



Mexico's Wage Gap Charts

Manufacturing production-line wages

Wage gap charts for Mexico vis-à-vis selected developed and “emerging” economies, with available wage and PPP data (1975-2009)

(last report for production workers to be published – see definitions and sources at the end)

Wage gap charts for Mexico vis-à-vis selected developed and “emerging” economies, with available wage and PPP data (1975-2009).

© 2011. The Jus Semper Global Alliance

Web portal: www.jussemper.org/

E-mail: informa@jussemper.org



Under Creative Commons Attribution 3.0 License
<http://creativecommons.org/licenses/by/3.0>

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 2008	8
• 2008 real wage gap with U.S. wages using PPPs	10
• Size of gaps with U.S. – Manufacturing hourly real wage via PPPs	11
• Equalisation index with U.S. – Manufacturing hourly real wage via PPPs	12
• Political context of the state of manufacturing wages in Mexico	13
• Main features of the state of manufacturing wages in Mexico	15
• Gap between manufacturing hourly wage and PPP equalisation index with real U.S. wage	17
• Comparison of nominal hourly wages of Mexico's production workers to close or maintain 1981 gap with U.S. counterparts	18
• Gap Between nominal manufacturing hourly wage and equalised wage in PPP terms with equivalent U.S. real wage	19
• Gap between equalisation index and size of manufacturing hourly real wage gap in Mexico vis-à-vis U.S. real wage	20
• Equalisation index in PPP terms of hourly real wage with equivalent U.S. wage between Mexico and South Korea	21
• Equalisation index in PPP terms of hourly real wage with equivalent U.S. wage between Mexico and Spain	22
• Mutual proportion comparisons of PPP real wage between Mexico and South Korea	23
• Mutual proportion comparisons of PPP real wage between Mexico and Spain	24
• Behaviour of comparative indices of manufacturing hourly real wages with thirteen countries	25
• Performance of equalisation indices of manufacturing real wage and PPP indices with twelve countries	29
• Thirty-year projection of the closing of the real wage equalisation gap	35
• Prospectus	37
• Table T4 – Manufacturing workers' Wage Gap Analysis in Purchasing Power Parities (PPPs) Comparison Terms 1975-2009	38
• Definitions and Sources	42

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,
- 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 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 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 U.S. 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 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 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 are 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 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 U.S., 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 2009

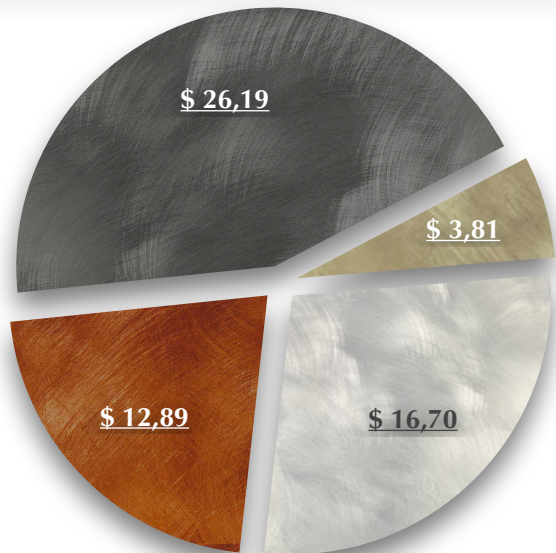
- Equivalent manufacturing workers in Mexico and Brazil earn only 23% and 33%, respectively, of what they should be making in order to be compensated at par with their U.S. counterparts in terms of purchasing power,
- U.S. Workers earn \$26,19/hour whilst Mexican and Brazilian workers earn only \$3,81/hour and \$6,81/hour, respectively,
- Since costs of living in PPPs terms in Mexico and Brazil are 64¢ and 80¢, respectively, for each \$1 U.S. dollar, equivalent Mexican and Brazilian manufacturing workers should be earning instead \$16,70/hour and \$20,90/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 small gap with its U.S. counterparts, since its nominal wage (\$26,40) is 90% of the equivalent wage (\$29,47) needed to be at par, with a PPP of \$1,13 per each \$1 U.S. dollar.

Nominal Wage, Real Wage and Wage Equalisation for Manufacturing Workers by Using Purchase Power Parities (PPPs) Benchmark					
	Nominal Hourly	PPP	PPP	Equalised Nominal Hourly	Equalisation
2009	<u>Wage</u>	<u>2009</u>	<u>Real Wage</u>	<u>Wage</u>	<u>Index</u>
	United States	\$ 26,19	100	\$ 26,19	100
Canada	\$ 26,40	113	\$ 23,46	\$ 29,47	90
	101%		90%	113%	
Mexico	\$ 3,81	64	\$ 5,98	\$ 16,70	23
	15%		23%	64%	
Brazil	\$ 6,81	80	\$ 8,54	\$ 20,90	33
	26%		33%	80%	
Sources:					
U.S. Department of Labour, Bureau of Labor Statistics, March 2011.					
Data base of World Bank's World Development Indicators, 1975-2010, (GNI & GNI PPP, Atlas method)					

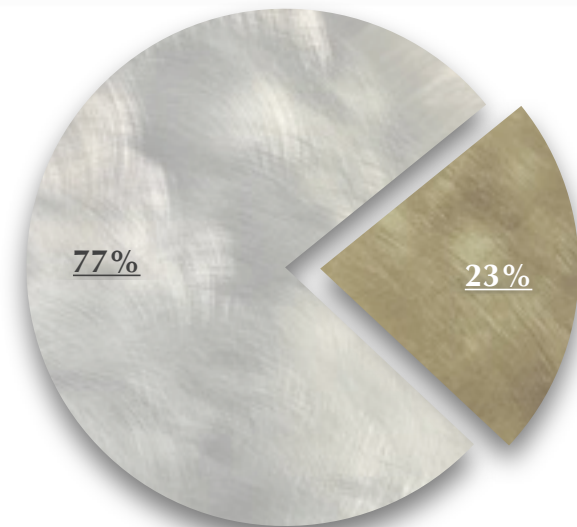
The Argument for Wage Equalisation Using Purchasing Power Parities (PPPs)

▪ A Classic Example in 2009

- From a graphic perspective, the first pie chart shows the U.S. real wage for production-line workers in the manufacturing sector, which is always the benchmark. In the case of Mexico, the pie chart exhibits the nominal wage earned, the nominal wage equalised with the U.S. wage –always in purchasing power parity terms, and the difference retained inappropriately (deliberately).
- The nominal equalised wage of \$16,70 is what the Mexican production-line worker should earn to be equally remunerated (in purchasing power terms) for performing an equivalent task. Yet, the worker only earns \$3,81 instead of \$16,70; thus the employer deliberately retains \$12,89, which constitutes the greater part of the surplus value that legitimately belongs to the Mexican worker, according to TLWNSI's concept.
- In this way, the second pie chart shows how the employer retains inappropriately 77% of labour's surplus value by only allocating to the worker 23% of what he/she is entitled to.



- Nominal wage earned
- Equalised nominal wage
- Difference inappropriately retained by the employer
- U.S. equivalent wage (benchmark for equalisation)



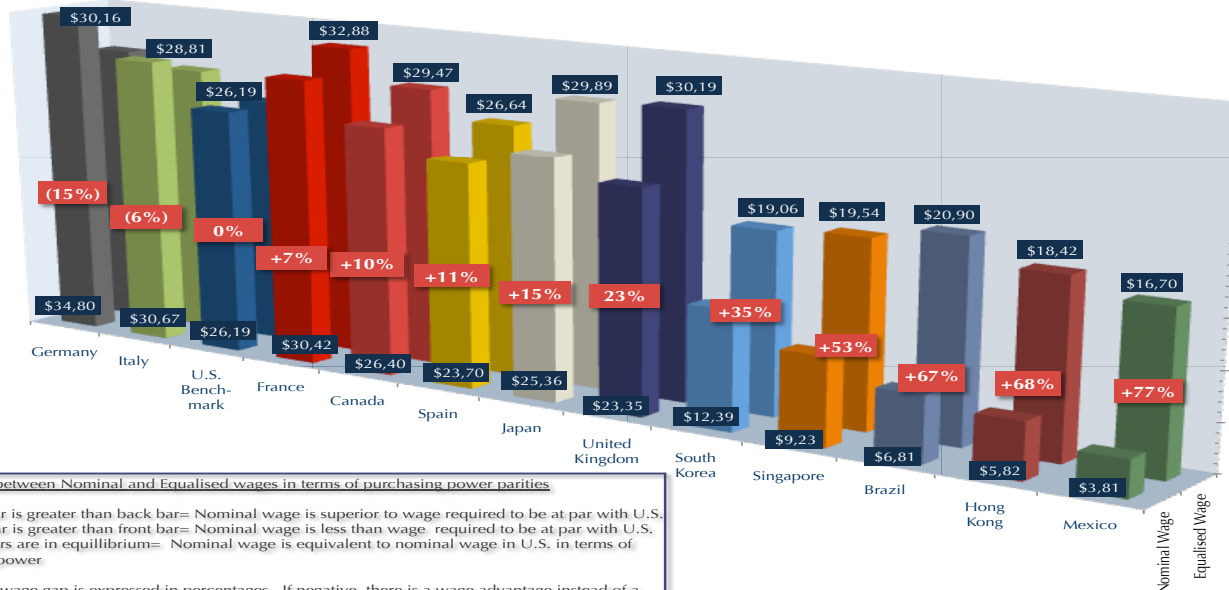
- Nominal wage earned
- Difference inappropriately retained by the employer

Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Wage gap comparisons for selected economies

- Since 2008 Japan began to experience a strong revaluation of the yen with little increase in the PPP cost of living. This enabled Japan to record in 2009 its best living wage equalisation level ever (15% living-wage gap). In contrast, since 2007, most countries experienced substantial currency devaluations, strong PPP growth or real wage increases below the growth of U.S. wages. Thus, except for Italy and Hong Kong, which managed to sustain their previous equalisation, all the other countries increased their hourly compensation costs gaps with the U.S. in 2009. For further detail see table T4 in page 38.
- Always relative to 2007, South Korea, the UK and Mexico experienced strong devaluations of their currencies in 2009 and meaningful decreases in their PPP costs of living, but devaluations were deep enough to offset all other factors and, consequently, increase their wage gaps. Canada performed worse for it was the only country in this assessment with a decrease in nominal wages in domestic currency. In this way, its equalisation index not only dropped substantially, but –after decades of equalisation surpluses– generated a gap with equivalent U.S. wages that had not existed since the late 1980s. The four countries recorded the worst performance of the twelve economies in this analysis, with Mexico getting close to its nadir (1995). For further detail see table T4 in page 38.
- In the Euro Area real wages have barely moved since 2007. Thus, Germany, France and Spain lose some ground in their equalisation trends. Only Italy managed to increase real wages enough to maintain its previous equalisation index. For further detail see table T4 in page 38.
- Brazil experienced a huge increase of 25%, since 2007, in its PPP cost of living. Consequently, real wages dropped and, thus, its living-wage gap increased four points from 63 to 67%. Singapore experienced a similar behaviour, which increased its gap from 50 to 53. Hong Kong barely managed to leave its living-wage gap at 32. For further detail see table T4 in page 38.

2009 gaps between nominal and equalised wages with U.S. wage using PPPs (Hourly manufacturing compensation costs in U.S. Dollars)



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

- 1) If front bar is greater than back bar= Nominal wage is superior to wage required to be at par with U.S.
- 2) If back bar is greater than front bar= Nominal wage 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 wage is superior to wage required to be at par with U.S. Comparisons are in terms of hourly compensation costs as explained in T4.)

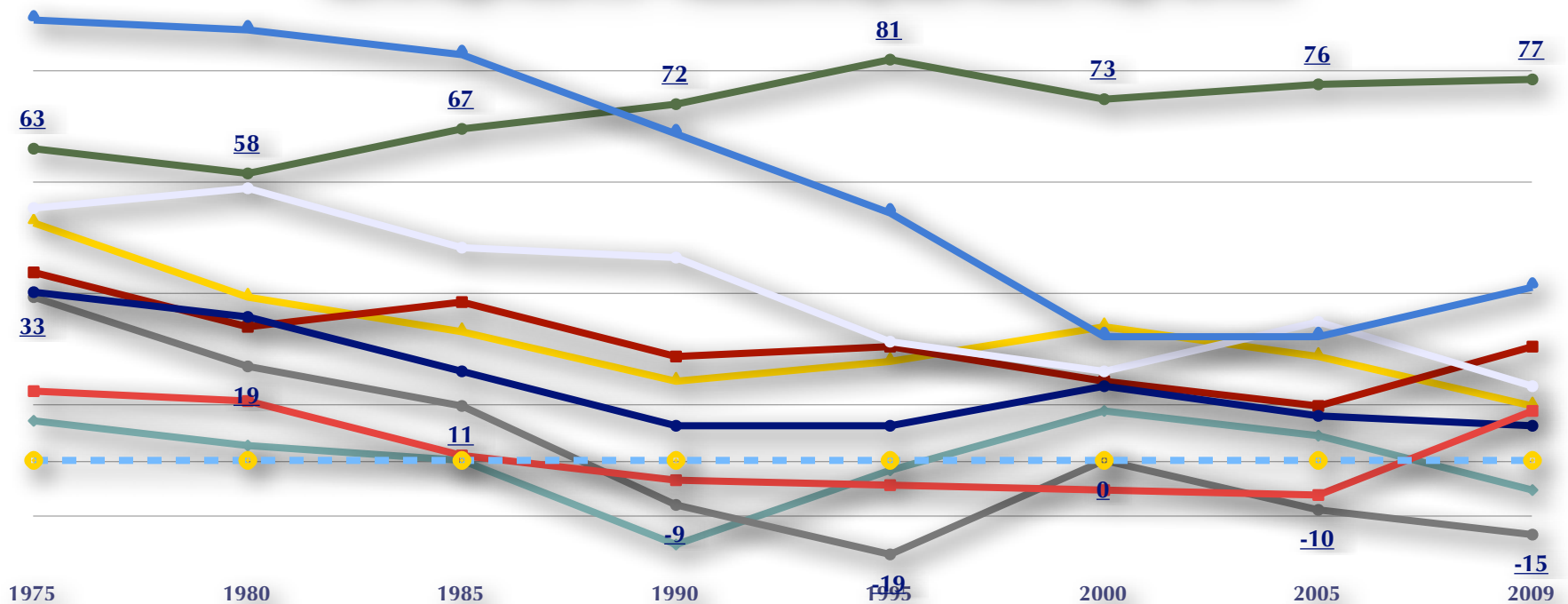
Sources:

– Data base of World Bank's World Development Indicators, 1975-2010, (GNI & GNI PPP, Atlas method)
X International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing November 2009.
U.S. Department of Labour, Bureau of Labour Statistics

The Jus Semper Global Alliance © 2011

- In the last 34 years, whilst the major European Union economies, Canada, South Korea and Japan surpassed, eliminated or experienced a very significant reduction of their PPP wage gaps –equalised with the wages of equivalent production counterparts in the U.S. manufacturing sector, Mexico moved in the opposite direction and exhibits a remarkable consistency in the deliberate State policy of wage pauperisation of Mexican workers.
- In the four Euro area economies, real wages have increased their true value relative to equivalent U.S. wages. This is especially true since the adoption of the Euro in 2001 as a result of a planned process of convergence. While in the 1990s the four countries increased their gaps, they reduced them in the last decade. Germany and Italy, in particular, now have wages with greater purchasing power than U.S. wages. Overall, despite the current global economic crisis, their living-wage equalisation indices are still in a better position than in the 1990s, albeit they have begun to deteriorate. As for the UK, it recorded a steady decrease of its wage gap, but has now backtracked to the same equalisation level of 1995. Canada had consistently improved its equalisation level since 1975 and gained a competitive advantage vis-à-vis the U.S. since the late 1980s, but the global crisis has taken its toll, and now, as with the UK, it is back in the range prevalent in the early 1980s.
- After an impressive reduction of its living wage gaps since 1975, South Korea has been losing considerable ground since 2007, and while it remains close to the equalisation levels of European economies, it has returned to the levels recorded in the late 1990s. Its living-wage gap increased from 17% in 2007 to 35% in 2009.
- In the case of Mexico, despite the benefit of a change in the primary data source applied by the U.S. BLS –which eliminates manufacturing outlets with 15 employees or less, it remains stalled with a huge gap of 77 points, confirming once again the exploitative nature of the Mexican State. Thus, every year we need to point out that Mexico is the only country where wage equalisation is dramatically below the level recorded more than a quarter century ago. Moreover, it must be stressed that Mexican manufacturing real wages continue to be by far the most undignified of all countries assessed and they are light years away from equalisation. For further detail see table T4 in page 40.

Size of Gaps with U.S. - Manufacturing Real Hourly Wage via PPPs

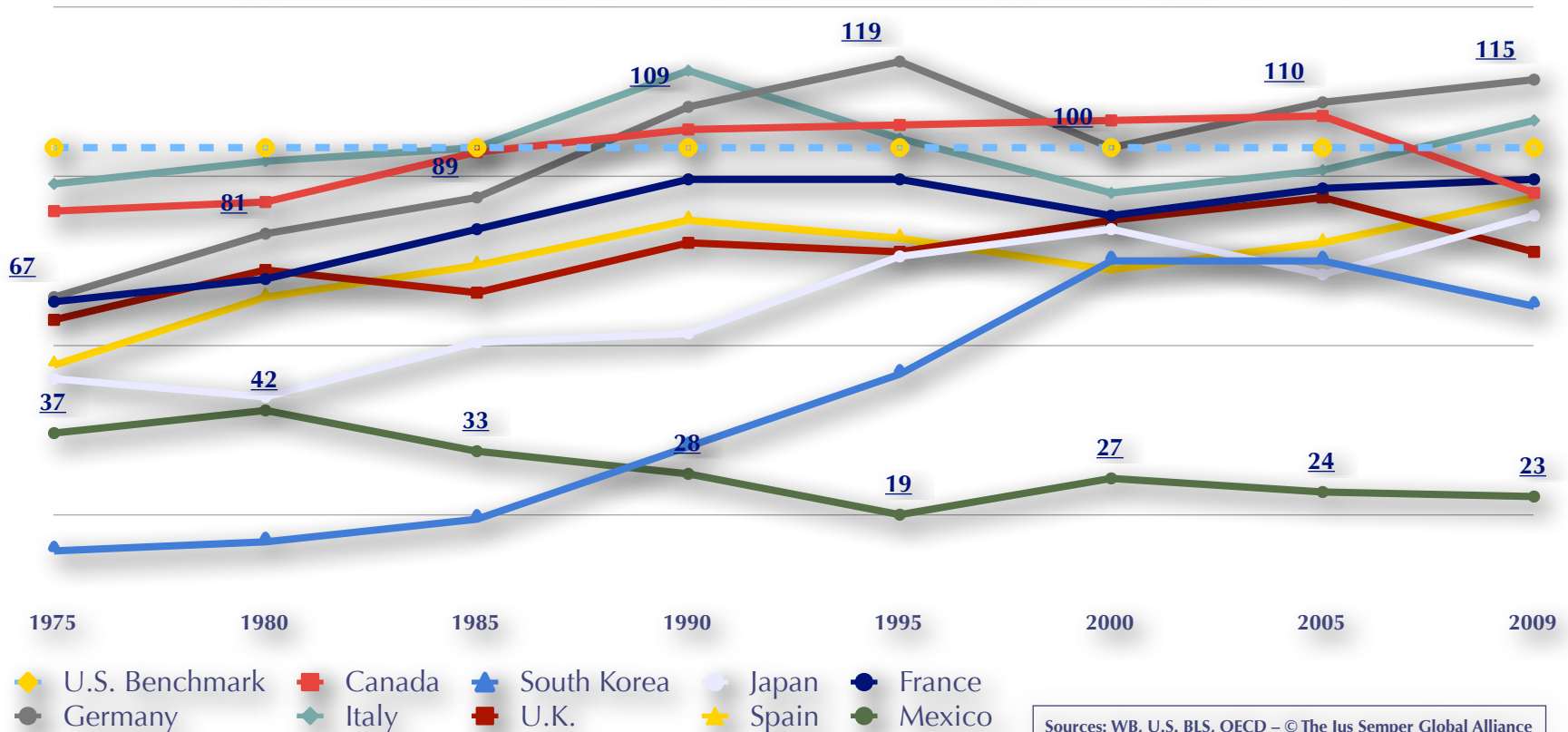


◆ U.S. Benchmark ■ Canada ▲ South Korea ● Japan ● France
 ● Germany ● Italy ■ U.K. ● Spain ● Mexico

Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

- From an equalisation perspective, since 1975, whilst México consistently worsens its best index by 50% –from 45 in 1981 to a meagre 23% in 2009– the trend shown by the other countries in the last 34 years is of a clear progress in their equalisation indices, particularly of South Korea, despite the losses of the last two years. It should be noted that Mexico’s wage pauperisation trend is the direct result of a deliberate and perverse State policy, which blocks any possibility of real wage recovery. The “modern-slave-work” system remains the policy “par excellence” of the Mexican State in response to “market demands”.
- In this way, each year it merits to contrast the enormous paradox of Mexico’s performance with South Korea’s. Whilst South Korea’s wage index moved from 11 in 1975 to 65 in 2009 –in 2007 it scored an 83 index– Mexico does it in the opposite direction, moving from a 45 in 1981 –its best index– to a 23 index in 2009. This exposes the absolute submission of the Mexican State to the demands of marketocracy.
- On another account, Japan surpasses its best equalisation index recorded in 2000 (82) and reverts the stagnation that it had been enduring, by now increasing its equalisation of 72 in 2007 to 85 in 2009.
- Germany and Italy maintain a surplus in wage competitiveness –in purchasing power terms– vis-à-vis their U.S. counterparts, with indices of 115, and 106 respectively. In contrast, Canada dropped from a surplus of 108 in 2007 to 90 in 2009, just above the 88 index recorded in 1980. France and Spain still show a positive trend since 2000, despite the ground lost since 2007, whilst the UK recorded a heavy drop since 2007, from a 95 index to a 77 in 2009. For further detail see table T4 in page 21.

Equalisation Index with the U.S. - Real Manufacturing hourly wage via PPPs



Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Political context of the state of manufacturing wages in Mexico

The Mexican State, which has been permanently challenged for the lack of legitimacy of its election since 2006, corroborates every year its vocation as a customary violator of the labour rights of its citizens

- Once again, the following assessment may seem redundant to those who have read our analyses of previous years. Yet the stubborn policy of the government in power –which deliberately pauperises the Mexican labour force– compels us to insist on the same assessment that exhibits the nefarious consequences of such policy. Moreover, it is necessary to depict once again the political context in which it is imposed. Assessing the wage data of the manufacturing sector of thirty five years, irremediably exhibits the exploitative and repressive character of the group that has wielded real power for the last three decades. A group that has completely submitted itself to the Washington Consensus, with the goal of remaining in power. This has engendered an environment that stands out on a global scale for the tremendous erosion of labour rights. The illegitimate and mafia-like nature that accurately delineates the Mexican State, has imposed an ethos of labour bondage that takes the country back to conditions prevailing before the social revolution of 1910. These are its most conspicuous features:
- Every year, public policy maintains real wages at their lowest level –when not at even more precarious levels– by blocking any increase above inflation, despite the fact that real wages have been pulverised consistently since 1980. The 2009 index in particular (23) is the worst index recorded since the 1995 economic debacle, when it recorded a 19 equalisation index.
- To accomplish this, the State has unleashed a policy, increasingly more repressive, of labour rights violation.
- Repression has centred on the destruction of trade unions, the harassment of their leaders and the blatant violations of labour law, given the state of absolute impunity prevailing in Mexico. ILO's core conventions, ratified decades ago by the Mexican State, are violated customarily. Miners and electrical workers have endured one of the most systematic repressions.
- The most paradigmatic case of the State's labour policies is recorded in 2009, when the government made redundant –through an armed attack at midnight and the launching of a misinformation and libel campaign– 44 thousand jobs of the Mexican Electrical Worker's Union, from the State company Luz y Fuerza del Centro. The pretext: low productivity and high wages. The true reason: the privatisation of its fibre optic network of one thousand kilometres for its subsequent operation by private companies to market phone, internet and video services.
- The State's violation of labour rights has generated unusual condemnation internationally. The International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), with more than 20 million members worldwide, announced the launching of a campaign in 134 countries, and before representatives of the U.S. and Canadian governments, condemning the “anti-workers policies” of the Mexican State. The ICEM equates the policies of labour repression in Mexico to those prevalent in Myanmar and Zimbabwe, two countries that stand out among the most repressive and labour rights violators worldwide (La Jornada, 9 January 2010).

Political context of the state of manufacturing wages in Mexico

- At the core of these repressive policies lies the true motives of a, by all means, mafia State. The Mexican State abandoned decades ago any responsibility before its citizenry and openly acts as an agent of domestic and foreign capital, from where it obtains the legitimacy that it did not achieve in the electoral process. To bring this about, its economic policies have been inflexible for decades, designed for the exclusive benefit of institutional investors. They demand high rates of return, well above those offered by the leading financial markets, low inflation and a stable exchange rate to protect their investments. In this way, whilst real wages were reduced by more than 50% since the last century and the economy recorded one of the worst recessions worldwide (estimated at -7,1% of GDP in 2009), the State proudly brags about record foreign reserves of more than U.S. \$141,2 billion (2011), resulting, in a substantial portion, from foreign investments in variable income instruments.
- In this way, the country has suffered a terrible transformation in the components of job generation, for it is estimated that –at least since 2005– more than 50% of the EAP works in the informal sector according to the government’s own data (Naciones Unidas y Gabinete de Desarrollo Humano y Social del gobierno de México, Resumen Ejecutivo. Los Objetivos de Desarrollo del Milenio en México: Informe de Avance 2005) and to the OECD estimates that up to 63% of total employment is informal (Employment Outlook 2011 – How does Mexico compare? OECD, 2011). Therefore, wages and other labour compensations of those making a living in this sector occur in much worse conditions than those prevalent in the manufacturing sector addressed in this assessment.
- **A domestic perspective.** To put TLWNSI’s living wage equalisation concept in a local context, we have assessed the real value of nominal wages of production workers in the manufacturing sector vis-à-vis the “indispensable basket of goods”. This basket (or CBI by its Spanish-language acronym) is a standard developed to measure the purchasing power of wages, to acquire 40 basic goods, as a reliable indicator to assess poverty. The CBI is considered the bare minimum necessary for the reproduction of the workforce. Typically, this assessment is performed against Mexico’s minimum wage. In this way, in 2009 the minimum wage was able to afford 17,5% of the CBI, down from 49% in 1994, a 64% loss of purchasing power in 15 years (1) STPS: Salarios Mínimos Vigentes 1994 & 2009; 2) Laura Juárez Sánchez: Política económica neoliberal y salarios, Trabajadores, Universidad Obrera de Mexico VLT, Vol. 61, julio-agosto de 2007; 3) Laura Juárez Sánchez: Despojo salarial y pobreza, Hoja Obrera, Universidad Obrera de Mexico, VLT, Diciembre 2010, Número 109). By the same token, our own calculations show that the hourly direct pay (not counting social or company benefits) of production-line manufacturing workers in Mexico could afford 1,3 CBIs in 1994, but only 69% of it in 2009, a 47% loss of purchasing power in 15 years. Clearly, the wages of both all workers and manufacturing workers have been pauperised and permanently converted into hunger wages.
- **Absence of the Rule of Law.** The desertion of Mexico’s governments, for the last three decades, of the basic responsibilities of any government that prais itself for being democratic, has imposed a “no-rule-of-law State”: the collection of events that are engendered by the lack of social norms or their degradation; a sine qua non condition to act with complete impunity, thus, demolishing the State’s responsibility to maintain a “rule-of-law State”. As one of its consequences, a supposed war against drug trafficking was launched in 2007, which has officially engendered –as of December 2011– more than 45 thousand fatalities (since 2007).
- **A deliberate predatory and plundering economic policy.** It must be clear that the dire results rendered in labour’s share of income are not due to a failure in economic management but due to a deliberate economic policy of plundering. This enables the Mafia State to keep a great part of Mexican workers under modern-slave-work conditions. Thus, since 1981, when production wages achieved their highest index in Mexico, they initiated a constant erosion in PPP terms –vis-à-vis their equalisation with the purchasing power of equivalent U.S. wages– dropping to half of its 1981 equalisation index by 2009. This is possible due to the full support of the State through its customary policy of pauperisation, to which it adds its new policy of social intimidation, for it is increasingly evident that the true goal of the war against drug trafficking is to inhibit social outcry –by intimidating the population– in order to enjoy a free reign to continue depredating the country. This has allowed the State to maintain the vast majority of workers under modern-slave-work conditions. Yet, in 2011, twenty-three thousand Mexican citizens filed a complaint with the International Criminal Court in The Hague, requesting an investigation of President Calderon and his top officials for the deaths of hundreds of civilians at the hands of the military, accusing them of allowing subordinates to kill, torture and kidnap civilians. In fact, many alternative and reliable sources estimate that the 45 thousand casualties officially recognised at the end of 2011, were actually close to 60 thousand.

Main features of the state of manufacturing wages in Mexico

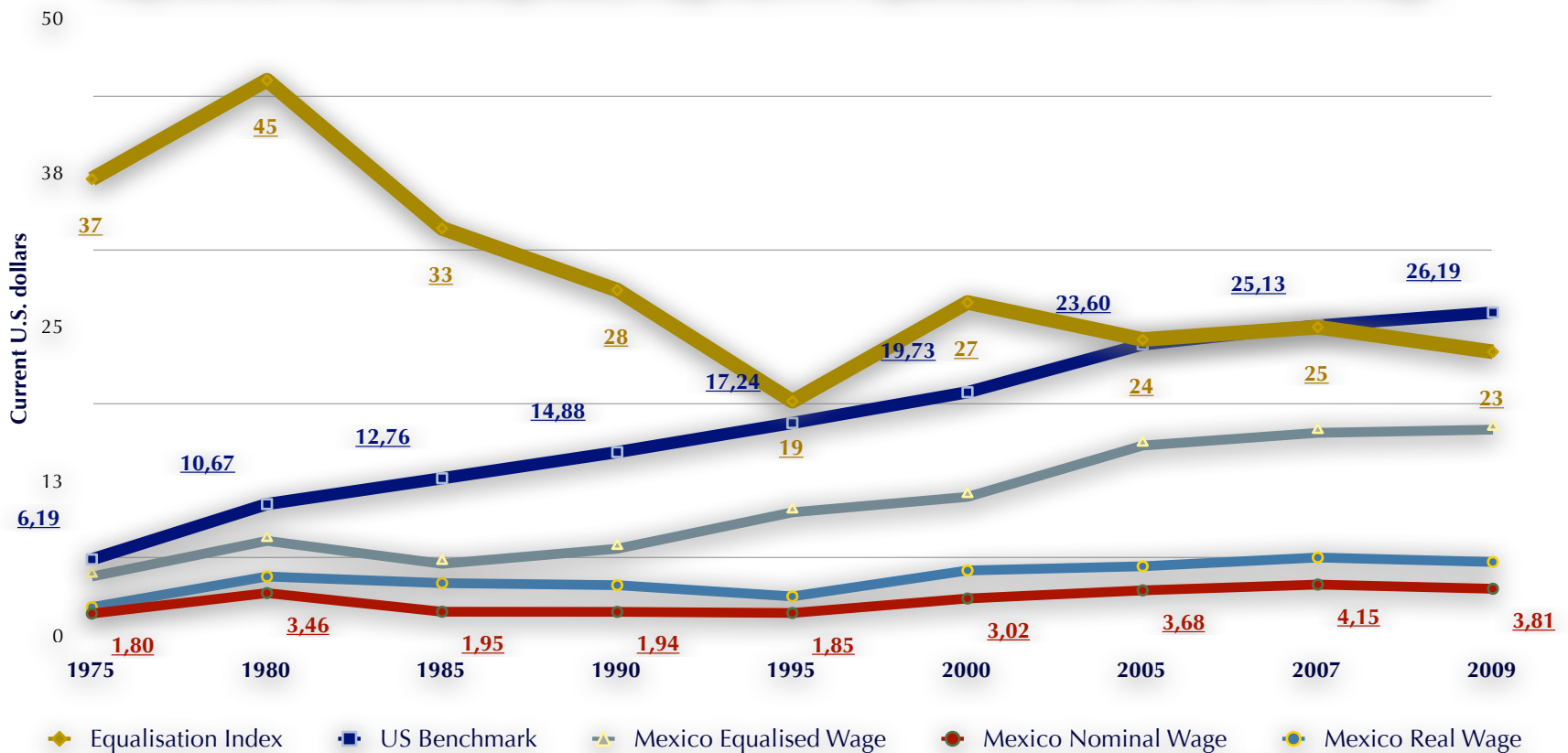
- **Wage equalisation track record since 1975.** Mexico achieves its least precarious wage equalisation in 1981, when production-line (PL) manufacturing wages reach an equalisation index of 45 over their 100 goal. Yet, starting in the 1980s the Mexican State surrenders to the guidelines of the World Bank and IMF, the institutions in charge of imposing the Washington Consensus to –evidently undemocratic– governments wishing to obtain legitimacy through their recognition by the metropolises of global capitalism. As a result, manufacturing real wages endure a systematic policy of erosion that gradually makes them lose more than half their value. In 1995, after the debacle of the economic policies of the Mafia State, real wages drop to their worst level since 1975, with an equalisation index of barely 19 with their U.S. counterparts. Subsequently, PL wages recover slightly (27) to then drop again to 24, 25 and 23 for 2005, 2007 and 2009 respectively. In this way, from a 45 index in 1981 to the 23 of 2009, Mexican PL wages have lost 49% of their already meagre purchasing power equalisation with the wages of their U.S. counterparts.
- **Comparison with South Korea.** The case of South Korea, covered in pages 10, 11 and 12, dramatically exposes how a State committed to social wellbeing can make real wages reach the ranks of those of the major economies. Instead of the guidelines of the Washington Consensus, South Korea chose endogenous development by strengthening its domestic market's aggregate demand and selectively opening its economic sectors (Alice H. Amsden: *Asia's Next Giant: South Korea and Late Industrialisation*, Oxford University Press, 1989). The outcome cannot be more divergent with the Mexican reality, for its equalisation index is almost three times greater than Mexico's (65 over 23), irrespective of the fact that 34 years ago it was barely 30% of Mexico's (page 20). In fact the contrast was even more dramatic before the crises began, for in 2007 the relationship was of more than three times in favour of South Korea (83 over 25). This dramatic contrast in the results becomes all the more evident when comparing the mutual proportion of real wages of both countries between 1975 and 2009 (page 23). Whilst in 1975 Mexico's real wage index –relative to South Korea's and vice versa– was 346 to 29, in 2009 the proportion had inverted, for the same comparison is now of 35 for Mexico vis-à-vis 285, despite the drop experienced by South Korea since 2007.
- **Comparison with Spain.** The world's ninth economy exhibits once again the decay of Mexican wages and the exploitative nature of Mexico's Mafia State. In 1975 both countries had the exact same cost of living in PPP terms of \$0,78 for U.S. \$1. Equalisation indices then were 52 for Spain and 37 for Mexico. When Spain became a representative democracy and joined the European Union, it favoured domestic market development, equalising living standards through the generation of aggregate demand, via the progressive increase of real wages and not through an exporting strategy anchored on the bequest of Spanish workers under conditions of modern-slave work. In this way, Spain leaves Mexico behind, reaching in 2009 an 89 index, a 71% increase since 1975 (page 22). By the same token, when comparing the mutual proportion for manufacturing real wages between 1975 and 2009 (page 24), we find that, if in 1975 Mexico's real wage index –relative to Spain's and vice versa– was 73 to 137, in 2009 the proportions had dramatically transformed, for the same comparison is now of 26 for Mexico and 390 for Spain's wages.

Main features of the state of manufacturing wages in Mexico

- **Behaviour of comparative indices of manufacturing hourly real wages of each country vis-à-vis the equivalent Mexican wage.** When performing the preceding comparison with the remaining economies selected for this assessment, there is a clearly consistent trend for each of the countries (Singapore, Brazil, Hong Kong and Argentina: page 25), (Japan, South Korea and Canada: page 26), (Spain, Italy and France: page: 27), (Germany, United Kingdom and United States: page 28) in which almost all countries increase their advantage in their comparative indices vis-à-vis the Mexican equivalent real wage between 1975 and 2009. This is true even for countries with lower indices than Mexico in 1980, as is the case for Singapore and Hong Kong. Brazil is the only case with an index lower in 2009 (143) than in 1996 (271) –a result of the “tequila effect recession” at the end of the nineties and beginning of the current decade– but, irrespectively, it is still clearly above the real Mexican wage and vis-à-vis equivalent U.S. wages. In the case of Argentina –where data is only available for all manufacturing employees– the trend is once again consistent, for if in 1996 its index was 140, in 2009 it is 223, despite enduring one of the direst economic debacles in the world ever recorded (page 25).
- Relative to the United States –which acts as the benchmark for purchasing power parities and, consequently, for wage equalisation– the trend is also highly consistent, for its wage indices with Mexico –between 1975 and 2009– increase from 267 to 429. This relationship has all the odds in favour of continuing to worsen, for, on top of the deliberate policy of pauperisation of the Mexican State, the United States has increased its federal minimum wage 13,6% in 2007, 12% in 2008 and 10,7% in 2009, according to the Department of Labour. Such increases guarantee that the equalisation gap for real wages between both countries will continue to widen dramatically as one can already observe in 2009 relative to 2007 (page 28).

Between 1975 and 2009, real wages have been fiercely placed under a deliberate policy not only of real wage containment, but of prolonged erosion. In the last three decades, Mexico's economy suffered a series of recurring crises overwhelmingly triggered by mismanagement and sheer corruption at the highest echelons of government. Accordingly, the peso has devalued almost unabatedly since 1982. Nonetheless, while prices have been adjusted to reflect the impact of devaluations, wages have always been adjusted at lower rates than prices, with the deliberate intention to reduce their share of income. Needless to say that this is standard practice throughout the system.

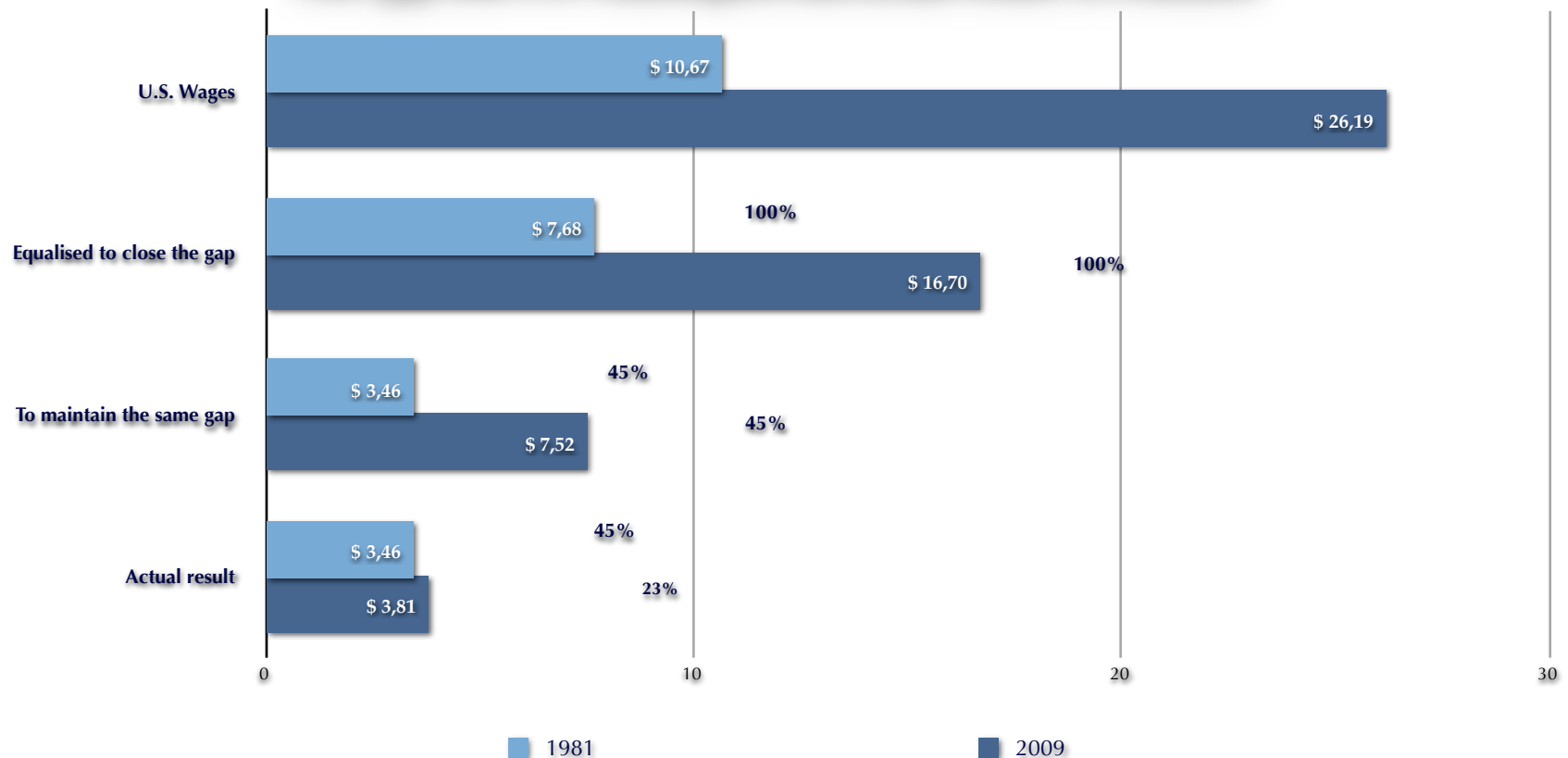
Gap between manufacturing hourly wage and PPP equalisation index with real U.S. wage



Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

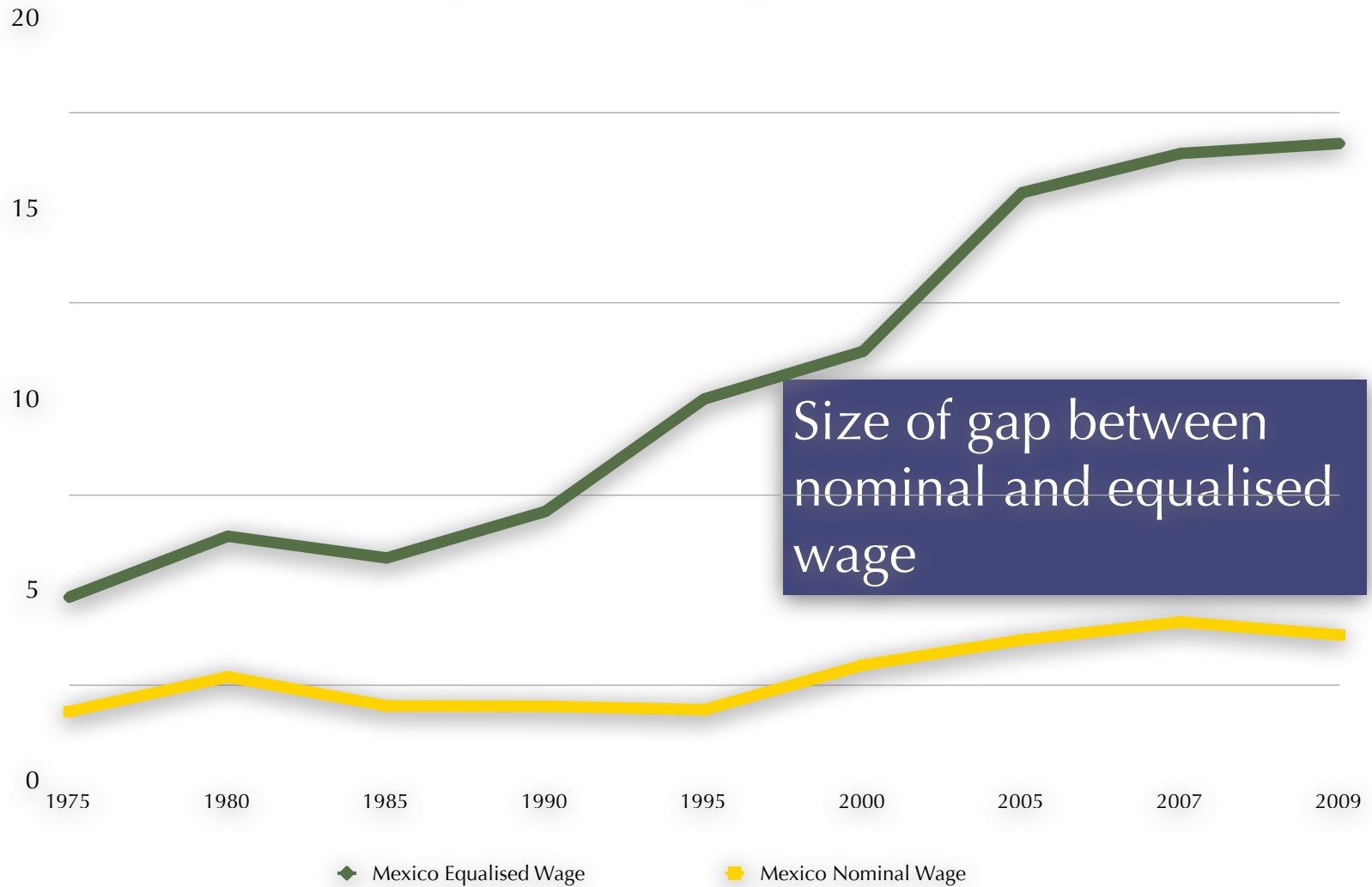
The chart below exhibits a glimpse of the Mexican wage's loss of share of income in the case of manufacturing wages for production workers. Between 1981 and 2009, equivalent U.S. hourly wages increased by 145%. Mexican hourly wages "equalised" –in PPP terms – increased nominally by 117%, given that the PPP cost of living was lower in 2009 than in 1981 (from \$7,68 to \$16,70). A policy of containment of real wages would have entailed increasing nominal wages by the same rate of 117% required to equalise wages in PPP terms (from \$3,46 to \$7,52). Yet, nominal wages – in dollar terms– actually increased by a meagre 10% for the period (from \$3,46 to \$3,81). Consequently, as earlier noted, Mexico's equalisation index for production-line workers in the manufacturing sector collapsed from a 45 index in 1981 to a 23 index in 2009.

Comparison of nominal hourly wages of Mexico's production workers to close gap or maintain 1981 gap with U.S. counterparts and actual results (U.S.dollars)



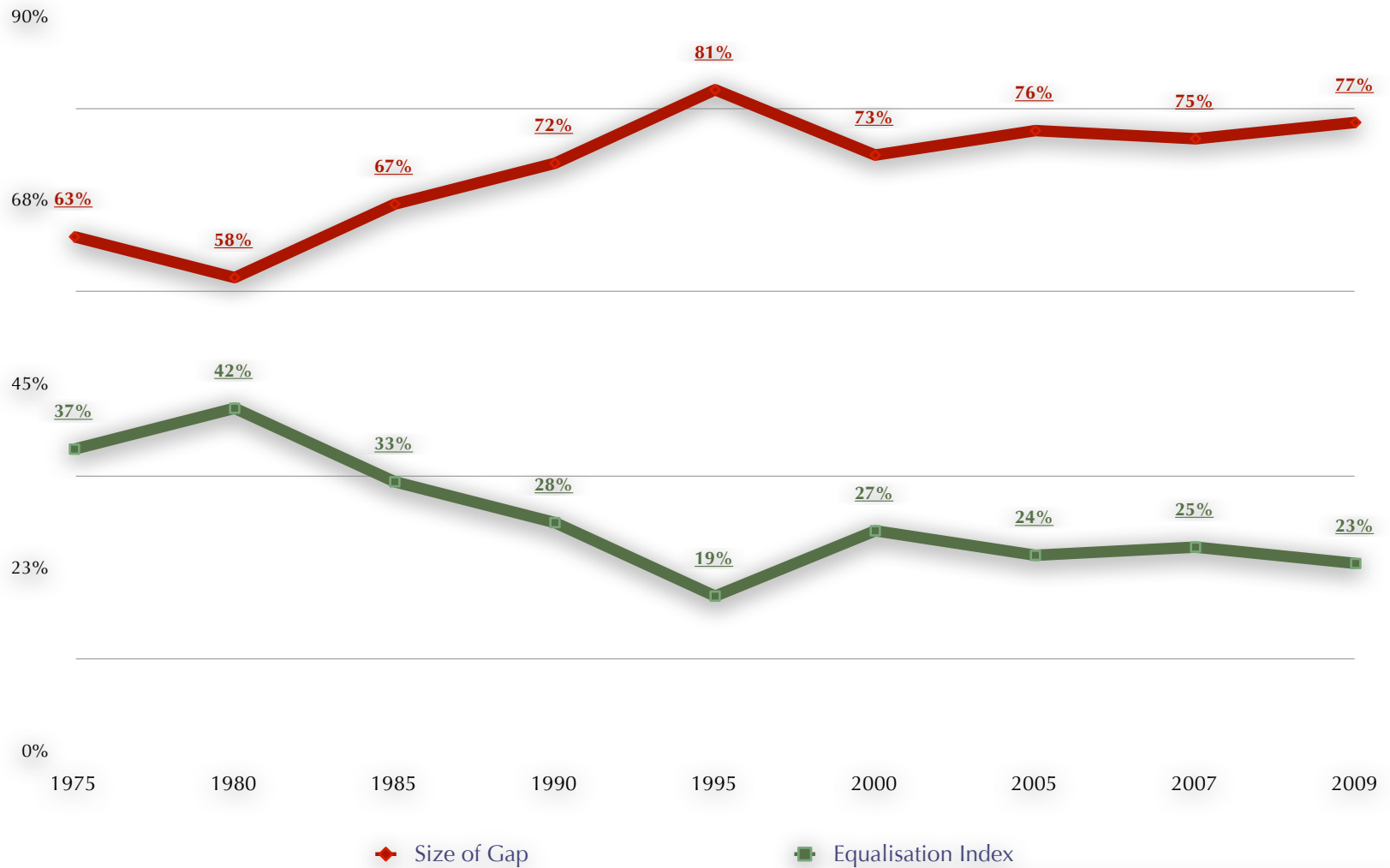
Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Gap Between nominal manufacturing hourly wage and equalised wage in PPP terms with equivalent U.S. real wage (current dollars)



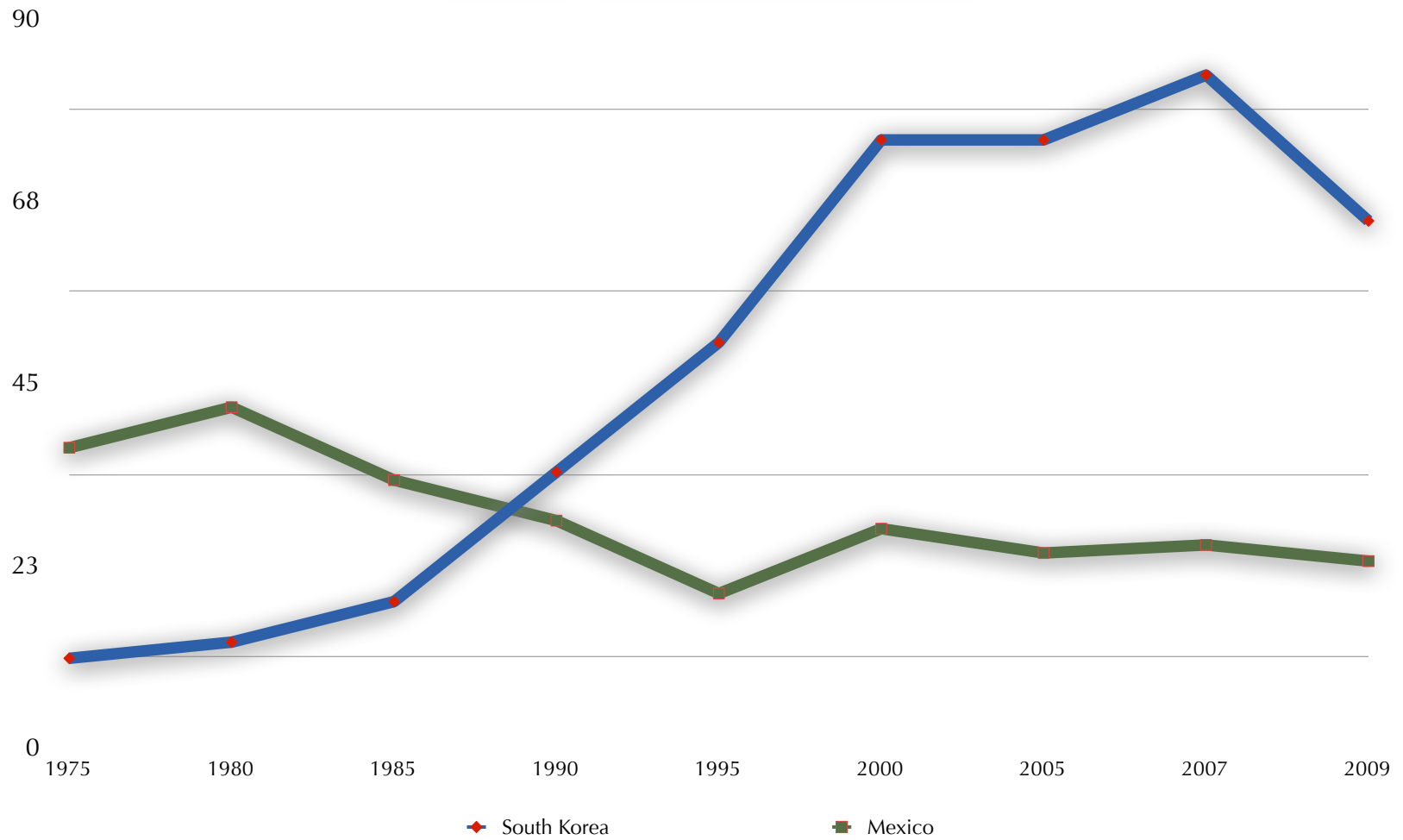
Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Gap between equalisation index and size of manufacturing hourly real wage gap in Mexico vis-à-vis U.S. real wage



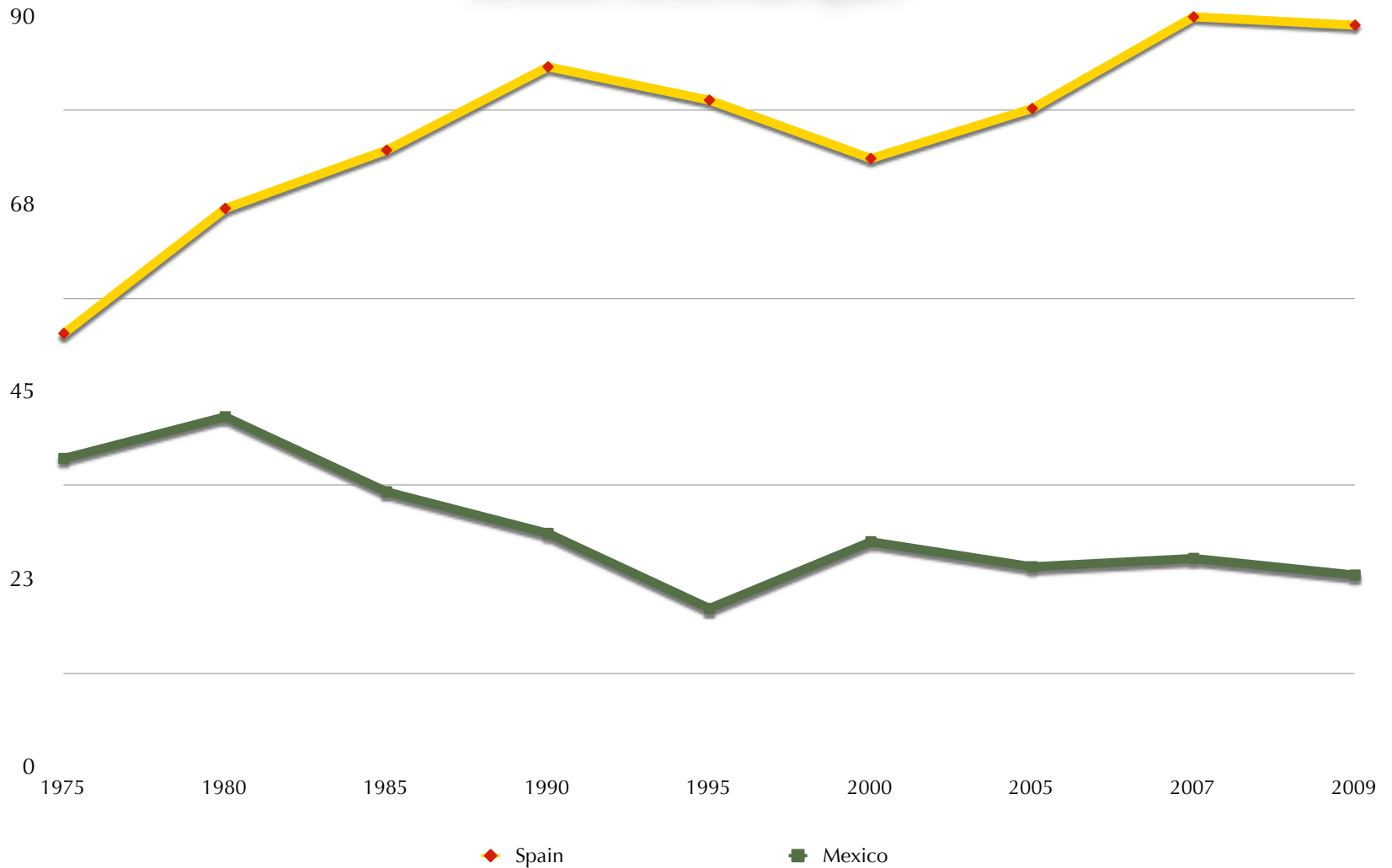
Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Equalisation index in PPP terms of hourly real wage with equivalent U.S. wage between Mexico and South Korea



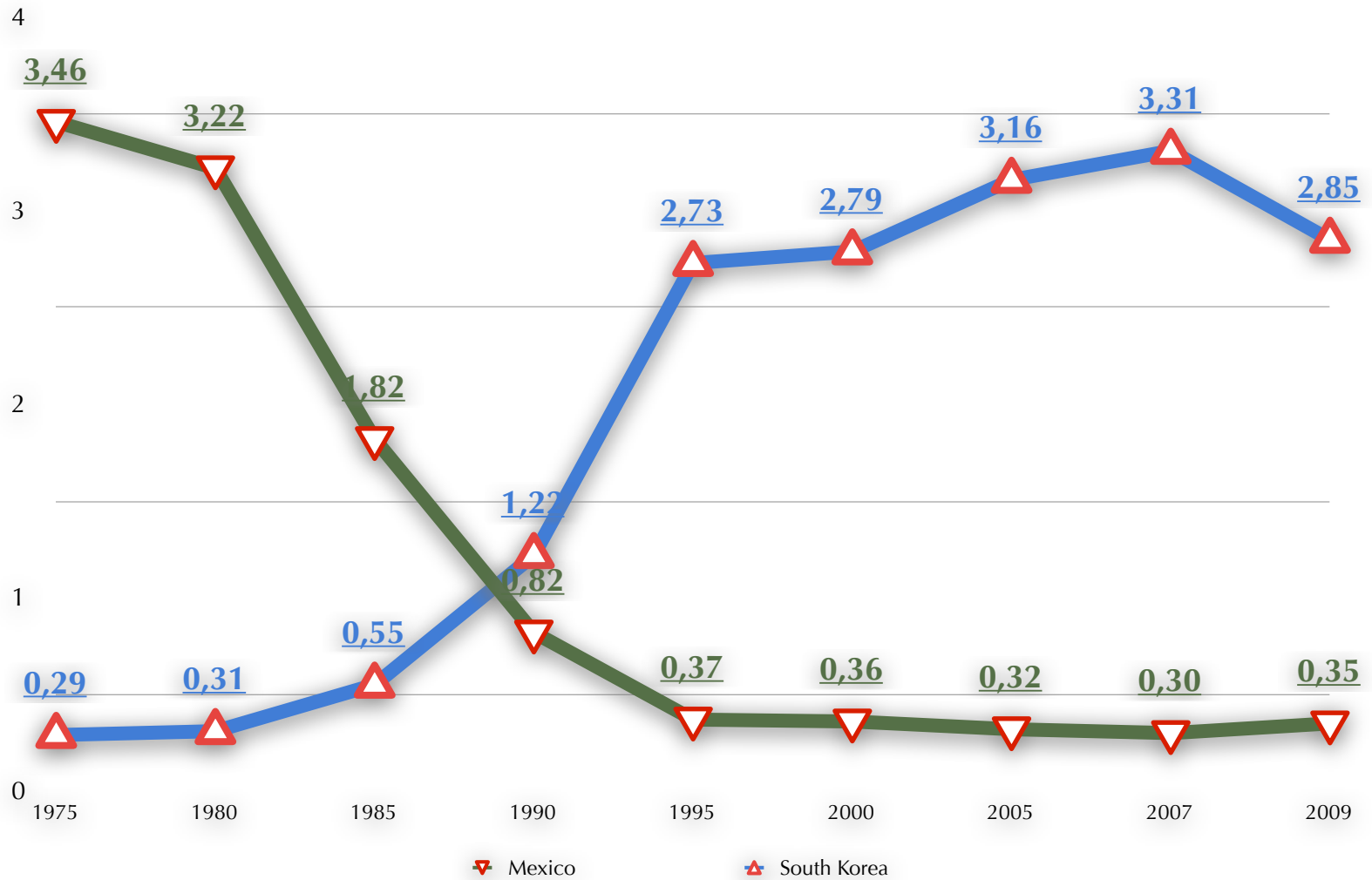
Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Equalisation index in PPP terms of hourly real wage with equivalent U.S. wage between Mexico and Spain



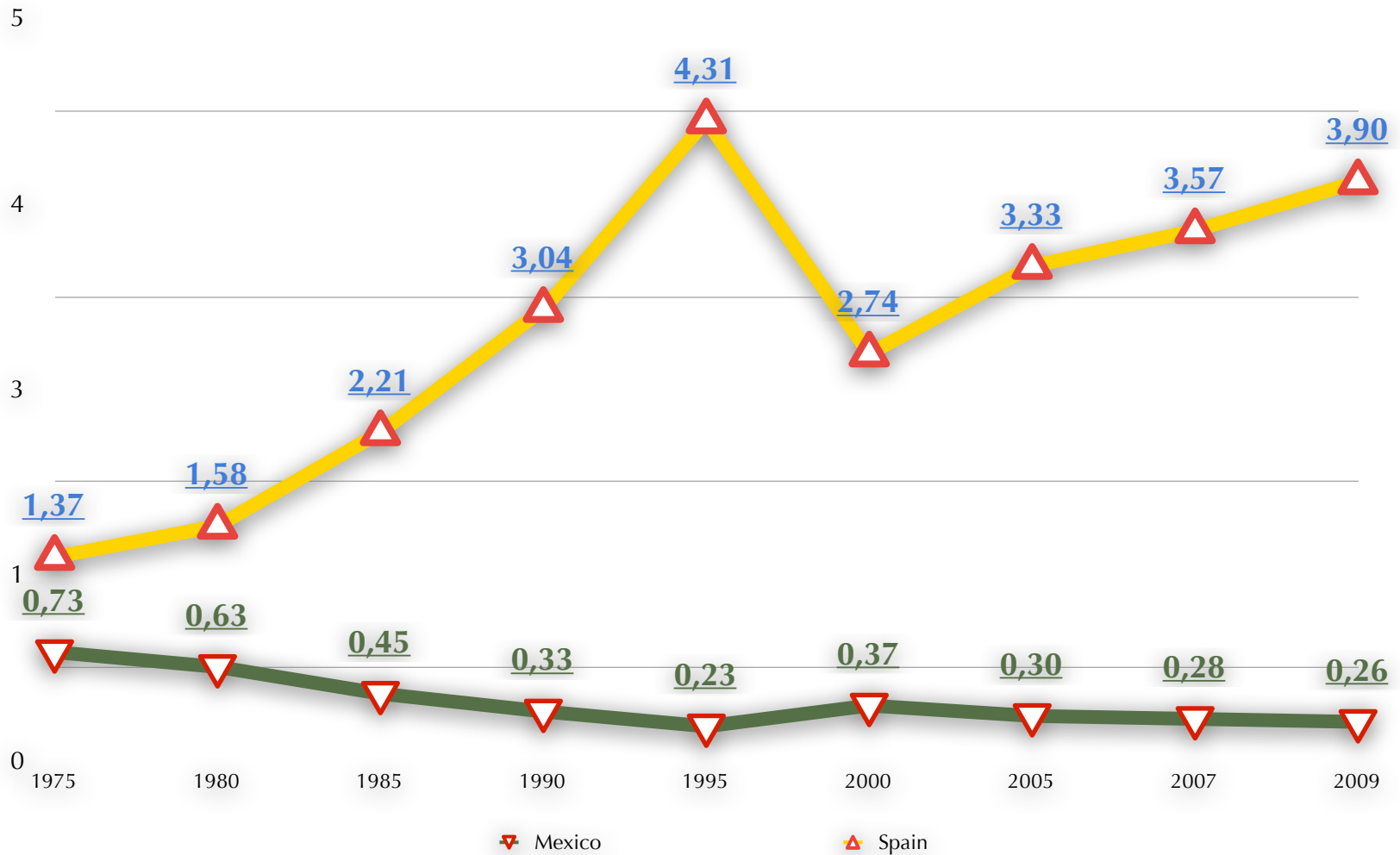
Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Mutual proportion comparisons of PPP real wage between Mexico and South Korea (number of times)



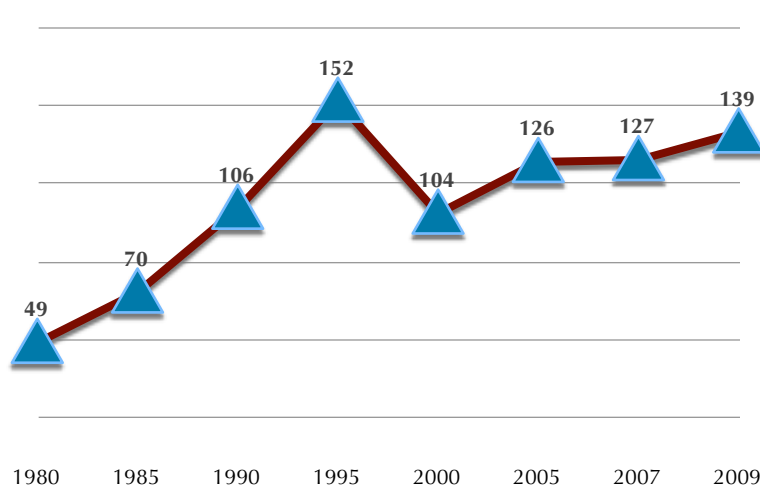
Fuentes: BM, OEL de EEUU, OCDE - © La Alianza Global Jus Semper

Mutual proportion comparisons of PPP real wages between Mexico and Spain (number of times)

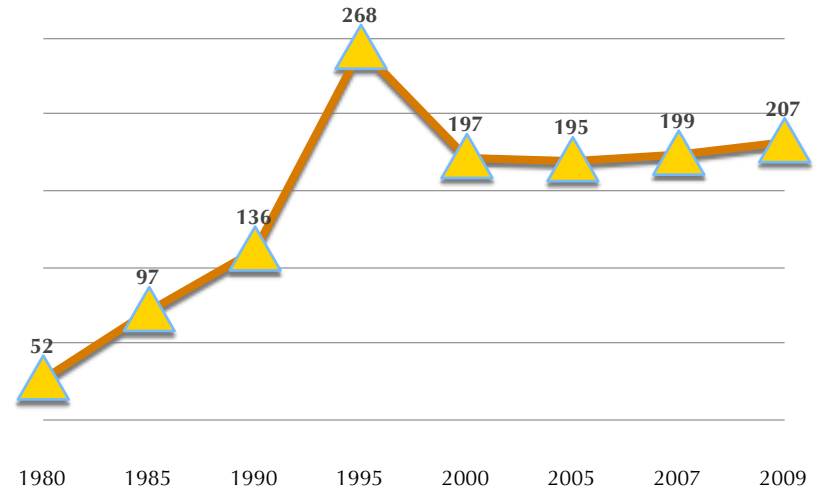


Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

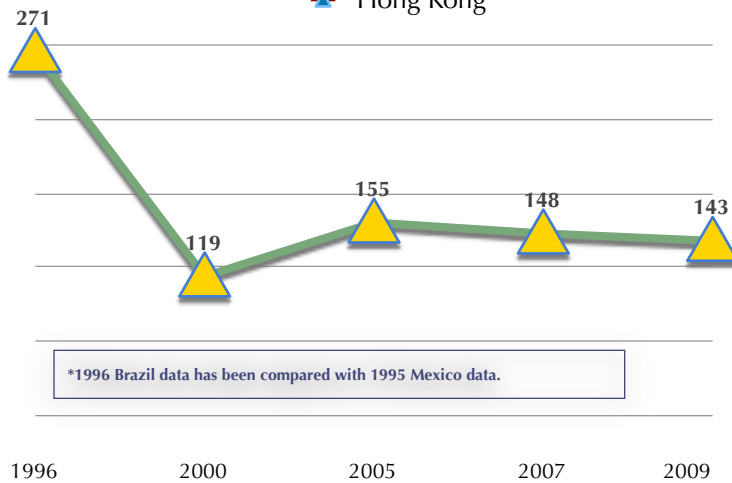
Behaviour of comparative indices of manufacturing hourly real wages of each country vis-à-vis the equivalent Mexican wage (Mexico = 100)



▲ Hong Kong

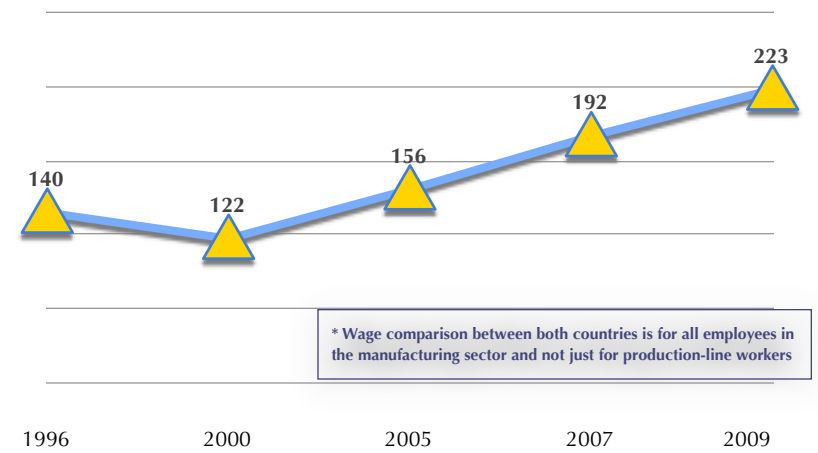


▲ Singapore



▲ Brazil*

*1996 Brazil data has been compared with 1995 Mexico data.

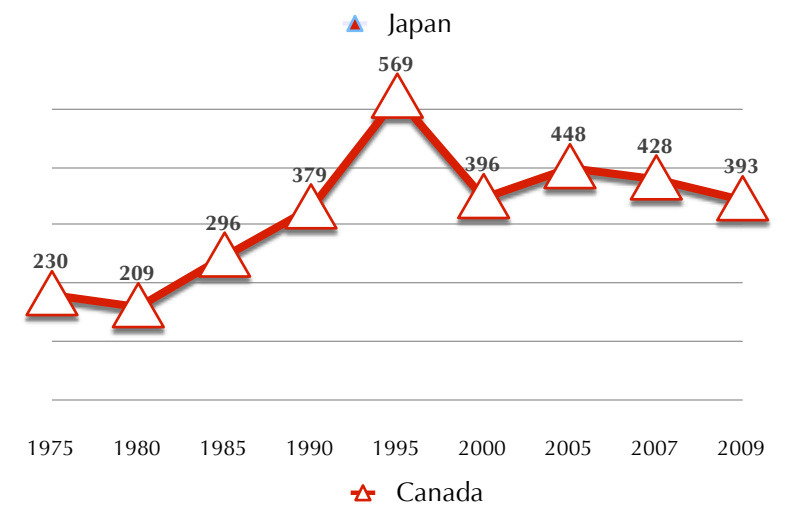
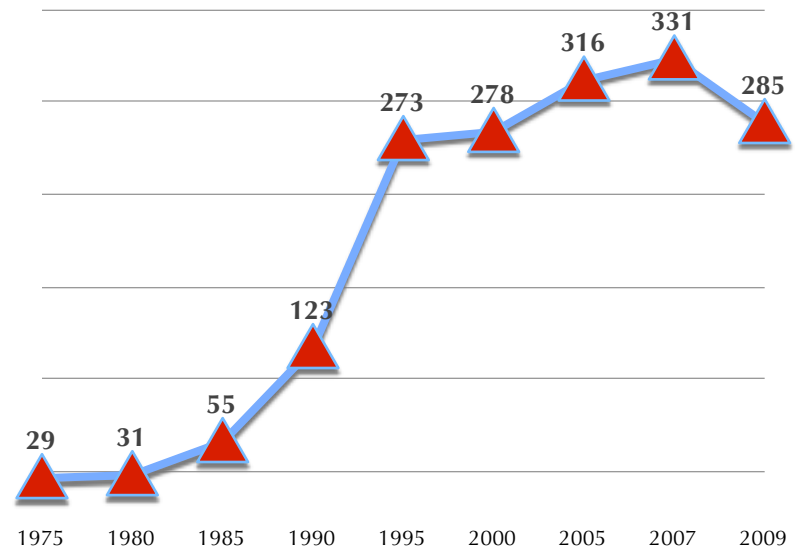
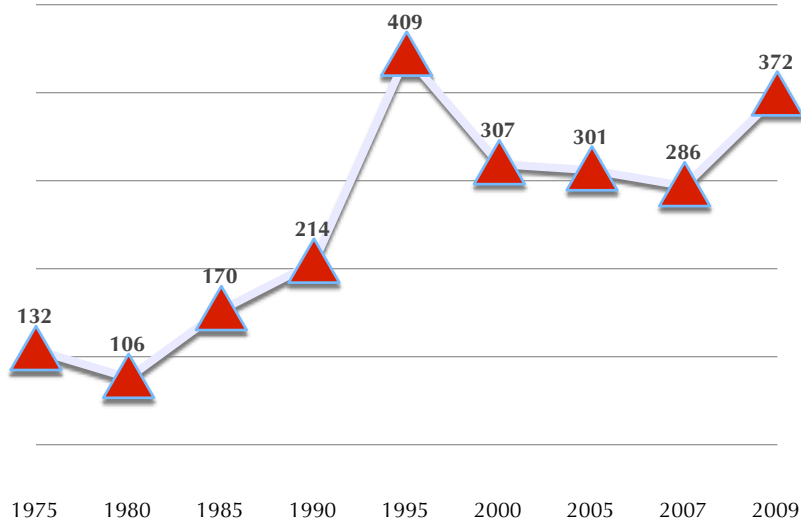


▲ Argentina*

* Wage comparison between both countries is for all employees in the manufacturing sector and not just for production-line workers

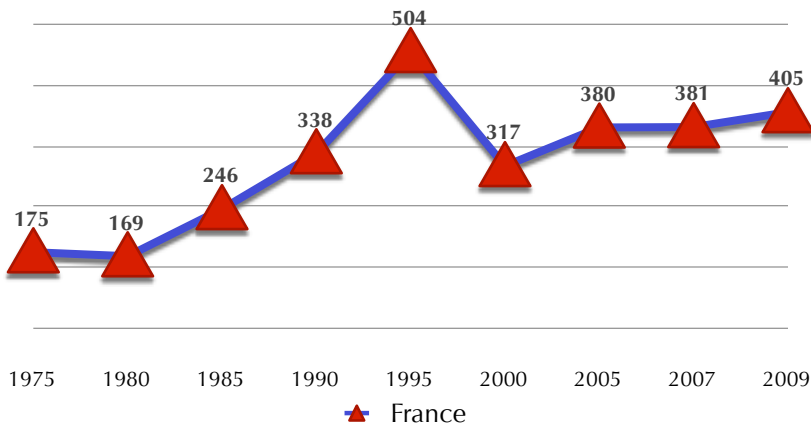
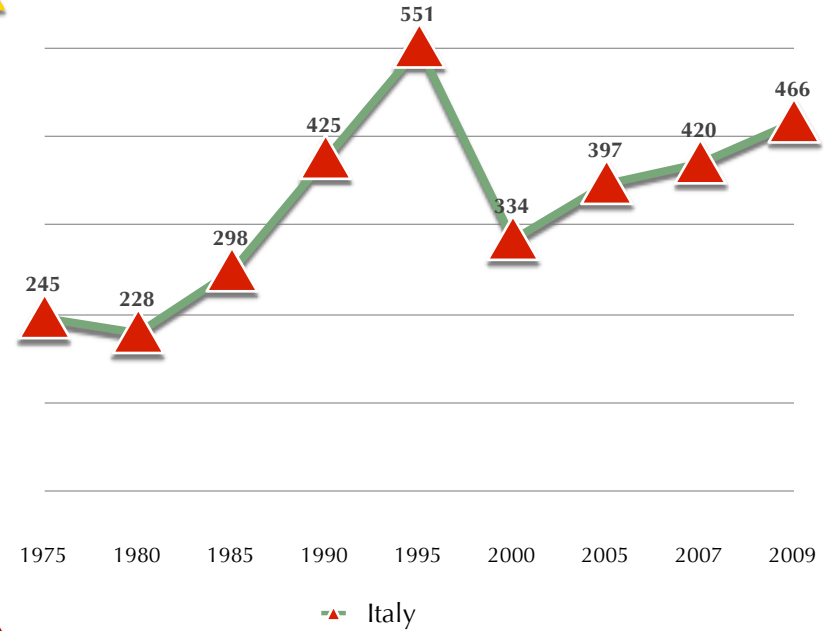
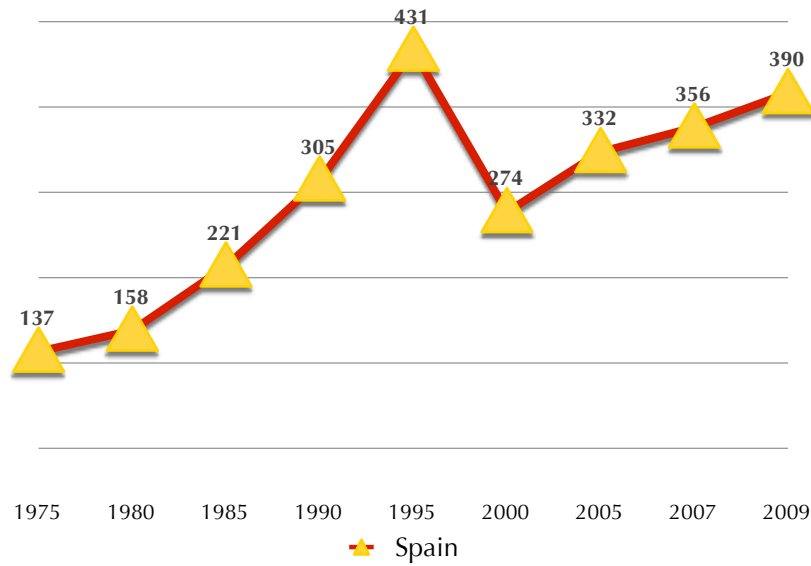
Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Behaviour of comparative indices of manufacturing hourly real wages of each country vis-à-vis the equivalent Mexican wage (Mexico = 100)



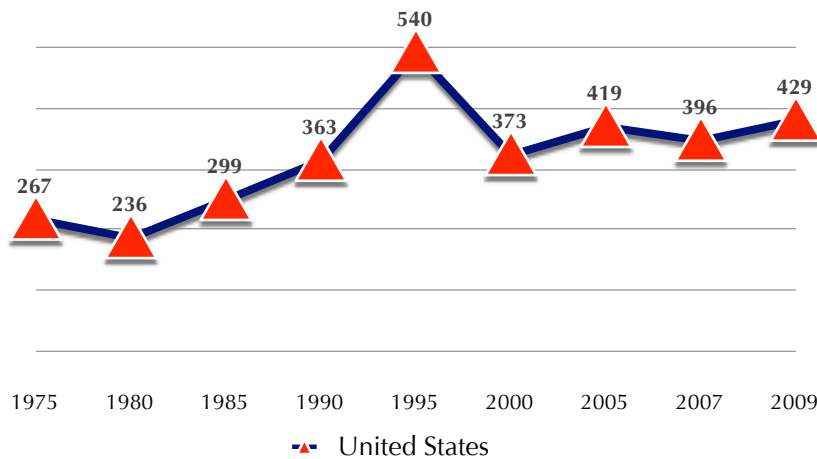
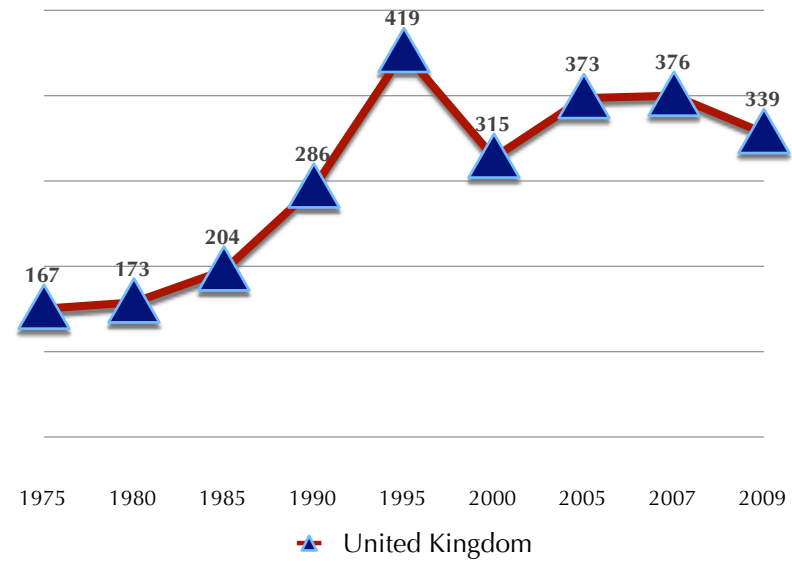
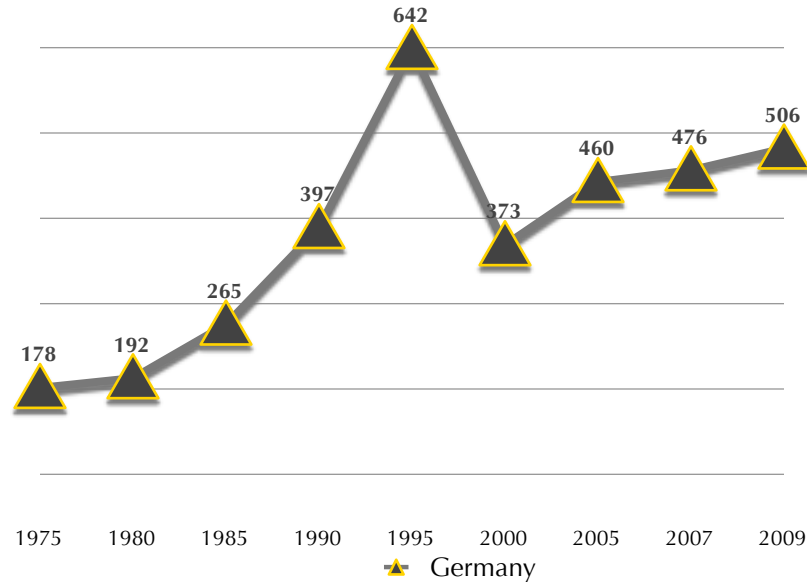
Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Behaviour of comparative indices of manufacturing hourly real wages of each country vis-à-vis the equivalent Mexican wage (Mexico = 100)



Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

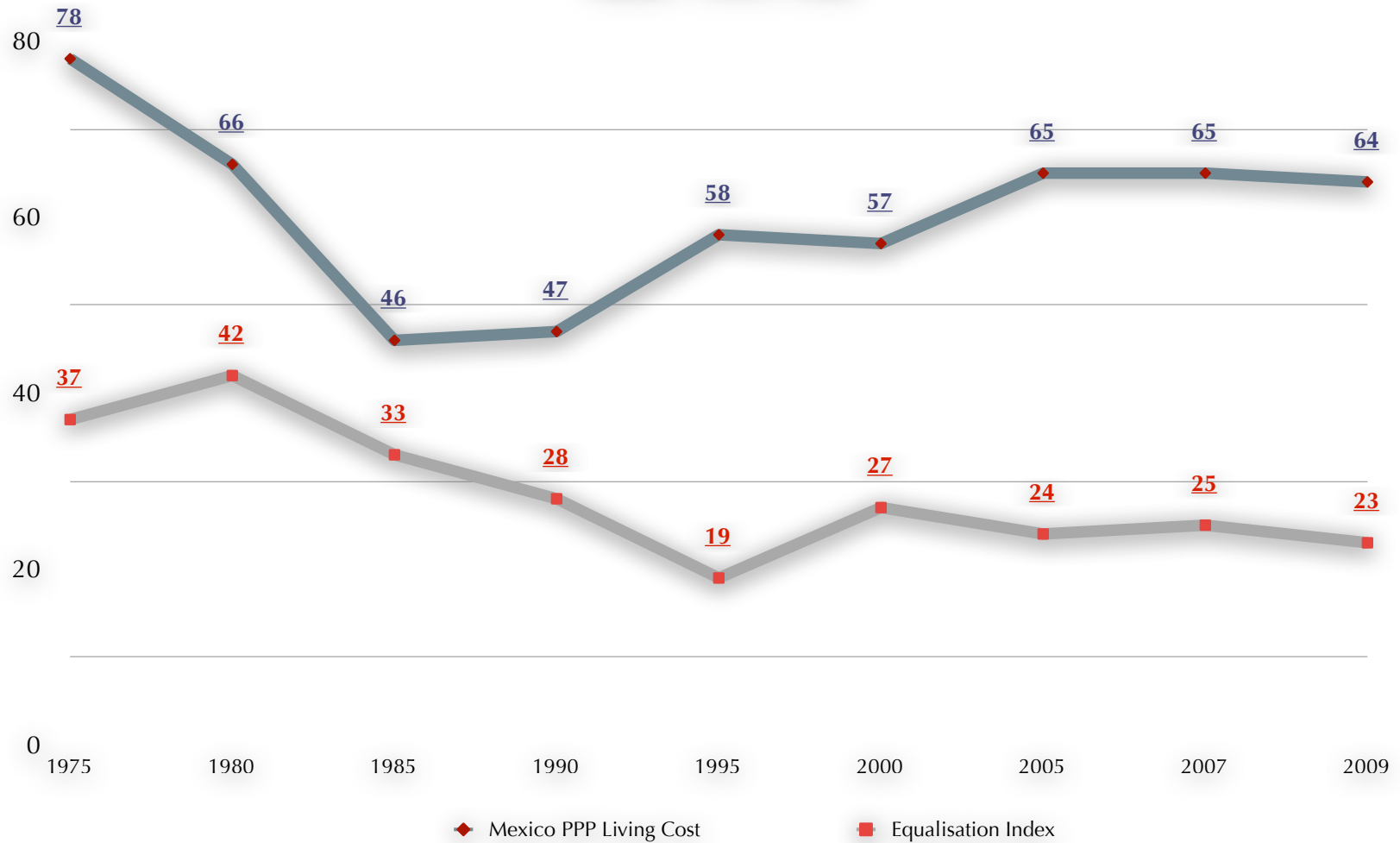
Behaviour of comparative indices of manufacturing hourly real wages of each country vis-à-vis the equivalent Mexican wage (Mexico = 100)



Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

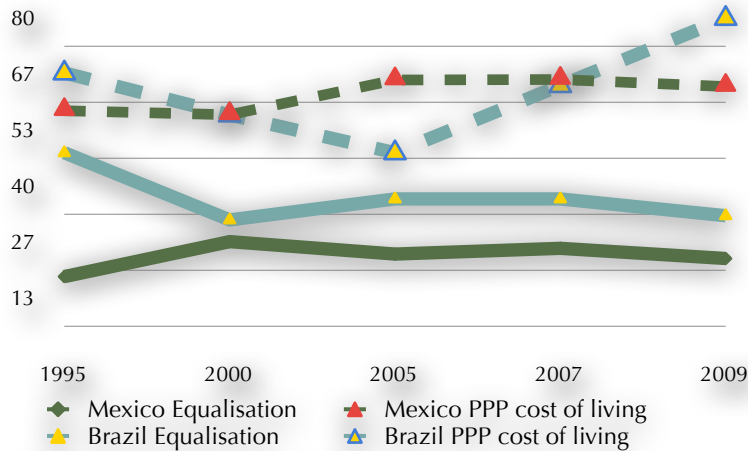
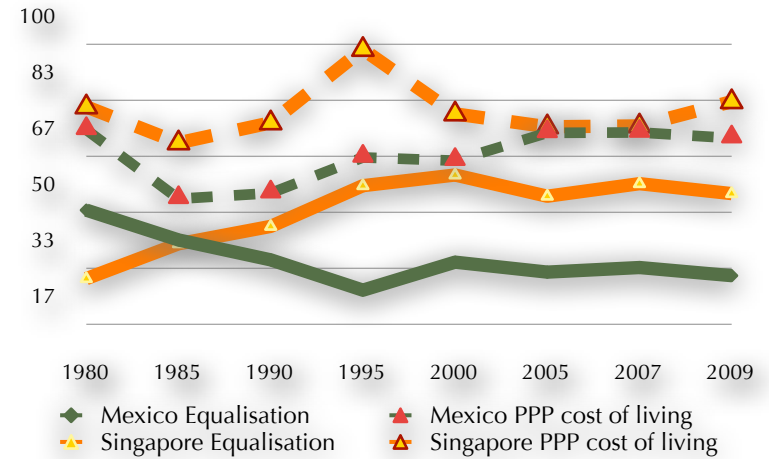
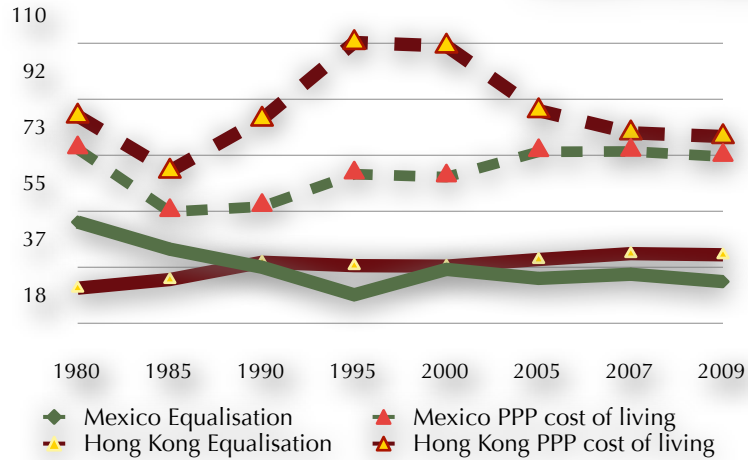
- **Performance of equalisation indices of Mexico's PPP manufacturing hourly real wage vis-à-vis U.S. counterparts and behaviour of Mexico's purchasing power parity indices.** In the following chart (page 30) it is clearly observed that in the case of Mexico –in great contrast with the other countries– there is no relationship between wage equalisation and PPP indices. If in 1975 the equalisation index was 37 and the PPP 78, and in 1980 –at the start of the “crisis”– the same relation became 42 and 66 respectively –and both indicators dropped during the eighties with the subsequent “crises”– beginning in the nineties the PPP indices increased consistently whilst the equalisation indices continued dropping until they levelled off at a miserable plateau (at its nadir) in 2009. Thus, wage equalisation steadily collapses regardless of the behaviour of living cost –in PPP terms. In this way, the gap between the PPP cost of living and equalisation is now much wider than in 1975.
- This does not hold true in the relationship between the same indicators for most countries. Irrespective of the size of the gaps, in most cases equalisation levels tend to increase and approach –or at least maintain the same ratio– with the PPP cost of living indices. Only Brazil and the UK have a wider gap between cost of living and equalisation indices than they did in 1996 (page 31) and 1975 (page 34) respectively. In the case of Brazil, the PPP cost of living exploded since 2005 mainly due to the revaluation of the real. Yet, wages should be increasing as the minimum wage appreciation plan that began in 2010 begins to take effect. The UK suffered a currency devaluation of 22%, which decreased its PPP cost of living. Nonetheless, the drop was stronger than the increase in wages, which consequently made its PPP cost of living vis-à-vis its equalisation index wider than in 1975. Argentina in contrast (page 31) has completely banished the gap between the two indicators. Thus, the curve of equalisation growth has now surpassed the PPP curve and moves along in parallel. In the case of all other countries, the equalisation curves tend to approach the PPP curve and maintain a close distance, such as in the case of Italy, Germany and now Argentina (pages 31 – 34).
- In essence, whilst in all countries included in this assessment –with the two exceptions aforementioned– the relationship between the wage equalisation and PPP cost of living curves tend to converge and, exceptionally, to maintain the same ratio, in the case of Mexico these curves exhibit an explosive divergence in pathways through time. This makes evident, once again, the absence of a policy that allows for increasing or at least maintaining the same ratio between the value of real wages and the cost of living.

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



Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

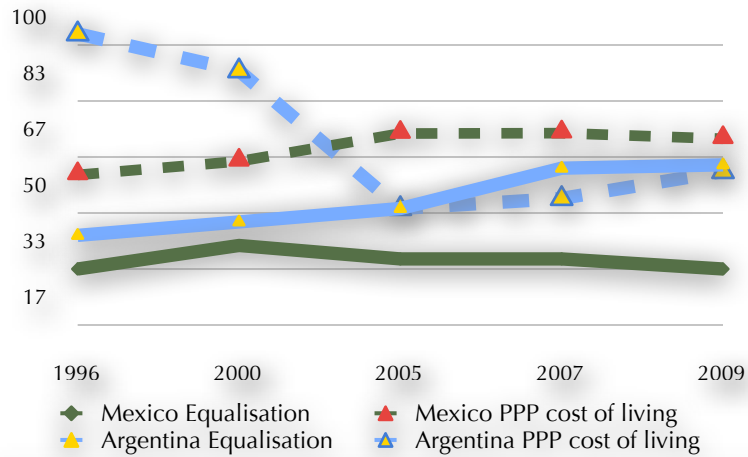
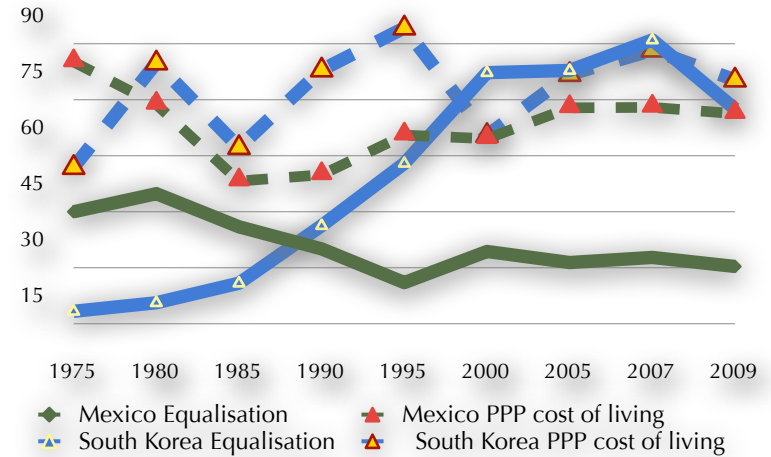
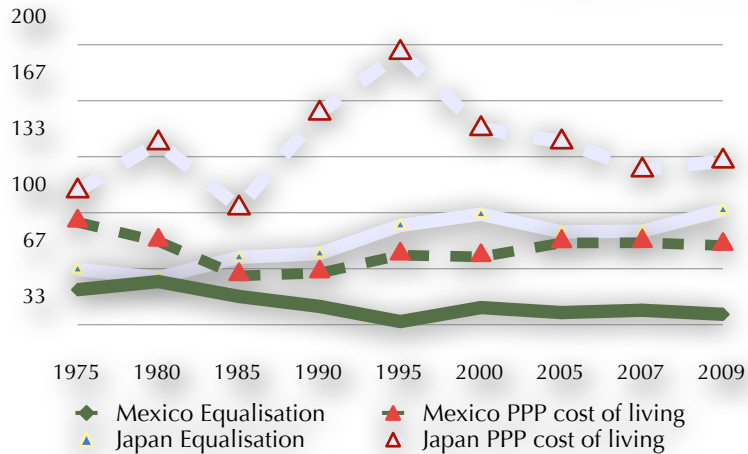
Performance of Mexico's equalisation indices of PPP manufacturing hourly real wage and behaviour of purchasing power parity indices (cost of living in PPP terms) with selected countries relative to their U.S. counterparts



*1995 data for Brazil is actually for 1996

Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

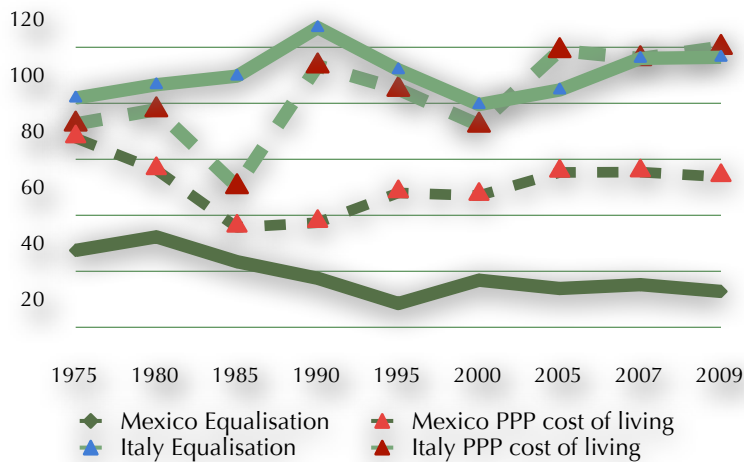
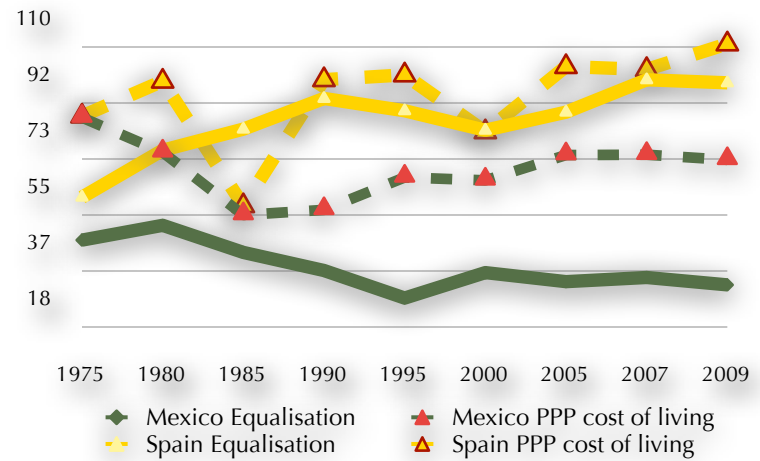
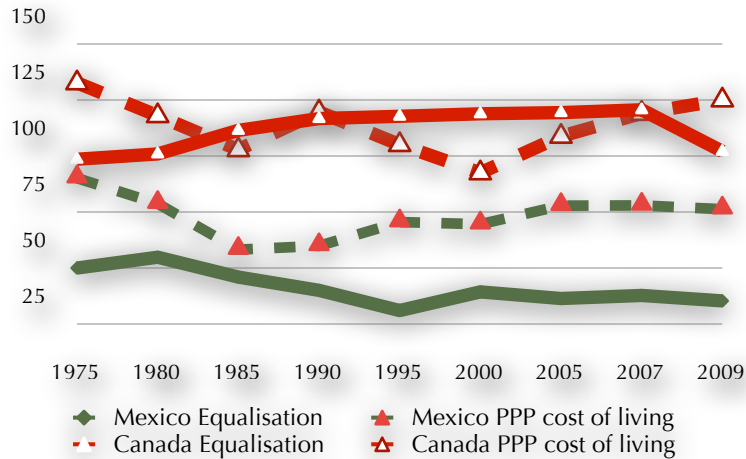
Performance of Mexico's equalisation indices of PPP manufacturing hourly real wage and behaviour of purchasing power parity indices (cost of living in PPP terms) with selected countries relative to their U.S. counterparts



Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

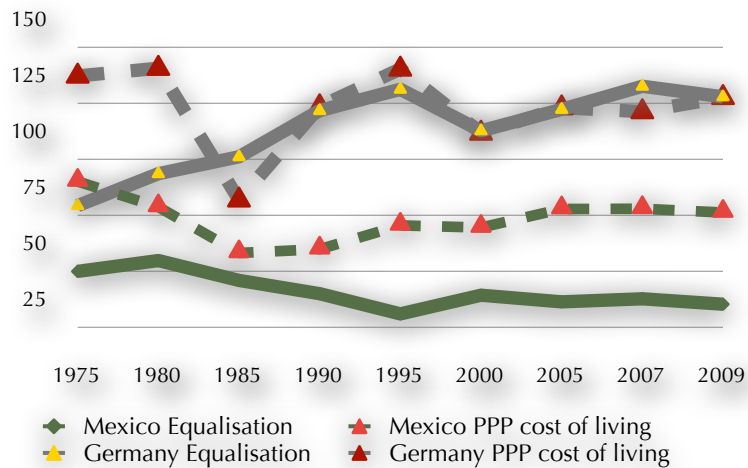
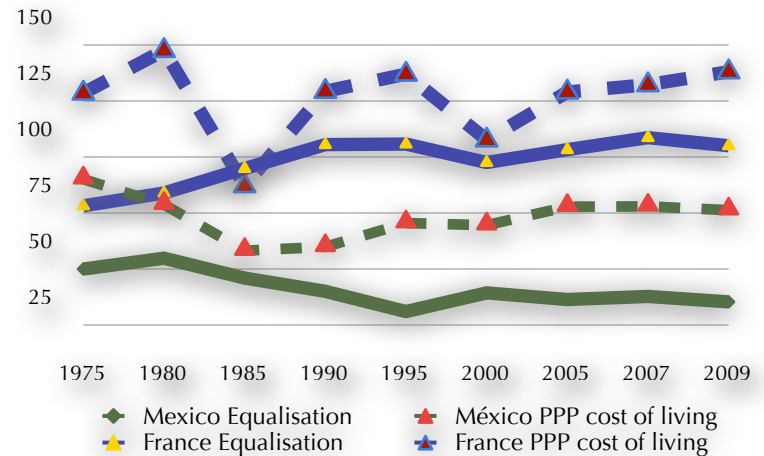
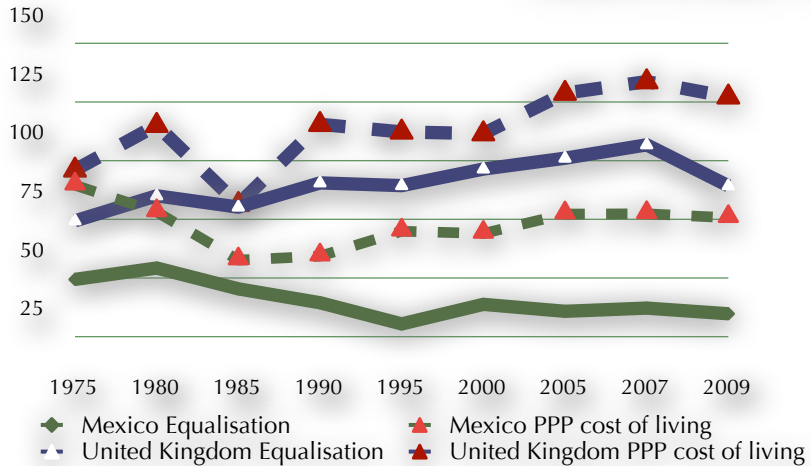
* Wage for both Argentina and Mexico are for all manufacturing sector employees and not just for production-line workers

Performance of Mexico's equalisation indices of PPP manufacturing hourly real wage and behaviour of purchasing power parity indices (cost of living in PPP terms) with selected countries relative to their U.S. counterparts



Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Performance of Mexico's equalisation indices of PPP manufacturing hourly real wage and behaviour of purchasing power parity indices (cost of living in PPP terms) with selected countries relative to their U.S. counterparts

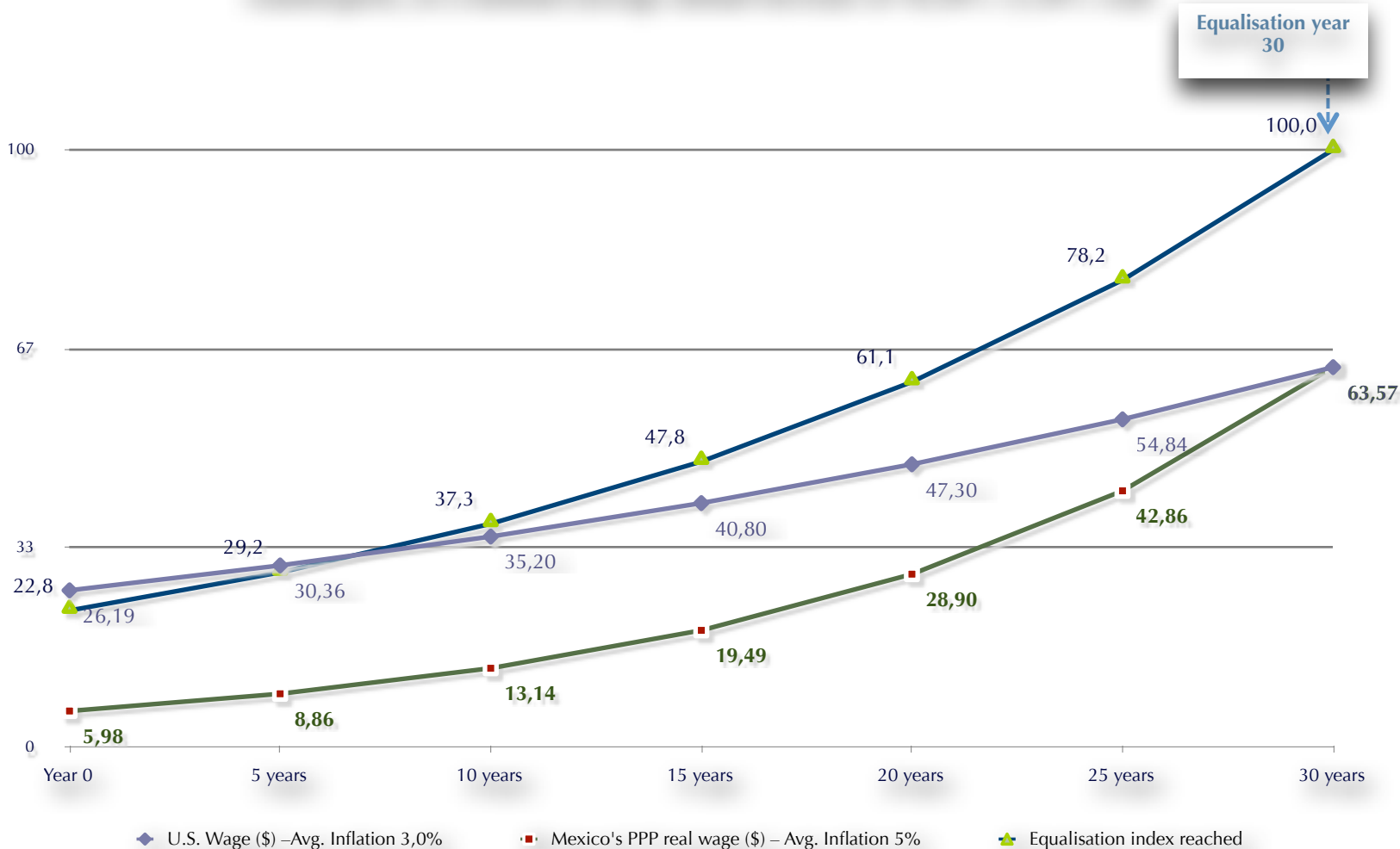


Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Thirty-year projection of the closing of the real wage equalisation gap

- **Projection of real wage equalisation in the manufacturing sector for production-line workers between Mexico and the United States in the term of thirty years, based on TLWNSI's concept**
- Using as the benchmark the manufacturing wages for production-line workers in the U.S. in 2009, the following chart (page 36) illustrates the average increase required to close the hourly real wage gap of Mexican workers with their U.S. counterparts, in PPP and dollar terms, in the term of thirty years, starting in 2009. The projection is made assuming a context of stable global economic conditions. This would be reflected in relatively low inflation rates not just for Mexico and the U.S. but also for the entire world. This would assume a sustained growth of Mexico's economy in line with the U.S. economy, averaging 3%, which is less than ideal for a middle-income country, due to its total dependency on the U.S. economy. This would place Mexico's average growth below the average for Iberian America. Even though the assumed average inflation rate of 5% is slightly above that experienced between 2001 and 2010, it is still an optimistic assumption, given the inherent instability of the global system as well as of the administration of the State proper. Thus, it is likely that inflation will tend to increase as long as governments refuse to regulate the market –with a very visible and resolute hand– and insist on ceding control of the real economy to the casino-like speculative culture of the institutional investors of the financial sector economy. In this way, despite the absolute certainty of the occurrence of boom and bust periods both in Mexico and globally, the projection assumes that Mexico's economy will continue to grow at the mediocre average of 2,8% recorded between 1990 and 2010, which we also consider relatively optimistic, for the reasons discussed above.
- **Criteria used in the projection:**
 - ➔ Average U.S. CPI (inflation): 3% (average of 2,4% between 2001 and 2010).
 - ➔ Average Mexican CPI: 5% (average of 4,68% between 2001 and 2010).
 - ➔ Real value of wages in the U.S. remains constant, increasing nominally by 3%, annually, to neutralise inflation.
 - ➔ World Bank indicators recorded a PPP of \$0,638 for Mexico, equivalent to 63,8% of the U.S. cost of living in 2009.
 - ➔ The benchmarks –and starting point– used in this projection are the PPP manufacturing hourly real wages (total compensation cost for both economies for 2009: U.S: \$26,19 and Mexico: \$5,98; and nominal wages: \$26,19 and \$3,81 respectively).
 - ➔ Real wage figures are shown at constant prices, reflecting future purchasing power after adjusting for inflation.
 - ➔ The exchange rate between the U.S. and Mexico is assumed to remain fairly stable.
- **Results of the thirty-year projection:**
 - ➔ The chart on next page shows the behaviour of real wages for both the U.S. and Mexico over a thirty-year period. Results indicate that closing Mexico's wage gap in thirty years, under the above criteria, would require increasing real wages by 5,3% annually –after adjusting for inflation.
 - ➔ Nominal wages in Mexico were increased an average of 10,3% for thirty years, assuming a 5% inflation rate.
 - ➔ Not shown in the chart, the projection made Mexico's cost of living in PPP terms on year thirtieth (2039) equivalent to 113,5% the U.S. cost of living –whereas it was 63,8% in 2009– due to the clearly higher inflation rate.
 - ➔ Closing the wage gap would cover the 2010 to 2039 span of time.

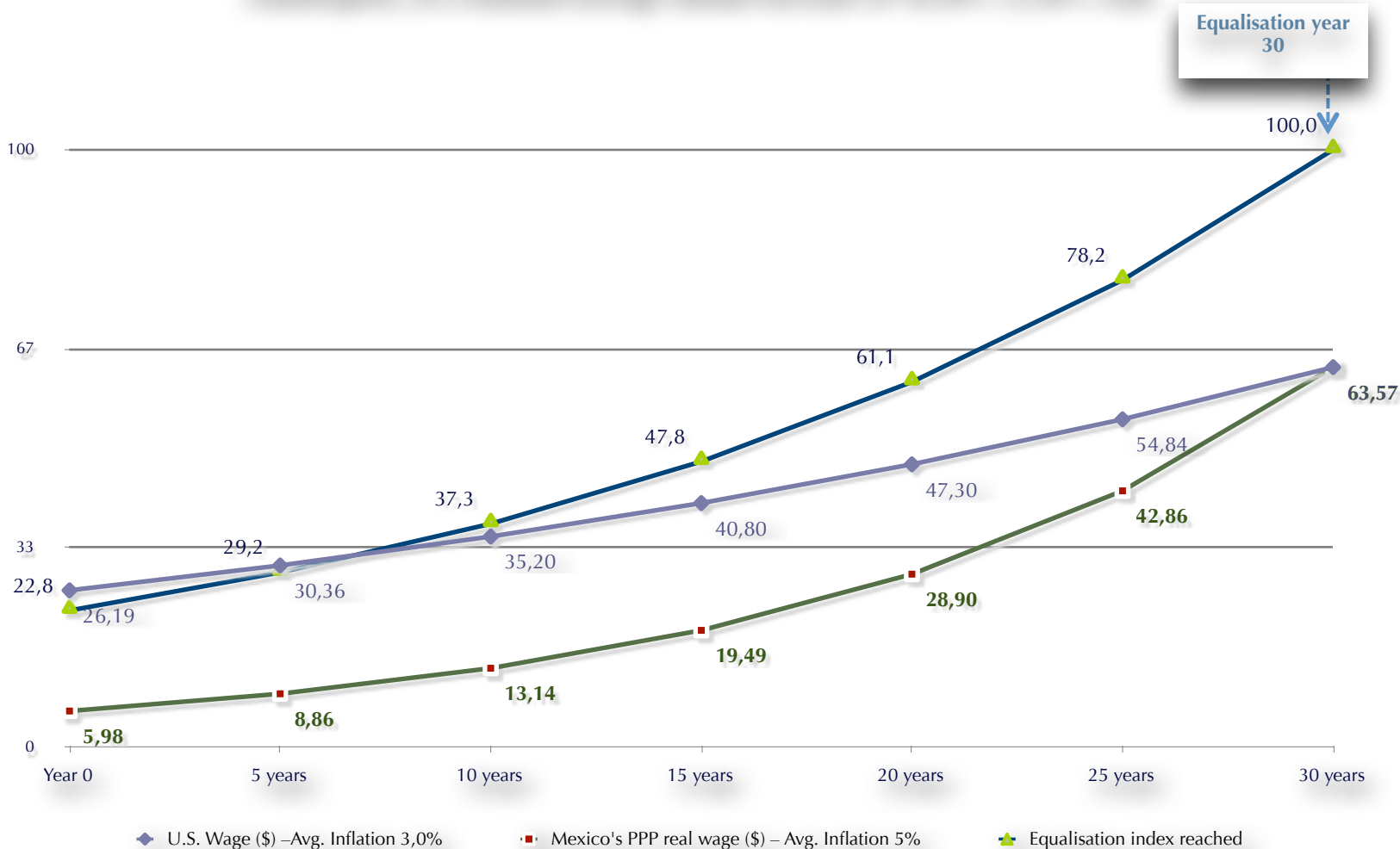
Thirty-year projection of Mexico's equalisation of production-line manufacturing hourly real wage with wages of its U.S. counterparts, at a nominal average annual increase of 10,30% (5,30% real)



Not a forecasting analysis. This projection at no time pretends to forecast what would be the inflationary indices or the rates of wage increases that will occur in Mexico in the future. For this projection, the average behaviour of these indicators has been established in a discretionary manner – based on the data recorded over the last three decades– with the only purpose of projecting the level of nominal wage increase required under these assumptions, to illustrate the closing of the living wage gap in Mexico. Parting from the assessment of the wage policy, reflected in the behaviour of real wages in the Mexican manufacturing sector since 1975, the probability that this projection materialises, under current State policy, is zero.

Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

Thirty-year projection of Mexico's equalisation of production-line manufacturing hourly real wage with wages of its U.S. counterparts, at a nominal average annual increase of 10,30% (5,30% real)



Not a forecasting analysis. This projection at no time pretends to forecast what would be the inflationary indices or the rates of wage increases that will occur in Mexico in the future. For this projection, the average behaviour of these indicators has been established in a discretionary manner – based on the data recorded over the last three decades– with the only purpose of projecting the level of nominal wage increase required under these assumptions, to illustrate the closing of the living wage gap in Mexico. Parting from the assessment of the wage policy, reflected in the behaviour of real wages in the Mexican manufacturing sector since 1975, the probability that this projection materialises, under current State policy, is zero.

Sources: WB, U.S. BLS, OECD – © The Jus Semper Global Alliance

- **Prospectus.** The future of production-line manufacturing wages in Mexico is absolutely ominous unless society removes from power those who have imposed the Mafia State and impose a citizen's government of real democracy. Every year the government's economic policies contain or further erode real wages. Additionally, the State has unleashed a policy of repression of the rights of freedom of association and to organise and collective bargaining. The deep impoverishment of Mexicans is a fact. Official data acknowledge that 81% of Mexicans are poor (Coneval 2009). By the same token, in 2009 the minimum wage was able to afford 17,5% of the 40 goods of the CBI or indispensable basket of goods, down from 49% in 1994, a 64% loss of purchasing power in 15 years (1) STPS: Salarios Mínimos Vigentes 1994 & 2009; 2) Laura Juárez Sánchez: Política económica neoliberal y salarios, Trabajadores, Universidad Obrera de Mexico VLT, Vol. 61, julio-agosto de 2007; 3) Laura Juárez Sánchez: Despojo salarial y pobreza, Hoja Obrera, Universidad Obrera de Mexico, VLT, Diciembre 2010, Número 109), which is deemed essential for survival. Moreover, the government began 2010 and 2011 with strong price increases in the energy sector, which guarantee a greater pauperisation of real wages. Thus, parting from these findings, it is estimated –with a great degree of confidence– that less than 10% of all salaried workers can afford the CBI in 2011. This prospectus remains with exactly the same tone conveyed in the 2007 and 2008 reports, for the deprivation, depredation and deliberate pauperisation – as a State policy– continue deepening.
- In summary, more than a quarter century of predatory capitalism in Mexico exposes, decisively, a government's policy –from the perspective of manufacturing wages in particular and all wages in general– of perverse and premeditated pauperisation and exploitation of Mexican labour, for the only public policy of the Mafia State is to govern for the benefit of domestic and foreign institutional investors and their corporations. In this way, as long as the “robber baron” elites currently in power remain in control, the deepening of the pauperisation of Mexico's population is more than guaranteed, in such a way that the odds in favour of making the closing of Mexico's living-wage gap a reality in the term of thirty years is currently zero.

The Jus Semper Global Alliance – Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for PL manufacturing workers in purchasing power parity terms 1975-2009

		1975	1980	1985	1990	1995	2000	2005	2007	2009
Benchmark	1. U.S. Hourly Manufacturing Rate	6,19	9,67	12,76	14,88	17,24	19,73	23,60	25,13	26,19
Canada	GNI PPPs in country currency*	1,222	1,234	1,237	1,254	1,269	1,192	1,165	1,140	1,283
	Exchange rate	1,017	1,17	1,37	1,170	1,370	1,49	1,21	1,07	1,14
	GNI PPPs in US Dollars	\$ 1,20	\$ 1,05	\$ 0,90	\$ 1,07	\$ 0,93	\$ 0,80	\$ 0,96	\$ 1,07	\$ 1,13
	2. Equalised PPP nominal compensation US \$	\$ 7,44	\$ 10,20	\$ 11,52	\$ 15,95	\$ 15,96	\$ 15,78	\$ 22,73	\$ 26,77	\$ 29,47
	3. Actual Real compensation US \$	\$ 5,33	\$ 8,55	\$ 12,62	\$ 15,51	\$ 18,14	\$ 20,98	\$ 25,22	\$ 27,17	\$ 23,46
	4. Actual Nominal compensation US \$	\$ 6,40	\$ 9,02	\$ 11,40	\$ 16,62	\$ 16,80	\$ 16,78	\$ 24,29	\$ 28,94	\$ 26,40
	Compensation Deficit in US \$ (2 minus 4)	\$ 1,04	\$ 1,18	\$ 0,12	\$ (0,67)	\$ (0,84)	\$ (1,00)	\$ (1,56)	\$ (2,17)	\$ 3,07
	Wage Equalisation index (4÷2 or 3÷1)	0,86	0,88	0,99	1,04	1,05	1,06	1,07	1,08	0,90
South Korea	GNI PPPs in country currency*	238,900	469,826	475,856	534,158	668,807	655,045	760,441	750,774	929,230
	Exchange rate	484	607,4	870,02	707,76	771,27	1130,96	1024,12	929,26	1276,93
	GNI PPPs in US Dollars	\$ 0,49	\$ 0,77	\$ 0,55	\$ 0,75	\$ 0,87	\$ 0,58	\$ 0,74	\$ 0,81	\$ 0,73
	2. Equalised PPP nominal compensation US \$	\$ 3,06	\$ 7,48	\$ 6,98	\$ 11,23	\$ 14,95	\$ 11,43	\$ 17,52	\$ 20,30	\$ 19,06
	3. Actual Real compensation US \$	\$ 0,67	\$ 1,27	\$ 2,34	\$ 5,02	\$ 8,70	\$ 14,74	\$ 17,78	\$ 20,98	\$ 17,03
	4. Actual Nominal compensation US \$	\$ 0,33	\$ 0,98	\$ 1,28	\$ 3,79	\$ 7,54	\$ 8,54	\$ 13,20	\$ 16,95	\$ 12,39
	Compensation Deficit in US \$ (2 minus 4)	\$ 2,73	\$ 6,50	\$ 5,70	\$ 7,44	\$ 7,41	\$ 2,89	\$ 4,32	\$ 3,35	\$ 6,67
	Wage Equalisation index (4÷2 or 3÷1)	0,11	0,13	0,18	0,34	0,50	0,75	0,75	0,83	0,65

The Jus Semper Global Alliance – Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for PL manufacturing workers in purchasing power parity terms 1975-2009

		1975	1980	1985	1990	1995	2000	2005	2007	2009
Benchmark	1. U.S. Hourly Manufacturing Rate	6,19	9,67	12,76	14,88	17,24	19,73	23,60	25,13	26,19
Japan	GNI PPPs in country currency*	286,000	283,358	205,644	206,539	168,142	143,776	138,352	128,134	106,775
	Exchange rate	296,79	226,74	238,54	144,79	94,06	107,77	110,22	117,75	93,57
	GNI PPPs in US Dollars	\$ 0,96 \$	1,25 \$	0,86 \$	1,43 \$	1,79 \$	1,33 \$	1,26 \$	1,09 \$	1,14
	2. Equalised PPP nominal compensation US \$	\$ 5,96 \$	12,08 \$	11,00 \$	21,23 \$	30,82 \$	26,32 \$	29,62 \$	27,35 \$	29,89
	3. Actual Real compensation US \$	\$ 3,06 \$	4,33 \$	7,24 \$	8,78 \$	13,06 \$	16,26 \$	16,98 \$	18,17 \$	22,22
	4. Actual Nominal compensation US \$	\$ 2,95 \$	5,41 \$	6,24 \$	12,52 \$	23,34 \$	21,69 \$	21,31 \$	19,77 \$	25,36
	Compensation Deficit in US \$ (2 minus 4)	\$ 3,01 \$	6,67 \$	4,76 \$	8,71 \$	7,48 \$	4,63 \$	8,31 \$	7,58 \$	4,53
Wage Equalisation index (4÷2 or 3÷1)	0,49	0,45	0,57	0,59	0,76	0,82	0,72	0,72	0,85	
France	GNI PPPs in country currency*	4,978	5,714	6,716	6,366	6,212	1,030	0,936	0,874	0,901
	Exchange rate	4,29	4,23	8,99	5,450	4,990	1,0832	0,8033	0,7293	0,7176
	GNI PPPs in US Dollars	\$ 1,16 \$	1,35 \$	0,75 \$	1,17 \$	1,24 \$	0,95 \$	1,17 \$	1,20 \$	1,26
	2. Equalised PPP nominal compensation US \$	\$ 7,18 \$	13,06 \$	9,53 \$	17,38 \$	21,46 \$	18,77 \$	27,50 \$	30,10 \$	32,88
	3. Actual Real compensation US \$	\$ 4,07 \$	6,91 \$	10,51 \$	13,84 \$	16,08 \$	16,78 \$	21,42 \$	24,16 \$	24,23
	4. Actual Nominal compensation US \$	\$ 4,72 \$	9,33 \$	7,85 \$	16,17 \$	20,02 \$	15,96 \$	24,96 \$	28,94 \$	30,42
	Compensation Deficit in US \$ (2 minus 4)	\$ 2,46 \$	3,73 \$	1,68 \$	1,21 \$	1,44 \$	2,81 \$	2,54 \$	1,16 \$	2,46
Wage Equalisation index (4÷2 or 3÷1)	0,66	0,71	0,82	0,93	0,93	0,85	0,91	0,96	0,93	
Germany	GNI PPPs in country currency*	3,062	2,330	2,042	1,795	1,831	1,075	0,888	0,794	0,826
	Exchange rate	2,4553	1,8175	2,9419	1,6166	1,4321	1,0832	0,8033	0,7293	0,7176
	GNI PPPs in US Dollars	\$ 1,25 \$	1,28 \$	0,69 \$	1,11 \$	1,28 \$	0,99 \$	1,11 \$	1,09 \$	1,15
	2. Equalised PPP nominal compensation US \$	\$ 7,72 \$	12,39 \$	8,86 \$	16,52 \$	22,04 \$	19,58 \$	26,08 \$	27,35 \$	30,16
	3. Actual Real compensation US \$	\$ 4,14 \$	7,84 \$	11,31 \$	16,26 \$	20,47 \$	19,77 \$	25,91 \$	30,19 \$	30,22
	4. Actual Nominal compensation US \$	\$ 5,16 \$	10,05 \$	7,85 \$	18,05 \$	26,17 \$	19,62 \$	28,64 \$	32,85 \$	34,80
	Compensation Deficit in US \$ (2 minus 4)	\$ 2,56 \$	2,34 \$	1,01 \$	(1,53) \$	(4,13) \$	(0,04) \$	(2,56) \$	(5,50) \$	(4,64)
Wage Equalisation index (4÷2 or 3÷1)	0,67	0,81	0,89	1,09	1,19	1,00	1,10	1,20	1,15	
Italy	GNI PPPs in country currency*	539,500	751,484	1151,038	1238,936	1548,189	0,891	0,875	0,773	0,790
	Exchange rate	652,85	856,45	1909,440	1198,1	1628,930	1,0832	0,8033	0,7293	0,7176
	GNI PPPs in US Dollars	\$ 0,83 \$	0,88 \$	0,60 \$	1,03 \$	0,95 \$	0,82 \$	1,09 \$	1,06 \$	1,10
	2. Equalised PPP nominal compensation US \$	\$ 5,12 \$	8,48 \$	7,69 \$	15,39 \$	16,39 \$	16,23 \$	25,69 \$	26,64 \$	28,81
	3. Actual Real compensation US \$	\$ 5,69 \$	9,35 \$	12,72 \$	17,42 \$	17,58 \$	17,67 \$	22,37 \$	26,65 \$	27,88
	4. Actual Nominal compensation US \$	\$ 4,70 \$	8,20 \$	7,67 \$	18,01 \$	16,71 \$	14,53 \$	24,35 \$	28,25 \$	30,67
	Compensation Deficit in US \$ (2 minus 4)	\$ 0,42 \$	0,28 \$	0,02 \$	(2,62) \$	(0,32) \$	1,70 \$	1,34 \$	(1,61) \$	(1,86)
Wage Equalisation index (4÷2 or 3÷1)	0,92	0,97	1,00	1,17	1,02	0,90	0,95	1,06	1,06	
United Kingdom	GNI PPPs in country currency*	0,380	0,444	0,541	0,583	0,636	0,658	0,643	0,609	0,740
	Exchange rate	0,452	0,43	0,779	0,563	0,634	0,661	0,55	0,50	0,642
	GNI PPPs in US Dollars	\$ 0,84 \$	1,03 \$	0,69 \$	1,04 \$	1,00 \$	1,00 \$	1,17 \$	1,22 \$	1,15
	2. Equalised PPP nominal compensation US \$	\$ 5,21 \$	9,97 \$	8,86 \$	15,41 \$	17,29 \$	19,65 \$	27,57 \$	30,60 \$	30,19
	3. Actual Real compensation US \$	\$ 3,86 \$	7,07 \$	8,71 \$	11,69 \$	13,35 \$	16,67 \$	21,03 \$	23,83 \$	20,26
	4. Actual Nominal compensation US \$	\$ 3,25 \$	7,29 \$	6,05 \$	12,11 \$	13,39 \$	16,60 \$	24,57 \$	29,01 \$	23,35
	Compensation Deficit in US \$ (2 minus 4)	\$ 1,96 \$	2,68 \$	2,81 \$	3,30 \$	3,90 \$	3,05 \$	3,00 \$	1,59 \$	6,84
Wage Equalisation index (4÷2 or 3÷1)	0,62	0,73	0,68	0,79	0,77	0,84	0,89	0,95	0,77	

The Jus Semper Global Alliance – Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for PL manufacturing workers in purchasing power parity terms 1975-2008

		1975	1980	1985	1990	1995	2000	2005	2007	2009
Benchmark	1. U.S. Hourly Manufacturing Rate	6,19	9,67	12,76	14,88	17,24	19,73	23,60	25,13	26,19
Spain	GNI PPPs in country currency*	44,830	64,181	82,874	91,745	114,175	0,790	0,757	0,681	0,730
	Exchange rate	57,41	71,70	170,04	101,930	124,69	1,0832	0,8033	0,7293	0,7176
	GNI PPPs in US Dollars	\$ 0,78	\$ 0,90	\$ 0,49	\$ 0,90	\$ 0,92	\$ 0,73	\$ 0,94	\$ 0,93	\$ 1,02
	2. Equalised PPP nominal compensation US \$	\$ 4,83	\$ 8,66	\$ 6,22	\$ 13,39	\$ 15,79	\$ 14,39	\$ 22,25	\$ 23,45	\$ 26,64
	3. Actual Real compensation US \$	\$ 3,19	\$ 6,47	\$ 9,42	\$ 12,48	\$ 13,76	\$ 14,49	\$ 18,73	\$ 22,61	\$ 23,30
	4. Actual Nominal compensation US \$	\$ 2,49	\$ 5,79	\$ 4,59	\$ 11,23	\$ 12,60	\$ 10,57	\$ 17,66	\$ 21,10	\$ 23,70
	Compensation Deficit in US \$ (2 minus 4)	\$ 2,34	\$ 2,87	\$ 1,63	\$ 2,16	\$ 3,19	\$ 3,82	\$ 4,59	\$ 2,35	\$ 2,94
	Wage Equalisation index (4÷2 or 3÷1)	0,52	0,67	0,74	0,84	0,80	0,73	0,79	0,90	0,89
Mexico	GNI PPPs in country currency*	9,700	15,213	117,389	1332,653	3,723	5,396	7,113	7,152	8,613
	Exchange rate	12,50	22,97	256,9	2813,0	6,42	9,46	10,89	10,93	13,51
	GNI PPPs in US Dollars	\$ 0,78	\$ 0,66	\$ 0,46	\$ 0,47	\$ 0,58	\$ 0,57	\$ 0,65	\$ 0,65	\$ 0,64
	2. Equalised PPP nominal compensation US \$	\$ 4,80	\$ 6,40	\$ 5,83	\$ 7,05	\$ 10,00	\$ 11,25	\$ 15,41	\$ 16,44	\$ 16,70
	3. Actual Real compensation US \$	\$ 2,32	\$ 4,09	\$ 4,27	\$ 4,10	\$ 3,19	\$ 5,29	\$ 5,63	\$ 6,34	\$ 5,98
	4. Actual Nominal compensation US \$	\$ 1,80	\$ 2,71	\$ 1,95	\$ 1,94	\$ 1,85	\$ 3,02	\$ 3,68	\$ 4,15	\$ 3,81
	Compensation Deficit in US \$ (2 minus 4)	\$ 3,00	\$ 3,69	\$ 3,88	\$ 5,11	\$ 8,15	\$ 8,23	\$ 11,73	\$ 12,29	\$ 12,89
	Wage Equalisation index (4÷2 or 3÷1)	0,37	0,42	0,33	0,28	0,19	0,27	0,24	0,25	0,23
		1996	1998	2000	2002	2004	2005	2006	2007	2009
Benchmark	U.S. Hourly Production-line Rate	17,82	18,59	19,73	21,42	22,92	23,60	23,94	25,13	26,19
Brazil	GNI PPPs in country currency*	0,676	0,869	1,036	1,253	1,237	1,166	1,184	1,242	1,596
	Exchange rate	1,005	1,161	1,830	2,921	2,926	2,435	2,174	1,946	2,00
	GNI PPPs in US Dollars	\$ 0,67	\$ 0,75	\$ 0,57	\$ 0,43	\$ 0,42	\$ 0,48	\$ 0,54	\$ 0,64	\$ 0,80
	2. Equalised PPP nominal compensation US \$	\$ 11,99	\$ 13,91	\$ 11,17	\$ 9,19	\$ 9,69	\$ 11,30	\$ 13,04	\$ 16,04	\$ 20,90
	3. Actual Real compensation US \$	\$ 8,64	\$ 7,43	\$ 6,29	\$ 6,04	\$ 7,50	\$ 8,75	\$ 9,23	\$ 9,38	\$ 8,54
	4. Actual Nominal compensation US \$	\$ 5,81	\$ 5,56	\$ 3,56	\$ 2,59	\$ 3,17	\$ 4,19	\$ 5,03	\$ 5,99	\$ 6,81
	Compensation Deficit in US \$ (2 minus 4)	\$ 6,18	\$ 8,35	\$ 7,61	\$ 6,60	\$ 6,52	\$ 7,11	\$ 8,01	\$ 10,05	\$ 14,09
	Wage Equalisation index (4÷2 or 3÷1)	0,48	0,40	0,32	0,28	0,33	0,37	0,39	0,37	0,33

The Jus Semper Global Alliance – Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for PL manufacturing workers in purchasing power parity terms 1975-2009

		1980	1985	1990	1995	2000	2005	2007	2009
Benchmark	U.S. Hourly Production-line Rate	9,67	12,76	14,88	17,24	19,73	23,60	25,13	26,19
Hong Kong	GNI PPPs in country currency*	3,83	4,60	5,92	7,82	7,79	6,13	5,581	5,451
	Exchange rate	4,976	7,791	7,790	7,736	7,792	7,777	7,801	7,752
	GNI PPPs in US Dollars	\$ 0,77	\$ 0,59	\$ 0,76	\$ 1,01	\$ 1,00	\$ 0,79	\$ 0,72	\$ 0,70
	2. Equalised PPP nominal compensation US \$	\$ 7,45	\$ 7,53	\$ 11,31	\$ 17,43	\$ 19,72	\$ 18,60	\$ 17,98	\$ 18,42
	3. Actual Real compensation US \$	\$ 2,00	\$ 3,00	\$ 4,34	\$ 4,84	\$ 5,50	\$ 7,09	\$ 8,04	\$ 8,28
	4. Actual Nominal compensation US \$	\$ 1,54	\$ 1,77	\$ 3,30	\$ 4,89	\$ 5,50	\$ 5,59	\$ 5,75	\$ 5,82
	Compensation Deficit in US \$ (2 minus 4)	\$ 5,91	\$ 5,76	\$ 8,01	\$ 12,54	\$ 14,22	\$ 13,01	\$ 12,23	\$ 12,60
	Wage Equalisation index (4÷2 or 3÷1)	0,21	0,24	0,29	0,28	0,28	0,30	0,32	0,32
Singapore	GNI PPPs in country currency*	1,564	1,372	1,238	1,278	1,224	1,117	1,016	1,085
	Exchange rate	2,141	2,200	1,813	1,417	1,725	1,664	1,507	1,454
	GNI PPPs in US Dollars	\$ 0,73	\$ 0,62	\$ 0,68	\$ 0,90	\$ 0,71	\$ 0,67	\$ 0,67	\$ 0,75
	2. Equalised PPP nominal compensation US \$	\$ 7,07	\$ 7,96	\$ 10,16	\$ 15,55	\$ 14,00	\$ 15,84	\$ 16,93	\$ 19,54
	3. Actual Real compensation US \$	\$ 2,12	\$ 4,12	\$ 5,58	\$ 8,55	\$ 10,41	\$ 10,96	\$ 12,61	\$ 12,37
	4. Actual Nominal compensation US \$	\$ 1,55	\$ 2,57	\$ 3,81	\$ 7,71	\$ 7,39	\$ 7,36	\$ 8,50	\$ 9,23
	Compensation Deficit in US \$ (2 minus 4)	\$ 5,52	\$ 5,39	\$ 6,35	\$ 7,84	\$ 6,61	\$ 8,48	\$ 8,43	\$ 10,31
	Wage Equalisation index (4÷2 or 3÷1)	0,22	0,32	0,37	0,50	0,53	0,46	0,50	0,47

***Definitions:**

- ❖ PPPs stands for Purchasing-Power Parities, which reflect the currency units in a given country 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 production-line 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.
- ❖ 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.
- ❖ Equalised PPP nominal compensation 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 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 equalised PPP hourly rate that should be paid for equal work (2).
- ❖ Compensation equalisation 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 is performed using the sources below. (Sources with X indicate that some of their data is directly incorporated in the table:)

- Database of World Bank's World Development Indicators, 1975-2010, (GNI & GNI PPP, Atlas method)
- X Hourly Compensation Costs for Production Workers in Manufacturing (34 Country Tables), updated on March 2011. U.S. Dept. 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.

This will be the last report for production workers, for the U.S. Department of Labour has stopped disseminating data for production workers only. Beginning with 2010, the data will report labour costs for all manufacturing employees, including production workers.

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.

Note regarding change in methodology in Mexico's primary source:

Beginning in 2009, the U.S. Bureau of Labour Statistics (our source for hourly compensation costs), reviewed its primary data source. Compensation cost estimates for Mexico are thus significantly higher. Previously, estimates were benchmarked to the Mexican Economic Census, which occurs every 5 years (most recently in 2008). This census is exhaustive in regards to its firm coverage by size, so it captures the compensation costs incurred by all firms, including very small firms and microenterprises. The survey which our estimates are currently based on, the Monthly Industrial Survey (MIS), is directed towards relatively larger establishments. It samples establishments with more than 15 employees and exhaustively includes establishments with more than 300 employees. Because larger firms typically compensate employees at higher rates, the MIS-based hourly compensation estimates will necessarily be higher than the Census-based estimates.



The Jus Semper Global Alliance