

# TLWNSI NEWSLETTER

*The Living Wages North and South Initiative (TLWNSI)*

## Long-term Sustainable Development Through Gradual Wage Equalisation

### HIGHLIGHTS

TLWNSI Newsletter – Spring 2012

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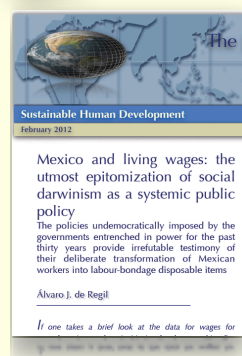
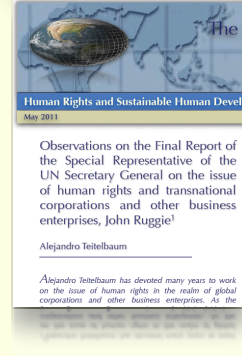
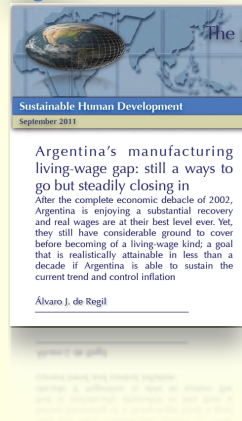
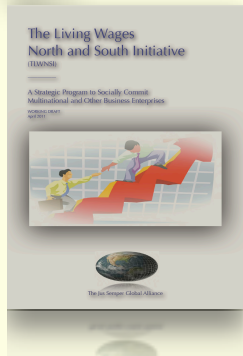
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Country	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
USA	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Germany	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
France	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
UK	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Spain	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Italy	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Japan	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Canada	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Brazil	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Mexico	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Argentina	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100



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### RESOURCE CENTRE

**NEW EDITION OF THE LIVING WAGES NORTH AND SOUTH INITIATIVE (TLWNSI) – A WORKING DRAFT**

*Our strategy and tactics have been redesigned to have a full bearing on the marketocratic ethos in which we are living.*

The idea of The Living Wages North and South Initiative (TLWNSI) emerged in 1999 as a result of an open dialogue between numerous social activists, primarily in Mexico, the U.S. and Spain. It was conceived as a result of the need to address a very conspicuous question: why do workers in Southern countries, who work for global corporations, earn a miserable wage by any standard, whilst their counterparts in Northern countries earn a living wage for doing the same job, of equivalent market value, for the same corporation? Our dialogue drew a first certainty: the wages paid to workers in the South have nothing to do with the cost of living differentials between economies; rather, they have to do with the logic of comparative advantages that puts supply and demand arguments to work on behalf of a global market system that practices labour exploitation as a core strategic asset of its global operations model.

Our new strategy and tactics address the logic of the market in sync with a wide global movement of civil society organisations so that we can realistically expect to gradually transition from the current market-driven paradigm into the new true-democracy paradigm in the term of thirty years. It goes without saying that said paradigm can only have as its only purpose the pursuit of the welfare of people and planet and not the market.

**Download TLWNSI's latest working draft!**

**ARGENTINA'S MANUFACTURING LIVING-WAGE GAP: STILL A WAYS TO GO BUT STEADILY CLOSING IN**

*After the complete economic debacle of 2002, Argentina is enjoying a substantial recovery and real wages are at their best level ever. Yet, they still have considerable ground to cover before becoming of a living-wage kind; a goal that is realistically attainable in less than a decade if Argentina is able to sustain the current trend and control inflation.*

Argentina traditionally enjoyed the highest standard of living in Iberian America for most of the XX century. It had the most literate and well fed population, vast agricultural and mineral resources and a large immigration force eager to thrive in this new land. In the first part of the century, although the economy was heavily dependent for foreign exchange on the export of agricultural products, Argentina was considered one of the richest countries in the world. Real wages had a very favourable gap vis-a-vis real wages in many countries in Europe, a factor that attracted millions of European immigrants to populate much of its, until then, scarcely populated territory.

However, during the second part of the century, despite its focus on industrialisation through import substitution, Argentina experienced a long period of recurring political and economic crises, with high inflation rates becoming a permanent feature of its economy. Military coups, deteriorating terms of trade for its agricultural exports and an inconclusive import substitution strategy did not allow Argentina to become a developed economy and instead descended into a middle income economy with a deteriorated standard of living and increased inequality.

At the end of the eighties, and in line with the global trend, particularly radical in Iberian America, Argentina adopted the recipes of the so-called Washington Consensus. This entailed the imposition of the supply-side neoliberal mantra through trade liberalisation, privatisation and the reduction of the State to its minimum expression.

Under the new paradigm Argentina experienced a short bout of economic boom at the end of the century. But in 2001, the laissez-faire opening of Argentina's economy actually resulted in its complete collapse due to the sheer speculative and predatory basis upon which it was anchored. With "el corralito" –the actual freezing of all bank deposits due to lack of funds provoked by massive capital flight– Argentina was forced to declare a credit default of its large and mostly securitised foreign debt. As a consequence, since 2003, Argentina has moved from sheer laissez-faire to far more cautious economic policies –with some measure of regulation, and a less privatised and a more demand-side economic approach.

Since then real wages have improved dramatically in line with the unprecedented sustained economic recovery that began in 2003. As a result, manufacturing real wages in particular are at their highest level since at least 1996, more than doubling their previous real value during the short neoliberal boom. By the same token, since 2003 the living-wage gap vis-à-vis equivalent real wages in the U.S. has decreased dramatically as well and, as could be expected, it is much smaller than comparable manufacturing wage gaps among its counterparts in Brazil and Mexico, the largest economies in the region.

Nonetheless, from TLWNSI's (The Living Wages North and South Initiative) living-wage perspective, before Argentina's real wages in the manufacturing sector can be considered of a living-wage kind, they still have considerable ground to cover to reach the levels of Western Europe and East Asian wages. Yet, if Argentina is able to sustain the current trend, it will cross the living wage threshold in less than a decade at a gradual pace and will attain comparable wages –in living-wage terms– to those of Western European and East Asian countries. A realistic goal indeed.

**Download the assessment of Argentina's living-wage gap here!**

**OBSERVATIONS ON THE FINAL REPORT OF THE SPECIAL REPRESENTATIVE OF THE UN ON THE ISSUE OF BUSINESS AND HUMAN RIGHTS, JOHN RUGGIE**

*If TNLs benefited when the Norms Draft was buried, Ruggie's Final Report is once again a ploy so that everything remains the same.*

Alejandro Teitelbaum has devoted many years to work on the issue of human rights in the realm of global corporations and other business enterprises. As the former Permanent Representative to the United Nations Office in Geneva, for the American Association of Jurists –based in Buenos Aires, he spent time toiling with the bureaucracies of the UN and member States, in his pursuit of an international legal framework that would harness business activity so that it would stop violating a wide array of human rights in its sphere of influence, as is customarily the case today. As such, he witnessed how, time and time again, the bureaucracies succumbed to the will of the leading economic powers, who were adamant at maintaining the preeminence of corporate interest over their responsibility for their infringement on human rights.

In this way, Teitelbaum's conclusion is that if transnational corporations benefited when the Norms Draft was buried, Ruggie's Final Report sinks again any attempt to create an instrument of binding nature to enforce respect for human rights in the realm of business activity. Consequently, and as could be foreseen, Ruggie's work is once again a ploy so that everything remains the same.

**Download Teitelbaum's final assessment on Ruggie's work here!**

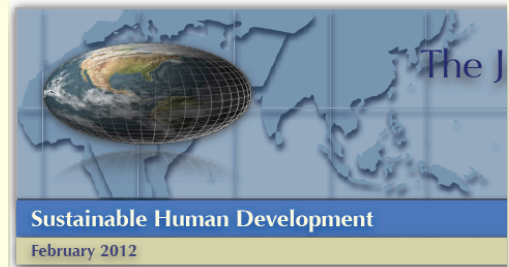
**MEXICO AND LIVING WAGES: THE UTMOST EPITOMIZATION OF SOCIAL DARWINISM AS A SYSTEMIC PUBLIC POLICY**

*The policies undemocratically imposed by the governments entrenched in power for the past thirty years provide irrefutable testimony of their deliberate transformation of Mexican workers into labour-bondage disposable items.*

huge wage gap of Mexican production workers with the wages of equivalent workers in the U.S. The first projection will assess what kind of real wage average annual increase it would take to close the wage gap with equivalent U.S. wages in the term of thirty years. The second projection assesses how long it would take to close the same wage gap by following Brazil's concept of annually increasing nominal wages by the sum of inflation plus GDP growth. Both projections are fully in line with TLWNSI's concept of equal pay for equal work of equal value through gradual wage equalisation.

Yet, currently the questions posed by these projections are undoubtedly rhetorical questions. Indeed, closing the gap to make Mexican wages of a living wage kind will remain an absolutely impossible endeavour as long as Mexican society does not get the resolve to organise to peacefully remove from power the structures that have historically been working to maintain the centre-periphery relationship that keeps all the benefits from economic activity for the robber barons and their foreign neoliberal tutors. Or, as the citizenry worldwide is increasingly denouncing, as long as the 1% keeps taking most of what belongs to the 99%.

**Download here the detailed assessment on the state of Mexico's wages!**



Observations on the Final Report of the Special Representative of the UN Secretary General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie<sup>1</sup>

Alejandro Teitelbaum  
*Alejandro Teitelbaum has devoted many years to work on the issue of human rights in the realm of global*

**Mexico and living wages: the utmost epitomization of social darwinism as a systemic public policy**

The policies undemocratically imposed by the governments entrenched in power for the past thirty years provide irrefutable testimony of their deliberate transformation of Mexican workers into labour-bondage disposable items

Álvaro J. de Regil

*If one takes a brief look at the data for wages for*

**AEQUUS INDICES. LIVING WAGE EQUALISATION IN THE MANUFACTURING SECTOR**

*The most relevant indicator of our work exposes either the size of the gap or the advantage that real wages have over the wages of equivalent U.S. workers for up to 32 countries*

In this brief, Teitelbaum provides his final observations on the perspective that Ruggie attempts to advance in his Final Report. The author incorporates into his assessment the consistent laissez faire course followed by Ruggie since the time when he was the UN Secretary General's principal advisor for the Global Compact; a public relations instrument – now even derided inside the UN– to allow companies to look good without really doing the public good. In his previous assessment, Teitelbaum succinctly concludes that Ruggie puts up an act to change so that, at the end, everything remains the same. That is, he advances no binding rules to ensure that business activity does not infringe on human rights, but only an encouragement to voluntarily incorporate into business culture a consideration for respecting human rights. Thus, the author's recommendation to really address the issue was that "the UN Human Rights Council should make an about turn of 180 degrees on this issue to be in sync with the gravity of the social and economic situation in which the world is living".

This assessment arrives at a paramount conclusion: there is a deliberate policy in place to pauperise Mexico's work force, to serve as a source of the most competitive labour cost possible in the neoliberal globalised division of labour. Such conclusion is the result of assessing the quality of Mexico's manufacturing wages, gauging the trend they have followed from 1975 to 2009 for production-line workers and from 1996 to 2009 for all people employed in the manufacturing sector.

Additionally, this work makes two projections exploring two different scenarios to close the

Aequus Index e		Living wage equalisation index			
2009 ranking of living wage equalisation in purchasing power parity terms - 32 countries - for all employees in the manufacturing sector (employees and production line workers); based on total hourly compensation costs*					
Country	Year	Real wage PPP equalisation		Real wage PPP equalisation	
		Nominal wage index	Aequus index	Nominal wage index	Aequus index
<b>The Jus Semper Global Alliance</b>					
<b>United States (benchmark)</b>					
		100	100	100	100
Germany	1996	151	115	2009	139
Austria	1996	140	115	2009	143
Belgium	1996	144	119	2009	147
Netherlands	1997	103	91	2009	130
Norway	1997	119	89	2009	161
Finland	1996	112	87	2009	131
Denmark	1997	109	78	2009	148
Italy	1996	94	98	2009	104
France	1996	126	100	2009	120
Switzerland	1996	150	95	2009	132
Sweden	1996	124	94	2009	119
Australia	1996	88	98	2009	103
Ireland	1996	79	76	2009	116
Spain	1996	70	76	2009	83
United Kingdom	1996	78	76	2009	92
Japan	1996	108	62	2009	91
Canada	1996	86	96	2009	88
Singapore	1996	54	57	2009	52
South Korea	1996	44	49	2009	42
Greece	2000	32	53	2009	57
Argentina	1996	33	35	2009	30
New Zealand	2000	46	37	2009	32
Czech Rep.	1996	15	39	2009	33
Slovakia	1997	13	23	2009	44
Estonia	2000	10	23	2009	29
Portugal	1996	32	37	2009	36
Hungary	1996	14	29	2009	26
Poland	1996	14	29	2009	22
Brazil	1996	33	46	2009	25
Mexico	1996	13	25	2009	16
India <sup>†</sup>	1999	3	19	2007	3
Philippines	1996	5	11	2009	4
China <sup>‡</sup>	2002	3	5	2008	4

From inception, TLWNSI developed its living-wage equalisation index, which measures how close the real wages of manufacturing workers in a specific country are to those of equivalent workers in the U.S. in purchasing-power-parity (PPP) terms. The index exposes either the size of the gap or, in some countries, the true compensation advantage that real wages have over the wages of equivalent U.S. workers. Given that in 2011 we expanded our list of 13 economies included in our living-wage assessments to up to 32 economies, we decided to convey the most relevant indicator of our work in a very explicit manner. Hence we have named our index the "Aequus Index", Latin for "equal" or "balanced", which accurately reflects the purpose of our index.

In doing so we provide two indices. The first index measures wage differences for all employees in the manufacturing sector, which includes all persons employed full or part time in an establishment during a specified payroll period. The second index measures differences for production workers, which refers to only those employees who are engaged in activities directly or closely related to the production process.

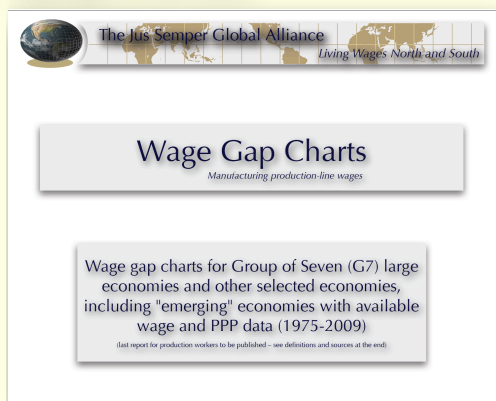
Both criteria belong to the methodology used by the Bureau of Labour Statistics (BLS) of the U.S. Department of Labour, our source for all nominal wages included in the indices. Yet, this will be the last time that we produce the Aequus Index for production workers, the same measurement that we have assessed since 2003 for 12 economies. The BLS has decided to no longer update wage data for production workers. We will, however, maintain this table readily available, given that it provides wage data as far back as 1975, allowing us to provide a comparison for many countries between that year and, in most instances, 2009. The index for all employees dates back, depending on the country, to 1996 and, except for India and China, compares the benchmark year with 2009 and will continue to be updated every year. India and China's wage data is currently available for the periods 1999-2007 and 2002-2008 respectively. A word of caution, nonetheless, is required with these data, for India and China data gathered by the BLS are not fully comparable to the rest of countries due to some inconsistencies in methodology. However, given that in both cases the BLS argues that this does not substantially affect the hourly compensation estimates, rough comparisons can still be made, and thus, we have decided to include them in our Aequus Index.

**Download the 1996-2009 Aequus Index for All Employees here!**

**Download the 1975-2009 Aequus Index for Production Workers here!**

## NEW 2009 REAL LIVING-WAGE GAP ANALYSIS UPDATE FOR PRODUCTION WORKERS IN 12 ECONOMIES AND THE U.S.

*Our annual analysis 1975-2009, for 8 developed and 4 "emerging" economies, of wage gaps in PPP terms*



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.

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).

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.

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

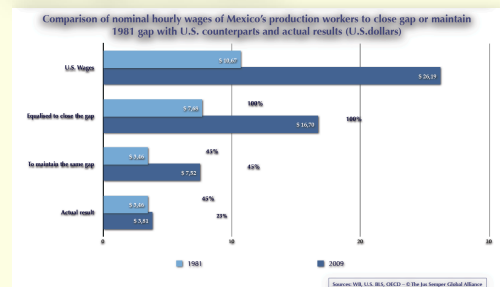
to 67%. Singapore experienced a similar behaviour, which increased its gap from 50 to 53. Hong Kong barely managed to leave its living-wage gap at 32.

The analysis is an update for 12 economies and the U.S., prepared by TJSKA, using 2009 hourly compensation costs for manufacturing workers as reported by the U.S. Department of Labour, and PPP data from the World Bank and the OECD. The report exposes once again a global labour system that profits over the majority of the people in favour of a global elite.

**Download the pdf file with the wage gap update for 12 economies (Germany, France, Italy, Canada, U.K., Spain, Japan, South Korea, Singapore, Hong Kong, Brazil and Mexico) here.**

## MEXICO'S (1975 - 2009) REAL LIVING-WAGE GAP ANALYSIS

*The Mexican State, still challenged for the lack of legitimacy of its election, 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.

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, 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.

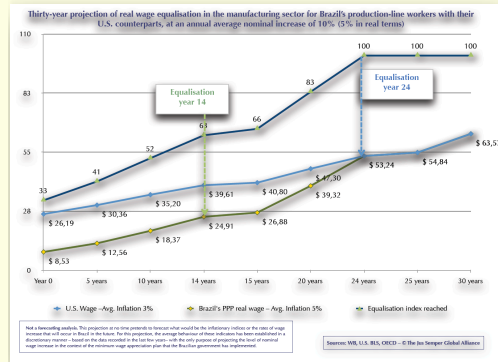
[Download the pdf file with the analysis of Mexico's wage gap here.](#)

**BRAZIL'S (1996 - 2009) REAL LIVING-WAGE GAP ANALYSIS**

*Brazil's recovery of production-line manufacturing wages recedes since 2006. Yet, there are plans for a strong long-term equalisation.*

The future of Brazil's wage policy is being redefined by clearly establishing a commitment to not only recover its 1996 wage level but to equalise wages with equivalent wages in the

U.S. This shows strong affinity with TLWNSI's concept –of the gradual closing of wage gaps through annual real wage increments (increments of several points over inflation)– for a system of annual real minimum wage increases has already been implemented beginning in 2010 and until 2023.



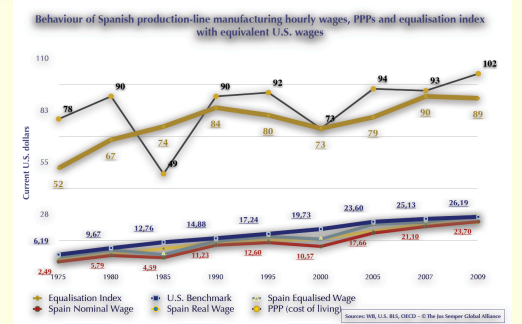
Although Brazil's plan will hardly close the wage gap with the United States by 2023, it will undoubtedly embody a great improvement that will trigger different multiplying effects that will generate the endogenous development of Brazil. This will place it much closer to the socioeconomic indicators of developed countries than of developing ones. Last year we were confident that once the benefits to be obtained from Brazil's minimum wage appreciation policy were attested, the new government of Dilma Rousseff would maintain the same policy. But, sooner than expected, Rousseff's government and Brazil's Congress have already transformed into law the appreciation plan and seem committed to it despite the fact that the opposite policy, of wage depredation, is being pursued globally and with special emphasis in the European Union.

To be sure, there is no guarantee that the current minimum wage appreciation policy will be maintained by future Brazilian governments. In any case, the responsibility for making sure that this policy remains falls directly on society, which bears the full load for making Brazil's future governments feel compelled to consolidate this objective. Hence, it is indispensable that Brazilians become fully aware about the need to permanently get involved in the public matter to make sure that future governments work for the benefit of society and not for the owners of the market and their very private interests, as the vast majority of governments enthusiastically pursue in most countries today.

[Download the pdf file with the analysis of Brazil's wage gap here.](#)

**SPAIN'S (1975 - 2009) REAL LIVING-WAGE GAP ANALYSIS**

*In 2009 Spain stays in line with the general trend followed by euro-driven economies, slightly sliding in their equalisation indices – since 2007– relative to U.S. wages. Yet, the slide in real wages will surely worsen in the entire euro area and even more so in Spain and other countries as the extreme austerity recession-side strategy that is being imposed ensues.*



The gradual transformation of Spanish wages into living wages is bound to experience a hard regression to the levels recorded many years ago. As could be expected, the ensuing effects of the systemic global capitalist crisis began to exert a toll on real wages in the entire Euro area in 2009, which continued in 2010 and 2011 and will be felt far more harshly from 2012 onward. Greece, Portugal, Italy, Ireland, Belgium and Spain have been forced to impose drastic economic policies that can no longer be considered supply sided or even recessionary but truly economically depressive. A euro-area policy centred on the harsh reduction of public-deficits to 3% of GDP by 2013, is drastically cutting budgets in all areas of government at both national and municipal levels. However, “coincidentally”, the new European Union directives are imposing, and not just demanding, a sheer neoliberal systemic restructuring which will deepen the already supply-side ethos that was gradually put in place in the 1990s. In complete incongruence with a truly democratic ethos, the new directives are now focused on reducing wages to the minimum common denominator and on dismantling many labour rights. As it happens, given that euro-area countries no longer have a national currency that could be devalued to increase competitiveness, and that the European Central Bank's sole goal is to contain inflation, euro-area economic strategy to increase competitiveness is now exclusively anchored on wage pauperisation. Thus, euro-area workers are at a real disadvantage vis-à-vis the rest of the world.

Furthermore, there is now clear evidence that there is an ongoing deliberate assault on labour rights in the EU. In the past, wages were not in the domain of EU directives. However, Germany's economic paradigm, which is

excessively centred on the containment of inflation and the absence of deficits, has made its policy to reduce wages and labour rights as the sole means to achieve its objective. Now, this policy has been effectively transferred to the euro area and it is being imposed even more profoundly as the new standard.

Indeed, the EU is also getting involved in reducing concrete and previously thought untouchable labour rights enshrined in the ILO's core conventions, such as the EU's direct meddling in the collective bargaining processes and actually dismantling collective bargaining models. In 2011 the members adopted the Euro-plus Pact, to speed up the dismantling of collective bargaining models as a legally-binding directive. The entire scheme is clearly a neoliberal approach designed to fulfil all the demands of international financial markets, now that governments, both left and right, no longer feel constrained to show their true face as market agents and consolidate the marketocratic ethos disguised as representative democracy.

In line with the new neoliberal, undemocratic and regressive European Union assault on labour rights, Spain's "labour" government passed a new labour reform in 2010 designed to comply with the new directives of the European Commission. It should be noted that Spain had already passed demand-side labour reforms in 1984, 1992, 1994, 1997, 2001 and 2006, all aimed at increasing flexibility in hiring and firing practices, reducing benefits and employer contributions, theoretically aimed at reducing unemployment by increasing temporary employment and similar practices that increased job insecurity and reduced labour rights. Then, in 2012 the new ultra neoliberal government immediately passed a new labour reform that deepens the flexibility of employers, so that they can hire and fire almost at will. Employers can now unilaterally opt to ignore their collective bargaining agreement with the union every time they record any drop in sales/revenue (not profits) in two consecutive quarters, and, among other things, layoff workers individually (less than 10% of the work force) or collectively if sales/revenue (not profits) drop at any rate in three consecutive quarters. Yet, the staunchest neoliberal change of the new reform is the inclusion of the right of employers to cut wages every time they record any loss of revenue/sales (not profits) in two consecutive quarters.

In summary, the capitalist systemic crisis has served to ensue a new assault on labour rights and the Welfare State in Spain and across the entire European Union. This will in all certainty decrease the workers' share of income and increase the employers shareholder value in the coming years.

[Download the pdf file with the analysis of Spain's wage gap here.](#)

**TABLE T4\*: 1975 – 2009 REAL-WAGE GAPS FOR TWELVE ECONOMIES, IN PURCHASING POWER PARITY (PPP) TERMS, FOR PRODUCTION-LINE MANUFACTURING WORKERS \*(The pivot table used for all PPP real-wage gap analysis)**

*In 2009, the international comparison of hourly compensation costs for production-line (PL) workers between the U.S. and selected developed and "emerging" markets, shows, relative to 2007, most countries markedly widening their gap with the wages of their U.S. counterparts or little or no change in their equalisation indices. Only Japan reported a marked improvement, recording its best equalisation index since 1975. This will be the last report for production workers. Beginning with 2010, the data will report labour costs for all manufacturing employees, including production workers.*

		1975
Benchmark	1. U.S. Hourly Manufacturing Rate	6,19
Canada	GNI PPPs in country currency*	1,222
	Exchange rate	1,017
	GNI PPPs in US Dollars	\$ 1,20
	2. Equalised PPP nominal compensation US \$	\$ 7,44
	3. Actual Real compensation US \$	\$ 5,33
	4. Actual Nominal compensation US \$	\$ 6,40
	Compensation Deficit in US \$ (2 minus 4)	\$ 1,04
Wage Equalisation index (4÷2 or 3÷1)	0,86	
South Korea	GNI PPPs in country currency*	238,900
	Exchange rate	484
	GNI PPPs in US Dollars	\$ 0,49
	2. Equalised PPP nominal compensation US \$	\$ 3,06
	3. Actual Real compensation US \$	\$ 0,67
	4. Actual Nominal compensation US \$	\$ 0,33
	Compensation Deficit in US \$ (2 minus 4)	\$ 2,73
Wage Equalisation index (4÷2 or 3÷1)	0,11	

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. In contrast, the rest of the countries experienced substantial currency devaluations, strong PPP growth or real wage increases below the growth of U.S. wages, with respect to 2007. Thus, all the other countries increased their hourly compensation cost gaps with the U.S. except for Italy and Hong Kong, which managed to sustain their previous equalisation index.

[Download the pdf file of Table 4 here.](#)

**TABLE T4-EUROPE: 1975 – 2009 REAL-WAGE GAPS FOR EUROPEAN ECONOMIES, IN PURCHASING POWER PARITY (PPP) TERMS, FOR PRODUCTION-LINE MANUFACTURING WORKERS**

*In assessing the competitiveness in the equalisation of European countries' manufacturing wages (total hourly compensation costs) for production line (PL)*

*workers –in purchasing power parity (PPP) terms– with equivalent U.S. wages, most countries lost ground in 2009 relative to their 2007 position. Only Switzerland was able to increase its advantage while Italy and Austria were able to sustain it. Most Euro countries lost some ground, despite a small currency revaluation, for nominal wages grew less than their PPPs. Other countries, prominently the UK, Sweden and Norway, suffered a large devaluation, which provoked a dramatic drop in their wage equalisation indices, with the UK recording the worst performance.*

		1975
Benchmark	1. U.S. Hourly Production-line Rate	6,19
Germany	GNI PPPs in country currency*	3,062
	Exchange rate	2,4553
	GNI PPPs in US Dollars	\$ 1,25
	2. Equalised PPP nominal compensation US \$	\$ 7,72
	3. Actual Real compensation US \$	\$ 4,14
	4. Actual Nominal compensation US \$	\$ 5,16
	Compensation Deficit in US \$ (2 minus 4)	\$ 2,56
Wage Equalisation index (4÷2 or 3÷1)	0,67	
United Kingdom	GNI PPPs in country currency*	0,380
	Exchange rate	0,452
	GNI PPPs in US Dollars	\$ 0,84
	2. Equalised PPP nominal compensation US \$	\$ 5,21
	3. Actual Real compensation US \$	\$ 3,86
	4. Actual Nominal compensation US \$	\$ 3,25
	Compensation Deficit in US \$ (2 minus 4)	\$ 1,96
Wage Equalisation index (4÷2 or 3÷1)	0,62	

In comparing 2009 with 2007 living-wage equalisations, there are four distinct groups defined by the behaviour of the key elements in wage equalisation: 1) those enjoying a considerable currency revaluation; 2) those with nominal wage increases –in local currency– marginally greater than the growth of their PPP cost of living and with small currency revaluations; 3) those with nominal wage increases –in domestic currency– smaller than the growth of their PPP cost of living and with small currency revaluations and 4) those with large currency devaluations.

[Download the pdf file of Table 4-Europe here.](#)

**TABLE T4-ASIA AND OCEANIA: 1975 – 2009 REAL-WAGE GAPS FOR ASIA AND OCEANIA, IN PURCHASING POWER PARITY (PPP) TERMS, FOR PRODUCTION-LINE MANUFACTURING WORKERS**

*In assessing the competitiveness in the equalisation of countries' manufacturing wages (total hourly compensation costs) for production-line workers –in purchasing power parity (PPP) terms– with equivalent U.S. wages, most countries in Asia and Oceania lost ground in 2009 relative to their 2007 position. Only Japan was able to increase its advantage due to a strong revaluation of the yen. Several countries, particularly South Korea, Australia and New Zealand suffered devaluations that dropped their equalisation indices. The rest lost some ground or were barely able to sustain their 2007 position.*

		1975	
<b>Benchmark</b>	<b>1. U.S. Hourly Production-line Rate</b>	<b>6,19</b>	
<b>Japan</b>	GNI PPPs in country currency*	286,000	
	Exchange rate	296,79	
	GNI PPPs in US Dollars	\$ 0,96	
	2. Equalised PPP nominal compensation US \$	\$ 5,96	
	3. Actual Real compensation US \$	\$ 3,06	
	4. Actual Nominal compensation US \$	\$ 2,95	
	Compensation Deficit in US \$ (2 minus 4)	\$ 3,01	
	Wage Equalisation index (4÷2 or 3÷1)	0,49	
<b>South Korea</b>	GNI PPPs in country currency*	238,900	
	Exchange rate	484	
	GNI PPPs in US Dollars	\$ 0,49	
	2. Equalised PPP nominal compensation US \$	\$ 3,06	
	3. Actual Real compensation US \$	\$ 0,67	
	4. Actual Nominal compensation US \$	\$ 0,33	
		Compensation Deficit in US \$ (2 minus 4)	\$ 2,73
		Wage Equalisation index (4÷2 or 3÷1)	0,11

In comparing 2009 with 2007 living-wage equalisations, most countries in Asia and Oceania lost ground in their equalisation indices because real wages in U.S. dollars dropped or grew less than equivalent U.S. wages. Broadly, when real wages in U.S. dollars dropped, they did it because real wages in domestic currency dropped or there were large currency devaluations. Exceptionally, Japan increased the value of the yen by more than 20% between 2007 and 2009. Thus, despite a drop in real wages –in PPP terms– real wages in U.S. dollars increased almost 19%. This caused its equalisation index to jump more than 22% (from 72 to 85) and to record its best position vis-à-vis equivalent U.S. wages since 1975. In fact, Japan recorded by far the best equalisation index performance of all countries in all regions.

[Download the pdf file of Table 4-Asia and Oceania here.](#)

**TABLE T5: NEW LIVING-WAGE GAPS 1996-2009 –IN PURCHASING POWER PARITY TERMS (PPPS)– VIS-À-VIS THE U.S. FOR ALL MANUFACTURING EMPLOYEES FOR THE FOUR LARGEST ECONOMIES IN THE AMERICAS (CANADA, BRAZIL, MEXICO AND ARGENTINA)!**

*The equalisation indices of hourly compensation costs for all manufacturing sector workers (AMWs) (blue & white collar) in Canada, Mexico, Brazil and Argentina, recorded an erosion of real wages and, thus, a widening of their wage gaps vis-à-vis equivalent U.S. workers with respect to 2008.*

In observing changes in 2009, always with respect to 2008, all countries in the Americas included in this assessment recorded currency devaluations against the U.S. dollar, averaging 11,9%, with Mexico recording the highest (17,5%) and Canada the lowest (6,6%). Argentina, Brazil and Mexico recorded nominal

wage increases in domestic currency, whilst Canada’s nominal wages dropped 4,2%. Moreover, PPP costs of living relatively increased in Brazil and Argentina whilst slightly decreased in Mexico. All these factors combined to cause a drop of real wages in U.S. dollars (total hourly compensation costs) for all four countries, averaging 7,6% –vis-à-vis a 4% increase in U.S. wages– and, accordingly, an average drop in their equalisation indices of 11,1%.

		1996	
<b>Benchmark</b>	<b>U.S. Hourly Manufacturing Rate</b>	<b>22,11</b>	
<b>Canada</b>	GNI PPPs in country currency*	1,227	
	Exchange rate	1,3638	
	GNI PPPs in US Dollars	\$ 0,90	
	2. Equalised PPP nominal compensation US \$	\$ 19,90	
	3. Actual Real compensation US \$	\$ 21,13	
	4. Actual Nominal compensation US \$	\$ 19,01	
		Compensation Deficit in US \$ (2 minus 4)	\$ 0,89
		Wage Equalisation index (4÷2 or 3÷1)	0,96
<b>Argentina</b>	GNI PPPs in country currency*	0,950	
	Exchange rate	0,997	
	GNI PPPs in US Dollars	\$ 0,95	
	2. Equalised PPP nominal compensation US \$	\$ 21,07	
	3. Actual Real compensation US \$	\$ 7,68	
	4. Actual Nominal compensation US \$	\$ 7,32	
		Compensation Deficit in US \$ (2 minus 4)	\$ 13,75
		Wage Equalisation index (4÷2 or 3÷1)	0,35

Mexico’s strong devaluation of the peso against the dollar was enough to offset a 6,5% increase in nominal wages and a slight drop in its PPPs. Thus, its hourly manufacturing rate in U.S. dollars dropped more than 8% in real terms and, accordingly, its equalisation index dropped by almost 12%.

Argentina’s nominal wages increased by 20,2% in national currency and 14,8% in real PPP terms. Yet, a 15,2% currency devaluation and a 5,5% increase in its PPP cost of living triggered a small drop of real wages in dollar terms and a 7,1% decrease in its equalisation index with U.S. equivalent wages, always relative to 2008.

[Download the pdf file of Table 5 here.](#)

## RESOURCE CENTRE

### ILO’s INTERNATIONAL JOURNAL OF LABOUR RESEARCH

*Towards a sustainable recovery: The case for wage-led policies.*

This issue of the International Journal of Labour Research addresses a central issue, if not the key issue for the labour movement: that of wages and what has happened to them over the past three decades. Clearly, the combination of restrictive macroeconomic policies, trade liberalisation and the financialisation of corporate governance has drastically changed the landscape in which collective bargaining

takes place. In the North “concession bargaining” has become a familiar concept, and in the South, the shift in the balance of power has meant that workers are not able to capture the hard-earned fruits of economic growth.

This new context, by weakening labour market regulation both de jure and de facto has profoundly eroded trade unions’ ability to connect improvements in standard of living to productivity gains. This has resulted not only in increased wage and income inequalities and higher incidence of low pay, but also in an increasingly dysfunctional macroeconomic picture.

**International Journal of Labour Research** 2011  
Vol. 3  
Issue 2

## Towards a sustainable recovery: The case for wage-led policies

INTERNATIONAL LABOUR OFFICE, GENEVA

One of the main findings is that wage-led growth economic strategies, far from undermining growth as is argued by mainstream economists, would, on the contrary, improve growth rates. This is an important argument as it directly contradicts the current “competitiveness” policy orientation in much of the world – an orientation based on permanent wage moderation. Clearly, such a recovery can only materialise if there is a global rebalancing of wages and productivity. This will not only require that trade unions intensify their efforts at the bargaining table and in pushing for better minimum wages, but that they fight to change the new global “rules of the game” that are diametrically set against them. In this area, as for others, collective action is a sine qua non condition to achieving any success

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**OECD WATCH – OECD WATCH STATEMENT ON THE UPDATE OF THE OECD GUIDELINES FOR MNEs**

*Improved content and scope, but procedural shortcomings remain*

25 May 2011

**OECD Watch**

**OECD Watch statement on the update of the OECD Guidelines for MNEs**

*Improved content and scope, but procedural shortcomings remain*

Summary and key outcomes

OECD Watch welcomes the changes to the OECD Guidelines that confirm and broaden the scope of the instrument to the global activities and all business relationships of MNEs. The new text introduces valuable provisions on human rights, workers and wages, and climate change. It establishes that enterprises should avoid causing or contributing to adverse impacts through their own activities or through business relationships, and it recommends that companies exercise due diligence to ensure they live up to their responsibilities. However, despite the references to impartiality and equal treatment, the changes to the procedures, which should be the cornerstone of the Guidelines, fall far short of what is needed to make them an effective and credible instrument. This update missed a once-in-a-decade opportunity to provide for a system capable of ensuring observance through investigative powers and the ability to impose some kind of sanction when the Guidelines are breached. In the absence of minimum standards to ensure that the Guidelines are consistently applied, it will be up to National Contact Points to step up to the plate and demonstrate their commitment and ability to resolve disputes and help provide remedies for those adversely affected by corporate misconduct. OECD Watch will continue to seek and advocate for instruments and mechanisms that effectively enforce corporate accountability and curb corporate abuses.

**Improvements to the Guidelines**

- A general principle that enterprises should always exercise due diligence in matters related to the Guidelines
- A general principle that enterprises should avoid causing or contributing to adverse impacts
- A general principle that enterprises must take steps to avoid negative impacts throughout their business relations, even when the enterprise has not caused or contributed to the harm
- Reference to the need for meaningful stakeholder engagement by enterprises
- Confirmation that the Guidelines apply to all sectors of the economy, including the financial sector
- References to the need for enterprises to reduce and report on greenhouse gas emissions
- The introduction of the principle of impartiality and equality for NCPs dealing with complaints
- Strengthened provisions on transparency requirements for NCPs, including in final statements
- OECD Watch permission to request clarification from the Investment Committee on NCP performance and interpretation of the Guidelines

**Fundamental shortcomings**

- Weak language, including numerous "where appropriate" caveats and disclaimers, that provides enterprises with loopholes and gives wide discretionary power to individual NCPs
- Failure to ensure the predictability of the instrument by requiring NCPs to make a statement on the validity of a complaint and observance of the Guidelines when mediation has failed
- Lack of specification of NCP requirements to monitor and follow-up recommendations and agreements
- Failure to ensure that breaches of the Guidelines or refusal to engage in the mediation process have consequences for enterprises
- No assurance of effective NCP performance through mandatory oversight or peer review mechanisms.
- No guarantees that conflicts of interests will be avoided through the housing of NCPs
- No explicit reference to indigenous Peoples' right to free, prior and informed consent
- No reference to country-by-country reporting
- Lack of social and environmental disclosure requirements in line with international best practice

OECD Watch welcomes the changes to the OECD Guidelines that confirm and broaden the scope of the instrument to the global activities and all business relationships of MNEs. The new text introduces valuable provisions on human rights, workers and wages, and climate change. It establishes that enterprises should avoid causing or contributing to adverse impacts through their own activities or through business relationships, and it recommends that companies exercise due diligence to ensure they live up to their responsibilities. However, despite the references to impartiality and equal treatment, the changes to the procedures, which should be the cornerstone of the Guidelines, fall far short of what is needed to make them an effective and credible instrument. This update missed a once-in-a-decade opportunity to provide for a system capable of ensuring observance through investigative powers and the ability to impose some kind of sanction when the Guidelines are breached. In the absence of minimum standards to ensure that the Guidelines are consistently applied, it will be up to National Contact Points to step up to the plate and demonstrate their commitment and ability to resolve disputes and help provide remedies for those adversely affected by corporate misconduct. OECD Watch will continue to seek and advocate for instruments and mechanisms that effectively enforce corporate accountability and curb corporate

abuses.

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**HUMAN DEVELOPMENT REPORT 2011. SUSTAINABILITY AND EQUITY: A BETTER FUTURE FOR ALL**

*Sustainability is inextricably linked to basic questions of equity, fairness and social justice and of greater access to a better quality of life. Approaches that integrate equity into policies and that empower people hold enormous promise. Growing country experiences have demonstrated their potential to generate and capture positive synergies*

This Report explores the integral links between environmental sustainability and equity and shows that these are critical to expanding human freedoms for people today and in generations to come. The point of departure is that the remarkable progress in human development over recent decades that the Human Development Report has documented cannot continue without bold global steps to reduce environmental risks and inequality. We identify pathways for people, communities, countries and the international community to promote environmental sustainability and equity in mutually reinforcing ways.



The cover diagram symbolises how different policies can have different implications for sustainability and equity. Whenever available, we should prefer solutions that are good for the environment while also promoting equity and human development. Pursuing sustainability and equity jointly does not require that they be

mutually reinforcing. In many instances they will not be. Sometimes the most feasible alternative involves trade-offs between sustainability and equity and requires explicit and careful consideration. No trade-off is isolated from a society's structural and institutional conditions, and so we must address the underlying constraints and identify positive synergies between sustainability and equity. This Report is aimed not only at finding positive synergies but also at identifying ways to build them.

Yet there are alternatives to inequality and unsustainability. Growth driven by fossil fuel consumption is not a prerequisite for a better life in broader human development terms. Investments that improve equity—in access, for example, to renewable energy, water and sanitation, and reproductive healthcare—could advance both sustainability and human development. Stronger accountability and democratic processes, in part through support for an active civil society and media, can also improve outcomes. Successful approaches rely on community management, inclusive institutions that pay particular attention to disadvantaged groups, and cross-cutting approaches that coordinate budgets and mechanisms across government agencies and development partners.

Beyond the Millennium Development Goals, the world needs a post-2015 development framework that reflects equity and sustainability; Rio+20 stands out as a key opportunity to reach a shared understanding of how to move forward. This Report shows that approaches that integrate equity into policies and programmes and that empower people to bring about change in the legal and political arenas hold enormous promise. Growing country experiences around the world have demonstrated the potential of these approaches to generate and capture positive synergies.

Providing opportunities and choices for all is the central goal of human development. We have a collective responsibility towards the least privileged among us today and in the future around the world—and a moral imperative to ensure that the present is not the enemy of the future. This Report can help us see the way forward.

[Download directly from the UNDP website here.](#) [And the french version here.](#)

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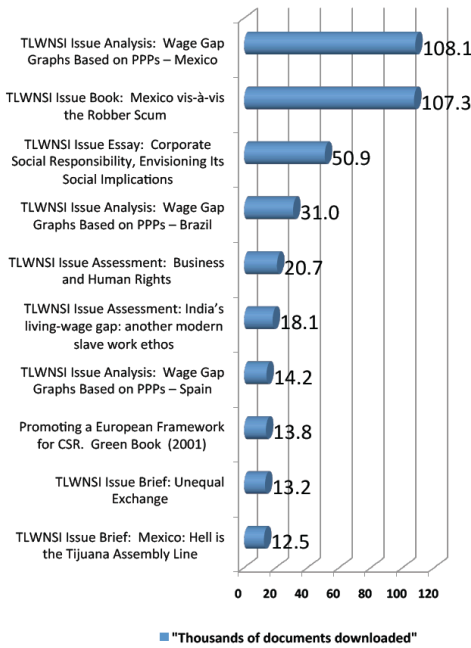
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*A final thought*

The Top 10 Resources Downloaded in 2011



*Mexico City policeman chains himself to the main doors of the City Assembly in protest because his salary does not make a living wage (19 December 2006).*

A living wage is, universally, the most important element in the achievement of everyone's right to a dignified life and the eradication of poverty. Relative to the social responsibility of business, a corporation or organisational entity employing people, regardless of size or trade, public or private, cannot be considered to behave in a socially responsible manner if it does not pay a living wage, regardless of how responsibly it behaves in all other areas of activity.

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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.* Yet, everything remains in the realm of rhetoric and hypocrisy, and the system, imbued in the most perverse human instincts, remains.



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