



The Jus Semper Global Alliance

Living Wages North and South

Spain's Wage Gap Charts

Manufacturing production-line wages

Wage gap charts for Spain vis-à-vis selected developed and “emerging” economies, with available wage and PPP data (1975-2007)

Wage gap charts for Spain vis-à-vis selected developed and “emerging” economies, with available wage and PPP data (1975-2007).

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

▪ 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 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 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 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)

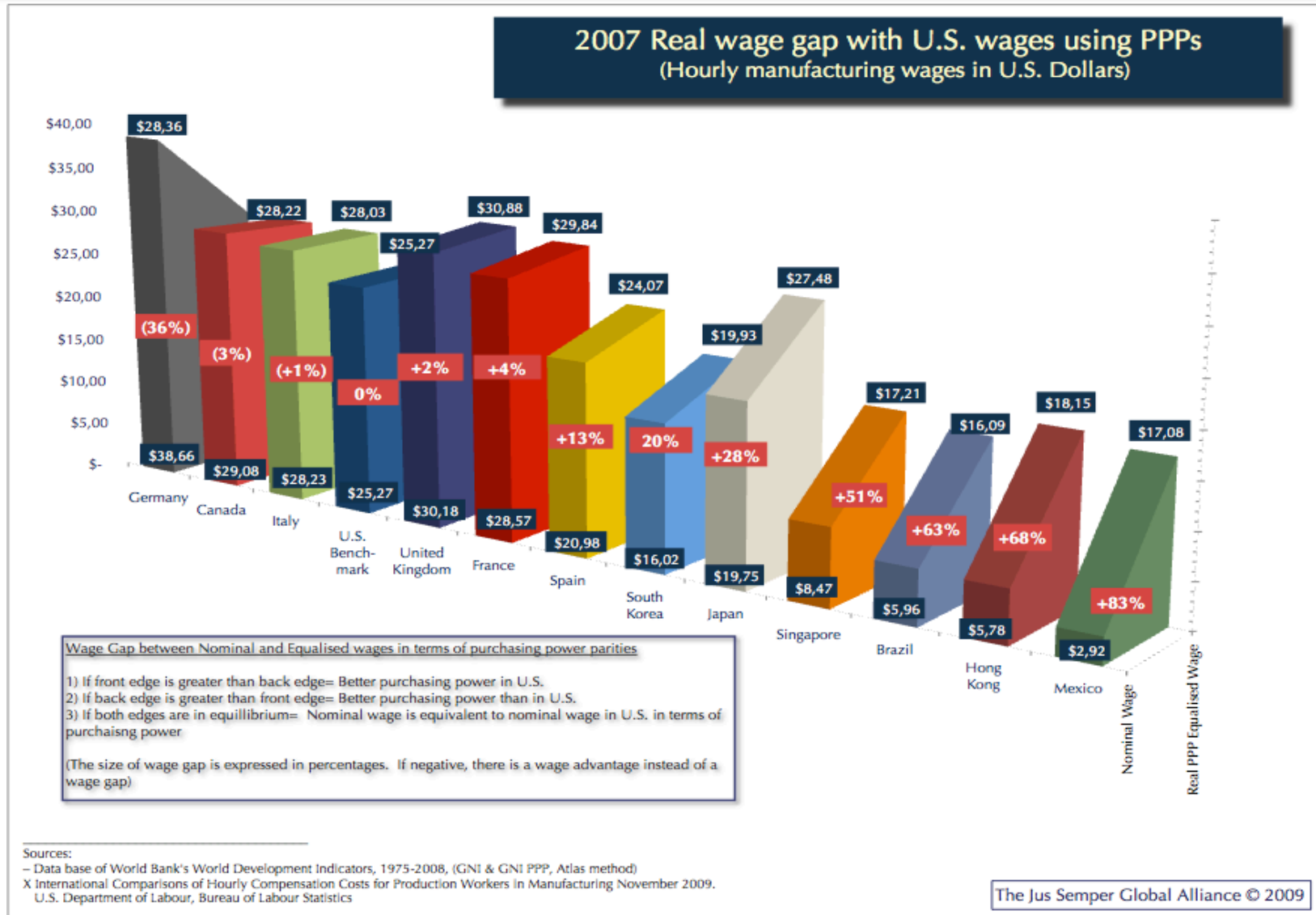
▪ A Classic Example in 2007

- 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 \$25,27/hour whilst Mexican and Brazilian workers earn only \$2,92/hour and \$5,96/hour, respectively,
- Since costs of living in PPPs terms in Mexico and Brazil are 68¢ and 64¢, respectively, for each \$1 U.S. dollar, equivalent Mexican and Brazilian manufacturing workers should be earning instead \$17,08/hour and \$16,09/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 (\$29,08) is 103% of the equivalent wage (\$28,22) needed to be at par, with a PPP of \$1,12 per each \$1 U.S. dollar.

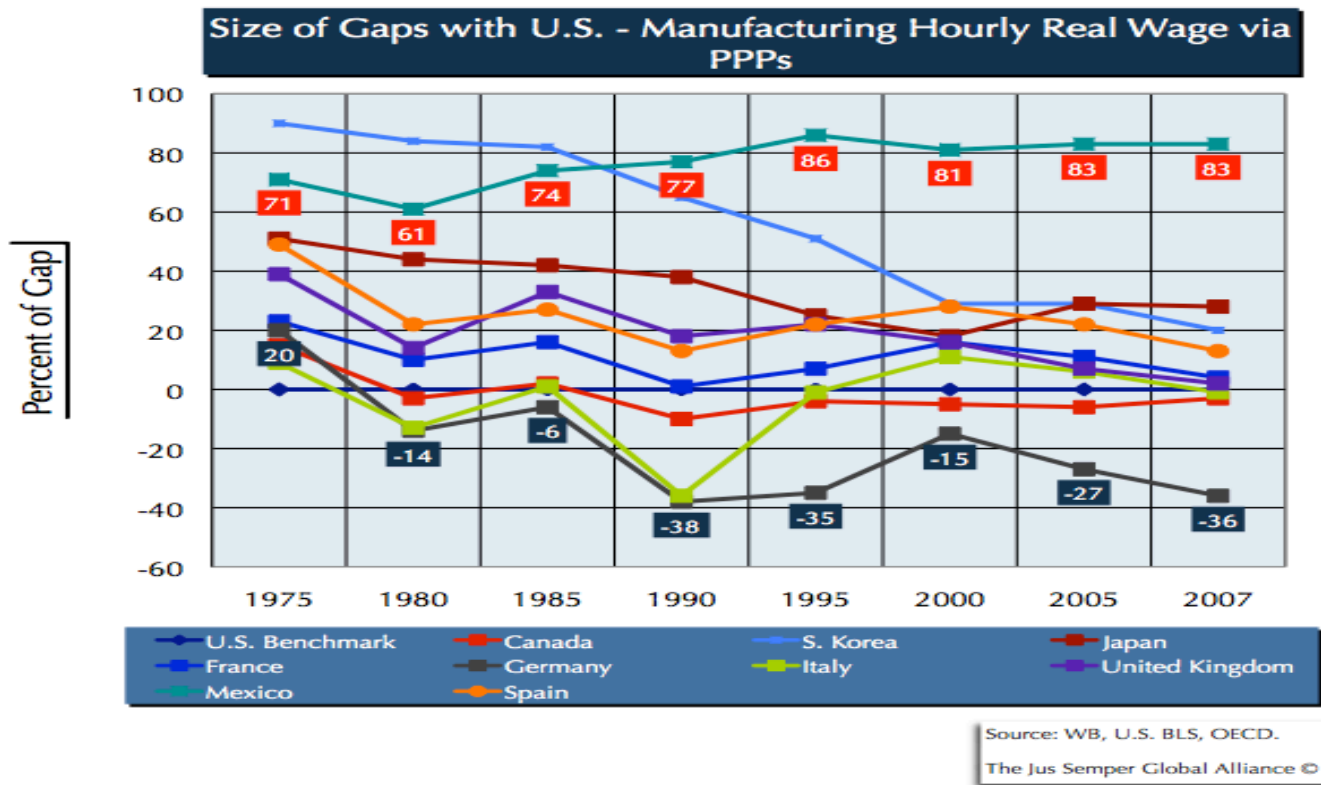
Nominal Wage, Real Wage and Wage Equalisation for Manufacturing Workers by Using Purchase Power Parities (PPPs) Benchmark					
2007	Nominal Hourly	PPP	PPP	Equalised Nominal Hourly	Equalisation
	<u>Wage</u>	<u>2006</u>	<u>Real Wage</u>	<u>Wage</u>	<u>Index</u>
United States	\$25,27	100	\$25,27	\$25,27	100
Canada	\$29,08 115%	112	\$26,04 103,0%	\$28,22 112%	103
Mexico	\$2,92 12%	68	\$4,32 17%	\$17,08 68%	17
Brazil	\$5,96 24%	64	\$9,36 37%	\$16,09 64%	37

Sources:
U.S. Department of Labour, Bureau of Labor Statistics, November 2009..
Data base of World Bank's World Development Indicators, 1975-2008, (GNI & GNI PPP, Atlas method)

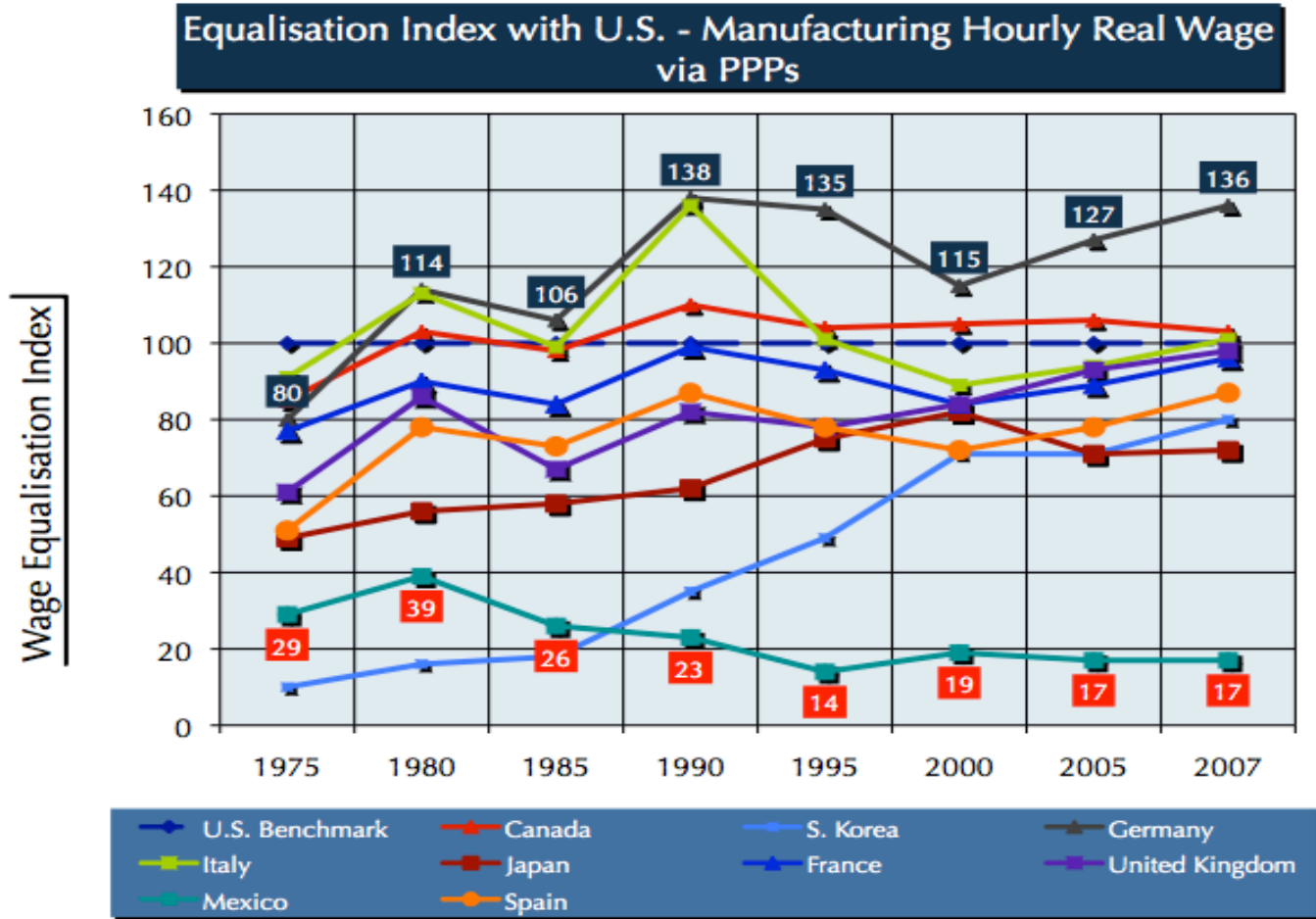
- In 2007 Spain's production-line manufacturing real wages, continue approaching those of the G7, with a PPP equalisation wage gap with the U.S. of only 13%;' substantially less than South Korea's 20% and Japan's 28% and increasingly closer to the real wages of its main European counterparts.



- In the last 32 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.
- Spain, with a cost of living at par with Mexico's 32 years ago, dramatically reduced its wage gap, consistently surpassing Japan since 2004. Its living-wage gap stands quite close to those of the major economies of the European Union, with a wage gap of 13% in 2007, recovering its position in 1990, when it recorded the smallest wage gap for the entire 1975-2007 period.
- The successful case of South Korea –of transforming its wages from a misery kind into those attuned with a living wage ethos– is even more dramatic, for during the same period it moved from having the worst wage gap (90%) to a gap of 20% in 2007, surpassing Japan and approaching Spain.
- Mexico, in contrast, has done the opposite and has increased its gap to stand since 2005 at an 83% asymmetry vis-à-vis its U.S. counterparts, thus maintaining an ethos of misery wages.



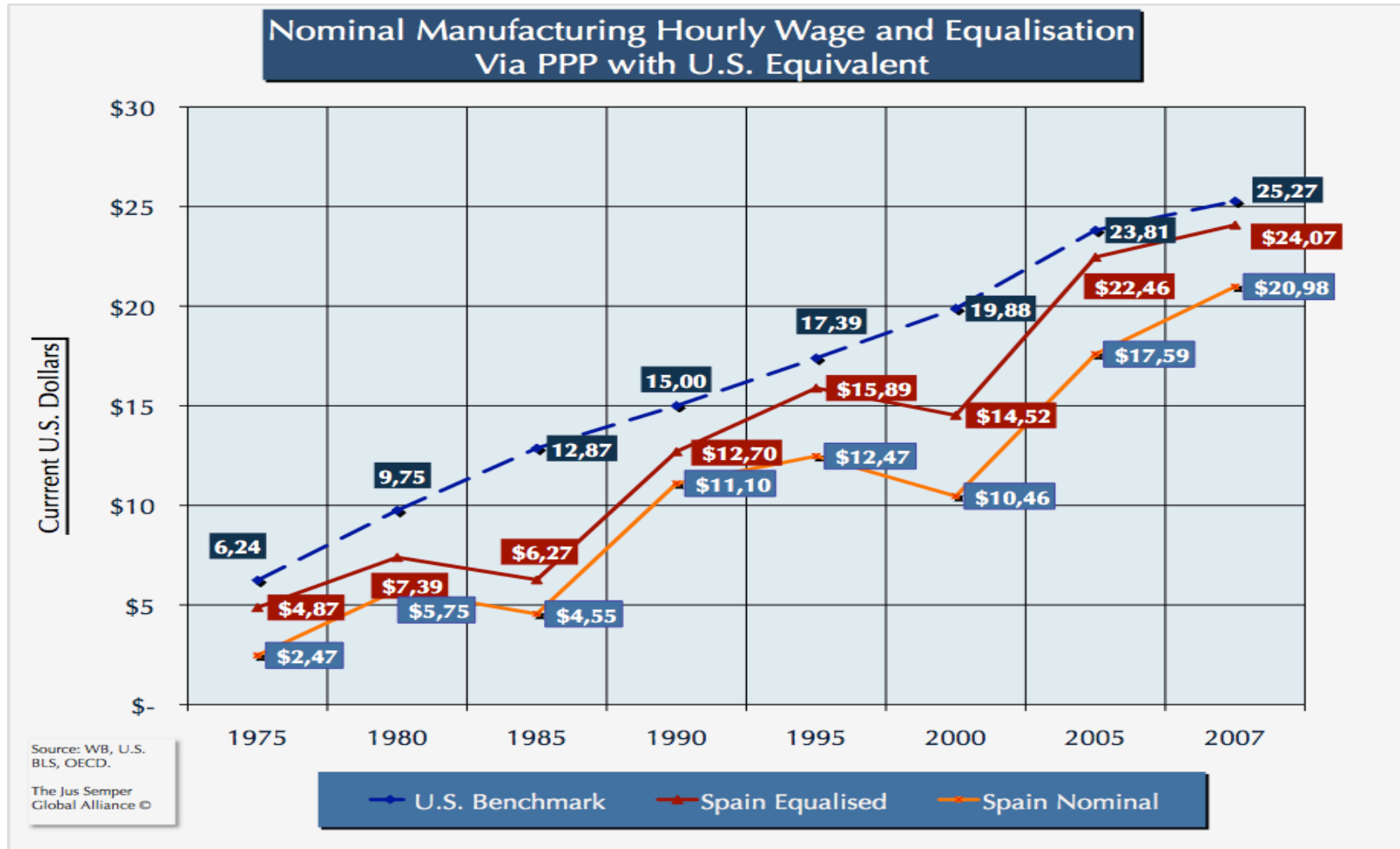
- From an equalization angle, between 1975 and 2007, Spain substantially improves its equalization index by 71%, from 51 in 1975 to 87 in 2007, ahead of South Korea (80) and Japan (72).
- The other four countries of the European Union included in this analysis have succeeded in making their wages more competitive (Germany and Italy) or almost as competitive (United Kingdom and France) as those of their U.S. counterparts. Canadian wages consistently outperform since 1990 those of their U.S. counterparts. Mexico remains in the dungeon with its traditional modern slave kind of wages.



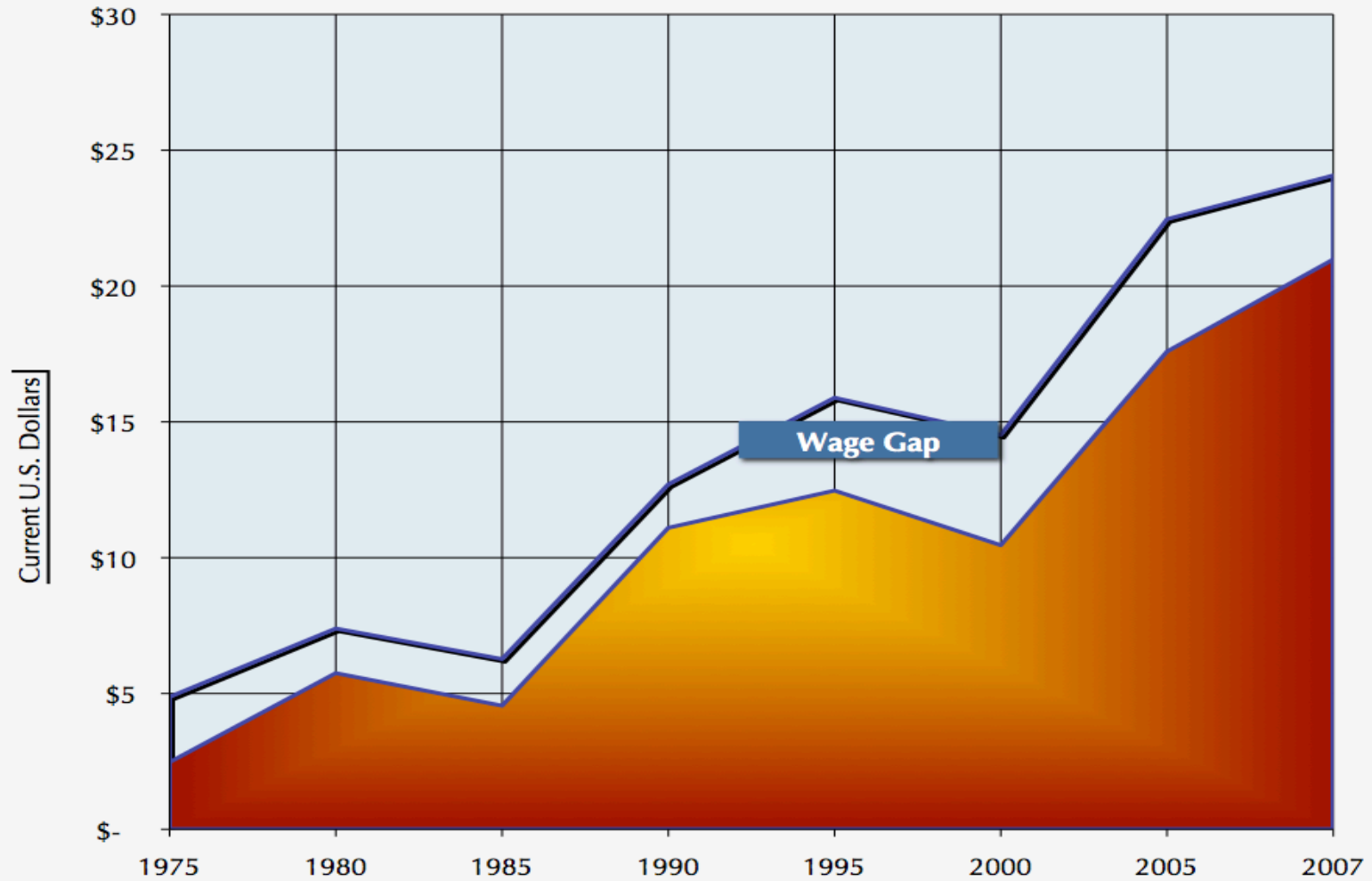
Source: WB, U.S. BLS, OECD.
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- **Maintaining the European trend, Spain improves once again the equalisation of its production-line manufacturing workers' real wages with their U.S. counterparts**
 - Attuned with the trend of the major economies of the European Union, Spain continued reducing the gap that separates the competitiveness –in purchasing power parity terms– of its production-line manufacturing real wages with those of its U.S. counterparts. This makes these wages the sort that can generally be considered living wages –assuming U.S. wages to be living wages. Since 1975 the equalisation index of Spanish wages (87) has increased 71%, and everything indicates that the trend will continue until it oscillates quite close to equalisation or even above it, as is the case of Italy.
 - The strong climb of Spanish manufacturing wages to a living wage ethos is due, as in all successful cases, to the growth of real wages at a much faster pace than those of their U.S. counterparts. In the period of 32 years (1975-2007), Spanish nominal wages grew 749% (from \$2,47 to U.S. \$20,98 dollars) whilst the cost of living parity with the U.S. grew relatively scantily (from \$0,78 in 1975 to U.S. \$0,95 dollars in 2007); an increase of 22,1% that ranks Spanish PPPs on average 20% below the French (\$1,18); German (\$1,12); Italian (\$1,11); and British (\$1,22) parities, vis-à-vis the U.S.
 - Moreover, during the same period, U.S. equivalent wages grew 305% (from \$6,24 to \$25,27 dollars), barely 40% the Spanish growth. Thus, the strong growth of nominal Spanish wages (2,5 times the U.S. growth) and a very moderate increase of the purchasing power parity, provoked an increase of Spanish real wages in the same interval of 597% (from \$3,16 to \$22,02). The behaviour of these variables results in the 71% growth of Spain's wage equalisation with the U.S. during the same term; reaching in this way the aforementioned 87 index.
 - A comparison with Mexico –of living wage equalisation trends with the U.S.– illustrates accurately how the behaviour of the wage variables (PPP and nominal wages) define the leaning trend towards a living-wage ethos or towards labour bondage conditions. During the same period (1975-2007), Mexican nominal wages grew 104% or little more than one-seventh of the Spanish growth. The parity with the U.S. cost of living dropped 12,8%; thus, real wages increased 137% or scantily more than one-fifth the growth of Spanish real wages. In this way, Mexico's wage equalisation for the same period collapsed 41%, (from a 29 to a 17 index) or 56% if 1980 is used as the benchmark –when Mexico obtained its best wage equalisation index (39) with the U.S.

- Between 1975 and 2007, the hourly equalized manufacturing Spanish wage –the wage required to receive an equivalent remuneration to that of their U.S. counterparts– increased 394%, due to the increase of Spain’s PPP cost of living –relative to the U.S. PPP cost of living– from \$4,87 in 1975 to \$24,07 U.S. dollars in 2007. Thus, given that the Spanish hourly manufacturing wage increased nominally 749%, from 2,47 in 1975 to \$20,98 U.S. dollars in 2007, wage equalization with equivalent U.S. wages grew 71%, from 51 to 87.



Gap Between Nominal Manufacturing Hourly Wage and PPPs Equalisation to Real Wage with U.S.

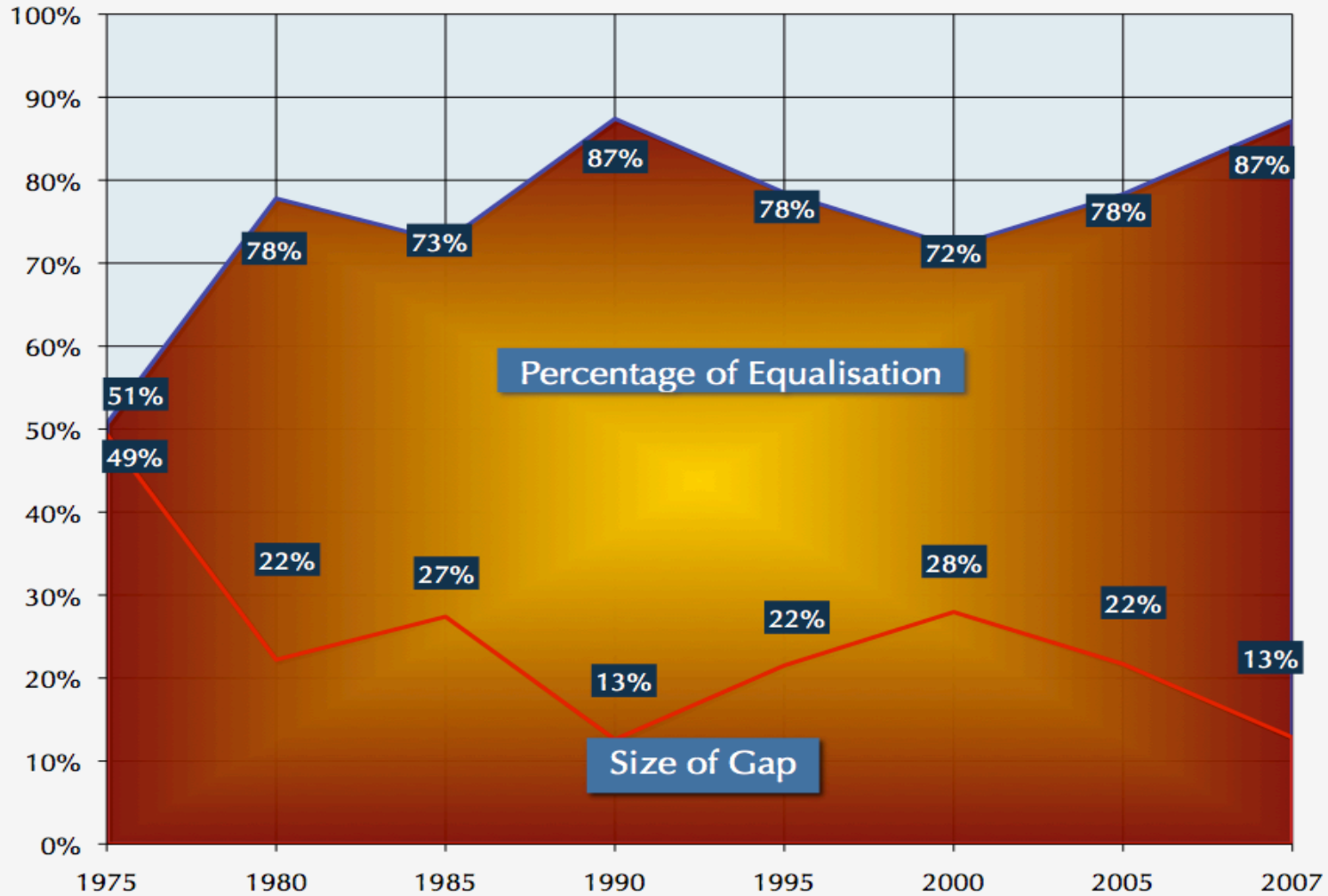


Source: WB, U.S. BLS, OECD.

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Spain Nominal Spain Equalised

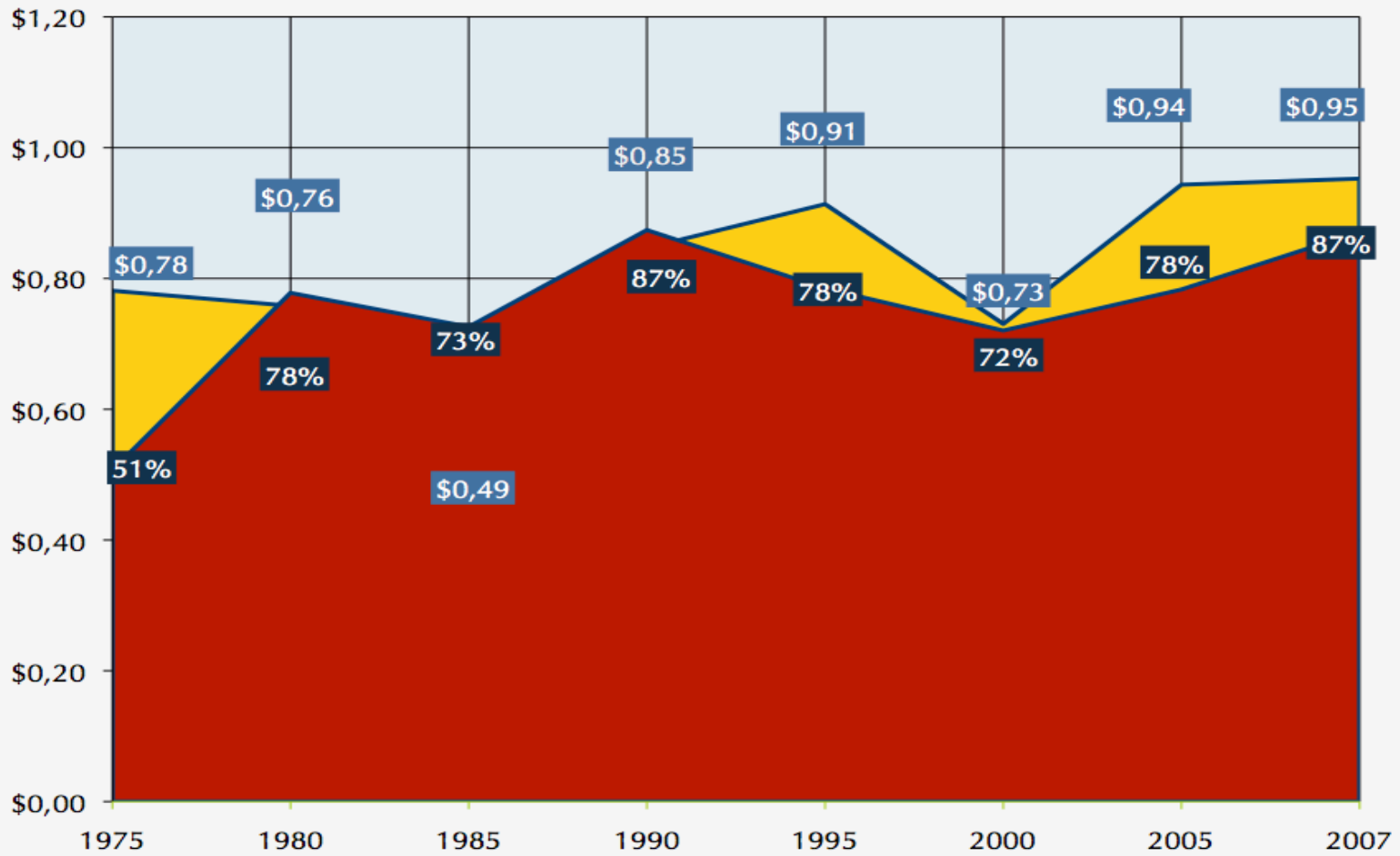
Gap Between Nominal Manufacturing Hourly Wage and PPPs Equalisation to Real Wage with U.S.



Source: WB, U.S. BLS, OECD.
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■ "Spain: Equalised" ■ Spain: Gap

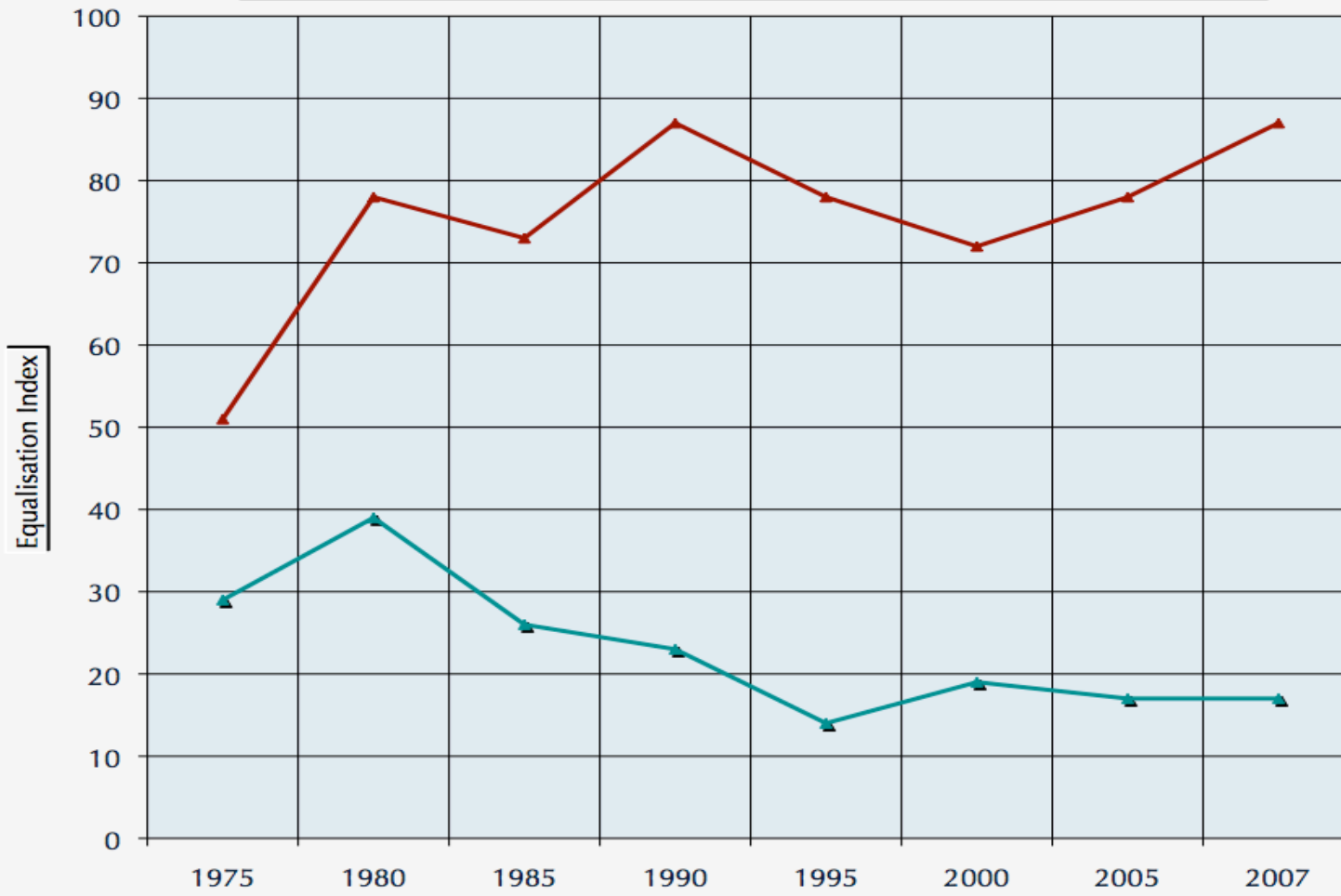
Relationship between Cost of Living (PPPs) and Percent of Nominal Hourly Wage Received for (PPPs) Equalisation With Nominal Manufacturing Hourly Wage in the U.S.



Source: WB, U.S. BLS, OECD.
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■ Spain: Cost of Living (PPP U.S. dollar) (U.S.= \$1,00)
■ Spain: PPP % Equalisation (Cost of Living = 100)%

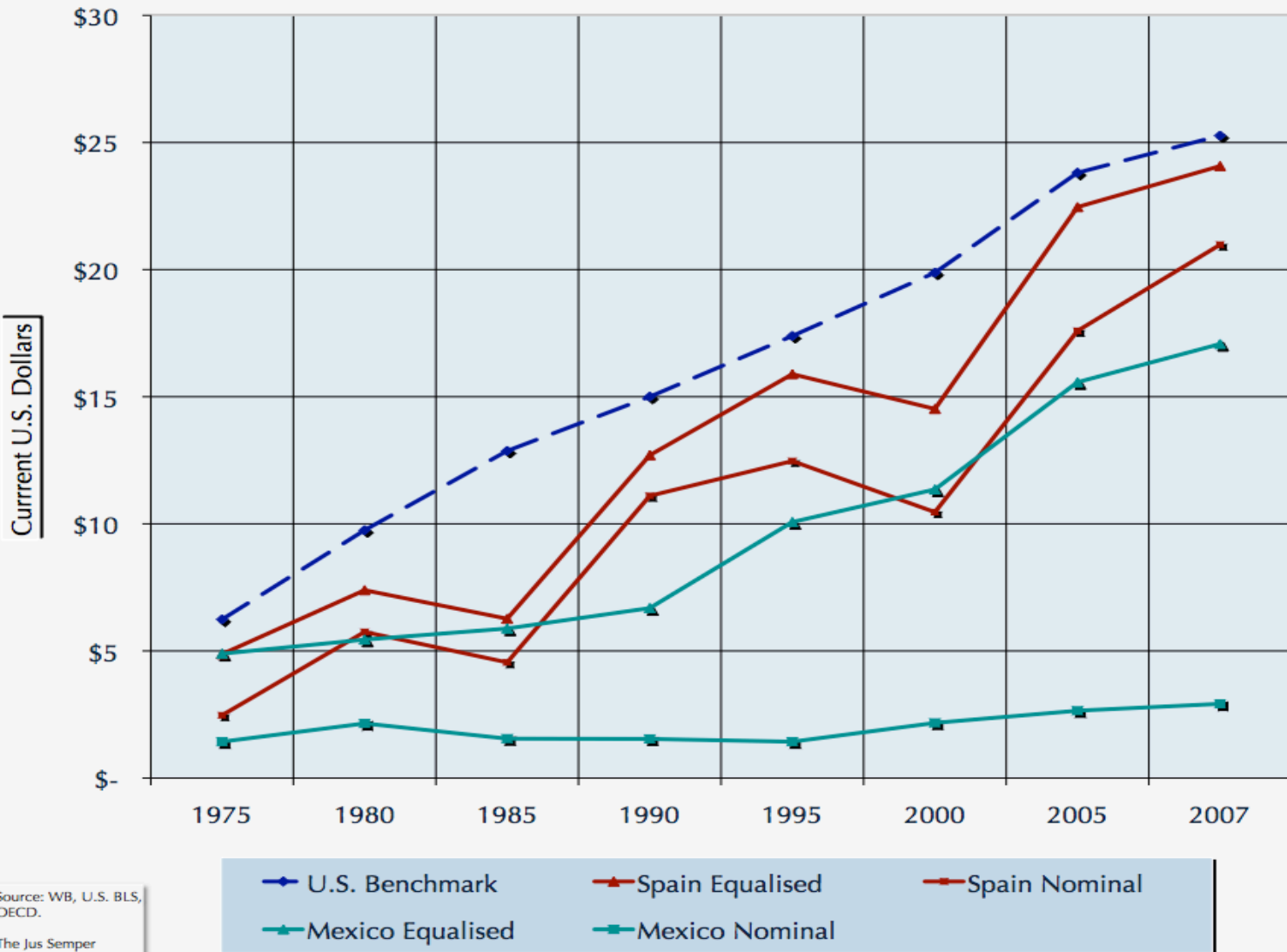
Equalisation Index in PPP terms of hourly real wage with U.S. Equivalent



Source: WB, U.S. BLS, OECD.
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Spain Mexico

Nominal Manufacturing Hourly Wage and Equalisation Via PPP with U.S. Equivalent



Source: WB, U.S. BLS, OECD.
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		1975	1980	1985	1990	1995	2000	2005	2007
Benchmark	U.S. Hourly Production-line Rate	6,24	9,75	12,87	15,00	17,39	19,88	23,81	25,27
Canada	GNI PPPs in country currency*	1,222	1,055	1,233	1,180	1,270	1,190	1,167	1,198
	Exchange rate	1,017	1,169	1,366	1,167	1,373	1,486	1,212	1,073
	GNI PPPs in US Dollars	\$ 1,20	\$ 0,902	\$ 0,90	\$ 1,01	\$ 0,92	\$ 0,80	\$ 0,96	\$ 1,12
	2. Equalised PPP nominal compensation US \$	\$ 7,50	\$ 8,80	\$ 11,62	\$ 15,17	\$ 16,08	\$ 15,92	\$ 22,92	\$ 28,22
	3. Actual Real compensation US \$	\$ 5,33	\$ 10,00	\$ 12,62	\$ 16,44	\$ 18,16	\$ 20,95	\$ 25,23	\$ 26,04
	4. Actual Nominal compensation US \$	\$ 6,40	\$ 9,02	\$ 11,39	\$ 16,62	\$ 16,80	\$ 16,78	\$ 24,29	\$ 29,08
	Compensation Deficit in US \$ (2 minus 4)	\$ 1,10	\$ (0,22)	\$ 0,23	\$ (1,45)	\$ (0,72)	\$ (0,86)	\$ (1,37)	\$ (0,86)
	Wage Equalisation index (4÷2 or 3÷1)	0,85	1,03	0,98	1,10	1,04	1,05	1,06	1,03
South Korea	GNI PPPs in country currency*	238,9	363,5	449,5	489,2	649,4	650,0	760,4	732,8
	Exchange rate	484	607,4	870	707,8	771,3	1131	1024	929
	GNI PPPs in US Dollars	\$ 0,49	\$ 0,60	\$ 0,52	\$ 0,69	\$ 0,84	\$ 0,57	\$ 0,74	\$ 0,79
	2. Equalised PPP nominal compensation US \$	\$ 3,08	\$ 5,84	\$ 6,65	\$ 10,37	\$ 14,64	\$ 11,42	\$ 17,68	\$ 19,93
	3. Actual Real compensation US \$	\$ 0,63	\$ 1,55	\$ 2,32	\$ 5,19	\$ 8,48	\$ 14,06	\$ 16,81	\$ 20,31
	4. Actual Nominal compensation US \$	\$ 0,31	\$ 0,93	\$ 1,20	\$ 3,59	\$ 7,14	\$ 8,08	\$ 12,48	\$ 16,02
	Compensation Deficit in US \$ (2 minus 4)	\$ 2,77	\$ 4,91	\$ 5,45	\$ 6,78	\$ 7,50	\$ 3,34	\$ 5,20	\$ 3,91
	Wage Equalisation index (4÷2 or 3÷1)	0,10	0,16	0,18	0,35	0,49	0,71	0,71	0,80
Japan	GNI PPPs in country currency*	286	225,9	199,7	194,4	167,4	144,0	138,2	128,1
	Exchange rate	296,7	225,7	238,5	145,0	94,0	107,8	110,1	117,8
	GNI PPPs in US Dollars	\$ 0,96	\$ 1,00	\$ 0,84	\$ 1,34	\$ 1,78	\$ 1,34	\$ 1,26	\$ 1,09
	2. Equalised PPP nominal compensation US \$	\$ 6,01	\$ 9,76	\$ 10,78	\$ 20,11	\$ 30,99	\$ 26,56	\$ 29,89	\$ 27,48
	3. Actual Real compensation US \$	\$ 3,06	\$ 5,43	\$ 7,45	\$ 9,34	\$ 13,10	\$ 16,24	\$ 16,98	\$ 18,16
	4. Actual Nominal compensation US \$	\$ 2,95	\$ 5,43	\$ 6,24	\$ 12,52	\$ 23,34	\$ 21,69	\$ 21,31	\$ 19,75
	Compensation Deficit in US \$ (2 minus 4)	\$ 3,06	\$ 4,33	\$ 4,54	\$ 7,59	\$ 7,65	\$ 4,87	\$ 8,58	\$ 7,73
	Wage Equalisation index (4÷2 or 3÷1)	0,49	0,56	0,58	0,62	0,75	0,82	0,71	0,72

The Jus Semper Global Alliance – Production-line workers' Living-Wage-Gap Analysis in PPPs Comparison Terms 1975-2007

		1975	1980	1985	1990	1995	2000	2005	2007
Benchmark	U.S. Hourly Production-line Rate	6,24	9,75	12,87	15,00	17,39	19,88	23,81	25,27
France	GNI PPPs in country currency*	4,978	4,815	6,689	6,003	6,186	1,033	0,935	0,861
	Exchange rate	4,282	4,22	8,98	5,447	4,986	1,083	0,803	0,729
	GNI PPPs in US Dollars	\$ 1,16	\$ 1,14	\$ 0,74	\$ 1,10	\$ 1,24	\$ 0,95	\$ 1,16	\$ 1,18
	2. Equalised PPP nominal compensation US \$	\$ 7,25	\$ 11,12	\$ 9,59	\$ 16,53	\$ 21,58	\$ 18,95	\$ 27,73	\$ 29,84
	3. Actual Real compensation US \$	\$ 4,83	\$ 8,82	\$ 10,79	\$ 14,80	\$ 16,17	\$ 16,76	\$ 21,09	\$ 24,19
	4. Actual Nominal compensation US \$	\$ 5,61	\$ 10,06	\$ 8,04	\$ 16,31	\$ 20,06	\$ 15,98	\$ 24,56	\$ 28,57
	Compensation Deficit in US \$ (2 minus 4)	\$ 1,64	\$ 1,06	\$ 1,55	\$ 0,22	\$ 1,52	\$ 2,97	\$ 3,17	\$ 1,27
	Wage Equalisation index (4÷2 or 3÷1)	0,77	0,90	0,84	0,99	0,93	0,84	0,89	0,96
Germany	GNI PPPs in country currency*	3,062	1,986	2,039	1,692	1,832	1,076	0,887	0,818
	Exchange rate	2,455	1,815	2,942	1,617	1,432	1,083	0,803	0,729
	GNI PPPs in US Dollars	\$ 1,25	\$ 1,09	\$ 0,69	\$ 1,05	\$ 1,28	\$ 0,99	\$ 1,10	\$ 1,12
	2. Equalised PPP nominal compensation US \$	\$ 7,78	\$ 10,67	\$ 8,92	\$ 15,70	\$ 22,25	\$ 19,75	\$ 26,29	\$ 28,36
	3. Actual Real compensation US \$	\$ 5,02	\$ 11,11	\$ 13,65	\$ 20,74	\$ 23,52	\$ 22,81	\$ 30,33	\$ 34,44
	4. Actual Nominal compensation US \$	\$ 6,26	\$ 12,16	\$ 9,46	\$ 21,71	\$ 30,10	\$ 22,66	\$ 33,49	\$ 38,66
	Compensation Deficit in US \$ (2 minus 4)	\$ 1,52	\$ (1,49)	\$ (0,54)	\$ (6,01)	\$ (7,85)	\$ (2,91)	\$ (7,20)	\$ (10,30)
	Wage Equalisation index (4÷2 or 3÷1)	0,80	1,14	1,06	1,38	1,35	1,15	1,27	1,36
Italy	GNI PPPs in country currency*	539,5	636,1	1149,4	1166,2	1544,5	0,892	0,875	0,809
	Exchange rate	652,4	855,1	1909	1198	1629	1,083	0,803	0,729
	GNI PPPs in US Dollars	\$ 0,83	\$ 0,74	\$ 0,60	\$ 0,97	\$ 0,95	\$ 0,82	\$ 1,09	\$ 1,11
	2. Equalised PPP nominal compensation US \$	\$ 5,16	\$ 7,25	\$ 7,75	\$ 14,60	\$ 16,49	\$ 16,37	\$ 25,93	\$ 28,03
	3. Actual Real compensation US \$	\$ 5,68	\$ 11,04	\$ 12,74	\$ 20,46	\$ 17,62	\$ 17,65	\$ 22,35	\$ 25,45
	4. Actual Nominal compensation US \$	\$ 4,70	\$ 8,21	\$ 7,67	\$ 19,92	\$ 16,71	\$ 14,53	\$ 24,33	\$ 28,23
	Compensation Deficit in US \$ (2 minus 4)	\$ 0,46	\$ (0,96)	\$ 0,08	\$ (5,32)	\$ (0,22)	\$ 1,84	\$ 1,60	\$ (0,20)
	Wage Equalisation index (4÷2 or 3÷1)	0,91	1,13	0,99	1,36	1,01	0,89	0,94	1,01
United Kingdom	GNI PPPs in country currency*	0,3802	0,372	0,535	0,547	0,634	0,657	0,640	0,610
	Exchange rate	0,4501	0,43	0,7708	0,5605	0,6335	0,6598	0,549	0,4995
	GNI PPPs in US Dollars	\$ 0,84	\$ 0,86	\$ 0,69	\$ 0,98	\$ 1,00	\$ 1,00	\$ 1,17	\$ 1,2220
	2. Equalised PPP nominal compensation US \$	\$ 5,27	\$ 8,43	\$ 8,93	\$ 14,64	\$ 17,41	\$ 19,80	\$ 27,77	\$ 30,88
	3. Actual Real compensation US \$	\$ 3,80	\$ 8,35	\$ 8,60	\$ 12,24	\$ 13,59	\$ 16,76	\$ 22,07	\$ 24,70
	4. Actual Nominal compensation US \$	\$ 3,21	\$ 7,22	\$ 5,97	\$ 11,95	\$ 13,60	\$ 16,69	\$ 25,75	\$ 30,18
	Compensation Deficit in US \$ (2 minus 4)	\$ 2,06	\$ 1,21	\$ 2,96	\$ 2,69	\$ 3,81	\$ 3,11	\$ 2,02	\$ 0,70
	Wage Equalisation index (4÷2 or 3÷1)	0,61	0,86	0,67	0,82	0,78	0,84	0,93	0,98
Spain	GNI PPPs in country currency*	44,83	54,308	82,781	86,358	113,841	0,791	0,758	0,694
	Exchange rate	57,39	71,64	170	102	124,6	1,083	0,803	0,729
	GNI PPPs in US Dollars	\$ 0,78	\$ 0,76	\$ 0,49	\$ 0,85	\$ 0,91	\$ 0,73	\$ 0,94	\$ 0,95
	2. Equalised PPP nominal compensation US \$	\$ 4,87	\$ 7,39	\$ 6,27	\$ 12,70	\$ 15,89	\$ 14,52	\$ 22,46	\$ 24,07
	3. Actual Real compensation US \$	\$ 3,16	\$ 7,59	\$ 9,34	\$ 13,11	\$ 13,65	\$ 14,32	\$ 18,65	\$ 22,02
	4. Actual Nominal compensation US \$	\$ 2,47	\$ 5,75	\$ 4,55	\$ 11,10	\$ 12,47	\$ 10,46	\$ 17,59	\$ 20,98
	Compensation Deficit in US \$ (2 minus 4)	\$ 2,40	\$ 1,64	\$ 1,72	\$ 1,60	\$ 3,42	\$ 4,06	\$ 4,87	\$ 3,09
	Wage Equalisation index (4÷2 or 3÷1)	0,51	0,78	0,73	0,87	0,78	0,72	0,78	0,87
Mexico	GNI PPPs in country currency*	9,80	12,83	117,4	1254,0	3,717	5,402	7,122	7,386
	Exchange rate	12,5	22,97	256,9	2813	6,419	9,459	10,89	10,93
	GNI PPPs in US Dollars	\$ 0,78	\$ 0,56	\$ 0,46	\$ 0,45	\$ 0,58	\$ 0,57	\$ 0,65	\$ 0,68
	2. Equalised PPP nominal compensation US \$	\$ 4,89	\$ 5,45	\$ 5,88	\$ 6,69	\$ 10,07	\$ 11,35	\$ 15,57	\$ 17,08
	3. Actual Real compensation US \$	\$ 1,82	\$ 3,85	\$ 3,39	\$ 3,45	\$ 2,47	\$ 3,80	\$ 4,05	\$ 4,32
	4. Actual Nominal compensation US \$	\$ 1,43	\$ 2,15	\$ 1,55	\$ 1,54	\$ 1,43	\$ 2,17	\$ 2,65	\$ 2,92
	Compensation Deficit in US \$ (2 minus 4)	\$ 3,46	\$ 3,30	\$ 4,33	\$ 5,15	\$ 8,64	\$ 9,18	\$ 12,92	\$ 14,16
	Wage Equalisation index (4÷2 or 3÷1)	0,29	0,39	0,26	0,23	0,14	0,19	0,17	0,17

The Jus Semper Global Alliance – Production-line workers' Living-Wage-Gap Analysis in PPPs Comparison Terms 1975-2007

		1996	1998	2000	2002	2004	2005	2006	2007
Benchmark	U.S. Hourly Production-line Rate	17,96	18,74	19,88	21,6	23,12	23,81	24,15	25,27
Brazil	GNI PPPs in country currency*	0,706	0,870	1,039	1,252	1,237	1,167	1,185	1,239
	Exchange rate	1,005	1,161	1,830	2,921	2,926	2,435	2,174	1,946
	GNI PPPs in US Dollars	\$ 0,70	\$ 0,75	\$ 0,57	\$ 0,43	\$ 0,42	\$ 0,48	\$ 0,55	\$ 0,64
	2. Equalised PPP nominal compensation US \$	\$ 12,62	\$ 14,05	\$ 11,29	\$ 9,26	\$ 9,78	\$ 11,41	\$ 13,17	\$ 16,09
	3. Actual Real compensation US \$	\$ 8,20	\$ 7,34	\$ 6,17	\$ 6,00	\$ 7,43	\$ 8,68	\$ 9,19	\$ 9,36
	4. Actual Nominal compensation US \$	\$ 5,76	\$ 5,50	\$ 3,50	\$ 2,57	\$ 3,14	\$ 4,16	\$ 5,01	\$ 5,96
	Compensation Deficit in US \$ (2 minus 4)	\$ 6,86	\$ 8,55	\$ 7,79	\$ 6,69	\$ 6,64	\$ 7,25	\$ 8,16	\$ 10,13
	Wage Equalisation index (4÷2 or 3÷1)	0,46	0,39	0,31	0,28	0,32	0,36	0,38	0,37
		1980	1985	1990	1995	2000	2005	2006	2007
Benchmark	U.S. Hourly Production-line Rate	9,75	12,87	15,00	17,39	19,88	23,81	24,15	25,27
Hong Kong	GNI PPPs in country currency*	4,24	4,61	5,59	7,81	7,80	6,14	6,46	5,60
	Exchange rate	4,976	7,791	7,790	7,736	7,792	7,788	7,768	7,802
	GNI PPPs in US Dollars	\$ 0,85	\$ 0,59	\$ 0,72	\$ 1,01	\$ 1,00	\$ 0,79	\$ 0,83	\$ 0,72
	2. Equalised PPP nominal compensation US \$	\$ 8,32	\$ 7,62	\$ 10,77	\$ 17,55	\$ 19,91	\$ 18,77	\$ 20,09	\$ 18,15
	3. Actual Real compensation US \$	\$ 1,76	\$ 2,92	\$ 4,48	\$ 4,77	\$ 5,44	\$ 7,17	\$ 6,95	\$ 8,05
	4. Actual Nominal compensation US \$	\$ 1,50	\$ 1,73	\$ 3,22	\$ 4,81	\$ 5,45	\$ 5,65	\$ 5,78	\$ 5,78
	Compensation Deficit in US \$ (2 minus 4)	\$ 6,82	\$ 5,89	\$ 7,55	\$ 12,74	\$ 14,46	\$ 13,12	\$ 14,31	\$ 12,37
	Wage Equalisation index (4÷2 or 3÷1)	0,18	0,23	0,30	0,27	0,27	0,30	0,29	0,32
Singapore	GNI PPPs in country currency*	1,31	1,35	1,148	1,25	1,20	1,10	1,06	1,03
	Exchange rate	2,141	2,200	1,813	1,417	1,725	1,664	1,588	1,507
	GNI PPPs in US Dollars	\$ 0,61	\$ 0,61	\$ 0,63	\$ 0,88	\$ 0,70	\$ 0,66	\$ 0,66	\$ 0,68
	2. Equalised PPP nominal compensation US \$	\$ 5,99	\$ 7,89	\$ 9,50	\$ 15,36	\$ 13,88	\$ 15,80	\$ 16,05	\$ 17,21
	3. Actual Real compensation US \$	\$ 2,52	\$ 4,19	\$ 6,02	\$ 8,71	\$ 10,51	\$ 11,12	\$ 13,12	\$ 12,44
	4. Actual Nominal compensation US \$	\$ 1,55	\$ 2,57	\$ 3,81	\$ 7,70	\$ 7,34	\$ 7,38	\$ 8,72	\$ 8,47
	Compensation Deficit in US \$ (2 minus 4)	\$ 4,44	\$ 5,32	\$ 5,69	\$ 7,66	\$ 6,54	\$ 8,42	\$ 7,33	\$ 8,74
	Wage Equalisation index (4÷2 or 3÷1)	0,26	0,33	0,40	0,50	0,53	0,47	0,54	0,49

***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.
- ❖ 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 vice versa.
- ❖ 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 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 using the sources below. (Sources with X indicate that some of their data is directly incorporated in the table):

- Data base of World Bank's World Development Indicators, 1975-2008, (GNI & GNI PPP, Atlas method)
- X Hourly Compensation Costs for Production Workers in Manufacturing (34 Country Tables), updated on March & November 2009. U.S. Department. of Labour, Bureau of Labour Statistics.
- International Comparison of Manufacturing Productivity and Unit Labour Cost trends. U.S. Department of Labour, Bureau of Labour Statistics, October 2009.
- X Comparative Real GDP per Capita and per Employed Person, Fourteen Countries 1960-2008, July 2009. 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.