Mexico's Wage Gap Charts

Manufacturing production-line wages

Wage gap charts for Mexico vis-à-vis developed and "emerging" selected economies and other selected economies, with available wage and PPP data (1975-2006)

Wage gap charts for Mexico vis-à-vis developed and "emerging" selected economies and other selected economies, with available wage and PPP data (1975-2006).

Web portal: www.jussemper.org/
E-mail: informa@jussemper.org

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- Classic Problem Scenario

  - With market liberalization, 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,

  - 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 Equalization 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 Equalization Using Purchasing Power Parities (PPPs)

- The Argument

  - The argument of an equivalent living wage is anchored on two 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.
    - 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 Equalization 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 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 U.S. Dollar has in the United States; e.g.: if the PPP index in one country is 69, then $0,69 dollars are required in that country to buy the same that $1 dollar buys in the U.S.; 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 dollar buys in the U.S.; the cost of living is, thus, higher,
  - To calculate a living wage, the real wage of a specific category of U.S. workers is used as the benchmark, and the PPPs of a country in question is then applied to the U.S. 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 U.S. worker. This is the equalized 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 equalization 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 U.S., the benchmark country for wage equalization. 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 equalization 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 Equalization
Using Purchasing Power Parities (PPPs)

- A Classic Example in 2006
  - Equivalent manufacturing workers in Mexico and Brazil earn only 17% and 37%, respectively, of what they should be making in order to be compensated at par with U.S. counterparts in terms of purchasing power,
  - U.S. Workers earn $24,18/hour whilst Mexican and Brazilian workers earn only $2,75/hour and $4,91/hour, respectively,
  - Since costs of living in PPPs terms in Mexico and Brazil are 65¢ and 54¢, respectively, for each $1 U.S. Dollar, equivalent Mexican and Brazilian manufacturing workers should be earning instead $15,80/hour and $13,10/hour, respectively, in order to enjoy equal purchasing power compensation,
  - The difference is the wage gap that employers perversely keep to increase profits,
  - Canada, in contrast has a surplus with its U.S. Counterparts, since its nominal wage is 105% of the equivalent wage needed to be at par, with a PPP of $1,01 per each $1 U.S. Dollar.

Nominal Wage, Real Wage and Wage Equalization for Manufacturing Workers by Using Purchase Power Parities (PPPs) Benchmark

2006	Nominal Hourly Wage	PPP 2006	PPP Real Wage	Equalized Nominal Hourly Wage	Equalization Index
United States	$24.18	100	$24.18	$24.18	100
Canada	$25.74	101	$25.46	$24.45	105
	106%		105.3%	101%	
Mexico	$2.75	65	$4.21	$15.80	**17**
	11%		17%	65%	
Brazil	$4.91	54	$9.06	$13.10	**37**
	20%		37%	54%	

Sources:

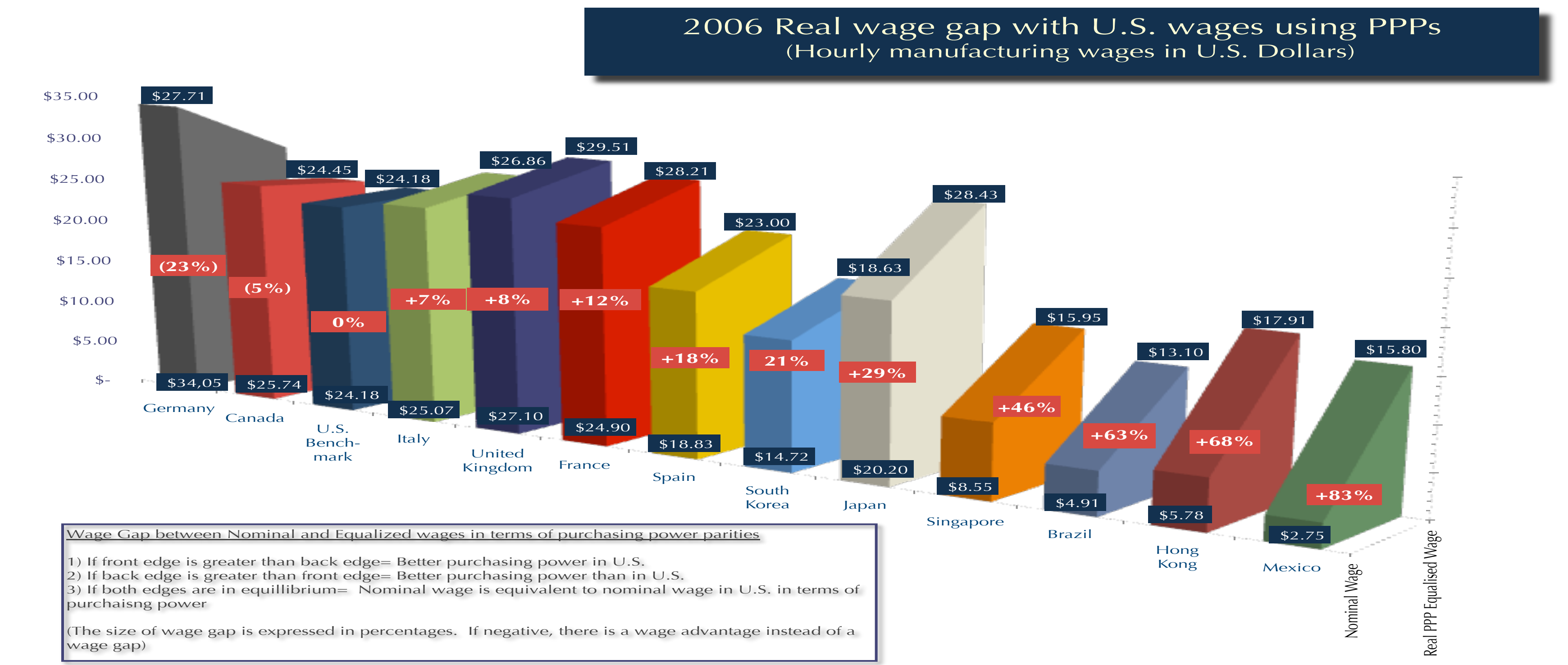
U.S. Department of Labour, Bureau of Labor Statistics, January 2008.

World Bank, World Development Indicators 2008, 1.1. Size of the Economy

- In 2006, already with the new World Bank PPP estimates round integrated (see page 26), Mexican manufacturing production-line workers continue enduring the worst real wage in purchasing power parities (PPPs), for they have the greatest equalized wage gap with the U.S. (83%), when compared against other emerging economies and against eight developed economies. In other words, a Mexican worker earns only 17% of the purchasing power (material quality of life) enjoyed by the equivalent U.S. counterpart, to do the same work for a product that will be marketed globally at global prices. In clear contrast, Brazil's wage gap –the most similar economy with available data– is clearly less dramatic (63%) than in the Mexican case, although it still has a long way to go to approach a living wage ethos,

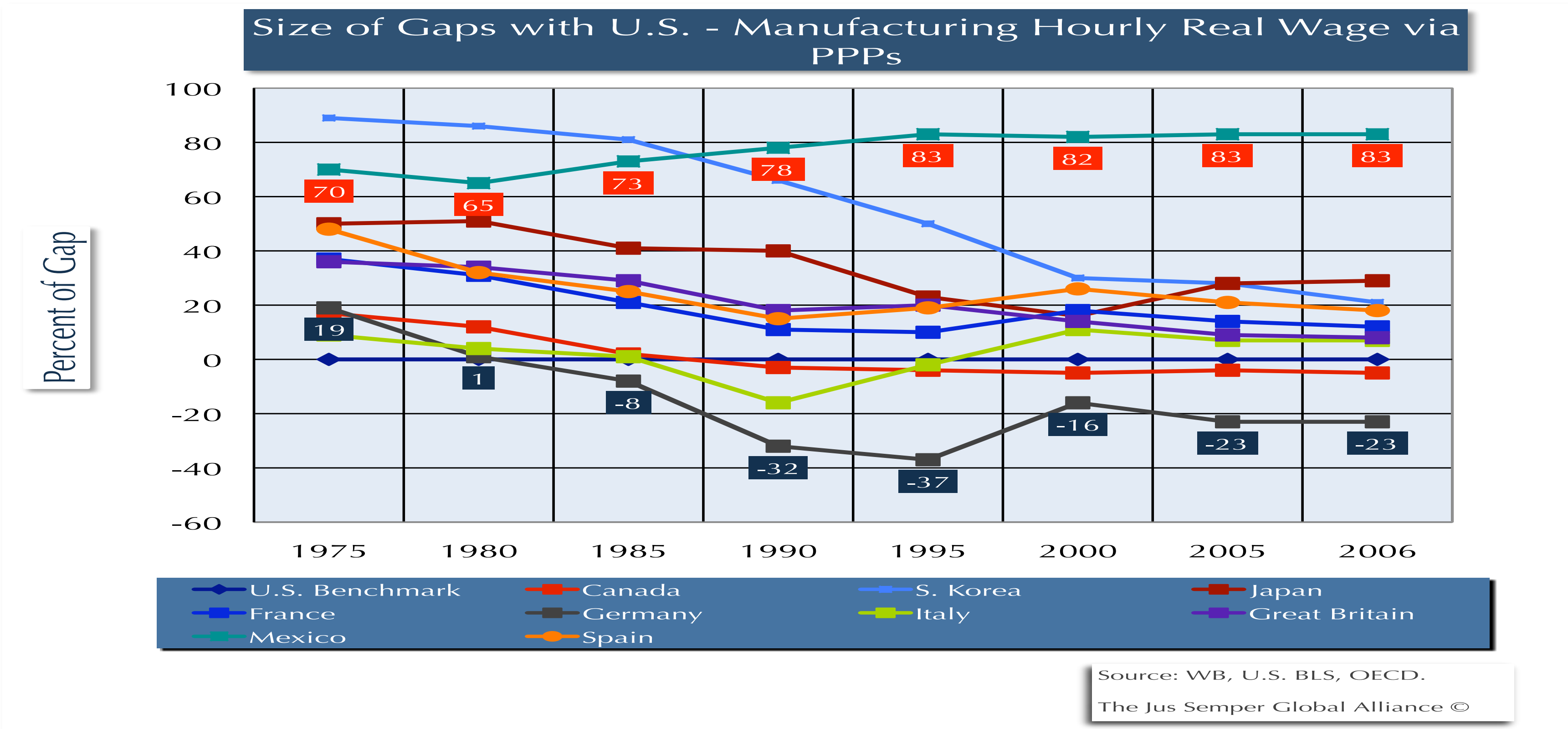
- All Asian economies show higher nominal wages and smaller wage gaps than Mexico. South Korea, in particular, has a smaller wage gap than Japan in 2006 (21% versus 29% respectively) and for the second consecutive year.

- The five major European economies and Canada have wage gaps of less than 20% or surpluses –Germany (-23%), Canada (-5%)– vis-à-vis equivalent U.S. workers.

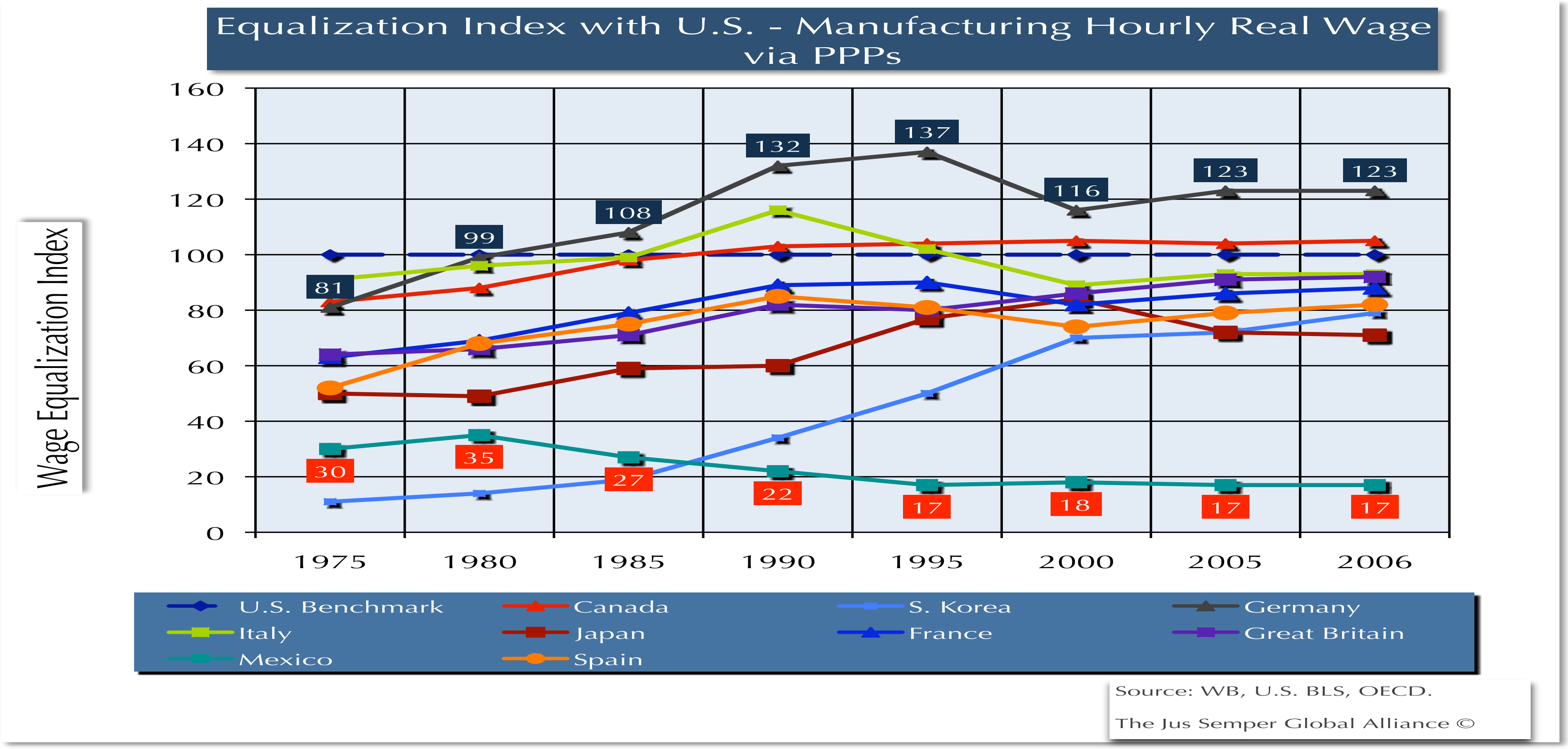


Sources:
– World Development Indicators database, The World Bank, 2008 – GNI per capita 2006 (Table 1.1: Size of the Economy) Atlas method and PPP
X International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing – September 2008.
U.S. Department of Labour, Bureau of Labour Statistics

- In the last 31 years, all the G7 nations, Spain and South Korea surpassed, eliminated or experienced a very significant reduction of their PPP wage gaps equalized with equivalent manufacturing production-line U.S. jobs. In dramatic contrast, Mexico moved in the opposite direction. That is, in 31 years, Mexico increased its equalization gap from 70% to a dramatic 83% with respect to the U.S.; excluding in this way the greater part of its population by maintaining a labour market with hunger wages and, consequently, an absence of generation of aggregate demand,
- Completely in the opposite direction, South Korea, with a much lower development than Mexico 31 years ago, dramatically reduced its production-line wage gap to put it at a lower level than Japan (21% versus 29%). This is due in part because Japan has seen its gap increase 81% since 2000, from only 16% to 29%, whilst South Korea has reduced its gap by 30% since 2000, from 30% to the aforementioned 21%,
- France, Germany, Italy and Spain experienced marked real-wage increases in 2005 or in both 2005 and 2006 vis-à-vis 2000 relative to real wages in the U.S. Spain shows a consistent improvement trend, reducing its wage gap with the U.S. from 26% in 2000 to 21% in 2005 and 18% in 2006. The UK continues to reduce its wage gap, which stands now at 8%. These living-wage positions nonetheless are wider than in 2004 –even after incorporating the World Bank's 2005 PPPs round results– when the five European economies in the analysis had smaller wage gaps or greater living-wage surpluses with the U.S. (2004 equalization indices: France 94; Germany 1,39; Italy 1,04; UK 1,00 and Spain 89).



- From an equalization perspective, between 1975 and 2006, México consistently worsened its equalization index by 50%, from 30 in 1975 to a meagre 17, with no improvement in 2006 and a dismal state of real wages since 1980. The future signals greater deterioration in the coming years. In this way, Mexico exhibits its dishonourable and immutable economic policy, which offers Mexico's manufacturing labour force to domestic and global capital in exchange for wages proper of what is considered "modern slave work", violating in a customary manner the human right to decent work,
- In great contrast, South Korea dramatically improved its equalization index from a bleak 11 in 1975 (a third of Mexico's 30 at the time) to a respectable 79, superior to Japan's 71, a G7 power, which has endured since 2000 a consistent decrease of its living wage equalization index with the U.S., dropping from 79 to 71,
- Canada maintains a surplus in production-line real wages against the U.S. and remains at par with its 2000 equalization index (1,05).
- Germany, in 31 years, not only eliminated its gap but significantly increased its purchasing power over the U.S., (116 in 2000 and 123 in 2005 and 2006). Since 1985 its index has always been above 100. Spain shows the greatest increases in Europe of its equalization index since 2000, reaching an 82 index, although it is still behind the four European members of the G7.



- **The political and social disaster endured by Mexico clearly reflects the deplorable and shameful state of manufacturing wages in Mexico when compared with developed and similar economies,**

  - The desertion of Mexico's governments in the last three decades of the basic responsibilities of any government that praises itself for being democratic and, as its consequence, the explosion of a state of social disarray in the last few years are accurately exposed in the state of labour endowments of production-line workers in the manufacturing sector. Since 1980 PPP manufacturing real wages –relative to their purchasing power equalization with U.S. wages– begin a consistent erosion, dropping 51% between 1980 and 2006, for employers adjust their prices –but not wages proportionally– supported by the full endorsement of the State through its customary policy of wage pauperisation,

  - With the adjustment of the new World Bank's PPP estimates round already incorporated, which reduces Mexico's cost of living from PPP 73 to PPP 65 in 2005 and keeps the same level in 2006, real wage erosion is so dramatic that the assessment does not cease to be deplorable. Mexico reaches its least precarious equalization level in 1980 when manufacturing wages reach a 35% equalization, with a cost of living of 66% of the U.S. Twenty six years later the cost of living (price levels) is 65% of the U.S. (a relation of 65¢ against $1 in the U.S.). That is, with virtually the same cost of living that in 1980 (98,4% of 1980) relative to the U.S. cost, Mexican workers receive less than half what they received in 1980 in PPP terms (17 versus 35). In order to be compensated equitably vis-à-vis their U.S. counterparts, Mexican workers should receive a wage of $15,80/hour instead of the miserable $2,75/hour. In this way, the wage gap between what should be and what is, translates into the 83% gap that has been resilient since 1995 (charts in pages 14-17),

  - In Brazil's case –a country with the degree of development and economic paradigm with the most similarities with Mexico's among those with data available– the wage gap has also increased; yet not at the same rate and without enduring a wage collapse as in Mexico, for wages have partially recovered moving from a 28 equalization index in 2002 to a 37 in 2006 (vi-à-vis Mexico's 17), a recovery of 32% (chart page 18),

  - In the case of South Korea, a country that has focused on endogenous development by strengthening its domestic market's aggregate demand and selectively opening its economic sectors, the wage gap is for the second consecutive year lower than Japan's manufacturing production-line wage gap. The outcome cannot be any more divergent with the Mexican reality, for its PPP wage gap barely accounts for one-fourth of Mexico's gap, whilst 31 years ago its PPP equalization level was barely a third of Mexico's (chart page 19),

- The case of Spain is another excellent example exposing Mexico's wage deterioration. In 1975 both countries had the exact same cost of living in PPP terms (index 78). Equalization wage gaps were then 48% for Spain and 70% for Mexico. In a manner not unlike South Koreas, Spain's strategy, by joining the European Union, has awarded utmost importance to the development of the domestic market through the generation of aggregate demand instead of an export strategy anchored in a misery cost of labour, as in the Mexican case. The outcome could not be unexpected. Spain's wage gap in 2006 was of only 18% while Mexico's was 83% (page 19),

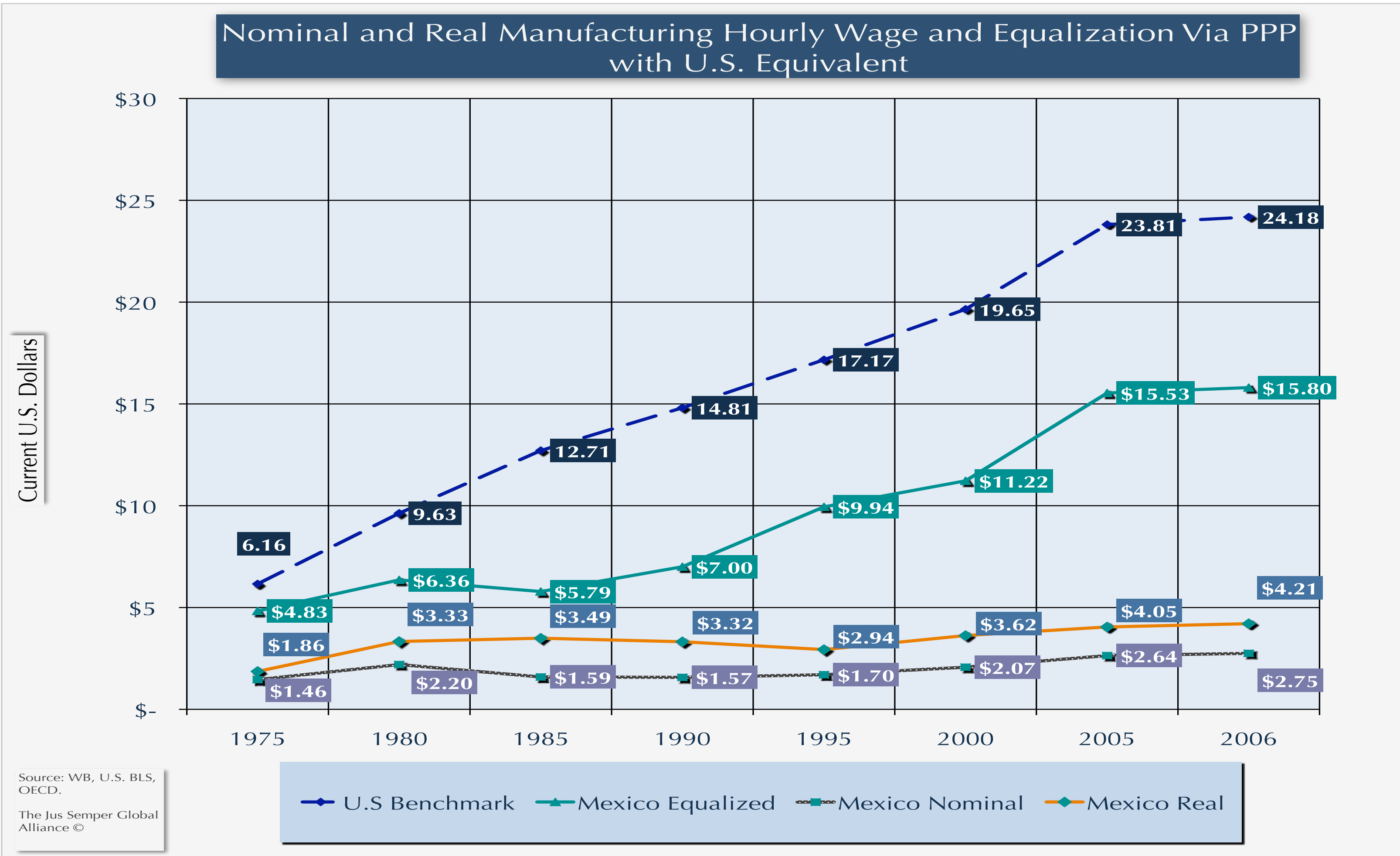
- Canada had a wage gap with the U.S. of 17% in 1975, but since 1980 it has enjoyed a constant reduction, in a trend the opposite of that recorded by Mexico. Even better, since 1990 Canada's manufacturing real wages have enjoyed a surplus vis-à-vis the U.S. given that they are higher by an average of 3% to 5% to those of their counterparts (page 20),

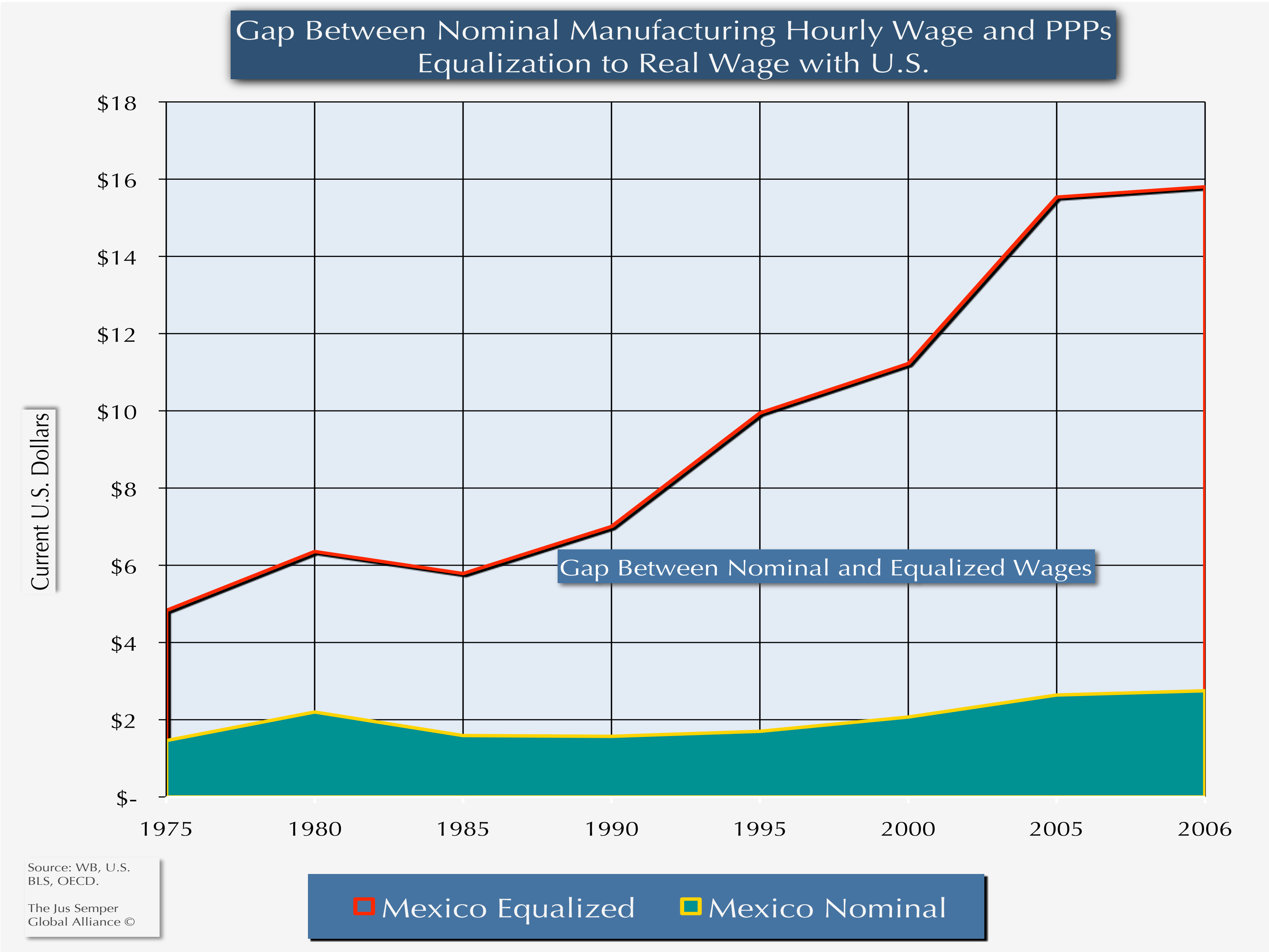
- The future of production-line manufacturing wages in Mexico is expected to get only worse for the remainder of the current government. In 2008 the increase to the federal minimum wage –benchmark for wages in all sectors– was 4%, under the argument of a 2007 inflation rate of only 3,76%, which is not credible given that the World Bank reported increases of 36,7% in food and 48% in energy sources. The cost of the basic basket of 42 food staples increased by 35% in 2007 (Di Constanzo: 13/1/08). This exposes a clear manipulation of data by the Mexican government and a policy of wage pauperisation. Twelve months later the minimum wage increase has been set at 4,6% for 2009 despite the official inflation rate of 6,23% (Bank of Mexico on 29/12/08), still greatly underestimated. In other words, the government is openly maintaining its policy of real wage erosion for Mexican workers by setting an increase below the official inflation rate.

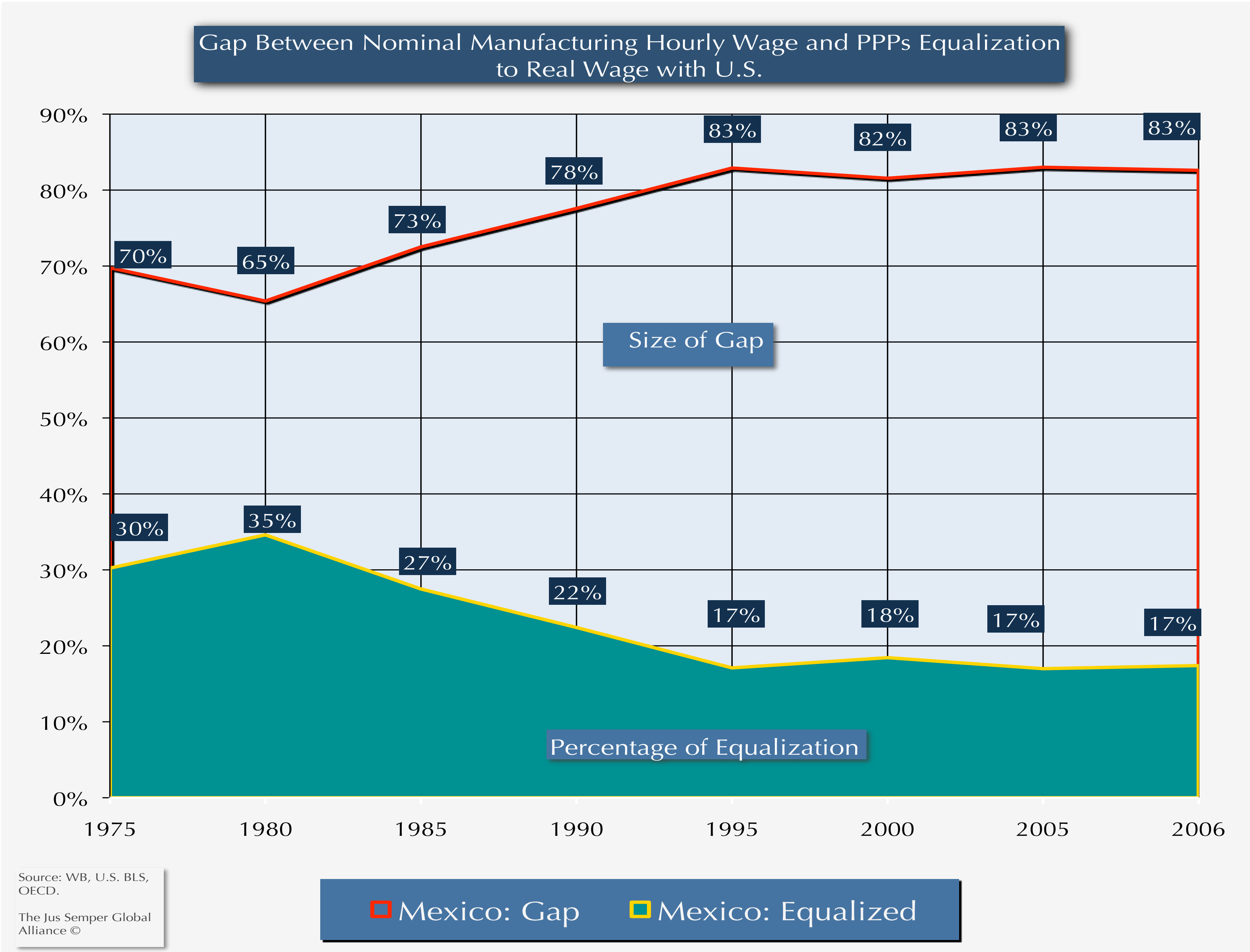
- In contrast, the federal minimum wage in the U.S. –Mexico's main partner– with a reported inflation rate of 1,1% –annualised to November 2008– increased 13,6% in 2007, 12% in 2008 and 10,7% in 2009 according to the U.S. Department of Labour. This ensures that Mexico's real wage equalization with the U.S. will continue to get worse,

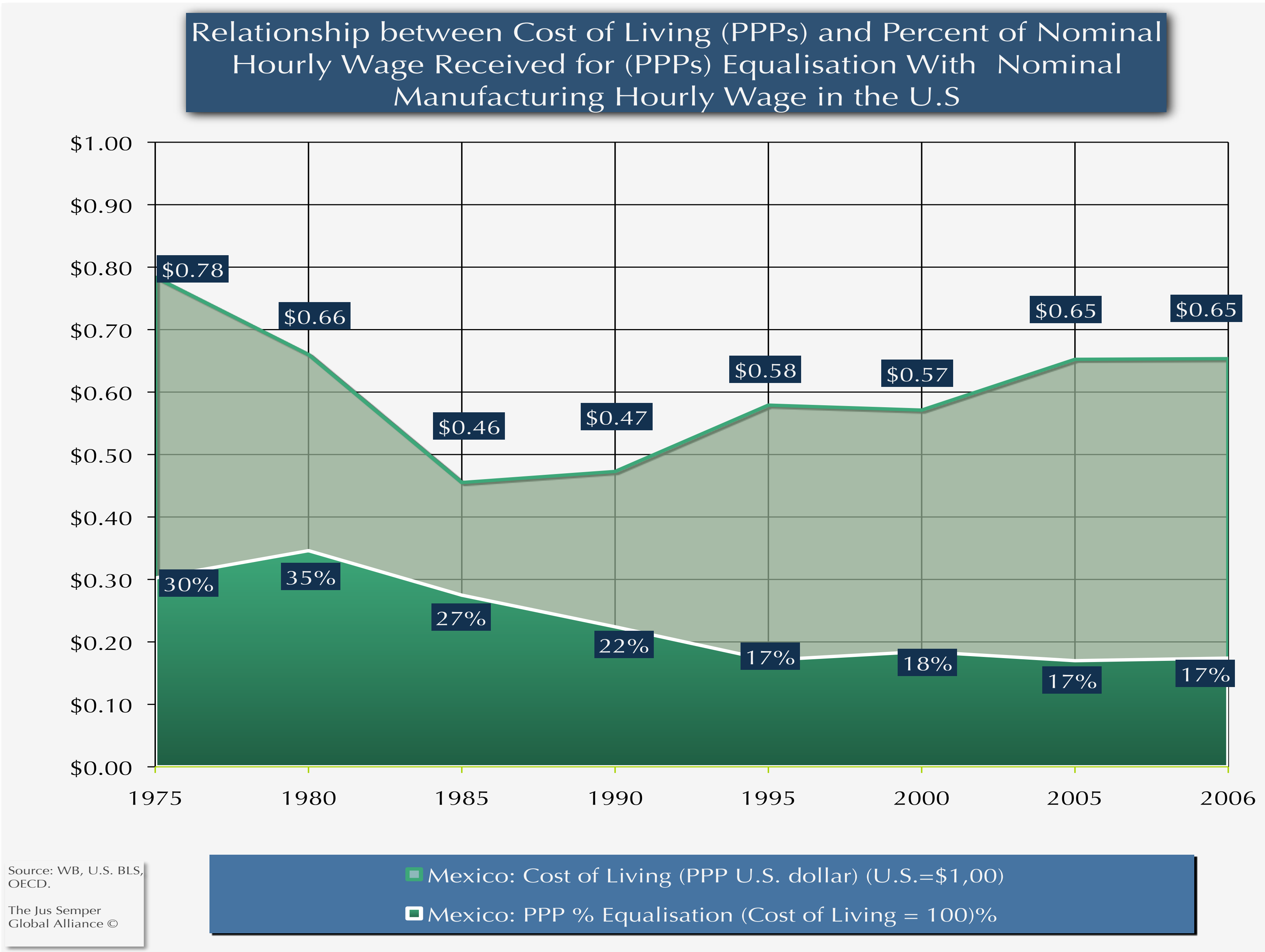
- In summary, a quarter century of neoliberalism in Mexico exposes, overwhelmingly, a government's policy, parting from the state of manufacturing wages, of perverse and premeditated pauperization and exploitation of Mexican labour, which is subject to clear disadvantages in all cases and angles of comparison. As we have been insisting on previous reports, the worst thing is that there is not the least indication, whatsoever, of political will to change this trend by those who wield the power in Mexico in a way, furthermore, openly questioned by a major sector of the citizenry.

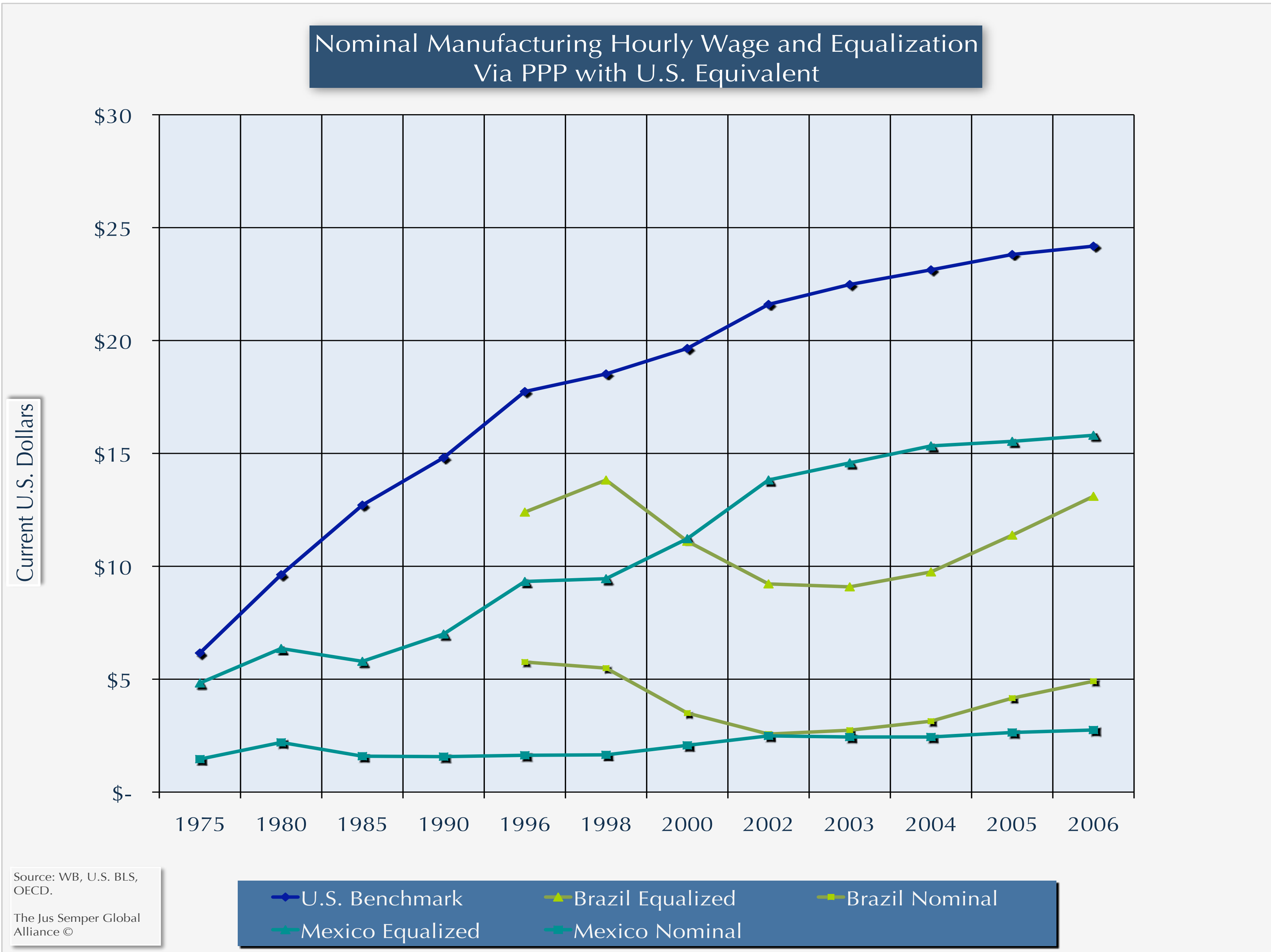
- Between 1975 and 2006, the hourly equalized manufacturing Mexican wage –the wage required to receive an equivalent remuneration to that of their U.S. counterparts– increased 227%, due to the PPP cost of living increase in Mexico, going from $4,83 in 1975 to $15,80 U.S. dollars in 2006. Nonetheless, the hourly manufacturing Mexican wage increased nominally only 88%, from 1,46 in 1975 to only 2,75 U.S. dollars in 2006. This explains the drop of more than 50% in the level of equalization previously discussed, and the fact that Mexican manufacturing wages actually provide only 17% of what they should be providing in purchasing power if they were to be equalized.

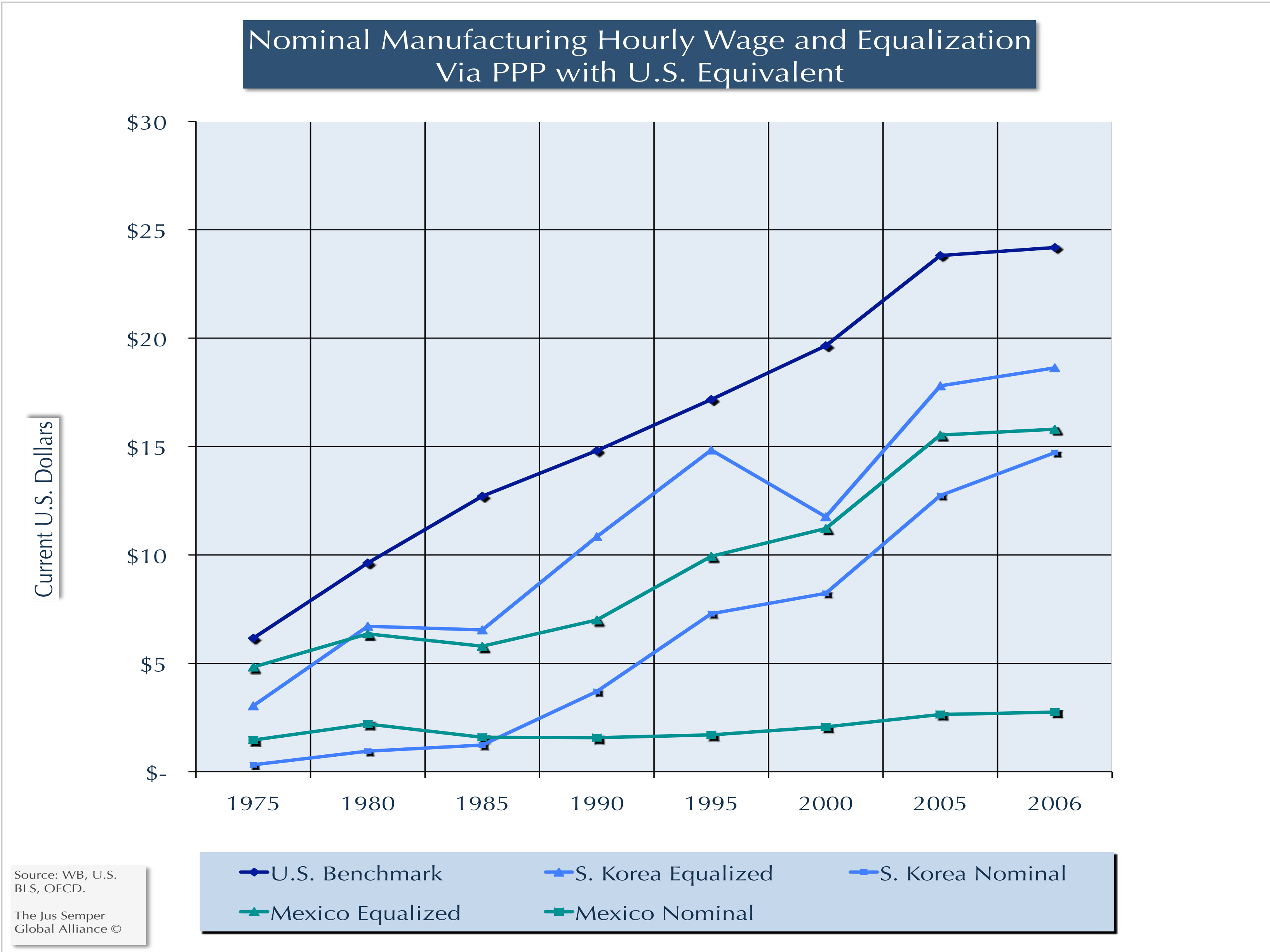



Gap Between Nominal Manufacturing Hourly Wage and PPPs Equalization to Real Wage with U.S.
Current U.S. Dollars
$18
$16
$14
$12
$10
$8
$6
$4
$2
$-
1975
1980
1985
1990
1995
2000
2005
2006
Gap Between Nominal and Equalized Wages
Mexico Equalized
Mexico Nominal
Source: WB, U.S. BLS, OECD.
The Jus Semper Global Alliance ©

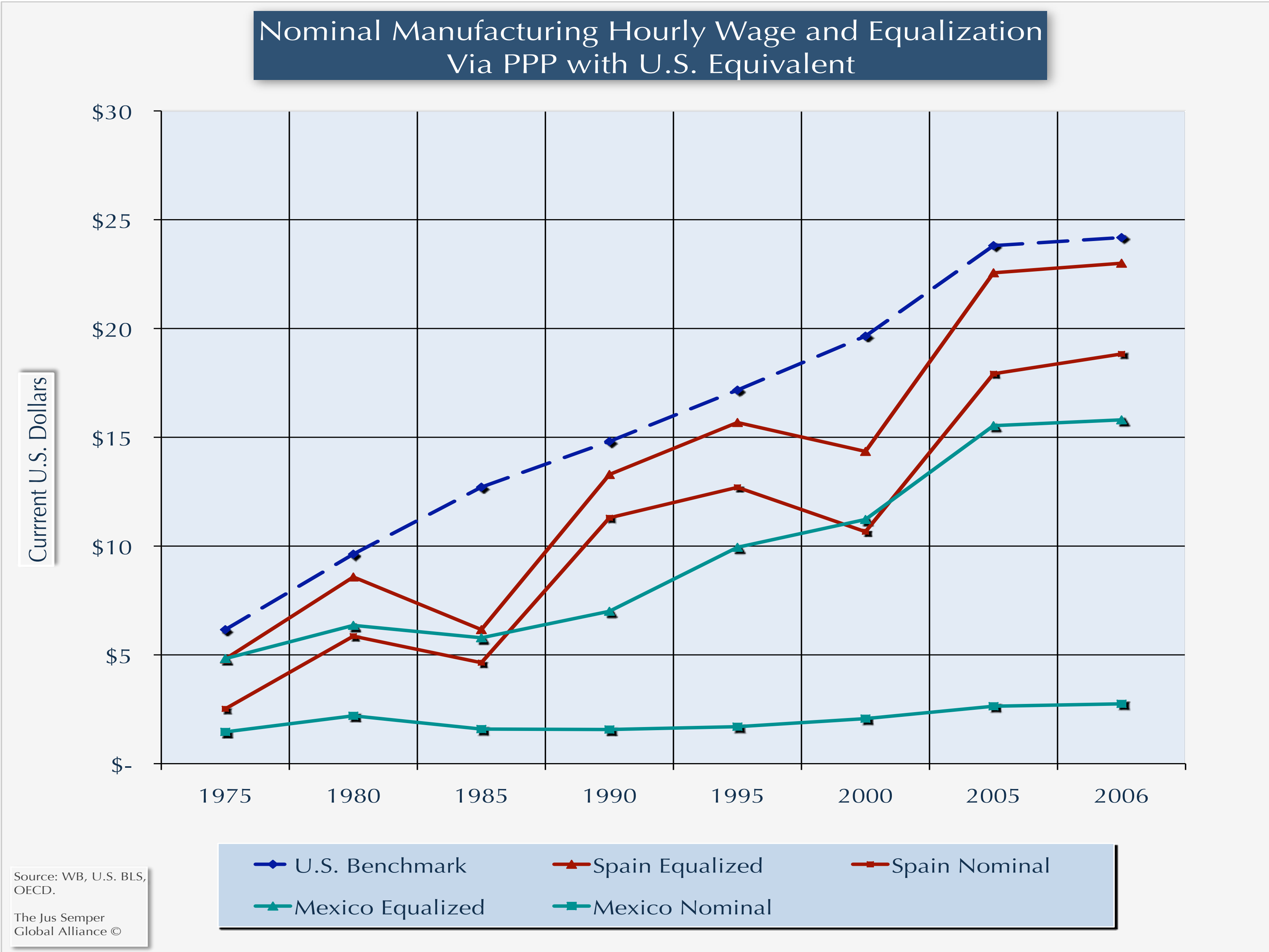

Gap Between Nominal Manufacturing Hourly Wage and PPPs Equalization to Real Wage with U.S.
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1975
1980
1985
1990
1995
2000
2005
2006
70%
65%
73%
78%
83%
82%
83%
83%
30%
35%
27%
22%
17%
18%
17%
17%
Size of Gap
Percentage of Equalization
Source: WB, U.S. BLS, OECD.
The Jus Semper Global Alliance ©
Mexico: Gap
Mexico: Equalized

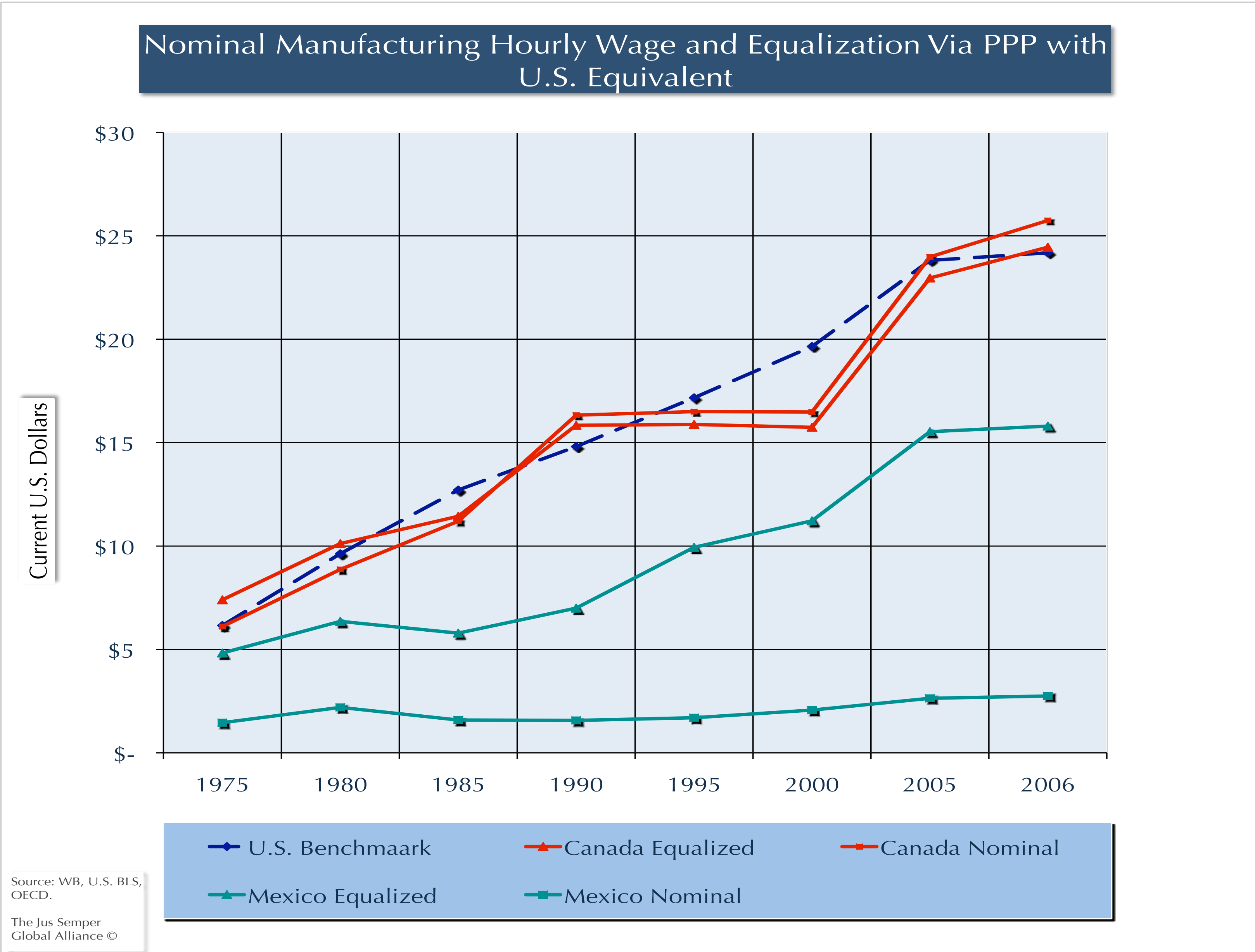

Relationship between Cost of Living (PPPs) and Percent of Nominal Hourly Wage Received for (PPPs) Equalisation With Nominal Manufacturing Hourly Wage in the U.S
$1.00
$0.90
$0.80
$0.70
$0.60
$0.50
$0.40
$0.30
$0.20
$0.10
$0.00
1975
1980
1985
1990
1995
2000
2005
2006
$0.78
$0.66
$0.46
$0.47
$0.58
$0.57
$0.65
$0.65
30%
35%
27%
22%
17%
18%
17%
17%
Source: WB, U.S. BLS, OECD.
The Jus Semper Global Alliance ©
Mexico: Cost of Living (PPP U.S. dollar) (U.S.=$1,00)
Mexico: PPP % Equalisation (Cost of Living = 100)%


Nominal Manufacturing Hourly Wage and Equalization
Via PPP with U.S. Equivalent
Current U.S. Dollars
$30
$25
$20
$15
$10
$5
$-
1975
1980
1985
1990
1996
1998
2000
2002
2003
2004
2005
2006
Source: WB, U.S. BLS, OECD.
The Jus Semper Global Alliance ©
U.S. Benchmark
Brazil Equalized
Brazil Nominal
Mexico Equalized
Mexico Nominal



Nominal Manufacturing Hourly Wage and Equalization
Via PPP with U.S. Equivalent
Current U.S. Dollars
$30
$25
$20
$15
$10
$5
$-
1975
1980
1985
1990
1995
2000
2005
2006
U.S. Benchmark
S. Korea Equalized
S. Korea Nominal
Mexico Equalized
Mexico Nominal
Source: WB, U.S. BLS, OECD.
The Jus Semper Global Alliance ©


Nominal Manufacturing Hourly Wage and Equalization
Via PPP with U.S. Equivalent
$30
$25
$20
$15
$10
$5
$-
Current U.S. Dollars
1975
1980
1985
1990
1995
2000
2005
2006
U.S. Benchmark
Spain Equalized
Spain Nominal
Mexico Equalized
Mexico Nominal
Source: WB, U.S. BLS, OECD.
The Jus Semper Global Alliance ©



Nominal Manufacturing Hourly Wage and Equalization Via PPP with U.S. Equivalent
Current U.S. Dollars
$30
$25
$20
$15
$10
$5
$-
1975
1980
1985
1990
1995
2000
2005
2006
U.S. Benchmaark
Canada Equalized
Canada Nominal
Mexico Equalized
Mexico Nominal
Source: WB, U.S. BLS, OECD.
The Jus Semper Global Alliance ©

The Jus Semper Global Alliance – Manufacturing workers' Wage Gap Analysis in Purchasing Power Parities (PPPs) Comparison Terms 1975-06

		1975	1980	1985	1990	1995	2000	2005	2006
Benchmark	U.S. Hourly Production-line Rate	6.16	9.63	12.71	14.81	17.17	19.65	23.81	24.18
Canada	GNI PPPs in country currency*	1.222	1.229	1.229	1.248	1.270	1.190	1.169	1.146
	Exchange rate	1.017	1.169	1.366	1.167	1.373	1.486	1.212	1.134
	GNI PPPs in US Dollars	$ 1.20	$ 1.051	$ 0.90	$ 1.07	$ 0.92	$ 0.80	$ 0.96	$ 1.01
	2. Equalized PPP compensation US $	$ 7.40	$ 10.12	$ 11.44	$ 15.84	$ 15.88	$ 15.74	$ 22.96	$ 24.45
	3. Actual Real compensation US $	$ 5.09	$ 8.44	$ 12.45	$ 15.27	$ 17.84	$ 20.57	$ 24.87	$ 25.46
	4. Actual Nominal compensation US $	$ 6.11	$ 8.87	$ 11.20	$ 16.33	$ 16.50	$ 16.48	$ 23.98	$ 25.74
	Compensation Deficit in US $ (2÷4)	$ 1.29	$ 1.25	$ 0.24	$ (0.49)	$ (0.62)	$ (0.74)	$ (1.02)	$ (1.29)
	Wage Equalisation index (4÷2 or 3÷1)	0.83	0.88	0.98	1.03	1.04	1.05	1.04	1.05
South Korea	GNI PPPs in country currency*	238.9	423.5	447.9	518.1	650.5	677.1	765.5	735.2
	Exchange rate	484	607.4	870	707.8	771.3	1131	1024	954.3
	GNI PPPs in US Dollars	$ 0.49	$ 0.70	$ 0.51	$ 0.73	$ 0.84	$ 0.60	$ 0.75	$ 0.77
	2. Equalized PPP compensation US $	$ 3.04	$ 6.71	$ 6.54	$ 10.84	$ 14.48	$ 11.76	$ 17.80	$ 18.63
	3. Actual Real compensation US $	$ 0.65	$ 1.36	$ 2.39	$ 5.05	$ 8.64	$ 13.75	$ 17.04	$ 19.11
	4. Actual Nominal compensation US $	$ 0.32	$ 0.95	$ 1.23	$ 3.70	$ 7.29	$ 8.23	$ 12.74	$ 14.72
	Compensation Deficit in US $ (2÷4)	$ 2.72	$ 5.76	$ 5.31	$ 7.14	$ 7.19	$ 3.53	$ 5.06	$ 3.91
	Wage Equalisation index (4÷2 or 3÷1)	0.11	0.14	0.19	0.34	0.50	0.70	0.72	0.79
Japan	GNI PPPs in country currency*	286	261.1	199.0	204.9	167.4	144.0	138.2	136.8
	Exchange rate	296.7	225.7	238.5	145.0	94.0	107.8	110.1	116.3
	GNI PPPs in US Dollars	$ 0.96	$ 1.16	$ 0.83	$ 1.41	$ 1.78	$ 1.34	$ 1.26	$ 1.18
	2. Equalized PPP compensation US $	$ 5.94	$ 11.14	$ 10.60	$ 20.92	$ 30.60	$ 26.25	$ 29.89	$ 28.43
	3. Actual Real compensation US $	$ 3.08	$ 4.72	$ 7.52	$ 8.91	$ 13.17	$ 16.41	$ 17.16	$ 17.18
	4. Actual Nominal compensation US $	$ 2.97	$ 5.46	$ 6.27	$ 12.59	$ 23.47	$ 21.93	$ 21.54	$ 20.20
	Compensation Deficit in US $ (2÷4)	$ 2.97	$ 5.68	$ 4.33	$ 8.33	$ 7.13	$ 4.32	$ 8.35	$ 8.23
	Wage Equalisation index (4÷2 or 3÷1)	0.50	0.49	0.59	0.60	0.77	0.84	0.72	0.71

The Jus Semper Global Alliance – Manufacturing workers' Wage Gap Analysis in Purchasing Power Parities (PPPs) Comparison Terms 1975-06

		1975	1980	1985	1990	1995	2000	2005	2006
Benchmark	**U.S. Hourly Production-line Rate**	6.16	9.63	12.71	14.81	17.17	19.65	23.81	24.18
France	GNI PPPs in country currency*	4.978	5.682	6.662	6.350	6.184	1.033	0.936	0.929
	Exchange rate	4.282	4.22	8.98	5.447	4.986	1.083	0.803	0.796
	GNI PPPs in US Dollars	$ 1.16	$ 1.35	$ 0.74	$ 1.17	$ 1.24	$ 0.95	$ 1.17	$ 1.17
	2. Equalized PPP compensation US $	$ 7.16	$ 12.97	$ 9.43	$ 17.26	$ 21.30	$ 18.74	$ 27.75	$ 28.21
	3. Actual Real compensation US $	$ 3.87	$ 6.61	$ 10.07	$ 13.17	$ 15.51	$ 16.18	$ 20.59	$ 21.34
	4. Actual Nominal compensation US $	$ 4.50	$ 8.90	$ 7.47	$ 15.35	$ 19.24	$ 15.43	$ 24.00	$ 24.90
	Compensation Deficit in US $ (2÷4)	$ 2.66	$ 4.07	$ 1.96	$ 1.91	$ 2.06	$ 3.31	$ 3.75	$ 3.31
	Wage Equalisation index (4÷2 or 3÷1)	0.63	0.69	0.79	0.89	0.90	0.82	0.86	0.88
Germany	GNI PPPs in country currency*	3.062	2.316	2.031	1.790	1.832	1.076	0.915	0.912
	Exchange rate	2.455	1.815	2.942	1.617	1.432	1.083	0.803	0.796
	GNI PPPs in US Dollars	$ 1.25	$ 1.28	$ 0.69	$ 1.11	$ 1.28	$ 0.99	$ 1.14	$ 1.15
	2. Equalized PPP compensation US $	$ 7.68	$ 12.29	$ 8.77	$ 16.39	$ 21.96	$ 19.52	$ 27.11	$ 27.71
	3. Actual Real compensation US $	$ 5.02	$ 9.53	$ 13.70	$ 19.61	$ 23.53	$ 22.82	$ 29.28	$ 29.85
	4. Actual Nominal compensation US $	$ 6.26	$ 12.16	$ 9.46	$ 21.71	$ 30.10	$ 22.67	$ 33.34	$ 34.21
	Compensation Deficit in US $ (2÷4)	$ 1.42	$ 0.13	$ (0.69)	$ (5.32)	$ (8.14)	$ (3.15)	$ (6.23)	$ (6.50)
	Wage Equalisation index (4÷2 or 3÷1)	0.81	0.99	1.08	1.32	1.37	1.16	1.23	1.23
Italy	GNI PPPs in country currency*	539.5	746.5	1144.8	1235.2	1544.0	0.892	0.881	0.884
	Exchange rate	652.4	855.1	1909	1198	1629	1.083	0.803	0.796
	GNI PPPs in US Dollars	$ 0.83	$ 0.87	$ 0.60	$ 1.03	$ 0.95	$ 0.82	$ 1.10	$ 1.11
	2. Equalized PPP compensation US $	$ 5.09	$ 8.41	$ 7.62	$ 15.27	$ 16.27	$ 16.19	$ 26.12	$ 26.86
	3. Actual Real compensation US $	$ 5.61	$ 9.27	$ 12.61	$ 17.15	$ 17.44	$ 17.56	$ 22.09	$ 22.57
	4. Actual Nominal compensation US $	$ 4.64	$ 8.09	$ 7.56	$ 17.68	$ 16.53	$ 14.47	$ 24.23	$ 25.07
	Compensation Deficit in US $ (2÷4)	$ 0.45	$ 0.32	$ 0.06	$ (2.41)	$ (0.26)	$ 1.72	$ 1.89	$ 1.79
	Wage Equalisation index (4÷2 or 3÷1)	0.91	0.96	0.99	1.16	1.02	0.89	0.93	0.93
United Kingdom	GNI PPPs in country currency*	0.3802	0.440	0.532	0.578	0.634	0.657	0.653	0.661
	Exchange rate	0.4501	0.43	0.7708	0.5605	0.6335	0.6598	0.549	0.542
	GNI PPPs in US Dollars	$ 0.84	$ 1.02	$ 0.69	$ 1.03	$ 1.00	$ 1.00	$ 1.19	$1.2205
	2. Equalized PPP compensation US $	$ 5.20	$ 9.85	$ 8.77	$ 15.26	$ 17.18	$ 19.57	$ 28.34	$ 29.51
	3. Actual Real compensation US $	$ 3.97	$ 7.35	$ 9.02	$ 12.09	$ 13.70	$ 16.91	$ 21.61	$ 22.20
	4. Actual Nominal compensation US $	$ 3.35	$ 7.52	$ 6.22	$ 12.46	$ 13.71	$ 16.84	$ 25.72	$ 27.10
	Compensation Deficit in US $ (2÷4)	$ 1.85	$ 2.33	$ 2.55	$ 2.80	$ 3.47	$ 2.73	$ 2.62	$ 2.41
	Wage Equalisation index (4÷2 or 3÷1)	0.64	0.76	0.71	0.82	0.80	0.86	0.91	0.92
Spain	GNI PPPs in country currency*	44.83	63.827	82.445	91.552	113.800	0.791	0.761	0.757
	Exchange rate	57.39	71.64	170	102	124.6	1.083	0.803	0.796
	GNI PPPs in US Dollars	$ 0.78	$ 0.89	$ 0.48	$ 0.90	$ 0.91	$ 0.73	$ 0.95	$ 0.95
	2. Equalized PPP compensation US $	$ 4.81	$ 8.58	$ 6.16	$ 13.29	$ 15.68	$ 14.35	$ 22.56	$ 23.00
	3. Actual Real compensation US $	$ 3.23	$ 6.58	$ 9.57	$ 12.59	$ 13.91	$ 14.59	$ 18.91	$ 19.80
	4. Actual Nominal compensation US $	$ 2.52	$ 5.86	$ 4.64	$ 11.30	$ 12.70	$ 10.66	$ 17.92	$ 18.83
	Compensation Deficit in US $ (2÷4)	$ 2.29	$ 2.72	$ 1.52	$ 1.99	$ 2.98	$ 3.69	$ 4.64	$ 4.17
	Wage Equalisation index (4÷2 or 3÷1)	0.52	0.68	0.75	0.85	0.81	0.74	0.79	0.82
Mexico	GNI PPPs in country currency*	9.80	15.16	116.9	1330.2	3.717	5.403	7.105	7.130
	Exchange rate	12.5	22.97	256.9	2813	6.419	9.459	10.89	10.91
	GNI PPPs in US Dollars	$ 0.78	$ 0.66	$ 0.46	$ 0.47	$ 0.58	$ 0.57	$ 0.65	$ 0.65
	2. Equalized PPP compensation US $	$ 4.83	$ 6.36	$ 5.79	$ 7.00	$ 9.94	$ 11.22	$ 15.53	$ 15.80
	3. Actual Real compensation US $	$ 1.86	$ 3.33	$ 3.49	$ 3.32	$ 2.94	$ 3.62	$ 4.05	$ 4.21
	4. Actual Nominal compensation US $	$ 1.46	$ 2.20	$ 1.59	$ 1.57	$ 1.70	$ 2.07	$ 2.64	$ 2.75
	Compensation Deficit in US $ (2÷4)	$ 3.37	$ 4.16	$ 4.20	$ 5.43	$ 8.24	$ 9.15	$ 12.89	$ 13.05
	Wage Equalisation index (4÷2 or 3÷1)	0.30	0.35	0.27	0.22	0.17	0.18	0.17	0.17

The Jus Semper Global Alliance – Manufacturing workers' Wage Gap Analysis in Purchasing Power Parities (PPPs) Comparison Terms 1975-06

		1996	1998	2000	2002	2003	2004	2005	2006
Benchmark	U.S. Hourly Production-line Rate	17.74	18.52	19.65	21.60	22.48	23.13	23.81	24.18
Brazil	GNI PPPs in country currency*	0.703	0.866	1.034	1.247	1.243	1.233	1.164	1.178
	Exchange rate	1.005	1.161	1.830	2.921	3.075	2.926	2.435	2.174
	GNI PPPs in US Dollars	$ 0.70	$ 0.75	$ 0.57	$ 0.43	$ 0.40	$ 0.42	$ 0.48	$ 0.54
	2. Equalized PPP compensation US $	$ 12.40	$ 13.82	$ 11.11	$ 9.22	$ 9.09	$ 9.75	$ 11.38	$ 13.10
	3. Actual Real compensation US $	$ 8.24	$ 7.36	$ 6.19	$ 6.02	$ 6.78	$ 7.45	$ 8.70	$ 9.06
	4. Actual Nominal compensation US $	$ 5.76	$ 5.49	$ 3.50	$ 2.57	$ 2.74	$ 3.14	$ 4.16	$ 4.91
	Compensation Deficit in US $ (2÷4)	$ 6.64	$ 8.33	$ 7.61	$ 6.65	$ 6.35	$ 6.61	$ 7.22	$ 8.19
	Wage Equalisation index (4÷2 or 3÷1)	0.46	0.40	0.32	0.28	0.30	0.32	0.37	0.37

		1980	1985	1990	1995	2000	2004	2005	2006
Benchmark	U.S. Hourly Production-line Rate	9.63	12.71	14.81	17.17	19.65	23.13	23.81	24.18
Hong Kong	GNI PPPs in country currency*	4.33	4.58	5.91	7.79	7.79	6.48	6.14	5.75
	Exchange rate	4.976	7.791	7.790	7.736	7.792	7.789	7.788	7.768
	GNI PPPs in US Dollars	$ 0.87	$ 0.59	$ 0.76	$ 1.01	$ 1.00	$ 0.83	$ 0.79	$ 0.74
	2. Equalized PPP compensation US $	$ 8.37	$ 7.48	$ 11.24	$ 17.29	$ 19.64	$ 19.24	$ 18.76	$ 17.91
	3. Actual Real compensation US $	$ 1.73	$ 2.94	$ 4.24	$ 4.77	$ 5.45	$ 6.62	$ 7.17	$ 7.81
	4. Actual Nominal compensation US $	$ 1.50	$ 1.73	$ 3.22	$ 4.80	$ 5.45	$ 5.51	$ 5.65	$ 5.78
	Compensation Deficit in US $ (2÷4)	$ 6.87	$ 5.75	$ 8.02	$ 12.49	$ 14.19	$ 13.73	$ 13.11	$ 12.13
	Wage Equalisation index (4÷2 or 3÷1)	0.18	0.23	0.29	0.28	0.28	0.29	0.30	0.32
Singapore	GNI PPPs in country currency*	1.52	1.33	1.204	1.24	1.19	1.10	1.10	1.05
	Exchange rate	2.141	2.200	1.813	1.417	1.725	1.690	1.664	1.588
	GNI PPPs in US Dollars	$ 0.71	$ 0.61	$ 0.66	$ 0.88	$ 0.69	$ 0.65	$ 0.66	$ 0.66
	2. Equalized PPP compensation US $	$ 6.84	$ 7.69	$ 9.83	$ 15.02	$ 13.59	$ 15.02	$ 15.76	$ 15.95
	3. Actual Real compensation US $	$ 2.17	$ 4.21	$ 5.69	$ 8.74	$ 10.55	$ 11.50	$ 11.03	$ 12.96
	4. Actual Nominal compensation US $	$ 1.54	$ 2.55	$ 3.78	$ 7.65	$ 7.30	$ 7.47	$ 7.30	$ 8.55
	Compensation Deficit in US $ (2÷4)	$ 5.30	$ 5.14	$ 6.05	$ 7.37	$ 6.29	$ 7.55	$ 8.46	$ 7.40
	Wage Equalisation index (4÷2 or 3÷1)	0.23	0.33	0.38	0.51	0.54	0.50	0.46	0.54

***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.
- ❖ GNI (Gross National Income) PPPs 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.
- ❖ GNI PPPs 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 GNI PPP, expressed in national currency, reflects the exchange rate in comparison with the market exchange rate, which does not reflect the ratio of prices.
- ❖ Equal PPP compensation expresses the hourly U.S. dollar nominal rate required in a given country to equally compensate a local worker, in purchasing power terms, for equal work rendered, as the equivalent U.S. workers 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 Real Compensation is the hourly wage paid in a given country in purchasing power terms.
- ❖ Actual Nominal Compensation is the nominal hourly wage paid in a given country.
- ❖ Compensation deficit expresses the wage gap between the hourly nominal rate paid (4) and the equalized PPP hourly rate that should be paid for equal work (2).
- ❖ Compensation equalization index expresses the ratio of actual nominal pay to equivalent PPP hourly pay (4 between 2): or the ratio of actual real pay (3) to the hourly nominal pay benchmark (1) (3 between 1).
- ❖ Note: Variations in previous years are due to revisions made by the sources, including the World Bank's new 2005 PPP benchmarks, which replaced the previous 1993 benchmarks. According to the World Bank, the 2005 PPPs are the most comprehensive for developing countries since 1993, and reveal that the size of their economies were often overestimated.

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:)

– World Development Indicators 1998, 2000, 2002 and 2004, 2006, 2007, 2008 The World Bank, table 1.1

– World Development Indicators database, The World Bank, October 2008

– Gross National Income, Atlas method and PPP

X Hourly Compensation Costs for Production Workers in Manufacturing (34 Country Tables), updated on 11 September 2008. U.S. Department. of Labour, Bureau of Labour Statistics.

– International Comparison of Manufacturing Productivity and Unit Labour Cost trends, 2007. U.S. Department of Labour, Bureau of Labour Statistics (26 September 2008).

X Comparative Real GDP per Capita and per Employed Person, Fourteen Countries 1960-2006, 11 July 2007. U.S. Department of Labour, Bureau of Labour Statistics.

– Global Purchasing Power Parities and Real Expenditures. 2005 International Comparison Program. World Bank 2008.

X PPPs for OECD Countries 1970-2002, OECD 2002 and GDP PPPs historical series 1970-1999.

– Purchasing Power parities – Measurement and Uses by Paul Schreyer and Francette Koechlin, OECD Statistical briefs, March 2002.

Note regarding the new 2005 PPC round:

Since 1970 the International Comparison Program (ICP) of the World Bank has conducted eight rounds of PPP estimates for the major components of countries' gross domestic product (GDP)—the most recent for 2005. According to the World Bank, the PPP process calls for the systematic collection of price data on hundreds of representative and carefully defined products and services consumed in each country. Purchasing power parities are needed because similar goods and services have widely varying prices across countries when converted to a common currency using market exchange rates.

The PPPs previously published in World Development Indicators and used to estimate international poverty rates were extrapolated from the benchmark results of the 1993 ICP or from the Eurostat 2002 and then extrapolated forward and backward. The extrapolation method assumes that an economy's PPP conversion factor adjusts according to the different rates of inflation for its economy and the base economy, the United States. A good approximation in the short run, but over a longer period changes in the relative prices of goods and services and in the structure of economies—what they produce and consume—distort this relationship, and new measurements must be made. New methods of data collection, differences in country participation, and changes in analytical methods all add to the differences between new PPPs and old.

The major finding, in the 2005 round of PPP estimates, is that, under the new PPPs, the aggregate GDP of developing economies in 2005 is 21 percent smaller than previously estimated, corresponding to a 7 percentage point reduction in their share of world GDP—from 47 percent to 40 percent. The United States—as the base country, unaffected by any revision—increased its share from 20,6 percent to 22,1 percent.