AGGLOMERATION AND ITS EFFECTS ON THE BRAZILIAN INDUSTRIAL WAGES OVER THE LAST DECADE

From about 1950 Brazil experienced an accelerated urbanization together with strong agglomeration effects of industrial activities, this development was significant in the metropolitan region of São Paulo up to the 1970s, contributing São Paulo to be largest concentration of production in the country. In the following decade there was a movement of the population to the other larger cities that began to grow at higher rates than the major metropolitan centers. In the 1980s Brazil experienced stagnation in growth and productivity because the public and private economic sectors concentrated actions in fighting inflationary processes. In the 1990s economic activities started growing and the inflationary processes were under reasonable control. In addition Brazil developed into a more open economy which also stimulated economic growth, especially in the first decade of the 20 century.

The theoretical approaches of agglomeration economies have received a lot of attention from regional and urban science, trying to understand in which way they affect the production structure, the labor market and competitiveness in the regions. The present study investigates the influence of agglomeration economies on industrial wages from 2001 to 2010. We analyze 84 economics poles in Brazil and the methodology applied is principal component analysis. The analysis uses the industrial wage as the dependent variable and independent variables are education, industrial concentration and specialization. The results suggest the presence of urbanization and diversification economies, and another observation is that greater industrial diversification is one factor that explains higher wages. We also find that over the last decade regional disparities in the industrial wage has changed little although there has been a tendency in the direction of decentralization of industrial employment. The variables that show positive correlation with wages are the educational level of the workers which reaffirms the importance of skilled labor. This tendency has increased the demand in sectors with high technology level which in turn focus on the special characteristics of metropolitan areas. One interesting aspect of the Brazilian economy in the last decade has been a relative decentralized pattern of manufacturing jobs also in
the metropolitan areas but this has not been a driver to substantially change the salary structure which is one result from this research.

Keywords: Industrial Wages, Agglomeration Economies, Brazilian Industry.