The Jus Semper Global Alliance

Living Wages North and South

Sustainable Human Development

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

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

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If one takes a brief look at the data for wages for manufacturing workers in Mexico for the past thirty-five years, to see how they stand alone, one immediately senses that for such a long period there has been not enough change. We are assuming, of course, that in thirty-five years nominal wages should be much higher than they were in 1975 for the mere reason that every year inflation raises prices worldwide and inflation in emerging markets is typically higher than in more mature economies. Then, if one compares the data against U.S. equivalent wages, one can readily observe that Mexican manufacturing wages have experienced a complete debacle, for they are a fraction of what they were in 1975 vis-à-vis U.S. wages. Such assessment is a cold and objective observation for it does not delve into the policies that articulate the edifice of the economic ethos in which the world is living. The incontrovertible fact is that Mexico's workers' share of income is dismal, and it has been steadily worsening. Then, one must get immersed into the economic policies and into all the political ramifications of such policies to produce a rational explanation as to why Mexican workers have been systematically pauperised. Impoverished, indeed, despite the fact that standard political hyperbole –both domestically and internationally– likes to make believe that Mexico is an emerging market that is increasingly becoming a middle class society.

Of course, an assessment that provides a rational explanation from a political perspective of why Mexican wages collapsed, is subject to our own ethical framework and our vision of right and wrong. It is then mere speculation, for any social science assessment, political or otherwise, will always be subject to the reflexive perceptions that bind the social sciences as a result of human participation in the subject matter. They are all hypothetical construes, yet acceptable indeed as long as they are not proven false. As Popper rightly asserted, we do not need to insist that the sun will always rise in the East, for as long as it is not proven wrong it is an acceptable theory. And so, this assessment is that, globally, a sheer supply-side economics policy, which has as its sole objective the maximisation of shareholder value at the core of international financial markets, has been deliberately applied to its utmost extreme in Mexico for the last three decades. Indeed, what we are currently witnessing in Europe has been applied unrelentingly in Mexico for decades.

Succinctly, Mexico is a country that, except for a brief parenthesis between 1940 and 1980, has endured the Social Darwinism and predatory practices of a complete autocratic elite that has imposed a system of sheer exploitation of the masses since the arrival of the Spaniards almost 500 years ago. During the 300 years of Spanish rule, a system of open slavery of the indigenous population and of some minorities –the castes– was in place. After the so-called independence of 1821, creoles took over to maintain the same system with slight differences in the modalities applied. On paper slavery was abolished, but labour-bondage was pervasively applied in an ethos reminiscent of feudalism. Then, last century looked encouraging after the 1910-1917 civil war for it provided some relief by eliminating some of the old structures of exploitation. Indeed, beginning during WWII Mexico embarked on a process of industrialisation through import substitution. This was in part made possible by the emergence of the demand-side Keyenesian paradigm that was applied by the U.S. domestically and to support the recovery of the major metropolises of the capitalist system in Europe and Japan, its major trading partners. The system needed to generate aggregate demand to build a major trading block; thus, demand-side policies aimed at job creation and the gentrification of real wages were applied expediently. This permeated through the periphery of the system and allowed for the first time the formation of an incipient but rapidly-growing middle class in Mexico and other countries, particularly in Iberian America. Many labour rights enacted in 1917 did materialise and Mexican workers in many economic sectors began to earn real wages that, despite still being far from dignified, were clearly improving the standard of living of those employed. As a consequence, all social indicators began to improve meaningfully and steadily.

But, alas, after the U.S. gradually recanted from demand-side economics –beginning with the abandonment of the Gold Standard in 1971– and transitioned to a supply-side paradigm, Mexico and most countries in the periphery began to follow through with the same paradigmatic shift. To overcome a growing loss of productivity of its global corporations and, consequently, a loss in the rate of reproduction and accumulation of shareholder value of its institutional investors, the market launched a resolved attack on the work force to reduce its share of income. Concurrently, it initiated a gradual dismantling of the Welfare State, which is still ongoing, with the same purpose. In this way, neoliberal economic practice was gradually applied to all aspects of economic life. By the same token, Mexico and most periphery economies gradually submitted to the demands of the Washington Consensus to impose and consolidate neoliberalism in their societies. Thus, beginning in 1983 the new political ethos of the imposition of the market to profit over people and planet was gradually applied by Mexico's robber baron elite, in a completely undemocratic manner, naturally. Furthermore, great mismanagement of economic policy and endemic corruption in all levels of government exacerbated the effects of neoliberalism.

As a result, since 1982 Mexico has gone through a phase of recurring economic crises with their corresponding devaluations, and every time, in line with standard neoliberal practice, prices have been adjusted upwardly substantially more so than wages. As could be expected, wages steadily and consistently eroded in all sectors across the economy as the deliberate result of economic practice both by business and the State. This has created a modern-slave-work ethos that has been deliberately institutionalised as the status quo. Two indicators clearly illustrate how the value of wages both internationally and domestically has collapsed in Mexico. Internationally, official government wage data clearly exhibit that real wages –in purchasing power parities (PPP)– in the manufacturing sector in 2009 –vis-à-vis equivalent wages in the U.S.– have dropped to almost half of their value in 1980. This is so despite real U.S. manufacturing wages –typically the best blue-collar wages in the economy– were barely keeping up with inflation. Domestically, while the vast majority of workers in the formal economy only earned enough in 1994 to buy half of the goods of the "indispensable basket of goods" (canasta básica indispensable (CBI)) –a standard developed to measure the purchasing power of wages to acquire 40 basic goods– they bought barely one-sixth in 2009. This reflects the dire state of all wages in the formal economy. As for Mexico's manufacturing wages, which are also typically the best real wages for blue-collar workers, their real value has been eroding not only in a global context in PPP terms, but, evidently, domestically as well vis-à-vis the CBI. Indeed, while Mexico's manufacturing wages were able to buy more than one CBI in 1994, they were enough to buy roughly two-thirds in 2009.

Such a course followed by Mexican manufacturing wages is in stark contrast with the path followed by the other 31 countries with available official data, for Mexican wages have lost substantial ground against practically all economies, including China and India. This is even more evident when comparing Mexico's wages with equivalent wages of other so-called emerging economies. Indeed, Mexico's manufacturing real wages have opened a large gap with the wages of Argentina, Brazil, South Korea, the Czech Republic and Hungary, among others. Instead, it becomes clear that Mexico is closing its gap, downwardly, by approaching the level of manufacturing *real wages in China and India, which have been rising, and even the Philippines and Sri Lanka, the four countries at the bottom of the ranking, which Mexico evidently has now joined. Briefly, while practically all countries have improved their real wages –vis-à-vis the U.S.– Mexico has consistently eroded them, and backtracked into the social conditions prevalent at the beginning of last century.*

Such findings take us to a paramount conclusion: there is a deliberate policy in place to pauperise Mexico's work force, to serve as a source of the most competitive labour cost possible in the neoliberal globalised division of labour. In this way, both global and domestic employers are enjoying some of the lowest labour costs, and, in return, some of the greatest profit margins, at the expense of Mexican workers. This is so for Mexico's successive governments have consistently applied a labour policy of wage containment in dramatic contrast with the paths followed by countries such as South Korea, Argentina and Brazil, which have all made a point, at one time or another, of giving priority to endogenous development through aggregate demand by increasing the purchasing power of their workers. Consequently, poverty in Mexico has been increasing exponentially for decades, despite official efforts to disguise reality. However, now that the entire global neoliberal economy has imploded – due to the unsustainability of its flawed premises– workers are losing jobs in all but a handful of countries, such as Argentina and Brazil. Thus, under the grip of its Darwinian robber baron elite, one can only envision even direr conditions for Mexican workers than what they have already endured. A case in point, Calderon, a President whose legitimacy during the last election remains openly questioned by a vast segment of the population, campaigned as "the President of Employment". Instead, he embarked from inception on a war against drug trafficking that has generated close to seven times the number of casualties of allied forces in the wars of Iraq and Afghanistan combined in half the time,[1] with many of them regarded as collateral damage by Calderon's government.[2] As for his promises of creating jobs, none of it has materialised.

This work assesses the quality of Mexico's manufacturing wages, gauging the trend they have followed from 1975 to 2009 for production-line workers and from 1996 to 2009 for all people employed in the manufacturing sector. This work will also make two projections exploring two different scenarios to close the wage gap of Mexican production workers with the wages of equivalent workers in the U.S. The first projection will assess what kind of real wage average annual increase would take to close the wage gap with equivalent U.S. wages in the term of thirty years. The second projection assesses how long it would take to close the same wage gap by following Brazil's concept of annually increasing nominal wages by the sum of inflation plus GDP growth. Both projections are fully in line with TLWNSI's concept of equal pay for equal work of equal value through gradual wage equalisation. Yet, currently the questions posed by these projections are undoubtedly rhetorical questions. Indeed, closing the gap to make Mexican wages of a living wage kind will remain an absolutely impossible endeavour as long as Mexican society does not get the resolve to organise to peacefully remove from power the structures that have historically been working to maintain the centre-periphery relationship that keeps all the benefits from economic activity for the robber barons and their foreign neoliberal tutors. Or, as the citizenry worldwide is increasingly denouncing, as long as the 1% keeps taking most of what belongs to the 99%.

[1] Most media outlets keep a count of at least 50 thousand casualties. My source is a recent report that estimates more than 50000 casualties, 230.000 displaced persons, tens of thousands of persons missing, tortured and injured between 2006 and November 2011: "Promueven juicio internacional contra Calderón", Contralínea, 20 Noviembre de 2011. According to icasualty, since 2003 there have been 4.803 U.S. and allied soldiers killed in Iraq and, since 2001, 2.815 killed in Afghanistan: icasuality.org

[2] Arnaldo Cordova, Las fuerzas armadas a los cuarteles, La Jornada, 18 abril de 2010.

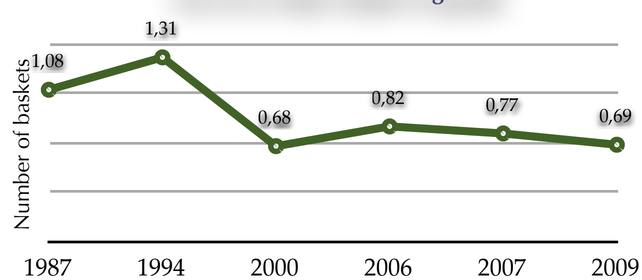
❖ *The economic and political contextual ethos*

TLWNSI's living-wage concept is anchored on the simple idea of equal pay for equal work. An idea which is part of international law in Article 23 of the Universal Declaration of Human Rights. The logic is quite simple. If the economies of all countries in the capitalist system have been undemocratically globalised –for the citizenries were never asked if they wanted their economies to be globalised, then wages must also be globalised, so that workers doing the same work –particularly for the same companies or indirectly through their supply chains– earn the same real wages as equivalent workers in the home countries. Yet, deliberately, whilst prices, markets and access to labour markets have been globalised, wages have not. On the contrary, not only have they not been globalised, but their real value has been forcefully eroded both in the periphery as well as in the economies at the core of the system. Thus, while wages in developed economies have been gradually eroded, they are being driven down in the periphery in pursuit of the lowest common denominator. Such benchmark is currently the wages paid in China and India, which are clearly labour-bondage wages, despite experiencing some growth in real terms in the last few years.[3] What has taken place is that the so-called invisible hand of the market, which argues to make the most efficient allocation of resources, has operated in a rather visible way always in favour of supply, namely, the, literally, life-sucking Darwinian institutional investors of globalised financial markets: Goldman Sachs, Morgan Stanley et al. By just opening any paper, we can witness daily how the so-called rating agencies of financial markets demand the complete dismantling of the Welfare State and the full flexibilisation of labour markets in Europe, as they have been doing for decades in the periphery, so that their companies can feel free to hire and fire at will, with no labour rights or any glimpse of corporate social responsibility whatsoever. Such conditions have been the overriding ethos imposed in Mexico since the early 1980s, which has continued to deepen as more and more of the income generated by the economy is grabbed from labour and transferred to capital.

Indeed, in the manufacturing sector, 1981 was the best year recorded for real wages in Mexico vis-á-vis equivalent workers in the U.S., precisely a year before neoliberal globalisation began to be imposed on its economy. Thus, in 1981 the total hourly compensation cost of Mexican production-line workers amounted to 45% of the U.S. equivalent compensation in real terms. By 2009, that relationship had dropped to only 23%, and only after the U.S. Department of Labour changed the primary data source.[4] With the old source, the total hourly compensation cost in Mexico vis-à-vis equivalent costs in the U.S. was only 17% in 2008, down from 37% in 1981.[5]

If we use a domestic indicator –the CBI (the basket of goods considered the bare minimum necessary for the reproduction of the workforce)– the hourly direct pay (not counting social or company benefits) of production-line manufacturing workers in Mexico could pay for 1,3 CBIs in 1994, but only 69% in 2009, a 47% loss of purchasing power in 15 years (chart 1).[6]

Chart 1. Real value of manufacturing wages vis-à-vis a basic basket of goods



The CBI benchmark is a critical indicator to illustrate the consistent pauperisation of the work force in Mexico in the last three decades. Indeed, if we look strictly at the power of real minimum wages, we can clearly observe a consistent pauperisation. In 1994 the minimum wage could pay for only 49,2% of the CBI to then drop to a purchasing power of only 12,1% by 2011 (chart 2); a 75% loss in real terms. Real wages have consistently eroded annually (further illustrated in chart 2.1 in pesos). If we use a similar basket of goods (COI) for blue-collar workers (of only 35 indispensable items instead of 40) developed by UNAM[7], the depth of the collapse of real wages is very consistent as well. In 1987 the minimum wage paid for 94,3% of the COI, to then drop to paying for only 16,9%, a loss of 82% of its purchasing power.

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[3] Álvaro de Regil: A comparative approximation into China's living-wage gap, The Jus Semper Global Alliance, A TLWNSI Issue Brief, June 2010; and: India's living-wage gap: another modern slave work ethos, The Jus Semper Global Alliance, A TLWNSI Issue Brief, August 2010.

[4] Bureau of Labour Statistics, U.S. Department of Labour, International Comparisons of Hourly Compensation Costs in Manufacturing, 2009, March 8, 2011.

[5] Hourly compensation costs include (1) total hourly direct pay (all payments made directly to the worker, before payroll deductions of any kind) (2) social insurance expenditures (employer payments to secure entitlement to social benefits for employees) and (3) labor-related taxes.

[6] Author's own calculations using the following sources: 1) STPS: Salarios Mínimos Vigentes 1994 & 2009; 2) Laura Juárez Sánchez: Polítíca económica neoliberal y salarios, Trabajadores, Universidad Obrera de Mexico VLT, Vol. 61, julio-agosto de 2007: 3) Laura Juárez Sánchez: Despojo salarial y pobreza, Hoja Obrera, Universidad Obrera de Mexico, VLT, Diciembre 2010, Número 109; 4) Laura Juárez Sánchez: Modelo económico agotado y crisis financiera, Universidad Obrera de México VLT, Trabajadores, Vol. 70, Enero-Febrero de 2009; 5) Bureau of Labour Statistics, U.S. Department of Labour, International Comparisons of Hourly Compensation Costs in Manufacturing, 2009, March 8, 2011.

[7] David A. Lozano Tovar et al. Centro de Análisis Multidisciplinario, Reporte de Investigación No. 70, Facultad de Economía, UNAM, Abril 2006.

Some may argue, in defence of the current ethos, that most workers in most countries earn more than a minimum wage, because, typically, a minimum wage does not provide nearly enough to earn a living wage. Indeed, in many developed economies, including the U.S., the minimum wage is by no means a living wage. In developing economies the real value of the minimum wage is even worse. However, the gap between a living wage and real wages in Mexico is so dismal that if we change the angle of assessment, we will find that, whilst in 1994 workers needed 2 minimum wages/CBI, in 2011 they need 8,3 minimum wages/CBI.[8] Then, the entire picture is revealed by looking at the official data for the income distribution for wage earners. The data indicates that only 10,4% of all salaried workers[9] earned more than five minimum wages at then end 2010. Even in the case of urban areas, only 13,6% earned more than five minimum wages.[10] Thus, if we safely assume that income distribution experienced no meaningful variance a few months later, when the cost of the CBI was equal to 8,3 minimum wages, we can conclude, with a great degree of confidence, that less than ten percent of all salaried workers earn enough to at least buy a CBI in 2011. Succinctly, the rate of poverty in Mexico is daunting.

Chart 2. Real value of minimum wage vis-à-vis the CBI (%)

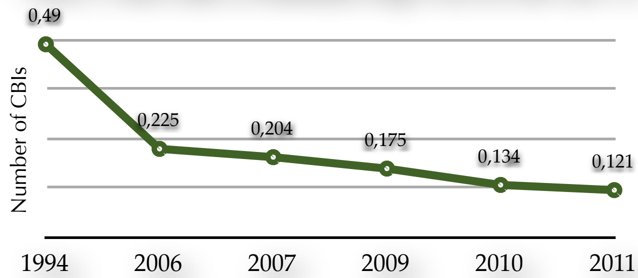
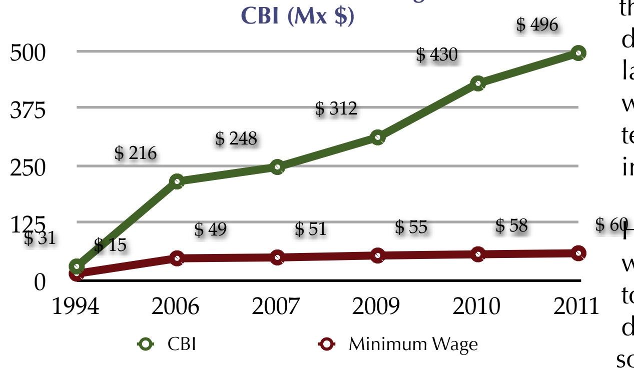
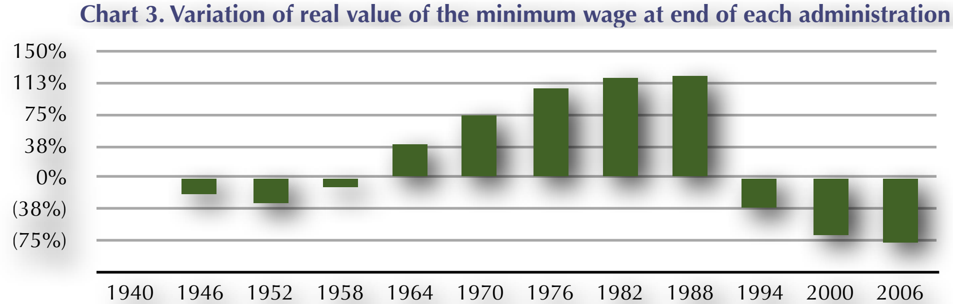


Chart 2.1 Real value of minimum wage vis-à-vis the CBI (Mx $)



How can workers survive with these, literally, modern-slave-work wages? They do it by many members of the extended family living together under a single overcrowded roof –often in a slum dwelling– where most members work, including teenagers, and sometimes children, who drop out from school out of necessity, to contribute to the household income. Many work in the underground economy, which easily accounts for at least a 50% share of total employment.[11] They also do it by migrating to the U.S., where many have been able to find a job that allows them to survive in less undignified conditions and send a good amount of their income back to their families at home. As a last recourse, they are recruited by drug traffickers to do their dirty work. This is the end result of an economic ethos of sheer inequality, that in most administrations, particularly in the last three decades, has been deepened to the core via a deliberate systemic public policy of pauperisation of the masses. Chart 3 shows the evolution of the minimum wage in real terms since 1940 (benchmark) at the end of each federal administration.[12] The picture is dismal; with net gains every six-year term since 1952 until the mid-eighties –precisely at the start of the imposition of supply-side economics– the end result is a net loss of 77,2% of the purchasing power the minimum wage had in 1940. It is no surprise then that a new government report by the Ministry of Agriculture (Sagarpa) asserts that more than 5,8 million families (about 29 million people or 26% of the population) may face famine in the coming months.[13]

Chart 3. Variation of real value of the minimum wage at end of each administration



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[8] Laura Juárez Sánchez, Neoliberalismo económico y trabajo indecente en México, Universidad Obrera de México, VLT, Trabajadores, No. 86, septiembre-octubre 2011.

[9] According to Mexico's INEG, all salaried workers accounted for 82,6% of all employed people in fourth quarter 2010.

[10] Instituto Nacional de Estadística y Geografía (INEG) Encuesta Nacional de Ocupación y Empleo, Indicadores estratégicos, Estados Unidos Mexicanos / 2010 / IV Trimestre: http://www.inegi.org.mx/sistemas/tabuladosbasicos2/indesttrim.aspx?c=26232&s=est

[11] An OCED Employment outlook for Mexico for 2011, informs that "The incidence of informal employment has increased substantially from an already high level and more than during previous downturns. This reflected a sharp decline in the share of the working-age population in formal employment during the initial phase of the downturn due to the decline in export demand and a sharp increase in the share of the working-age population in informal employment (up to 63% of total employment) during the last phase of the downturn and the initial phase of the recovery. This rise in informal employment reflects the tendency of formal-sector job losers to move into informal work and possibly the engagement of previously inactive household members in informal work to compensate for the loss of household income." Employment Outlook 2011 – How does Mexico compare? OECD, 2011.

[12] David A. Lozano Tovar et al. Centro de Análisis Multidisciplinario, Reporte de Investigación No. 70, Facultad de Economía, UNAM, Abril 2006.

[13] Erika Ramírez, En hambruna más de 5 millones de familias, Contralínea, 261, 27 de noviembre de 2011.

In this way, Mexico, a so-called emerging market, is a nation with great inequality, to say the least. It has the wealthiest man on the planet (Carlos Slim), and a total of three billionaires among the top wealthiest people on earth on the most recent Forbes list (December 2nd). Yet, the UNDP ranks it as the 18th most unequal society –in the quintile income ratio– among 187 nations.[14]

Nonetheless, despite the powerful forces of neoliberal globalisation, such a dismal state did not have to be. It is this way because the country is dominated by a truly Darwinian robber baron elite and with a society that so far has not reached the point where it resolves to put an end to all the mechanisms that sustain those in control of economic and political power. An assessment of the UNDP reckons that *Mexico has an average income five times the level of Viet Nam but a lower tax revenue to GDP ratio of 13%, which is comparable to Uganda.*[15] Thus, while PPP per capita gross national income in high-inequality Mexico was 5,3 times the same indicator in low-inequality Vietnam, in 2008, the share of income in the poorest 20% in Vietnam was 1,9 times better than in Mexico's poorest 20%. Hence Mexico's Gini index was 51,7, whilst Vietnam's was only 37,6, even better than the U.S. Gini of 40,8.[16] The UNDP attributes such a contrast to Vietnam's: prior investments in human development; broad-based, inclusive growth; a commitment to equity; gradual liberalisation; and market diversification. In the case of Mexico, in addition to a culture of high inequality, governments opted for: rapid liberalisation; weak industrial policy; and power imbalances in labour markets that precluded real wages from rising despite sustained productivity.[17]

Certainly, there has been a complete lack of interest from Mexico's elite in true development, even within the neoliberal ethos. If there was, it would have shown the necessary political will, for there are clear examples of countries that have successfully put neoliberalism at bay and have prioritised improving the welfare of the vast majority of their citizens, or, at the very least, have begun to change economic policy to increase their workers' share of income. Brazil is the most recent example of the latter. In 2009, Brazil's Congress approved a 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, which is also the first case that serves as hard evidence that TLWNSI's conceptual framework is clearly realistic when there is the political will of the State.[18] The overwhelming factor behind this policy was the political will of Lula's government, despite following obediently many of the market's demands. A will which has remained in effect with Brazil's new government of Dilma Rousseff, who seems to be interested in increasing the demand-side's share of income. In compliance with the 2009 law, Brazil is slated to increase the minimum wage for the third consecutive year by 14% in January 2012.[19]

Indeed, the possibility of the other emerging markets or of any country with large living-wage gaps of gradually closing them 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, where Mexico's governments stand out as zealots of neoliberal dogma with the sole objective of unrelentingly increasing shareholder value with deep cuts in real wages as their main instrument to meet such goal. In contrast, Argentina is an excellent example of clear demand-side policies centred on the recovery of real wages since its 2002-2003 crisis, which has put real wages above their 1996 zenith and are now approaching the value of wages in developed economies.[20] Yet, South Korea is the best example of a country that has always focused on endogenous development. With the end of the Korean War, South Korea initiated its development by focusing on its domestic economy. In the sixties, it was one of the poorest countries in the world. However, anchored on a culture that deems the greatest value to education and hard work, it focused on developing a competitive industrial base with equity. The chaebol system, of large corporate conglomerates at the core of its development strategy, is not by any means the ideal model to be followed, but South Korean governments made sure that workers earned a good share of the income in the process. Moreover, unlike Mexico, South Korea did not open its economy to free trade indiscriminately. It did it exclusively in the sectors that became competitive by world standards. The end result is clearly evident. South Korea is now a developed economy, far more competitive than Japan in many aspects. By the end of 2011, it will be richer than the European Union average, in GDP-PPP terms, and already is the only country that has

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[14] UNDP, Human Development Report, 2011.
[15] UNDP: 2005 Human Development Report, Box 4,2: Viet Nam and Mexico—a tale of two globalisers
[16] World Bank, 2011 and 2010 World Development Indicators.
[17] UNDP: 2005 Human Development Report, Box 4,2: Viet Nam and Mexico—a tale of two globalisers
[18] See: Álvaro de Regil: Brazil: In perfect harmony with TLWNSI's concept, The Jus Semper Global Alliance, A TLWNSI Issue Brief, January 2010.
[19] The Economist: Blurring the mandate – Is the Central Bank targeting growth?, October 29th, 2011.
[20] See: Álvaro de Regil: Argentina's manufacturing living-wage gap: still a ways to go but steadily closing in, The Jus Semper Global Alliance, A TLWNSI Issue Brief, September 2011.

managed to go from being a poor country to being rich within a working life. Its Gini index is at 31, clearly in the ranks of developed countries, and, before the Asian crisis unfolded in 1998, it reached an impressive 28 Gini index in 1997.[21] Thus, while its real hourly compensation costs, in PPP terms, for production workers were a third of Mexico's in 1975, they were more than 3 times the value of Mexico's compensation costs in 2009 as we shall see in more detail ahead.

The grim outlook of Mexico's workers' share of income will be extremely hard to change. Mexico has never enjoyed a truly democratic system. Even by today's standards –of mock democracy worldwide– it became clear with the 2006 blunt fraudulent process, that the 2000 electoral process that ended the seventy-year reign of one-party governments was only allowed because the winner was a staunch supporter of the status quo. Indeed, Fox openly asserted that his government was a government of business for business. It has become clear now that Mexico's elite will do anything to remain in power, including a so-called war against drug trafficking that has claimed more than fifty-thousand lives, ten thousand missing and 230 thousand displaced people since 2007, many of whom had nothing to do with drug trafficking.[22] This has been widely denounced by international human rights organisations[23] and has prompted a citizen's petition, before the International Criminal Court in The Hague, to initiate a full inquiry to probe possible crimes of war and against humanity from the part of the federal government.[24]

In the realm of labour policy, the current administration has obsessively gone in pursuit of the reduction of labour rights, wages and the elimination of trade unions. An emblematic case is the closing of Luz y Fuerza del Centro (LyFC) –a public utility– responsible for supplying electric power to central Mexico. Literally, thirty minutes before midnight, the government sent thousands of troops and police to remove workers from all the company's facilities and, by decree, declare the company extinct. The excuse: "a terribly inefficient unionised work force, unfair wages, which were deemed too high and kept the entity operating at a loss. Many jurists regarded the action as a violation of several articles of the Constitution, with the violation of workers rights and the infringement of legislative prerogatives standing out prominently.[25] Moreover, the arguments were outright lies. According to government data, LyFC workers earned an average of four minimum wages –with half earning less than the average. Yet in 2009 four minimum wages could only afford 70% of the cost of a CBI, which at the time amounted to 5,7 minimum wages.[26] Clearly, the average worker at LyFC was far form earning a living wage. The true reason for the violent take over was that the government wanted to privatise the 1000 kilometres of fibre optic already installed in LyFC's grid. Before the armed assault, the free press had warned about the government's intention to privatise the fibre optic grid to market voice, data and video services,[27] and pointed at the fact that government cronies already had contracts to use the grid to market these services.[28]

This has been the unrelenting policy of Mexico's government for the last three decades: privatisation of State companies and the Welfare State, unhinged market liberalisation and reduction of the work force to a modern-slave-work ethos –by gradually dismantling much of the Federal Labour Law (FLL). Yet, even in regards to the labour endowments that current law still awards, there is a record of systematic violation of workers legal rights. Not only are the right to work and the right to a life worthy of human dignity –with the corresponding living wage– customarily violated, but the fundamental labour rights enshrined in the ILO's Conventions and ratified by Mexico's Congress are deliberately violated every minute of the day. To this respect, the International Tribunal on Trade Union Freedom (ITTUF) concluded a scathing preliminary report that condemned Calderón for his violent union-busting measures since taking office,[29] and the International Federation of Human Rights issued a series of conclusions and recommendations that consider that the government gravely violates the fundamental rights of workers and puts public peace in danger. It made a point of expressing "*dismay at the role played by the Armed Forces, the Seguridad Pública, the institutions of the State and legislative measures in evicting the 34,000 employees of the Central Light and Power Company, the dismantling of the Mexican Electricity*

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[21] The Economist: South Korea's economy – By the end of 2011 it will be richer than the European Union average, with a gross domestic product per person of $31,750, calculated on a basis of purchasing-power parity (PPP), compared with $31,550 for the EU. South Korea is the only country that has so far managed to go from being the recipient of a lot of development aid to being rich within a working life, November 12th 2011.
[22] Editorial: CPI: pertinencia del escrutinio. La Jornada, 26 noviembre de 2011.
[23] Human Rights Watch: Mexico: Widespread Rights Abuses in 'War on Drugs' Impunity for Torture, 'Disappearances,' Killings Undermines Security, 8 November, 2011.
[24] Activists accuse Mexican president of war crimes in drug crackdown, The Guardian, 26 November 2011.
[25] Extinción de Luz y Fuerza Inconstitucional, Raúl Carrancá y Rivas: http://www.youtube.com/watch?v=qQtmjQ8cDSs&feature=player_embedded, entrevista en W radio el 13 de octubre de 2009.
[26] Laura Juárez Sánchez: Modelo económico agotado y crisis financiera, Universidad Obrera de México, 2009.
[27] Antonio Gershenson: Excelente servicio...¿Para privatizar?, La Jornada 26 de julio de 2009, and: Ramón Alberto Garza: Corto Circuito, Reporte Índigo 150, 9 de octubre de 2009.
[28] Carlos Fernández Vega, México SA La extinción de LFC, información reservada, Opacidad, la regla, Empresas panistas, en el jugoso negocio de la fibra óptica, 26 de octubre de 2009.
[29] James D. Cockcroft, International Tribunal on Trade Union Freedom Condemns Mexican Presidency, Znet, 30 October 2009.

Workers Union in order to enforce privatisation of the electricity sector, along with a media campaign aimed at portraying the workers and their families as criminals and at justifying repression.[30] In brief, it should be evident to the reader that the end of the current repressive ethos and the possibility of Mexico's workers earning a living wage have no possibility, whatsoever, as long as the State remains under the control of the same oligarchic groups that have been in power since Mexico's 1910 civil war.

❖ *A Living-Wage perspective*

Assessing the quality of Mexico's manufacturing wages from TLWNSI's perspective (living-wage gap) for both production-line workers and all employees (production-line workers and all other manufacturing employees) exhibits the dismal state of Mexican workers' wages in this sector. I will assess in detail how wages for this sector have evolved since 1975 and how they compare with both developed and so-called emerging markets. Moreover, despite the current dominant political economy, I will project the closing of production workers' wage gap with their U.S. counterparts in the two distinct scenarios earlier mentioned.

The analysis is performed following TLWNSI's methodology to determine what would constitute a living wage for people employed in the manufacturing sector in Mexico, benchmarked against equivalent U.S. wages. First, TLWNSI's living-wage concept is explained in detail. Then, we will review Mexico's 1975-2009 nominal and real wages for production workers and 1996-2009 nominal and real wages for all manufacturing employees –in purchasing power parity (PPP) terms– to assess the dimension of the gap between the actual and equalised nominal wage (living wage). Subsequently, the thirty-year and the CPI + GDP projections are performed to determine the annual rate of increase and the number of years required, respectively, to fully close the living-wage gap of production wages with equivalent U.S. wages.

❖ *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.[31] 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:[32]

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[30] FIDH: Resolution on the Human Rights Situation in Mexico, adopted by FIDH's Congress in Yerevan, 11 May 2010.
[31] 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; 4) Credit-rating agencies – Judges with tenure –Making financial markets less reliant on ratings will not be straightforward, 13th August 2011.
[32] 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.jussemper.org/TLWNSI/Resources/TLWNSI_WDRAFT_2011.pdf

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.
- In this ethos, and with markets globalised, workers performing the same or an equivalent job for the same business entity, or for their supply chain, 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 PPP 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 enable workers in the South to 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, its PPPs 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 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 real wages of a subsistence nature and of an equalised and dignified nature is the amount that originally belongs to workers but that employers perversely keep to increase 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, the total compensation costs of equivalent manufacturing employees in Mexico amounted nominally to $5,38 an hour in 2009, which in real (PPP) terms amounts to $8,44, or 25% of what is necessary to be compensated at par with the total cost of 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 Mexico in 2009 –in PPP terms– was 64% of the U.S., the 25 equalisation index exposes a gap of 75%; for Mexican employees needed to earn nominally $21,38 an hour (64% of U.S. wages) to enjoy an equivalent wage in purchasing power to the $33,53 that U.S. workers nominally earn.
- Comparatively, Mexican real wages are among the worst real wages for manufacturing employees among developed and emerging economies in Europe, the Americas and Asia.
- Among developed economies, Mexican manufacturing total compensations are at a dismal distance from the equalisation levels of economies such as Canada, Spain, Japan and Australia.
- They are also at a considerable distance from the indices of emerging markets in Eastern Europe and amount to less than half the equalisation index of South Korea and half New Zealand's index.
- In Iberian America, the hourly costs also account for less than half the equalisation index of Argentina, and are considerably behind the equalisation rate of Brazil.
- Only China, India and the Philippines' total compensation costs fare worse than Mexico's, given that they constitute the standard for modern-slave-work compensations *(data for China and India are for 2008 and 2007 respectively).

Table 1: Mexico: 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-á-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
			100%	100%	
Mexico	$ 5,38	64	$ 8,44	$ 21,38	25
	16%		25%	64%	

Table 1: Mexico: 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-á-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%	
Argentina	$ 10,14	54	$ 18,85	$ 18,04	56
	30%		56%	54%	
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%	
Hungary	$ 8,62	68	$ 12,70	$ 22,76	38
	26%		38%	68%	
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%	
China*	$ 1,36	49	$ 2,79	$ 15,73	9
	4%		9%	49%	
India*	$ 1,17	35	$ 3,32	$ 11,09	11
	4%		11%	35%	
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 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.

❖ *Mexico's living-wage gap performance for production workers and all employees*

As with all our assessments of this nature, to position Mexico'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 production workers and all manufacturing employees is used, analysing the course followed by both Mexican total compensation costs as well as direct pay during the 1975-2009 (production workers) and 1996-2009 (all employees) periods.[33]

Table 2: Living-wage gaps for total hourly compensation costs of production workers in PPP terms 1975-2009

		1975	1981	1985	1990	1995	2000	2005	2007	2009
Benchmark	1. U.S. Hourly total compensation cost	6,19	10,67	12,76	14,88	17,24	19,73	23,60	25,13	26,19
Mexico	GNI PPPs in country currency (Peso)	9,70	17,67	117,39	1332,65	3,72	5,40	7,11	7,15	8,61
	Exchange rate (pesos x 1 dollar)	12,50	24,52	256,90	2813,00	6,42	9,46	10,89	10,93	13,51
	GNI PPPs in US Dollars	0,78	0,72	0,46	0,47	0,58	0,57	0,65	0,65	0,64
	2. Equalised PPP nominal compensation US $	**4,80**	**7,69**	**5,83**	**7,05**	**10,00**	**11,25**	**15,41**	**16,44**	**16,70**
	3. Actual Real compensation US $	**2,32**	**4,80**	**4,27**	**4,10**	**3,19**	**5,29**	**5,63**	**6,34**	**5,98**
	4. Actual Nominal compensation US $	**1,80**	**3,46**	**1,95**	**1,94**	**1,85**	**3,02**	**3,68**	**4,15**	**3,81**
	Compensation Deficit in US $ (2 minus 4)	**3,00**	**4,23**	**3,88**	**5,11**	**8,15**	**8,23**	**11,73**	**12,29**	**12,89**
	Wage Equalisation index (4÷2 or 3÷1)	**0,37**	**0,45**	**0,33**	**0,28**	**0,19**	**0,27**	**0,24**	**0,25**	**0,23**

In the thirty four-year period assessed in tables 2 and 2.1, we can observe two events and two clear features concerning real and living wages described in previous pages. The first event covers 1975 to 1980, and shows that both total hourly compensations costs and direct pay for production workers were closing their equalisation gap with those of their U.S. counterparts. Table 2 shows 1981 as being Mexico's wage equalisation zenith of 45. After that, Mexico's wages initiate a second, and still ongoing, event of consistent and dramatic real wage pauperisation, which by 2009 has dropped to a 23 index or about half its value since 1981. As could be expected, such trend is concurrent with the gradual imposition of neoliberal economic policy, which began in 1982. The exact same trend occurs for the hourly direct pay of production workers (table 2.1). The second feature, exhibited by comparing the equalisation indices for both total hourly and direct pay compensation costs, is that indices are consistently lower for the latter since 1975, meaning that the actual equalisation gap for "take home" pay is even worse.

Table 2.1: Living-wage gaps for hourly direct pay of production workers in PPP terms 1975-2009

		1975	1981	1985	1990	1995	2000	2005	2007	2009
Benchmark	1. U.S. Hourly direct pay	5,18	8,64	10,28	11,85	13,61	15,75	18,39	19,17	20,15
Mexico	GNI PPPs in country currency (Peso)	9,70	17,67	117,39	1332,65	3,72	5,40	7,11	7,15	8,61
	Exchange rate (pesos x 1 dollar)	12,50	24,52	256,90	2813,00	6,42	9,46	10,89	10,93	13,51
	GNI PPPs in US Dollars	0,78	0,72	0,46	0,47	0,58	0,57	0,65	0,65	0,64
	2. Equalised PPP nominal direct pay US $	**4,02**	**6,23**	**4,70**	**5,61**	**7,89**	**8,98**	**12,01**	**12,54**	**12,85**
	3. Actual real direct pay US $	**1,71**	**3,43**	**3,02**	**2,85**	**2,16**	**3,75**	**4,09**	**4,62**	**4,36**
	4. Actual Nominal direct pay US $	**1,33**	**2,47**	**1,38**	**1,35**	**1,25**	**2,14**	**2,67**	**3,02**	**2,78**
	Direct pay Deficit in US $ (2 minus 4)	**2,69**	**3,76**	**3,32**	**4,26**	**6,64**	**6,84**	**9,34**	**9,52**	**10,07**
	Wage Equalisation index (4÷2 or 3÷1)	**0,33**	**0,40**	**0,29**	**0,24**	**0,16**	**0,24**	**0,22**	**0,24**	**0,22**

[33] 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.

As for the real value of wages for all manufacturing employees (including production workers), we find the same living-wage gap dimension of pauperisation found for production workers only, as shown in tables 3.0 and 3.1.

Table 3.0: Living-wage gaps for total hourly compensation costs of all manufacturing employees in PPP terms 1996-2009

		1996	1998	2000	2002	2004	2005	2007	2008	2009
Benchmark	1. U.S. Hourly total compensation cost	22,11	23,12	24,63	27,01	28,94	29,74	31,51	32,23	33,53
Mexico	GNI PPPs in country currency (Peso)	4,00	4,66	5,40	6,18	7,29	7,12	7,15	7,40	8,62
	Exchange rate (pesos x 1 dollar)	7,60	9,14	9,46	9,66	11,29	10,90	10,93	11,13	13,51
	GNI PPPs in US Dollars	0,53	0,51	0,57	0,64	0,65	0,65	0,65	0,66	0,64
	2. Equalised PPP nominal compensation US $	**11,64**	**11,80**	**14,05**	**17,29**	**18,68**	**19,41**	**20,62**	**21,43**	**21,38**
	3. Actual Real compensation US $	**5,49**	**6,66**	**7,83**	**8,33**	**7,78**	**8,21**	**8,97**	**9,21**	**8,44**
	4. Actual Nominal compensation US $	**2,89**	**3,40**	**4,47**	**5,33**	**5,02**	**5,36**	**5,87**	**6,12**	**5,38**
	Compensation Deficit in US $ (2 minus 4)	**8,75**	**8,40**	**9,58**	**11,96**	**13,66**	**14,05**	**14,75**	**15,31**	**16,00**
	Wage Equalisation index (4÷2 or 3÷1)	**0,25**	**0,29**	**0,32**	**0,31**	**0,27**	**0,28**	**0,28**	**0,29**	**0,25**

The trend does not go as far back as with production workers because the data provided by the Bureau of Labour Statistics (BLS) of the U.S. Department of Labour for all manufacturing employees –for all countries in the database– starts in 1996 or slightly later instead of from 1975. Thus, although we cannot observe where nominal and real wages were back in 1975, we see the same behaviour observed for production workers between 1996 and 2009. After the great debacle of the Mexican economy in December 1994, there is some recovery of real wages up to 2000. Then, the pauperising trend resumes. In this way, by 2009 the equalisation level has already dropped back to that recorded in 1996 (25). The gap is not as dismal as in the case of production workers, but it remains within the same range of indices in the twenties. Nonetheless, what is even worse is that, contrary to the trends observed in most countries, where the gap for production workers tends to be smaller than for all employees, in Mexico it tends to be greater. In most countries, including Mexico, wages for all employees are always greater than for production workers only, but the equalisation gaps for the latter with their U.S. counterparts tend to be smaller in most countries, yet in Mexico it is greater. This means that the generally-lower-paid production workers –among all manufacturing employees– are even poorer in Mexico than in most countries, for their gap vis-á-vis the U.S. is greater. In other words, **there is greater inequality between production workers and all manufacturing employees in Mexico, than in most countries.** Finally, as in the case of production workers only, equalisation indices for hourly direct pay is also smaller than the indices for total compensation for all employees.

Table 3.1: Living-wage gaps for hourly direct pay of all manufacturing employees in PPP terms 1996-2009

		1996	1998	2000	2002	2004	2005	2007	2008	2009
Benchmark	1. U.S. Hourly total compensation cost	17,51	18,40	19,67	21,35	22,57	23,17	24,03	24,77	25,63
Mexico	GNI PPPs in country currency (Peso)	4,00	4,66	5,40	6,18	7,29	7,12	7,15	7,40	8,62
	Exchange rate (pesos x 1 dollar)	7,60	9,14	9,46	9,66	11,29	10,90	10,93	11,13	13,51
	GNI PPPs in US Dollars	0,53	0,51	0,57	0,64	0,65	0,65	0,65	0,66	0,64
	2. Equalised PPP nominal compensation US $	**9,21**	**9,39**	**11,22**	**13,66**	**14,57**	**15,12**	**15,73**	**16,47**	**16,35**
	3. Actual Real compensation US $	**3,76**	**4,64**	**5,54**	**5,89**	**5,59**	**5,96**	**6,54**	**6,72**	**6,16**
	4. Actual Nominal compensation US $	**1,98**	**2,37**	**3,16**	**3,77**	**3,61**	**3,89**	**4,28**	**4,47**	**3,93**
	Compensation Deficit in US $ (2 minus 4)	**7,23**	**7,02**	**8,06**	**9,89**	**10,96**	**11,23**	**11,45**	**12,00**	**12,42**
	Wage Equalisation index (4÷2 or 3÷1)	**0,21**	**0,25**	**0,28**	**0,28**	**0,25**	**0,26**	**0,27**	**0,27**	**0,24**

Direct pay is generally a key indicator but particularly important in assessing Mexico. The total hourly direct pay as a proportion of total compensation costs in Mexico ranks among the lowest (73%) vis-à-vis the rest of the countries included in the BLS database (78%) as shown on chart 4.[34] The remaining 27% accounts for employer social insurance expenditures and labour-related taxes in Mexico, which, conversely, is among the largest proportions among the countries in the database. All of these traits of Mexico's manufacturing wages, for both production workers and all manufacturing employees, attest to the dismal state of wages in the sector and –as we previously observed in the context of the affordability of the indispensable basket of goods– for the vast majority of workers in the entire economy. What we consistently detect, since the imposition of the staunch supply-side economics paradigm in the early nineteen eighties, is the steady deterioration of real wages in the economy as a whole. Instead of a continuum of the equalisation of real wages with equivalent workers in the U.S. (Mexico's overwhelming trading partner, accounting for +80% of Mexico's exports and 49% of its imports[35]), which was prevalent since the nineteen fifties, the explosion of a huge wage gap has taken place. Chart 5 exhibits the dramatic growth of the wage gap (for direct pay only) for production workers, between the actual nominal wage and the nominal wage required to equalise these wages' real value with the wages of equivalent production workers in the U.S. in PPP terms since 1980, in line with TLWNSI's concept.

Chart 4. Hourly direct pay as a percent of total compensation costs

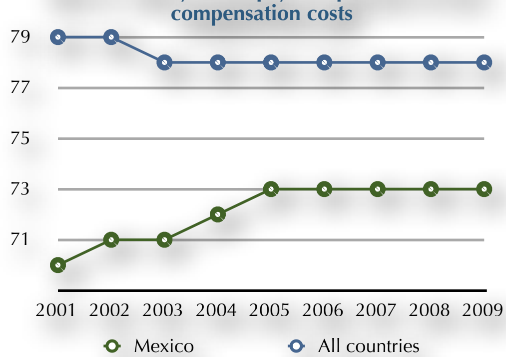
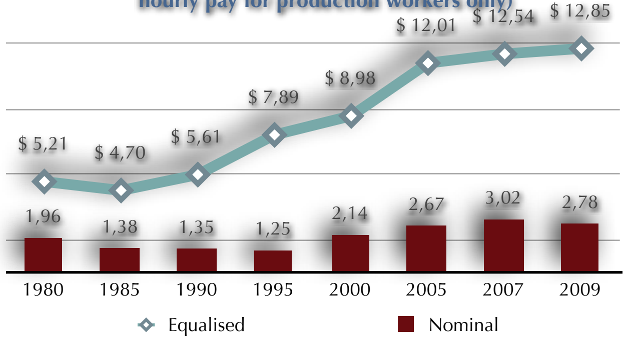


Chart 5: Mexico's nominal and equalised nominal wage gap (direct hourly pay for production workers only)



Some may argue that this is a consequence of the times and of the recurring crises of Mexico, but things do not have to be that way, as we can observe in several countries. The most dramatic example is South Korea, as earlier commented. By making aggregate demand a pivotal point of its development strategy, South Korea has reached the ranks of developed economies. Before the implosion of capitalism, South Korea achieved its equalisation zenith in 2007, when it recorded an 83 index (table 4) which at the time was about ten points above Japan's. Consequently, if we compare the equalisation records of Mexico and South Korea since 1975, chart 6 shows a dramatic contrast between the results obtained by two distinctive and clearly opposing economic policies: supply side for Mexico and demand side for South Korea.[36] Indeed, chart 6 shows the dramatic difference in the living-wage equalisation performance of both countries. While Mexico's equalisation index with the U.S. was 3,4 times greater

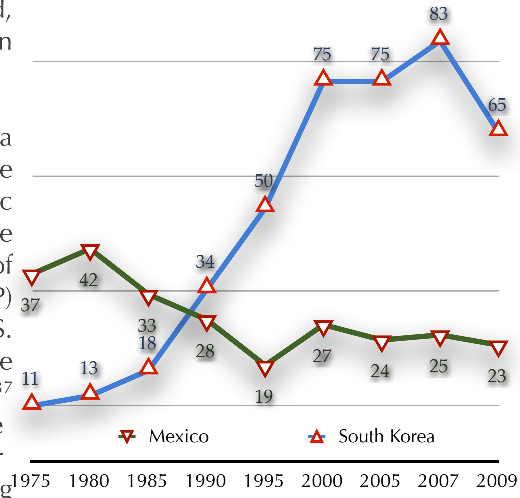
Table 4: Living-wage gaps for total hourly compensation costs of South Korean production workers in PPP terms 1975-2009

		1975	1980	1985	1990	1995	2000	2005	2007	2009
Benchmark	**1. U.S. Hourly total compensation cost**	**6,19**	**9,67**	**12,76**	**14,88**	**17,24**	**19,73**	**23,60**	**25,13**	**26,19**
South Korea	GNI PPPs in country currency (Won)	238,90	469,83	475,86	534,16	668,81	655,04	760,44	750,77	929,23
	Exchange rate (won x 1 dollar)	484,0	607,4	870,0	707,8	771,3	1131,0	1024,1	929,3	1276,9
	GNI PPPs in US Dollars	0,49	0,77	0,55	0,75	0,87	0,58	0,74	0,81	0,73
	2. Equalised PPP nominal compensation US $	**3,06**	**7,48**	**6,98**	**11,23**	**14,95**	**11,43**	**17,52**	**20,30**	**19,06**
	3. Actual Real compensation US $	**0,67**	**1,27**	**2,34**	**5,02**	**8,70**	**14,74**	**17,78**	**20,98**	**17,03**
	4. Actual Nominal compensation US $	**0,33**	**0,98**	**1,28**	**3,79**	**7,54**	**8,54**	**13,20**	**16,95**	**12,39**
	Compensation Deficit in US $ (2 minus 4)	**2,73**	**6,50**	**5,70**	**7,44**	**7,41**	**2,89**	**4,32**	**3,35**	**6,67**
	Wage Equalisation index (4÷2 or 3÷1)	**0,11**	**0,13**	**0,18**	**0,34**	**0,50**	**0,75**	**0,75**	**0,83**	**0,65**

[34] International comparisons of hourly compensation costs for all manufacturing employees 1996-2009 (ichcc.ichccaesuppall.xls) United States Department of Labour – Bureau of Labour Statistics, updated on March 2011.
[35] The Economist, Pocket World Figures, 2011 edition.
[36] Alice H. Amsden: Asia's Next Giant: South Korea and Late Industrialisation, Oxford University Press, 1989

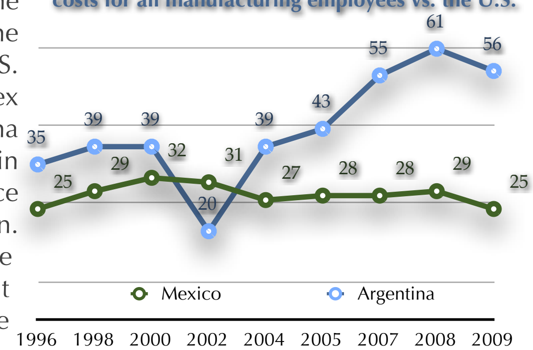
than South Korea's in 1975, by 2009 it had completely exchanged positions and now South Korea's turned 2,6 times greater than Mexico's. In fact, if we contrast 2007, the year just before the global crisis completely unfolded, South Korea's index was 3,3 times greater than Mexico's and clearly within the range of developed economies.

Chart 6. Mexico and South Korea: Living-wage equalisation index of total hourly compensation costs for production workers vs. the U.S.



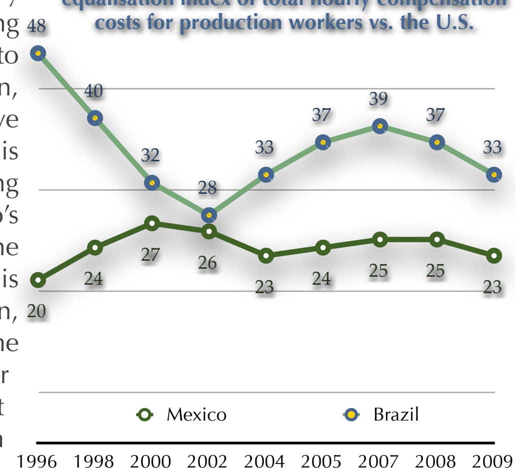
A more recent case is observed in Argentina. Although there is no data available for all manufacturing employees before 1996, we can observe how the country has not only recovered from one of the worst economic debacles in world history –2001-2002, when all bank deposits were frozen, but Argentina is now approaching living-wage equalisation levels of developed economies. Between 1996 and 2002 Argentina's real (PPP) wages (in U.S. dollars) were growing at a slightly faster rate than in the U.S. This is clearly reflected in the living-wage equalisation indices for the period. Then they completely collapsed during the corralito crisis.[37] Nonetheless, in great contrast with Mexico's economic policies, the government has made a central point of its recovery strategy to recover employment and wages to generate aggregate demand to dignify living conditions. Thus, 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. Indeed, Argentina surpassed the equalisation index recorded before the crisis by 56% in 2008. Chart 7 illustrates this trend and compares Argentina's performance with Mexico's to exhibit the dramatic contrast in living-wage equalisation. Argentina's current challenge lies in being able to sustain its real wage growth both in absolute terms as well as in its equalisation with equivalent wages in the U.S. If it succeeds, real wages will become of a living-wage kind in as little as seven years.

Chart 7. Mexico and Argentina: Living-wage equalisation index of total hourly compensation costs for all manufacturing employees vs. the U.S.



Brazil's equalisation performance does not stand out as those of South Korea and Argentina, but is clearly not as dismal as Mexico's. Brazil experienced an economic crisis in 1996, partially influenced by Mexico's 1995 debacle (Tequila effect). It recovered partially but it lost some ground again in 2009, with its equalisation index standing at 69% of its zenith in 1996 (33 versus 48). Yet, the index is likely to improve in the coming years as its new minimum wage recovery plan, launched in 2010, begins to have an impact on all wages and be conducive to making them of a living-wage kind in the next decades. If the plan is sustained, my projection assessed that Brazil could close its manufacturing living-wage gap with the U.S. in twenty-two years.[38] In contrast, Mexico's recovery from its 1995 debacle never materialised. It has levelled off at the lower twenties (chart 8) and it is only half its best index of 45 in 1981. This is the result of the government's deliberate policy of wage contention, which, in the best of cases, annually increases minimum wages at the same rate as inflation for the previous year. To be sure, Mexico would never close –or at least reduce its living-wage gap– unless a new government commits to a policy centred on the generation of aggregate demand, an event highly unlikely at the present time.

Chart 8. Mexico and Brazil: Living-wage equalisation index of total hourly compensation costs for production workers vs. the U.S.



[37] See: Álvaro J. de Regil: Argentina's manufacturing living-wage gap: still a ways to go but steadily closing in, The Jus Semper Global Alliance, A TLWNSI Issue Brief, September 2011.

[38] See: Álvaro J. de Regil: Brazil: In perfect harmony with TLWNSI's concept, The Jus Semper Global Alliance, A TLWNSI Issue Brief, January 2010.

Mexico's government deliberate policy of wage containment puts manufacturing wages at a rather dismal state when compared with practically all countries included in the BLS database. Our Aequus Index for living-wage equalisation (total hourly compensation costs) for all manufacturing employees places it at the bottom of the list, just above India, Philippines and China (table 5); and in the Aequus Index for production workers –which does not include India and China[39]– Mexico is also at the bottom, just above the Philippines and Sri Lanka (table 6).[40] Consequently, comparing the living-wage equalisation performance of Mexico through time –against those of both emerging and developed economies in different world regions– clearly exposes the terrible state of real wages in the manufacturing sector –as a reflection of wages across the economy– and the deliberate policy of making real wages exclusively compatible with a bondage labour ethos, or the ethos of modern-slave-work. In effect, in every comparison, Mexico's equalisation index follows the opposite trend of most countries, for in the vast majority of cases they have reduced or even eliminated their wage gaps, whilst Mexico has increased them. This is clearly illustrated in the following three charts (charts 9.0, 9.1 and 9.2). All the charts exhibit Mexico's real wages (total hourly compensation costs) to have the worst equalisation indices of all countries. Furthermore, while all economies have reduced their equalisation gaps with their U.S counterparts, Mexico has increased them consistently. On chart 9.0, relative to selected developed economies, there is a widening gap

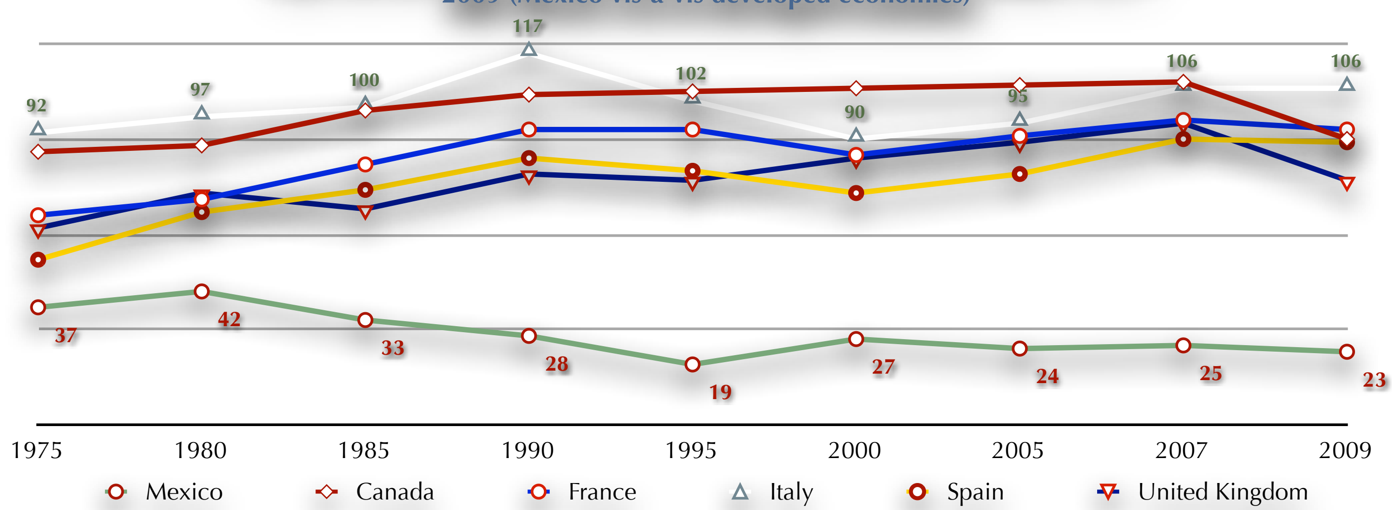
Table 5. Aequus Index: living-wage equalisation index for all employees

	Aequus Index ©	Living-wage equalisation index					
	2009 ranking of living-wage equalisation in purchasing power parity terms – 32 countries – for all employees in the manufacturing sector (employees and production-line workers), based on total hourly compensation costs*						
	The Jus Semper Global Alliance	Year	Nominal wage index	Real wage PPP equalisation Aequus index	Year	Nominal wage index	Real wage PPP equalisation Aequus index
	United States (benchmark)		100	100		100	100
1	Germany	1996	151	**115**	2009	139	**120**
2	Austria	1996	140	**115**	2009	143	**119**
3	Belgium	1996	144	**119**	2009	147	**119**
30	Mexico	1996	13	**25**	2009	16	**25**
31	India[a]	1999	3	**10**	2007	3	**11**
32	Philippines	1996	5	**11**	2009	4	**9**
33	China[a]	2002	3	**5**	2008	4	**9**

Table 6. Aequus Index: living-wage equalisation index for production workers

	Aequus Index ©	Living-wage equalisation index					
	2009 ranking of living-wage equalisation in purchasing power parity terms – 29 countries – for production-line workers in the manufacturing sector, based on total hourly compensation costs*						
	The Jus Semper Global Alliance	Year	Nominal wage index	Real wage PPP equalisation Aequus index	Year	Nominal wage index	Real wage PPP equalisation Aequus index
	United States (benchmark)		100	100		100	100
1	Belgium	1975	102	**84**	2009	163	**132**
2	Austria	1975	74	**72**	2009	149	**124**
3	Netherlands	1975	106	**88**	2009	149	**122**
27	Mexico	1975	29	**37**	2009	15	**23**
28	Philippines	1991	4	**10**	2009	4	**9**
29	Sri Lanka	1980	2	**6**	2008	3	**7**

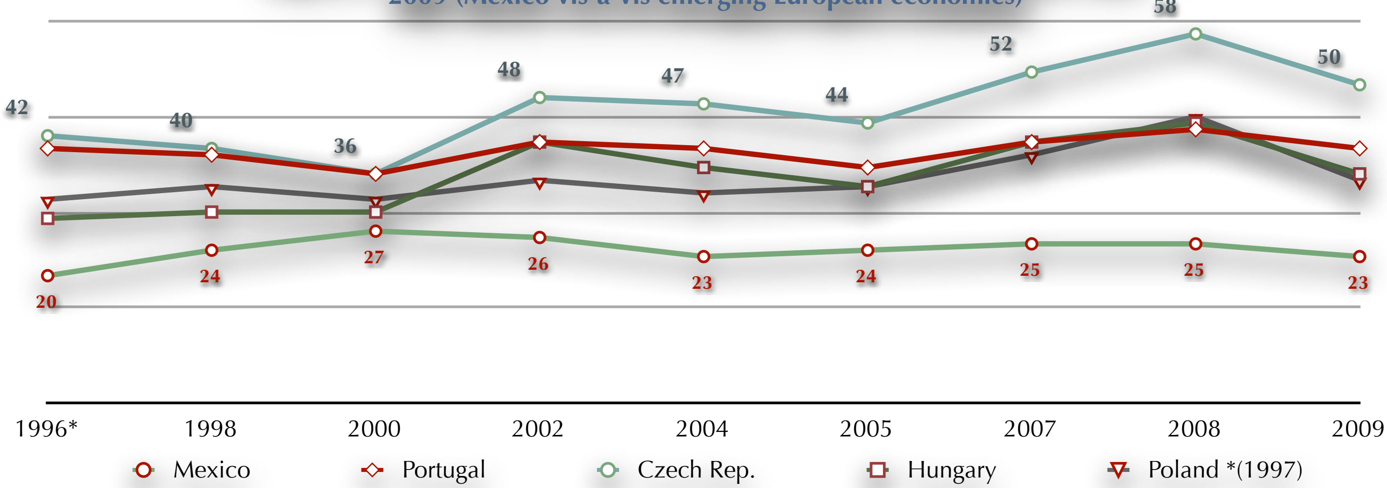
Chart 9.0: PPP real wage equalisation indices for production workers 1975 – 2009 (Mexico vis-à-vis developed economies)



[39] India and China data gathered by the BLS are not fully comparable to the rest of the countries due to some inconsistencies in methodology. However, given that in both cases the BLS argues that this work does not substantially affect the hourly compensation estimates, rough comparisons can still be made.
[40] To access the full Aequus Indices for both all employees and production workers click on the respective urls embedded on each term. Aequus indices are for total hourly compensation costs.

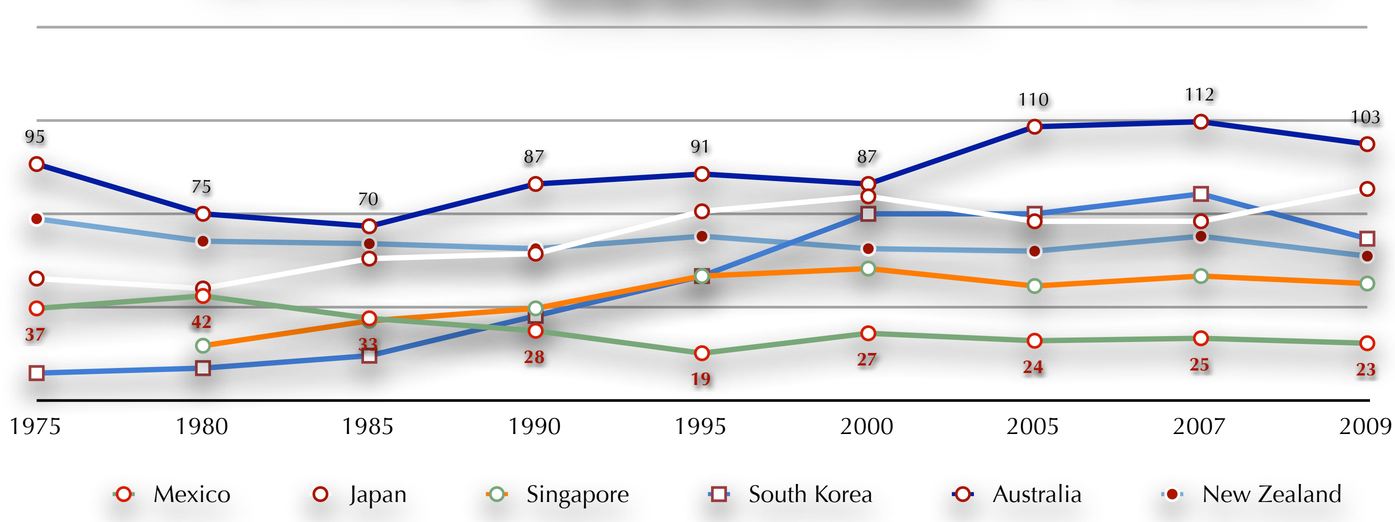
through time between Mexico's index and those of the other economies. In fact, Mexico's equalisation index was not too far from Spain's index in 1975. Yet, while Spain, since then, experienced a powerful reduction of its gap, Mexico's real wage gap goes exactly in the opposite direction. Even when compared against emerging European economies (data available for most countries since 1996) one can clearly observe a widening gap between Mexico's index and the rest of the pack (chart 9.1).

Chart 9.1: PPP real wage equalisation indices for production workers 1996 – 2009 (Mexico vis-à-vis emerging European economies)



Lastly, when compared against East Asia and Oceania economies, the same widening gap is present, but with an added feature where Singapore and South Korea's equalisation indices –which were clearly below Mexico's index between 1975 and 1980– subsequently surpass it between 1985 and 1990 and, in the case of South Korea, left it behind, at a great distance (chart 9.2).

Chart 9.2: PPP real wage equalisation indices for production workers 1975 – 2009 (Mexico vis-à-vis East Asia & Oceania economies)



The pauperisation of Mexico's workers in manufacturing and in the entire economy is further confirmed by the reports of multilateral organisations that specialise in labour and economic trends. The ILO's Global Wage Report 2010/11 clearly shows how Mexico's wages's share of total income is not only the lowest but also the country with the worst performance between the 1980-1985 and the 2004-2007 periods, with a drop of 22,3% in share, along with Ireland's 22,7%, a country that, incidentally, embarked on a sheer neoliberal spree, as shown on chart 10.[41] As could be expected, the wages' share of income will decrease in most countries in subsequent years, particularly after 2010, once the predatory policies of the neoliberal mantra that are being deepened across the global system are reflected on these metrics.

Chart 10. Wage share in total income for OECD Countries

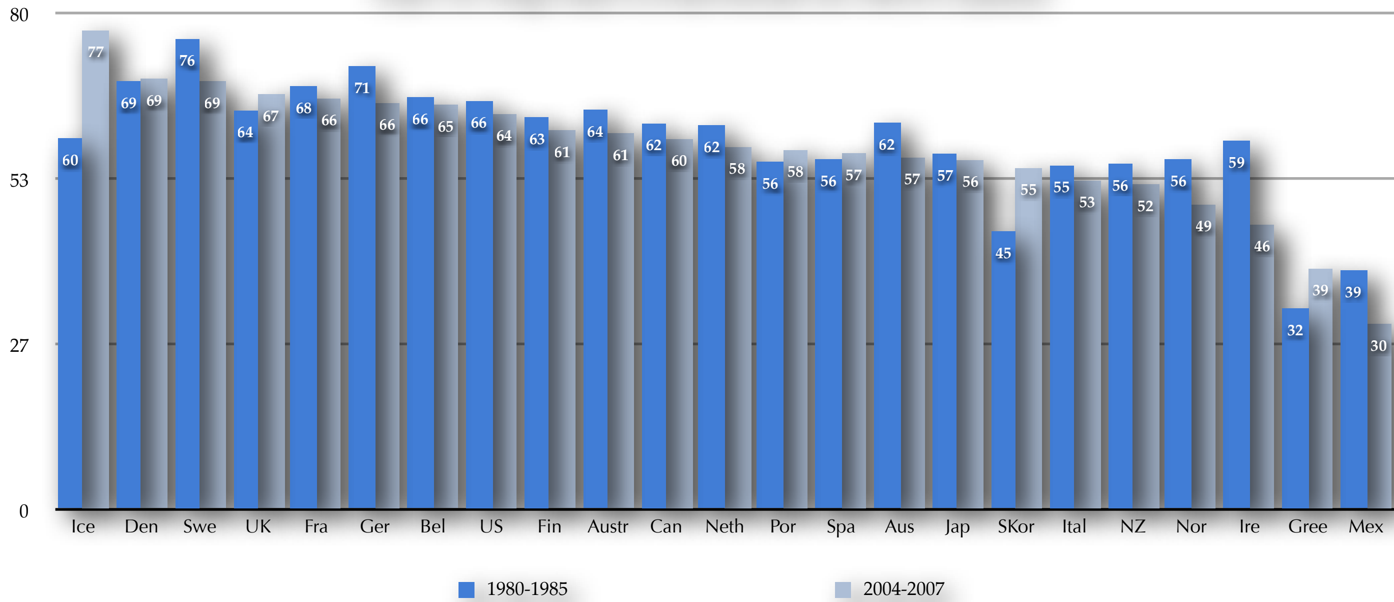
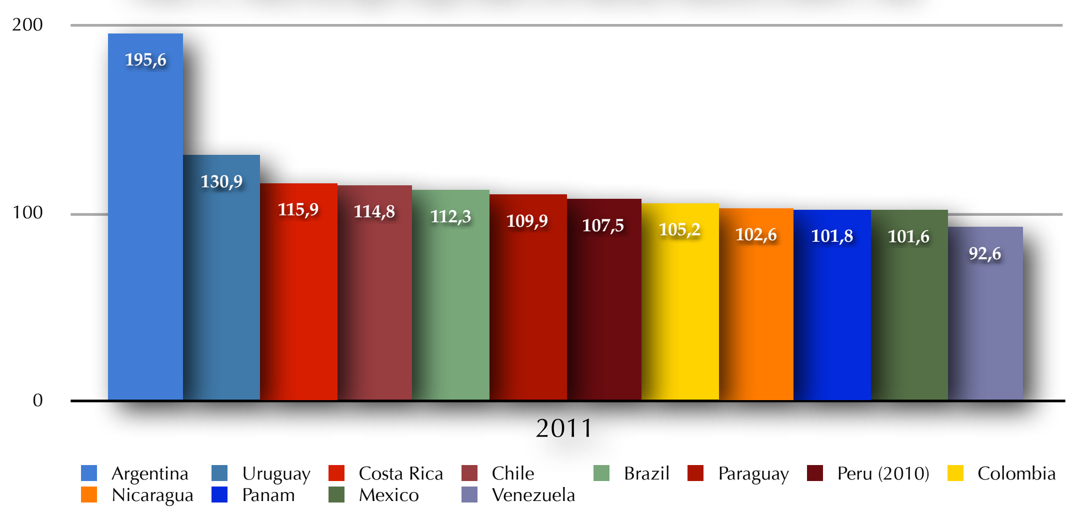


Chart 11. Real average wage index for Iberian America (2005= 100)



A brand new report from ECLAC, exhibits further evidence of the systematic and deliberate pauperisation of Mexico's wages. Barring Venezuela, Mexico's real wages recorded the worst performance of all Iberian American countries with available data since 2005. Whilst Argentina has the highest real wage increase (95,6%) Mexico recorded a meagre 1,6% growth (chart 11). In fact, between 2010 and 2011, Argentina's real wages grew 20% whilst Mexico's only did by 0,8%.[42] As earlier noted, Argentina has made its policy to not only recover but to boost real wages as the engine of their strategy of endogenous economic growth. Conversely, Mexico not only does not recover its best index but it makes its point to permanently remain at its nadir of labour compensations. Thus, Mexico fares worse against practically all economies in the region, regardless of whether they follow supply or demand-side economic policies. The planned pauperisation of Mexico has been so successful that an avalanche of data has emerged, as I prepared this assessment, providing details on the results. Extreme and moderate poverty have increased dramatically to almost half of

[41] ILO: Global Wage Report 2010/11: Wage policies in times of crisis Geneva, International Labour Office, 2010 (Table 2, p.24)
[42] CEPAL: Balance preliminar de las economías de América Latina y el Caribe ▪ 2011

the population (OECD)[43]. Mexico is the only country in Iberian America where GDP dropped in 2010 (World Bank).[44] Manufacturing wages in Mexico grew far less than in China, Costa Rica and South Africa, among others (OECD).[45]

❖ *Planned pauperisation*

In brief, **the Mexican governments' economic policy for the last three decades has been, clearly, a deliberate policy of wage pauperisation.** After manufacturing wages reached their wage equalisation zenith in 1981, economic policy triggered a huge wage gap, which has kept wage equalisation staunchly at its lowest level for the last ten years (chart 12). U.S hourly wages for production workers have increased, nominally, generally in line with inflationary pressures. Thus, as U.S. wages increase, equalised nominal hourly wages of Mexican workers increase accordingly, in PPP terms. However, real wages have been fiercely placed under a **deliberate** policy not only of real wage containment, but of prolonged erosion (chart 13). In the last three decades, Mexico's economy suffered a series of recurring crises overwhelmingly triggered by mismanagement and sheer corruption at the highest echelons of government. Accordingly, the peso has devalued almost unabatedly since 1982. Nonetheless, while prices have been adjusted to reflect the impact of devaluations, wages have always been adjusted at lower rates than prices, with the deliberate intention to reduce their share of income.

Chart 12. Gap between equalisation index and size of manufacturing hourly real wage gap for production workers in Mexico vis-à- vis equivalent U.S. real wage

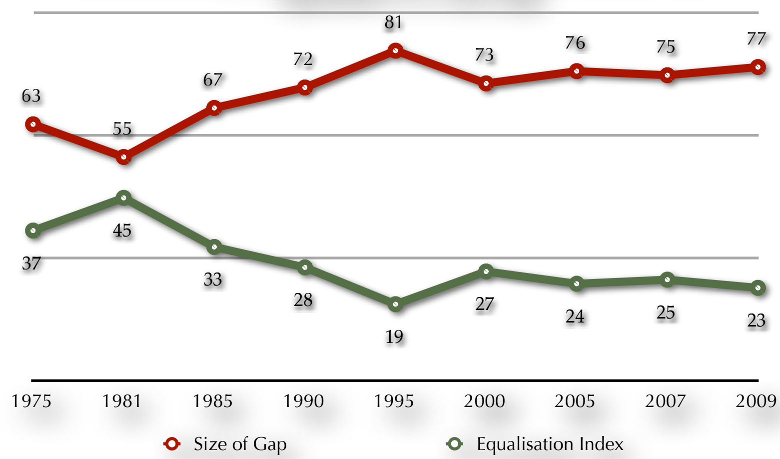
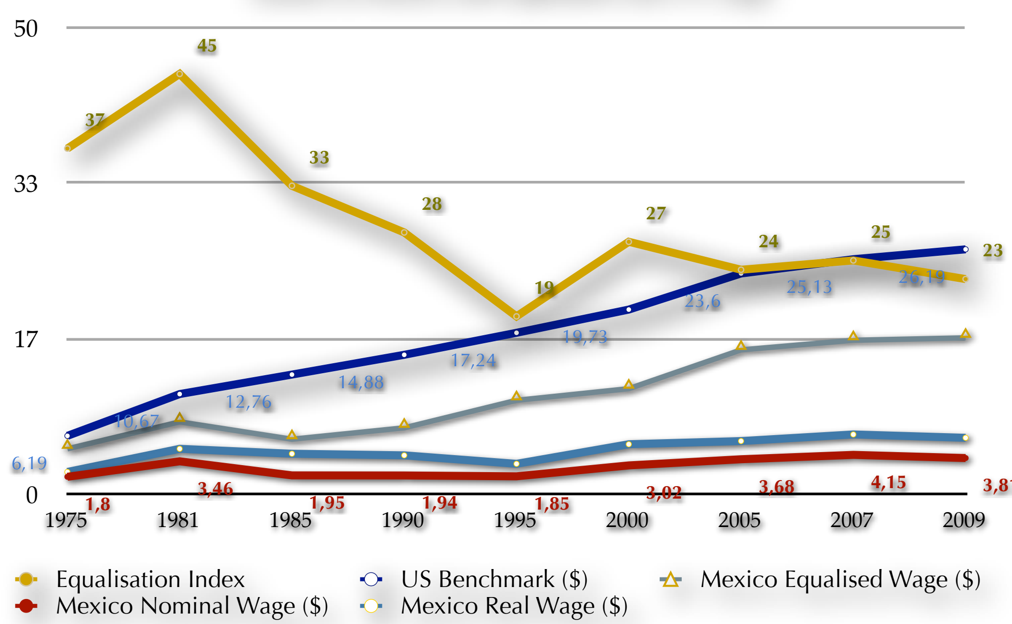


Chart 13. Gap between manufacturing hourly wage and PPP equalisation index for production workers in Mexico with equivalent real U.S. wage

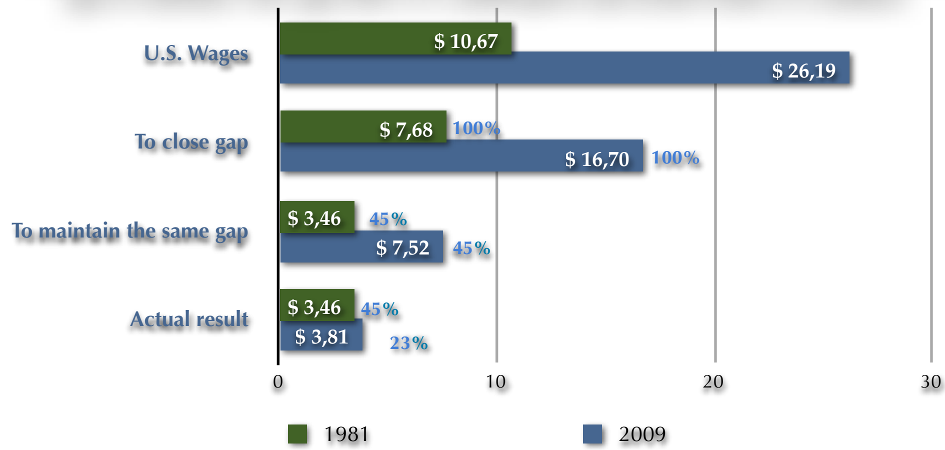


Indeed, chart 14 exhibits a glimpse of the Mexican wage's loss of share of income –reported by ECLAC on chart 11 for the entire economy– in the case of manufacturing wages for production workers. Between 1981 and 2009, equivalent U.S. hourly wages increased by 145%. Mexican hourly wages equalised –in PPP terms– increased nominally by 117%, given that the cost of living was lower in 2009 than in 1981. A policy of containment of real wages would have entailed increasing nominal wages by the same rate of 117% required to equalise wages in PPP terms. Yet, nominal wages –in dollar terms– actually increased by a meagre 10% for the period. Consequently, as earlier noted, Mexico's equalisation index for production-line workers in the

[43] Perspectivas OCDE: México Reformas para el Cambio, OCDE, Enero 2012
[44] On the Age of Uncertainty – Poverty Reduction in Latin America and the Caribbean during the Great Recession and Beyond, The World Bank, 66146, December 2011.
[45] Juan Carlos Miranda, Los salarios en México subieron 4 veces menos que en China: OCDE, La Jornada, 10 de Enero de 2012.

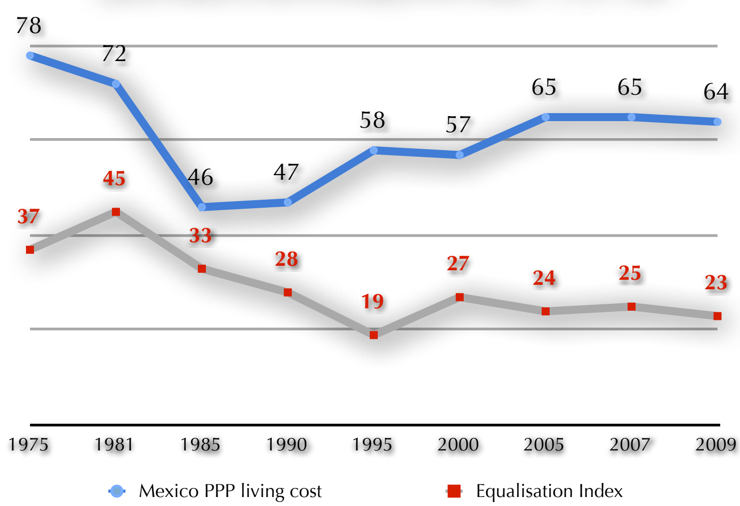
manufacturing sector collapsed from a 45 index in 1981 to a 23 index in 2009. In chart 15 one can clearly observe that Mexico's wages bear no relationship, whatsoever, between wage equalisation and PPP indices. If in 1975 the equalisation index was 37 and the PPP index 78, and in 1981 the cost of living decreases to 72 whilst the equalisation index grows to 45, wage equalisation steadily collapses thereafter regardless of the behaviour of living cost –in PPP terms. Beginning in 1982, the PPP index decreased steadily as a result of the recurring devaluations, but the wage equalisation index continued to decrease. Then, beginning in the nineties, the PPP indices increased consistently whilst the equalisation indices continued dropping until they levelled off at a miserable plateau in the lower twenties. This does not hold true in the relationship between the same indicators for the other countries. As it was earlier discussed, most economies have decreased and even eliminated their living wage gaps in PPP terms with the U.S., even in extreme cases of complete economic collapse, as with Argentina. In essence, in most countries, the relationship between the wage equalisation and PPP cost of living curves tend to converge and, exceptionally, to maintain the same ratio. In great contrast, Mexico's curves exhibit an explosive divergence in pathways through time. This makes evident, once again, the absence of a policy that allows for increasing or at least maintaining the same ratio between the value of real wages and the cost of living. In lieu, Mexico's production-line workers have endured for three decades a **deliberate policy of planned wage pauperisation**.

Chart 14. Comparison of nominal hourly wages of Mexico's production workers to close gap or maintain 1981 gap with U.S. counterparts and actual results (U.S.dollars)



This is an extremely dire situation for workers and all employees in the manufacturing sector to be sure. Yet, as we have also earlier observed, things are far worse for the vast majority of workers, for their purchasing power is not capable of acquiring but a meagre fraction of the CBI as current economic policy continues to consistently and unrelentingly further erode the precarious value of labour compensation for all workers in the formal economy. As we know, in the informal economy, which even the OECD estimates at more than 60% of total employment, labour compensation and conditions are far worse. As could be expected, the key factor in this dreadful ethos is the "**deliberate will**" of Mexico's governments to impose such conditions on the vast majority of the economically active population for reasons already addressed in the first part of this paper.

Chart 15. Performance of equalisation indices of Mexico's PPP manufacturing hourly real wage for production workers vis-à-vis U.S. counterparts and behaviour of Mexico's purchasing power parity indices (cost of living in PPP terms – U.S.= 100)



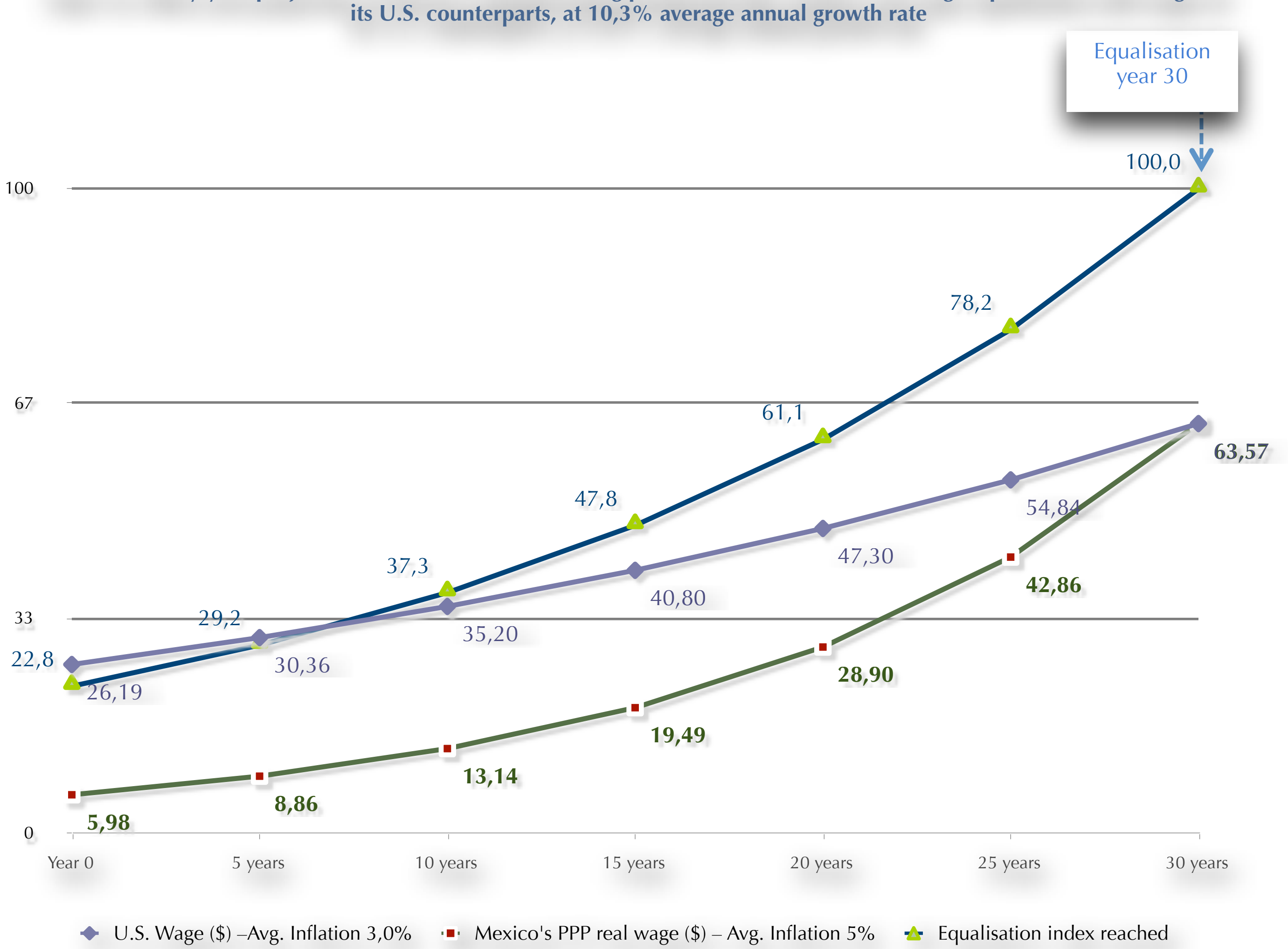
❖ *Projection of Mexico's real wage in the manufacturing sector*

Using as the benchmark the wages for all production workers in the U.S. in 2009, charts 16 and 17 illustrate two projections of two distinct scenarios to close the real wage gap between Mexico's production workers in manufacturing and their U.S. counterparts, in PPP and dollar terms. The first projection estimates the average annual increase of real wages required to close the wage gap in the term of thirty years. We will refer to this projection as the "Thirty-year projection". The second projection estimates the time span required to close the same wage gap, but this time by replicating Brazil's new minimum-wage-recovery policy, which uses the sum of the inflation index –consumer price index (CPIs)– of the immediately preceding year and the growth of GDP recorded two years prior –fully in line with TLWNSI's wage equalisation concept. We will refer to this projection as the "CPI + GDP projection". Both projections assume an annual average consumer price index of 3% for the U.S. and of 5% for Mexico. Both estimates are based on the average CPIs for both economies since 2001. As could be expected, both projections assume the currently unlikely event that a radically different government commits to closing the wage gaps by anchoring its economic policy clearly on a demand-side paradigm.

1. Criteria used in the first projection (thirty-years):

- Average U.S. CPI (inflation): 3% (average of 2,4% between 2001 and 2010).
- Average Mexican CPI: 5% (average of 4,68% between 2001 and 2010).
- Real value of wages in the U.S. remains constant, increasing nominally by 3%, annually, to neutralise inflation.
- World Bank indicators recorded a PPP of $0,638 for Mexico, equivalent to 63,8% of the U.S. cost of living in 2009.
- The benchmarks –and starting point– used in this projection are the PPP manufacturing hourly real wages for production workers (total compensation cost for both economies for 2009: U.S: $26,19 and Mexico: $5,98; and nominal wages: $26,19 and $3,81 respectively).
- Real wage figures are shown at constant prices, reflecting future purchasing power after adjusting for inflation.
- The exchange rate between the U.S. and Mexico is assumed to remain fairly stable.

Chart 16. Thirty-year projection of Mexico's manufacturing production-line workers real wage equalisation with wages of its U.S. counterparts, at 10,3% average annual growth rate



The Jus Semper Global Alliance ©

This projection determines the required average annual increase to nominal wages to close the gap in thirty years. This analysis uses as its source the nominal wage data reported by the U.S. Department of Labour.[46] Moreover, to calculate the cost of living and the size of the wage gap, the 5% and 3% inflation rates for Mexico 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 per capita (Gross National Income) and PPP GNI per capita for Mexico, generated by the World Bank's development indicators database for 2009.[47] 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 thirteen. 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 Mexico will be able to generate a barely healthy GDP growth of at least 3% during the projection. Between 1996 and 2010 it averaged 3,06% annually. Yet, an implicit assumption is also made that a government embarking on a permanent commitment to increase the wages' share of total income in the economy will push to increase wages even if GDP growth is not robust. This assumption notwithstanding, if real wages are increased annually, aggregate demand will be generated, further strengthening the growth of GDP with all its multiplying effects. It is also implicitly assumed that there will be no significant change to Mexico's exchange rate –as long as inflation remains under control at 5% or less annually.

2. Results of thirty-year projection:

- ➡ Chart 16 shows the behaviour of real wages for both the U.S. and Mexico over a thirty-year period. Results indicate that closing Mexico's wage gap in thirty years, under the above criteria, would require increasing real wages by 5,3% annually –after adjusting for inflation.
- ➡ Nominal wages in Mexico were increased an average of 10,3% for thirty years, assuming a 5% inflation rate.
- ➡ Not shown in the chart, the projection made Mexico's cost of living in PPP terms on year thirty equivalent to 113,5% of the U.S. cost of living –whereas it was 63,8% in 2009– due to the clearly higher inflation rate.
- ➡ Closing the wage gap would cover the 2010 to 2039 span of time.

3. Criteria used in the CPI+GDP projection:

- Average U.S. CPI (inflation): 3% (average of 2,4% between 2001 and 2010).
- Average Mexican CPI: 5% (average of 4,68% between 2001 and 2010).
- Average nominal increase of Mexican wages is driven directly by the sum of the CPI of the immediately preceding year and the growth of GDP recorded two years prior.
- The assumption is made that Mexico will average a GDP growth of 4,5% annually. Thus, the average increase of nominal wages applied is of 9,5%.
- In the event that the economy records a negative GDP, nominal wages are increased in line with the CPI to sustain the value of real wages of the previous year.
- Real value of wages in the U.S. remains constant, increasing nominally by 3%, annually, to neutralise inflation.
- World Bank indicators recorded a PPP of $0,638 for Mexico, equivalent to 63,8% of the U.S. cost of living in 2009.
- The benchmarks –and starting point– used in this projection are the PPP manufacturing hourly real wages (total compensation cost for both economies for 2009 (U.S: $26,19 and Mexico: $5,98; and nominal wages: $26,19 and $3,81 respectively).
- Real wage figures are shown at constant prices, reflecting future purchasing power after adjusting for inflation.
- The exchange rate between the U.S. and Mexico is assumed to remain fairly stable.

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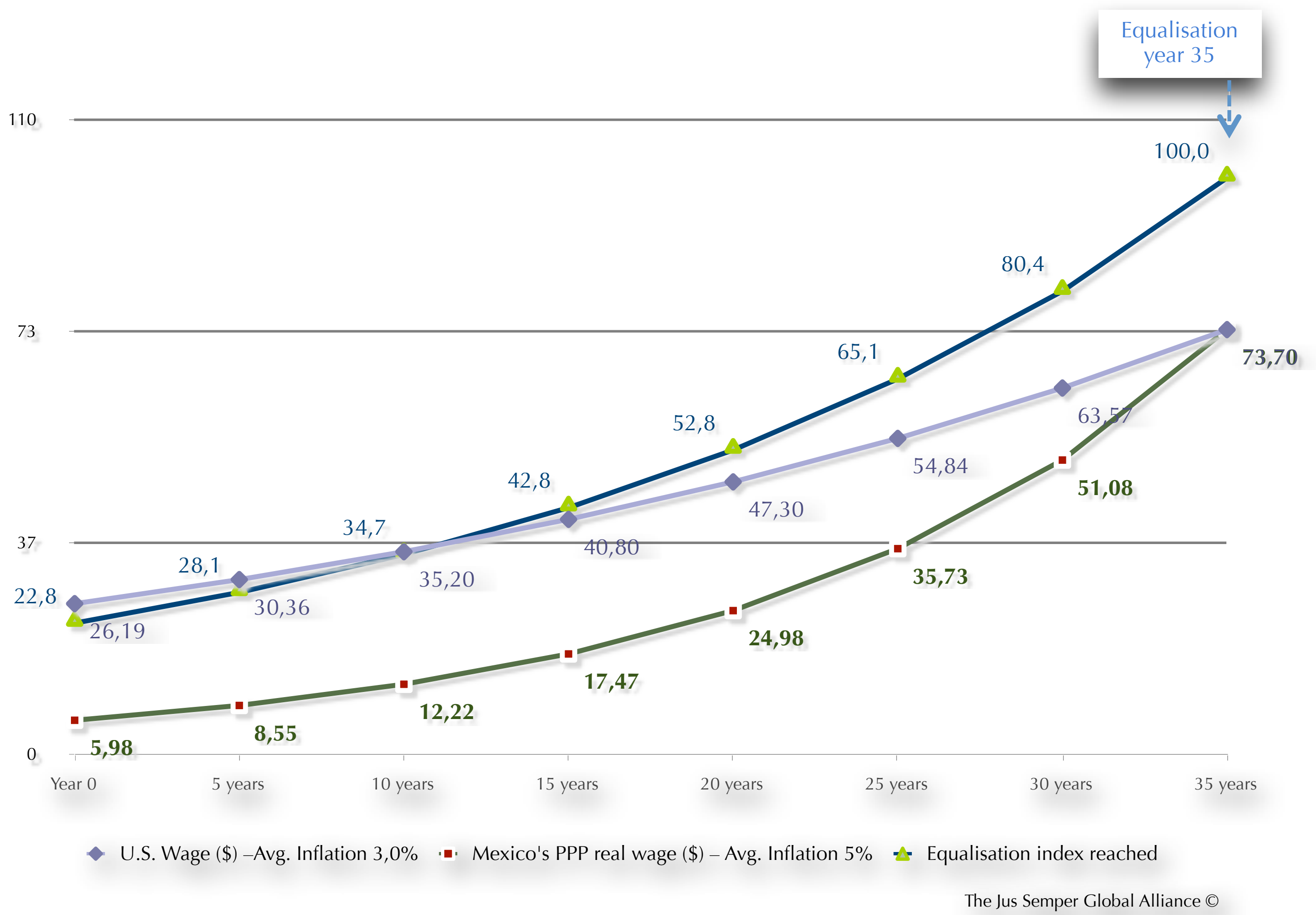
[46] United States Department of Labour: Table 1.2: Production workers: Hourly Compensation Costs in Manufacturing, U.S. dollars, 1975-2009, updated on March 2011. U.S., Bureau of Labour Statistics.

[47] The World Bank: World Development Indicators Online (WDI) database, 1975-2010 (GNI and PPP GNI, Atlas Method).

Chart 17. CPI + GDP projection of Mexico's manufacturing production-line workers real wage equalisation with wages of its U.S. counterparts, at 9,5% average annual growth rate for 34 years and 10,475% on year 35



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 thirty-year projection. Before Mexico was immersed in an ethos of sheer neoliberalism, GDP growth was robust. Between 1975 and 1982 it averaged a GDP growth of 6,9%. After all the major crises took place, and the supply-side paradigm had been firmly established, GDP grew an average of 3,06% between 1996 and 2010, albeit it averaged an annual GDP of only 1,86% in the first decade of the current century. Thus, to average 4,5% annually bears the implicit assumption that a radically different government will commit to demand-side policies that will make a point of embarking on endogenous economic growth, which implies increasing the share of wages in total income. The only difference between the first and second projection is that the first one assumes a commitment to close the gap in thirty years, regardless of GDP's performance, whilst the second commits economic policy to increase real wages by the sum of CPI + GDP, regardless of how many years it takes to fully close the living wage gap with U.S. equivalent workers.

4. Results of CPI + GDP projection:

- Chart 17 shows the behaviour of real wages for both the U.S. and Mexico over a thirty-five-year period. Results indicate that, at the 9,5% pace, resulting from an average CPI of 5% and an average GDP of 4,5%, it would take Mexico thirty-five years, instead of thirty, to fully close the wage gap of all its production workers with their counterparts in the U.S.
- Nominal wages in Mexico were increased an average of 9,5% for thirty-four years.
- For year thirty-five, wages were increased at the slightly higher rate of 10,475% to fully close the living-wage gap.

- ➡ Not shown in the chart, the projection made Mexico's cost of living in PPP terms on year thirty-five equivalent to 125% the U.S. cost of living –whereas it was 63,8% in 2009– due to an annual inflation rate 67% higher than U.S. inflation.
- ➡ Closing the wage gap would cover the 2010 to 2044 span of time.

Chart 18. Thirty-year and CPI + GDP real wage equalisation projections for production workers of Mexico's manufacturing sector

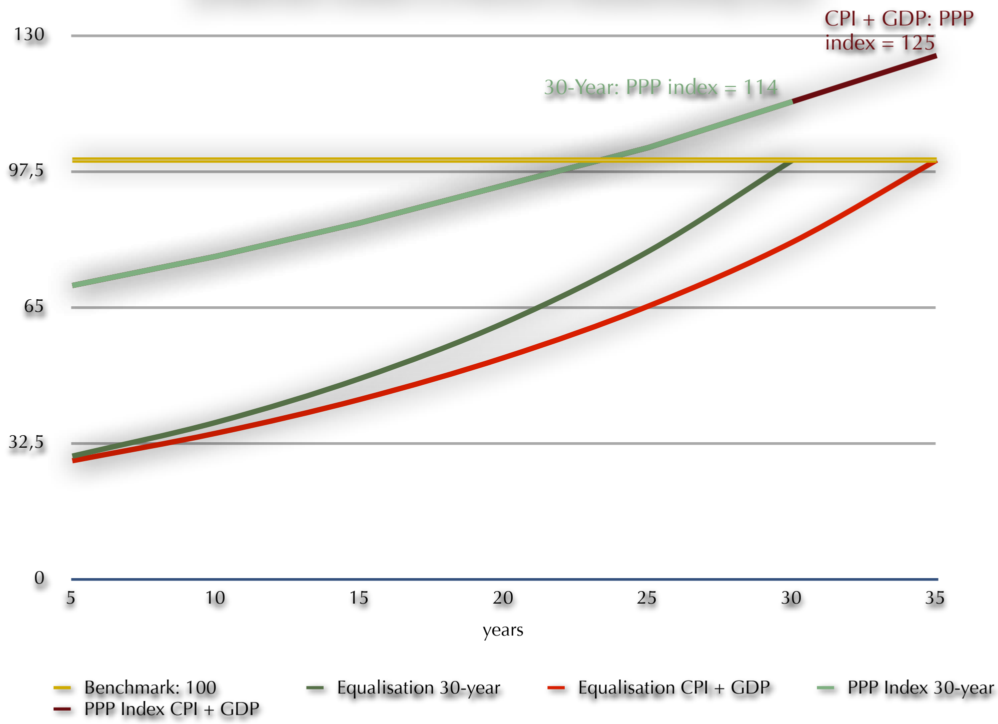


Chart 18 compares the thirty-year and CPI + GDP equalisation projections discussed above, illustrating the additional five-years required to fully equalise real PPP wages with those of their U.S. counterparts. Similarly, assuming that U.S. inflation remains at an annual average of 3%, the thirty-year projection, theoretically, would make Mexico 14% more expensive than the U.S., and the CPI + GDP projection 25% more expensive in their last year, given that the exchange rate is assumed to remain the same in both projections. An event highly unlikely, for maintaining the same rate would drive Mexico's economy to be uncompetitive. Table 7 provides the key numbers for year zero (benchmark) and the last year of each projection.

Table 7: Comparison of Thirty-year and CPI + GDP wage equalisation projections for Mexico

(nominal wage encompasses total compensation costs)	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
Mexico: 30-year	10,3%	5%	63,8	$ 3,81	22,8	30	113,5	$ 72,16	$ 63,57
United States	3%	3%	100	26,19	100	-	100	63,57	$ 63,57
Mexico: CPI + GDP	9,5	5%	63,8	$ 3,81	22,8	35	125	$ 92,10	$ 73,70
United States	3%	3%	100	$ 26,19	100	-	100	$ 73,70	$ 73,70

Closing the real wage gap with U.S. equivalent workers, within the quite reasonable time tables, requires Mexico to keep the average inflationary rate at 5% or less, as has been occurring for the past ten years. 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,[48] given that real wages in the entire U.S. economy have consistently eroded for the benefit of shareholder value for the past three decades,[49] with manufacturing wages suffering

[48] Hourly compensation costs in U.S. manufacturing increased an average of 3,3% annually between 1996 and 2009.
[49] 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.

less, as we have observed, but at the expense of a considerable loss of jobs in the sector.[50] The difference between the two scenarios explored in this projection is merely of five years. Choosing the shortest route will entirely depend on the political will of a committed government to close the wage gap in not more than thirty years, by giving strong consideration to the fact that the vast majority of workers in all economic sectors have been enduring a dramatic loss of purchasing power, with all its negative multiplying effects, for three decades. Choosing the more gradual route, first and foremost, signals less commitment to a social demand, which should override all other considerations.

❖ *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 Mexico in the future. For this paper, the average behaviour of these indicators has been established in a discretionary manner –based on the data recorded over the last three decades– with the only purpose of projecting two different scenarios under these assumptions to derive a comparative analysis to the closing of Mexico's living-wage gap.

✦ ***A very unlikely event if the same structures of political power remain in place.*** The dramatic and shameful state of labour compensations in Mexico is the direct result of fully conscientious decisions imposed by the two political groups that have entrenched themselves in power for the last three decades. That they have ascended to power through blatantly fraudulent electoral processes –that consistently have mocked duly democratic process in a so-called representative system– is an axiomatic fact. Consequently, it would be unrealistic to expect any real and sustained improvement in the share of income of Mexican workers under the current political ethos. Even if a left-of-centre coalition is able to break the monopoly of political power exerted by the two staunchly neoliberal oligarchic groups, it is unlikely that it will implement a new demand-side political economy, which is a *sine qua non* condition for the recovery of real wages. As in the case of the right, the left's political offer has refused to address the root of the problem. This is that public policy is now dictated by the institutional investors of global markets and their acolytes in multilateral institutions. Instead, the left has explicitly operated to provide assurances to markets that their demands will remain untouched in the (unlikely) event that it ascends to power. Namely, that no shift to a demand-side economic paradigm would be implemented. Unlike Argentina or even Brazil, which have placed at their core of economic policy the generation of aggregate demand of their domestic markets –by anchoring it on the recovery of real wages– Mexican governments have enthusiastically accepted the role of supplier of labour resources for global markets under an ethos that approaches labour-bondage conditions. Thus, the best that can be expected from the so-called left is a policy that would stop further real wage erosion and increase the coverage of focalised poverty-mitigation programs –in line with neoliberal dogma. Its only aspiration would be to reduce the impact of the further consolidation of the predatory climate as the new social standard. It would still be an ethos designed for the benefit of global profiteering, but in its light version instead of the current sheer rapacious-crony-capitalist mode of those currently in power. As has happened in most of the world, practically the entire political spectrum, both right and left, has enthusiastically embraced the supply-side neoliberal mantra.

✦ ***A peaceful revolution for a new social contract is highly implausible.*** The only way to force a paradigmatic change, through peaceful means, would require building – almost from scratch– a truly democratic ethos –anchored on a new social contract– that places the welfare of people and planet as the only reason d'être of truly democratic governments. This would place social justice –and living wages– at the core of the new Constitution and of public governance. This would require the Mexican citizenry to mobilise massively to go on a national strike to call for a new constitution from the bottom-up and new federal and state elections. The elections would be carried out under completely different rules –upheld in the new Constitution– that would dramatically alter the purpose of government and how it functions. Unfortunately, this is an unlikely event for the foreseeable future. Since 2007 the citizenry has endured an unprecedented level of violence and human rights violations –deliberately instigated by the government's policies– and appears to lack the resolve to embark on any radical change. Thus, it finds solace in the illusion that a leftist government will bring some respite that will mitigate the suffering and eventually create the conditions to break with the current ethos. Yet few envision the need for the people to drive the change bottom-up and most still expect

[50] 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.

the current system to bring it about in a top-down manner.[51] It can be said that, in spite of a generalised feeling of frustration, dissatisfaction, exhaustion and of feeling quite fed up with the way the country is run, the citizenry continues to seek to conform to a future of diminishing expectations. All things considered, it seems that dignity and ambition are greatly lacking, perhaps due to a deliberately induced state of fear. To be sure, the winds of social mobilisation towards this endeavour flow very lightly.

✦ ***A question of political will.*** Notwithstanding the aforementioned reasons, it should be clear that in the very unlikely event that an unexpected societal movement comes to fruition and a new government –not aligned with the current marketocratic paradigm– ascends to power, the only essential element to create a living wage ethos is political will. Providing living wages to workers is an axiom from the perspective of a truly democratic economic policy. Regardless of the undeniable domestic and foreign political pressures against the gentrification of the wage's share of income, a government with the political will can gradually not just bring back real wages to the their previous zenith, but it can gradually close the living-wage gap with equivalent wages in the U.S. in line with TLWNSI's concept. 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. In truth, they are deliberately preserving the old centre-periphery model of labour exploitation. Moreover, 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. However, as we have also seen in the diverse cases of Argentina, Brazil and South Korea, political economy can be strategically designed and managed to alter the status quo and fulfil –at the very least in the fundamental case of wages– the only purpose of truly democratic governments: to procure the welfare of every rank of society, with special emphasis on the dispossessed. Argentina has been embattled by private creditors and multilateral financial institutions. Yet, it paid off its debt with the IMF –to free itself from the Fund's purely supply-side demands– and, among other things, made a point of boosting real wages for the entire economy in a sustainable manner at the fastest possible pace. South Korea made endogenous demand-side development the centre of its political economy since the 1960s. Brazil has chosen to link real wage growth to GDP growth. The three have followed different paths to wage appreciation. Nonetheless, and irrespective of their particular geopolitics and of the oppressive demands of an international-financial-markets-driven predatory globalisation, they have shown the political will to not comply with the central demand of eroding the workers' share of income. Therefore, if the Mexican citizenry miraculously mobilises to peacefully replace the current structures with a citizen-driven political structure, any of the two projected scenarios –or other scenarios that share as an essential premise the sustained gentrification of wages to make them of a living-wage kind– are, without a doubt, completely plausible.

✦ ***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, Mexico 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, quite similar to Brazil's minimum wage appreciation policy.

[51] For more on this, see: Álvaro de Regil Castilla: México Frente a la Escoria Ladrona, Dignidad o capitulación frente al secuestro de México por las mafias politico-empresariales. La Alianza Global Jus Semper, Junio 2010: Mexico_frente_a_la_escoria_ladrona.pdf

❖ *Corollary*

Conventional wisdom makes people predisposed to believe that most democratic governments work to procure the best possible conditions for their societies to achieve a dignified quality of life and happiness. If governments failed to do so, it is believed that it is due to a lack of professional prowess to effectively, efficiently and responsibly manage the public matter, or due to corruption or to a combination of both. However, it is seldom considered that a supposedly democratically-elected government works deliberately in the opposite direction with the concrete intention to deprive vast portions of society of a minimum level of dignity in their lives. Few, albeit increasingly more, consider that a so-called democratic government has deliberately betrayed its allegiance to the most basic principles of social justice. Few consider that, instead, a government could have the ulterior motive of carrying out the necessary actions to extract the greatest possible profit from both natural and labour resources for the benefit of a tiny elite and their foreign partners.

Unfortunately, this is precisely the case of Mexico, to the point that I can assert that the country has been abducted by an elite of political and business mafias, that has no interest, whatsoever, in fulfilling the fundamental responsibilities bestowed to it by the people. This elite –reminiscent of the robber barons of the Gilded Age– has remained in power for many decades for it has worked to impose an ethos almost completely absent of the rule of law. In this way, it operates with full impunity to carry out its very private interest. Moreover, it does not concern itself with ensuring it keeps its legitimacy before the electorate –by fulfilling the political commitments that it acquired upon winning the election– for it derives its legitimacy from both the formal recognition from the governments of the U.S. and other major trading partners, and the informal recognition from key players in the global market. Such recognition is assured given that these "stakeholders" directly profit from such arrangement, which renews every six years the old centre-periphery relationship of neocolonialism.

As in most parts of the world, governments both in the centre and the periphery have switched a great degree of loyalty to the owners of the market. The case of Mexico is no exception. Unfortunately, what is exceptional is its extreme case of betrayal, for it has virtually lost any trace of concern for the welfare of the people and it actively operates to fulfil its predatory agenda. This is an agenda that constitutes the planned pauperisation of the vast majority of Mexicans, the true epitomization of social Darwinism, the grave deprivation of the 99% for the benefit of the 1%. In this way, the key essential notion to become aware of and break with conventional wisdom is that Mexico is in the hands of a perverse oligarchy that deliberately works to depredate the country in pursuit of its very private interests. Consequently, as long as this situation remains, the plight of the Mexican people will remain unabatedly and a living-wage ethos will not have the slightest of possibilities.

Useful links:

- http://www.jussemper.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

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Appendix:

Table T4-Mexico – The Jus Semper Global Alliance: Living-Wage-Gap Analysis of Production Workers in Mexico vis-á-vis selected countries in Purchasing Power Parities Comparison Terms 1975-2009

		1975	1980	1985	1990	1995	2000	2005	2007	2009
Benchmark	**1. U.S. Hourly Manufacturing Rate**	**6,19**	**9,67**	**12,76**	**14,88**	**17,24**	**19,73**	**23,60**	**25,13**	**26,19**
Mexico	GNI PPPs in country currency*	9,700	15,213	117,389	1332,653	3,723	5,396	7,113	7,152	8,613
	Exchange rate	12,50	22,97	256,9	2813,0	6,42	9,46	10,89	10,93	13,51
	GNI PPPs in US Dollars	$ 0,78	$ 0,66	$ 0,46	$ 0,47	$ 0,58	$ 0,57	$ 0,65	$ 0,65	$ 0,64
	2. Equalised PPP nominal compensation US $	$ 4,80	$ 6,40	$ 5,83	$ 7,05	$ 10,00	$ 11,25	$ 15,41	$ 16,44	$ 16,70
	3. Actual Real compensation US $	$ 2,32	$ 4,09	$ 4,27	$ 4,10	$ 3,19	$ 5,29	$ 5,63	$ 6,34	$ 5,98
	4. Actual Nominal compensation US $	$ 1,80	$ 2,71	$ 1,95	$ 1,94	$ 1,85	$ 3,02	$ 3,68	$ 4,15	$ 3,81
	Compensation Deficit in US $ (2 minus 4)	$ 3,00	$ 3,69	$ 3,88	$ 5,11	$ 8,15	$ 8,23	$ 11,73	$ 12,29	$ 12,89
	Wage Equalisation index (4÷2 or 3÷1)	0,37	0,42	0,33	0,28	0,19	0,27	0,24	0,25	0,23
Canada	GNI PPPs in country currency*	1,222	1,234	1,237	1,254	1,269	1,192	1,165	1,140	1,283
	Exchange rate	1,017	1,17	1,37	1,170	1,370	1,49	1,21	1,07	1,14
	GNI PPPs in US Dollars	$ 1,20	$ 1,05	$ 0,90	$ 1,07	$ 0,93	$ 0,80	$ 0,96	$ 1,07	$ 1,13
	2. Equalised PPP nominal compensation US $	$ 7,44	$ 10,20	$ 11,52	$ 15,95	$ 15,96	$ 15,78	$ 22,73	$ 26,77	$ 29,47
	3. Actual Real compensation US $	$ 5,33	$ 8,55	$ 12,62	$ 15,51	$ 18,14	$ 20,98	$ 25,22	$ 27,17	$ 23,46
	4. Actual Nominal compensation US $	$ 6,40	$ 9,02	$ 11,40	$ 16,62	$ 16,80	$ 16,78	$ 24,29	$ 28,94	$ 26,40
	Compensation Deficit in US $ (2 minus 4)	$ 1,04	$ 1,18	$ 0,12	$ (0,67)	$ (0,84)	$ (1,00)	$ (1,56)	$ (2,17)	$ 3,07
	Wage Equalisation index (4÷2 or 3÷1)	0,86	0,88	0,99	1,04	1,05	1,06	1,07	1,08	0,90
France	GNI PPPs in country currency*	4,978	5,714	6,716	6,366	6,212	1,030	0,936	0,874	0,901
	Exchange rate	4,29	4,23	8,99	5,450	4,990	1,0832	0,8033	0,7293	0,7176
	GNI PPPs in US Dollars	$ 1,16	$ 1,35	$ 0,75	$ 1,17	$ 1,24	$ 0,95	$ 1,17	$ 1,20	$ 1,26
	2. Equalised PPP nominal compensation US $	$ 7,18	$ 13,06	$ 9,53	$ 17,38	$ 21,46	$ 18,77	$ 27,50	$ 30,10	$ 32,88
	3. Actual Real compensation US $	$ 4,07	$ 6,91	$ 10,51	$ 13,84	$ 16,08	$ 16,78	$ 21,42	$ 24,16	$ 24,23
	4. Actual Nominal compensation US $	$ 4,72	$ 9,33	$ 7,85	$ 16,17	$ 20,02	$ 15,96	$ 24,96	$ 28,94	$ 30,42
	Compensation Deficit in US $ (2 minus 4)	$ 2,46	$ 3,73	$ 1,68	$ 1,21	$ 1,44	$ 2,81	$ 2,54	$ 1,16	$ 2,46
	Wage Equalisation index (4÷2 or 3÷1)	0,66	0,71	0,82	0,93	0,93	0,85	0,91	0,96	0,93
Italy	GNI PPPs in country currency*	539,500	751,484	1151,038	1238,936	1548,189	0,891	0,875	0,773	0,790
	Exchange rate	652,85	856,45	1909,440	1198,1	1628,930	1,0832	0,8033	0,7293	0,7176
	GNI PPPs in US Dollars	$ 0,83	$ 0,88	$ 0,60	$ 1,03	$ 0,95	$ 0,82	$ 1,09	$ 1,06	$ 1,10
	2. Equalised PPP nominal compensation US $	$ 5,12	$ 8,48	$ 7,69	$ 15,39	$ 16,39	$ 16,23	$ 25,69	$ 26,64	$ 28,81
	3. Actual Real compensation US $	$ 5,69	$ 9,35	$ 12,72	$ 17,42	$ 17,58	$ 17,67	$ 22,37	$ 26,65	$ 27,88
	4. Actual Nominal compensation US $	$ 4,70	$ 8,20	$ 7,67	$ 18,01	$ 16,71	$ 14,53	$ 24,35	$ 28,25	$ 30,67
	Compensation Deficit in US $ (2 minus 4)	$ 0,42	$ 0,28	$ 0,02	$ (2,62)	$ (0,32)	$ 1,70	$ 1,34	$ (1,61)	$ (1,86)
	Wage Equalisation index (4÷2 or 3÷1)	0,92	0,97	1,00	1,17	1,02	0,90	0,95	1,06	1,06
Spain	GNI PPPs in country currency*	44,830	64,181	82,874	91,745	114,175	0,790	0,757	0,681	0,730
	Exchange rate	57,41	71,70	170,04	101,930	124,69	1,0832	0,8033	0,7293	0,7176
	GNI PPPs in US Dollars	$ 0,78	$ 0,90	$ 0,49	$ 0,90	$ 0,92	$ 0,73	$ 0,94	$ 0,93	$ 1,02
	2. Equalised PPP nominal compensation US $	$ 4,83	$ 8,66	$ 6,22	$ 13,39	$ 15,79	$ 14,39	$ 22,25	$ 23,45	$ 26,64
	3. Actual Real compensation US $	$ 3,19	$ 6,47	$ 9,42	$ 12,48	$ 13,76	$ 14,49	$ 18,73	$ 22,61	$ 23,30
	4. Actual Nominal compensation US $	$ 2,49	$ 5,79	$ 4,59	$ 11,23	$ 12,60	$ 10,57	$ 17,66	$ 21,10	$ 23,70
	Compensation Deficit in US $ (2 minus 4)	$ 2,34	$ 2,87	$ 1,63	$ 2,16	$ 3,19	$ 3,82	$ 4,59	$ 2,35	$ 2,94
	Wage Equalisation index (4÷2 or 3÷1)	0,52	0,67	0,74	0,84	0,80	0,73	0,79	0,90	0,89
United Kingdom	GNI PPPs in country currency*	0,380	0,444	0,541	0,583	0,636	0,658	0,643	0,609	0,740
	Exchange rate	0,452	0,43	0,779	0,563	0,634	0,661	0,55	0,50	0,642
	GNI PPPs in US Dollars	$ 0,84	$ 1,03	$ 0,69	$ 1,04	$ 1,00	$ 1,00	$ 1,17	$ 1,22	$ 1,15
	2. Equalised PPP nominal compensation US $	$ 5,21	$ 9,97	$ 8,86	$ 15,41	$ 17,29	$ 19,65	$ 27,57	$ 30,60	$ 30,19
	3. Actual Real compensation US $	$ 3,86	$ 7,07	$ 8,71	$ 11,69	$ 13,35	$ 16,67	$ 21,03	$ 23,83	$ 20,26
	4. Actual Nominal compensation US $	$ 3,25	$ 7,29	$ 6,05	$ 12,11	$ 13,39	$ 16,60	$ 24,57	$ 29,01	$ 23,35
	Compensation Deficit in US $ (2 minus 4)	$ 1,96	$ 2,68	$ 2,81	$ 3,30	$ 3,90	$ 3,05	$ 3,00	$ 1,59	$ 6,84
	Wage Equalisation index (4÷2 or 3÷1)	0,62	0,73	0,68	0,79	0,77	0,84	0,89	0,95	0,77
South Korea	GNI PPPs in country currency*	238,900	469,826	475,856	534,158	668,807	655,045	760,441	750,774	929,230
	Exchange rate	484	607,4	870,02	707,76	771,27	1130,96	1024,12	929,26	1276,93
	GNI PPPs in US Dollars	$ 0,49	$ 0,77	$ 0,55	$ 0,75	$ 0,87	$ 0,58	$ 0,74	$ 0,81	$ 0,73
	2. Equalised PPP nominal compensation US $	$ 3,06	$ 7,48	$ 6,98	$ 11,23	$ 14,95	$ 11,43	$ 17,52	$ 20,30	$ 19,06
	3. Actual Real compensation US $	$ 0,67	$ 1,27	$ 2,34	$ 5,02	$ 8,70	$ 14,74	$ 17,78	$ 20,98	$ 17,03
	4. Actual Nominal compensation US $	$ 0,33	$ 0,98	$ 1,28	$ 3,79	$ 7,54	$ 8,54	$ 13,20	$ 16,95	$ 12,39
	Compensation Deficit in US $ (2 minus 4)	$ 2,73	$ 6,50	$ 5,70	$ 7,44	$ 7,41	$ 2,89	$ 4,32	$ 3,35	$ 6,67
	Wage Equalisation index (4÷2 or 3÷1)	0,11	0,13	0,18	0,34	0,50	0,75	0,75	0,83	0,65
Singapore	GNI PPPs in country currency*		1,564	1,372	1,236	1,280	1,221	1,114	1,018	1,082
	Exchange rate		2,14	2,20	1,81	1,42	1,72	1,66	1,51	1,45
	GNI PPPs in US Dollars		$ 0,73	$ 0,62	$ 0,68	$ 0,90	$ 0,71	$ 0,67	$ 0,67	$ 0,75
	2. Equalised PPP nominal compensation US $		$ 7,07	$ 7,96	$ 10,16	$ 15,55	$ 14,00	$ 15,84	$ 16,93	$ 19,54
	3. Actual Real compensation US $		$ 2,12	$ 4,12	$ 5,58	$ 8,55	$ 10,41	$ 10,96	$ 12,61	$ 12,37
	4. Actual Nominal compensation US $	-	$ 1,55	$ 2,57	$ 3,81	$ 7,71	$ 7,39	$ 7,36	$ 8,50	$ 9,23
	Compensation Deficit in US $ (2 minus 4)		$ 5,52	$ 5,39	$ 6,35	$ 7,84	$ 6,61	$ 8,48	$ 8,43	$ 10,31
	Wage Equalisation index (4÷2 or 3÷1)		0,22	0,32	0,37	0,50	0,53	0,46	0,50	0,47
Japan	GNI PPPs in country currency*	286,000	283,358	205,644	206,539	168,142	143,776	138,352	128,134	106,775
	Exchange rate	296,79	226,74	238,54	144,79	94,06	107,77	110,22	117,75	93,57
	GNI PPPs in US Dollars	$ 0,96	$ 1,25	$ 0,86	$ 1,43	$ 1,79	$ 1,33	$ 1,26	$ 1,09	$ 1,14
	2. Equalised PPP nominal compensation US $	$ 5,96	$ 12,08	$ 11,00	$ 21,23	$ 30,82	$ 26,32	$ 29,62	$ 27,35	$ 29,89
	3. Actual Real compensation US $	$ 3,06	$ 4,33	$ 7,24	$ 8,78	$ 13,06	$ 16,26	$ 16,98	$ 18,17	$ 22,22
	4. Actual Nominal compensation US $	$ 2,95	$ 5,41	$ 6,24	$ 12,52	$ 23,34	$ 21,69	$ 21,31	$ 19,77	$ 25,36
	Compensation Deficit in US $ (2 minus 4)	$ 3,01	$ 6,67	$ 4,76	$ 8,71	$ 7,48	$ 4,63	$ 8,31	$ 7,58	$ 4,53
	Wage Equalisation index (4÷2 or 3÷1)	0,49	0,45	0,57	0,59	0,76	0,82	0,72	0,72	0,85

			1975	1980	1985	1990	1995	2000	2005	2007	2009
Benchmark	**1. U.S. Hourly Manufacturing Rate**		**6,19**	**9,67**	**12,76**	**14,88**	**17,24**	**19,73**	**23,60**	**25,13**	**26,19**
Australia	GNI PPPs in country currency*		0,750	1,059	1,360	1,343	1,304	1,423	1,264	1,282	1,454
	Exchange rate		0,76	0,88	1,43	1,28	1,35	1,72	1,31	1,20	1,28
	GNI PPPs in US Dollars	$	0,99 $	1,20 $	0,95 $	1,05 $	0,97 $	0,83 $	0,96 $	1,07 $	1,14
	2. Equalised PPP nominal compensation US $	$	**6,11 $**	**11,64 $**	**12,14 $**	**15,62 $**	**16,65 $**	**16,32 $**	**22,77 $**	**26,84 $**	**29,75**
	3. Actual Real compensation US $	$	**5,88 $**	**7,25 $**	**8,91 $**	**12,93 $**	**15,77 $**	**17,11 $**	**25,96 $**	**28,06 $**	**26,85**
	4. Actual Nominal compensation US $	$	**5,80 $**	**8,73 $**	**8,48 $**	**13,57 $**	**15,23 $**	**14,15 $**	**25,05 $**	**29,97 $**	**30,50**
	Compensation Deficit in US $ (2 minus 4)	$	**0,31 $**	**2,91 $**	**3,66 $**	**2,05 $**	**1,42 $**	**2,17 $**	**(2,28) $**	**(3,13) $**	**(0,75)**
	Wage Equalisation index (4÷2 or 3÷1)		**0,95**	**0,75**	**0,70**	**0,87**	**0,91**	**0,87**	**1,10**	**1,12**	**1,03**
New Zealand	GNI PPPs in country currency*		0,605	0,910	1,158	1,595	1,377	1,524	1,490	1,416	1,657
	Exchange rate		0,83	1,03	2,02	1,68	1,52	2,20	1,42	1,36	1,60
	GNI PPPs in US Dollars	$	0,73 $	0,88 $	0,57 $	0,95 $	0,91 $	0,69 $	1,05 $	1,04 $	1,04
	2. Equalised PPP nominal compensation US $	$	**4,51 $**	**8,54 $**	**7,31 $**	**14,13 $**	**15,62 $**	**13,67 $**	**24,76 $**	**26,16 $**	**27,12**
	3. Actual Real compensation US $	$	**4,53 $**	**6,22 $**	**8,02 $**	**9,03 $**	**11,40 $**	**12,02 $**	**14,22 $**	**16,55 $**	**15,15**
	4. Actual Nominal compensation US $	$	**3,30 $**	**5,49 $**	**4,60 $**	**8,57 $**	**10,33 $**	**8,33 $**	**14,92 $**	**17,23 $**	**15,69**
	Compensation Deficit in US $ (2 minus 4)	$	**1,21 $**	**3,05 $**	**2,71 $**	**5,56 $**	**5,29 $**	**5,34 $**	**9,84 $**	**8,93 $**	**11,43**
	Wage Equalisation index (4÷2 or 3÷1)		**0,73**	**0,64**	**0,63**	**0,61**	**0,66**	**0,61**	**0,60**	**0,66**	**0,58**

			1996	1998	2000	2002	2004	2005	2007	2008	2009
Benchmark	**1. U.S. Hourly Manufacturing Rate**		**17,82**	**18,59**	**19,73**	**21,42**	**22,92**	**23,60**	**25,13**	**25,64**	**26,19**
Portugal	GNI PPPs in country currency*		130,790	139,253	0,755	0,655	0,649	0,689	0,620	0,608	0,651
	Exchange rate		154,24	180,1	1,083	1,058	0,8040	0,8033	0,7293	0,6791	0,7176
	GNI PPPs in US Dollars	$	0,85 $	0,77 $	0,70 $	0,62 $	0,81 $	0,86 $	0,85 $	0,89 $	0,91
	2. Equalised PPP nominal compensation US $	$	**15,11 $**	**14,37 $**	**13,75 $**	**13,27 $**	**18,50 $**	**20,24 $**	**21,36 $**	**22,94 $**	**23,77**
	3. Actual Real compensation US $	$	**7,10 $**	**7,29 $**	**7,19 $**	**8,85 $**	**9,21 $**	**8,70 $**	**10,33 $**	**10,99 $**	**10,58**
	4. Actual Nominal compensation US $	$	**6,02 $**	**5,64 $**	**5,01 $**	**5,48 $**	**7,43 $**	**7,46 $**	**8,78 $**	**9,83 $**	**9,60**
	Compensation Deficit in US $ (2 minus 4)	$	**9,09 $**	**8,73 $**	**8,74 $**	**7,79 $**	**11,07 $**	**12,78 $**	**12,58 $**	**13,11 $**	**14,17**
	Wage Equalisation index (4÷2 or 3÷1)		**0,40**	**0,39**	**0,36**	**0,41**	**0,40**	**0,37**	**0,41**	**0,43**	**0,40**
Czech Republic	GNI PPPs in country currency*		10,787	13,158	15,281	12,242	13,004	13,957	12,931	11,848	14,009
	Exchange rate		27,14	32,28	38,6	32,74	25,7	23,96	20,53	17,07	19,37
	GNI PPPs in US Dollars	$	0,40 $	0,41 $	0,40 $	0,37 $	0,51 $	0,58 $	0,63 $	0,69 $	0,72
	2. Equalised PPP nominal compensation US $	$	**7,08 $**	**7,58 $**	**7,81 $**	**8,01 $**	**11,60 $**	**13,75 $**	**15,83 $**	**17,80 $**	**18,94**
	3. Actual Real compensation US $	$	**7,42 $**	**7,36 $**	**7,20 $**	**10,30 $**	**10,83 $**	**10,42 $**	**13,02 $**	**14,91 $**	**13,15**
	4. Actual Nominal compensation US $	$	**2,95 $**	**3,00 $**	**2,85 $**	**3,85 $**	**5,48 $**	**6,07 $**	**8,20 $**	**10,35 $**	**9,51**
	Compensation Deficit in US $ (2 minus 4)	$	**4,13 $**	**4,58 $**	**4,96 $**	**4,16 $**	**6,12 $**	**7,68 $**	**7,63 $**	**7,45 $**	**9,43**
	Wage Equalisation index (4÷2 or 3÷1)		**0,42**	**0,40**	**0,36**	**0,48**	**0,47**	**0,44**	**0,52**	**0,58**	**0,50**
Hungary	GNI PPPs in country currency*		74,105	94,588	112,917	97,945	113,298	127,503	118,239	115,598	137,366
	Exchange rate		152,65	214,40	282,18	257,89	202,75	199,58	183,63	172,11	202,34
	GNI PPPs in US Dollars	$	0,49 $	0,44 $	0,40 $	0,38 $	0,56 $	0,64 $	0,64 $	0,67 $	0,68
	2. Equalised PPP nominal compensation US $	$	**8,65 $**	**8,20 $**	**7,90 $**	**8,14 $**	**12,81 $**	**15,08 $**	**16,18 $**	**17,22 $**	**17,78**
	3. Actual Real compensation US $	$	**5,25 $**	**5,67 $**	**5,90 $**	**8,79 $**	**8,59 $**	**8,11 $**	**10,41 $**	**11,20 $**	**9,49**
	4. Actual Nominal compensation US $	$	**2,55 $**	**2,50 $**	**2,36 $**	**3,34 $**	**4,80 $**	**5,18 $**	**6,70 $**	**7,52 $**	**6,44**
	Compensation Deficit in US $ (2 minus 4)	$	**6,10 $**	**5,70 $**	**5,54 $**	**4,80 $**	**8,01 $**	**9,90 $**	**9,48 $**	**9,70 $**	**11,34**
	Wage Equalisation index (4÷2 or 3÷1)		**0,29**	**0,30**	**0,30**	**0,41**	**0,37**	**0,34**	**0,41**	**0,44**	**0,36**
Poland**	GNI PPPs in country currency*		1,572	1,611	1,909	1,720	1,814	1,747	1,684	1,622	2,089
	Exchange rate		3,28	3,48	4,35	4,08	3,66	3,24	2,77	2,41	3,12
	GNI PPPs in US Dollars	$	0,48 $	0,46 $	0,44 $	0,42 $	0,50 $	0,54 $	0,61 $	0,67 $	0,67
	2. Equalised PPP nominal compensation US $	$	**8,76 $**	**8,61 $**	**8,66 $**	**9,03 $**	**11,36 $**	**12,73 $**	**15,28 $**	**17,26 $**	**17,54**
	3. Actual Real compensation US $	$	**5,63 $**	**6,29 $**	**6,27 $**	**7,59 $**	**7,59 $**	**8,12 $**	**9,89 $**	**11,42 $**	**9,17**
	4. Actual Nominal compensation US $	$	**2,70 $**	**2,91 $**	**2,75 $**	**3,20 $**	**3,76 $**	**4,38 $**	**6,01 $**	**7,69 $**	**6,14**
	Compensation Deficit in US $ (2 minus 4)	$	**6,06 $**	**5,70 $**	**5,91 $**	**5,83 $**	**7,60 $**	**8,35 $**	**9,27 $**	**9,57 $**	**11,40**
	Wage Equalisation index (4÷2 or 3÷1)		**0,31**	**0,34**	**0,32**	**0,35**	**0,33**	**0,34**	**0,39**	**0,45**	**0,35**

***Definitions:**

– PPPs stands for Purchasing-Power Parities, which reflect the currency units in a given currency 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 Koechlin, 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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