Mexico’s Wage Gaps

Wage rates for all employed in manufacturing

2020 Report

Manufacturing wage gaps for Mexico vis-à-vis selected developed and “emerging” economies, with available wage and PPP data (1996-2018)

(see definitions and sources at the end of report)
Manufacturing wage gaps for Mexico vis-à-vis selected developed and “emerging” economies, with available wage and PPP data (1996-2018).

© 2020. The Jus Semper Global Alliance — Universidad La Salle - CDMX


E-mail: informa@jussemper.org

Under Creative Commons Attribution 4.0 License
http://creativecommons.org/licenses/by-nc-nd/4.0/

A Collaborative Research Project
Table of Contents

- Political economy argumentation for wage equalisation using Purchasing Power Parities (PPPs) .................................................. 4
- Domestic Perspective: Economic policy context of the state of general wages and manufacturing wage rates in Mexico ................ 11
- Domestic Perspective: Minimum and manufacturing wages rates in Mexico vis-à-vis a Living Wage as the Indispensable Basket of Goods (IBG) ....................................................................................................................... 14
- Domestic Perspective: Economic policy and outlook for general and professional minimum wage rates in Mexico .................. 15
- Domestic Perspective: Charts for minimum wages and manufacturing hourly wage rates ............................................................. 16
- Domestic Perspective: Affordability of the Indispensable Basket of Goods (IBG) ........................................................................... 21
- Global Perspective: The effect of NAFTA 1.0 and 2.0 on labour compensations in Mexico ............................................................. 24
- Global Perspective: PPP equalisation of manufacturing wage rates in Mexico vis-à-vis equivalent US rates and selected countries .......... 28
- Global Perspective: Main features of PPP equalisation of manufacturing wage rates in Mexico vis-à-vis equivalent US rates .......... 35
- Domestic Perspective: Projection to close the gap between the General Minimum Wage and the Indispensable Basket of Goods (IBG) .............................................................................................................................. 42
- Global Perspective: Projection to close the manufacturing wage rate equalisation gap with equivalent US rates ......................... 45
- Prospectus ......................................................................................................................................................................................... 48
- Table T5 – Living-Wage-Gap and Equalisation analysis (vis-à-vis the US) for all employed in manufacturing in purchasing power parity terms 1996-2018 .................................................... 50
- Definitions and Sources ................................................................................................................................................................. 53
Political economy argumentation for wage equalisation using Purchasing Power Parities (PPPs)

### Classic Problem Scenario

- With market liberalisation, MNCs sell their products in both the host countries and in all other markets where they are active, including their home country, at the same or at a very similar sales price,

- They achieve maximum profitability when the manufacturing process in their developing countries’ operations is at par in quality and production efficiency with the standards used in their home operations but their cost of labour is dramatically lower—with respect to North-South relations—as the direct result of unequal exchange structures deliberately imposed on the periphery to maximise returns through the use of global labour arbitrage in the global South. (See: Claudio Jedlicki: Unequal Exchange, The Jus Semper Global Alliance, September 2007 and Intan Suwandi: Return to Production, The Jus Semper Global Alliance, October 2020).

- The MNCs’ markets and their manufacturing and marketing operations are *globalised* but their labour costs remain strategically very low in order to achieve maximum competitiveness and shareholder value at the expense of the South’s workers,

- The resulting situation is one where MNCs get all the benefit. Sometimes the salaries that they pay are higher than the legal minimum wage in the host country. Yet, these wages still keep workers in dire poverty. A minimum wage does not make a living wage even in the most developed economies,

- What has occurred, with market globalisation, is the dramatic widening of the gap between wages in the North and in the South,

- While the standard of living of a worker in the North provides the basic means to make a living and afford a basic standard of comfort, a worker working for the same company, doing the exact same job with the same level of quality and efficiency, lives in a shanty town in a cardboard house with no sewage, water and legal electricity,

- In this way, the huge differential in labour costs is added to the profit margin, keeping the part (the surplus value) that should have provided the worker with an equivalent standard of living to that enjoyed by the same workers in the North. This surplus value from the labour factor is the part rightfully belonging to workers, and that they should have received from inception, as their fair share of the income resulting from the economic activity.
The Argument

- In true democracy the purpose of all governments is to procure the welfare of every rank of society, especially of the dispossessed, with the only end of all having access to a dignified life in an ethos where the end of democratic societies is the social good and not the market. The market is just one vehicle to generate material wellbeing,

- In this ethos, and with markets globalised, workers performing the same or an equivalent job for the same business entity, in the generation of products and services that this entity markets at global prices in the global market, must enjoy an equivalent remuneration,

- This equivalent remuneration is considered a living wage, which is a human right,

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

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

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

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

- Article 23 of the UN Universal Declaration of Human Rights on the following points:
  a. Everyone, without any discrimination, has the right to equal pay for equal work,
  b. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
- Article 7 of the UN’s International Covenant of Economic, Social and Cultural Rights of 1966: (i) Fair wages and equal remuneration for work of equal value without distinction of any kind, in particular women being guaranteed conditions of work not inferior to those enjoyed by men, with equal pay for equal work; (ii) A decent living for themselves and their families;
- ILO’s Convention 100 of “equal pay for work of equal value”, which is applied for gender equality, but applied in this case to North-South equality, using PPPs as the mechanism,

- The proposal is to make workers in the South earn living wages at par with those of the First World in terms of PPPs in the course of a generation (thirty years),

- There will not be any real progress in the true sustainability of people and planet –reversing environmental degradation and significantly reducing poverty– if there is no sustained growth, in that period, in the South’s quality of life, through the gradual closing of the North –South wage gap; attacking, in this way, one of the main causes of poverty, and pursuing concurrently sustainable development –rationally reducing consumption in the North and rationally increasing it to dignified levels in the South, thus reducing our ecological footprint on the planet,

- Just as the International Labour Organisation’s Decent Work Agenda states, the decent work concept has led to an international consensus that productive employment and decent work are key elements to achieving poverty reduction,

- The material quality of life in Jus Semper’s The Living Wages North and South Initiative (TLWNSI) is defined in terms of purchasing power, so that equal pay occurs when purchasing power is equal,

- Purchasing power is determined using purchasing power parities (PPPs),

- Purchasing power parities (PPPs) are the rates of currency conversion that eliminate the differences in price levels between countries.
Concept of Living Wage Using PPPs

The concept of a living wage using PPPs is straightforward. To determine real wages in terms of the purchasing power of any country in question, the PPPs of this country are applied to nominal wages. These are the real wages for each country,

Purchasing power parities reflect the amount in dollars required in a given country to have the same purchasing power that $1 US has in the United States; e.g.: if the PPP index in one country is 69, then $0.69 are required in that country to buy the same that $1 buys in the US; 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 US; the cost of living is, thus, higher,

To calculate a living wage, the real wage of a specific category of US workers is used as the benchmark, and the PPPs of a country in question are then applied to the US 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 US worker. This is the equalised wage in terms of purchasing power,

In this way, the comparison between the actual real wage of the country in question exposes the gap, in real terms, between the current real wage of the worker of the country in question and the living wage it should be earning, in order to be equally compensated in terms of PPPs,

In practice, since the PPPs vary annually, due to the dynamics of economic forces, the pace of the gradual equalisation of wages, through small real-wage increases, needs to be reviewed annually.

It must be pointed out that this rationale does not even take into consideration that the neoliberal paradigm of staunch support for supply-side economics has consistently depressed for three decades the purchasing power of real wages in the US, the benchmark country for wage equalisation. This has been attempted to be resolved by women joining the work force and, fictitiously, through over indebtedness, which eventually has brought us down to the great implosion of capitalism in 2008. In this way, this equalisation analysis is made in the context of a course set forth during three decades of global depression of real wages in favour of international financial capital.
### The Argument for Wage Equalisation Using Purchasing Power Parities (PPPs)

#### A Classic Example in 2018

- Equivalent manufacturing workers in Mexico and Brazil earn only 24% and 32%, respectively, of what they should be making in order to be compensated at par with their US counterparts in terms of purchasing power,
- US workers earn $40.07/hour whilst Mexican and Brazilian workers earn only $5.18/hour and $8.16/hour, respectively,
- Since costs of living in PPP terms in Mexico and Brazil are $0.54 and $0.64, respectively, for each $1 US dollar, equivalent Mexican and Brazilian manufacturing workers should be earning instead $21.49/hour and $25.83/hour, respectively, in order to enjoy equal purchasing power compensation,
- The difference is the wage rate gap that employers actually rob to increase profits,
- Canada, in contrast, has a much smaller gap with its US counterparts, since its nominal wage rate ($33.02) is 82% of the equivalent wage rate ($40.21) needed to be at par, with a PPP of $1.00 per each $1 US dollar.

<table>
<thead>
<tr>
<th></th>
<th>Nominal Hourly</th>
<th>PPP</th>
<th>PPP</th>
<th>Equalised Hourly</th>
<th>Equalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>40.07 US$</td>
<td>100</td>
<td>40.07 US$</td>
<td>40.07 US$</td>
<td>100</td>
</tr>
<tr>
<td>Canada</td>
<td>33.02 US$</td>
<td>100</td>
<td>32.91 US$</td>
<td>40.21 US$</td>
<td>82</td>
</tr>
<tr>
<td>Brazil</td>
<td>8.16 US$</td>
<td>64</td>
<td>12.66 US$</td>
<td>25.83 US$</td>
<td>32</td>
</tr>
</tbody>
</table>

Sources:
- International Observatory of Living Wages 2020.
- Data base of World Bank’s World Development Indicators, 1975-2019, (private consumption PPP indicator)
A Classic Example in 2018

- From a graphic perspective, the first pie chart shows the U.S. real wage rate for all employed in the manufacturing sector, which is always the benchmark. In the case of Mexico, the pie chart exhibits the nominal wage rate earned, the nominal wage rate equalised with the U.S. wage rate—always in purchasing power parity terms, and the difference retained inappropriately (deliberately).
- The nominal equalised wage rate of $21.49 is what all employed in Mexico’s manufacturing sector should earn to be equally remunerated (in purchasing power terms) for performing an equivalent task (because Mexico’s PPP cost of living is 54% the cost in the U.S.). Yet, workers only earn $5.18 instead of $21.49, thus the employer deliberately retains $16.31, which constitutes the greater part of the surplus value that legitimately belongs to Mexican workers, according to TLWNSI’s concept.
- In this way, the second pie chart shows how the employer retains inappropriately 76% of labour’s surplus value, or labour share of income, by only allocating to the worker 24% of what he/she is entitled to.
Domestic Perspective
The staunchly predatory, corrupt and fraudulent governments of Mexico, imposed a policy of wage erosion and containment at an extremely precarious level in manufacturing and all economic sectors, as one of the pillars of their economic policy for nearly 36 years. With the current government, this appears to be changing.

**Context:** Mexico mafia-like governments imposed for over three decades, from 1983 to 2016, an extreme version of neoliberal economics, which included as one of its core pillars a carefully designed labour policy to plunder wages across the economy to bring them down to levels of outright servitude. The illegitimate and robber-baron nature that accurately portrays the Mexican state imposed an ethos of modern-slave-work, of near labour bondage that drags the country back to conditions prevailing a century ago. This brought down Mexico's labour compensations in manufacturing, from a global perspective, to the lowest levels among the 41 economies included in our annual reports. In real terms, using purchasing power parities, only China, India and the Philippines record lower wage rates for total labour compensation costs than Mexico. However, in contrast with the trend followed by Mexico, China has recorded strong increases of its hourly wage rates in manufacturing and is slated to close in with comparable wage rates in Mexico in the next few years. Nonetheless, the new government appears to have changed its policy and has now substantially increased the minimum wage in real terms. Manufacturing wages in particular have experienced meaningful increases between 2016 and 2018, closely in line with the first increases in real terms to the minimum wage since 1983, and should benefit from strong increases to minimum wages in 2019. In 2020 the minimum wage was increased 16% in real terms, but the COVID-19 pandemic may likely hamper the pressure to raise wages in all economic sectors in ways that cannot be assessed clearly until 2021.

The consumer price index (CPI) for the basic goods consumed by working families is substantially higher than the inflation index for the entire economy, when measured against a basic basket of indispensable goods. During the neoliberal period up to 2016, labour policy maintained the minimum wage at its lowest level by blocking any increase above CPI inflation. This wage erosion trend is consistent with the data reporting on the wages of all employed in manufacturing since 1996. Mexico's equalisation index virtually did not move between 1996 and 2015, hovering between 19 and 21 for the period, unlike the vast majority of countries, which have shown marked improvements in equalisation. Furthermore, when we use wage rate data that goes back to 1975, the plundering is far more daunting for the greater part of the erosion of real wages took place before 1996 both for general wages and manufacturing wages.

Hence, there is no surprise whatsoever that Mexico’s labour share of income is extremely low worldwide, even when compared within its region. In the latest report of the Economic Commission for Latin America and the Caribbean, Mexico shows the second lowest wage share of income vis-à-vis the GDP. In 2016, the share of wages in total income for Mexico was only 26.7%. By comparison, Costa Rica, Brazil, Honduras and Argentina all recorded shares between 46.8% and 42.8% (ECLAC: Social Panorama of Latin America • 2018, page 51.) Thus, Mexico stands out as one the most unequal economies. ECLAC asserts that Mexico leads the list of countries in Iberian America with the greatest concentration of wealth in a few hands (Dora Villanueva: México, país de AL donde se concentra más la riqueza: Cepal, La Jornada, 15 January 2019). ECLAC also reports that Mexico's poverty rate is 15% higher than the region's average (Mathieu Tourliere: Pobreza en México, 15% superior al promedio de América Latina: Cepal, Proceso, 15 January 2019). Indeed, the ECLAC report explains that although the Gini index is 0.50, it was 0.69 for the value of dwellings and 0.78 for contracts in brokerage firms (value of investment in financial assets), which is the worst in the region (ECLAC: Social Panorama of Latin America • 2018, page 19). A 0.0 Gini means perfect equality. Thus we are assessing one the most unequal societies in the world.
The pauperisation of the labour’s share of income of Mexico would not be possible without the full support of partner countries, prominently the US and the EU, which in full compliance with the centre-periphery system of monopoly capital had no qualms in allowing Mexico’s governments to unleash a policy of labour rights violations. The repression centred on the destruction of trade unions, the harassment of their leaders and the blatant violations of labour law, given the state of absolute impunity prevailing in Mexico until 2018. The ILO’s core conventions, ratified decades ago by the Mexican state, were violated customarily. In 2018 Mexico finally ratified ILO’s convention 98, on the right to organise and collective bargain. With this Mexico has ratified the eight core conventions on labour rights. But one thing is ratifying international labour law and another is enforcing it. With the current government of López Obrador it is too early to tell. So far there are no clear signals of structural changes in the part of the state to enforce and protect labour rights. NAFTA has been extremely pernicious for Mexican workers, who, as an instrumental component of the global supply chains, subsidise US wages and consumer prices with modern-slave-work wages, with millions losing their livelihoods, and many forced to migrate to the US. The Mexican State, well aware that NAFTA and other trade agreements would destroy the social fabric, surrendered natural resources and converted the vast majority of the population into a huge mass of labour commodities in the global commodities supply chains of transnational corporations. NAFTA 2.0, already ratified and put into effect last July, will only consolidate a system of dispossession and plundering of the workers’ legitimate right to enjoy a dignified quality of life by earning a living wage for equal work of equal value. The new government was eager to ratify the new NAFTA and has not shown any interest to protect workers of NAFTA supply chains, particularly in the automotive sector, as this report details on pages 24-27.

As a consequence, the country has suffered a terrible transformation in the components of job generation. According to the government's data, at least 57% of the economically-active population is working in 2020 in the informal sector according INEGI (Encuesta Nacional de Ocupación y Empleo. Indicadores estratégicos. Primer trimestre de 2020). Wages and other labour compensations of those making a living in the informal sector occur in much worse conditions than those prevalent in the manufacturing sector addressed in this assessment.

The precarisation of the livelihoods of the vast majority of the population became so intense during the government of Peña Nieto (2012-2018) that the minimum wage was increased for the first time in real terms (above CPI inflation) since 1981. This can be clearly observed in the chart on page 16, by looking at the minimum wage index relative to its value if indexed to CPI. The index was virtually a flat line since the turn of the century to finally increase from 2016 onwards. In 2015, Mexico's minimum wage amounted to $4,37. (P $69,19) for an 8-hour shift. This is equivalent to about $0,55/hour or 7,5% of the US minimum wage, despite the fact that México's PPP for private consumption was 60% of the US in 2015, which would require Mexico’s minimum wage to be of $4,35/hour to be at par in purchasing power with the US minimum wage. Furthermore, this does not even take into consideration that the US minimum wage is also far from being a living wage, which makes this metric alone a clear indicator of the labour-bondage ethos of Mexico’s minimum wage.
To put TLWNSI’s living wage equalisation concept in a local context we look at the state of the minimum wage and hourly manufacturing wage rates in real terms relative to inflation rates for the consumer price index or CPI.

**Minimum wages 1975-2020.** Minimum wages are set by the federal government every year. First we assess the behaviour of minimum wage policy against the CPI for the period 1996-2020, to compare their behaviour relative to manufacturing wage rates, which cover the 1996-2019 period. When we look at the chart on page 16, the minimum wage consistently erodes by increasing at a lower rate than the CPI. It erodes rapidly between 1996—two years after NAFTA went into effect—and 2000. The minimum wage rate loses 23-25% of its 1996 position within a period of five years. Subsequently, as the direct result of the government’s deliberate policy of wage containment, it records a virtual flat line until 2016 in its index against CPI inflation. Then, it starts growing for the first time above inflation in more than three decades. This is all the more evident in 2019 and 2020 with the new government, when it increased the general minimum wage 16.2% and 20% nominally and 11.3% and 16.4% in real terms respectively. In this way, using 1996 as the benchmark, the minimum wage recovered from its lowest index of 75 recorded between 2009 and 2011, and it is now 13% above its 1996 value, vis-à-vis CPI inflation. The new policy is the result of a so-called “Independent Recovery Amount” (MIR); an arbitrary amount determined by the National Commission on Minimum Wages and approved by Congress to gradually recover part of the ground lost over time. The new government is applying the same MIR and, so far, has consistently declared its intention to apply the same policy until the end of its term in 2024.

Nonetheless, given that the minimum wage and all wages in the economy were customarily and systematically eroded as a matter of economic policy for more than three decades, the picture changes dramatically when we look at minimum wages since 1975. As observed in the chart on page 20, minimum wages increased between 1975 and 1983, gaining 56% in real terms against the CPI. Then, from 1984 onwards, minimum wages literally collapse in real value as the government’s policy of plunder continues unabated. In this way, the minimum wage loses 38% in real terms in just one year (1984) and then loses another 64% by 1996, representing a total loss of 78% of its value in 1983. Yet, the erosion continues at a slower pace for another six years, when it stabilises at an index of 25 using 1975 as its benchmark, for a total loss of 75% of its 1975 value. Hence, the 23-25% erosion we first observed in the 1996-2019 period on page 16 represents only the last phase of the attrition policy to plunder real wages. Lastly, if we compare the minimum wage’s best position in real terms in 1982, with an index of 157 and, its worst position during the 2009-15 period with an index against CPI of 26 (page 20), the erosion is a dramatic 83%. This explains the explosion of poverty, inequality and the lost of labour’s share of income in the economy, making Mexico the country in Iberian America with the lowest minimum wages for many years.

**Hourly manufacturing wage rates 1975-2019.** If we perform the same assessment for manufacturing wages rates (hourly compensation costs in manufacturing), we observe a similar behaviour, albeit not as dramatic. The chart on page 17, for manufacturing hourly rates between 1996 and 2019, also exhibits a gap representing a loss of 12-13% in real terms against CPI inflation up to 2000. Then it hovers on a band between 90 and 94 indices for the next 15 years (2015). Subsequently, the hourly rate starts recovering rapidly to reach a 16% gain over its 1996 value in 2018 and is projected to reach 17% by 2019. It should be noted that, for the 2017-2019 period, we are using hourly wage data from Mexico’s federal government statistical institute (INEGI), from its annual and monthly surveys of the manufacturing sector (ENIM surveys) instead of The Conference Board (TCB) reports that we customarily use. TCB has not published updates for these years so far. However, the data remains consistent for TCB also uses the same INEGI data that we are incorporating. An alternative suggestion by TCB was to use its productivity indices as the basis to estimate 2017 and 2018, as shown in the chart on page 18 as a mere reference. Using this criterion shows only a slight recovery by 2017, but then it goes back to its 1996 level in 2018. Hence, we perform our assessment based on INEGI’s data to remain consistent with our historical methodology, instead of using productivity data that breaks with it. When we compare the behaviour of both the minimum wage and manufacturing hourly rates for the 1996-2019 period, they behave similarly, but with a stronger growth of manufacturing rates from 2016, that subsequently stabilises, whilst the minimum wage sustains a strong growth, as observed in the chart on page 19.

If we observe the behaviour of manufacturing hourly rates since 1975 in the chart on page 20, we will observe a very similar behaviour to that observed with minimum wages. The hourly rate achieves its best position in 1982 by gaining 57% over its 1975 level in CPI real terms. Then it also plummets from 1983 until 1990 when it stabilises at a plateau that hovers in the mid 60 indices in CPI terms from 1975, representing a sustained average loss of 57% of its 1982 value between 1990 and 2015. So the 12-13% erosion we first observed in the 1996-2019 period on page 17 is only the last phase of the loss recorded. Such behaviour is very consistent with minimum wage trends but with a loss significantly smaller (57% versus 83% respectively). The similarity in the behaviour of both wages rates confirms once again how minimum wages always work as the benchmark for future wage rate behaviour of the entire economy. It must be clear that the dismal value of wages are due to a deliberate economic policy of plundering. Since 1981, when production-line wage rates achieved their highest index in Mexico, they initiated a constant erosion in PPP terms, dropping to half of its 1981 equalisation index by 1995, one year after NAFTA became effective, with the full support of employers by the state, through its customary policy of pauperisation and trade union coercion and intimidation, to keep the vast majority of workers under modern-slave-work conditions.

If it should be noted that the hourly rates in manufacturing for the 1975-1995 period are for production-line workers, whereas the rates for the 1996-2019 period correspond to all employed in manufacturing, which incorporates administrative workers. The hourly rates for the latter are 16% higher on average than the former in US dollars, which is not significant for this assessment. As shown on page 20, this explains the increase of manufacturing wage rates from 62% in 1994 to 74% in 1996, but then the sustained erosion of real wages continues for the whole period until 2015. This finding is further reinforced by its consistent behaviour when measured against equivalent hourly wage rates in the US in terms of equalisation as shown in the chart on page 29.
The Indispensable Basket of Goods/Living Wage. To put TLWNSI and the IOLW living wage equalisation concept into a local context, we also look at the state of the minimum wage and hourly manufacturing wage rates in real terms vis-à-vis “the indispensable basket of goods” (IBG), which is considered the minimum necessary for a household of generally four to enjoy a dignified quality of life, which is tantamount to a living wage. Mexico’s 1917 Constitution determines that the minimum wage of the head of household must provide a life worthy of human dignity to all the members of his/her household. The IBG provides the living wage standard to assess the quality of minimum wages and all wages in the economy. The IBG is an academic standard developed to measure the purchasing power of wages and as a reliable indicator to assess poverty. The IBG is a far more accurate metric of living wage affordability than CPI inflation, for it is based on the monthly expenditure in goods and services that a family requires to enjoy a dignified quality of life, which is comparable with a realistic living wage.

IBG and Minimum Wage. In the past we used the IBG from the “Wage Observatory Centre” of the Universidad Iberoamericana (UIA), which dates back to 2014. However, Jus Semper and Universidad La Salle, Mexico City campus, have joined efforts to create the International Observatory of Living Wages (IOLW). As part of this endeavour, we have committed to assess on an annual basis the cost of the IBG. As a result, we completed our first IBG assessment for the Mexico City metropolitan area, assessing its cost with November 2019 prices in a variety of consumer shopping options. The IBG is composed of a food-items basket, a non-food-items basket and the cost of preparation and conservation of the food basket for a household of 3.75 members. The specific methodology is available at the IOLW’s website (Spanish-language only). Our IBG is designed to determine not the minimum necessary to be above the poverty line or the bare minimum necessary for the reproduction of the workforce. Instead, we have designed a basket to determine the minimum necessary to enjoy a dignified quality of life. This is equivalent to the amount necessary for a wage to be regarded as a living wage. Typically, this assessment is performed against Mexico’s minimum wage. In the IOLW assessment, the combined monthly cost of the three components of the IBG in 2019 is P$25,356.11. Given that the monthly minimum wage is P$3,080.40, it affords 12.1% of the IBG, as observed on page 21. In other words, in order to buy the IBG, the equivalent of 8.2 minimum wages after taxes are needed. In 2014, the IBG from the Universidad Iberoamericana determined that the minimum wage could afford 12.3% of the cost. Hence the relationship has not changed in five years.

IBG and Manufacturing Wages Rates. When measuring the affordability of the indispensable basket of goods by workers in the manufacturing sector, which are typically the best paid workers in the economy, we regress the estimated CPI for 2019 to bring back the cost of the IBG to 2018 prices, and we obtained an estimated cost of P$24,465. The hourly direct pay (not counting taxes, social or company indirect benefits) of all employed in manufacturing in Mexico is 70.2% of the gross pay. Using the ENIM wage rate data, the hourly direct pay in dollars for 2018 is then $3.64 and in pesos is P$69.98. If we convert this into a monthly income at 48 hours per week, we get a net monthly wage rate of $14,555.56, which shows that not even the best paid workers in the economy were able to afford the IBG in 2018, for they could only buy 59.5% of it, as illustrated in the chart on page 21 in US dollars, less than the projected 60.9% of 2019. As for the 2018 monthly minimum wage of P$2,650.80, which is a net income, the affordability of the same IBG at 2018 prices was 10.8%, less than the 12.1% of 2019—as illustrated on page 21—resulting from the gain in real terms previously mentioned.

However, according to INEGI, the government’s statistics institute, 78% of all salaried workers earned five minimum wages or less, only 4% earned more than five minimum wages and 14% did not disclose their income in 2019, as illustrated on page 22 (INEGI: Indicadores estratégicos de ocupación y empleo, ENOE 2019). Thus we can very conservatively assert that at the very least 85% of all salaried workers could not afford the IBG in 2018 or 2019.
Professional minimum wages rates and the border free zone. Mexico’s minimum wage has a “general minimum wage” and a “professional minimum wage” tier. The latter is the minimum wage for 59 specific “professions, trades and special jobs”. This refers to a tier of 59 specific activities that do not require a university degree but refer to some degree of skill to perform the work. These activities range from drivers for public transportation service, electricians, plumbers, construction workers, carpenters, painters, welders, office clerks and seamstresses, among others. The minimum wage rates for these activities are typically about 25% higher for the lowest-pay activity than for the general minimum wage rate.

Mexico’s new minimum wage policy included a truly unprecedented increase of 100 percent to the general minimum wage in all the municipalities of the six states that are located on the Mexico-US border, a sign that increases of this magnitude are possible. The daily general minimum wage was raised for 2019 from P$88,36 to P$176,72 for 42 municipalities. In this case, the 59 professional minimum wages were also increased to put them at par with the general minimum wage at P$176,72. These municipalities account for 6.5% of the total population of Mexico, according to INEGI’s 2015 inter census count. The rationale conveyed by the government for this sharp increase was to make these border municipalities a special free zone with the goal of closing the gap with the municipalities/counties on the US side of the border. There is no rationale, however, to justify the fact that now there is no difference, in the border region, in compensation between a general minimum wage and the 59 activities that require specific skills and that normally are compensated at higher rates. On the other hand, the minimum wage rates for the 59 activities for the rest of the country were increased at a lower rate in 2019 than the 16.2% for the general minimum wage, amounting to 9.1% of the rate in effect at the end of November 2017. This issue was addressed belatedly a year later for 2020, and the 59 activities were increased at a rate mostly ranging between 17% and 20%.

It follows that wage rates for the 59 tier must be increased at the same rate as the general minimum wage to keep a reasonable difference in compensation. If this stark incongruence is not fixed, the general minimum wage will catch up with professional minimum wages. Given that professional wages were only increased 9% and the general minimum wage increased 16.2% in 2019, and in 2020 by 5% for the 59 activities and by 20% for the general minimum wage, the latter will eventually catch up with wages that are paid to people who perform work requiring more specific and higher qualified skills. Thus, it is not clear how this wage policy seeks to reduce poverty. Even if the general minimum wage policy continues to increase its value in real terms in subsequent years, what will the government do with the 59 professional minimum wages? Would they be eliminated and thus have a single minimum wage for all activities? From a living wage perspective, this would only make sense if all minimum wages were increased several hundred percent to close the gap with the cost of the IBG both in the free border zone and in the rest of the country. This is a completely unrealistic scenario, even if it is performed gradually during the remainder of the current administration. It is quite positive that the government is increasing the minimum wage significantly above inflation, but it needs to develop a rationale for both the general and the professional minimum wage that clearly awards a greater compensation to trades that require a specific set of labour skills.

Outlook for Mexico’s wage policy under the current government. We reaffirm our previous assessment that conditions are planned to only change marginally for the better for workers due to the absence of any plans to replace the current structures of exploitation. Creating a living wage ethos in Mexico requires the commitment of successive governments for at least 25 years. The first step is for the current government to develop legislation that would put in place the necessary legally-binding mechanisms to raise the minimum wage annually in real terms until it provides a dignified standard of living. The government has clearly complied in 2019 and 2020 with its pledge to increase meaningfully the real value of minimum wages during its term, but it has not indicated any intention to set the stage for the future by making this policy a matter of law. To be sure, even with a binding legislation there is no assurance that future governments will not attempt to change direction and backtrack on the gains obtained during the current government. Brazil is a clear example of how the minimum wage appreciation legislation enacted by the Lula government has been rendered obsolete by subsequent governments that returned to the supply-side economic policies that decimated the workers’ share of income for decades. Furthermore, the COVID-19 pandemic has put a real challenge on all governments, and we do not know yet if Mexico’s government will stick to its word and prioritise its policy of minimum wage appreciation or if, using the pandemic as a justification, will return to policies that support employers in detriment to their workers.
The general minimum wage consistently erodes from 1996 until 2016 when it begins to grow above the CPI, finally rising above inflation by 13% in real terms by 2020.
Manufacturing hourly wage rates consistently erode from 1996 until 2016 when they begin to grow above the CPI, ending 17% above their 1996 value in real terms by 2019.

Sources: WB, U.S. BLS, TCB, INEGI, IOLW
When using productivity indices from the Conference Board for 2017 and 2018, manufacturing hourly wage rates consistently eroded since 1996. They then showed some growth above the CPI in 2016 and 2017 but dropped again in 2018 to remain 8% below their 1996 value in real terms.

Sources: WB, U.S. BLS, TCB, IOLW, INEGI
Both the minimum wage and manufacturing hourly rates behave similarly for the entire period, with a stronger growth of manufacturing rates from 2016 that subsequently stabilises, whilst the minimum wage sustains a strong growth.

Sources: WB, U.S. BLS, TCB, INEGI, IOLW
Observing the behaviour of minimum wages and manufacturing hourly rates starting from 1975 instead of from 1996, shows that the greater part of a dramatic wage erosion in real terms occurs between 1982 and 1996, to then stabilise at significantly lower plateaus. Both indices behave similarly, but the erosion of manufacturing hourly rates is not as drastic as of minimum wages. From 2016 onwards, the minimum wage develops a sustained growth.

Sources: WB, U.S. BLS, TCB, IOLW, INEGI

Note: 1975-1995 hourly manufacturing wage rates are for production-line workers and from 1996 onwards for all employed in manufacturing.
Domestic Perspective | Minimum and Manufacturing Wages

Value of wages from a domestic perspective in Mexico
(versus the minimum necessary to enjoy a dignified quality of life)

- Indispensable Basket of Goods (IBG) (monthly cost in Mx pesos)
- Monthly manufacturing wage rate after taxes and SS (in Mx pesos)
- Monthly General Minimum wage (net in Mx pesos)

Source: IOWL (ULSA-Jus Semper)

<table>
<thead>
<tr>
<th>Year</th>
<th>Indispensable Basket of Goods (IBG)</th>
<th>Monthly manufacturing wage</th>
<th>Monthly General Minimum wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>24,465 Mx pesos</td>
<td>14,556 Mx pesos</td>
<td>2,651 Mx pesos</td>
</tr>
<tr>
<td>2019</td>
<td>25,356 Mx pesos</td>
<td>15,429 Mx pesos</td>
<td>3,080 Mx pesos</td>
</tr>
</tbody>
</table>

Affordability of IBG by manufacturing wage = 59.5%
Affordability of IBG by minimum wage = 10.8%
Affordability of IBG by minimum wage = 12.1%

Affordability of IBG by manufacturing wage = 60.9% (projected for 2019)
According to the Mexican government, 78% of all employed persons earned not more than five minimum wages, but it takes +8 minimum wages to afford the basket.

Our estimate is that not more than 14% earned enough to buy the basket in 2019.
Global Perspective
The effect of NAFTA on labour compensations in Mexico

Global Perspective | Manufacturing and Agriculture

Effects of NAFTA 1.0 in the in-bond plants sector of the Global Commodity Chains in place in Mexico and in the agricultural sector

- **NAFTA 1.0** For Mexican workers, NAFTA has been disastrous for workers in the manufacturing and agricultural sectors, the two major sectors participating in NAFTA. The agreement has been particularly pernicious for workers in in-bond plants of the global commodity chains that developed with the agreement. These are its main features:
  - In 1976, before NAFTA, the sector had 448 plants employing 74,500 workers;
  - In 2019, after NAFTA, the sector reported 6,339 plants employing almost 3 million workers, at modern slave-work prices;
  - The level of exploitation, labour and human rights violations, and workplace hazards and insecurity is the worst in the entire industrial sector, including the murder or disappearance of thousands of female maquiladora workers along the border;
  - The main reason for offshoring from the centre of the system into its periphery is cheap labour costs to maximise return on investment and shareholder value.

- **Agricultural sector**, NAFTA’s rather pernicious effects destroyed or reduced the quality of life of millions of people in the three countries, particularly in the agricultural sector due to agribusiness. But it was in Mexico where the greatest damage was inflicted. As a result:
  - NAFTA liberalised corn and many other products such as sugar and beans;
  - Agribusiness corporations (Cargill, ADM…) flooded the market with subsidised products at prices below production costs in Mexico;
  - By 2006 over two million agricultural jobs, including 1.7 million small farmers, were lost and workers, farmers and their families were forced to leave the countryside.
  - Because two million lost their jobs, eight million lost their livelihoods, as the average Mexican family has four members

- **The plundering of the quality of life in Mexico forced Mexicans families to leave their towns with three choices:**
  - move to the slums of Mexico’s big cities and seek work, mostly in the underground economy, at modern slave work wages;
  - migrate to the US;
  - or join the ranks of people working for the drug cartels and other forms of organised crime.

NAFTA 2.0 is designed to deepen the structures of exploitation and depredation of Mexican human and Natural resources, to extract value in the circuits of capital developed since NAFTA 1.0 for the exclusive benefit of global corporations and their domestic partners in Mexico. The agreement discussed behind closed doors as opposed to in an “Open Parliament”, incorporates two new major labour provisions, one potentially positive and one potentially negative

✓ A potentially positive new labour provision if enforced:

⇒ Mexico’s labour reform has incorporated ILO’s Convention Nr.98 for “Right to Organise and Collective Bargaining”.
⇒ With its ratification by Congress, Mexico has ratified the Eight Fundamental Conventions of the ILO. But if they are not enforced, as is customarily the case, they become meaningless.
⇒ In line with convention 98, NAFTA’s 2.0 text includes modest but meaningful labor standards gains. The key one is: the “Rules to end wage-suppressing “protection contracts” in Mexico”;
⇒ If this is enforced, this could make a real difference over time to raise Mexican wages, which also would cut incentives to outsource jobs to Mexico;
⇒ Monitoring by NGOs indicate that business as usual is prevalent and workers’s rights continue to be systematically violated (For further detail see: Public Citizen on NAFTA and New NAFTA, 1994 NAFTA vs. Trump 2018 NAFTA 2.0 vs. 2019 New NAFTA and Statement: Susana Prieto Terrazas on Panista Persecution Against Defense of Workers Rights).
⇒ So far NAFTA’s 2.0 text lacks the monitoring or enforcement terms necessary for the rules to make a difference for workers. If this changes and the new rules are enforced, it would be very positive.
⇒ The Agreement has been ratified by Mexico, Canada and the US and is now the agreement in place since 1st July 2020.
⇒ There is still broad scepticism on the enforcement of ILO’s conventions and NAFTA 2.0 provisions to protect labour rights. The Mexican government has committed to materialise the provisions in the Mexican government’s budget that would underwrite the policy changes and included promises to uphold labor rights and boost the Mexican minimum wage. So far the Mexican government has increased the minimum wage as promised.
The potential effect of the upcoming NAFTA 2.0 on Mexican wages

A potentially rather negative new labour provision if it materialises — A new Rules-of-Origin provision for the motor-vehicle industry - Article 7

- Parties agreed on a labour value content (LVC) of 40 percent for passenger vehicles and 45 percent for light and heavy trucks;
- 40/45 percent of the value of cars and light and heavy trucks must be produced by workers paid $16/hour to qualify as “originating” in North America for zero trade tariffs;
- At least two-thirds (67%) (30% of the 45/40 percent LVC) shall come from high-wage material and manufacturing expenditures, not more than 11% from high-wage assembly expenditures and not more than the 22 percent from high-wage technology expenditures.
- The underlying, and a major problem, is that it is rather difficult to calculate its real effect, because only auto firms know precisely where each element of their product is made and so far there is no process in place to assess this effect.

The much bigger problem is the potential of a double-edged sword:
This could well be very positive by pressuring corporations to increase wages in Mexico, but it can also be a Trojan horse from the Trump Administration against Mexico if he remains in power;
- In 2016—the latest data available—the hourly direct pay in the automotive industry were: Mexico $3,14/hour, US $37,22 and Canada $27,28.
- The gaps in real PPP wages in manufacturing, and specifically in the automotive industry, are so enormous that it would take at the very least more than two decades to fully close the gaps for equal pay for equal work in PPP terms.

A potential positive scenario:
- The new Mexican government committed to recover real wages and has already increased the minimum wage in 2019 by an unprecedented 16.2% and by 20% in 2020;
- Even if we make a rather simplistic and optimistic assumption and apply the actual increase for 2020 of 20% to motor industry wages and we project to achieve a nominal wage of just $16/hour, it would take roughly nine years to reach the motor-vehicle threshold if all assumptions (inflation, PPPs, exchange rates) materialise as shown on the following page:
The effect of NAFTA on labour compensations in Mexico

The potential effect of the upcoming NAFTA 2.0 on Mexican wages

A potentially positive effect on putting pressure to raise Mexican wages in the automotive industry with NAFTA 2.0 can turn into a double-edged sword with Trump.

Knowing Trump, if he is still in power for another term, he could easily demand that a chunk of motor vehicle production from Mexico be transferred to the US because the LVC of $16/hour was not met in Mexico.

Nine-year projection of Mexico's hourly nominal wage rates (hourly direct pay earnings without benefits or other compensation costs) of motor vehicle industry workers – average increment of 20% annually until reaching the $16/hour motor-vehicle industry threshold in NAFTA 2.0. (US dollars)

Sources: WB, U.S. BLS, TCB, IOLW

◊ Mexico's nominal wage ($) – Average increment. 20% annually
rief US wage
Mexico's PPP real wage
Rate of equalisation reached

October 2020
IOLW - (WGMex 96/18)
PPP equalisation of manufacturing wage rates in Mexico vis-à-vis equivalent US and selected countries rates

### Wage rate equalisation track record since 1975

As shown in the chart on page 29, Mexico’s Eq-Idx between 1975 and 2018 for production-line workers in manufacturing reaches its best position in 1981 with a 43 index to then rapidly erode until it reaches a plateau by the time NAFTA comes into place in 1994 to then remain as a flat line until 2016-18 when it appears to be recovering. Under the spell of sheer neoliberal economic policies, Mexico’s manufacturing real wage rates endure a systematic erosion that gradually loses more than half their value. In this way, in 1996 real wage rates dropped to their worst level since 1975, with an equalisation index of barely 19 with their US counterparts, hovering between 19 and 21 indices for eighteen years until it appears to improve in 2016.

### Comparison with South Korea

The case of South Korea, included in pages 30 and 31, clearly shows the great difference in the performance of the wage rates for all employed in manufacturing in their equalisation with those of their US counterparts vis-à-vis Mexico’s wage rates. The gap for all employed in manufacturing is not nearly as dramatic as that for production line-wage rates in past reports, which start in 1975 but it clearly show a widening gap in the Eq-Idx of both countries. For production-line workers, South Korea’s outcome could not be more divergent with Mexico’s, for its equalisation index in 2009 was almost three times greater than Mexico’s (65 over 23), whilst in 1975 South Korea’s equalisation index was barely 30% of Mexico’s (11 vs. 37).

This contrast becomes even more evident when comparing the mutual proportion of PPP real wage rates of both countries between 1975 and 2009. In 1975 Mexico’s production-line real wage rates were 3.5 times South Korea’s. By 2009 we observe an inverse relationship, for South Korea’s wage rates were 2.9 times Mexico’s. As for all employed in manufacturing, in 1996 Mexico’s real wage rates were 39% of South Korea’s, but by 2018 they were down to only 33% (page 31). This exposes how a state committed to social wellbeing can make real wages reach the ranks of those of the major economies. Instead of surrendering its labour market to the global commodity supply chains, that are centred on a system of modern-slave-work, South Korea chose endogenous development by strengthening its domestic market’s aggregate demand and opening competitive economic sectors only, which gradually led South Korea to become competitive in global markets too. (Alice H. Amsden: Asia’s Next Giant: South Korea and Late Industrialisation, Oxford University Press, 1989) and Álvaro J. de Regil: South Korea’s tortuous road towards a living-wage ethos, A TLWNSI Living Wage Assessment, The Jus Semper Global Alliance, October 2013.
PPP equalisation of manufacturing wage rates in Mexico vis-à-vis equivalent US and selected countries rates

Global Perspective | Manufacturing

How wages have been decimated in Mexico over time (Before and after NAFTA)

Hourly wage rates equalisation indices in the manufacturing sector

US

Mexico

NAFTA (1994)


Notes: 1975-1995 hourly manufacturing wage rates are for production-line workers and from 1996 onwards for all employed in manufacturing. If we use the TCB productivity indices, the Eq-Idx would remain at 19. We believe that the ENIM survey data used in the chart—the same source used for all previous years—is the far more realistic indicator.

Sources: WB, U.S. BLS, TCB, IOLW
Equalisation index comparison in PPP terms of hourly real wage rate with equivalent US hourly wage rate of Mexico and South Korea for all employed in the manufacturing sector (1996-2018)

Equalisation index comparison in PPP terms of hourly real wage rate with equivalent US hourly wage rate of Mexico and South Korea for production-line workers in the manufacturing sector (1975-2009)

Sources: WB, U.S. BLS, TCB, IOLW
Mutual proportion comparison of PPP real wage rates between Mexico and South Korea for all employed in the manufacturing sector (number of times)

Sources: WB, U.S. BLS, TCB, IOLW

Mutual proportion comparison of PPP real wage rates between Mexico and South Korea for production-line workers (number of times)

How wages have been decimated in Mexico over time
PPP equalisation of manufacturing wage rates in Mexico vis-à-vis equivalent US and selected countries rates

Wage rate gap comparisons for selected economies

Our 2018 assessment reports divergent outcomes among selected economies that were predominantly the result of a meaningful increase of hourly wages in local currency (or lack of it), exchange rates and changes in their PPP cost of living. Six economies improved their position, four lost ground and four did not change. France, Germany, Italy, South Korea, Singapore and Australia improved their equalisation index (Eq-Idx). Canada, The United Kingdom, Spain and Turkey lost ground compared to their 2017 position. Mexico, Brazil, Japan and South Africa did not change (for full details see Table T5, starting in page 50).

- Mexico's track record since 1996 exposed a deliberate state policy of maintaining modern-slave-work real wages between 1996 and 2015. However, their wage policy appears to have changed in 2017 after the execution of consistent supply-side policies over more than three decades. For the first time the federal minimum wage was increased above inflation in 2017 and 2018. Through a so-called “Independent Recovery Amount”, the minimum wage for 2017 was increased arbitrarily by 9.6%, including 3.9% to offset the estimated CPI inflation rate. The same criterion was applied for 2018, for a total minimum wage increase of 10.4%, including a 3.9% increase to offset CPI inflation. In 2019, Mexico’s new government, vowing to implement a strong minimum wage recovery policy, increased the minimum wage by 16.2%, including a 5% increase to offset inflation and by 20% in 2020, including 5% to account for inflation. This change appears to have a direct positive impact on manufacturing wages in real terms and on its equalisation with comparative US wages. Between 2015 and 2018 the manufacturing hourly rate in local currency increased 43.6%, and by 18.3% in US dollars after accounting for an erosion of the peso of 17.6%, which, despite an average annual inflation of 4.6% for the period, allowed the PPP conversion factor for private consumption to drop 9.9.

- The combination of these components allowed the Eq-Idx to gain five points, to 24 in 2016 and then remain at this level in 2017 and 2018.

- Among the six economies that improved their living-wage equalisation position, the main factors were the substantial increase of their hourly rates in local currency combined with a revaluation of their currency or a decrease in their cost of living in PPP terms for private consumption. In the case of the three euro-area countries (France, Germany and Italy), it was specifically the combination of the increase of their hourly wage rates with a 4.8% revaluation of the euro. This allowed France and Italy to increase their equalisation Eq-Idx two points (104 and 95 respectively) and Germany one point to 126. This combination served to offset their increase of their PPP cost of living, which averaged 4.3%, and increased their advantage over the 1.8% increase of the US hourly rates in real terms. A similar behaviour took place in the case of Singapore and South Korea, which averaged an increase of their hourly rates in local currency of 6.3%, revalued their currencies an average of 2.6% and increased their PPP cost of living by an average of only 1.6%. In this way, they clearly outperformed the 1.8% increase of the US hourly rate in manufacturing and thus increased their equalisation Eq-Idx by six and three points to 89 and 72 respectively in 2018. In fact, Singapore’s 89 Eq-Idx is its best recorded since 1996. Australia, in contrast, devalued its currency, but it achieved the highest improvement of its equalisation Eq-Idx among all 41 economies in our reports by increasing it nine points to a 90 Eq-Idx, which is equal to its best position previously achieved in 2014. This was the result of a strong increase (6.6%) of its hourly rate in local currency and a 2.5% currency devaluation, which contributed to a drop of its PPP cost of living of 2.9%.

- Among the four economies losing ground, Canada was the worst, losing 3 points (82 Eq-Idx), followed by the United Kingdom (69 Eq-Idx) and Spain (72 Eq-Idx), each losing 2 points and Turkey losing one point (38 Eq-Idx). Canada’s drop was the direct result of a rare drop of its hourly rate in manufacturing in local currency, with minimal change in its PPP cost of living and exchange rate. Spain lost two points also as a result of a 0.6% drop of its hourly rate in euros—the only country in the euro area recording a drop—and a meaningful increase of its PPP cost of living of 5.1%. The United Kingdom also lost two points due to an increase of only 0.6% of its hourly rate in local currency and a 4.2% increase of its PPP, despite a 3.7% revaluation of the pound. Lastly, Turkey also lost one point due to a very steep devaluation of the lira of 24.5%, despite a strong increase of its hourly rate in local currency of 13.2% and a strong drop of 14.2% of its PPP cost of living.

- Among the economies with no change in their Eq-Idx, Brazil managed to remain with an index of 32, the same since 2016, due to the strong devaluation of its currency by 12.7% and also a steep drop of its PPP cost of living of 11.6% and an increase of its hourly rate in local currency of 2.4%, which is slightly higher than the 1.8% increase of the US hourly rate. Mexico actually increased its Eq-Idx but not enough to gain one point, thus remaining at 24 points (in rounded numbers), which is the same as in 2016. Mexico increased its hourly rate in local currency by a meaningful 6.4% in 2018, but experienced a 1.7% currency devaluation and an increase of 0.5% in its PPP cost of living, actually moving from a 23.6 index to a 24.1 index. Although Mexico appears to be improving its index, it has gained only five points since 1996, which is barely meaningful relative to the 22-years period of assessment. Japan experienced no change in its Eq-Idx due to a PPP increase of 1.3%, little increase in local currency (0.9%) and a currency revaluation of 1.6%. Lastly, South Africa recorded no change in its Eq-Idx due to a PPP increase of 2.8%, which offset the increase in local currency (3.8%), and a minimal revaluation of only 0.8%. Although this allowed South Africa to remain at its highest recorded index since 1996, its improvement in equalisation has been of only five points since 2010.

- Beyond the context of this analysis, we must realise that capitalism of any kind is incompatible with the purpose of a truly democratic ethos, which is the procurement of the welfare of all ranks of society and the sustainability of the planet. Thus, under the current system this purpose will never take place and, therefore, there is no reason to regard improvements in manufacturing wage rates or minimum wages as positive signs of what we can expect in the coming years. Unlike the people, realise that we need to force a new radical social contract that wholly replaces the capitalist system, we will expect more inequality, environmental depredation and the unsustainability of life on our planet. We are running out of time globally, because the capitalist system is completely unsustainable and we are already on the brink of being unable to secure the survival of all living things. There is an enormous amount of scientific research that provides incontestable proof to this reality, including stark changes in the climate and pandemics such as the present COVID-19 that we are enduring. Given this ominous situation, demand-side and other socio-economically oriented policies will lose any meaning as we reach a tipping point of no repentance and no return when future generations will no longer have a chance, as the planet increasingly reacts in ways that no longer provide the conditions indispensable for life as we know it. Unless we replace the current system, life on our planet will reach its demise as the result of the ecological rift produced by our anthropocentric era.
PPP equalisation of manufacturing wage rates in Mexico vis-à-vis equivalent US and selected countries rates

Global Perspective | Manufacturing

2018 gaps between nominal and equalised wage rates with US wage rates using PPPs for private consumption
(Total hourly manufacturing compensation costs in US dollars – US is benchmark)

<table>
<thead>
<tr>
<th>Country</th>
<th>Nominal Wage Rate</th>
<th>Equalised Wage Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>40,07</td>
<td>26%</td>
</tr>
<tr>
<td>Germany</td>
<td>47,11</td>
<td>5%</td>
</tr>
<tr>
<td>France</td>
<td>41,81</td>
<td>10%</td>
</tr>
<tr>
<td>Italy</td>
<td>36,26</td>
<td>11%</td>
</tr>
<tr>
<td>Australia</td>
<td>27,93</td>
<td>18%</td>
</tr>
<tr>
<td>Singapore</td>
<td>31,47</td>
<td>31%</td>
</tr>
<tr>
<td>Canada</td>
<td>33,02</td>
<td>35%</td>
</tr>
<tr>
<td>Spain</td>
<td>25,42</td>
<td>28%</td>
</tr>
<tr>
<td>South Korea</td>
<td>26,03</td>
<td>24%</td>
</tr>
<tr>
<td>UK</td>
<td>29,21</td>
<td>20%</td>
</tr>
<tr>
<td>Japan</td>
<td>26,81</td>
<td>18%</td>
</tr>
<tr>
<td>Turkey</td>
<td>16,11</td>
<td>5%</td>
</tr>
<tr>
<td>South Africa</td>
<td>20,23</td>
<td>8%</td>
</tr>
<tr>
<td>Brazil</td>
<td>25,83</td>
<td>7%</td>
</tr>
<tr>
<td>Mexico</td>
<td>21,49</td>
<td>4%</td>
</tr>
</tbody>
</table>

Gap between Nominal and Equalised wages rates in terms of purchasing power parities

1) If lighter bar is greater than darker bar= Nominal wage rate is superior to rate required to be at par with U.S.
2) If darker bar is greater than lighter bar= Nominal wage rate is less than wage required to be at par with U.S.
3) If both bars are in equilibrium= Nominal wage is equivalent to nominal wage in U.S. in terms of purchasing power

(The size of wage gap is expressed in percentages. If negative, there is a wage advantage instead of a wage gap for nominal wage rate is superior to rate required to be at par with U.S. Comparisons are in terms of hourly compensation costs as explained in T5.)

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)
- The Jus Semper Global Alliance: Living Wage Gaps Analysis in the manufacturing sector using:
  - The Living Wages North and South Initiative (TLWNSI) using “Equal Pay for Work of Equal Value” Methodology.
  - Database of World Bank’s World Development Indicators, 1975-2019.

October 2020

IOLW - (WGMex 96/18)
Equalisation Index with US Manufacturing Real Hourly Wage Rates via PPPs

Of the twelve economies in this report with data since 1996, Germany continues to have the best position with an increasing equalisation advantage over the US in real PPP terms in its hourly wage rates, followed by France with a four-point advantage over US wage rates. All other countries continue to record wage gaps vis-à-vis equivalent manufacturing wage rates in the US. Six out of the twelve countries in this chart improved their position in 2018 vis-à-vis 2017 by increasing their advantage (Germany and France) or decreasing their wage gaps (Italy, Singapore, South Korea and Australia). Brazil and Mexico remained with the same gap since 2016. Only Canada, United Kingdom, Spain and Turkey increased their gaps from the previous year. Mexico and Brazil continue reporting the greatest wage gaps.
The chart below provides a complete illustration of the behaviour of Mexico’s wage rates for all employed in manufacturing vis-à-vis equivalent US wage rates since 1996. Equalised wage rates increased as nominal US wage rates sustained their annual growth. Mexico’s Equalisation Index (Eq-Idx) remains a flat line from 1996 up to 2015, hovering between a 19 and a 21 index as the direct result of a deliberate economic policy to plunder wage rates and then contain them at the same level. Mexico’s rates then appear to increase in real terms from 2016 and stabilise at a slightly higher level, which should see some increase in 2019.

Sources: WB, U.S. BLS, TCB, IOLW
The chart below further illustrates the policy of wage rate containment followed by Mexico with production line workers and all employed in the manufacturing sector combined. Mexico’s equalised PPP nominal wage rate in 1981 needed to be $8,08 to be at par with the US wage rate of $10,67. Since the US wage rate climbed to the level of $40,07 in 2018, Mexico’s equalised PPP nominal rate needed to increase to $21,49. Under a scenario where the policy would have been to maintain the same equalisation gap recorded in 1981, Mexico’s nominal wage rate of $3,46 would have increased to $9,20. Yet the actual increase of the nominal wage rate by 2018 was of $5,18 using INEGI data. This resulted in a much wider gap, for the Eq-Idx was 43 in 1981 and it registered a 24 Eq-Idx in 2018 as illustrated below. The difference is equivalent to a 44% drop in equalisation.
Main features of PPP equalisation of manufacturing wage rates in Mexico vis-à-vis equivalent US rates

Global Perspective | Manufacturing

Gap between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent US real wage rates (current dollars)

Size of gap between nominal and equalised wage rate

Sources: WB, U.S. BLS, TCB, IOLW
Main features of PPP equalisation of manufacturing wage rates in Mexico vis-à-vis equivalent US rates

Global Perspective | Manufacturing

Gap between equalisation index and size of manufacturing hourly real wage rate gap in Mexico vis-à-vis US real wage rate

Sources: WB, U.S. BLS, TCB, IOLW
The Performance of equalisation indices of Mexico’s PPP manufacturing hourly real wage rate vis-à-vis the behaviour of Mexico’s purchasing power parity indices exposes the deliberate containment of real wages as a matter of economic policy. In the following chart it is clearly observed that in the case of Mexico –in great contrast with all the other countries– there is no relationship between wage equalisation and PPP indices. If in 1996 the equalisation index was 19 and then, between 2000 and 2014, the PPP cost of living averaged little more than 70, it made no difference relative to the Eq-Idx of hourly manufacturing rates. Regardless of significant changes in the PPP cost of living for private consumption, the Eq-Idx barely changed between 19 and 21. The PPP is based on surveys of the consumer price index to assess inflation for private consumption from a global perspective. From a domestic perspective, as this report has shown, the cost of the IBG (indispensable basket of goods) of the ILWO—developed by La Salle University—is unaffordable for the vast majority of workers, including those employed in manufacturing (pages 14 and 21), who are the best paid workers in the economy.

The assessment of the behaviour of the PPP and the Eq-Idx shows that, regardless of surges of the PPP or its drop since 2014, the Eq-Idx has remained constant at an extremely narrow band of 19-21 for twenty years. This is explained by the fact that, as a public policy, real wages have remained deliberately at practically the same Eq-Idx. This is because this is the level of Eq-Idx that is deemed by governments and employers to be competitive in global commodity chains of the global markets of transnational corporations for the benefit of shareholder value at the expense of workers who are deliberately doomed to permanently endure modern-slave-work wages, as clearly exposed by our TLWNSI concept and the Theory of Unequal Exchange (EMMANUEL A. (1969) : L’échange inégal).

This does not hold true in the relationship between the same indicators for most countries as can be observed in Table T5 on pages 50 to 53. Barring Mexico, the PPP and Eq-Idx curves cross their path, meet or at least approach for all countries, keeping a more logical relationship in the context of economic fluctuations. Indeed, in Mexico the lines of both indices never approach or cross patterns as shown on the next page. In Mexico’s case, the Eq-Idx draws a flat line for the entire twenty-year period, irrespective of the sharp increase of the PPP until 2016, when the Eq-Idx appears to start improving for the first time in decades.
Main features of PPP equalisation of manufacturing wage rates in Mexico vis-à-vis equivalent US rates

Performance of 1) equalisation indices of Mexico’s PPP manufacturing hourly real wage rate vis-à-vis US counterparts, 2) behaviour of Mexico’s purchasing power parity indices (cost of living in PPP terms – US=100) and index of 2 over 1 (1=100)

Global Perspective | Manufacturing

PPP to Eq-Idx Ratios:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>289</td>
<td>316</td>
<td>355</td>
<td>357</td>
<td>314</td>
<td>355</td>
<td>348</td>
<td>345</td>
<td>350</td>
<td>368</td>
<td>213</td>
<td>221</td>
<td>225</td>
</tr>
</tbody>
</table>

Sources: WB, U.S. BLS, TCB, IOLW

October 2020

IOLW - (WGMex 96/18)
Projections
Projection of Mexico's closing of the gap between the monthly “General Minimum Wage” and the estimated monthly cost of the Indispensable Basket of Goods (IBG).

- **Background.** Parting from the fact that the current Mexican government appears to pursue demand-side economic policies with a particular emphasis on recovering the general minimum wage, we are projecting the estimated time that it will take to close the gap between the minimum wage and the IBG. We rely on the IBG prepared by the International Living Wage Observatory (ILWO) in the Mexico City metropolitan area, for the average Mexican household of 3,75 members. The team of the ILWO at Universidad La Salle, Mexico City campus performed the design, data gathering, analysis and assessment of the IBG. The assessment was performed during the month of December 2019. The methodology is available here (Spanish-language only). The ILWO is a joint project of collaboration between La Salle and Jus Semper. Our commitment is to make it a permanent project and update the IBG at the very least annually.

- **Purpose of this projection.** To assess the time line necessary to close the gap between nominal minimum wages and the cost of the IBG based on several assumptions that reflect the current situation of general wages in Mexico and the specific minimum wage policies of Mexico’s new government. Closing this gap would make the minimum wage a living wage for the first time in history, in line with article 123 of the Mexican Constitution, but it will take at least five six-year terms to meet such goal. The benchmark used is the 2019 monthly cost of P$ 25,356,11. The IBG is composed of the “Basic Nutritional Basket” (monthly cost of P$ 9570,04), the “Cost of Preparation and Refrigeration for Consumption” of the nutritional basket (monthly cost of P$ 643,60), and the “Non-nutritional Basic Basket” (monthly cost of P$ 15,142,47).

- We prepared this basket as opposed to the baskets designed by the Mexican Government’s INEGI, CONEVAL and COPLAMAR, among others, to determine the net worth of the living wage. The IOLW basket defines a nutritional intake that seeks to achieve the right balance between calories and proteins to provide a dignified, diverse and healthy diet. Furthermore, in contrast with the aforementioned baskets, our basket includes the items needed to prepare the meals for the household, such as oil and gas. Lastly, the IBG includes a non-nutritional basket to comply with the right to enjoy the basic goods and services necessary in the daily life of a household to enjoy a dignified standard of living, including leisure time, such as moviegoing and attendance at sports events.

- In contrast with the baskets that have been designed to assess inflation and various poverty lines, the design of our IBG is deliberately directly linked to the minimum wage, which must be enough to provide a dignified quality of life for the household, in line with the Mexican Constitution. The other baskets may also include non-nutritional baskets, but are not as comprehensive because they are designed to define inflation or the poverty lines and the segments of the population meeting the profile of enduring extreme poverty. CONEVAL’s nutritional and non-nutritional baskets, for example, defined in 2009, refer to the minimum thresholds of average household expenditures that are used to compare with INEGI’s National Survey of Household Income and Expenditures, in order to assess poverty percentages. Their thresholds are not designed to assess the required income to enjoy a dignified quality of life.

- Furthermore, one minimum wage income must be enough to provide a dignified standard of living to the Mexican household as a whole, which currently averages 3,75 members. The CONEVAL's metric focuses on the entire household income, which could be composed of more than one income earner. Their income metrics are designed to assess the percentage of households that fall below this poverty line. They do not seek to determine the real value required by one minimum wage to provide a dignified quality of life for the entire household as our Indispensable Basket of Goods (indispensable to enjoy a dignified quality of life) seeks to do. Lastly, in accordance with Mexico’s income tax law (Art. 96), people earning one minimum wage do not pay an income tax rate (ITR).
Criteria used in the projection:

- The benchmark is 2020 and the projection starts in 2021.
- The minimum wage for 2021 is assumed to increase by 10% + the CPI inflation rate.
- CPI inflation is arbitrarily estimated at an average of 4.5% annually for the entire projection (average Mexican Consumer Price Index (CPI) was 4.3% between 2001 and 2019). This is incorporated into the minimum wage rate increases.
- The price of the IBG is estimated to grow at an average of 6% annually based on previous measurements. Typically, the prices of these baskets consistently increase substantially more than the CPI for the entire economy. For example, a basket of 100 items, mostly food items, at its lowest retail price increased 5.8% in 2016 (INPC: Canasta básica mexicana 2018), whereas INEGI’s CPI inflation rate was only 2.8% (COMUNICADO DE PRENSA NÚM. 391/18 23 DE AGOSTO DE 2018 PÁGINA 1/5). The ratio of increase of this specific basket of goods more than doubles the increase of the CPI. However, we chose a conservative increase of only 6%, which is 40% greater than the average CPI of 4.3% for the 2001-2019 period. Nonetheless, since the arbitrary CPI applied in the projection is 4.5% and the arbitrary average increase of the IBG is 6%, the incremental gap in prices between these two metrics is only a conservative 33%.
- The benchmarks –and starting point– used in this projection are an IBG monthly price of P$ 26,877.48, for 2020 and the monthly minimum wage of P$ 3.696.30 (P$ 123.22 daily) for 2020.
- Although the increase in 2020 was 16.4% +3.6% for CPI, we apply a less optimistic increase to the minimum wage of 10% plus a 4.5% inflation rate average, for a total average annual increase of 14.5%. This is of course an optimistic assumption that disregards the potential effect of the COVID-19 crises on minimum wage policy. We will incorporate its impact in our 2021 report.
- An optimistic assumption is made that, after the López Obrador six-year term, subsequent governments will continue to apply the same minimum wage recovery policy until it entirely closes the gap between the cost of the IBG and the minimum wage in nominal and real terms.

Results of the twenty-five year projection:

- This projection at no time pretends to forecast what would be the inflationary indices or the rates of minimum wage increases that will occur in Mexico in the future. For this projection, the average behaviour of these indicators has been established in a discretionary manner—based on the government's minimum wage appreciation policy—with the only purpose of projecting the time frame required under these assumptions to illustrate the closing of the gap between the minimum wage and the IBG, using reasonable assumptions. Parting from the assessment of the government's minimum wage policy, the probability that this projection materialises under the López Obrador six-year term is relatively optimistic given the impact of the COVID-19 pandemic. The probability that the same policy will continue in subsequent governments is strictly contingent on two factors: 1) that the minimum wage recovery policy works and diminishes the gap meaningfully during the 2018-2024 period, keeping inflation successfully in check, and 2) that subsequent governments elected pursue to materialise the same political economy philosophy. If subsequent governments, for whatever reason, pursue supply-side, predatory neoliberal policies, as has happened for the last 36 years, the probability that the real value of the minimum wage and wages in general drops significantly is very high.
- The chart on the next page shows the behaviour of the IBG and the minimum wage over a twenty-six year period, starting in 2021, showing that it will take until year 2046 to close the gap between the minimum wage and the IBG, for a total of twenty-six years (2021-2046).
- The price of the IBG was increased 6% annually.
- Nominal wage rates in Mexico were increased an average of 14.5% (10% + 4.5%) annually until 2045, assuming a 4.5% inflation rate. For 2046, the minimum wage needed to increase by only 12% to reach the same level as the IBG of P$ 122,276.00. This would constitute a 100% equalisation between the IBG and the minimum wage. A nominal average increase of 6%—or whatever the inflation rate for the IBG is recorded for the previous year—would be required thereafter to neutralise the increase in the price of the IBG.
Twenty-six year projection to close the gap between General Minimum Wages and the IOLWs Indispensable Basket of Goods (IBG), at an average nominal growth rate of 14.5% (10% real terms) for 25 years and of 12% (7.5% real terms) on year 26.

Not a forecasting analysis. This projection at no time pretends to forecast what would be the inflationary indices or the rates of minimum wage increases that will occur in Mexico in the future. For this projection, the average behaviour of these indicators has been established in a discretionary manner—based on the government's minimum wage appreciation policy—with the only purpose of projecting the time frame required under these assumptions to illustrate the closing of the gap between the minimum wage and the IBG, using reasonable assumptions.

Cost of Indispensable Basket of Goods (IBG) with 6% inflation in P$. Mexico’s nominal minimum wage (P$) – Annual increase of 14.5% until 2045 & 12% in 2046

% of IBG afforded

Sources: IOLW
Projection of real wage rate equalisation in the manufacturing sector for all employed in manufacturing between Mexico and the United States in the term of +/- twenty-nine years.

- Using the wage rate for all employed in manufacturing in the US in 2018 as the benchmark, the following chart (page 47) illustrates what happens if we apply a 10% increase to the nominal hourly rates for all employed in manufacturing in Mexico. In stark contrast with previous governments since 1982, the new government appears to change to a demand side economic policy and increase the minimum wage by 11.2% plus 5% for inflation for a total of 16.2% in 2019 and by 16.4% plus 3.6% for inflation for a total of 20% in 2020. Given that the minimum wage acts as the benchmark for all other wages, it is realistic to assume that manufacturing wages will also increase.

- The average nominal increase to the manufacturing hourly rate for the 2001-2018 period in US dollars was 2.2%. However, considering the government’s new policies, the legislation to end the “protection contracts” and the pressure that NAFTA 2.0 should exert on wages in the automotive industry, a 10% nominal increase is deemed realistic. Yet even if it does not materialise, the projection allows an illustration of how long it would take to equalise wages with equivalent wages in the US under the principle of “equal pay for work of equal value” in the supply chains of global corporations.

- We use the 2018 hourly wage rates as the benchmark to project the time required to close the hourly real wage rate gap of these Mexican workers with their US counterparts, in PPP and dollar terms starting in 2019. Hence, we start with the hourly real wage in PPP terms of $9.66 for Mexico and $40.07 for the US.

- The projection is made assuming a context of stable global economic conditions. This would be reflected in relatively low inflation rates for Mexico and the US. This would assume a sustained growth of Mexico’s economy in line with the US economy, averaging 3%, which is less than ideal for a middle-income country, due to its total dependency on the US economy. The assumed average inflation rate of 4.5% is higher than the 4.3% rate experienced between 2001 and 2019. The projection does not take into account the COVID-19 pandemic. We will incorporate its impact in our 2021 report.
Twenty-eight year projection to close the manufacturing wage rate equalisation gap with equivalent US rates

Criteria used in the projection:

- The benchmark is 2018 and the projection starts in 2019.
- Average US CPI (inflation): 2% (average of 2.1% between 2001 and 2019).
- Average Mexican CPI: 4.5% (average of 4.3% between 2001 and 2019).
- Mexico’s exchange rate with the US dollar is the recorded rate of P$ 19.24/ US x $1 for 2018 and $19.26/ US x $1 for 2019. It is assumed to erode 12.5% in 2020 to $22 and 4% thereafter. The average devaluation rate between 2003 and 2019 is 3.7%.
- Real value of wage rates in the US remains constant, increasing nominally by 2% annually to neutralise inflation.
- Nominal hourly wage rates in Mexico are increased 10% and 5.5% in real terms, after the 4.5% CPI inflation is applied.
- World Bank indicators recorded a PPP for private consumption of $0.5362 for Mexico, equivalent to 53.62% of the US cost of living in 2018.
- The benchmarks –and starting point– used in this projection are the PPP manufacturing hourly real wage rates (total compensation cost for both economies for 2018): (US: $40.07 and Mexico: $9.66; and nominal wage rates: $40.07 and $5.18 respectively).
- Real wage rate figures are shown at constant prices, reflecting future purchasing power after adjusting for inflation.
- The projection is estimated in US dollars. Inflation is accounted for through the World Bank’s PPPs conversion factor for private consumption, and then projected to increase an annual average of 4.5% in US dollars. PPPs are the rates of currency conversion that eliminate the differences in price levels between countries.

Results of the twenty-eight year projection:

- This projection at no time pretends to forecast what would be the inflationary indices, exchange rates or the wage rate increases that will occur in Mexico or the US in the future. For this projection, the average behaviour of these indicators was established in a discretionary manner –based on the data recorded since 1975– to project the nominal wage increases required under these assumptions to illustrate the closing of the living wage gap in Mexico for manufacturing wage rates. Parting from the assessment of wage policy reflected in the behaviour of real wages in Mexico’s manufacturing sector since 1975, the probability that this projection materialised, in the last 36 years was zero. However, with the current government, which has already implemented a policy to recover the general minimum wage above inflation, breaking with a 36-year precedent, this may change significantly. To keep wages in the manufacturing sector competitive, the market will have to increase the hourly rates in response to increases in the general minimum wage and the pressures of NAFTA 2.0, and even more so in the automotive sector, with the $16/hour threshold regulation. If the US government forces this sector to transfer production to the US or Canada from Mexico, for not complying with this new standard, the labour cost would increase several hundred percent instantly and its competitiveness would drop drastically. For this reason, a nominal increase of 10% in this projection becomes realistic. Since 2001, the hourly rate was increased nominally an average of 6.9% in local currency and 3% in US dollars. In the new aforementioned context a 10% increase becomes realistic, albeit a bit optimistic. At a 10% rate, our projections show that it would take 28 years to close the wage gap with US equivalent wages.
- The chart on the next page shows the behaviour of real wage rates for both the US and Mexico over a 28-year period, starting in 2019.
- Nominal wage rates in Mexico were increased an average of 10% (5.5% + 4.5%) annually until equalisation was achieved, assuming a 4.5% inflation rate. Results indicate that closing Mexico’s wage rate gap at a rate of 10% annually, under the above criteria, would allow manufacturing wage rates to achieve 100% equalisation in year 28 with an increase of only 7.46% in that year. A nominal average increase of 4.5%—or whatever increase is required thereafter—to neutralise inflation and to keep equalisation with US wage rates under their assumed average 2% nominal annual increase.
- Closing the wage rate gap would cover the 2019 to 2046 span of time.
Twenty-eight year projection of Mexico's equalisation of hourly real wage rates of all employed in manufacturing with wage rates of its US counterparts, at an average nominal growth rate of 10% (5.5% real terms) for 27 years and of 7.5% (3% in real terms) on year 28.

Not a forecasting analysis. This projection at no time pretends to forecast what would be the inflationary indices, exchange rates or the wage rate increases that will occur in Mexico or the US in the future. For this projection, the average behaviour of these indicators was established in a discretionary manner — based on the data recorded since 1975— to project the nominal wage increases required under these assumptions to illustrate the closing of the living wage gap in Mexico for manufacturing wage rates.

Sources: WB, U.S. BLS, TCB, IOLW
For the first time in more than three decades, real wages across the entire economy may change for the better IF the new government applies in a rational manner its minimum wage recovery policy already implemented for the general minimum wage and this transcends as it should into the rest of the labour force. This is yet in doubt for two reasons:

✦ **General Minimum wage – Consistency in compliance.** The COVID-19 pandemic may dampen this policy, unless the government does not deviate from it, under the rationale that, despite the deep recession, all wage earners are entitled to a living wage, which was deliberately eroded and then contained for more than three decades, making it the lowest minimum wage in the Americas. As a result, in 2020, despite the substantial increases in real terms in the last two years, Mexico still has one of the lowest minimum wages in the region. Only Nicaragua has a lower minimum wage than Mexico. Ultimately, the general minimum wage must become a living wage relative to an IBG that is regarded by all stakeholders as truly providing a dignified quality of life to all members of a household.

✦ **Professional minimum wages – Readjustment to recover net worth differential.** The second reason is that the 59 professional minimum wages have not been adjusted in a rational manner to account for the greater value in compensation that they deserve, given that they require specific skills not addressed by the general minimum wage, as explained on page 15. Although this issue was partially addressed in 2020 for most of the country, except the border free zone, the CONASAMI must ensure that professional minimum wages are clearly differentiated and retain a superior and substantial amount in compensation vis-à-vis the general minimum wage, at the very least in the same way they had until 2018. From 2021 onwards, these wage rates must increase in line with all future increases to the general minimum wage.

✦ **Manufacturing.** The purported goal of the government with the general minimum wage is to bring it up to a living wage standard yet to be defined, but that we are already defining with our IBG along with other efforts in the academic sector. If it is followed through, it is a marginally positive policy. Yet, professional wage rates and wage rates in higher skilled sectors in manufacturing and particularly in the automotive sector must be increased for reasons of social justice—“equal pay for equal work of equal value”—, as well as for market logic and political factors such as the special rule of NAFTA 2.0 for the automotive industry. Above all, bringing all wages to a dignified standard addresses, to the greatest extent, the underlying causes of poverty and of emigration that push people to leave their communities,—which are at the core of the enormous social problems that are pushing Mexico into a failed state ethos—with many regions currently controlled by organised crime.

✦ After two years, it remains to be seen if the government follows this path or resumes abiding by supply-side criteria. Mexico has the worst wages in Iberian America. We have observed 36 years of a deliberate policy of wage pauperisation that has forced a huge population to join the ranks of the precariat. While minimum wage policy appears to be moving on the right track, there are many instances of public matter with the government clearly siding with the interest of capital and not with the people. If, at the end, the labour’s share of income does not improve steadily and shows a marked increase by the end of 2024, we would have to conclude that the only goal of the government was to mitigate the worst characteristics of exploitation and not to change the structures that sustain them.

✦ On the other hand, if the government complies with its campaign promises, it will take decades to both achieve a living-wage ethos and to close the gap with equivalent wages in the manufacturing sector, under the equal pay principle. At the very least, it will take five six-year terms to fulfil this expectation under the presumption that the current government sets the path and materialises the progress that can be achieved by 2024, as illustrated in our projections.

✦ The above notwithstanding, we must become aware that we are running out of time globally. The capitalist system is completely unsustainable and we are already on the brink of being unable to secure the sustainability of a planet where all living things, including our species, can survive. Consequently, it is indispensable that the citizenry in Mexico and elsewhere become fully aware about the need to permanently get involved in the public matter to make future governments work for the benefit of society and not for the centre-periphery partnership that depletes human and natural resources in pursuit of the maximum rate of reproduction and accumulation of capital, where Mexico is an important peripheral element. If we are unable to change the path and build a radically different and truly sustainable paradigm, demand-side, living wage, equal pay, and other socially-oriented policies will lose any meaning as we reach a tipping point of no repentance and no return when future generations will no longer have a chance, as the planet increasingly reacts in ways that no longer provide the conditions indispensable for life as we know it. We must realise that we must not try to fix, but replace, through a tectonic social movement, the current structures that have put in peril the sustainability of life in our planet.
Living Wage Gaps & Equalisation Tables
## Table-T5: Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for 14 Selected Economies – for all employed in the manufacturing sector– in PPP for private consumption terms 1996-2018 (based on Jus Semper’s methodology, following the principle of “Equal pay for equal work of equal value” of the UN and ILO’s international conventions).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. U.S. Hourly Manufacturing Wage Rate</strong>&lt;sup&gt;*&lt;/sup&gt;</td>
<td>22.46</td>
<td>24.95</td>
<td>28.59</td>
<td>30.77</td>
<td>32.26</td>
<td>32.61</td>
<td>34.05</td>
<td>37.23</td>
<td>39.73</td>
<td>39.36</td>
<td>40.07</td>
</tr>
<tr>
<td><strong>Wage Equalisation index (4+2 or 3+1)</strong></td>
<td>0.90</td>
<td>0.86</td>
<td>0.85</td>
<td>0.82</td>
<td>0.82</td>
<td>0.84</td>
<td>0.84</td>
<td>0.78</td>
<td>0.77</td>
<td>0.83</td>
<td>0.82</td>
</tr>
<tr>
<td><strong>2. Equalised PPP nominal wage rate US$</strong></td>
<td>21.05</td>
<td>24.14</td>
<td>28.01</td>
<td>30.76</td>
<td>32.26</td>
<td>32.61</td>
<td>34.05</td>
<td>37.23</td>
<td>39.73</td>
<td>39.36</td>
<td>40.07</td>
</tr>
<tr>
<td><strong>Wage Equalisation index (4+2 or 3+1)</strong></td>
<td>0.34</td>
<td>0.30</td>
<td>0.28</td>
<td>0.33</td>
<td>0.33</td>
<td>0.33</td>
<td>0.35</td>
<td>0.32</td>
<td>0.32</td>
<td>0.32</td>
<td>0.32</td>
</tr>
<tr>
<td><strong>4. Actual Nominal wage rate US$</strong></td>
<td>2.30</td>
<td>3.55</td>
<td>3.98</td>
<td>4.44</td>
<td>4.85</td>
<td>4.52</td>
<td>4.68</td>
<td>4.99</td>
<td>4.75</td>
<td>4.95</td>
<td>5.18</td>
</tr>
<tr>
<td><strong>Compensation Deficit in US$ (2 minus 4)</strong></td>
<td>10.12</td>
<td>14.26</td>
<td>14.94</td>
<td>17.42</td>
<td>18.00</td>
<td>17.98</td>
<td>17.65</td>
<td>17.35</td>
<td>16.34</td>
<td>16.11</td>
<td>15.35</td>
</tr>
<tr>
<td><strong>Wage Equalisation index (4+2 or 3+1)</strong></td>
<td>0.19</td>
<td>0.20</td>
<td>0.21</td>
<td>0.20</td>
<td>0.20</td>
<td>0.20</td>
<td>0.19</td>
<td>0.24</td>
<td>0.24</td>
<td>0.24</td>
<td>0.24</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>6.57</td>
<td>0.94</td>
<td>0.94</td>
<td>0.92</td>
<td>0.95</td>
<td>0.89</td>
<td>0.86</td>
<td>0.85</td>
<td>0.85</td>
<td>0.84</td>
<td>0.84</td>
</tr>
<tr>
<td><strong>PPP conversion factor in country currency</strong></td>
<td>5,115</td>
<td>0.936</td>
<td>0.94</td>
<td>0.92</td>
<td>0.95</td>
<td>0.89</td>
<td>0.86</td>
<td>0.85</td>
<td>0.85</td>
<td>0.84</td>
<td>0.84</td>
</tr>
<tr>
<td><strong>PPP conversion factor in U.S. dollars</strong></td>
<td>0.72</td>
<td>0.84</td>
<td>0.94</td>
<td>1.07</td>
<td>1.19</td>
<td>1.34</td>
<td>1.46</td>
<td>1.55</td>
<td>1.60</td>
<td>1.65</td>
<td>1.70</td>
</tr>
<tr>
<td><strong>Compensation Deficit in US$ (2 minus 4)</strong></td>
<td>4.56</td>
<td>0.26</td>
<td>0.26</td>
<td>0.25</td>
<td>0.25</td>
<td>0.25</td>
<td>0.25</td>
<td>0.25</td>
<td>0.25</td>
<td>0.25</td>
<td>0.25</td>
</tr>
<tr>
<td><strong>Wage Equalisation index (4+2 or 3+1)</strong></td>
<td>1.31</td>
<td>1.31</td>
<td>1.31</td>
<td>1.31</td>
<td>1.31</td>
<td>1.31</td>
<td>1.31</td>
<td>1.31</td>
<td>1.31</td>
<td>1.31</td>
<td>1.31</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>1.88</td>
<td>0.93</td>
<td>0.90</td>
<td>0.89</td>
<td>0.87</td>
<td>0.83</td>
<td>0.83</td>
<td>0.80</td>
<td>0.80</td>
<td>0.79</td>
<td>0.79</td>
</tr>
<tr>
<td><strong>PPP conversion factor in country currency</strong></td>
<td>1.504</td>
<td>0.943</td>
<td>0.90</td>
<td>0.89</td>
<td>0.87</td>
<td>0.83</td>
<td>0.83</td>
<td>0.80</td>
<td>0.80</td>
<td>0.79</td>
<td>0.79</td>
</tr>
<tr>
<td><strong>PPP conversion factor in U.S. dollars</strong></td>
<td>0.12</td>
<td>0.12</td>
<td>0.12</td>
<td>0.12</td>
<td>0.12</td>
<td>0.12</td>
<td>0.12</td>
<td>0.12</td>
<td>0.12</td>
<td>0.12</td>
<td>0.12</td>
</tr>
<tr>
<td><strong>Compensation Deficit in US$ (2 minus 4)</strong></td>
<td>4.67</td>
<td>0.42</td>
<td>0.42</td>
<td>0.42</td>
<td>0.42</td>
<td>0.42</td>
<td>0.42</td>
<td>0.42</td>
<td>0.42</td>
<td>0.42</td>
<td>0.42</td>
</tr>
<tr>
<td><strong>Wage Equalisation index (4+2 or 3+1)</strong></td>
<td>1.17</td>
<td>1.16</td>
<td>1.15</td>
<td>1.12</td>
<td>1.13</td>
<td>1.19</td>
<td>1.25</td>
<td>1.22</td>
<td>1.22</td>
<td>1.22</td>
<td>1.26</td>
</tr>
</tbody>
</table>

<sup>*</sup> Hourly compensation costs estimated using IOLW - (WGMex 96/18)
Table-T5: Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for 14 Selected Economies – for all employed in the manufacturing sector– in PPP for private consumption terms 1996-2018 (based on Jus Semper’s methodology, following the principle of “Equal pay for equal work of equal value” of the UN and ILO’s international conventions).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benchmark</strong></td>
<td>22.46</td>
<td>24.95</td>
<td>28.59</td>
<td>30.77</td>
<td>32.26</td>
<td>32.61</td>
<td>34.05</td>
<td>37.23</td>
<td>39.73</td>
<td>39.36</td>
<td>40.07</td>
</tr>
<tr>
<td><strong>(Hourly compensation costs)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP conversion factor (in country currency)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP conversion factor (in U.S. dollars)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Equalised PPP nominal wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Actual PPP Real wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Actual Nominal wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation Deficit in US $ (2 minus 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage Equalisation Index (4+2 or 3+1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP conversion factor (in country currency)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP conversion factor (in U.S. dollars)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Equalised PPP nominal wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Actual PPP Real wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Actual Nominal wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation Deficit in US $ (2 minus 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage Equalisation Index (4+2 or 3+1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Spain</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP conversion factor (in country currency)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP conversion factor (in U.S. dollars)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Equalised PPP nominal wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Actual PPP Real wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Actual Nominal wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation Deficit in US $ (2 minus 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage Equalisation Index (4+2 or 3+1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Turkey</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP conversion factor (in country currency)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP conversion factor (in U.S. dollars)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Equalised PPP nominal wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Actual PPP Real wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Actual Nominal wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation Deficit in US $ (2 minus 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage Equalisation Index (4+2 or 3+1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP conversion factor (in country currency)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP conversion factor (in U.S. dollars)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Equalised PPP nominal wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Actual PPP Real wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Actual Nominal wage rate US $</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation Deficit in US $ (2 minus 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage Equalisation Index (4+2 or 3+1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

October 2020

IOLW - (WGMex 96/18)
Table-T5: Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for 14 Selected Economies – for all employed in the manufacturing sector– in PPP for private consumption terms 1996-2018 (based on Jus Semper’s methodology, following the principle of “Equal pay for equal work of equal value” of the UN and ILO’s international conventions).

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>1. U.S. Hourly Manufacturing Wage Rate* (Hourly compensation costs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Table-T5</strong></td>
<td><strong>Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for 14 Selected Economies – for all employed in the manufacturing sector– in PPP for private consumption terms 1996-2018 (based on Jus Semper’s methodology, following the principle of “Equal pay for equal work of equal value” of the UN and ILO’s international conventions).</strong></td>
</tr>
<tr>
<td><strong>1996</strong></td>
<td><strong>2000</strong></td>
</tr>
<tr>
<td><strong>South Korea</strong></td>
<td></td>
</tr>
<tr>
<td>PP conversion factor (in country currency)</td>
<td>716,616</td>
</tr>
<tr>
<td>PP conversion factor (in U.S. dollars)</td>
<td>804.45</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>0.89</td>
</tr>
<tr>
<td>2. Equalised PPP nominal wage rate US $</td>
<td>20,01</td>
</tr>
<tr>
<td>3. Actual PPI Real wage rate US $</td>
<td>10,72</td>
</tr>
<tr>
<td>4. Actual Nominal wage rate US $</td>
<td>9,55</td>
</tr>
<tr>
<td>Compensation Deficit in US $ (2 minus 4)</td>
<td>10,46</td>
</tr>
<tr>
<td>Wage Equalisation index (4+2 or 3+1)</td>
<td>0.48</td>
</tr>
<tr>
<td><strong>Singapore</strong></td>
<td></td>
</tr>
<tr>
<td>PP conversion factor (in country currency)</td>
<td>1,230</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>1,410</td>
</tr>
<tr>
<td>PP conversion factor (in U.S. dollars)</td>
<td>0.87</td>
</tr>
<tr>
<td>2. Equalised PPP nominal wage rate US $</td>
<td>19,29</td>
</tr>
<tr>
<td>3. Actual PPI Real wage rate US $</td>
<td>13,68</td>
</tr>
<tr>
<td>4. Actual Nominal wage rate US $</td>
<td>11,93</td>
</tr>
<tr>
<td>Compensation Deficit in US $ (2 minus 4)</td>
<td>7,66</td>
</tr>
<tr>
<td>Wage Equalisation index (4+2 or 3+1)</td>
<td>0.61</td>
</tr>
<tr>
<td><strong>South Africa</strong></td>
<td></td>
</tr>
<tr>
<td>PP conversion factor (in country currency)</td>
<td>—</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>—</td>
</tr>
<tr>
<td>PP conversion factor (in U.S. dollars)</td>
<td>—</td>
</tr>
<tr>
<td>2. Equalised PPP nominal wage rate US $</td>
<td>—</td>
</tr>
<tr>
<td>3. Actual PPI Real wage rate US $</td>
<td>—</td>
</tr>
<tr>
<td>4. Actual Nominal wage rate US $</td>
<td>—</td>
</tr>
<tr>
<td>Compensation Deficit in US $ (2 minus 4)</td>
<td>—</td>
</tr>
<tr>
<td>Wage Equalisation index (4+2 or 3+1)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td></td>
</tr>
<tr>
<td>PP conversion factor (in country currency)</td>
<td>1,375</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>1,278</td>
</tr>
<tr>
<td>PP conversion factor (in U.S. dollars)</td>
<td>1,08</td>
</tr>
<tr>
<td>2. Equalised PPP nominal wage rate US $</td>
<td>24,16</td>
</tr>
<tr>
<td>3. Actual PPI Real wage rate US $</td>
<td>18,20</td>
</tr>
<tr>
<td>4. Actual Nominal wage rate US $</td>
<td>19,58</td>
</tr>
<tr>
<td>Compensation Deficit in US $ (2 minus 4)</td>
<td>4,58</td>
</tr>
<tr>
<td>Wage Equalisation index (4+2 or 3+1)</td>
<td>0.81</td>
</tr>
</tbody>
</table>
Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for 14 Selected Economies – for all employed in the manufacturing sector in PPP for private consumption terms 1996-2018 (based on Jus Semper's methodology, following the principle of "Equal pay for equal work of equal value" of UN and ILO's international conventions).

*Definitions:
- PPP 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 wage rate 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. 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.
- PPP conversion factor, (private consumption) in country currency expresses the number of country currency units required to buy the same good and services a U.S. dollar can buy in the U.S.
- Exchange rate is nominal exchange rate.
- PPP conversion factor, private consumption in U.S. dollars expresses the U.S. dollar units required in a given country to buy the same goods and services a U.S. dollar can buy in the U.S. If the PPP is less than 1, a U.S. dollar can buy more in the country in question because the cost of living is lower, and vice versa.
- The PPP for private consumption, 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 wage rate 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 PPP Real wage rate is the hourly wage paid in a given country in purchasing power terms.
- Actual Nominal wage rate is the nominal hourly wage paid in a given country.
- Compensation deficit expresses the wage gap between the hourly nominal wage rate paid (4) and the equalised PPP hourly rate that should be paid for equal work (2).
- Compensation equalisation index expresses the ratio of actual nominal pay to equalised PPP hourly pay (4 between 2) or the ratio of actual real pay (3) to the hourly nominal pay benchmark (1) (3 between 1).
- "India and China data gathered by the BLS and TCB are not fully comparable to the rest of countries due to some inconsistencies in methodology. However, given that in both cases the BLS argues that this work does not substantially affect the hourly compensation estimates, rough comparisons can still be made. For further reference on the description of each country see TCB’s Country Notes.
- Note: Variations in previous years are due to revisions made by the sources, including the World Bank’s new 2011 PPP benchmarks, which replaced the previous 2005 benchmarks.
- Since 2010 the international comparison of hourly compensation costs (hourly wage rates) between the U.S. and selected developed and "emerging" markets refers to all employed in the manufacturing sector and no longer will be available for production workers only. Production-line wage rates are on average 20% below wage rates for all employed in manufacturing, including production workers, for the 1996-2009 period, for all countries included in the assessment. For further reference see wage-gap assessment of trends and differences between production-line and all employed in manufacturing in compensation cost terms here:

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):

- The Jus Semper Global Alliance: Living Wage Gaps Analysis in the manufacturing sector using:
  - The Living Wages North and South Initiative (NWNSH) using “Equal Pay for Work of Equal Value” Methodology.
  - x Database of World Bank’s World Development Indicators, 1975-2019.
  - x For all countries except those listed bellow: The Conference Board (TCB) — International Comparisons of Manufacturing Productivity and Unit Labor Costs 2018, December 2019
  - For all countries: Purchasing Power Parities and the Size of World Economies. Results from the 2017 International Comparison Program. World Bank 2020,
  - Direct government sources for:
    - Argentina: (1) Ministerio de Producción y Trabajo, Observatorio de Empleo y Dinámica Empresarial: Boletín de Remuneraciones de los Trabajadores Registrados — serie Anual 2018; (2) (INDEC): Índice de precios al consumidor con cobertura nacional. Resultados por región, Julio 2020;
    - New Zealand Government: Stats NZ: Labour cost index (salary and wage rates); June 2020 quarter;
    - Philippines: Philippines Statistics Authority: 2018 Compilation of Industry Statistics on Labor and Employment,

Note regarding the new 2017 PPC round.

The 2017 results presented in this report are based exclusively on the prices and national accounts expenditures provided by the economies participating in the 2017 cycle of the International Comparison Program (ICP). Purchasing power parities (PPPs) and real expenditures were compiled in accordance with the established ICP methods and procedures. The International Comparison Program (ICP) released economic indicators and results for the reference year 2017 in May 2020. PPPs, PLIs and estimates of PPP-based GDP and its major expenditure components in aggregate and per capita terms were published for the 176 economies that participated in the program. Revised results for the preceding reference year 2011 and preliminary estimates of annual PPPs for 2012-2016 were also released.

ICP 2017 Report: Purchasing Power Parities and the Size of World Economies; Results from the 2017 International Comparison Program.