Peru and Uruguay, he concludes that, when the minimum wage is very low or very high relative to average wages, the degree of compliance will depend on the quality of the institutional system, particularly the labour inspection system, in which regard he recommends a number of improvements.

KEYWORDS: MINIMUM WAGE, ECONOMIC GROWTH, INSTITUTIONAL FRAMEWORK, HOUSEHOLD, SURVEY, CHILE, COSTA RICA, LATIN AMERICA, PERU, URUGUAY.

- 157 **POST SCRIPT: T.S. Papola and the development of labour economics in India** Gerry RODGERS

T.S. Papola, who passed away in November 2015, was one of the founding members of the Editorial Board of the *International Labour Review* in 2007. But he was above all a pioneering figure of labour economics in India, whose influential work has gained wide international recognition. Drawing on the author's personal acquaintance and collaboration with Professor Papola, this short article highlights some of his major contributions.

KEYWORDS: LABOUR ECONOMICS, LABOUR MARKET, SOCIAL STRUCTURE, SUMMARY, INDIA.

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