



IOLOW

INTERNATIONAL OBSERVATORY
OF LIVING WAGES

Argentina's Wage Gaps

Wage rates for all employed in manufacturing

2020 Report

Manufacturing wage gaps for Argentina vis-à-vis selected developed and “emerging” economies, with available wage and PPP data (1996-2018)

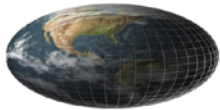
(see definitions and sources at the end of report)

Manufacturing wage gaps for Argentina vis-à-vis selected developed and “emerging” economies, with available wage and PPP data (1996-2018).

© 2020. The Jus Semper Global Alliance — Universidad La Salle - CDMX

Web portals: www.jussemper.org/ — <https://lasalle.mx/> — [International Observatory of Living Wages](#)

E-mail: informa@jussemper.org



The Jus Semper Global Alliance

A Collaborative Research Project



Under Creative Commons Attribution 4.0 License
<http://creativecommons.org/licenses/by-nc-nd/4.0/>

Table of Contents

• Argument for wage equalisation – classic problem scenario	4
• Argument for wage equalisation – the argument	5
• Argument for wage equalisation – concept of living wage using PPPs	7
• Argument for wage equalisation – classic example in 2018	8
• Wage rate gap comparisons for selected economies	10
• Size of gaps with U.S. – Manufacturing hourly real wage rates via PPPs	11
• Main features of the state of minimum wage rates and manufacturing wage rate equalisation in Argentina	12
• Gap between manufacturing hourly wage rate and PPP equalisation index with US real wage rate	13
• Gap Between nominal manufacturing hourly wage rate and equalised PPP wage with US real wage rate	14
• Gap between equalisation index and size of manufacturing hourly real wage rate in Argentina vis-à-vis US real wage rate	15
• Performance of equalisation indices of manufacturing real wage rates and PPP indices with the US	16
• Behaviour of comparative indices of Argentina and Mexico’s manufacturing hourly real wage rate	17
• Performance of equalisation indices of PPP manufacturing hourly real wage rates of Argentina and Mexico with US counterparts	18
• Behaviour of comparative equalisation indices of manufacturing hourly real wage rates of selected countries vis-à-vis the equivalent Argentina wage rate	19
• Projection of the closing of the real wage rate equalisation gap	21
• Prospectus	26
• Table T5 – Living-Wage-Gap and Equalisation analysis (vis-à-vis the US) for all employed in manufacturing in the Americas in purchasing power parity terms 1996-2018	27
• Definitions and Sources	28

The Argument for Wage Equalisation Using Purchasing Power Parities (PPPs)

■ Classic Problem Scenario

- With market liberalisation, MNCs sell their products in both the host countries and in all other markets where they are active, including their home country, at the same or at a very similar sales price,
- They achieve maximum profitability when the manufacturing process in their developing countries' operations is at par in quality and production efficiency with the standards used in their home operations but their cost of labour is dramatically lower—with respect to North-South relations—as the direct result of unequal exchange structures deliberately imposed on the periphery to maximise returns through the use of global labour arbitrage in the global South. (See: Claudio Jedlicki: *Unequal Exchange*, The Jus Semper Global Alliance, September 2007 and Intan Suwandi: *Return to Production*, The Jus Semper Global Alliance, October 2020).
- The MNCs' markets and their manufacturing and marketing operations are *globalised* but their labour costs remain strategically very low in order to achieve maximum competitiveness and shareholder value at the expense of the South's workers,
- The resulting situation is one where MNCs get all the benefit. Sometimes the salaries that they pay are higher than the legal minimum wage in the host country. Yet, these wages still keep workers in dire poverty. A minimum wage does not make a living wage even in the most developed economies,
- What has occurred, with market globalisation, is the dramatic widening of the gap between wages in the North and in the South,
- While the standard of living of a worker in the North provides the basic means to make a living and afford a basic standard of comfort, a worker working for the same company, doing the exact same job with the same level of quality and efficiency, lives in a shanty town in a cardboard house with no sewage, water and legal electricity,
- In this way, the huge differential in labour costs is added to the profit margin, keeping the part (the surplus value) that should have provided the worker with an equivalent standard of living to that enjoyed by the same workers in the North. This surplus value from the labour factor is the part rightfully belonging to workers, and that they should have received from inception, as their fair share of the income resulting from the economic activity.

The Argument for Wage Equalisation Using Purchasing Power Parities (PPPs)

■ The Argument

- In true democracy the purpose of all governments is to procure the welfare of every rank of society, especially of the dispossessed, with the only end of all having access to a dignified life in an ethos where the end of democratic societies is the social good and not the market. The market is just one vehicle to generate material wellbeing,
- In this ethos, and with markets globalised, workers performing the same or an equivalent job for the same business entity, in the generation of products and services that this entity markets at global prices in the global market, must enjoy an equivalent remuneration,
- This equivalent remuneration is considered a living wage, which is a human right,
- A living wage provides workers in the South with the same ability to fulfil their needs, in terms of food, housing, clothing, healthcare, education, transportation, savings and even leisure, as that enjoyed by equivalent workers in the North, which we define in terms of the purchasing power parities (PPP) as defined by the World Bank and the OECD,
- The definition of a living wage of The Jus Semper Global Alliance is as follows: *A living wage is that which, using the same logic of ILO's Convention 100, awards “**equal pay for work of equal value**” between North and South in PPPs terms,*
- The premise is that workers must earn equal pay for equal work in terms of material quality of life for obvious reasons of social justice, but also, and equally important, for reasons of long-term global economic, environmental and social sustainability.

The Argument for Wage Equalisation Using Purchasing Power Parities (PPPs)

■ The Argument

- The argument of an equivalent living wage is anchored on three criteria:
 - ➔ Article 23 of the UN Universal Declaration of Human Rights on the following points:
 - a. Everyone, without any discrimination, has the right to **equal pay for equal work**,
 - b. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
 - ➔ Article 7 of the UN's International Covenant of Economic, Social and Cultural Rights of 1966: (i) Fair wages and **equal remuneration for work of equal value** without distinction of any kind, in particular women being guaranteed conditions of work not inferior to those enjoyed by men, with equal pay for equal work; (ii) A decent living for themselves and their families;
 - ➔ ILO's Convention 100 of "**equal pay for work of equal value**", which is applied for gender equality, but applied in this case to North-South equality, using PPPs as the mechanism,
- The proposal is to make workers in the South earn living wages at par with those of the First World in terms of PPPs in the course of a generation (thirty years),
- There will not be any real progress in the true sustainability of people and planet –reversing environmental degradation and significantly reducing poverty– if there is no sustained growth, in that period, in the South's quality of life, through the gradual closing of the North –South wage gap; attacking, in this way, one of the main causes of poverty, and pursuing concurrently sustainable development –rationally reducing consumption in the North and rationally increasing it to dignified levels in the South, thus reducing our ecological footprint on the planet,
- Just as the International Labour Organisation's Decent Work Agenda states, the decent work concept has led to an international consensus that productive employment and decent work are key elements to achieving poverty reduction,
- The material quality of life in Jus Semper's The Living Wages North and South Initiative (TLWNSI) is defined in terms of purchasing power, so that equal pay occurs when purchasing power is equal,
- Purchasing power is determined using purchasing power parities (PPPs),
- Purchasing power parities (PPPs) are the rates of currency conversion that eliminate the differences in price levels between countries.

The Argument for Wage Equalisation Using Purchasing Power Parities (PPPs)

▪ Concept of Living Wage Using PPPs

- The concept of a living wage using PPPs is straightforward. To determine real wages in terms of the purchasing power of any country in question, the PPPs of this country are applied to nominal wages. These are the real wages for each country,
- Purchasing power parities reflect the amount in dollars required in a given country to have the same purchasing power that \$1 US has in the United States; e.g.: if the PPP index in one country is 69, then \$0,69 are required in that country to buy the same that \$1 buys in the US; thus, the cost of living is lower. If the PPP were to be higher than 100, say 120, then \$1,20 is required in that country to buy the same that \$1 buys in the US; the cost of living is, thus, higher,
- To calculate a living wage, the real wage of a specific category of US workers is used as the benchmark, and the PPPs of a country in question are then applied to the US wage,
- This provides the equivalent living wage that a worker in the country in question should be earning in order to be at par in terms of purchasing power to the material quality of life enjoyed by the equivalent US worker. This is the equalised wage in terms of purchasing power,
- In this way, the comparison between the actual real wage of the country in question exposes the gap, in real terms, between the current real wage of the worker of the country in question and the living wage it should be earning, in order to be equally compensated in terms of PPPs,
- In practice, since the PPPs vary annually, due to the dynamics of economic forces, the pace of the gradual equalisation of wages, through small real-wage increases, needs to be reviewed annually.
- It must be pointed out that this rationale does not even take into consideration that the neoliberal paradigm of staunch support for supply-side economics has consistently depressed for three decades the purchasing power of real wages in the US, the benchmark country for wage equalisation. This has been attempted to be resolved by women joining the work force and, fictitiously, through over indebtedness, which eventually has brought us down to the great implosion of capitalism in 2008. In this way, this equalisation analysis is made in the context of a course set forth during three decades of global depression of real wages in favour of international financial capital.

The Argument for Wage Equalisation Using Purchasing Power Parities (PPPs)

A Classic Example in 2018

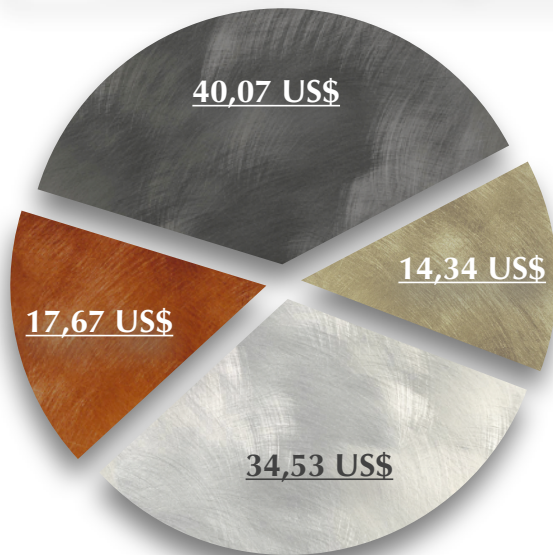
- Equivalent manufacturing workers in Mexico and Argentina earn only 24% and 42%, respectively, of what they should be making in order to be compensated at par with their US counterparts in terms of purchasing power,
- US Workers earn \$40,07/hour whilst Mexican and Argentinian workers earn only \$5,18/hour and \$14,34/hour, respectively,
- Since costs of living in PPP terms in Mexico and Argentina are 54¢ and 86¢, respectively, for each \$1 US dollar, equivalent Mexican and Argentinian manufacturing workers should be earning instead \$21,49/hour and \$34,53/hour, respectively, in order to enjoy equal purchasing power compensation,
- The difference is the wage rate gap that employers perversely keep to increase profits,
- Canada, in contrast, has a much smaller gap with its US counterparts, since its nominal wage rate (\$33,02) is 82% of the equivalent wage rate (\$40,21) needed to be at par, with a PPP of \$1,00 per each \$1 US dollar.

Nominal, Real and Equalisation Wage Rate for All Employed in Manufacturing by Using Purchase Power Parities (PPPs) Benchmark					
	Nominal Hourly	PPP	PPP	Equalised Nominal Hourly	Equalisation
2018	<u>Wage Rate</u>	<u>2016</u>	<u>Real Wage Rate</u>	<u>Wage Rate</u>	<u>Index</u>
United States	40,07 US\$	100	40,07 US\$	40,07 US\$	100
Canada	33,02 US\$ 82 %	100	32,91 US\$ 82 %	40,21 US\$ 100 %	82
Mexico	5,18 US\$ 13 %	54	9,66 US\$ 24 %	21,49 US\$ 54 %	24
Argentina	14,34 US\$ 36 %	86	16,64 US\$ 42 %	34,53 US\$ 86 %	42
Sources:					
	International Observatory of Living Wages 2020.				
	The Conference Board, International Labor Comparisons program, December 2019.				
	Data base of World Bank's World Development Indicators, 1975-2019, (private consumption PPP indicator)				

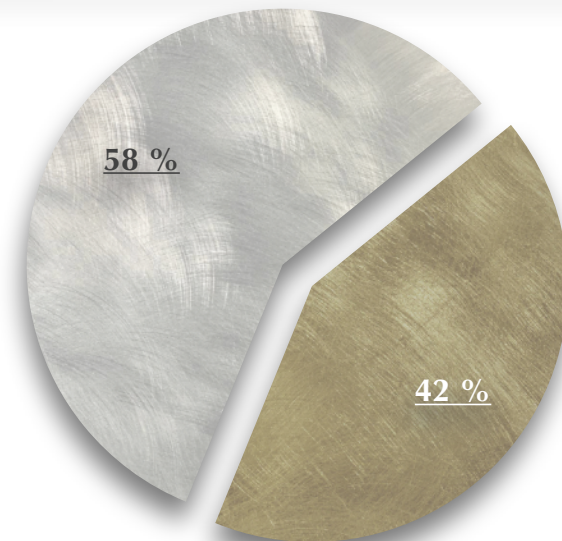
The Argument for Wage Equalisation Using Purchasing Power Parities (PPPs)

▪ A Classic Example in 2018

- From a graphic perspective, the first pie chart shows the US real wage rate for all employed in the manufacturing sector, which is always the benchmark. In the case of Argentina, the pie chart exhibits the nominal wage rate earned, the nominal wage rate equalised with the US wage rate –always in purchasing power parity terms, and the difference retained inappropriately (deliberately).
- The nominal equalised wage rate of \$34,53 is what all employed in Argentina’s manufacturing sector should earn to be equally remunerated (in purchasing power terms) for performing an equivalent task (because Argentina’s PPP cost of living is 86% the cost in the US). Yet, workers only earn \$14,34 instead of \$34,53, thus the employer deliberately retains \$17,67, which constitutes more than half of the surplus value that legitimately belongs to Argentinian workers, according to TLWNSI’s concept.
- In this way, the second pie chart shows how the employer retains inappropriately 58% of labour’s surplus value, or labour share of income, by only allocating to the worker 42% of what he/she is entitled to.



- Nominal wage rate earned
- Equalised nominal wage rate
- Difference inappropriately retained by the employer
- US equivalent wage rate (benchmark for equalisation)



Sources: WB, U.S. BLS, TCB, IOLW

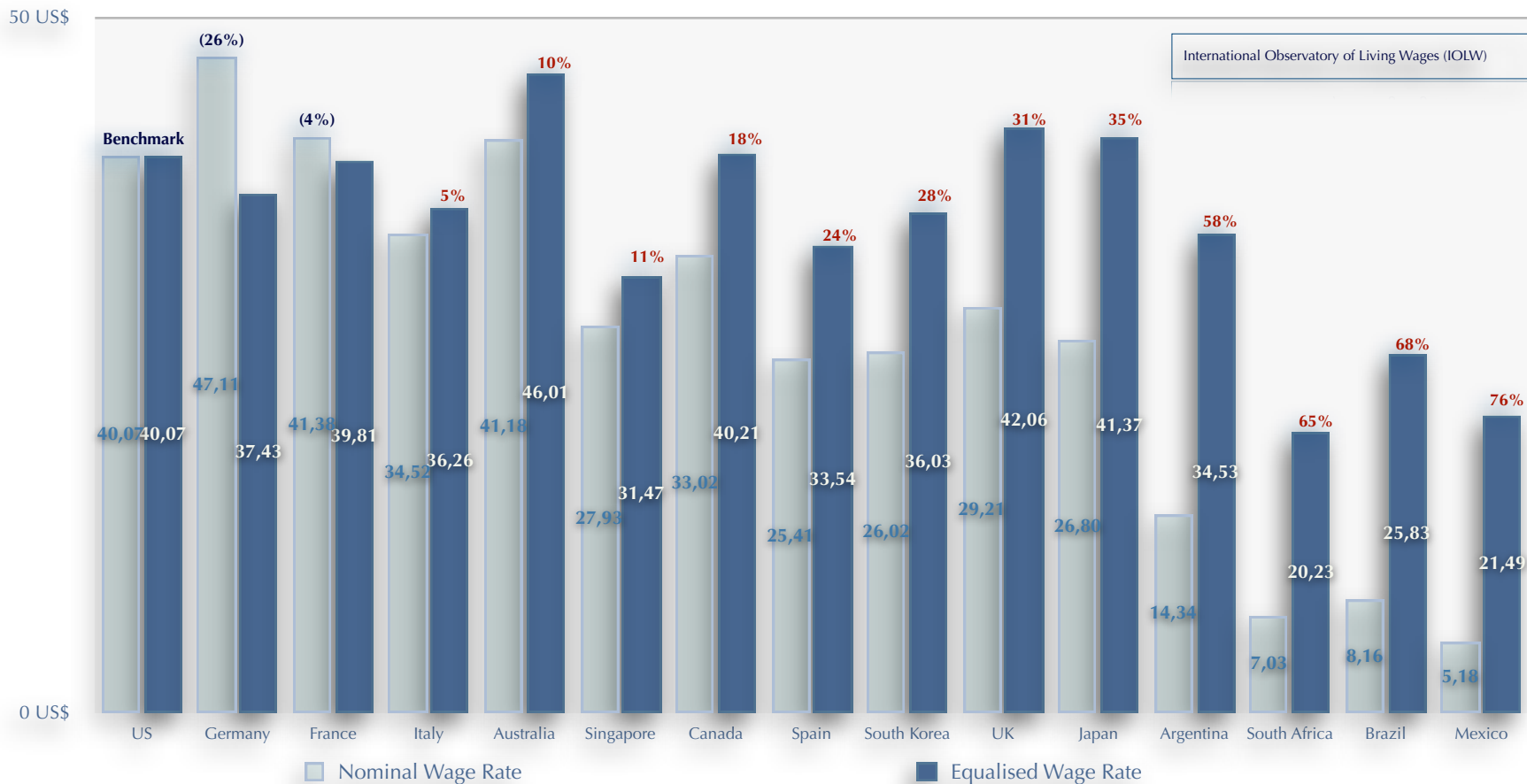
- Nominal wage rate earned
- Difference inappropriately retained by the employer

Living wage rate gap comparisons for selected economies:

- **Our 2018 assessment reports divergent outcomes among selected economies that were predominantly the result of a meaningful increase of hourly wages in local currency (or lack of it), exchange rates and changes in their PPP cost of living vis-à-vis the 1,8% increase of the US hourly wage rate in manufacturing. Six economies: France, Germany, Italy, South Korea, Singapore and Australia improved their equalisation index (Eq-Idx) compared to 2017. Canada, the United Kingdom, Spain and Turkey lost ground, whilst Brazil, Mexico, Japan and South Africa experienced no change.** (for the complete detail for the four economies in the Americas, [see Table T5](#), for the other economies [go here](#)).
- Specifically for the Americas, 2018 is a year exhibiting clear setbacks or stagnations in living-wage equalisation for the four economies, with a dramatic loss for Argentina, also a loss for Canada and no change for Brazil and Mexico in their equalisation indices (Eq-Idx) with comparable US hourly rates in manufacturing. As shown in the [chart on page 11](#), Argentina, Brazil and Mexico, as well as South Africa have the greatest gaps between nominal and equalised wage rates with US wage rates using PPPs for private consumption and have made little progress over the years.
- Argentina has experienced a gradual erosion of its Eq-Idx as the direct result of incontrolable high inflation rates since 2008. This erosion began to deepen with the Macri government. In 2017, there was a slight recovery, just before the supply-side staunchly neoliberal economic policies of the, at the time, new government began to dramatically reverse the gains in real wages and labour's share of income delivered by the previous governments. Contrary to its vow to reduce inflation, which averaged 25,6% in the previous government, the policies of Macri's government averaged 41,4% in CPI inflation during its four years (2016-2019) and the Argentine peso devalued by 81%. Hence, as expected, in 2018 Argentina's equalisation index collapsed by dropping 8 points, equivalent to a loss of 16%, the worst performance by far among the 41 economies included in our reports. A new economic crisis exploded closely resembling the 2002 collapse, and all wages have dropped dramatically. In 2018 the minimum wage increased 12,9% but inflation reached 47,8%. In 2018, manufacturing hourly rates increased 26,1% in pesos, but the 41% devaluation produced a drop of 25,7% of its hourly rate in US dollars. Thus, despite a drop of 13% in its PPP cost of living, Argentina's equalisation index recorded a very steep drop and in 2019 will drop even more, as inflation and devaluation rates became even worse, at 54% and 42% respectively. This will take Argentina back to conditions reminiscent of its previous crisis of 2002-2004 with equalisation indices for manufacturing wage rates hovering in the low 30s.
- Beyond the context of this analysis, we must realise that capitalism of any kind is incompatible with the purpose of a truly democratic ethos, which is the procurement of the welfare of all ranks of society and the sustainability of the planet. Thus, under the current system this purpose will never take place and, therefore, there is no reason to regard improvements in manufacturing wage rates or minimum wages as positive signs of what we can expect in the coming years. Unless people realise that we need to force a new radical social contract that wholly replaces the capitalist system, we will expect more inequality, environmental depredation and the unsustainability of life on our planet. We are running out of time globally, because the capitalist system is completely unsustainable and we are already on the brink of being unable to secure the survival of all living things. There is an enormous amount of scientific research that provides incontestable proof to this reality, including stark changes in the climate and pandemics such as the present COVID-19 that we are enduring. Given this ominous situation, demand-side and other socially-oriented policies will lose any meaning as we reach a tipping point of no repentance and no return when future generations will no longer have a chance, as the planet increasingly reacts in ways that no longer provide the conditions indispensable for life as we know it. Unless we replace the current system, life on our planet will reach its demise as the result of the ecological rift produced by our anthropocentric era.

2018 gaps between nominal and equalised wage rates with US wage rates using PPPs for private consumption

(Total hourly manufacturing compensation costs in US dollars – US is benchmark)



Gap between Nominal and Equalised wages rates in terms of purchasing power parities

- 1) If lighter bar is greater than darker bar= Nominal wage rate is superior to rate required to be at par with U.S.
- 2) If darker bar is greater than lighter bar= Nominal wage rate is less than wage required to be at par with U.S.
- 3) If both bars are in equilibrium= Nominal wage is equivalent to nominal wage in U.S. in terms of purchasing power (The size of wage gap is expressed in percentages. If negative, there is a wage advantage instead of a wage gap for nominal wage rate is superior to rate required to be at par with U.S.. Comparisons are in terms of hourly compensation costs as explained in T5.)

Sources: The Jus Semper Global Alliance analysis using the sources below. (Sources with X indicate that some of their data is directly incorporated in the table:)

- The Jus Semper Global Alliance: Living Wage Gaps Analysis in the manufacturing sector using:
- The Living Wages North and South Initiative (LWNSI) using "Equal Pay for Work of Equal Value" Methodology.
- x Database of World Bank's World Development Indicators, 1975-2019.
- x U.S. Bureau of Labor Statistics, August 2013 and The Conference Board (TCB), International Labor Comparisons Program - Manufacturing Hourly Compensation Costs, February 2018.
- x The Conference Board (TCB) — International Comparisons of Manufacturing Productivity and Unit Labor Costs 2018, December 2019
- Purchasing Power Parities and Real Expenditures of World Economies. Summary of Results and Findings of the 2011 International Comparison Program. World Bank 2014.

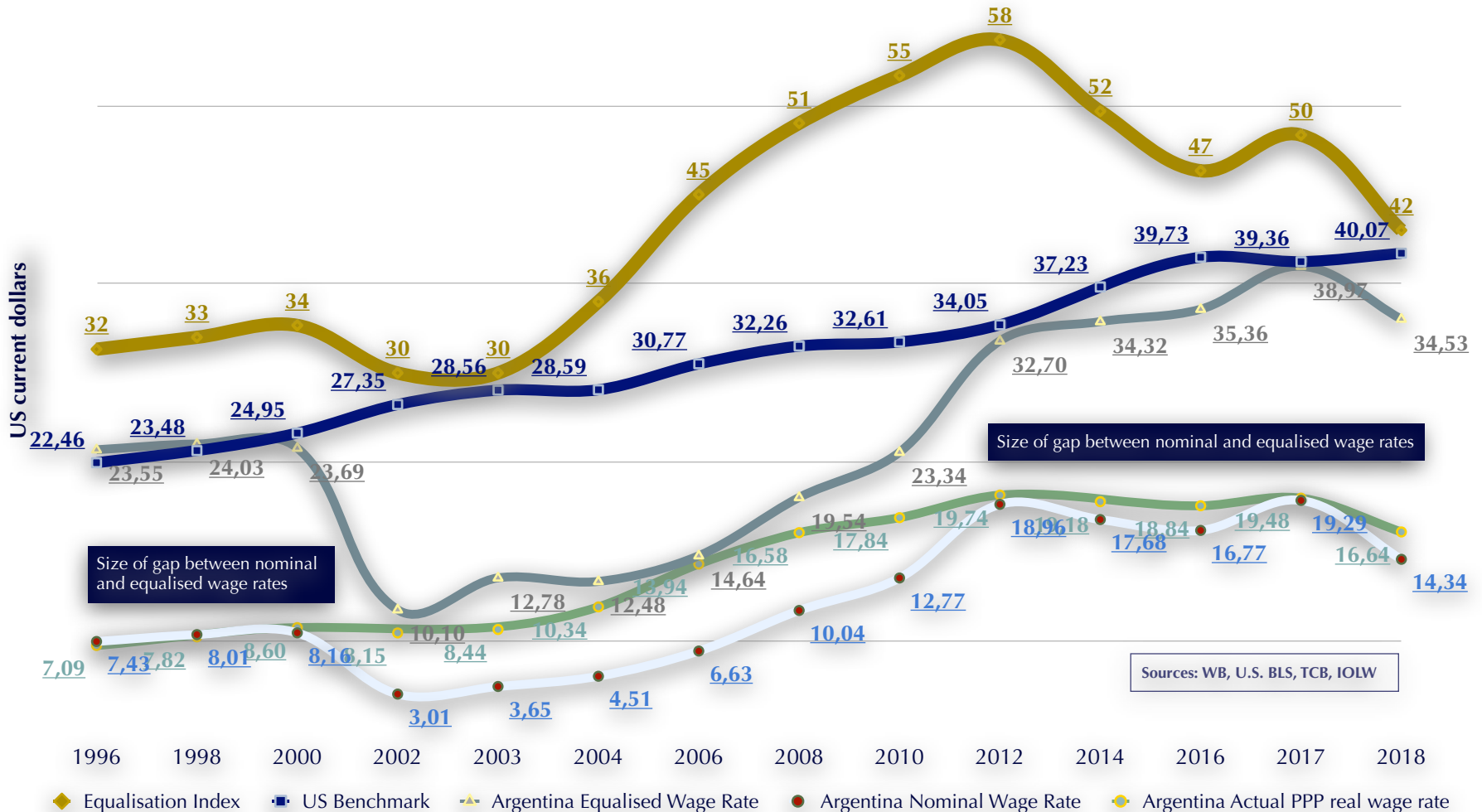
Main features of the state of minimum wage rates and manufacturing wage rate equalisation in Argentina

After the staunchly neoliberal Macri government left Argentina's socio-economic conditions in dire shambles, the new Fernández government is doing its best to recover the gains for the common citizen of the preceding Kirchner-Fernández governments, which will be a rather daunting task, given the recurring crises since the start of this century. For now, living wage equalisation in the manufacturing sector vis-à-vis equivalent US wages has collapsed and is destined to drop to levels reminiscent of the 2002 crisis before it begins to recover. (for full detail see Table T5, starting on [page 27](#)).

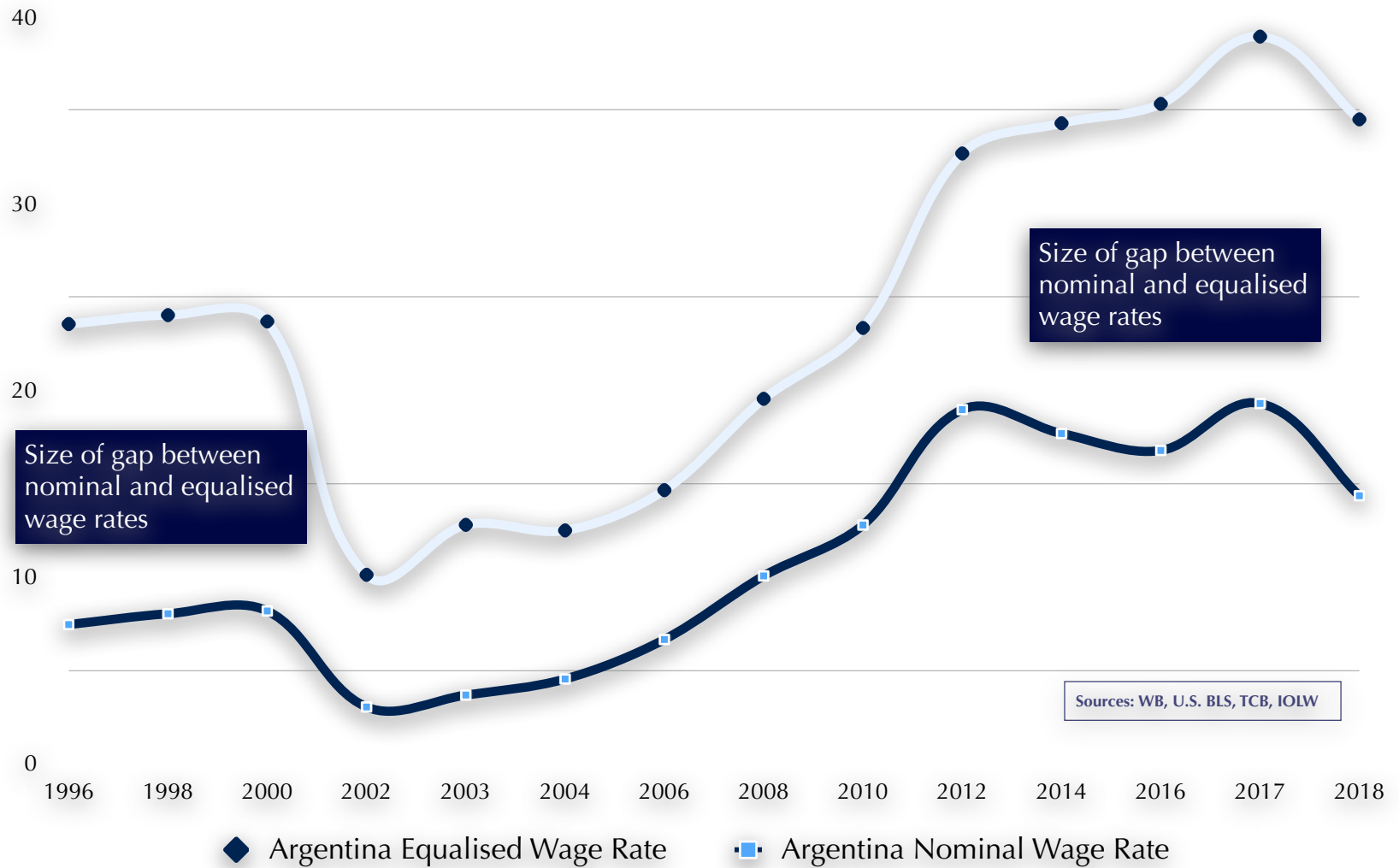
- It's been only nine months since December 2019, when the new government took place after another extreme economic crisis that brought back the same social and economic conditions that were prevalent during the 2002 economic collapse. After the 2002 debacle, Argentina experienced a steady improvement of real wages. The Eq-Idx increased 93% between 2002 and 2012 (from 30 to 58) to then drop gradually 19% to 2016 (Eq-Idx of 47) and then recover slightly in 2017 after a 29% increase of manufacturing wage rates in local currency. However, in 2018 the collapse of the economy was imminent. Macri's government, claiming to stop inflation and stabilise the economy, reverted to the demand-side policies of the preceding governments. But inflation moved in the opposite direction and exploded with rates of 39,2% in 2016, 24,8% in 2017, 47,6% in 2018, and 54,0% in 2019, averaging 41,4% for the four-year period, versus an average of 28,7% during the immediately preceding government and of 19,4% between 2003 and 2015, when demand-side policies centred on the recovery of real wages were implemented.
- The government's demand-side policies were instrumental in recovering Argentina's economy, and, all the more important, much of the standard of living enjoyed prior to 2002. As can be observed in Table 5 on [page 27](#), prior to Macri's government, manufacturing wages and their equalisation with US equivalent wages began to recover at a fast pace after 2002. In particular, the equalisation with equivalent wages in the US increased at an unprecedented pace, reaching a 58 Eq-Idx in 2012, almost twice the 30 index of 2002. This made Argentina's manufacturing compensation cost the highest in Iberian America by a large margin. However, the steep increase of both the minimum wage and manufacturing wages, averaging 27,5% and 25,1%, respectively, in local currency, for the period 2003-2012, were faced with rather high inflation rates averaging 16,3% for the same period, that Argentinian governments were unable to control and that subsequently exploded. The race to outperform inflation became unattainable and by 2014, inflation reached 38,6% whilst manufacturing wages increased only 30,3%. In 2015, the last year of the Fernández government, inflation dropped to 26,8%, but then, with Macri, averaged 41,4%. This had a direct toll on real wages that was convoluted with the corresponding stark devaluation of the Argentine peso, which devalued 93,6% between 2003 (1 x P\$3,06) and 2019 (1 x P\$48,15). The combination of these factors during 2018—an inflation of 47,6% and a devaluation of 41% in 2018—made Argentina's hourly rates and their equalisation index with comparative US rates to experience a steep drop, as foreseen in our report last year. The huge inflation and devaluation rates, despite a 26% nominal wage increase and a 13% drop in the PPP cost of living, increased the wage gap dramatically. This triggered a drop from 50 to 42 in the Eq-Idx. Moreover, with an inflation of 54% and another erosion of nearly 42% in the exchange rate for 2019, the equalisation index is consequently bound to drop even more and to hover around the low 30s.
- In assessing the performance of Argentina's equalisation of manufacturing hourly wage rates with equivalent US rates between 2002 and 2018, we first observe—during the demand-side period of 2003-2015—a desperate struggle to protect real wages unsuccessfully due to the failure to quench inflation. During Macri's period, the labour share of income became irrelevant. Thus, neoliberal policies during the 2016-2019 period were implemented to favour the capital's share of income. This approach pushed up inflation to even higher levels and increased inequality further. As a whole, for the 2003-2018 period, the race against inflation is clearly observed in Argentina's nominal wage rates in manufacturing, increasing by 4270% in local currency, 376% in US dollars and 104% in real PPP terms. Argentina's peso depreciated 89,1% since 2002 whilst the PPP indicator (directly influenced by the exchange rate and inflation) increased 133%, from \$0,37 to \$0,86, not too distant from the US cost of living since 2011. The calculation of the PPPs incorporates the "Billion Prices Project" from MIT, the leading estimate of true inflation in Argentina. We use this estimate given that INDEC, the official Argentinian statistics bureau responsible for this metric, had consistently underreported by more than 50% Argentina's real inflation. With the change of government in December 2015, the INDEC began publishing a new credible inflation index in 2016, which was 39,2% for the year. Argentina's powerful growth of its manufacturing nominal wage rate in local currency, since 2002, clearly outpaced the strong growth of the PPP conversion factor in country currency fuelled by inflation (4270% versus 2040%). This explains that, despite high inflation and strong currency devaluations since 2002, PPP real wages still have grown in US dollars by 104% up to 2018—hence the increase from an Eq-Idx of 30 to 42 for the same period. In summary, in terms of its Eq-Idx, Argentina reaches its highest point in 2012 at 58, but then starts to gradually erode to 56 in 2013, 52 in 2014, 47 in 2016, 50 in 2017 and then the steepest decline in 2018 to 42. This erosion will surely continue at the very least for 2019 and 2020.
- In this way, in the twenty-three year period (1996-2018) [assessed in table T5](#), we can observe three events with respect to real wages and living wages. The first event covers 1996 to 2002, the period of Argentina's brief neoliberal economic boom—with its living-wage equalisation zenith occurring between 1996 and 2001—to then collapse and reach its nadir in 2002. The second event covers 2003 until 2012, the period of Argentina's economic steady recovery, with a very visible hand from the State and antithetical to neoliberal orthodoxy—which demands the erosion of labour rights as the norm, with real wages in the front line of attack. In contrast with neoliberalism, Argentina's manufacturing living-wage equalisation during this period reaches its highest point ever in 2012 and at a far higher level than the preceding period's zenith in 2001 (58 vs. 35). The third event unfolds in 2013 as a direct result of Argentina's economic structures, anchored predominantly on the export of volatile agricultural commodities, and convoluted by the unsustainable prevailing global economic paradigm of sheer financialisation and commodity supply chains of global corporations. Except for the Eastern European economies, China and a few others, in Argentina and the remaining economies real wages have declined or stagnated. This is all the more evident in Argentina's case due to the rise of inflationary pressures that pushed the previous government to hide the true inflation beginning in 2008. The explosive inflationary rates and currency depreciation during Macri's government, fuelled by crass economic policy errors such as the submission to the demands of vulture funds and the elimination of export tariffs for agribusiness, further deepened the structural problems and the proper management of Argentina's foreign debt. As a consequence, real wages for the whole economy and living-wage equalisation for the manufacturing sector will continue to erode significantly for the next couple of years at the very least. Hence we foresee Argentina's Eq-Idx for 2019 and 2020 to hover in the low 30s.
- The new government of Alberto Fernandez immediately implemented a countercyclical package to return to demand-side policies aimed at reducing as much as possible Macri's neoliberal ethos and his economic policy errors. Some of these are tax hikes on foreign currency purchases, agricultural exports, wealth, and car sales as well as labour protections to increase compensation for unjustified work dismissals. Also, as it happened at the start of the century, Argentina was forced to default on its foreign debt, and has just reached an agreement with vulture funds and other foreign creditors that, for the most part, fulfils their demands and not those of Argentinians. Moreover, Argentina is once again under negotiations with the IMF to reduce its never ending sovereign foreign debt. Furthermore, the economic crisis has been convoluted by the COVID-19 pandemic, which will clearly exacerbate Argentina's deep recession. So far, inflation appears to be substantially lower in 2020 than in 2019, at 13,5% for the first six months, but expected to hover at 30% by the end of the year, despite the effect of the pandemic on an already depressed demand. As with the rest of the world, GDP will fall drastically, at least 11% and then gradually recover, more as a technical rebound rather than as true growth in 2021. All of these factors will make it difficult for Argentina to recover real wages in manufacturing and gradually bring them to their previous equalisation position relative to the 2002 crisis.
- It will be a real challenge for the Fernández government to tame inflation and recover key social indicators. According to INDEC, poverty has increased since the end of 2015 to the second quarter 2019 from 24% to 35,5%, adding 5 million people to the ranks of the dispossessed. It will clearly be more by the end of 2020, as the recession and COVID-19 combine to increase unemployment and slash real wages.

Equalisation Index with US Manufacturing Real Hourly Wage Rates via PPPs

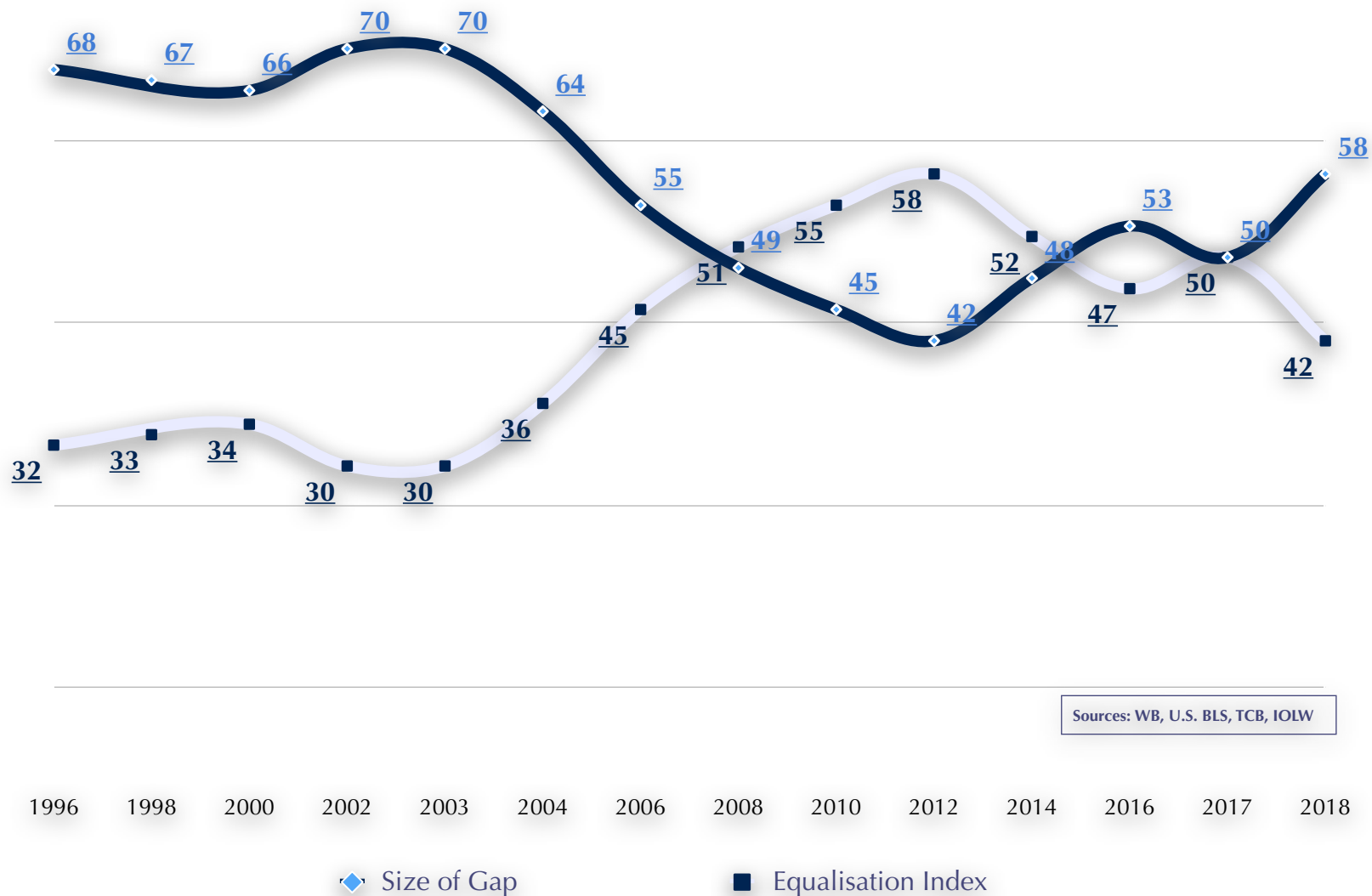
The chart below provides a complete illustration of the behaviour of Argentina's wage rates vis-à-vis US wage rates since 1996. Between 1996 and 2002, the US hourly wage rate increased 22%, but Argentina's PPP real wage increased only 15%, whilst the nominal rate dropped by 59% and its equalised nominal rate by 59%. As a result, the Eq-Idx dropped from 32 to 30. Then, between 2003 and 2012, the US rate grew 24%, but Argentina's PPP real wages increased 142%, the nominal rate did by 530%, with the equalised rate growing by only 224% due to the steep climb of the PPP cost of living. Nonetheless, the Eq-Idx improved twenty-eight points since 2003, to 58. Then, a decline began in 2013 with the nominal wage dropping 24% by 2018, the PPP real wage dropping 15% and the Eq-Idx losing sixteen points or 28% by 2018. Due to an explosive inflation, the cost of living has been so high since 2012, despite the local currency devaluation, that nominal and PPP (cost of living) wage rates are similar, with a small gap between them. Since 2012 there is a widening gap between nominal and equalised wage rates similar to the 1996-2002 period, paralleling the preceding crisis.



Gap between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent US real wage (current dollars)

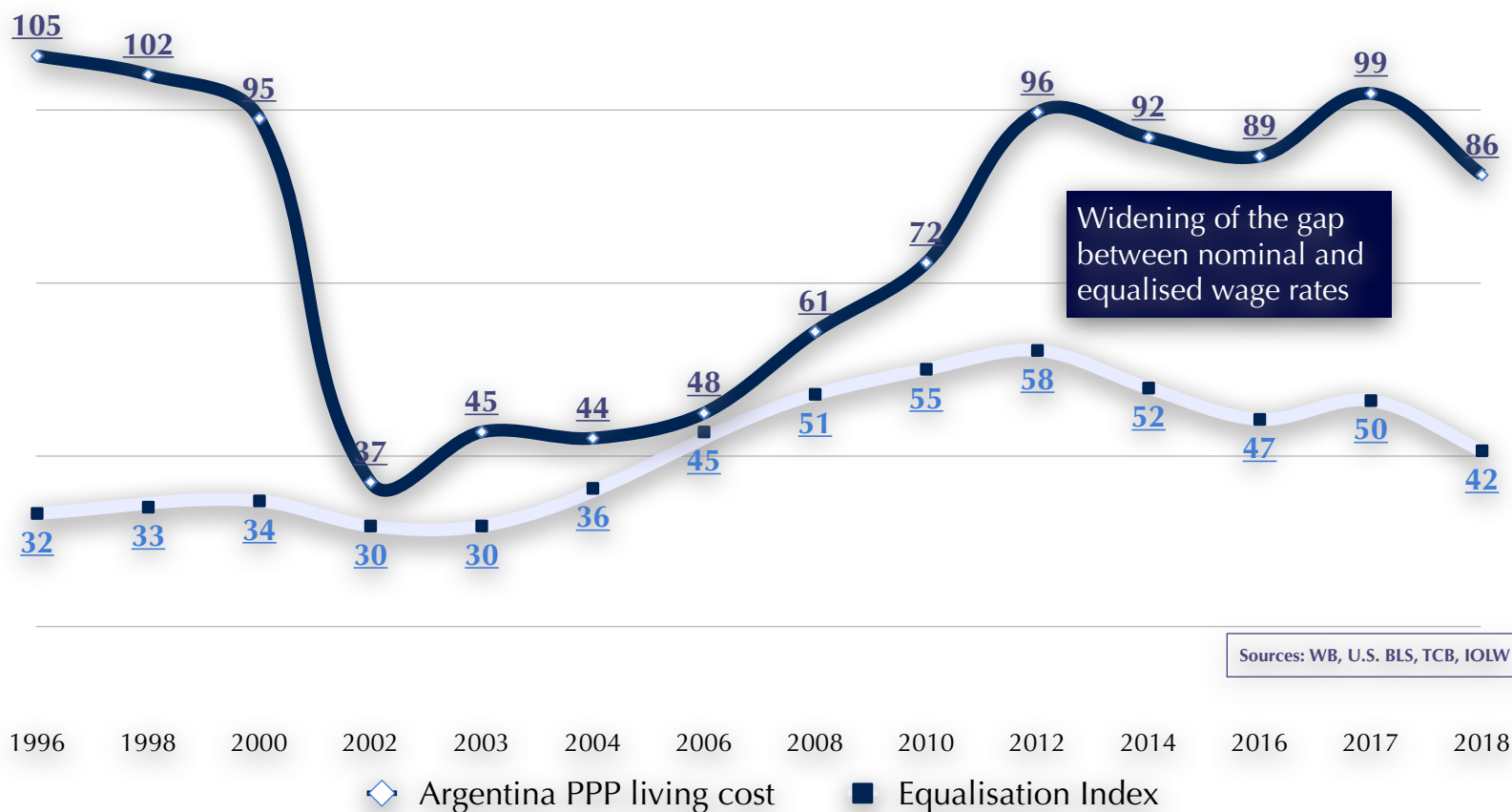


Equalisation index and the directly corresponding size of gap in manufacturing hourly real wage rates in Argentina vis-à-vis US real wage rate



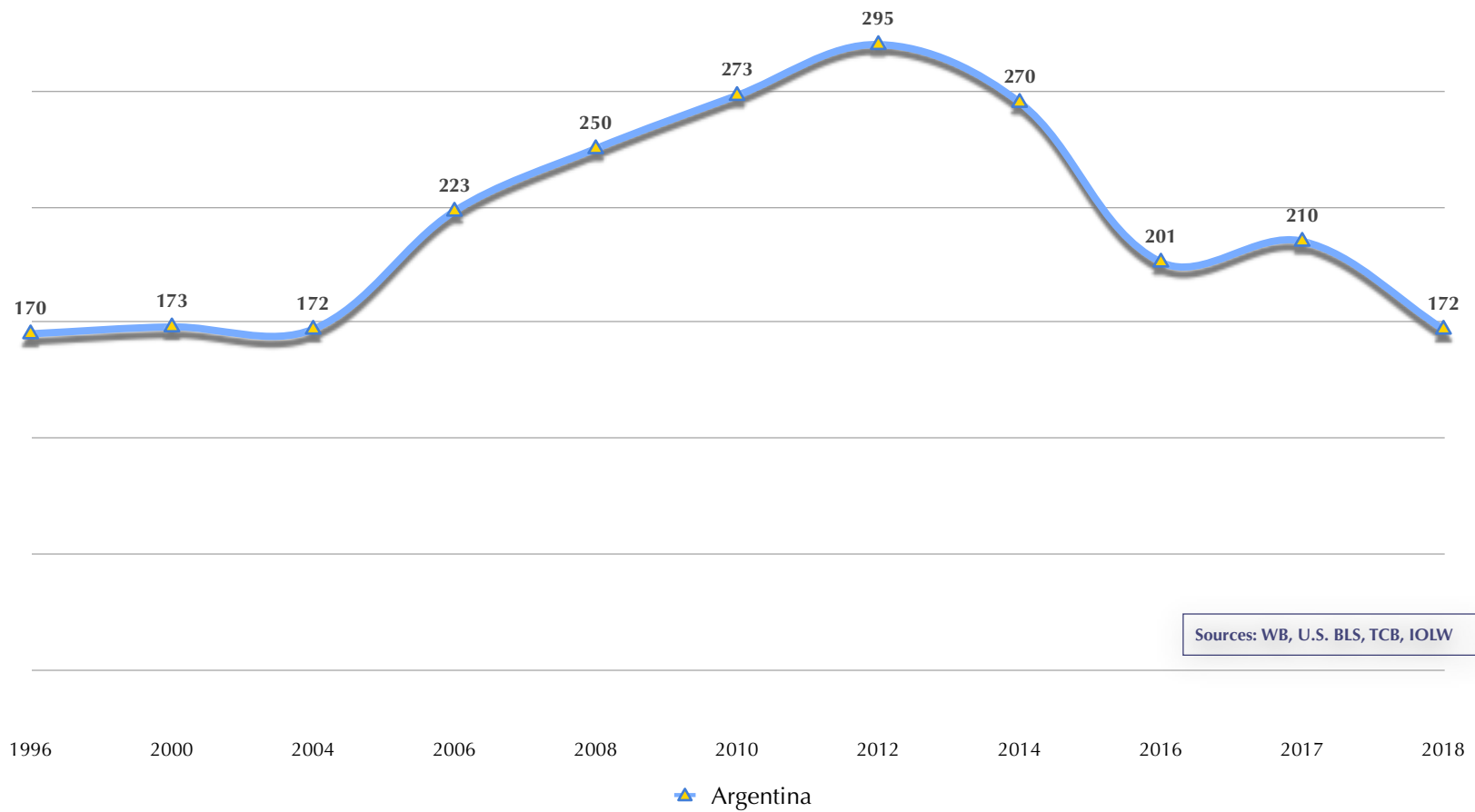
Performance of equalisation indices of Argentina's PPP manufacturing hourly real wage rate vis-à-vis US counterparts and behaviour of Argentina's purchasing power parity indices (cost of living in PPP terms – US = 100)

Since 2003 Argentina has experienced a sharp increase in its cost of living due to a sustained growth of inflation. The NCPI averaged annually 25% between 2003 and 2019 whilst it averaged 2,1% in the US. Every increase in the PPP increases a country's equalised nominal wage rate vis-à-vis the US. To sustain equalisation, Argentina's PPP must decrease with lower inflation rates –ideally below the 10% threshold– and real wage rate growth must be sustained. That has not happened at all and even less so in the last ten years.



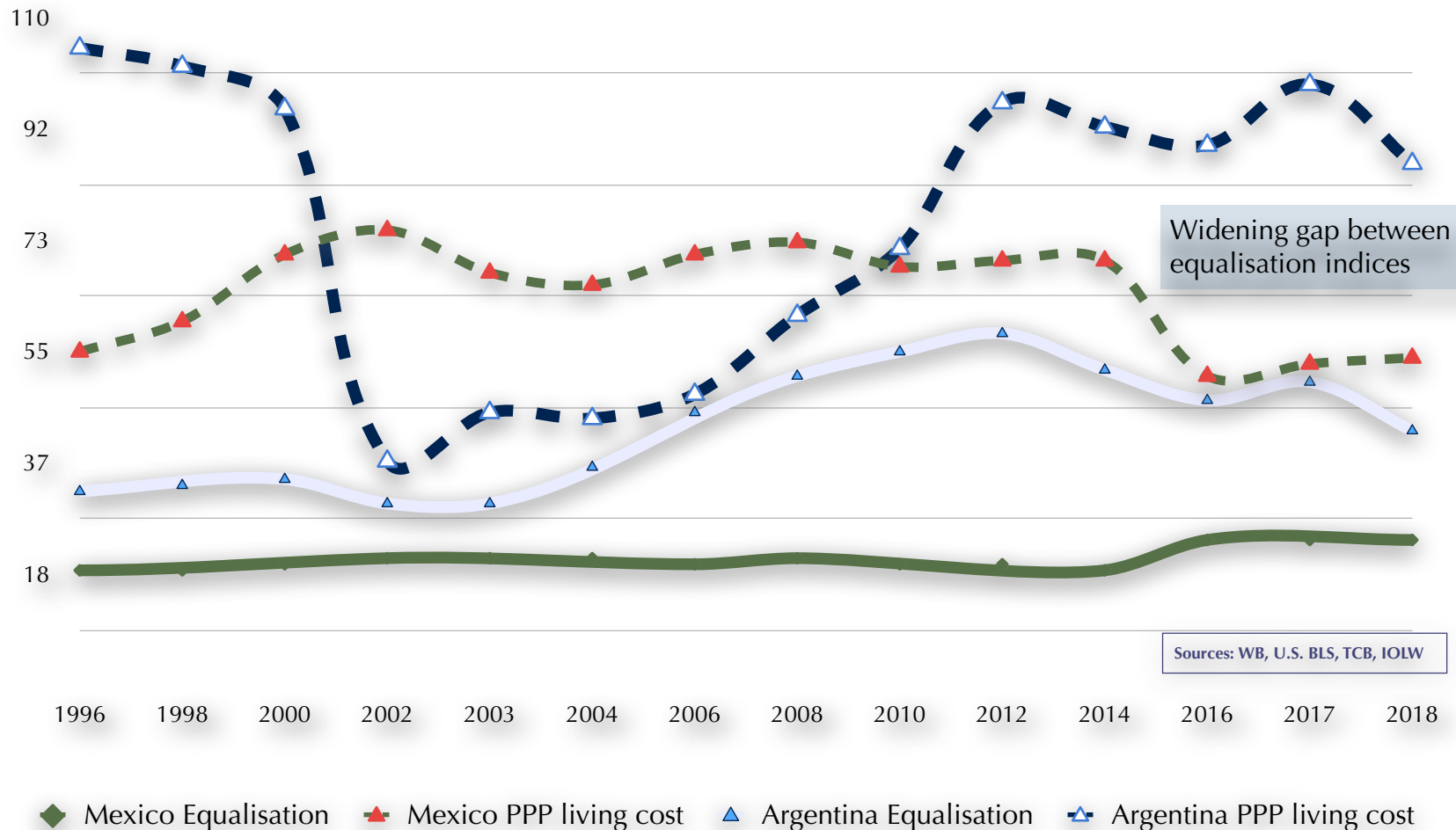
Behaviour of comparative equalisation indices of Argentina's manufacturing hourly real wage rate vis-à-vis the equivalent Mexican wage rate index (Mexico = 100)

When comparing the equalisation indices of Argentina's manufacturing sector real wage rates –vis-à-vis the US– with those of Mexico, the second largest economy in Iberian America, the former amounted to 1,7 times the value of the latter in 1996. Subsequently, Argentina's manufacturing wage rate equalisation indices grew, reaching a much higher ratio with equivalent wages in Mexico than in 1996. But now they are back to the ratio prevalent in 1996.



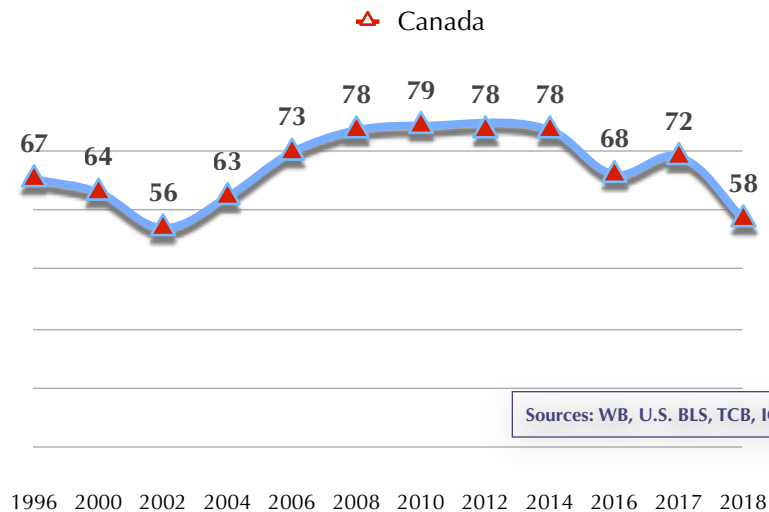
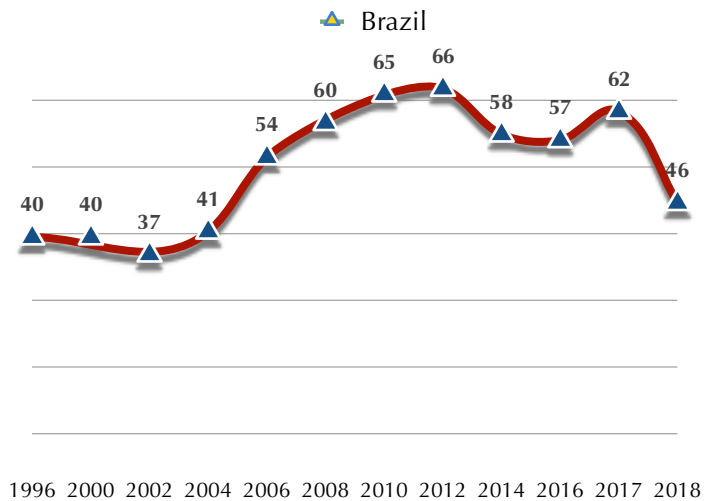
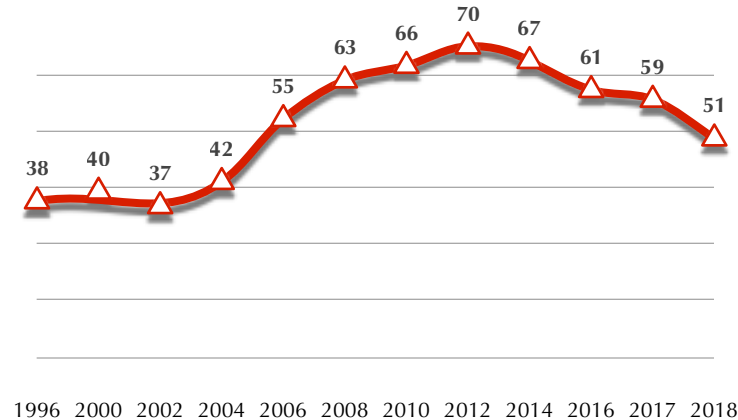
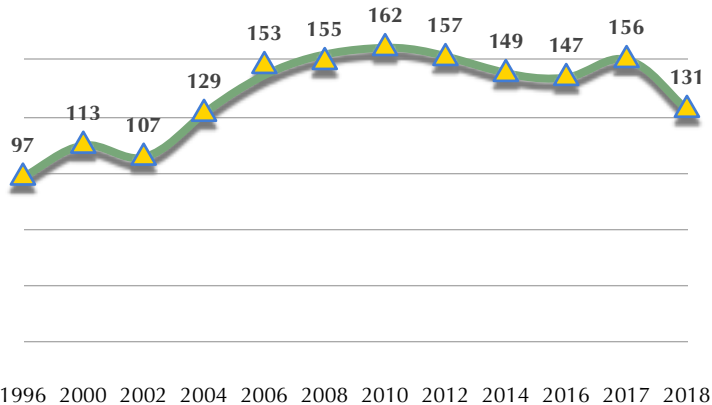
Performance of equalisation indices of PPP manufacturing hourly real wage rates of Argentina and Mexico with US counterparts vis-à-vis their purchasing power parity indices (cost of living in PPP terms – US = 100)

When comparing the relationship between the PPP cost of living and the Eq-Idx achieved by Argentina and Mexico, the latter, in stark contrast with Argentina, does not experience a steep surge of its PPPs but an actual decline and low inflation, and yet Mexico exhibits almost a flat line in its Eq-Idx, which is due to a well-documented deliberate policy of wage contention that apparently ended in 2016. Conversely, Argentina's Eq-Idx is affected by the steep increase in the PPP, due to high inflation after 2002 and yet its equalisation index recovers, increases its advantage over that of Mexico and reaches its highest point in 2012, leaving Mexico's index far behind. The new economic crisis will likely take Argentina to equalisation levels prevalent in 1996.



Behaviour of comparative equalisation indices of manufacturing hourly real wage rates of selected countries vis-à-vis the equivalent Argentina wage rate (Argentina = 100)

As shown in the examples in this and the following page, Argentina's Eq-idx consistently improved at a faster rate than the rest of the economies included in our reports. This trend ended in 2012 and began to gradually drop, with a steep decline in 2018 that will continue until at least 2020.

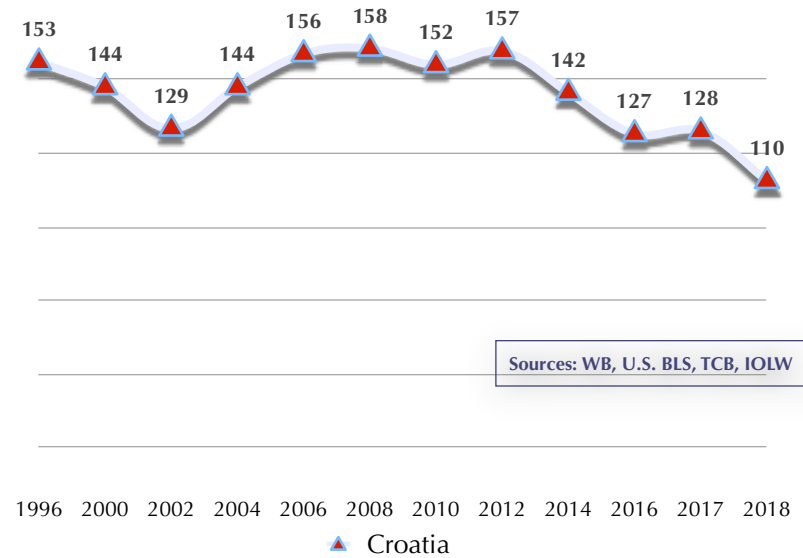
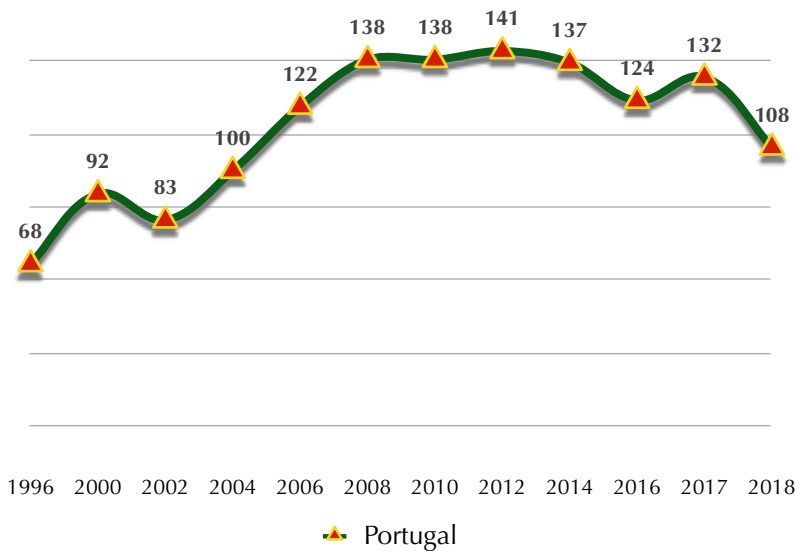
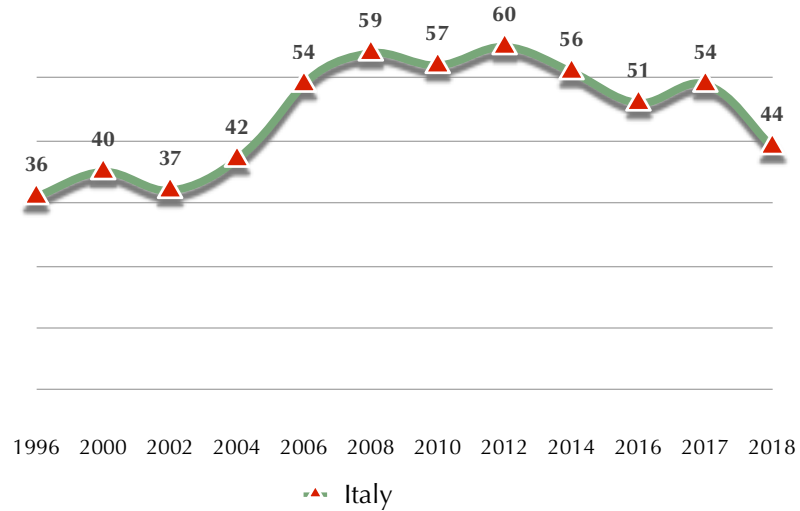
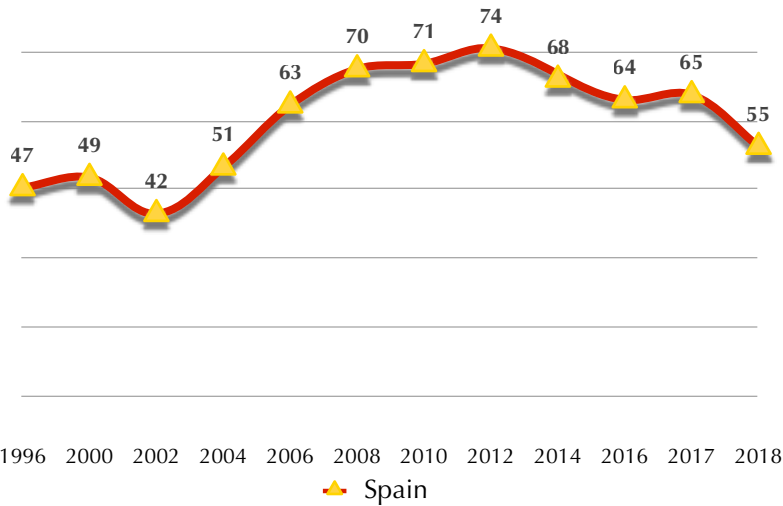


Sources: WB, U.S. BLS, TCB, IOLW

▲ Australia

▲ South Korea

Behaviour of comparative equalisation indices of manufacturing hourly real wage rates of selected countries vis-à-vis the equivalent Argentina wage rate (Argentina = 100)



Sources: WB, U.S. BLS, TCB, IOLW

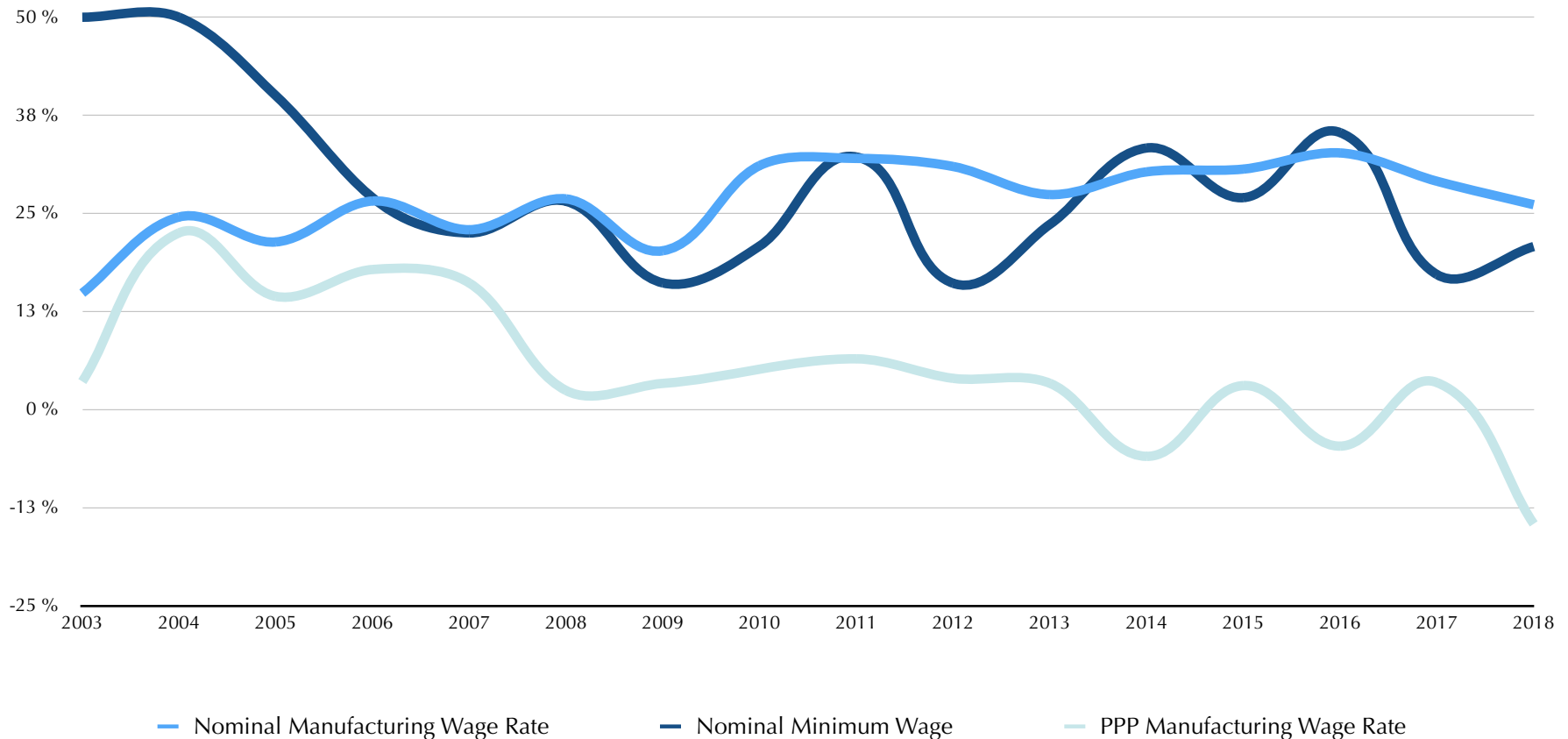
Projection of real wage rate equalisation for all employed in the manufacturing sector between Argentina and the United States using an inflation assumption, based on TLWNSI's concept of "equal pay for equal work of equal value"

- **Background.** After Argentina's economic collapse at the start of the century, economic policy made, as the essential point of its recovery, to bring back past real wages across all sectors; the opposite of what practically all governments do after an economic crash with high inflation and a deep devaluation. Nominal manufacturing wages increased on average annually 26,7% in local currency, 11,5% in dollar terms, with PPP real wages in dollars averaging an annual growth rate of 5% for the 2003-2018 period, as shown in the following chart. By contrast, the equivalent US nominal wage rate increased 2,5% for the same period (since 2003). As a result, real wages in the manufacturing sector did not only recover but increased by 93% their equalisation position at their highest point in 2012. They clearly surpassed the living-wage equalisations of Brazil and Mexico, the largest economies in Iberian America, and began to approach the positions of European economies long regarded as developed economies, such as Spain and Italy, as can be observed in the preceding pages. To this respect, Argentina's real wages in the manufacturing sector have surpassed or are at similar levels to the equalisation of European emerging economies both in the West, such as Portugal, as well as in the economies that were part of the Eastern block, such as Croatia, as shown in the preceding page. Lastly, since 2003, as shown on page 19, its equalisation also improved at a faster pace than the real wage equalisation of South Korea, the country that has recorded one of the most explosive economic growths in the world for over half a century. This trend has evidently now changed since 2012, particularly with the neoliberal policies implemented by the government between 2016 and 2019, which ensued a renewed crisis that is still unfolding and that is being exacerbated by the COVID-19 pandemic.
- Argentina's past powerful growth of its equalisation index put wages in the manufacturing sector on a path that, if the country could sustain it, would make Argentina's wages the kind observed in economies long considered as developed. The recovery of its real wages could enable Argentina to sustain its growth and close its living-wage gap with equivalent US wages in less than a decade. Unfortunately, the return to supply-side neoliberal policies that induced what has now become a cycle of recurring crisis, has made this impossible for the next few years at the very least. We expect an even stronger downturn in living-wage equalisation at least until 2021, before the erosion is stopped if the new government controls the explosive inflationary pressures that have prevailed for most of this century, and the pandemic is put under control to induce a strong GDP growth.
- If inflation were to be cut down significantly (not more than 10%), to control the PPP cost of living, and GDP growth resumes and reaches at least 2,5% annually, Argentina would be able to sustain the growth of its equalisation index. This implies that if inflation is cut substantially, the exchange rate would also stop the fast erosion experienced since 2008. This seems completely unrealistic at this time, given that the new government is still negotiating its sovereign debt with the IMF, inflation has not dropped enough, (hovering around 30% in 2020) and a deep currency devaluation has continued (US\$1 = P\$74,64 on 8/9/2020). Furthermore, the IMF is once again in command and will impose the customary strict recessionary and neoliberal supply-side policies, which cannot be completely abandoned until the government fully pays its debt, which will take years to complete.
- The above notwithstanding, the following pages (23-25) present one projection, which we considered to be realistic for the closing of the wage gap under a relatively high-inflationary scenario (15%), albeit substantially less than half the current inflationary rates that have averaged nearly 42% during the 2016-2019 Macri government.

Projection of the closing of Argentina's real wage equalisation gap

Annual Increase of Minimum Wage and Hourly Wage Rates in Manufacturing in Argentinian Pesos and increase of Hourly Wage Rates in Manufacturing in PPP dollars

Since 2003, when Argentina began to recover from the 2002 crisis, the annual increase for both the minimum wage and the hourly wage rates in manufacturing have been very substantial in local currency as the result of a policy to recover and increase the labour's share of income, and with manufacturing rate increases averaging annually 26,7%, not much less than minimum wage increases (28,7%). In fact, between 2006 and 2018, the average annual increase of manufacturing wage rates was higher (28,2%) than for the minimum wage (24,6%). These increases, for the most part, were aimed at offsetting the effect of high inflation rates and increase wages in real terms. Yet, inflation and devaluation began to produce increasing declines of the hourly manufacturing wage rate in PPP dollar terms since 2014. This metric averaged +5% since 2003 but -3,8% since 2014, as the new crises unfolded.



Projection of the closing of Argentina's real wage equalisation gap

- **Projections' layout.** Using as the benchmark the wages for all employed in manufacturing in the US and Argentina in 2018 and Argentina's minimum wage, inflation and devaluation rates experienced for 2018, 2019 and so far in 2020, the following projection chart illustrates the time span required to close the real wage gap between Argentina's workers in the sector and their US counterparts, in PPP dollar terms, at a 15% high inflationary rate. In previous reports, in addition to projecting a high inflationary scenario, we also incorporated a medium inflationary scenario projection of 10%. However, we regard such scenario at this time to be a futile exercise for being completely unrealistic, given the dire state of the key economic indicators with a direct effect on living-wage equalisation and their track record since 1996.
- **High-inflation projection.** The projection assesses what would happen in the future to manufacturing wages if Argentina raises nominal hourly wages in local currency at an average annual rate of 20% with an average high inflation rate of 15%. vis-à-vis a 2,5% average nominal wage rate increase and also a 2,5% average inflation rate for the US on a yearly basis. These rates are applied annually (from 2019-2045 for Argentina) starting from the PPPs for private consumption reported in the World Bank's development indicators databank for 2019. The Argentina peso exchange rate is assumed to devalue 10% on average annually except for 2019 where we apply a 42% loss, for 2020, where we apply a 40% devaluation and for 2021, where we apply a 20% devaluation. The average devaluation for the 2003-2019 period is 13,5%, but 25,3% since 2013. In local currency, the minimum wage increased on average 26,7% between 2014-2018 and manufacturing wages increased on average 29,8% or 11,6% more than the minimum wage during the same period. For the projection, we are assuming a 30% increase for 2019 and 2020 for manufacturing wages in local currency. Subsequently, we lowered the annual increase of manufacturing wages to 25% in 2021 and to 20% thereafter, assuming inflation is cut down to 30% in 2020, 20% in 2021 and to 15% thereafter.
- This projection uses 2018 as the benchmark. This analysis uses as its source the nominal wage data reported by The Conference Board (TCB) (The Conference Board, International Labor Comparisons program, April 2018) to 2016 and the Annual Report from Argentina's Ministry of Production and Labour on remunerations of registered workers 2018 (Boletín de remuneraciones de los trabajadores registrados serie anual año 2018). Specifically, this analysis uses as its PPP wage rate benchmark the PPP conversion factor for private consumption (LCU per international \$ – pa.nus.prvt.pp_Indicator_en_excel_v2) published by the World Bank's development indicators database for the period 1996-2007, the MIT estimates for 2008-2015 and Argentina's government agency INDEC's inflation rate for 2016-2019. We also use the World Bank's exchange rates for the 1996-2019 period.

Projection of the closing of Argentina's real wage equalisation gap

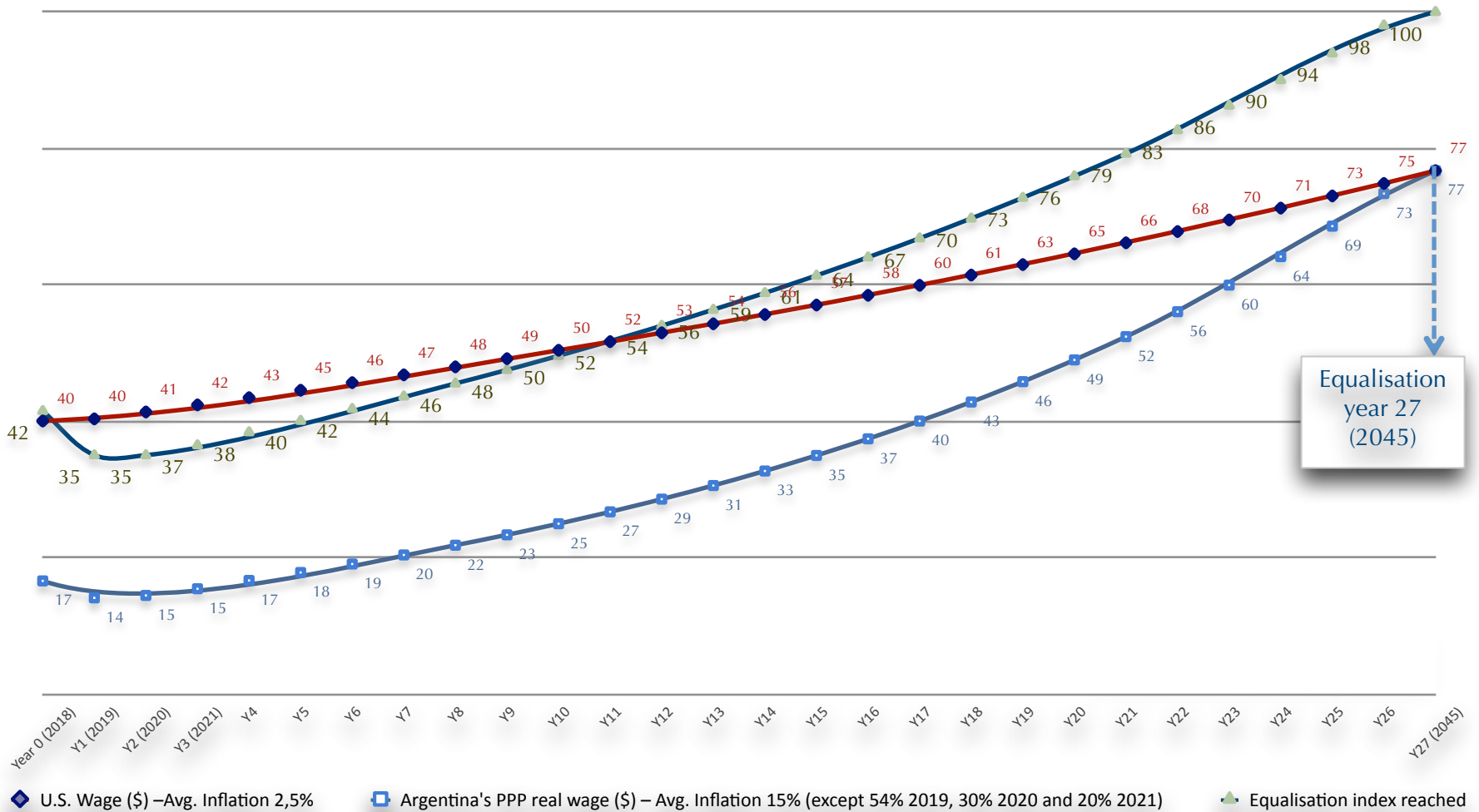
▪ Specific criteria applied in this projection:

- ➔ Average US CPI (inflation): 2,5% (US average of 2,07% between 2001 and 2019).
- ➔ Average Argentinian CPI: We are applying inflation rates of 54% for 2019, 30% for 2020, 20% for 2021 and a 15% inflation rate thereafter.
- ➔ Average annual nominal increase of Argentina's wages in local currency is projected at 30% for 2019, 30% for 2020, 25% for 2021 and 20% thereafter. The average annual increase since 2003 was 25,8% and between 2013 and 2018 33,4%.
- ➔ Real value of wages in the US remains constant, increasing annually 2,5% their nominal value to neutralise annual inflation of also 2,5%.
- ➔ The benchmarks –and starting point– used in this projection is the estimated nominal manufacturing wage rates in US dollars for the year 2018 (Argentina: \$14,34 and United States: \$40,07), based on the data obtained from both governments' labour statistics bureaus.
- ➔ Argentina's exchange rate with the US dollar is the recorded rate of AR\$ 48,15/ US \$1 for 2019, which is tantamount to a 42% devaluation. Subsequently, it is assumed to erode 40% in 2020, 20% in 2021, and 10% thereafter.
- ➔ Argentina's average GDP growth: 2,5% or more, (average of 3,6% between 2003 and 2018, but recorded a GDP average of -0,6% for the 2016-2018 period, with drops of -2,5% in 2018 and -2,2% in 2019, with the IMF projecting a drop of -11% in 2020).
- ➔ This projection at no time pretends to forecast what would be the inflationary indices, exchange rates or the wage rate increases that will occur in Argentina or the US in the future. For this projection the average behaviour of these indicators has been established by making assumptions in a discretionary manner –based on the data recorded since 1996– with the only purpose of projecting what could be Argentina's level of PPP real wage increase, the equalisation indices and the time span for equalisation in the context of Argentina supporting the appreciation of real wages and the increase of labour's share of income as fundamental elements of its economic policies.

▪ Results of the high-inflation projection:

- ➔ The chart on [the next page](#) shows the behaviour of PPP real wages for both the US and Argentina over a twenty-seven year period. Results indicate that, at a 30% increase of nominal wages in local currency in 2019, and 2020, 25% in 2021 and 20% thereafter, it would take Argentina twenty-seven years from 2019 —after incorporating inflation and exchange rates for 2018 and 2019— or twenty-seven years beginning on 2019 (year 1) and ending on year 2045 (year 27) to close the wage gap of all of its manufacturing employees with their counterparts in the US after applying the criteria previously described, (prominently a 20% average wage rate increase in local currency and a 15% inflation rate annually).
- ➔ Compared with our last year's projection, it would take four more years, and eleven more years than in our report that started in 201. Essentially, the greater the inflation rates, the longer it will take to equalise wage rates in real terms with equivalent wages in the US in the manufacturing sector. Due to the explosive inflationary pressure and the corresponding steep devaluations for 2018 (41%) and 2019 (42%), it will take considerable more years to close the gap than in previous projections.
- ➔ Nominal wages in local currency were increased 30% in 2019 and 2020, an average of 20% for twenty-four years and 17,3% on the last year (2045)
- ➔ Closing the wage gap would cover the 2019 to 2045 span of time.
- ➔ Average annual nominal increase of Argentinian wages (total compensation cost) of 5,3% in dollar terms over the 27-year period, including the drop of -24,1% for 2019, -22% in 2020 and no change in 2021.
- ➔ Real wage PPP figures are shown in the chart at constant prices, reflecting future purchasing power after adjusting for inflation.

Twenty-seven year projection of “PPP real wage equalisation” for all employed in manufacturing in Argentina with wages of its US counterparts, at a 20% average annual nominal wage growth rate and a 15% average annual inflation rate after 2021



Equalisation year 27 (2045)

◆ U.S. Wage (\$) – Avg. Inflation 2,5% □ Argentina's PPP real wage (\$) – Avg. Inflation 15% (except 54% 2019, 30% 2020 and 20% 2021) ▲ Equalisation index reached

Sources: WB, U.S. BLS, TCB, IOLW

Not a forecasting analysis. This projection at no time pretends to forecast what would be the inflationary indices, exchange rates or the wage rate increases that will occur in Argentina or the US in the future. For this projection, the average behaviour of these indicators has been established by making assumptions in a discretionary manner –based on the data recorded since 1996– with the only purpose of projecting what could be Argentina's level of PPP real wage increase, the equalisation indices and the time span for equalisation in the context of Argentina making the appreciation of real wages a fundamental element of its economic policies.

- Our analysis of Argentina's living wages in the manufacturing sector from a global perspective (purchasing power parities) no longer assumes that Argentina's government will continue to regard the appreciation of real wages as a fundamental element of its economic policy. As expected, the Macri government did everything possible to resume the old centre-periphery relationship that applies a neocolonial ethos to Argentina's economic policies. Unfortunately, his economic policies have proven disastrous, and in his four years, inflation and devaluation have exploded, the country fell into default of its sovereign debt, real wages collapsed and poverty increased very meaningfully. Critics, such as Stiglitz, pointed to the policies that: 1) cut real wages, 2) cut taxes that increased profits for agri-business whilst the loss in public revenue increased the public deficit, 3) increased interest rates to attract speculative investments and 4) surrender to the demands of the vulture funds, as the specific decisions that elicited another major crisis (Stiglitz le pone un aplazo a Macri, Página 12, 6 September 2018). One clear direct consequence is that the equalisation indices for at least the 2018 - 2020 period will drop dramatically, from 50 in 2017 to low to mid 30s, which is tantamount to the levels prevalent during the 1996 - 2000 period.
- As we have pointed out with every report, our projection in this analysis clearly shows that Argentina can achieve a living-wage equalisation in the manufacturing sector within twenty-seven years or less, "if", and "only if", it is able to control inflation and generate a minimally meaningful economic growth, as outlined in the criteria applied in this projection. Needless to say that this has become increasingly difficult to achieve as all governments have been unable to control inflationary pressures. A case in point: in our 1996-2012 report, despite a 25% inflation, Argentina's real wages were still growing, and at that time it would take seven to ten years to achieve equalisation if the prevalent trends at that point in time were sustained. This time, any economic policy designed by the new Fernández government will be hampered by the pandemic that has pushed all economies worldwide to a recessionary state, which is all the more convoluted by the erratic and aggressive pressures and outright chasm between some of the major economies, particularly between the US and China.
- To be sure, the probability of reducing inflation to at least a 15% average and of averaging an annual GDP of 2,5% or more depends to a great extent on successfully neutralising the pressure of all the factors that feed inflation and devalue the peso. This appears to be a big question mark at the time. Inflation has proven unmanageable by both the demand-side and supply-side governments, which points at the need of major structural reforms both in the public and private sectors to address the current monetary and fiscal policies and the heavy dependency for economic growth on the meat and agribusiness sector due to the lack of a healthy economic diversification. A case in point: in 2018 Argentina's GDP dropped 2,5%, influenced primarily by the worst drought in many decades that slashed the harvests of soybeans and corn, long considered, along with meat exports, to be the backbone of Argentina's economy. Structural reforms take time and the new government of Alberto Fernández will have to deal first with the successful management of the public debt with the IMF, an effective control of monetary policy to successfully reduce inflation and the pandemic that is stalling all efforts to resume growth. Repairing the damage to living wage equalisation in the manufacturing sector will be a daunting task of the upcoming government, and only if it has the resolve and the political and economic skill to materialise it. Nine months in power of the new government have not shown yet a clear direction of its economic policies, which are greatly impaired by the foreign debt default and the pandemic.
- Parting from this rather negative context, the socio-economic picture for Argentina looks a lot like a loss of two decades. This would entail a colossal hardship particularly for the lower ranks of society. One of the greatest benefits of the appreciation of real wages of any country –in the context of a living wage ethos in a market society– is the direct impact on the eradication of the conditions of inequality and exclusion; conditions that have prevailed in Argentina for many decades and were only reduced substantially between 2004 and 2015 (Roxana Maurizio: Labour formalisation and declining inequality in Argentina and Brazil in 2000s: ILO Research Paper No.9, February 2014). It remains to be seen if the new government is capable of performing a successful balancing act between the different variables in an extremely complex scenario.
- It must be clear, however, that Argentina's economy has always been anchored on the market-centric paradigm, which is intrinsically unstable and completely unsustainable economically, socially and environmentally given its unbridled profit-driven nature, which defeats any possibility of building a sustainable and balanced system. It is the nature of capitalism that destroys all possibilities of humankind and the environment from enjoying a long-term sustainable and balanced interdependence. As a result, the concept of the living wage is at odds with marketocracy, for it requires a system of balanced interdependence of resources and of all participants in the economic activity, and such design is antithetical to the current system. Therefore, establishing an ethos of living wages in Argentina or elsewhere is directly contingent on transcending the market through a paradigm transition to an ethos that has as its only purpose the pursuit of the welfare of people and planet and not the market. Needless to say that concepts such as GDP, salary, demand-side economics and other social policies in and on themselves would no longer make any sense in a truly sustainable paradigm.

Table-T5: Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for selected economies of the Americas – for all employed in the manufacturing sector– in PPP for private consumption terms 1996-2018, (based on Jus Semper’s methodology, following the principle of “Equal pay for equal work of equal value” of the UN and ILO’s international conventions).

	1996	2000	2004	2006	2008	2010	2012	2014	2016	2017	2018
(PPP conversion factor for private consumption)											
Benchmark	1. U.S. Hourly Manufacturing Wage Rate*										
	22,46	24,95	28,59	30,77	32,26	32,61	34,05	37,23	39,73	39,36	40,07
(Hourly compensation costs)											
Canada	PPP conversion factor (country currency x \$1)										
	1,263	1,270	1,273	1,287	1,302	1,295	1,284	1,311	1,300	1,297	1,300
	Exchange rate										
	1,3638	1,4855	1,3017	1,1340	1,0660	1,030	0,9995	1,106	1,326	1,298	1,296
	PPP conversion factor (in U.S. dollars)										
	US\$ 0,93	US\$ 0,85	US\$ 0,98	US\$ 1,14	US\$ 1,22	US\$ 1,26	US\$ 1,28	US\$ 1,19	US\$ 0,98	US\$ 1,00	US\$ 1,00
	2. Equalised PPP nominal wage rate US \$										
	US\$ 20,80	US\$ 21,33	US\$ 27,97	US\$ 34,93	US\$ 39,40	US\$ 41,01	US\$ 43,75	US\$ 44,14	US\$ 38,98	US\$ 39,34	US\$ 40,21
	3. Actual PPP Real wage rate US \$										
	US\$ 20,12	US\$ 21,45	US\$ 24,22	US\$ 25,18	US\$ 26,27	US\$ 27,23	US\$ 28,56	US\$ 29,08	US\$ 30,66	US\$ 33,64	US\$ 32,91
	4. Actual Nominal wage rate US \$										
	US\$ 18,63	US\$ 18,34	US\$ 23,69	US\$ 28,58	US\$ 32,08	US\$ 34,25	US\$ 36,69	US\$ 34,47	US\$ 30,08	US\$ 33,63	US\$ 33,02
	Compensation Deficit in US \$ (2 minus 4)										
	US\$ 2,17	US\$ 2,99	US\$ 4,28	US\$ 6,35	US\$ 7,32	US\$ 6,76	US\$ 7,06	US\$ 9,67	US\$ 8,90	US\$ 5,71	US\$ 7,19
	Wage Equalisation index (4÷2 or 3÷1)										
	0,90	0,86	0,85	0,82	0,81	0,84	0,84	0,78	0,77	0,85	0,82
Argentina	PPP conversion factor (country currency x \$1)										
	1,048	0,949	1,276	1,453	1,904	2,789	4,357	7,443	13,136	16,397	24,208
	Exchange rate										
	0,9997	0,9995	2,9233	3,0543	3,1442	3,8963	4,5369	8,0753	14,7582	16,5627	28,0950
	PPP conversion factor (in U.S. dollars)										
	US\$ 1,05	US\$ 0,95	US\$ 0,44	US\$ 0,48	US\$ 0,61	US\$ 0,72	US\$ 0,96	US\$ 0,92	US\$ 0,89	US\$ 0,99	US\$ 0,86
	2. Equalised PPP nominal wage rate US \$										
	US\$ 23,55	US\$ 23,68	US\$ 12,47	US\$ 14,64	US\$ 19,54	US\$ 23,34	US\$ 32,70	US\$ 34,32	US\$ 35,36	US\$ 38,97	US\$ 34,53
	3. Actual PPP Real wage rate US \$										
	US\$ 7,09	US\$ 8,60	US\$ 10,34	US\$ 13,94	US\$ 16,58	US\$ 17,84	US\$ 19,74	US\$ 19,18	US\$ 18,84	US\$ 19,48	US\$ 16,64
	4. Actual Nominal wage rate US \$										
	US\$ 7,43	US\$ 8,16	US\$ 4,51	US\$ 6,63	US\$ 10,04	US\$ 12,77	US\$ 18,96	US\$ 17,68	US\$ 16,77	US\$ 19,29	US\$ 14,34
	Compensation Deficit in US \$ (2 minus 4)										
	US\$ 16,12	US\$ 15,52	US\$ 7,96	US\$ 8,01	US\$ 9,50	US\$ 10,57	US\$ 13,74	US\$ 16,64	US\$ 18,59	US\$ 19,68	US\$ 20,19
	Wage Equalisation index (4÷2 or 3÷1)										
	0,32	0,34	0,36	0,45	0,51	0,55	0,58	0,52	0,47	0,50	0,42
Brazil	PPP conversion factor (country currency x \$1)										
	0,942	1,063	1,373	1,432	1,468	1,597	1,663	1,901	2,249	2,327	2,355
	Exchange rate										
	1,0051	1,830	2,9262	2,1738	1,8326	1,760	1,953	2,353	3,491	3,191	3,654
	PPP conversion factor (in U.S. dollars)										
	US\$ 0,94	US\$ 0,58	US\$ 0,47	US\$ 0,66	US\$ 0,80	US\$ 0,91	US\$ 0,85	US\$ 0,81	US\$ 0,64	US\$ 0,73	US\$ 0,64
	2. Equalised PPP nominal wage rate US \$										
	US\$ 21,05	US\$ 14,49	US\$ 13,41	US\$ 20,27	US\$ 25,85	US\$ 29,60	US\$ 28,99	US\$ 30,07	US\$ 25,59	US\$ 28,70	US\$ 25,83
	3. Actual PPP Real wage rate US \$										
	US\$ 7,54	US\$ 7,48	US\$ 8,14	US\$ 9,09	US\$ 10,53	US\$ 11,02	US\$ 12,62	US\$ 12,91	US\$ 12,78	US\$ 12,52	US\$ 12,66
	4. Actual Nominal wage rate US \$										
	US\$ 7,07	US\$ 4,34	US\$ 3,82	US\$ 5,99	US\$ 8,44	US\$ 10,00	US\$ 10,74	US\$ 10,43	US\$ 8,23	US\$ 9,13	US\$ 8,16
	Compensation Deficit in US \$ (2 minus 4)										
	US\$ 13,98	US\$ 10,15	US\$ 9,59	US\$ 14,28	US\$ 17,41	US\$ 19,60	US\$ 18,25	US\$ 19,64	US\$ 17,36	US\$ 19,57	US\$ 17,67
	Wage Equalisation index (4÷2 or 3÷1)										
	0,34	0,30	0,28	0,30	0,33	0,34	0,37	0,35	0,32	0,32	0,32
Mexico	PPP conversion factor (country currency x \$1)										
	4,202	6,750	7,470	7,744	8,159	8,720	9,223	9,354	9,460	10,094	10,319
	Exchange rate										
	7,600	9,459	11,290	10,906	11,143	12,624	13,170	13,293	18,664	18,927	19,244
	PPP conversion factor (in U.S. dollars)										
	US\$ 0,55	US\$ 0,71	US\$ 0,66	US\$ 0,71	US\$ 0,73	US\$ 0,69	US\$ 0,70	US\$ 0,70	US\$ 0,51	US\$ 0,53	US\$ 0,54
	2. Equalised PPP nominal wage rate US \$										
	US\$ 12,42	US\$ 17,80	US\$ 18,92	US\$ 21,85	US\$ 23,62	US\$ 22,53	US\$ 23,85	US\$ 26,20	US\$ 20,14	US\$ 20,99	US\$ 21,49
	3. Actual PPP Real wage rate US \$										
	US\$ 4,16	US\$ 4,97	US\$ 6,02	US\$ 6,25	US\$ 6,62	US\$ 6,54	US\$ 6,68	US\$ 7,09	US\$ 9,37	US\$ 9,28	US\$ 9,66
	4. Actual Nominal wage rate US \$										
	US\$ 2,30	US\$ 3,55	US\$ 3,98	US\$ 4,44	US\$ 4,85	US\$ 4,52	US\$ 4,68	US\$ 4,99	US\$ 4,75	US\$ 4,95	US\$ 5,18
	Compensation Deficit in US \$ (2 minus 4)										
	US\$ 10,12	US\$ 14,25	US\$ 14,94	US\$ 17,41	US\$ 18,77	US\$ 18,01	US\$ 19,17	US\$ 21,21	US\$ 15,39	US\$ 16,04	US\$ 16,31
	Wage Equalisation index (4÷2 or 3÷1)										
	0,19	0,20	0,21	0,20	0,21	0,20	0,20	0,19	0,24	0,24	0,24

Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for 14 Selected Economies – for all employed in the manufacturing sector– in PPP for private consumption terms 1996-2017 (based on the methodology of Jus Semper’s “The Living Wages North and South Initiative (TLWNSI)”, following the principle of “Equal pay for equal work of equal value” of UN and ILO’s international conventions).

***Definitions:**

- PPPs stands for Purchasing-Power Parities, which reflect the currency units in a given currency that are required to buy the same goods and services that can be purchased in the base country with one currency unit. This analysis uses the U.S. and the U.S. dollar as the benchmark and assumes that the U.S. wage is a living wage.
- The hourly manufacturing wage rate is the “hourly compensation cost” as defined by the U.S. Department of Labour, Bureau of Labour Statistics: This includes (1) hourly direct pay and (2) employer social insurance expenditures and other labour taxes. Hourly direct pay includes all payments made directly to the worker, before payroll deductions of any kind, consisting of pay for time worked and other direct pay. Social insurance expenditures and other labour taxes refers to the value of social contributions incurred by employers in order to secure entitlement to social benefits for their employees.
- PPP conversion factor, (private consumption) in country currency express the number of country currency units required to buy the same goods and services a U.S. dollar can buy in the U.S.
- Exchange rate is nominal exchange rate.
- PPP conversion factor, private consumption in U.S. dollars expresses the U.S. dollar units required in a given country to buy the same goods and services a U.S. dollar can buy in the U.S. If the PPP is less than 1, a U.S. dollar can buy more in the country in question because the cost of living is lower, and viceversa.
- The PPP for private consumption, expressed in national currency, reflects the exchange rate in comparison with the market exchange rate, which does not reflect the ratio of prices.
- Equalised PPP nominal wage rate is the hourly U.S. dollar nominal rate required to equally compensate a worker in a country, in purchasing power terms, for equal work rendered, as the equivalent U.S. worker is compensated. This analysis assumes the U.S. wage to be a living-wage. A living wage is a human right in accordance with Article 23 of the UN Universal Declaration of Human Rights. ILO’s Convention 100 of “equal pay for equal work”, for men and women is hereby applied in a global context.
- Actual PPP Real wage rate is the hourly wage paid in a given country in purchasing power terms.
- Actual Nominal wage rate is the nominal hourly wage paid in a given country.
- Compensation deficit expresses the wage gap between the hourly nominal wage rate paid (4) and the equalised PPP hourly rate that should be paid for equal work (2).
- Compensation equalisation index expresses the ratio of actual nominal pay to equalised PPP hourly pay (4 between 2); or the ratio of actual real pay (3) to the hourly nominal pay benchmark (1) (3 between 1).
- *India and China data gathered by the BLS and TCB are not fully comparable to the rest of countries due to some inconsistencies in methodology. However, given that in both cases the BLS argues that this work does not substantially affect the hourly compensation estimates, rough comparisons can still be made. For further reference on the description of each country see TCB’s [Country Notes](#)
- Note: Variations in previous years are due to revisions made by the sources, including the World Bank’s new 2011 PPP benchmarks, which replaced the previous 2005 benchmarks.
- Since 2010 the international comparison of hourly compensation costs (hourly wage rates) between the U.S. and selected developed and “emerging” markets refers to all employed in the manufacturing sector and no longer will be available for production workers only. Production-line wage rates are on average 20% below wage rates for all employed in manufacturing, including production workers, for the 1996-2009 period, for all countries included in the assessment. For further reference see wage-gap assessment of trends and differences between production-line and all employed in manufacturing in compensation cost terms here: [<Wage Gap Analysis of PLW versus All employed 1996-2009>](#)

Sources: The Jus Semper Global Alliance analysis using the sources below. (Sources with X indicate that some of their data is directly incorporated in the table:)

- The Jus Semper Global Alliance: Living Wage Gaps Analysis in the manufacturing sector using:
- The Living Wages North and South Initiative ([TLWNSI](#)) using “Equal Pay for Work of Equal Value” Methodology.
- x Database of World Bank’s World Development Indicators, 1975-2019.
- x U.S. Bureau of Labor Statistics, August 2013 and The Conference Board (TCB), International Labor Comparisons Program - Manufacturing Hourly Compensation Costs 2016, April 2018.
- x For all Countries except those listed below: The Conference Board (TCB) — International Comparisons of Manufacturing Productivity and Unit Labor Costs 2018, December 2019
- For all countries: Purchasing Power Parities and the Size of World Economies. Results from the 2017 International Comparison Program. World Bank 2020,
- Direct government sources for:
 - Argentina: (1) Ministerio de Producción y Trabajo, Observatorio de Empleo y Dinámica Empresarial: Boletín de Remuneraciones de los Trabajadores Registrados — serie Anual 2018; (2) (INDEC): Índice de precios al consumidor con cobertura nacional. Resultados por región, Julio 2020;
 - Brazil (IBGE): Pesquisa Industrial Anual Empresa, Custos e Despesas, Ano 2018.
 - Mexico (INEGI): EMIM (Encuesta Mensual de la Industrial Manufacturera. Principales características, datos mensuales. 2007-2019. por Variable, Tipo dato, Código SCIAN (2007), Año y Mes, Mayo 2019,
 - New Zealand Government: Stats NZ: Labour cost index (salary and wage rates): June 2020 quarter;
 - Philippines: Philippines Statistics Authority: 2018 Compilation of Industry Statistics on Labor and Employment,
 - United States: Employer Costs for Employee Compensation — Historical Listing — National Compensation Survey — March 2004 – March 2020.

Note regarding the new 2017 PPC round:

The 2017 results presented in this report are based exclusively on the prices and national accounts expenditures provided by the economies participating in the 2017 cycle of the International Comparison Program (ICP). Purchasing power parities (PPPs) and real expenditures were compiled in accordance with the established ICP methods and procedures. The International Comparison Program (ICP) released economic indicators and results for the reference year 2017 in May 2020. PPPs, PLIs and estimates of PPP-based GDP and its major expenditure components in aggregate and per capita terms were published for the 176 economies that participated in the program. Revised results for the preceding reference year 2011 and preliminary estimates of annual PPPs for 2012-2016 were also released. ICP 2017 Report: [Purchasing Power Parities and the Size of World Economies: Results from the 2017 International Comparison Program](#)

