

## 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

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*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 dependant 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.*

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*As for the quality of wages, although real wages in Argentina since WWII were not nearly as good as they were in the first part of the century, they continued to be by far the highest in Iberian America and reflected low levels of inequality up to the mid seventies. To be sure, with the abandonment of demand-side economics in favour of a sheer neoclassical approach, real wages deteriorated substantially –except during the brief period of neoliberal GDP growth during the last decade of the past century, and inequality grew exponentially, particularly during the turn of the century until the economy collapsed in 2001-2002.*

*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.*

## ❖ Introduction

For the most part of the XX century Argentina had a well fed and highly literate population. Traditionally, Argentina's economy had a strong dependency on the exports of its huge agricultural production until it began to industrialise in the early XX century. This enabled it to clearly enjoy a high standard of living, which made Argentina one of the richest countries in the world. During the post WWII period, it embarked on a phase of strong industrialisation through import substitution, in much the same fashion followed by many Iberian American economies. Its economic development policy was anchored on the demand-side Keynesian paradigm that was at the centre of all economic recovery policies in much of the war-ravaged economies of Europe, Japan and the U.S. This helped decrease its dependency on agriculture. With an immense surface apt for agricultural production, Argentina has always been a leading exporter of meat, soy, wheat and other grains. Nonetheless, although this sector has traditionally been a major contributor to foreign exchange through its vast exports, it has operated anchored on an archaic and traditional supply-side economic model dominated by large land ownerships (estancias) –as opposed to the much smaller properties owned and operated by true farmers (chacras). In effect, production in the estancias is customarily based on the sheer exploitation of labour, to the point that even today large domestic and foreign agricultural companies operating in Argentina continue to be denounced for their exploitative practices of a modern slave work nature.<sup>1</sup>

In the second half of the XX century, the sheer supply-side model of the export-oriented agricultural sector –built on the backs of workers– continued, whilst, concurrently, an antithetical domestic-oriented demand-sided import-substitution industrial sector began to develop in the cities. As could be expected, jobs in Argentinian cities, and particularly in the manufacturing sector, paid wages much higher than agricultural wages, but even more so due to the bondage wages paid by agricultural companies. Yet, as in the rest of Iberian America, Argentina went through a series of political and economic crises that put an end to the demand-side import-substitution model. Instead, the U.S. and Northern European driven supply-side neoliberal mantra of liberalisation, privatisation, reduction of real wages and the reduction of the State and of the Welfare State to the lowest possible common denominator was imposed.

In this way, by the start of the 1990s, Argentina had centred its economy on an export-oriented economic model –including agricultural, agroindustrial and manufacturing sectors. As in the case of Brazil, Mexico, other Iberian American countries and many other periphery economies, the model anchored its efficiencies predominantly on the contention and reduction of real wages. Such policy of systematic reduction of labour endowments (share of income) and Argentina's overall economic picture were further complicated by rather high inflationary rates. Argentina suffered high rates of inflation since the onset of the post WWII period. But in 1975 this turned into a long period of hyperinflation lasting until 1991. As is always the case, this enabled employers to depress real wages, for nominal wages were adjusted always below inflationary rates. This increased inequality dramatically and in just one year poverty rates grew by almost 60%. Indeed, between 1988 and 1989 poverty in the Greater Buenos Aires area shot up from 29,9% to 47,3%.<sup>2</sup>

Subsequently, during the 1990s there was a short neoliberal boom period when Argentina experienced strong GDP growth. The Argentine peso was pegged to the dollar in 1991, and GDP averaged a 7% annual growth between 1991 and 1999, whereas inflation dropped dramatically, from 2314% in 1990 to 1,17% in 1999<sup>3</sup> and poverty dropped to 16,1% in 1994.<sup>4</sup>

As for wages, the earliest data available from the U.S. Department of Labour's Bureau of Labour Statistics International Comparisons Program, regarding manufacturing wages for Argentina, starts in 1996, in the middle of the short neoliberal boom. From TLWNSI's perspective, analysis of this data indicates that Argentina's living-wage gap vis-à-vis manufacturing wages in the U.S. was clearly greater than Brazil's gap but substantially better than Mexico's. Such gap improved marginally for the rest of the decade; but by 2002 real wages had completely collapsed and, thus, the living-wage gap increased from 65% in 1996 to 80% in 2002, which placed it at a greater level than Brazil's (72%) and almost at par with Mexico's customarily pauperised real wages (81%).<sup>5</sup>

<sup>1</sup> Stella Calloni: Allanan en Argentina empresas agrícolas con peones "esclavos", La Jornada, 7 January 2011.

<sup>2</sup> INDEC: Porcentaje de hogares y personas por debajo de la línea de pobreza en el aglomerado Gran Buenos Aires: <<http://www.indec.mecon.ar/nuevaweb/cuadros/74/sh-pobreza2.xls>>

<sup>3</sup> World Bank: World Development Indicators, Databank generated report August 2011.

<sup>4</sup> INDEC: Porcentaje de hogares y personas por debajo de la línea de pobreza en el aglomerado Gran Buenos Aires: <<http://www.indec.mecon.ar/nuevaweb/cuadros/74/sh-pobreza2.xls>>

<sup>5</sup> The Jus Semper Global Alliance – Table T5-T4: Living-Wage-Gap Analysis of All Manufacturing Workers in Purchasing Power Parities Comparison Terms 1996-2008 (Americas).

When the revenue generated by the privatisation spree of State-owned assets stopped, Argentina's law to peg the peso to the dollar was no longer sustainable. Sheer speculative investments (vulture funds) betting on Argentina's defaulting on its debt further complicated the crises, which resulted in the "corralito" and the complete collapse of Argentina's economic and political systems. This triggered an explosion of poverty, which reached 54,3% of the population by the end of 2002, a poverty level never recorded before for Argentina.<sup>6</sup> Inequality also grew dramatically, from a 45 GINI index in 1986 to a 53 index in 2002, the highest inequality level for Argentina on record.<sup>7</sup>

Fortunately, Argentina appears to have learned from this dire situation. The so-called era of stop-and-go and volatility appears to be gone. Beginning in 2003, the government negotiated with the bondholders at a deeply discounted rate of little more than 70%.<sup>8</sup> It also paid off its debt with the IMF with the deliberate intention of freeing the country from all the IMF's customary neoliberal demands.<sup>9</sup> Since then, Argentina has gradually recovered and has enjoyed an average GDP growth of 7,6% between 2003 and 2010.<sup>10</sup> Poverty has decreased accordingly and it stood at 13,2% in the cities in 2009,<sup>11</sup> and, according to ECLAC, at 11,3% nationally.<sup>12</sup> The GINI index has dropped as well to 46, similar to the level recorded in 1986. Inflation, a recurrent feature of Argentina's economy, has also been relatively tamed, averaging 8,9% between 2003 and 2009,<sup>13</sup> albeit the most recent figures are being deemed not realistic by independent analysts.<sup>14</sup>

It is unquestionable that the dominant factor in Argentina's recovery is the economic policies of the immediately preceding and current governments. Both have parted away from neoliberal globalisation and have clearly adopted a demand-side economic approach, where both have made the recovery of employment and wages a cornerstone of their economic program. This has generated a dramatic improvement in real wages. A recent independent analytical assessment indicates that labour costs are increasing 15% annually.<sup>15</sup>

Accordingly, in our own analysis, manufacturing real wages in 2009 have more than doubled vis-à-vis wages in both 1996 and 2002 and have reached an unprecedented level. By the same token, Argentina's manufacturing living-wage gap with equivalent workers in the U.S. has dropped dramatically. Thus, its equalisation index is now closer to those recorded by developed economies than to those of the largest regional economies: Brazil and Mexico. This assessment uses the total hourly compensation cost to employers of employing a worker, to determine living-wage gaps.<sup>16</sup>

Argentina, for a long time considered an emerging "market" from a neoliberal perspective, is indeed emerging as a prosperous economy, but, paradoxically, from a demand-side perspective. And, although Argentina has not implemented through legislation a precise formula to increase real wages –as is the case with Brazil<sup>17</sup>– it has certainly been capable of recovering real wages at an impressive pace. This is a refreshing event in a sea of extreme supply-side, laissez-faire economic approaches worldwide. Refreshing indeed for Argentina's government does not appear to behave as another customary market agent at the service of the global financial markets' institutional investors. In truth, the mere fact that employment, wages and the Welfare State have been recovering anchored on a redistributing policy, is, by default, anathema to the neoliberal mantra. Hence, this event embodies a truly refreshing example of a country moving away from the marketocratic ethos that has been imposed worldwide for the exclusive benefit of shareholder value.

The above notwithstanding, the real big challenge is to successfully deal with the powerful pressures of financial markets' speculators –by keeping them at bay– and continue with the same economic approach in a sustainable manner. To be sure, this would be the way to go for the closure of Argentina's living-wage gap and thus, for attaining the quality of a far less unequal and far more developed society in the true sense of the terms.

<sup>6</sup> INDEC: Porcentaje de hogares y personas por debajo de la línea de pobreza en el aglomerado Gran Buenos Aires: <<http://www.indec.mecon.ar/nuevaweb/cuadros/74/sh-pobreza2.xls>>

<sup>7</sup> World Bank: World Development Indicators, Databank generated report, August 2011.

<sup>8</sup> The Economist: Screeching to the precipice – Argentina appears to have persuaded most of its bondholders to accept a deeply discounted debt-restructuring offer. But the country's financing problems will continue unless it can coax back capital stashed abroad by its citizens

<sup>9</sup> Daniel Schweimler, Argentina to pay off debt early, BBC News, 16 December 2005.

<sup>10</sup> World Bank: World Development Indicators, Databank generated report, August 2011.

<sup>11</sup> World Bank: World Development Indicators 2011, Table 2.7: Poverty Rtes at National Poverty Line.

<sup>12</sup> CEPAL: Panorama Social de América Latina 2010

<sup>13</sup> World Bank: World Development Indicators, Databank generated report, August 2011.

<sup>14</sup> According to FIEL, an economic think tank, the real inflation rate in 2010 was around 21%. FIEL Chief Economists: Argentina's Economic Outlook (prepared by Mercedes Laxague) 19 April 2011

<sup>15</sup> Mercedes Laxague: FIEL Chief Economists: Argentina's Economic Outlook, 19 April 2011.

<sup>16</sup> The hourly manufacturing rate or nominal hourly wage 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. For a detailed description of this cost see definitions in the appendix.

<sup>17</sup> Álvaro de Regil: Brazil: In perfect harmony with TLWNSI's concept, The Jus Semper Global Alliance, A TLWNSI Issue Brief, January 2010.

### ❖ A Living-Wage perspective

Assessing the quality of Argentina's manufacturing wages from TLWNSI's perspective (living-wage gap) for all employees (production-line workers and all other manufacturing employees) puts Argentina's wages in 2009 in a league above wages in the rest of Iberian America. These wages are also clearly superior to equivalent wages in Portugal, Poland, the Czech Republic and Hungary, in Europe, as well as in the Philippines and even superior to equivalent wages in New Zealand. They are still slightly below equivalent wages in South Korea and at some distance from real wages in Singapore, but the trend, since 2003, indicates that Argentina is rapidly catching up with the relatively small living-wage gaps of far stronger and more egalitarian economies such as those of Canada, Japan, Spain and Australia.

The analysis is performed following TLWNSI's methodology for determining what would constitute a living wage for people employed in the manufacturing sector in Argentina, with the equivalent U.S. wage used as the benchmark. First, TLWNSI's living-wage concept is explained in detail in the following section. Then, we will review Argentina's 1996-2009 nominal and real wages –in purchasing power parities (PPP) terms– in order to assess the dimension of the gap between the real wage and the living wage. Subsequently, we will perform two projections to determine the number of years that Argentina's manufacturing wages would need to fully close the living-wage gap with its U.S. counterparts by sustaining the actual average increase of nominal wages between 2003 and 2009 at different inflation rates.

### ❖ TLWNSI's living-wage concept

The gaps between real wages and living wages in most developing countries are so wide that realistically it would be impossible, for many reasons, to close the gaps in a few years. As a general rule, TLWNSI's conceptual framework increases real wages by applying the sum of the inflationary index of the immediately preceding year plus several additional percentage points to nominal wages. The exact amount of additional percentage points depends on the size of the gap and the term that each government imposes on itself to fulfil the goal of closing the wage gap. That would be a political economy decision. TLWNSI's goal is the equalisation of wages –in PPP terms– of developing countries with their U.S. counterparts in the term of not more than thirty years or a generation. TLWNSI's research indicates that, to fulfil the goal –in the maximum term of thirty years– most economies need to increase wages annually an average of 5% (+/- 2%) above inflation. Thus, if, for instance, inflation averages 5%, wages would increase nominally an average of 10% to reach its goal. TLWNSI's conceptual framework is firmly anchored on the context of true democracy. That is, a truly democratic ethos has as its only purpose the welfare of people and planet. In this ethos the market is firmly harnessed to work as a vehicle to generate material welfare instead of being an end in itself, as is currently the case. To be sure, TLWNSI's concept parts from the assertion that we do not live in democratic societies but rather in *marketocratic* societies where the market has overtaken the halls of governments and dictates the public policy to fulfil its very private interest. In essence, the public matter has been privatised and politicians discuss it in private with the owners of the market, the world's institutional investors. The policies that the EU is currently taking to supposedly protect the euro are the most recent examples of how financial markets dictate public policy decision making to impose the neoliberal mantra. They include, prominently, the downgrading of labour standards and the reduction of the Welfare State to its minimum expression. Financial markets –through their rating agencies and major stock brokerage houses– simply exert the necessary threats to impose their will on economic policy; a will in which their very private interest –the maximisation of shareholder value– is inherently embedded.<sup>18</sup> TLWNSI's concept runs in the opposite direction, where governments fulfil the public mandate. In a succinct manner, TLWNSI's concept is comprised of the following elements:<sup>19</sup>

#### 1. The argument

- In a true democracy, the purpose of all governments (the public mandate) is to procure the welfare of every rank of society, and with special emphasis on the dispossessed, with the only end of all social ranks 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.

<sup>18</sup> The Economist: 1) Fear spreads – A big rescue package for Greece has not protected other countries such as Portugal, 6th May 2010; 2) Labour reform in Spain isn't working, 17th, June 2010; 3) Reforming France State of denial, 17th June 2010.

<sup>19</sup> For a detailed presentation see: The Jus Semper Global Alliance: The Living Wages North and South Initiative (TLWNSI). A strategic program to commit multinational and other business enterprises (Working draft 2011): [http://www.jussempere.org/TLWNSI/Resources/TLWNSI\\_WDRAFT\\_2011.pdf](http://www.jussempere.org/TLWNSI/Resources/TLWNSI_WDRAFT_2011.pdf)

- 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,
- The benchmark used is the wages paid by the entity in the North; namely the U.S.,
- 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 PPP terms as determined by the World Bank and the OECD,
- The material quality of life in Jus Semper's TLWNSI is defined in terms of purchasing power, so that equal pay occurs when purchasing power is equal,
- Purchasing power is determined using PPPs,
- PPPs are the rates of currency conversion that eliminate the differences in price levels between countries.

## 2. Definition of a living wage

- 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.

## 3. Supporting criteria

The argument of an equivalent living wage is anchored on two criteria of international law:

- ◆ 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 (equal remuneration) 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.

## 4. Other ethical criteria from a human rights perspective

- The proposal is to make workers in the South earn living wages at par with those of the North in terms of PPPs in the course of a generation (thirty years).
- Just as the ILO'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.
- There cannot be a decent work ethos without a living wage as the standard for work remuneration.
- 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 increasing it to dignified levels in the South, thus reducing our ecological footprint on the planet.
- This entails that equal pay for equal work in the North-South context –of a living-wage quality– will meet at a point in the long-term future where the human footprint on the environment will be substantially lower than it currently is.

## 5. 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. has in the United States; e.g.: if the PPP index in one country is 69, then \$0,69 are required in that country to buy the same that \$1 buys in the 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 PPP 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 with 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 he should be earning, 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.
- The difference between the real wage of a subsistence quality of life nature and the equalised wage of a dignified nature is the amount that originally belongs to workers but that employers perversely keep to increase their profits and shareholder value.
- 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 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 capitalism.

#### 6. A real example in 2009 (table 1)

- As indicated in table 1, equivalent manufacturing employees in Argentina nominally earned \$10,14 an hour in 2009, which in real (PPP) terms amounts to \$18,85, or 56% of what is necessary to make \$33,53 –in real terms– to be compensated at par with equivalent U.S. workers in the manufacturing sector –in accordance with TLWNSI's living-wage concept of equal pay for equal work of equal value.
- While the cost of living in Argentina in 2009 –in PPP terms– was 54% of the U.S., the 56 equalisation index exposes a gap of 44%; for Argentinian employees needed to earn nominally \$18,04 an hour (54% of U.S. wages) to enjoy an equivalent wage in purchasing power to the \$33,53 that U.S. workers nominally earn.
- Comparatively, Argentinian real wages fare much better than real wages for manufacturing employees in Brazil and Mexico, which recorded gaps of 69 and 75%, respectively, vis-à-vis Argentina's 44% wage gap. In fact, in the Americas, Argentina's manufacturing real wage gap appears closer to Canada's real wage gap of 22% than to the wage gaps of their Iberian American peers.
- Argentina's PPP real wages also fare better than equivalent wages in the Czech Republic, Portugal, Hungary and Poland but they are still far away from Spain's living-wage equalisation index (56 vs 81).
- Relative to Asia, Argentina's PPP real wage is just below equivalent wages in South Korea, at a substantial distance from Japan's and Singapore's equivalent wages and is far superior to equivalent real wages in the Philippines.
- Argentina still has a long way to go before reaching Australia's equalisation index with the U.S. among equivalent workers (56 vs 88) but is clearly above real wages in New Zealand (56 vs 50).

**Table 1: Argentina: Nominal wage (total compensation cost), real wage and living-wage equalisation for all manufacturing employees in purchasing-power parity terms with the U.S. in 2009 vis-à-vis other economies**

2009	Nominal hourly wage (total compensation)	PPP 2009	PPP hourly Real wage	Equalised nominal hourly wage	Equalisation index (wage gap is the inverse)
United States	\$ 33,53	100	\$ 33,53	\$ 33,53	100
Argentina	\$ 10,14	54	\$ 18,85	\$ 18,04	56
	30%		56%	54%	

**Table 1: Argentina: Nominal wage (total compensation cost), real wage and living-wage equalisation for all manufacturing employees in purchasing-power parity terms with the U.S. in 2009 vis-à-vis other economies**

2009	Nominal hourly wage (total compensation)	PPP 2009	PPP hourly Real wage	Equalised nominal hourly wage	Equalisation index (wage gap is the inverse)
Canada	\$ 29,60	113	\$ 26,30	\$ 37,73	78
	88%		78%	113%	
Brazil	\$ 8,32	80	\$ 10,43	\$ 26,76	31
	25%		31%	80%	
México	\$ 5,38	64	\$ 8,44	\$ 21,38	25
	16%		25%	64%	
Spain	\$ 27,74	102	\$ 27,27	\$ 34,11	81
	83%		81%	102%	
Czech Republic	\$ 11,21	72	\$ 15,50	\$ 24,25	46
	33%		46%	72%	
Portugal	\$ 11,95	91	\$ 13,17	\$ 30,43	39
	36%		39%	91%	
Hungary	\$ 8,62	68	\$ 12,70	\$ 22,76	38
	26%		38%	68%	
Poland	\$ 7,50	67	\$ 11,20	\$ 22,45	33
	22%		33%	67%	
Japan	\$ 30,36	114	\$ 26,61	\$ 38,25	79
	91%		79%	114%	
Singapore	\$ 17,50	75	\$ 23,45	\$ 25,02	70
	52%		70%	75%	
South Korea	\$ 14,20	73	\$ 19,52	\$ 24,40	58
	42%		58%	73%	
Philippines	\$ 1,50	51	\$ 2,97	\$ 16,95	9
	4%		9%	51%	
Australia	\$ 34,62	117	\$ 29,52	\$ 39,32	88
	103%		88%	117%	
New Zealand	\$ 17,44	104	\$ 16,84	\$ 34,73	50
	52%		50%	104%	



## 7. TLWNSI and long-term sustainability

It should be pointed out that envisioning the appreciation of the real wages of any society that endures misery wages of modern slave work conditions, must be considered with prudence. TLWNSI's approach to providing a living-wage ethos to exploited workers is made on the context of long-term sustainability. Closing the living-wage gap of any country –with no other consideration than dispensing the same purchasing power that is currently enjoyed by equivalent workers in so-called developed economies– is, unequivocally, unsustainable, for the simple reason that many critical resources are running scarce and the human footprint on the planet may have already crossed a threshold of no return to previous conditions. Consumption levels in the “developed” world are leaving an unsustainable environmental footprint, as a great diversity of qualified voices have ineffectively alerted us. Such is the case that wage equalisation for the equalisation of standards of living between developed and developing economies –in the context of the market– cannot be a long-term objective. The final goal proposed by TLWNSI must be a sustainable growth that reduces consumption and the human footprint in a radical manner.

This requires a new definition of development and progress clearly afar from capitalism (and GDPism). The culture of exacerbated consumerism –to boost shareholder value– must be replaced by a culture that has, as its sole purpose, the procurement of dignified levels of social wellbeing albeit permanently sustainable. To this endeavour, the quality of life of developing countries must be improved sensibly –whilst inequality is eliminated– and consumption levels in developed countries must decrease substantially. Radically decreased northern consumption levels must still deliver a dignified quality of life ethos with a hallmark for achieving long-term sustainability. Highly efficient consumption of both renewable and non-renewable resources must be its most prominent attribute. Increasingly, arguments are raised in favour of stationary paradigms of no economic growth in themselves (Haribey, Latouche, Custers, Stoll). Yet, we are still far from agreeing on a common idea of development for the future. For this to become possible, the cooperation of all countries, particularly the metropolises of the system, is needed. Unfortunately, the vast majority of governments are under the aegis of the owners of savage capitalism: the institutional investors –financial market speculators– and their corporations. Thus, so far, governments have consistently disregarded any change of paradigm, as we are witnessing in a myriad of instances in every region of the world.

Consequently, as long as we are unable to be in agreement, the civil societies of developing countries –emerging and all others– continue to be compelled to provide their workers with living wages within the current market context, through the concept of gradual wage equalisation, as proposed by TLWNSI. Such demand is clearly unsustainable. Yet, as long as the owners of economic power continue to refuse to move away from the current unsustainable paradigm, workers have every right to demand TLWNSI's equal pay for equal work of equal value –in PPP terms– until we –humankind– consolidate our own demise, which will surely happen if employers and governments continue to refuse to improve real wages in the periphery countries whilst reducing consumption in the metropolises.

TLWNSI's living-wage concept must take as its benchmark the wage remunerations of the developed world for all the reasons previously presented. In the last decades some economies –predominantly Spain and to a lesser extent South Korea– have made great strides in transforming their wage remunerations into a quality approaching that of a living-wage kind. To be sure, Brazil's constitutional plan to increase the minimum wage annually –by following the simple formula of increasing it at the rate of the sum of inflation plus GDP growth– is the first case that serves as hard evidence –hardly improvable– that TLWNSI's conceptual framework is clearly realistic when there is the political will of the State. Indeed, the possibility of the other BRIC countries, all the other so-called emerging markets and of the entire developing world of gradually closing their living-wage gaps depends prominently on the political will of its rulers. So far almost all have clearly signalled their staunch loyalty to the centre-periphery model of labour exploitation. But, since 2003, Argentina has consistently shown the political will to make its wages –along with Brazil– another exception to the rule by pursuing a specific policy to make them of a living-wage kind. Only time will tell if such policies become the standard in both countries.

Nonetheless, I must insist that, in the event that a country embarks on a long-term programme for real wage appreciation, equalising consumption levels with the developed world –at its present level of consumption– is not a sustainable and responsible approach, whatsoever. True sustainability requires a drastic change of paradigm so that consumption levels both North and South meet at a point where our footprint provides a dignified quality of life, yet with a much lower (efficient) level of consumption that guarantees long-term sustainability globally and locally.

❖ Argentina's living-wage gap performance for all manufacturing employees 1996 - 2009

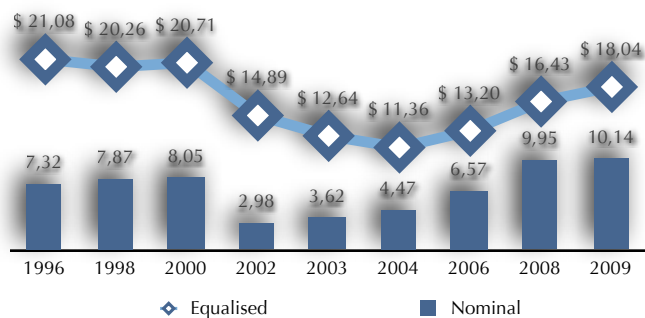
As with all our assessments of this nature, to position Argentina's real wages –vis-à-vis its counterparts in the United States– comparative data that the U.S. Department of Labour reports for the wages of all manufacturing employees is used, analysing the course followed by Argentinian wages during the 1996-2009 period.<sup>20</sup>

Table 2: Living-wage gaps of all manufacturing employees in Argentina in PPP terms 1996-2009

		1996	1998	2000	2002	2003	2004	2006	2008	2009
<b>Benchmark</b>	<b>1. U.S. Hourly total compensation cost</b>	<b>22,11</b>	<b>23,12</b>	<b>24,63</b>	<b>27,01</b>	<b>28,18</b>	<b>28,94</b>	<b>29,98</b>	<b>32,23</b>	<b>33,53</b>
<b>Argentina</b>	GNI PPPs in country currency (Peso)	0,950	0,872	0,837	1,688	1,303	1,148	1,344	1,603	1,996
	Exchange rate (pesos x 1 dollar)	0,997	0,995	0,995	3,063	2,904	2,923	3,054	3,144	3,710
	GNI PPPs in US Dollars	0,95	0,88	0,84	0,55	0,45	0,39	0,44	0,51	0,54
	<b>2. Equalised PPP nominal compensation US \$</b>	<b>21,08</b>	<b>20,26</b>	<b>20,71</b>	<b>14,89</b>	<b>12,64</b>	<b>11,36</b>	<b>13,20</b>	<b>16,43</b>	<b>18,04</b>
	<b>3. Actual Real compensation US \$</b>	<b>7,68</b>	<b>8,98</b>	<b>9,57</b>	<b>5,41</b>	<b>8,07</b>	<b>11,38</b>	<b>14,92</b>	<b>19,52</b>	<b>18,85</b>
	<b>4. Actual Nominal compensation US \$</b>	<b>7,32</b>	<b>7,87</b>	<b>8,05</b>	<b>2,98</b>	<b>3,62</b>	<b>4,47</b>	<b>6,57</b>	<b>9,95</b>	<b>10,14</b>
	Compensation Deficit in US \$ (2 minus 4)	<b>13,76</b>	<b>12,39</b>	<b>12,66</b>	<b>11,91</b>	<b>9,02</b>	<b>6,89</b>	<b>6,63</b>	<b>6,48</b>	<b>7,90</b>
	Wage Equalisation index (4÷2 or 3÷1)	<b>0,35</b>	<b>0,39</b>	<b>0,39</b>	<b>0,20</b>	<b>0,29</b>	<b>0,39</b>	<b>0,50</b>	<b>0,61</b>	<b>0,56</b>

In the fourteen-year period assessed in table 2, we can observe two events with respect to real wages and living wages briefly described in previous pages. The first event covers 1996 to 2002, the period of Argentina's brief neoliberal economic boom –with its living-wage equalisation zenith occurring between 1996 and 1998– to then collapse and reach its nadir in 2002. The second event covers 2003 until 2009, the period of Argentina's economic steady recovery, with a very visible hand from the State and antithetical to neoliberalism. Argentina's living-wage equalisation, during this period, reaches its highest point ever, in 2008, and at a far higher level than the preceding period's zenith (61 vs. 39). In local currency, (not shown in table 2), Argentina's real (PPP) wages improved during the first period of 1996-2002, at the average rate of 4,2% and then dropped 8,5% in 2003, despite a 15,1% nominal wage increase that year, due to the almost 26% inflation rate recorded for 2002. Thus, the average growth between 1996 and 2003 was of only 2,4%.<sup>21</sup> Then, for the whole period of recovery 2003-2009, real wages in local currency increased an average of 11% annually<sup>22</sup> (24,2% nominally), which explains the great strides gained to close the country's living-wage gap vis-à-vis the U.S.

Chart 1: Argentina's nominal and equalised nominal wage gap



Indeed, between 1996 and 2003 Argentina's real (PPP) wages (in U.S. dollars) improved by an annual average of 4,2% (actual real compensation) vis-à-vis the slightly lower rate of 3,6% recorded in the U.S. for the same period. In great contrast, for the recovery period of 2003-2009 Argentina's real (PPP) wages (in U.S. dollars) improved by an annual average of 21,2% (actual real compensation) and at 20,8% in nominal terms), versus the much lower rate of 3,2% in the U.S., equivalent to almost seven times the U.S. rate. In this way, Argentina's "wage equalisation index" with the U.S. records a steady powerful growth since 2003, almost tripling the 20 index recorded at its nadir in 2002 with the 56 index of 2009, as shown in table 2. Chart 1 illustrates, consequently, the

rapidly shrinking gap between current nominal wages and the equalised nominal wages required to achieve full equalisation with U.S. wages under the principle of equal pay for equal work of equal value.

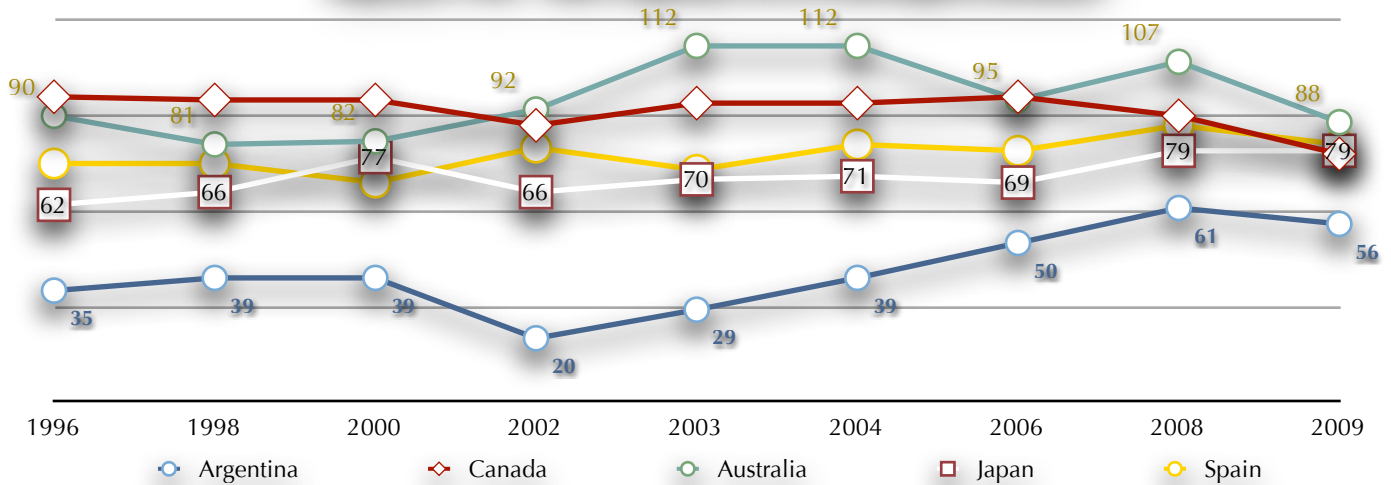
<sup>20</sup> The hourly manufacturing rate or nominal hourly wage is the "hourly compensation cost" as defined by the U.S. Department of Labour, Bureau of Labour Statistics: This includes (1) hourly direct pay and (2) employer social insurance expenditures and other labour taxes. For a detailed description of Table 2, see definitions in the appendix.

<sup>21</sup> Inflation rates as reported by World Bank in: World Development Indicators, Databank generated report, August 2011.

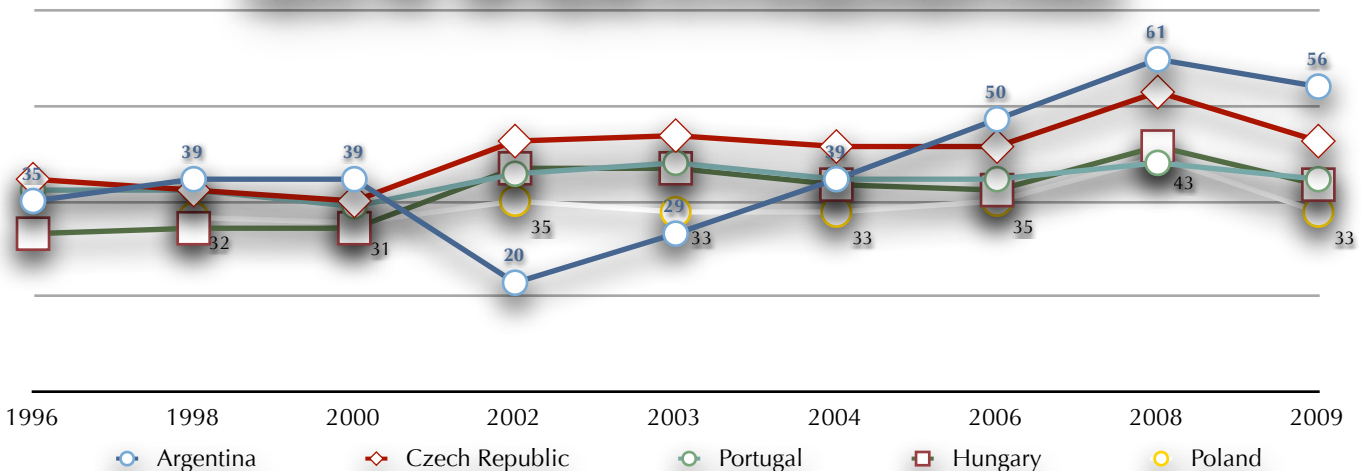
<sup>22</sup> Real wages in local currency increased at the even stronger annual average of 14,2% (25,7% nominally) for the 2004-2009 period.

Argentina's powerful growth of its equalisation index puts wages in the manufacturing sector on a path that, if the country is able to sustain, will make Argentina's wages the kind observed in economies long considered as developed. Indeed, comparison of hourly wages for all manufacturing employees between the US, Argentina, and selected countries in the Americas, Europe, Asia and Oceania indicate that Argentina's living-wage gap is in a transition, since 2003, into the levels recorded for developed economies. If the country is able to sustain its current living-wage equalisation trend, it will mirror the living-wage gap levels of developed economies, such as those of Canada, Spain, Japan and Australia (Table T5),<sup>23</sup> in a matter of a few years. In 2009, Argentina's wage equalisation index is almost at par with South Korea's (56 vs 58) and ahead of New Zealand (50), Czech Republic (46), Portugal (39), Hungary (38) and Poland (33). Moreover, Argentina's index is closer to those of Canada (78), Japan (79) and Singapore (70) than to those of Brazil (31) and Mexico (25), the biggest economies in Iberian America. Only Australia's 88 index is at a slightly greater distance than Brazil's index from Argentina's. In great contrast, in 2002 Argentina's living-wage equalisation index (20) was the lowest of any index included in this assessment, even below Mexico's (31) at the time. Charts 2.0, 2.1 and 2.2 illustrate this comparative analysis, showing how Argentina is getting closer to the indices of developed economies and leaving behind leading emerging European, Iberian American and New Zealand economies.

**Chart 2.0: PPP real wage equalisation indices for all manufacturing employees 1996 – 2009 (Argentina vis-à-vis developed economies)**

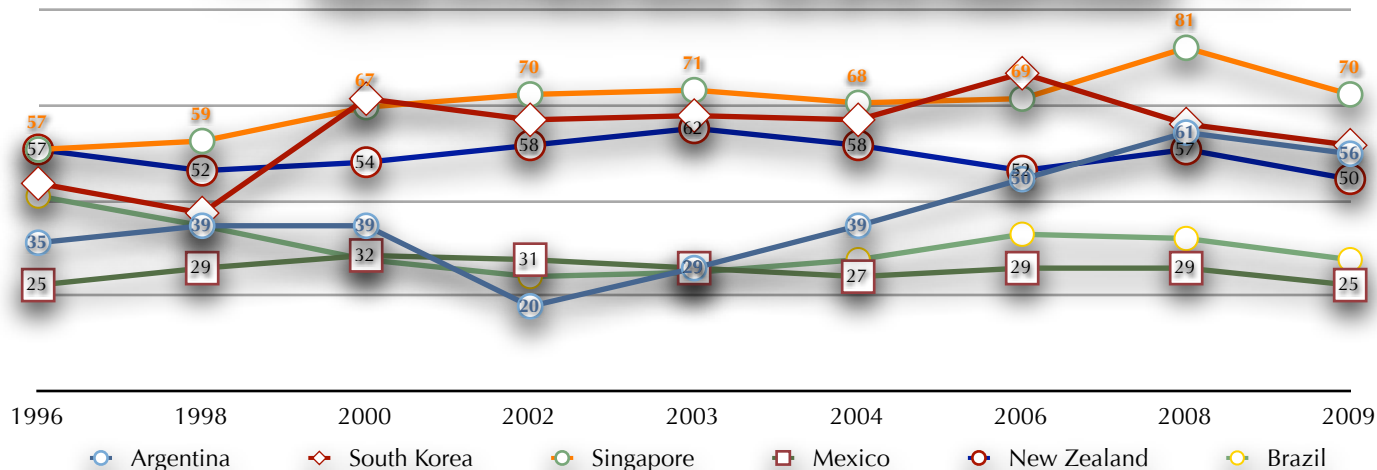


**Chart 2.1: PPP real wage equalisation indices for all manufacturing employees 1996 – 2009 (Argentina vis-à-vis emerging European economies)**



<sup>23</sup> For a detailed reference of these comparison's, see Table T5-Argentina in the appendix.

Chart 2.2: PPP real wage equalisation indices for all manufacturing employees 1996 – 2009  
(Argentina vis-à-vis Iberian American, Asian and New Zealand economies)



The challenge is to sustain the current trend of real wage appreciation. The year 2009 was a negative year for all economies in the charts (but Japan), including Argentina's, and for most economies worldwide, as the effect of the great depression of global capitalism began to unfold. A very positive sign for Argentina, nonetheless, is that the current government has remained committed, with sustained and quite meaningful increases to the labour endowments vis-à-vis the rate of capital accumulation. This has been reconfirmed with the government's 25% increase to the minimum wage in the summer of 2011.<sup>24</sup> If president Fernández is reelected, as the polls predict, she will most likely maintain, as it is expected, the same policy of appreciation of real wages. If the trend of real wage appreciation continues during the next government, Argentina will surely catch-up with the living-wage equalisation indices of developed economies and it would only take a few more years to completely close the gap with U.S. real wages.

### ❖ Projections of Argentina's real wage in the manufacturing sector

Using as the benchmark the wages for all manufacturing employees in the U.S. in 2009, charts three and four illustrate the time span required to close the real wage gap between Argentina's workers in the sector and their U.S. counterparts, in PPP and dollar terms at different inflation rates. The first projection assumes that the annual average growth rate of nominal wages (20,8%) experienced since the 2003 recovery period is sustained (at a 20% rate) in dollar terms. As for inflation, Argentina's average annual inflation (CPI) for 2003-09 was 8,9%.<sup>25</sup> As the economy continues to grow robustly, inflationary pressures will continue to demand a special effort from the government to quell them. Forecasts put inflation at 11,1% in 2010 and 9,8% in 2011.<sup>26</sup> Taking into account the traditional high inflationary rates of this economy, a conservative 10% CPI is applied (medium-inflation projection). For the U.S., the average inflation rate for the same period was 2,6%; thus, we applied a 3% average annual CPI. The second projection (high-inflation projection) makes the same assumptions except for an average inflation rate of nearly 170% that recorded for 2003-2009 (15% vs. 8,9%).

#### 1. Criteria used in the first projection (medium-inflation):

- Average U.S. CPI (inflation): 3% (2009 at -0,4% and average of 2,6% between 2003 and 2009).
- Average Argentinian CPI:10% (2009 at 6,3% and average of 8,9% between 2003 and 2009).
- Average nominal increase of Argentinian wages (total compensation cost) of 20% in dollar terms over the period.
- 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 \$0,54 for Argentina, equivalent to 54% 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 for both economies for 2009 (U.S.: \$33,53 and Argentina: \$18,15; and nominal wages: \$33,53 and \$10,14 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 Argentina is assumed to remain fairly stable.

<sup>24</sup> Sebastián Premici: Fumata por el salario y promesa de asignaciones: Página 12, 25 de agosto de 2011.

<sup>25</sup> The World Bank: World Development Indicators Online (WDI) database, 1996-2009 (Inflation, consumer prices (annual %)).

<sup>26</sup> Economic and financial indicators: The Economist, 24 September, 2011.

This projection assesses what would happen in the future to manufacturing wages as Argentina raises nominal hourly wages in dollar terms at an average rate of 20%. This analysis uses as its source the nominal wage data reported by the U.S. Department of Labour.<sup>27</sup> Moreover, to calculate the cost of living and the size of the wage gap, the 10% and 3% inflation rates for Argentina and the U.S., respectively, are applied annually starting from the PPPs reported in the World Bank's development indicators for 2009. Specifically, this analysis uses as its benchmark the differential between GNI (Gross National Income) and PPP GNI for Argentina, generated by the World Bank's development indicators database for 2009.<sup>28</sup> This data derives in turn from the Bank's 2005 International Comparisons Programme (ICP); the most recent of the eight rounds completed up to now for PPP estimates for the major components of countries' gross domestic product (GDP). The benchmark data for 2009 is shown in table 2 on page ten. No estimated GDP growth is incorporated in this projection, for the key factors defining the size of the wage gap and its behaviour across time are the rate of inflation in CPI terms and the annual increase in nominal wages for both economies. An implicit assumption is that Argentina will maintain a healthy GDP growth (4 to 8%) during the projection. It averaged 7,6% between 2003-2010 and it is projected to grow 8,3% in 2011 and 5,4% in 2012<sup>29</sup> despite the deepening of the global recession; whilst the U.S. is projected to grow 1,6% and 2% for this and next year. It is also implicitly assumed that there will be no significant change to Argentina's exchange rate –as long as inflation is controlled– now that it has achieved a very competitive position.

**Chart 3. Seven-year projection of Argentina's manufacturing employees real wage equalisation with wages of its U.S. counterparts, at a 20% average annual nominal wage growth rate and a 10% average annual inflation rate**



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<sup>27</sup> United States Department of Labour: Table 1.2: All Employees: Hourly Compensation Costs in Manufacturing, U.S. dollars, 1996-2009, updated on March 2011. U.S., Bureau of Labour Statistics.

<sup>28</sup> The World Bank: World Development Indicators Online (WDI) database, 1975-2010 (GNI and PPP GNI, Atlas Method).

<sup>29</sup> Economic and financial indicators: The Economist, 10 September, 2011.

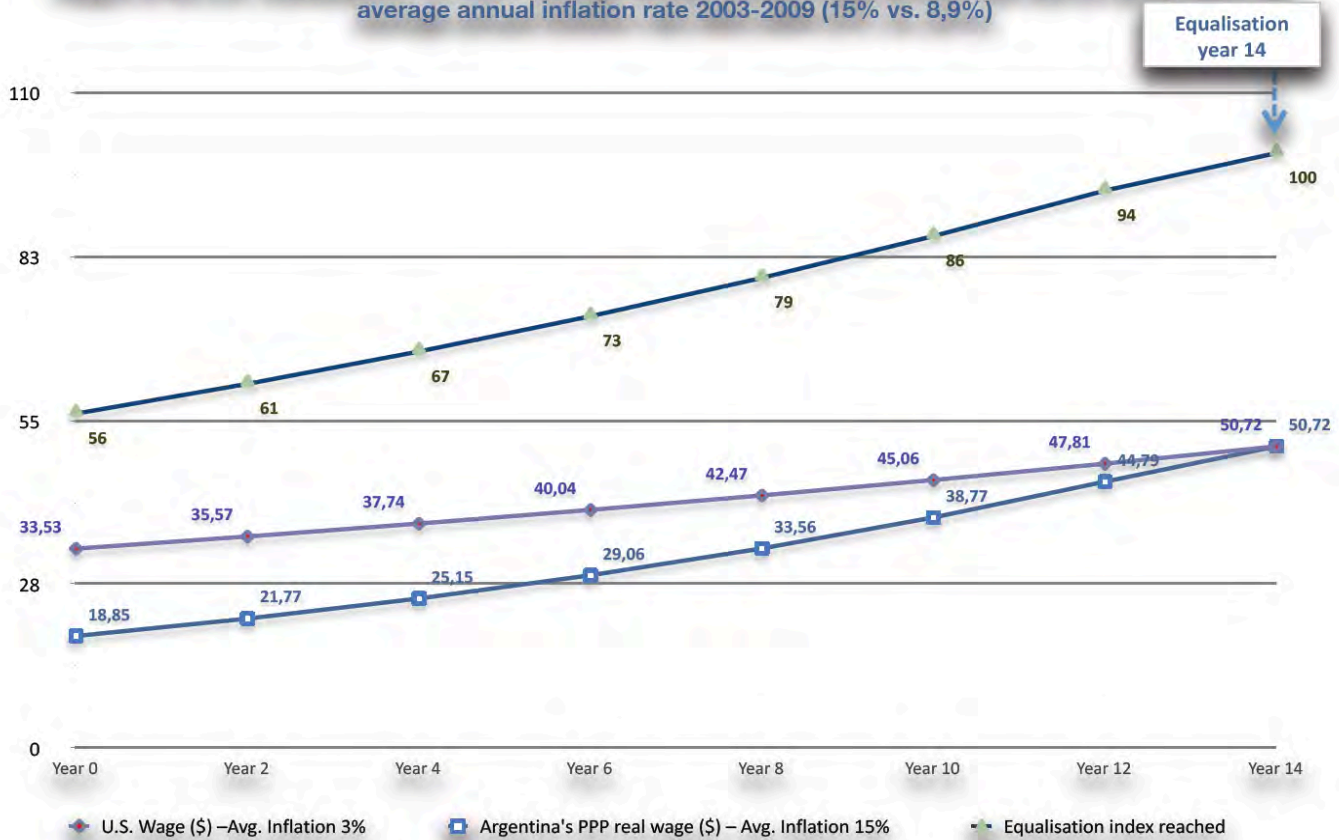
**2. Results of medium-inflation projection:**

- ➔ Chart 3 shows the behaviour of real wages for both the U.S. and Argentina over a seven-year period. Results indicate that, at the 20% pace, it would take Argentina only seven years to close the wage gap of all its manufacturing employees with their counterparts in the U.S. after applying the criteria previously described.
- ➔ Nominal wages in Argentina were increased an average of 20% for six years.
- ➔ For year seven, wages only needed to increase by 16% to fully close the living-wage gap.
- ➔ Not shown in the chart, the projection made Argentina's cost of living in PPP terms on year seven equivalent to 85,2% the U.S. cost of living –whereas it was 53,7% in 2009– due to the clearly higher inflation rate.
- ➔ Closing the wage gap would cover the 2010 to 2016 span of time.

**3. Criteria used in the high-inflation projection:**

- Average U.S. CPI (inflation): 3% (2009 at -0,4% and average of 2,6% between 2003 and 2009).
- Average Argentinian CPI:15% (2009 at 6,3% and average of 8,9% between 2003 and 2009).
- Average nominal increase of Argentinian wages (total compensation cost) of 20% in dollar terms over the period.
- 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 \$0,54 for Argentina, equivalent to 54% 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 for both economies for 2009 (U.S: \$33,53 and Argentina: \$18,15; and nominal wages: \$33,53 and \$10,14 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 Argentina is assumed to remain fairly stable.

**Chart 4. Fourteen-year projection of Argentina's manufacturing employees real wage equalisation with wages of its U.S. counterparts, at a 20% average annual nominal wage growth rate and at nearly twice the average annual inflation rate 2003–2009 (15% vs. 8,9%)**



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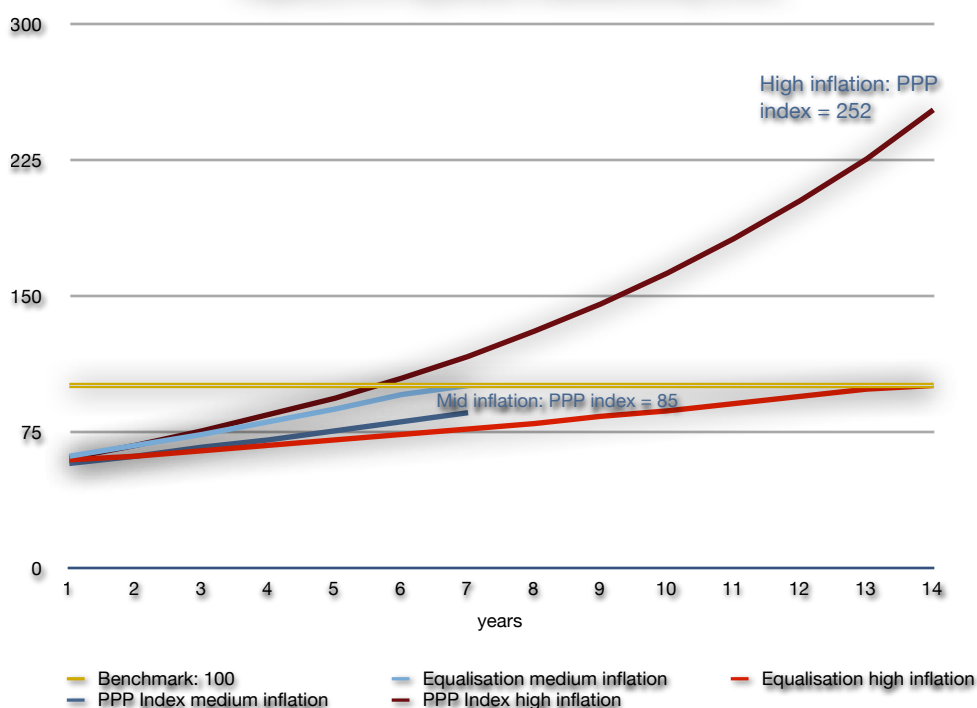
This projection uses as data the same sources of the U.S. Department of Labour –for nominal wages– and the World Bank –for PPPs– used in the medium-inflation projection.

**4. Results of high-inflation projection:**

- ➔ Chart 4 shows the behaviour of real wages for both the U.S. and Argentina over a fourteen-year period. Results indicate that, at the 20% pace, but with a 15% instead of 10% average annual inflation rate, it would take Argentina twice as long, or fourteen years, to fully close the wage gap of all its manufacturing employees with their counterparts in the U.S. after applying the criteria previously described.
- ➔ Nominal wages in Argentina were increased an average of 20% for thirteen years.
- ➔ For year fourteen, wages only needed to increase by 17,6% to fully close the living-wage gap.
- ➔ Not shown in the chart, the projection made Argentina's cost of living in PPP terms on year fourteen equivalent to 2,5 times the U.S. cost of living –whereas it was 53,7% in 2009– due to an inflation five times the U.S. inflation.
- ➔ Closing the wage gap would cover the 2010 to 2023 span of time.

Chart 5 compares the medium and high inflation real wage equalisation projections discussed above, illustrating the stark difference in the time span required between a 10% and a 15% average annual inflation rate. Similarly, assuming that U.S. inflation remains at an annual average of 3%, the high-inflation projection, theoretically, would make Argentina 2,5 times more expensive than the U.S., on the last year of the projection, given that the exchange rate is assumed to remain the same. An event highly unlikely, to be sure, for such a high inflationary rate would trigger a deep devaluation of the Argentinian peso and prices would surely grow more than nominal wages. Table 3 provides the key numbers for year zero (benchmark) and the last year of each projection.

**Chart 5. Medium inflation and high inflation real wage equalisation projections for all employees of Argentina's manufacturing sector**



**Table 3: Comparison of medium and high-inflation wage equalisation projections for Argentina**

(nominal wage is total compensation)	Average nominal wage increase/Yr.	Inflation rate	PPP Index Year 0	Nominal wage Year 0	Equalisation index achieved Year 0	Years to close wage gap	PPP on final year	Nominal wage on final year	Real wage on final year
<b>Argentina: mid inflation</b>	20%	10%	53,8	\$ 10,14	56,2	7	85,2	\$ 35,15	\$ 41,24
<b>Unites States</b>	3%	3%	100	\$ 33,53	100	-	100	41,24	\$ 41,24
<b>Argentina: high inflation</b>	20%	15%	53,8	\$ 10,14	56,2	14	251,6	\$ 127,62	\$ 50,72
<b>Unites States</b>	3%	3%	100	\$ 33,53	100	-	100	\$ 50,72	\$ 50,72

Clearly, the assessment of both projections makes it rather evident that if Argentina's government wants to build a living-wage ethos for all manufacturing employees as well as for workers in the entire economy, it must continue to increase nominal wages at the annual average rate of the 20% (in U.S. dollars) it has been able to sustain since 2003. The other alternative would be to cut inflation drastically to 5% or less. This would allow for lower annual nominal wage increases. Yet, based on Argentina's proneness to high inflation, a low inflation scenario appears to be a far less likely event, albeit not impossible. More realistically, closing the real wage gap with U.S. equivalent workers requires keeping average inflationary rates at less than 10%, as has occurred from the onset of the current recovery. Similarly, this implicitly requires U.S. manufacturing wages to continue growing at an average annual rate of 3%, which barely copes with inflation and maintains their real value. A very likely event in this case,<sup>30</sup> given that real wages in the entire U.S. economy have consistently eroded for the benefit of shareholder value for the past three decades,<sup>31</sup> with manufacturing wages suffering less, as we have observed, but at the expense of a considerable loss of jobs in the sector.<sup>32</sup>

### ❖ *Summing up*

- ◆ ***Not a forecasting analysis.*** These projections at no time pretend to forecast what would be the inflationary indices or the rates of wage increases that will occur in Argentina in the future. For this paper, the average behaviour of these indicators has been established in a discretionary manner –based on the data recorded in the last few years– with the only purpose of projecting two different scenarios under these assumptions to derive a comparative analysis to the closing of Argentina's living-wage gap.
- ◆ ***A not too distant goal if inflation is harnessed under strict control.*** Argentina's manufacturing real wages still have some distance to run before they can achieve a living-wage quality. However, if the government maintains the same policies that currently support the appreciation of the share of labour compensations, it can realistically close the wage gap in less than a decade, if key variables (inflation in both economies, and the rate of growth of manufacturing wages in the U.S.) remain stable, as the medium-inflation projection illustrates. If, on the other hand, Argentina's prices reach high inflationary levels, then, as illustrated in the second projection, closing the living-wage gap becomes unrealistic. At a high inflationary rate –such as a 15% annual average– Argentina's peso would devalue and prices would be adjusted at a higher rate than nominal wages, as customarily happens in most cases of this sort. Consequently, the living-wage gap would increase for a while before real wages begin to recover and wage equalisation resumes. It is therefore pivotal to keep annual inflation at less than 10% to close the gap. Surely, the closer Argentina's inflation is to U.S. inflation, the faster real wage equalisation would be achieved.
- ◆ ***A question of political will.*** Apart from economic variables, closing the living-wage gap is fundamentally a matter of political will from the part of governments. Most developing economies in the system have enthusiastically submitted themselves to the model of comparative advantages since WWII. Countries compete in a race to the lowest common denominator by offering the cheapest possible labour costs to foreign investors to supposedly attract foreign direct investment to support their economic growth, when actually they are preserving the old centre-periphery model of labour exploitation. Only a handful of countries, particularly South Korea and very recently Brazil, has made a point of increasing labour's share of income. As earlier discussed, since 2003 Argentina has made its policy to make labour compensations a core element of economic recovery and further development. Underneath this political will, the government's interest has been to move away from supply-side to demand-side economics with a focus on economic development anchored on endogenous growth. The current government has just reconfirmed again this political will by increasing the national minimum wage by 25%, which will surely generate aggregate demand and energise its multiplying effects. In this way, if the Fernández' government wins its reelection, as polls are consistently predicting, the odds for the closing of the wage gap before the end of the current decade are very positive.
- ◆ ***A dominant speculative ethos will require a tough stance against financial market pressures.*** As we can clearly observe, the EU, the U.S. and most metropolises have completely surrendered their economic policy to the whims of the casino-like ethos of the capitalist system. This will require Argentina to maintain a tough stance against the

<sup>30</sup> Hourly compensation costs in U.S. manufacturing increased an average of 3,3% annually between 1996 and 2009.

<sup>31</sup> Lawrence Mishel and Heidi Shierholz: Sustained, high joblessness causes lasting damage to wages, benefits, income and wealth, Economic Policy Institute, Briefing Paper 324, 31 August 2011.

<sup>32</sup> Bureau of Labour Statistics – U.S. Department of Labour: The Employment Situation, August 2011 and Bureau of Labour Statistics – U.S. Department of Labour: Databases, Tables & Calculations by Subject (Series Id: CES3000000001 Seasonally Adjusted, Super Sector: Manufacturing Industry: Manufacturing NAICS Code: - Data Type: ALL EMPLOYEES, THOUSANDS 1970 - 2011).



traditional market liberalisation predatory demands of financial markets. Meeting that challenge will isolate to a healthy degree, as has happened since 2003, Argentina's economy from the double-dip recession that most countries in the developed world are entering. This would assure the continuation of strong economic growth and the materialisation of demand-side policies, including, predominantly, the further growth of labour's share of income.

- ◆ ***Closing a living-wage gap requires annual hike adjustments in line with inflationary trends.*** As in the case of any country with the political will to equalise wages –following the principle of equal pay for equal work of equal value– to realistically close its living-wage gap, under any scenario, ideally, Argentina would need to set a time span to accomplish this goal and determine real wage increases on an annual basis, based on the actual inflationary rates that its economy experiences, so that the rate of increase is adjusted annually accordingly. Once the time is set, the average wage hike projected to close the gap would need to be adjusted annually to offset the previous year's inflation and meet the goal within the timeline set. This is the approach proposed by TLWNSI's living-wage concept, which is quite similar to Brazil's minimum wage appreciation policy launched in 2010.
- ◆ ***A rare and enviable opportunity.*** It should be noted, however, that Argentina is in a strong position to accomplish such goal before the end of this decade by keeping inflation and financial market speculators at bay. Indeed, with the negotiations with multilateral institutions and private lenders that it accomplished after the 2002 collapse, and the policies adopted to embark in the current recovery, Argentina is in an enviable position to keep at bay financial speculators and exercise a relatively sovereign economic development strategy –by current standards– for the benefit of the people and not the market. To be sure, it would be difficult to find another country with a better chance to build a living-wage ethos for its labour force than Argentina, for the simple reason that it does not have a large living-wage gap and it appears to have broken with the orthodoxies of the neoliberal mantra. Accordingly, if all variables remain at their current average rates and the wage appreciation policy is maintained, Argentina can realistically set as a key goal to close the living-wage gap in seven years, as illustrated in the mid-inflation projection.

### ◆ ***Corollary***

The crises endured by Argentina at the beginning of the century is the quintessential event of the effects of the sheer neoliberal economics ethos imposed on the world. The precipitous loss of assets, wealth and general welfare that most Argentinians experienced –as the result of the Darwinian capitalist speculative ethos enthusiastically encouraged and supported by their governments– is a paradigmatic case without paragon –even when considering the events in Iceland and Ireland. Indeed, for a whole year Argentinians lost complete access to their bank deposits (corralito). The reaction that ensued from this experience, nonetheless, appears to have galvanised a majority of Argentinians to support State policies that appear to be moving away from the customary market-centred neoliberal mantra and towards a more people-centred polity. So far, albeit far from complete, the social and economic progress attained since 2003 is impressive, and I would deem extremely rare, particularly when one looks at the results achieved with the strong appreciation of wages and salaries. Consequently, despite the depressive economic health of the major economies of the world, Argentina is in a unique position to maintain its current economic momentum and build a living-wage ethos for its work force in less than a decade, not just in manufacturing but in all economic sectors. If the challenge is taken and fulfilled by both governments and the citizenry, Argentina would break away from the traditional sheer inequalities that have historically characterised Iberian American societies and become a society with a dignified general welfare and quality of life. Furthermore, since such an endeavour can only be achieved by completely breaking away from neoliberalism, Argentina may also completely opt out from a demand-side paradigm that requires clearly unsustainable levels of consumption and gradually move, in the long-term, towards a people and planet economic paradigm. This would end the logic of GDPism and consumerism, with its unsustainable ecological footprint, and unfold the logic of a stationary economic ethos, with low inequality, a high quality of life and a sustainable human footprint that would make Argentina a developed society in the true sense of the term. Meeting said challenge may seem unsurmountable, for many domestic and foreign interests adamantly oppose a shift of paradigm. Yet, considering that the current paradigm is physically unsustainable, those who oppose sustainable systems of life will have no choice, in the not too distant future, but to adapt to a new reality. Therefore, if Argentina begins its paradigmatic shift now, it would be far better off when the most reluctant societies arrive at the conclusion that there is no other alternative.

**Useful links:**

- <http://www.jussempor.org>
- Bureau of Labour Statistics: <http://www.bls.gov/fls/home.htm>
- World Bank – World Development Indicators: <http://data.worldbank.org/indicator>
- World Bank – International Comparisons Programme: [http://siteresources.worldbank.org/ICPEXT/Resources/ICP\\_2011.html](http://siteresources.worldbank.org/ICPEXT/Resources/ICP_2011.html)

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### Appendix:

**Table T5-Argentina – The Jus Semper Global Alliance: Living Wage-Gap Analysis of All Manufacturing Employees in Argentina vis-à-vis selected countries in Purchasing Power Parities Comparison Terms 1996-2009**  
Comparison of hourly wages for all manufacturing employees between the US, Argentina, and selected countries in the Americas, Europe and Asia indicate that Argentina's living-wage gap is in a transition, since 2003, which, if it is sustained, will soon mirror the wage gap levels of developed economies, such as those of Canada, Spain, Japan and Australia.

		1996	1998	2000	2002	2003	2004	2006	2008	2009
<b>Benchmark</b>	<b>1. U.S. Hourly Manufacturing Rate</b>	22,11	23,12	24,63	27,01	28,18	28,94	29,98	32,23	33,53
<b>Argentina</b>	GNI PPPs in country currency*	0,950	0,872	0,837	1,688	1,303	1,148	1,344	1,603	1,996
	Exchange rate	0,997	0,995	0,995	3,063	2,904	2,923	3,054	3,144	3,710
	GNI PPPs in US Dollars	\$ 0,95 \$	\$ 0,88 \$	\$ 0,84 \$	\$ 0,55 \$	\$ 0,45 \$	\$ 0,39 \$	\$ 0,44 \$	\$ 0,51 \$	\$ 0,54
	2. Equalised PPP nominal compensation US \$	\$ 21,08 \$	\$ 20,26 \$	\$ 20,71 \$	\$ 14,89 \$	\$ 12,65 \$	\$ 11,36 \$	\$ 13,20 \$	\$ 16,43 \$	\$ 18,04
	3. Actual Real compensation US \$	\$ 7,68 \$	\$ 8,98 \$	\$ 9,57 \$	\$ 5,41 \$	\$ 8,07 \$	\$ 11,38 \$	\$ 14,92 \$	\$ 19,52 \$	\$ 18,85
	4. Actual Nominal compensation US \$	\$ 7,32 \$	\$ 7,87 \$	\$ 8,05 \$	\$ 2,98 \$	\$ 3,62 \$	\$ 4,47 \$	\$ 6,57 \$	\$ 9,95 \$	\$ 10,14
	Compensation Deficit in US \$ (2 minus 4)	\$ 13,76 \$	\$ 12,39 \$	\$ 12,66 \$	\$ 11,91 \$	\$ 9,03 \$	\$ 6,89 \$	\$ 6,63 \$	\$ 6,48 \$	\$ 7,90
Wage Equalisation index (4÷2 or 3÷1)	0,35	0,39	0,39	0,20	0,29	0,39	0,50	0,61	0,56	
<b>Canada</b>	GNI PPPs in country currency*	1,227	1,224	1,189	1,230	1,131	1,157	1,147	1,204	1,284
	Exchange rate	1,364	1,484	1,486	1,570	1,400	1,302	1,134	1,066	1,141
	GNI PPPs in US Dollars	\$ 0,90 \$	\$ 0,82 \$	\$ 0,80 \$	\$ 0,78 \$	\$ 0,81 \$	\$ 0,89 \$	\$ 1,01 \$	\$ 1,13 \$	\$ 1,13
	2. Equalised PPP nominal compensation US \$	\$ 19,90 \$	\$ 19,07 \$	\$ 19,70 \$	\$ 21,16 \$	\$ 22,77 \$	\$ 25,71 \$	\$ 30,32 \$	\$ 36,40 \$	\$ 37,73
	3. Actual Real compensation US \$	\$ 21,12 \$	\$ 21,92 \$	\$ 23,35 \$	\$ 23,47 \$	\$ 26,59 \$	\$ 27,17 \$	\$ 28,88 \$	\$ 28,95 \$	\$ 26,30
	4. Actual Nominal compensation US \$	\$ 19,01 \$	\$ 18,08 \$	\$ 18,68 \$	\$ 18,39 \$	\$ 21,49 \$	\$ 24,14 \$	\$ 29,21 \$	\$ 32,70 \$	\$ 29,60
	Compensation Deficit in US \$ (2 minus 4)	\$ 0,89 \$	\$ 0,99 \$	\$ 1,02 \$	\$ 2,77 \$	\$ 1,28 \$	\$ 1,57 \$	\$ 1,11 \$	\$ 3,70 \$	\$ 8,13
Wage Equalisation index (4÷2 or 3÷1)	0,96	0,95	0,95	0,87	0,94	0,94	0,96	0,90	0,78	
<b>Brazil</b>	GNI PPPs in country currency*	0,709	0,869	1,037	1,253	1,251	1,239	1,185	1,351	1,595
	Exchange rate	1,005	1,161	1,830	2,921	3,080	2,926	2,175	1,834	1,999
	GNI PPPs in US Dollars	\$ 0,71 \$	\$ 0,75 \$	\$ 0,57 \$	\$ 0,43 \$	\$ 0,41 \$	\$ 0,42 \$	\$ 0,54 \$	\$ 0,74 \$	\$ 0,80
	2. Equalised PPP nominal compensation US \$	\$ 15,60 \$	\$ 17,30 \$	\$ 13,96 \$	\$ 11,59 \$	\$ 11,44 \$	\$ 12,25 \$	\$ 16,33 \$	\$ 23,74 \$	\$ 26,76
	3. Actual Real compensation US \$	\$ 10,19 \$	\$ 9,07 \$	\$ 7,73 \$	\$ 7,23 \$	\$ 8,00 \$	\$ 9,07 \$	\$ 11,05 \$	\$ 11,51 \$	\$ 10,43
	4. Actual Nominal compensation US \$	\$ 7,19 \$	\$ 6,79 \$	\$ 4,38 \$	\$ 3,10 \$	\$ 3,25 \$	\$ 3,84 \$	\$ 6,02 \$	\$ 8,48 \$	\$ 8,32
	Compensation Deficit in US \$ (2 minus 4)	\$ 8,41 \$	\$ 10,51 \$	\$ 9,58 \$	\$ 8,49 \$	\$ 8,19 \$	\$ 8,41 \$	\$ 10,31 \$	\$ 15,26 \$	\$ 18,44
Wage Equalisation index (4÷2 or 3÷1)	0,46	0,39	0,31	0,27	0,28	0,31	0,37	0,36	0,31	
<b>Mexico</b>	GNI PPPs in country currency*	4,002	4,671	5,396	6,184	6,578	7,286	7,055	7,408	8,607
	Exchange rate	7,600	9,152	9,459	9,663	10,79	11,29	10,91	11,14	13,50
	GNI PPPs in US Dollars	\$ 0,53 \$	\$ 0,51 \$	\$ 0,57 \$	\$ 0,64 \$	\$ 0,61 \$	\$ 0,65 \$	\$ 0,65 \$	\$ 0,66 \$	\$ 0,64
	2. Equalised PPP nominal compensation US \$	\$ 11,64 \$	\$ 11,80 \$	\$ 14,05 \$	\$ 17,29 \$	\$ 17,18 \$	\$ 18,68 \$	\$ 19,39 \$	\$ 21,43 \$	\$ 21,38
	3. Actual Real compensation US \$	\$ 5,49 \$	\$ 6,66 \$	\$ 7,84 \$	\$ 8,33 \$	\$ 8,30 \$	\$ 7,78 \$	\$ 8,64 \$	\$ 9,20 \$	\$ 8,44
	4. Actual Nominal compensation US \$	\$ 2,89 \$	\$ 3,40 \$	\$ 4,47 \$	\$ 5,33 \$	\$ 5,06 \$	\$ 5,02 \$	\$ 5,59 \$	\$ 6,12 \$	\$ 5,38
	Compensation Deficit in US \$ (2 minus 4)	\$ 8,75 \$	\$ 8,40 \$	\$ 9,58 \$	\$ 11,96 \$	\$ 12,12 \$	\$ 13,66 \$	\$ 13,80 \$	\$ 15,31 \$	\$ 16,00
Wage Equalisation index (4÷2 or 3÷1)	0,25	0,29	0,32	0,31	0,29	0,27	0,29	0,29	0,25	
<b>Spain</b>	GNI PPPs in country currency*	117,197	121,591	0,790	0,675	0,744	0,677	0,733	0,669	0,730
	Exchange rate	126,7	149,4	1,083	1,058	0,8833	0,804	0,796	0,6791	0,7176
	GNI PPPs in US Dollars	\$ 0,92 \$	\$ 0,81 \$	\$ 0,73 \$	\$ 0,64 \$	\$ 0,84 \$	\$ 0,84 \$	\$ 0,92 \$	\$ 0,99 \$	\$ 1,02
	2. Equalised PPP nominal compensation US \$	\$ 20,45 \$	\$ 18,82 \$	\$ 17,97 \$	\$ 17,23 \$	\$ 23,74 \$	\$ 24,38 \$	\$ 27,62 \$	\$ 31,77 \$	\$ 34,11
	3. Actual Real compensation US \$	\$ 16,69 \$	\$ 17,34 \$	\$ 16,96 \$	\$ 21,66 \$	\$ 20,63 \$	\$ 23,48 \$	\$ 23,58 \$	\$ 28,03 \$	\$ 27,27
	4. Actual Nominal compensation US \$	\$ 15,44 \$	\$ 14,11 \$	\$ 12,37 \$	\$ 13,82 \$	\$ 17,38 \$	\$ 19,78 \$	\$ 21,73 \$	\$ 27,63 \$	\$ 27,74
	Compensation Deficit in US \$ (2 minus 4)	\$ 5,01 \$	\$ 4,71 \$	\$ 5,60 \$	\$ 3,41 \$	\$ 6,36 \$	\$ 4,60 \$	\$ 5,89 \$	\$ 4,14 \$	\$ 6,37
Wage Equalisation index (4÷2 or 3÷1)	0,75	0,75	0,69	0,80	0,73	0,81	0,79	0,87	0,81	
<b>Portugal</b>	GNI PPPs in country currency*	130,836	139,253	0,755	0,655	0,601	0,649	0,669	0,608	0,651
	Exchange rate	154,24	180,1	1,083	1,058	0,8833	0,804	0,796	0,6791	0,7176
	GNI PPPs in US Dollars	\$ 0,85 \$	\$ 0,77 \$	\$ 0,70 \$	\$ 0,62 \$	\$ 0,68 \$	\$ 0,81 \$	\$ 0,84 \$	\$ 0,89 \$	\$ 0,91
	2. Equalised PPP nominal compensation US \$	\$ 18,76 \$	\$ 17,88 \$	\$ 17,17 \$	\$ 16,73 \$	\$ 19,17 \$	\$ 23,35 \$	\$ 25,21 \$	\$ 28,83 \$	\$ 30,43
	3. Actual Real compensation US \$	\$ 8,29 \$	\$ 8,52 \$	\$ 8,39 \$	\$ 10,67 \$	\$ 11,79 \$	\$ 11,27 \$	\$ 11,58 \$	\$ 13,68 \$	\$ 13,17
	4. Actual Nominal compensation US \$	\$ 7,03 \$	\$ 6,59 \$	\$ 5,85 \$	\$ 6,61 \$	\$ 8,02 \$	\$ 9,09 \$	\$ 9,74 \$	\$ 12,24 \$	\$ 11,95
	Compensation Deficit in US \$ (2 minus 4)	\$ 11,73 \$	\$ 11,29 \$	\$ 11,32 \$	\$ 10,12 \$	\$ 11,15 \$	\$ 14,26 \$	\$ 15,47 \$	\$ 16,59 \$	\$ 18,48
Wage Equalisation index (4÷2 or 3÷1)	0,37	0,37	0,34	0,40	0,42	0,39	0,39	0,42	0,39	
<b>Czech Republic</b>	GNI PPPs in country currency*	10,787	13,158	15,281	12,242	12,023	13,065	13,717	11,848	13,785
	Exchange rate	27,14	32,28	38,6	32,74	28,21	25,7	22,6	17,07	19,06
	GNI PPPs in US Dollars	\$ 0,40 \$	\$ 0,41 \$	\$ 0,40 \$	\$ 0,37 \$	\$ 0,43 \$	\$ 0,51 \$	\$ 0,61 \$	\$ 0,69 \$	\$ 0,72
	2. Equalised PPP nominal compensation US \$	\$ 8,79 \$	\$ 9,42 \$	\$ 9,75 \$	\$ 10,10 \$	\$ 12,01 \$	\$ 14,71 \$	\$ 18,20 \$	\$ 22,37 \$	\$ 24,25
	3. Actual Real compensation US \$	\$ 8,58 \$	\$ 8,66 \$	\$ 8,56 \$	\$ 12,30 \$	\$ 13,21 \$	\$ 12,90 \$	\$ 13,39 \$	\$ 17,58 \$	\$ 15,50
	4. Actual Nominal compensation US \$	\$ 3,41 \$	\$ 3,53 \$	\$ 3,39 \$	\$ 4,60 \$	\$ 5,63 \$	\$ 6,56 \$	\$ 8,13 \$	\$ 12,20 \$	\$ 11,21
	Compensation Deficit in US \$ (2 minus 4)	\$ 5,38 \$	\$ 5,89 \$	\$ 6,36 \$	\$ 5,50 \$	\$ 6,38 \$	\$ 8,15 \$	\$ 10,07 \$	\$ 10,17 \$	\$ 13,04
Wage Equalisation index (4÷2 or 3÷1)	0,39	0,37	0,35	0,46	0,47	0,45	0,45	0,55	0,46	
<b>Hungary</b>	GNI PPPs in country currency*	74,105	94,588	112,917	97,945	100,426	113,274	131,385	115,598	137,366
	Exchange rate	152,65	214,40	282,18	257,89	224,31	202,75	210,39	172,11	202,34
	GNI PPPs in US Dollars	\$ 0,49 \$	\$ 0,44 \$	\$ 0,40 \$	\$ 0,38 \$	\$ 0,45 \$	\$ 0,56 \$	\$ 0,62 \$	\$ 0,67 \$	\$ 0,68
	2. Equalised PPP nominal compensation US \$	\$ 10,73 \$	\$ 10,20 \$	\$ 9,86 \$	\$ 10,26 \$	\$ 12,62 \$	\$ 16,17 \$	\$ 18,72 \$	\$ 21,65 \$	\$ 22,76
	3. Actual Real compensation US \$	\$ 6,43 \$	\$ 7,00 \$	\$ 7,40 \$	\$ 11,03 \$	\$ 11,59 \$	\$ 11,04 \$	\$ 10,97 \$	\$ 14,55 \$	\$ 12,70
	4. Actual Nominal compensation US \$	\$ 3,12 \$	\$ 3,09 \$	\$ 2,96 \$	\$ 4,19 \$	\$ 5,19 \$	\$ 6,17 \$	\$ 6,85 \$	\$ 9,77 \$	\$ 8,62
	Compensation Deficit in US \$ (2 minus 4)	\$ 7,61 \$	\$ 7,11 \$	\$ 6,90 \$	\$ 6,07 \$	\$ 7,43 \$	\$ 10,00 \$	\$ 11,87 \$	\$ 11,88 \$	\$ 14,14
Wage Equalisation index (4÷2 or 3÷1)	0,29	0,30	0,30	0,41	0,41	0,38	0,37	0,45	0,38	
<b>Poland</b>	GNI PPPs in country currency*	1,224	1,611	1,909	1,720	1,796	1,812	1,766	1,622	2,089
	Exchange rate	2,7	3,48	4,35	4,08	3,89	3,66	3,1	2,41	3,12
	GNI PPPs in US Dollars	\$ 0,45 \$	\$ 0,46 \$	\$ 0,44 \$	\$ 0,42 \$	\$ 0,46 \$	\$ 0,50 \$	\$ 0,57 \$	\$ 0,67 \$	\$ 0,67
	2. Equalised PPP nominal compensation US \$	\$ 10,02 \$	\$ 10,70 \$	\$ 10,81 \$	\$ 11,38 \$	\$ 13,01 \$	\$ 14,33 \$	\$ 17,07 \$	\$ 21,69 \$	\$ 22,45
	3. Actual Real compensation US \$	\$ NA \$	\$ 7,39 \$	\$ 7,63 \$	\$ 9,44 \$	\$ 9,31 \$	\$ 9,47 \$	\$ 10,59 \$	\$ 13,94 \$	\$ 11,20
	4. Actual Nominal compensation US \$	\$ NA \$	\$ 3,42 \$	\$ 3,35 \$	\$ 3,98 \$	\$ 4,30 \$	\$ 4,69 \$	\$ 6,03 \$	\$ 9,38 \$	\$ 7,50
	Compensation Deficit in US \$ (2 minus 4)	\$ NA \$	\$ 7,28 \$	\$ 7,46 \$	\$ 7,40 \$	\$ 8,71 \$	\$ 9,64 \$	\$ 11,04 \$	\$ 12,31 \$	\$ 14,95
Wage Equalisation index (4÷2 or 3÷1)	NA	0,32	0,31	0,35	0,33	0,33	0,35	0,43	0,33	

# Argentina's living-wage gap: still a ways to go but steadily closing in

## Living Wages North and South

	1996	1998	2000	2002	2003	2004	2006	2008	2009
<b>Benchmark</b>	<b>1. U.S. Hourly Manufacturing Rate</b>								
	22,11	23,12	24,63	27,01	28,18	28,94	29,98	32,23	33,53
<b>Japan</b>	GNI PPPs in country currency*								
	189,407	177,694	143,803	152,904	138,582	134,174	136,934	112,469	106,751
	Exchange rate								
	108,78	130,91	107,77	125,39	115,93	108,19	116,30	103,36	93,57
	GNI PPPs in US Dollars								
	\$ 1,74	\$ 1,36	\$ 1,33	\$ 1,22	\$ 1,20	\$ 1,24	\$ 1,18	\$ 1,09	\$ 1,14
	2. Equalised PPP nominal compensation US \$								
	\$ 38,50	\$ 31,38	\$ 32,87	\$ 32,94	\$ 33,69	\$ 35,89	\$ 35,30	\$ 35,07	\$ 38,25
	3. Actual Real compensation US \$								
	\$ 13,74	\$ 15,35	\$ 18,99	\$ 17,84	\$ 19,83	\$ 20,63	\$ 20,66	\$ 25,55	\$ 26,61
	4. Actual Nominal compensation US \$								
	\$ 23,93	\$ 20,83	\$ 25,34	\$ 21,75	\$ 23,71	\$ 25,59	\$ 24,32	\$ 27,80	\$ 30,36
	Compensation Deficit in US \$ (2 minus 4)								
	\$ 14,57	\$ 10,55	\$ 7,53	\$ 11,19	\$ 9,98	\$ 10,30	\$ 10,98	\$ 7,27	\$ 7,89
	Wage Equalisation index (4÷2 or 3÷1)								
	0,62	0,66	0,77	0,66	0,70	0,71	0,69	0,79	0,79
<b>Singapore</b>	GNI PPPs in country currency*								
	1,325	1,394	1,221	1,154	1,115	1,126	1,063	1,020	1,082
	Exchange rate								
	1,41	1,67	1,72	1,79	1,74	1,69	1,59	1,41	1,45
	GNI PPPs in US Dollars								
	\$ 0,94	\$ 0,83	\$ 0,71	\$ 0,64	\$ 0,64	\$ 0,67	\$ 0,67	\$ 0,72	\$ 0,75
	2. Equalised PPP nominal compensation US \$								
	\$ 20,78	\$ 19,31	\$ 17,48	\$ 17,42	\$ 18,05	\$ 19,28	\$ 20,04	\$ 23,31	\$ 25,02
	3. Actual Real compensation US \$								
	\$ 12,70	\$ 13,74	\$ 16,51	\$ 18,82	\$ 19,89	\$ 19,81	\$ 20,60	\$ 26,06	\$ 23,45
	4. Actual Nominal compensation US \$								
	\$ 11,93	\$ 11,47	\$ 11,72	\$ 12,14	\$ 12,74	\$ 13,20	\$ 13,77	\$ 18,85	\$ 17,50
	Compensation Deficit in US \$ (2 minus 4)								
	\$ 8,85	\$ 7,84	\$ 5,76	\$ 5,28	\$ 5,31	\$ 6,08	\$ 6,27	\$ 4,46	\$ 7,52
	Wage Equalisation index (4÷2 or 3÷1)								
	0,57	0,59	0,67	0,70	0,71	0,68	0,69	0,81	0,70
<b>South Korea</b>	GNI PPPs in country currency*								
	723,266	969,598	655,170	752,297	747,897	782,914	743,892	878,167	929,082
	Exchange rate								
	804,45	1401,44	1130,96	1251,09	1191,61	1145,32	954,79	1102,05	1276,93
	GNI PPPs in US Dollars								
	\$ 0,90	\$ 0,69	\$ 0,58	\$ 0,60	\$ 0,63	\$ 0,68	\$ 0,78	\$ 0,80	\$ 0,73
	2. Equalised PPP nominal compensation US \$								
	\$ 19,88	\$ 16,00	\$ 14,27	\$ 16,24	\$ 17,69	\$ 19,78	\$ 23,36	\$ 25,68	\$ 24,40
	3. Actual Real compensation US \$								
	\$ 10,78	\$ 9,73	\$ 16,90	\$ 17,25	\$ 18,23	\$ 18,62	\$ 22,53	\$ 20,42	\$ 19,52
	4. Actual Nominal compensation US \$								
	\$ 9,69	\$ 6,73	\$ 9,79	\$ 10,37	\$ 11,44	\$ 12,73	\$ 17,55	\$ 16,27	\$ 14,20
	Compensation Deficit in US \$ (2 minus 4)								
	\$ 10,19	\$ 9,27	\$ 4,48	\$ 5,87	\$ 6,25	\$ 7,05	\$ 5,81	\$ 9,41	\$ 10,20
	Wage Equalisation index (4÷2 or 3÷1)								
	0,49	0,42	0,69	0,64	0,65	0,64	0,75	0,63	0,58
<b>Australia</b>	GNI PPPs in country currency*								
	1,242	1,478	1,423	1,314	1,122	1,140	1,382	1,271	1,501
	Exchange rate								
	1,28	1,59	1,72	1,84	1,54	1,36	1,33	1,19	1,28
	GNI PPPs in US Dollars								
	\$ 0,97	\$ 0,93	\$ 0,83	\$ 0,71	\$ 0,73	\$ 0,84	\$ 1,04	\$ 1,07	\$ 1,17
	2. Equalised PPP nominal compensation US \$								
	\$ 21,45	\$ 21,50	\$ 20,37	\$ 19,28	\$ 20,53	\$ 24,26	\$ 31,15	\$ 34,42	\$ 39,32
	3. Actual Real compensation US \$								
	\$ 19,95	\$ 18,62	\$ 20,12	\$ 24,75	\$ 31,50	\$ 32,30	\$ 28,44	\$ 34,56	\$ 29,52
	4. Actual Nominal compensation US \$								
	\$ 19,36	\$ 17,31	\$ 16,64	\$ 17,67	\$ 22,95	\$ 27,08	\$ 29,55	\$ 36,91	\$ 34,62
	Compensation Deficit in US \$ (2 minus 4)								
	\$ 2,09	\$ 4,19	\$ 3,73	\$ 1,61	\$ (2,42)	\$ (2,82)	\$ 1,60	\$ (2,49)	\$ 4,70
	Wage Equalisation index (4÷2 or 3÷1)								
	0,90	0,81	0,82	0,92	1,12	1,12	0,95	1,07	0,88
<b>New Zealand</b>	GNI PPPs in country currency*								
	1,419	1,598	1,525	1,384	1,273	1,369	1,571	1,478	1,657
	Exchange rate								
	1,45	1,87	2,20	2,16	1,72	1,51	1,54	1,42	1,60
	GNI PPPs in US Dollars								
	\$ 0,98	\$ 0,85	\$ 0,69	\$ 0,64	\$ 0,74	\$ 0,91	\$ 1,02	\$ 1,04	\$ 1,04
	2. Equalised PPP nominal compensation US \$								
	\$ 21,64	\$ 19,76	\$ 17,07	\$ 17,30	\$ 20,86	\$ 26,23	\$ 30,59	\$ 33,56	\$ 34,73
	3. Actual Real compensation US \$								
	\$ 12,70	\$ 12,03	\$ 13,35	\$ 15,78	\$ 17,52	\$ 16,65	\$ 15,72	\$ 18,36	\$ 16,84
	4. Actual Nominal compensation US \$								
	\$ 12,43	\$ 10,28	\$ 9,25	\$ 10,11	\$ 12,97	\$ 15,09	\$ 16,04	\$ 19,12	\$ 17,44
	Compensation Deficit in US \$ (2 minus 4)								
	\$ 9,21	\$ 9,48	\$ 7,82	\$ 7,19	\$ 7,89	\$ 11,14	\$ 14,55	\$ 14,44	\$ 17,29
	Wage Equalisation index (4÷2 or 3÷1)								
	0,57	0,52	0,54	0,58	0,62	0,58	0,52	0,57	0,50

### 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 manufacturing rate is the "hourly compensation cost" as defined by the U.S. Department of Labour, Bureau of Labour Statistics: include (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 (real wage).
- 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).
- Wage 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):

- 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 Koehlin, OECD Statistical briefs, March 2002.

- ❖ **About Jus Semper:** The Living Wages North and South Initiative ([TLWNSI](#)) constitutes the sole program of The Jus Semper Global Alliance (TJSGA). TLWNSI is a long-term program developed to contribute to social justice in the world by achieving fair labour endowments for the workers of all the countries immersed in the global market system. It is applied through its program of Corporate Social Responsibility (CSR) and it focuses on gradual wage equalisation, for real democracy, the rule of law and living wages are the three fundamental elements in a community's quest for social justice.
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