The economic slowdown is putting the brakes on the reduction of inequality in Latin America and will likely continue to do so—but it might not actually reverse the region’s movement toward less wage inequality.

Inequality in Latin America: Understanding the Past to Prepare for the Future addresses these two questions by reviewing relevant literature and providing new evidence on what we know from the conceptual, empirical, and policy perspectives. The answer to the first question can be broken down into several parts, although the bottom line is that the changes in wage inequality resulted from a combination of three forces: (a) education expansion and its effect on falling returns to skill (the supply-side story); (b) shifts in aggregate domestic demand; and (c) exchange rate appreciation from the commodity boom and the associated shift to the nontradable sector that changed relative wages.

Additional findings show that wage inequality, still high in the region, is coupled with inequality in terms of hours worked. The paper complements the existing literature by presenting separate results for males and females, as well as across countries. It also uses a new methodology to decompose changes in labor income inequality (hourly wages) into a quantity effect (capturing changes in the distribution of workers’ skills), price effect (reflecting returns to skills), and unobservables effect (other components, including relative wages and measurement error). The paper also introduces new results on the distribution of middle wages, which are crucial for understanding wage inequality.

The book breaks down the key determinants of wage inequality and provides new insights into the dynamics of wage inequality in Latin America. It offers a comprehensive review of the literature and provides new empirical evidence on the role of education, skill-biased technical change, and exchange rate appreciation in driving wage inequality. The book also discusses the policy implications of the findings and provides recommendations for policymakers.

The book is an important contribution to the understanding of wage inequality in Latin America and will be of interest to researchers, policymakers, and practitioners working in the fields of labor economics, development economics, and public policy.

The book is available for purchase on Amazon and other major book retailers. For more information, please visit the publisher’s website.