



# TLWNSI NEWSLETTER

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

## Long-term Sustainable Development Through Gradual Wage Equalisation

### HIGHLIGHTS

TLWNSI Newsletter – Winter 2008/2009

**Business and Human Rights – Upholding the Market’s Social Darwinism** – An assessment of Mr. John Ruggie’s Report: “Protect, Respect and Remedy: a Framework for Business and Human Rights.”  
*Page 2*

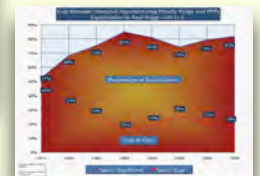
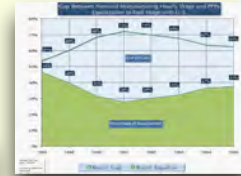
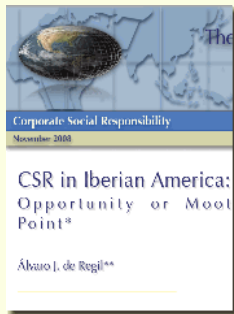
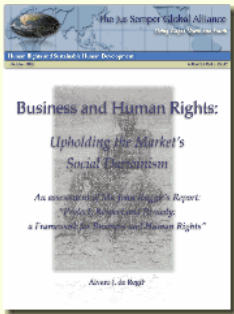
**CSR in Iberian America: Opportunity or Moot Point** – An assessment of the development of CSR in Iberian America in the threshold of the implosion of the neoliberal mantra.  
*Page 2*

**New 2006 Living-Wage Gap Analysis Updates for Manufacturing Workers in 12 Economies and the U.S.** Our annual updated analysis from 1975 to 2006, for eight developed and four “emerging” economies, of wage gaps in purchasing power parities terms (PPPs) using as benchmark U.S. Production-line manufacturing wages.  
*Page 3*

**Mexico’s Real Wage Gap.** Analysis update (1975-2006) on the huge manufacturing wage gap of Mexico. The political and social disaster endured by Mexico clearly reflects the deplorable and shameful state of manufacturing wages in Mexico when compared with developed and similar Economies.  
*Page 3*

**Brazil’s Real Wage Gap.** Analysis update (1996-2006) on the huge manufacturing wage gap of Brazil; The recovery of Brazil’s production-line manufacturing wages barely advances in 2006.  
*Page 4*

**Spain’s Real Wage Gap.** Analysis update on the wage gap of Spain from 1975 to 2006. The state of manufacturing wages in Spain follows the European trend and resumes its reduction of its production-line manufacturing real wages vi-à-vis its U.S. Counterparts.  
*Page 4*



**Table T4: 1975 - 2006 Real-Wage Gaps for Twelve Economies, in Purchasing Power Parity (PPP) Terms, vis-à-vis the U.S. for Production-line Manufacturing Workers.....5**

**Table T5: New living-wage gaps 1996-2006 –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)!.....5**

**World Transnational Corporation Regulatory Authority – A proposal from civil society to make corporations and governments accountable for corporate malfeasance.....6**

### RESOURCE CENTRE

**The Place Premium: Wage Differences for Identical Workers across the US Border .....6**

**Child Labour, Trade Relations and Corporate Social Responsibility What the European Union should do .....7**

**OECD Watch 2008 Review of National Contact Points and the Implementation of the OECD Guidelines .....7**

**Fit for Purpose? A Review of the UK National Contact Point (NCP) for OECD Guidelines for Multinational Enterprises 2008.....8**

**Civil Society's Calendar 2009. A Selection of Events, Relevant to TLWNSI, Put Together by Members of Organised Global Civil Society....8**

**Corporate Calendar 2009. A Selection of Events, Relevant to TLWNSI, Put Together Mostly by Business Groups, Multilateral Institutions and Governments.....9**

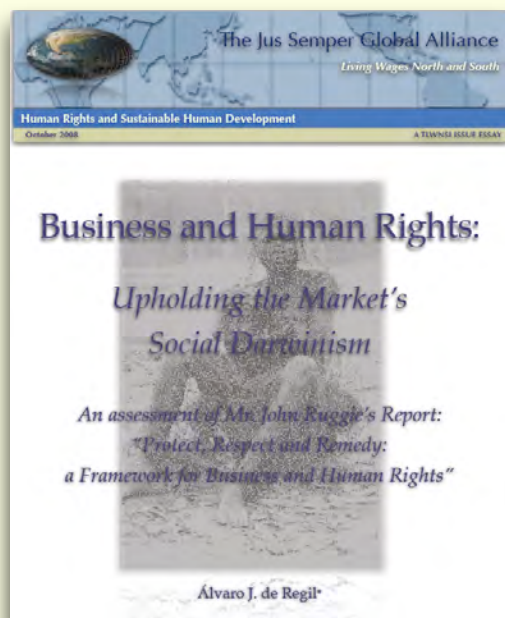
**2008 Top Twenty Resource Downloads. The top Internal and External Resources Downloaded From Our Website in 2008.....9**

**A Final Thought.....9**

## BUSINESS AND HUMAN RIGHTS – UPHOLDING THE MARKET'S SOCIAL DARWINISM

*An assessment of Mr. John Ruggie's Report: "Protect, Respect and Remedy: a Framework for Business and Human Rights."*

In January 2008 Álvaro de Regil published a study that included a detailed evaluation of Mr. John Ruggie's work, as part of a comprehensive assessment of the debate on the responsibilities of business regarding human rights. In this new work, he continues the same approach by assessing the vision and arguments that Mr. Ruggie –UN's Special Representative for Business and Human Rights– advances in his new paper: *Protect, Respect and Remedy: a Framework for Business and Human Rights*.



The author's conclusion is that Ruggie's vision in the current report continues to be in open conflict with the basic concept of democracy and of true long-term sustainability, for he continues to uphold the market as the principle that reigns supreme over the lives of societies across the world; never mind the customary, massive, ubiquitous and systemic violation of a wide range of human rights that the market exerts over billions of people every second of our time.

In his report, Mr. Ruggie deems the governance gaps –created by market globalisation– between the markets' footprint on human rights and society's capacity to manage it, as the root cause of the increasing abuse of human rights, and regards bridging these gaps as our fundamental challenge.

The author's assessment is in stark disagreement. In his opinion, it is absolutely futile for Mr. Ruggie to address the customary

violation of human rights in the business ethos if he does not address the true root of the problem: true democracy has been supplanted by marketocracy and, thus, has disabled the States ability to impose a regulatory framework that effectively protects human rights from corporate malfeasance. The lack of regulation – a fundamental irresponsibility of any truly democratic government– is the current standard in almost every area of business activity. To be sure, the clearest and most pervasive case is the greatest debacle of capitalist economies that we are attesting to, as a direct consequence of the economic deregulation that governments have undemocratically imposed upon societies across the world since the 1970s.

Consequently, relative to human rights, de Regil contends that, as long as we do not demand from our governments a universal and legally-binding framework to protect human rights from business' predatory practices –as a core element of international law– we will remain “in a sea of rhetoric rights, deception and posturing”. De Regil contends that unless we force our governments to fulfil our demands they will continue relying on the good old formula of pretending that they are making changes so that, at the end, everything remains the same. Something that, by the way, it is likely to occur in all areas of business, particularly in financial markets, unless society gets directly and permanently involved in the public matter, which is a fact of life in today's societies.

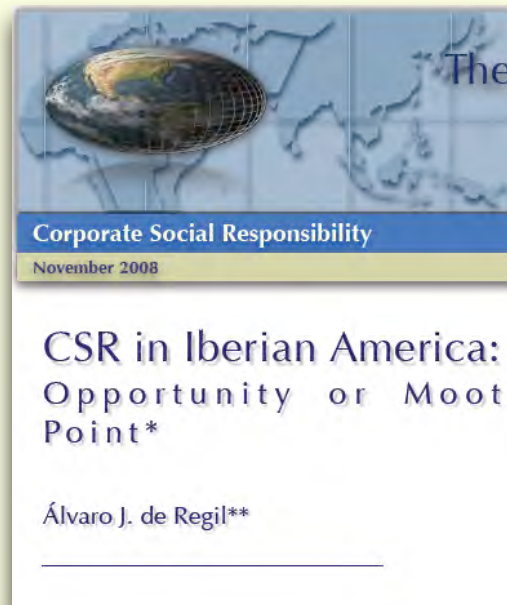
[Download the assessment of John Ruggie's report here!](#)

## CSR IN IBERIAN AMERICA: OPPORTUNITY OR MOOT POINT

*An assessment of the development of CSR in Iberian America in the threshold of the implosion of the neoliberal mantra*

This assessment that this paper makes relative to CSR in Iberian America –previously published in 2006 in the Social Responsibility Journal– remains as current as it has ever been. In looking at a region famous for sheltering the world's greatest social inequality, the author, Álvaro de Regil, then conveyed great scepticism regarding the value that CSR could have in Iberian America to force corporations to behave in a sustainable manner from the perspective of free societies. He deemed to be quite difficult to achieve a true CSR ethos due to the democratic mockery that we endure in both Iberian America and virtually worldwide. He argued that today's societies are completely dominated by the market, for all public decisions are taken from the market's perspective and not in

compliance with the basic democratic responsibility of procuring the welfare of every rank of society. Instead, we live in marketocracies in Iberian America and in most parts of the world; an ethos which stands out for its great degree of corruption in governments, that act as market agents and not as public servants governing by fulfilling the people's mandate.



Two years later, with the global implosion and extreme crisis of capitalism, the future of CSR globally becomes rather evident. The author describes the irrelevance of the development of specific CSR concepts in the region for being, in most cases, as they are worldwide, envisioned from a market context, which is regarded as the supreme value that reigns over the lives of today's societies. Thus, according to the author, today's CSR is far from responding to the essential demands of Iberian Americans. The most conspicuous case is the absence in today's CSR of a vital element in human dignity: the right to decent work and a living wage, in accordance with article 23 of the UN's Declaration of Human Rights.

In the authors opinion, due to the pillage that the rule of the market perpetrates and the extreme inequality that generates, there is a sense of urgency in Iberian America not present in other regions in the South. Regardless of their awareness about CSR, Iberian Americans know quite well that corporations cannot rule the world and dictate to governments the policies that benefit their very private interests. This has forced them to mobilise to confront the power structures imposed by free market dogma. Such mobilisation has succeeded in several South American countries in getting rid of oligarchic governments, albeit not yet in entirely dismantling the structures of exploitation.

In this way, the author deems that the current CSR is an irrelevant issue in Iberian America for



it does not address, whatsoever, the need of most citizens to force corporations to eliminate their predatory practices and contribute to the welfare of all ranks of society. What people are doing is redefining the purpose of democracy, and how it addresses each aspect of life, starting with the social, economic and environmental policies that are essential for building a truly sustainable paradigm; and they are doing it in a far more effective manner than what could be expected from a CSR that the author deems to be a mockery.

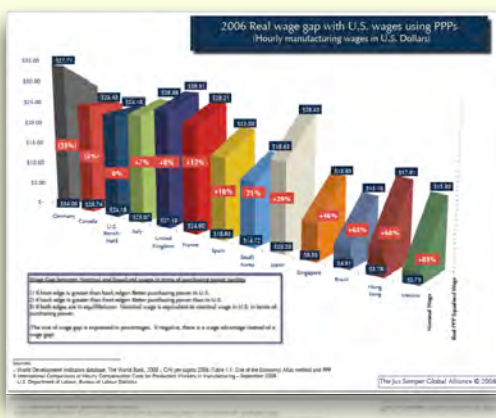
[Download the assessment of the development of CSR in Iberian America here!](#)

**PPP WAGE GAPS FOR SELECTED DEVELOPED AND "EMERGING" ECONOMIES FOR PRODUCTION-LINE MANUFACTURING WORKERS. (Updated from 1975 up to 2006)**

*Mexico continues enduring the worst wage gap of all countries, even after the adjustments resulting from the new World Bank PPP surveys round..*

In 2006, already with the new World Bank PPP estimates round integrated (see page 28 of report), Mexican manufacturing production-line workers continue enduring the worst real wage in purchasing power parities (PPPs), for they have the greatest equalised wage gap with the U.S. (83%), when compared to other emerging economies and to eight developed economies. In other words, a Mexican worker earns only 17% of the purchasing power (material quality of life) enjoyed by the equivalent U.S. counterpart, to do the same work for a product that will be marketed globally at global prices. In clear contrast, Brazil's wage gap –the most similar economy with available data– is clearly less dramatic (63%) than in the Mexican case, although it still has a long way to go to approach a living wage ethos, All Asian economies show higher nominal wages and smaller wage gaps than Mexico. South Korea, in particular, has a smaller wage gap than Japan in 2006 (21% versus 29% respectively) and for the second consecutive year. The five major European economies and Canada have wage gaps of less than 20% or surpluses –Germany (-23%), Canada (-5%)– vis-à-vis equivalent U.S. workers.

Workers performing the same or an equivalent job for the same business entity, in the generation of products and services that this entity markets at global prices in the global market, must enjoy an equivalent remuneration. This equivalent remuneration is considered a living wage, which is a human right.



A living wage provides workers in the South with the same ability to fulfil their needs, in terms of food, housing, clothing, healthcare, education, transportation, savings and even leisure, as that enjoyed by equivalent workers in the North, which we define in terms of the purchasing power parities (PPP) as defined by the World Bank and the OECD.

The definition of a living wage of The Jus Semper Global Alliance is as follows: A living wage is that which, using the same logic of ILO 's Convention 100, awards "equal pay for work of equal value" between North and South in PPPs terms.

The premise is that workers must earn equal pay for equal work in terms of material quality of life for obvious reasons of social justice but also, and equally important, for reasons of global sustainability.

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

- ◆ Article 23 of the UN Universal Declaration of Human Rights, on the following points:
  1. Everyone, without any discrimination, has the right to equal pay for equal work
  2. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
- ◆ ILO's Convention 100 of "equal pay for work of equal value", which is applied for gender equality, but applied in this case to North-South equality, using PPPs as the mechanism.

The proposal is to make workers in the South earn living wages at par with those of the First World in terms of PPPs in the course of a generation (thirty years). There will not be any real progress in the sustainability of the market system -in all three economic, environmental and social dimensions- if there is no sustained generation of aggregate demand, in that period, through the gradual closing of the wage gap between North and South. This does not mean,

whatsoever, that progress should be equivalent to the increase of irrational consumption, depleting all non-renewable resources. Eventually, during the twenty-first Century, a new paradigm must be built in which the purpose of the market is the welfare of all ranks of society, and the privileging of sustainability and not of capitalist accumulation.

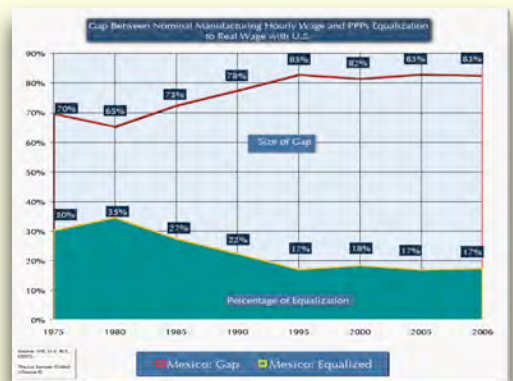
Yet, while that stage is reached, there is no justification at all, moral or economical, for the workers of the South not to earn wages equivalent to those of their counterparts in the North, in PPP terms, based on equal pay for equal work of equal market value. Just as the International Labour Organisation's Decent Work Agenda states, the decent work concept has led to an international consensus that productive employment and decent work are key elements to achieving poverty reduction. The blatant and perverse exploitation of workers in the South must be stopped.

The analysis is an update for 12 economies and the U.S., prepared by TJSGA, using 2006 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 REAL WAGE GAPS**

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



The desertion of Mexico's governments in the last three decades of the basic responsibilities of any government that praises itself for being

democratic and, as its consequence, the explosion of a state of social disarray in the last few years are accurately exposed in the state of labour endowments of production-line workers in the manufacturing sector. Since 1980 PPP manufacturing real wages –relative to their purchasing power equalisation with U.S. wages– begin a consistent erosion, dropping 51% between 1980 and 2006, for employers adjust their prices –but not wages proportionally– supported by the full endorsement of the State through its customary policy of wage pauperisation.

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

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

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

### BRAZIL'S REAL WAGE GAPS

*The recovery of Brazil's production-line manufacturing wages barely advances in 2006*



In 2006, already with the new World Bank PPP estimates round integrated (see page 20 of the report), Brazil's manufacturing real wages continued enduring one the largest wage gaps with the U.S. (63%), only less wide than in Hong Kong and Mexico, twenty points less wide than in the latter; yet still quite distant from the levels of developed economies.

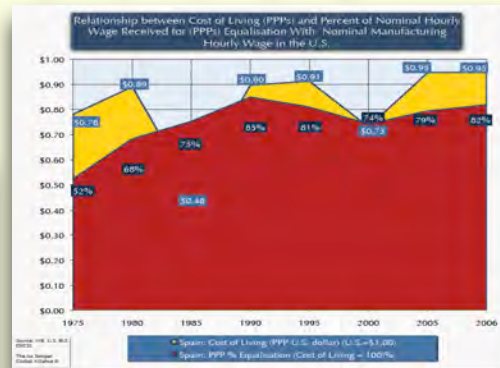
Since 1996, (first year with manufacturing wage comparable data available) real wages lost 39% up to 2002 –relative to their PPP equalisation with the U.S. Prices drop with the 1999 crisis but wages do even more; thus, real wages collapse in the span of seven years.

Nonetheless, in Brazil's case, between 2003 and 2005, wage equalisation starts improving; averaging a 9,8% recovery annually. This amounts to a cumulate recovery of 32% up to 2005 (equalisation index from 28 in 2002 to 37 in 2005). However, Brazil's production-line manufacturing wages stagnate in 2006, for they experience a meagre improvement of 2,5% (equalisation of 36,56% to 37,48%), which in rounded numbers keeps the equalisation index at 37. This is due to Brazil's PPP cost of living increase in 2006 of 13,35% from a 47,8 to a 54,2 index, and nominal wages of U.S. counterparts increasing 1,55% whilst Brazil's nominal wages increase by 18%; thus a net recovery of only 2,5% between 2005 and 2006.

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

### SPAIN'S REAL WAGE GAP

*The state of manufacturing wages in Spain follows the European trend and resumes its wage-gap reduction of production-line manufacturing real wages vi-à-vis its U.S. counterparts*



In 2006, already with the new World Bank PPP estimates round integrated (see page 22 of the report), Spain's manufacturing real wages keep approaching those of the G7, with an equalisation wage gap with the U.S. of only 18%; substantially less than Japan's 29% and increasingly closer to real wages in France, United Kingdom and Italy.

Since 1975 real wages improved 58% up to 2006 –relative to their equalisation with the U.S. based on PPP– regardless of price levels and exchange rate fluctuations during this period; albeit this is less than the 65% growth up to 2004, before its 12,3% loss in purchasing power previously discussed. In 2006, the European equalisation wage gap, which increased in 2005 for all EU countries in the study, returns to a positive path. In this way, Spain reduces by 3 points its wage gap relative to 2005 (21% to 18%). Yet, as in the case of the other EU countries, this is still below Spain's wage gap of only 14% experienced in 2004.

In the 31-year period the gap between Spain's nominal PPP equalised wages is substantially reduces, dropping 62% because Spanish nominal manufacturing wages increased 647%, from \$2,52 to \$18,838/hour, whilst the cost-of-living PPP index –relative to that of the U.S.– only increased 22%, moving from 78 to 95. Due to the combination of U.S. nominal wages increasing only 293% –below Spain's 647% growth– from \$6,16 to \$24,18/hour in the same period, and Spain's PPP cost of living index barely growing vis-à-vis the U.S., Spanish PPP wage equalisation increases to the 82% level,

The comparison of 2005-2006 accurately illustrates this trend. Spain's nominal wages grow 5,06% (17,92 to \$18,83) whilst U.S. wages increase only 1,6% (\$23,81 to \$24,81). Moreover, Spain's cost of living relative to the U.S. drops 3 points, decreasing from a 98 to a 95 PPP index. Thus, equalisation improves from 79% to 82% in the last year reported.

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



**TABLE T4\*: 1975 – 2006 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)**

*International comparisons of hourly compensation costs for production-line workers between the US and selected developed and "emerging" markets, barring Japan, Mexico and Singapore, show clear improvements in real wage gaps in 2005 and 2006 from 2000.*

Based on the new 2005 PPP World Bank surveys, our research shows that since 2000 the euro-area countries, the UK, South Korea, Brazil and Hong Kong have reduced their wage gaps with the U.S. for manufacturing production-line jobs sensibly. South Korea and Spain, in particular, showed the greatest wage-gap reductions. Mexico keeps showing the worst wage gaps of all, with no improvement in 2006 and a dismal state of real wages since 1980. Japan maintains a consistent increase of its living-wage gap with the U.S., which is approaching twice its 2000 level, whilst Hong Kong and Singapore dramatically reduced its wage gap since 1980.

◆ The Euro-area countries in the analysis (France, Germany, Italy and Spain), experienced marked real-wage increases in 2005 or in both 2005 and 2006 vis-à-vis 2000 relative to real wages in the U.S. Spain shows a consistent improvement trend, reducing its wage gap with the U.S. from 26% in 2000 to 21% in 2005 and 18% in 2006. The UK continues to reduce its wage gap, which stands now at 8%. These living-wage positions nonetheless are wider than in 2004 –even after applying the World Bank's 2005 PPPs round results– when the five EU economies in the analysis had smaller wage gaps or living-wage surpluses with the U.S. (2004 equalisation indices: France 94, Germany 1,39, Italy 1,04, UK 1,00 and Spain 89).

◆ In Asia, South Korea maintains a consistent reduction of its living-wage gap from 30% in 2000 to 21% in 2006, a 30% drop in six years. In contrast, Japan continues to widen its wage gap with the U.S. from 16% in 2000 to 29% in 2006, an 81% increase so far this decade. Our analysis for Hong Kong and Singapore starts now in 1980, indicating that both have sensibly improved their real wages with a growth in their equalisation indices of 78% and 135% respectively since 1980. Singapore also experienced a dramatic change in its wage-gap level after the World Bank's 2005 PPPs round results were applied. The new data reduced Singapore's production-line wage gaps with the U.S. by 23%, from an average gap of 64% to 49% between 2000 and 2006, based on the World Bank's new PPPs survey. The new results show that, after increasing its wage gap in 2005, Singapore recovered in 2006 its 2000 wage-gap level.

◆ In the Americas, the new survey data shows that Brazil's recovery of real wages stagnated in 2006 and remains at par with 2005 at 63%, nine points smaller than in 2002 nonetheless. In 1996 Brazil had its smallest production-line wage gap with the U.S. (54%), which went up to as much as 72% in 2002. Canada maintains a surplus in production-line real wages against the U.S. and remains at par with its 2000 equalisation index (1,05). Mexico's production-line real wages remain at their lowest level in 2006 vis-à-vis its main trading partner, and the World Bank's new PPP data confirms their collapse and stagnation. Mexico's highest wage equalisation index with the U.S. was 35 in 1980 and since 1995 remains at less than 50% of its 1980 level. Mexico's manufacturing production-line real wage gap with the U.S. is now at 83% –the worst of all countries in the analysis– due to the misery wages paid to its labour force.

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

*our analysis for comparison purposes between the Americas and a large euro-area economy.*

		1996	
<b>Benchmark</b>	<b>U.S. Hourly Manufacturing Rate</b>	<b>22,11</b>	
<b>Argentina</b>	GNI PPPs in country currency*	0,945	
	Exchange rate	0,997	
	GNI PPPs in US Dollars	\$ 0,95	
	2. Equalized PPP compensation US \$	\$ 20,95	
	3. Actual Real compensation US \$	\$ 7,73	
	4. Actual Nominal compensation US \$	\$ 7,32	
	Compensation Deficit in US \$ (2÷4)	\$ 13,63	
	Wage Equalisation index (4÷2 or 3÷1)	0,35	
<b>Spain</b>	GNI PPPs in country currency*	116,958	
	Exchange rate	126,7	
	GNI PPPs in US Dollars	\$ 0,92	
	2. Equalized PPP compensation US \$	\$ 20,41	
	3. Actual Real compensation US \$	\$ 16,88	
	4. Actual Nominal compensation US \$	\$ 15,58	
		Compensation Deficit in US \$ (2÷4)	\$ 4,83
		Wage Equalisation index (4÷2 or 3÷1)	0,76
	Production line wage equalisation	0,81	

Trends for the 1996-2006 period indicate that except for Mexico the living-wage gaps with equivalent U.S. wages for production-line workers are smaller than for all manufacturing employees. Wage equalisation indices for production-line workers in Canada, Brazil and Spain are consistently higher than when including all employees in a manufacturing establishment during the period in the analysis.

Hourly wages for all manufacturing employees in Canada have been stable at an average of 94% of the U.S. benchmark. Brazil's all manufacturing employees hourly wages –with a much wider living-wage gap with the U.S.– are recovering after a prolonged downturn of 41% –from an equalisation index of 46 in 1996 to 28 in 2002– and have now improved to a 36 index. Argentina's equalisation index collapsed during its turn of the century crisis by nearly 49% –from a 39 index in 1998 to a dramatic 20 index in 2002– and has now recovered and surpassed its 1998 position, reducing its living-wage gap with the U.S. to 50%.

As has become customary, Mexico's all manufacturing employees as well as production-line worker wages are by far the lowest of all economies in our research –by far the worst of all OECD countries and of the three major Iberian-American economies. Even more disturbing is that Mexico's living-wage gap for production-line workers is at a more dismal state (83%) than for all manufacturing employees. This is a clear sign that, in stark contrast with Canada, Brazil and Spain, Mexico's blue-collar workers endure greater wage exploitation than white-collar and all other non-production manufacturing workers.

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

<b>Benchmark</b>	<b>U.S. Hourly Production-line Rate</b>
<b>Canada</b>	GNI PPPs in country currency*
	Exchange rate
	GNI PPPs in US Dollars
	2. Equalized PPP compensation US \$
	3. Actual Real compensation US \$
	4. Actual Nominal compensation US \$
	Compensation Deficit in US \$ (2÷4)
Wage Equalisation index (4÷2 or 3÷1)	
<b>South Korea</b>	GNI PPPs in country currency*
	Exchange rate
	GNI PPPs in US Dollars
	2. Equalized PPP compensation US \$
	3. Actual Real compensation US \$
	4. Actual Nominal compensation US \$
	Compensation Deficit in US \$ (2÷4)
Wage Equalisation index (4÷2 or 3÷1)	
<b>Japan</b>	GNI PPPs in country currency*
	Exchange rate

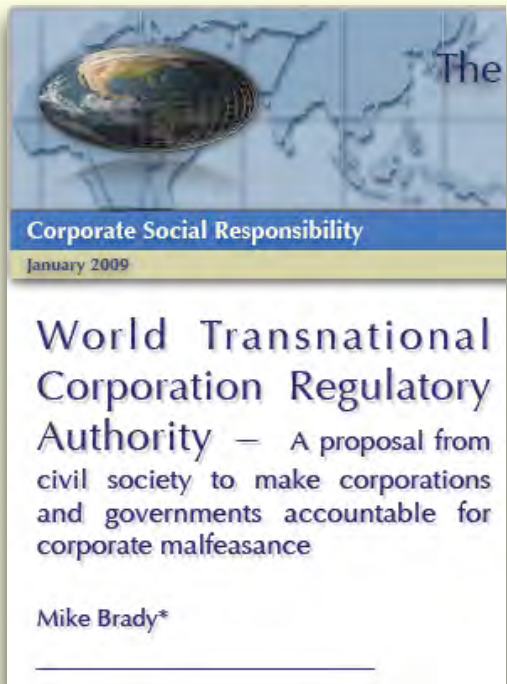
**TABLE T5: NEW LIVING-WAGE GAPS 1996-2006 –IN PURCHASING POWER PARITY TERMS (PPPS)– VIS-À-VIS THE U.S. FOR ALL MANUFACTURING EMPLOYEES FOR THE FOUR LARGEST ECONOMIES IN THE AMERICAS (CANADA, BRAZIL, MEXICO AND ARGENTINA)!**

*In 2008 the U.S. Bureau of Labour Statistics (BLS) began reporting hourly compensation costs for both production-line workers and all manufacturing employees for the years 1996-2006. The BLS also included, for the first time, hourly wages for Argentina for all manufacturing employees. Spain is included in*

**WORLD TRANSNATIONAL CORPORATION REGULATORY AUTHORITY**

*A proposal from civil society to make corporations and governments accountable for corporate malfeasance*

This issue commentary introduces a proposal – in development– for true and direct democratic practice by making governments implement the World Transnational Corporation Regulatory Authority (WTNCRA). This concept has previously secured citizen support for provisional inclusion in the Simultaneous Policy (Simpol); which is being developed through a direct democracy process and aims to deliver social justice around the world, resolve global problems and regulate the economic power of international capital for the good of all.



**The**

**Corporate Social Responsibility**

January 2009

**World Transnational Corporation Regulatory Authority** – A proposal from civil society to make corporations and governments accountable for corporate malfeasance

Mike Brady\*

The WTNCRA provides a vehicle to exercise direct democracy from the bottom up. It seeks to make corporations accountable to civil society for the impact of their activity as well as governments for regulating business practice. People can submit formal complaints against any corporation on behalf of global, national or local communities through public petitions, and bring prosecution through the International Criminal Court (ICC), which would have the power to impose penalties on companies for their corporate malfeasance or on governments for failing to meet their regulatory responsibilities.

Nonetheless, this proposal still needs to devise a way for people to have access to the ICC, for currently its mandate does not include corporate malfeasance. Moreover, it is not

recognised by all States, including prominently the United States, the country with the largest number of global corporations.

The WTNCRA makes quite evident the need of civil society for direct access to international judicial institutions empowered to penalise corporations for their customary and ubiquitous corporate malfeasance. The logical next step is for civil society to devise a specific strategy to force governments to agree on expanding the jurisdiction of the ICC to the prosecution of corporate malfeasance and on allowing society to file formal complaints against corporations and against States refusing to enforce existing agreements. The WTNCRA also exposes the great limitations of representative democracy and the urgent need for society to achieve true and direct democratic practice in a variety of ways such as the one advanced by this proposal.

[Download the full commentary here!](#)

**RESOURCE CENTRE**

**THE PLACE PREMIUM: WAGE DIFFERENCES FOR IDENTICAL WORKERS ACROSS THE US BORDER**

*Another angle of labour exploitation through North-South wage discrimination*

Researchers Michael Clemens, Claudio Montenegro and Lant Pritchett applied their analytical model on micro data on the wages of over two million individual formal-sector wage-earners in 43 countries. This exercise made these researchers arrive to basically the same conclusion that constitutes the fundamental argument of Jus Semper's sole initiative: The Living Wages North and South Initiative (TLWNSI): Northern wages are much higher than Southern wages for workers of equal intrinsic productivity because of North-South exploitation and not due to price differences.

This paper compares the wages of workers inside the United States to the wages of observably identical workers outside the United States—controlling for country of birth, country of education, years of education, work experience, sex, and rural-urban residence. The authors drew fundamental conclusions:

◆ for many countries, the wage gaps caused by barriers to movement across international borders are among the largest known forms of wage discrimination. They arise only from socially constructed characteristics of the worker (like country of birth) that are not related to worker productivity (labour demand) or to the preferences of potential migrants (labour supply).



Center for Global Development

Working Paper Number 128  
July 2009

**The Place Premium: Wage Differences for Identical Workers across the US Border**

By Michael Clemens, Claudio E. Montenegro, and Lant Pritchett

**Abstract**

We compare the wages of workers inside the United States to the wages of observably identical workers outside the United States—controlling for country of birth, country of education, years of education, work experience, sex, and rural-urban residence. This is made possible by new and uniquely rich microdata on the wages of over two million individual formal-sector wage-earners in 43 countries. We then use five independent methods to construct these estimates for unobserved differences between the productivity of migrants and non-migrants, as well as for the wage effects of natural barriers to international movement in the absence of policy barriers. We also introduce a substantive model to estimate how migrants' wage gains depend on their position in the distribution of unobserved wage determinants both at the origin and at the destination, as well as the relationship between these positions. For example, in the median wage gap country, a typical Bolivian-born, Bolivian-educated, prime-age white male formal-sector wage worker with median schooling makes 3 times as much as the US as in Bolivia. Following all adjustments for selectivity and compensating differentials we estimate that the wages of a Bolivian worker of equal intrinsic productivity, willing to move, would be higher by a factor of 2.1 solely by working in the United States. While this is the median, this ratio is as high as 8.4 (for Nigeria). We document that (1) for many countries, the wage gaps caused by barriers to movement across international borders are among the largest known forms of wage discrimination; (2) these gaps represent one of the largest remaining price distortions in any global market; and (3) these gaps imply that simply allowing labor mobility can reduce a given household's poverty to a much greater degree than could in-situ antipoverty interventions.

The Center for Global Development is an independent, nonpartisan research organization that is dedicated to reducing global poverty and inequality and to making globalization work for the poor.

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◆ these gaps represent one of the largest remaining price distortions in any global market. The differentials the researchers recorded are generally larger than price gaps for goods or financial instruments between developing countries and the US. As Jus Semper has always argued through TLWNSI, there is no relationship between the difference in wages for equivalent workers and the differences in prices between Southern countries and the U.S. based on purchasing power parities. This is all the more evident when comparing equivalent workers working for the same company in a Southern country vis-à-vis the U.S. As our living wage-gaps analysis consistently exposes every year, Southern workers earn only a fraction of what they should earn for performing the exact same job based on true price differences. Not surprisingly, the researchers, also found that the gains from a marginal relaxation on barrier to labour mobility produced welfare gains would greatly exceed the total gains to developing countries from elimination of all remaining global trade barriers.

◆ these gaps imply that simply allowing labour mobility can reduce a given household's poverty to a much greater degree than most known in situ antipoverty interventions. Their estimates strongly suggest that no existing policy carried out in situ can benefit the marginal poor household as much as one year of access to the US labour market.

They also performed comparisons parting from results of concrete consumer-oriented actions such as consumer boycotts that brought the same conclusion. For instance, they looked at Harrison and Scorse (2004) finding that international anti-sweatshop campaigns against textile, footwear, and apparel plants in Indonesia caused a 20-25% increase in real wages for workers at foreign-owned and export-



focused plants between 1990 and 1996. Their analysis model showed that this campaign translates to an annual wage gain of US \$647 at purchasing power parity, which at a 10% discount rate has a present value of about US \$6.960, which would account for 58% of the annual wage gain from working in the US. From another angle, this means that the cumulative lifetime effect of the anti-sweatshop movement on an Indonesian worker's earnings could be earned if that person had the chance to work in the US once for a period of about 30 weeks.

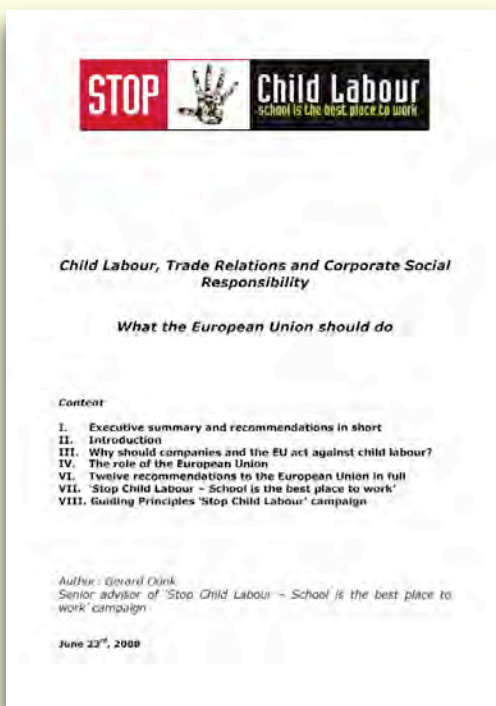
In summary, this rich-data analysis exposes once again the argument rhetorically used by the International Labour Organisation to position its so-called decent work agenda: that the decent work concept has led to an international consensus that productive employment and decent work are key elements to achieving poverty reduction. In other words, there is no other measure more effective to combat poverty in Southern countries than paying living wages in the South and not the misery wages that workers receive as a result of the system of customary exploitation that has been in place for centuries.

[Download the full paper on wage differences for identical workers across North-South!](#)

## CHILD LABOUR, TRADE RELATIONS AND CORPORATE SOCIAL RESPONSIBILITY – WHAT THE EUROPEAN UNION SHOULD DO

*As the author, Gerard Oonk comments: on the 27 of May 2008 the Council of the European Union published its conclusions on the rights of the child in the EU's external action. In point 4 the Council focusses on a number of policies to fight all forms of child labour, including policies on CSR. But the most remarkable is that the Council (representing the governments of the Member States) has also agreed for the first time to study trade related measures against child labour.*

In a world where corporations seem to have more rights than citizens and where many of the rights enacted at the highest multilateral level and ratified by the legislative arms of many so-called "democratic" States are customarily violated by corporations across the world, the rights of the child are customarily treated with the highest level of disregard and disdain in many States, particularly when child labour exploitation perpetrated by companies based in their territory takes place outside their borders.



As this report explains, there are 218 million children suffering from child labour worldwide. This is possible because the products where child labour is part of the production process are consumed worldwide as a result of the pervasiveness of the distribution and marketing systems that global corporations deploy, with the enthusiastic consent of governments worldwide. This is the case of the countries of the European Union, which dramatically exposes the mismatch between the rights of the economically powerful and the rights of the child. Whereas regulations in other fields abound, including those regulating the rights of companies, children seem to be left to fend for themselves in the national/international marketplace. Also trade relations are of often incoherent with policies working towards the implementation of human rights.

As Gerard Oonk contends: this is absolutely unacceptable. The EU Member States like other states have 'the duty to protect against human rights abuses by third parties, including business, while companies themselves also have the responsibility to respect human rights. In this way, the European Union has an important role in realising this Member States' duty as well as to ensure that companies live up to this responsibility.

The Council of the European Union has given its own conclusions on the issue of children's rights underlining its commitment to supporting the fight against all forms of child labour, and emphasising the need for EU agreements with third countries on fighting all forms of child labour, and has requested the Commission to analyse the impact of positive incentives on child labour free products.

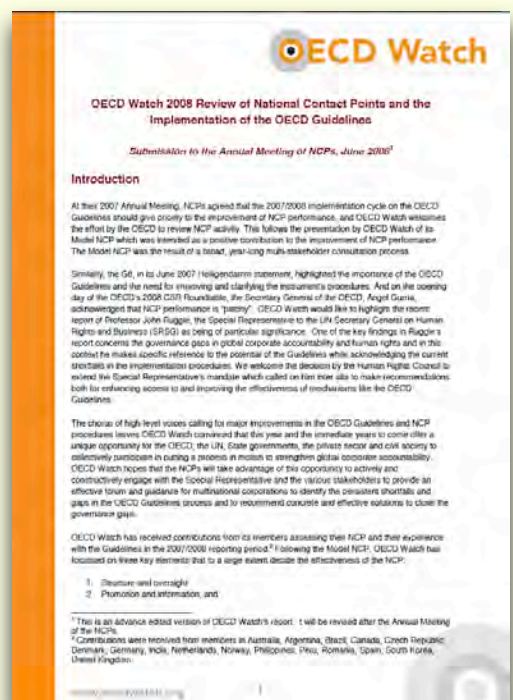
This paper, prepared on behalf of the Stop Child Labour – School is the best place to work' campaign, provides a comprehensive set of recommendations for the European Union, covering both issues of trade relations and corporate social responsibility. Its recommendations, to a large extent, build on the existing consensus of the European Parliament for stronger policies and certain forms of regulation on CSR as well as on effective trade related measures.

The positive receptiveness by the Council of the EU to the demands of civil society to protect the rights of the child notwithstanding, it remains to be seen whether this is just another outburst of bureaucratic grandiloquence or if this is indeed a serious undertaking by the EU to eradicate child labour in the world.

[Download the paper on the recommendations to the EU to stop child labour!](#)

## OECD WATCH 2008 REVIEW OF NATIONAL CONTACT POINTS (NCPs) AND THE IMPLEMENTATION OF THE OECD GUIDELINES

*Submission to the Annual Meeting of NCPs, June 2008.*



At their 2007 Annual Meeting, NCPs agreed that the 2007/2008 implementation cycle on the OECD Guidelines should give priority to the improvement of NCP performance, and OECD Watch welcomes the effort by the OECD to review NCP activity. This follows the presentation by OECD Watch of its Model NCP


which was intended as a positive contribution to the improvement of NCP performance. The Model NCP was the result of a broad, yearlong multi-stakeholder consultation process.

The chorus of high-level voices calling for major improvements in the OECD Guidelines and NCP procedures leaves OECD Watch convinced that this year and the immediate years to come offer a unique opportunity for the OECD, the UN, State governments, the private sector and civil society to collectively participate in putting a process in motion to strengthen global corporate accountability.

**Download OECD Watch submission, from the perspective of global civil society, to the 2008 National Contact Points Meeting!**

**FIT FOR PURPOSE?**

*A Review of the UK National Contact Point (NCP) for the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises 2008*



**Fit for Purpose?**

A Review of the UK National Contact Point (NCP) for the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises 2008

A report by Rights and Accountability in Development (RAID)  
in association with  
The Corporate Responsibility (CORE) Coalition and  
The Trades Union Congress (TUC)

November 2008

Against the backdrop of the global financial crisis, UK's civil society groups and the Trades Union Congress (TUC) are calling for tighter regulation of companies and financial institutions, in this report. In 2005, MPs challenged the government to resolve inadequacies of the UK's NCP: the government unit which is supposed to provide a degree of accountability for the environmental and

human rights impacts of British companies operating abroad. This resulted in significant reforms to the NCP procedures. However, the findings in this report indicate considerable problems remain and more needs to be done.

Patricia Feeney, Executive Director of Rights and Accountability in Development (RAID) said: "The government should act now to provide guidance to companies operating in weak governance or conflict zones and to strengthen the human rights provision of the OECD Guidelines."

Brendan Barber, General Secretary of the Trades Union Congress, said: "British based companies operating abroad need to be able to be held accountable for their social and environmental impacts. A fully consultative and well resourced National Contact Point is a vital part of this process. In addition we look forward to seeing further developments to ensure that our businesses operate in a clear and transparent manner throughout their global supply chains."

Hannah Ellis, Coordinator of The Corporate Responsibility (CORE) Coalition added: "The government should recognise the inherent limitations of the NCP and be prepared to consider other reforms in order to provide effective redress mechanisms for victims of abuse committed by UK's corporations in other jurisdictions."

The government is to review the new procedures before the end of the year.

The report exhibits the customary and systematic shortcomings of government oversight of business practice as the natural result of three decades of laissez faire dogma and voluntary social responsibilities practice. Nonetheless, the OECD Guidelines and its NCPs constitute the only instance currently available for civil society to file complaints on the practices of corporations and seek redress for the negative impact of a company's activity on specific stakeholders and the environment. Although the findings of a State's NCPs are not judicial and cannot impose resolutions and penalties on companies for their practices, they provide some degree of accountability and contribute to changing business practice.

In this way, civil society should take advantage of the NCPs mechanism to expose business practices that leave a negative footprint. This is precisely what the UK's NGOs that prepared this assessment are doing, with the goal of increasing the stakes for UK's corporations in the way they conduct their business practice globally. The report addresses problems that remain in the way the UK's NCP operates and proposes specific remedies and other actions aimed at increasing the cost of corporate malfeasance. To be sure the most important critique expressed in this report addresses a fundamental weakness of this OECD mechanism: that the promotion of the OECD Guidelines without effective enforcement is a

hollow exercise, and that stronger controls are needed to ensure sustainable and responsible investment, particularly in volatile or unstable parts of the world.

The work that these UK's NGOs are performing is a commendable effort to put pressure on governments to reduce corporate malfeasance. As a result, despite the many shortcomings and inconsistencies, the UK's NCP is one of the most active as a result of the pressure exerted by the coalition of UK's NGOs and trade unions involved in the assessment of the NCP. Their experience would likely help civil society in other OECD countries to make effective use of their NCPs and increase the stakes for corporate malfeasance of corporations based or active in their territory.

**Download the pdf of the full document here.**

**CIVIL SOCIETY'S 2009 CALENDAR**

- ❖ **World Social Forum 2009**, Belem, Brazil. 27 January - 1st February 2009. [Read more](#)
- ❖ **The 10th Global Civil Society Forum, prior to the 25th Special Session of the Governing Council/Global Ministerial Environment Forum**, Nairobi, Kenya. 14 - 15 February 2009. [Read more](#)
- ❖ **Europe for Peace. Europe Free from Nuclear Weapons, demonstrations against the space shield** Brussels, Belgium. 18 February 2009. [Read more](#)
- ❖ **International Conference on Implementing Environmental Water Allocations** Port Elizabeth, South Africa. 23-26 February 2009. [Read more](#)
- ❖ **African and Middle East Development Council's North Meeting 2009**, Aleppo, Syria 5-8 March 2009. [Read more](#)
- ❖ **Conference on Climate Change Adaptation and Water**, Brussels, Belgium, 12-13 March 2009. [Read more](#)
- ❖ **World Consumer Rights Day 2009**, International, 15 March 2009. [Read more](#)
- ❖ **5th World Water Forum - "Bridging Divides for Water"**, Istanbul, Turkey. 16-22 March 2009. [Read more](#)
- ❖ **CERES Conference 2009: Achieving a Sustainable Global Economy**, San Francisco, U.S. 15-16 April 2009. [Read more](#)
- ❖ **5th World Environmental Education Congress! Montreal, Canada. 10-14 May 2009. [Read more](#)**



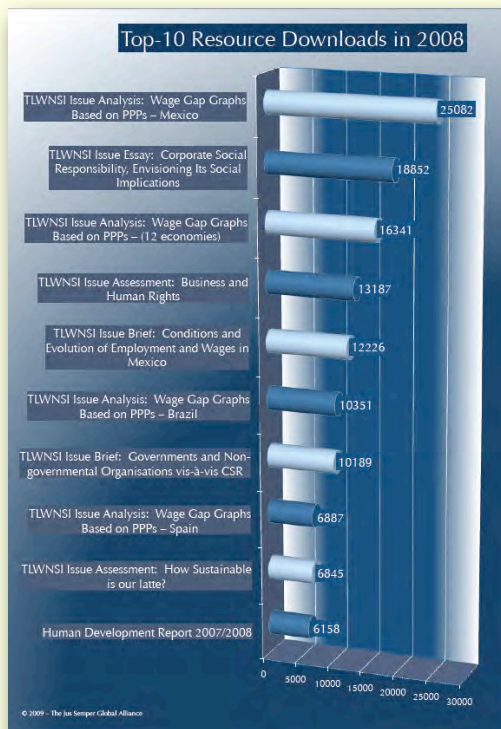
- ❖ **Fourth International Conference on Sustainable Development and Planning** Cyprus. 13-15 May 2009. [Read more](#)
- ❖ **Impact Assessment and Human Well-Being Impact Assessment 29th Annual Conference of IAIA.** Accra, Ghana. 17-22 May 2009. [Read more](#)
- ❖ **World Business Summit on Climate Change** Copenhagen, Denmark. 24-26 May 2009. [Read more](#)
- ❖ **International Conference on Governance, Fraud, Ethics & Social Responsibility** Edirne, Turkey. 11-13 June 2009. [Read more](#)
- ❖ **Latin America Today: International Symposium on Inequality and Identity.** Sao Paulo, Brazil. 16 June 2009. [Read more](#)
- ❖ **International Association for Citizenship, Social and Economics Education, Eight International Conference – Diversity and Sustainability through Citizenship: Issues for Social and Economics Educators.** Okanagan, Canada. 16-19 June 2009. [Read more](#)
- ❖ **8th Global Conference: Environmental Justice and Global Citizenship.** Oxford, UK. 10-12 July 2009. [Read more](#)
- ❖ **2009 World Water Week,** Stockholm, Sweden. 16-22 August 2009. [Read more](#)
- ❖ **Civicus 9th World Assembly.** Montreal, Canada. 28-31 August 2009. [Read more](#)
- ❖ **World Climate Conference-3 – Climate prediction and information for decision-making** Geneva, Switzerland. 31 August – 4 September 2009. [Read more](#)
- ❖ **8th International Conference on Corporate Social Responsibility.** Cape Town, South Africa. 8-10 September 2009. [Read more](#)
- ❖ **III World Forestry Congress.** Buenos Aires, Argentina. 18-25 October 2009. [Read more](#)
- ❖ **Buy Nothing Day.** Worldwide. 28 or 29 November 2009. [Read more](#)
- ❖ **4th International Conference “Earth from Space – The Most Effective Solutions”** Moscow, Russia. 1-3 December 2009. [Read more](#)
- ❖ **25th Session – Governing Council/Global Ministerial Environment Forum.** Nairobi, Kenya. 16-20 February 2009. [Read more](#)
- ❖ **Aspen for the G-8 Sustainable Capitalism. Finance, Commodities, and the Common Good.** Rome Italy. 20-21 February 2009. [Read more](#)
- ❖ **2009 Sustainability Summit.** London UK. 25 February 2009. [Read more](#)
- ❖ **Meeting of the Global Compact Anti-Corruption Working Group.** New York, U.S. 26-27 February 2009. [Read more](#)
- ❖ **4rd Global Conference on Social Responsibility.** Vilamoura, Portugal. 26-28 February 2009. [Read more](#)
- ❖ **Ethical Sourcing Forum North America.** New York, U.S..26-27 March 2009. [Read more](#)
- ❖ **Inter-American Development Bank Annual Meeting 2009.** Medellín, Colombia. 27-31 March 2009. [Read more](#)
- ❖ **2009 International Corporate Citizenship Conference.** San Francisco, U.S. 29-31 March 2009. [Read more](#)
- ❖ **Corporate Responsibility 2009 – Building a New Corporate Agenda.** London, UK. 30-31 March 2009. [Read more](#)
- ❖ **UNESCO World Conference on Education for Sustainable Development - Moving into the Second Half of the UN Decade.** Bonn, Germany. 31 March-2 April 2009. [Read more](#)
- ❖ **Second Alliance of Civilisations Forum.** Istanbul, Turkey. 6-7 April 2009. [Read more](#)
- ❖ **World Economic Forum on Latin America 2009.** Rio de Janeiro, Brazil. 14-16 April 2009. [Read more](#)
- ❖ **2nd Green Supply Chain Summit** London, UK. 21-22 April 2009. [Read more](#)
- ❖ **2009 Meetings of the World Bank Group and the International Monetary Fund.** Washington, U.S. 25-28 April 2009. [Read more](#)
- ❖ **Sustainable Manufacturing Summit – Best practices in cost-efficient and climate-friendly manufacturing.** Chicago, U.S. 29-30 April 2009. [Read more](#)
- ❖ **8th Responsible Business Summit.** London, UK. 11-12 May 2009. [Read more](#)
- ❖ **World Ocean Conference.** Manado, Indonesia. 11-15 May 2009. [Read more](#)
- ❖ **2009 World Agricultural Congress.** St. Louis, U.S. 18-20 May 2009. [Read more](#)
- ❖ **World Business Summit on Climate Change** Copenhagen, Denmark. 24-26 May 2009. [Read more](#)
- ❖ **Triple Bottom Line Asia Conference 2009** Tokyo, Japan. 28-29 May 2009. [Read more](#)
- ❖ **ILO's 98th International Labour Conference.** Geneva, Switzerland. 3-19 June 2009. [Read more](#)
- ❖ **International Economic Forum of the Americas.** Montreal, Canada. 8-11 June 2009. [Read more](#)
- ❖ **VII Annual Local Networks Forum.** Istanbul, Turkey. 9-10 June 2009. [Read more](#)
- ❖ **World Economic Forum on Africa 2009.** Cape Town, South Africa. 10-12 June 2009. [Read more](#)
- ❖ **The Global Corporate Responsibility Reporting Summit 2009.** Brussels, Belgium. 11-12 June 2009. [Read more](#)
- ❖ **Business and Sustainable Development Conference.** Washington, U.S. 16-17 June 2009. [Read more](#)
- ❖ **World Economic Forum on East Asia 2009.** Seoul, South Korea. 18-19 June 2009. [Read more](#)
- ❖ **OECD Annual Ministerial Meeting.** Paris, France. 24-25 June 2009. [Read more](#)
- ❖ **2009 World Water Week,** Stockholm, Sweden. 16-22 August 2009. [Read more](#)
- ❖ **2009 Meetings of the World Bank Group and the International Monetary Fund.** Istanbul, Turkey, 6-7 October 2009. [Read more](#)
- ❖ **Business for Social Responsibility Annual Conference.** San Francisco, U.S. 20-23 October 2009. [Read more](#)
- ❖ **SRI (Socially Responsible Investment) Annual Conference.** Tucson, U.S. 25-28 October 2009. [Read more](#)
- ❖ **Regulation in Global Financial Markets.** London, UK, 30-31 October 2009. [Read more](#)
- ❖ **CSR Asia Summit 2009.** Kuala Lumpur, Malaysia. 2-3 November 2009. [Read more](#)
- ❖ **Conference of the Parties 15th Session and Conference of the Parties/Meeting of the Parties 5th Session \_ UN Climate Change Conference.** Copenhagen, Denmark. 7-18 December 2009. [Read more](#)

**CORPORATE 2009 CALENDAR**

- ❖ **African Agriculture in the 21st Century.** Windhoek, Namibia, 9-10 February 2009. [Read more](#)
- ❖ **3rd Annual Climate Change Summit** London, UK. 17-18 February 2009. [Read more](#)

**2008 TOP-TWENTY RESOURCE DOWNLOADS**

Following is the chart with the top ten internal and external information resources downloaded from our website in 2008. Below the chart are the links for each of the top-twenty resources if you want to download them:



To download click below for the top-twenty downloads in 2008.

[TLWNSI Issue Analysis: Wage Gap Graphs Based on PPPs – Mexico](#)

[TLWNSI Issue Essay: Corporate Social Responsibility, Envisioning Its Social Implications](#)

[TLWNSI Issue Analysis: Wage Gap Graphs Based on PPPs – \(12 economies\)](#)

[TLWNSI Issue Assessment: Business and Human Rights](#)

[TLWNSI Issue Brief: Conditions and Evolution of Employment and Wages in Mexico](#)

[TLWNSI Issue Analysis: Wage Gap Graphs Based on PPPs – Brazil](#)

[TLWNSI Issue Brief: Governments and Non-governmental Organisations vis-à-vis Corporate Social Responsibility](#)

[TLWNSI Issue Analysis: Wage Gap Graphs Based on PPPs – Spain](#)

[TLWNSI Issue Assessment: How Sustainable is our latte?](#)

[Human Development Report 2007/2008](#)

[Promoting a European Framework for CSR. Green Book \(2001\)](#)

[TLWNSI Issue Essay: NGOs and CSR in Iberian America](#)

[TLWNSI Issue Brief: Unequal Exchange](#)

[TLWNSY Issue Analysis: Table T4: Wage Gap – International comparisons of hourly compensation costs PPP \(12 economies\)](#)

[TLWNSI Issue Essay: The Neo-Capitalist Assault in Mexico](#)

[TLWNSI Issue Essay: Living Wages: Consumer Power in the Logic of the Market](#)

[TLWNSI Issue Commentary: CSR and UN Human Rights Norms](#)

[TLWNSI Issue Essay: The Future of CSR Will Mirror the State of Society](#)

[TLWNSI Issue Brief: CSR Included Aspects and Relevant Exclusions. Minimum Norms for the Mexican Ethos](#)

[TLWNSI Issue Essay: Living Wages: The Missing Link of the GRI](#)

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.

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.

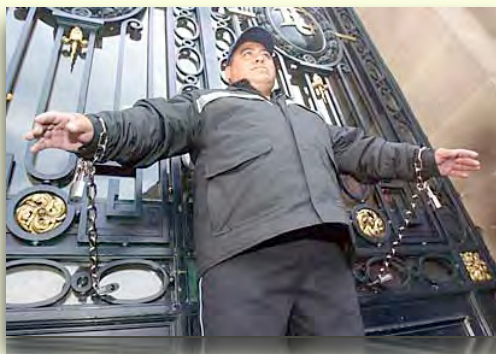
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Thank you so much for your support. If you have any questions or comments, please e-mail us:

[syg@jussemper.org](mailto:syg@jussemper.org)

**A final thought**



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).

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