

Comparative analysis of minimum wage changes in Brazil and Mexico

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Abstract

This research seeks to interpret the differences, concerning the application of the minimum wage policy, between Brazil and Mexico and its results over poverty, in absolute and relative terms from 1990 to 2012. In order to do so, we analyzed the different methods of measuring poverty and the poverty lines available in each country, in addition to the relevant economic conjuncture.

Key words: minimum wage, poverty, comparison.

Introduction

Brazil and Mexico are responsible for 56% of the Latin America's GDP and are important representatives of the underdeveloped economies. These countries have shown low and unstable growth and have the most diversified production structures, however have presented crucial differences concerning the State's actions over the productive and distributive dimensions since the beginning of the year 2000.

Comparing the evolution of the minimum wage levels in two countries has an unusual and innovative character. Its capacity to suppress poverty and foster or impair growth is relative to its social, cultural and economic context, being used aiming diverse outputs in the countries where it is implemented. It is necessary to compare the changes of the minimum wage revealing different poverty standards between these countries and how they vary over the course of time.

Results and Discussion

The effort of the comparative analysis must suppress a series of data availability problems and methodological issues.

The lack of an official poverty line in Brazil is an impasse for a more precise analyses. The IBGE, Ipea and CEPAL's line applied in many national researches is based on a minimum caloric standard.

The multidimensional lines of CONEVAL embraces the most diverse variables of Mexican's essential capabilities. However it does not affect the government decision on the minimum wage. The real minimum wage measured with the INPC don't allow us a much deeper analysis, since the index does not include the relevant items for the poor mass of the population.

Image1. Poor population in Mexico (CONEVAL lines)¹.

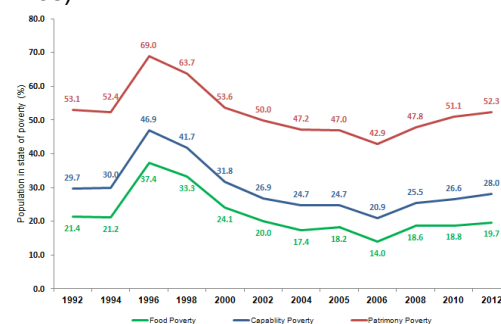


Chart 1. Real Minimum Wage (INPC)²

Country	1995		2000		2012	
	Real MW	Real MW	Δ	Real MW	Δ	
Brazil	R\$317,37	R\$368,56	16%	R\$702,11	90%	
Mexico	MX\$68,16	MX\$59,8	-12%	MX\$57,31	-4%	

Conclusions

The social reality in both countries, although very different, is disquieting. Mexico keeps the poverty institutionalized and despite Brazil's real improvement in the minimum wage through the years, it's still not enough to affect poverty.

Acknowledgement

To CNPQ, for the financial aid. To Carlos Salas Paez for the orientation and support.

¹<www.coneval.gov.mx>

²<www.conasami.gob.mx>

²<www.ipeadata.gov.br>

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