

I O L W

INTERNATIONAL OBSERVATORY
OF LIVING WAGES

A Collaborative Research Project



Wage Gaps

Wage rates for all employed in manufacturing

2019 Report

Manufacturing wage gaps for Group of Seven (G7) large economies and other selected economies, including "emerging" economies with available wage and PPP data (1996-2017)

(see definitions and sources at the end of report)

Manufacturing wage gaps for Group of Seven (G7) large economies and other selected economies, including "emerging" economies with available wage and PPP data (1996-2017).

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The Argument 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,
- 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 for Wage Equalisation

Using Purchasing Power Parities (PPPs)

■ 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 for Wage Equalisation

Using Purchasing Power Parities (PPPs)

■ 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.

The Argument for Wage Equalisation Using Purchasing Power Parities (PPPs)

■ 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 U.S. has in the United States; e.g.: if the PPP index in one country is 69, then \$0,69 are required in that country to buy the same that \$1 buys in the U.S.; thus, the cost of living is lower. If the PPP were to be higher than 100, say 120, then \$1,20 is required in that country to buy the same that \$1 buys in the U.S.; the cost of living is, thus, higher,
- To calculate a living wage, the real wage of a specific category of U.S. workers is used as the benchmark, and the PPPs of a country in question are then applied to the U.S. wage,
- This provides the equivalent living wage that a worker in the country in question should be earning in order to be at par in terms of purchasing power to the material quality of life enjoyed by the equivalent U.S. worker. This is the equalised wage in terms of purchasing power,
- In this way, the comparison 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 over three decades the purchasing power of real wages in the U.S., the benchmark country for wage equalisation. This has been attempted to be resolved by women joining the work force and, fictitiously, through over indebtedness, which eventually 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 2017

- Equivalent manufacturing workers in Mexico and Brazil earn only 23% and 33%, 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 \$39,36/hour whilst Mexican and Brazilian workers earn only \$4,95/hour and \$9,13/hour, respectively,
- Since costs of living in PPP terms in Mexico and Brazil are \$0,54 and \$0,70, respectively, for each \$1 US dollar, equivalent Mexican and Brazilian manufacturing workers should be earning instead \$21,15/hour and \$27,41/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 (\$33,63) is 83% of the equivalent wage rate (\$40,63) needed to be at par, with a PPP of \$1,03 per each \$1 US dollar.

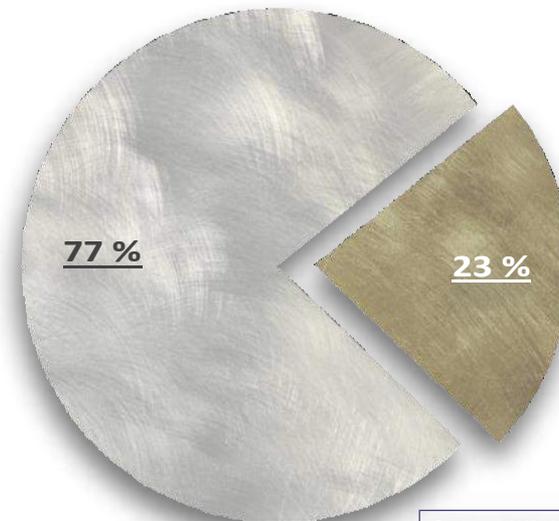
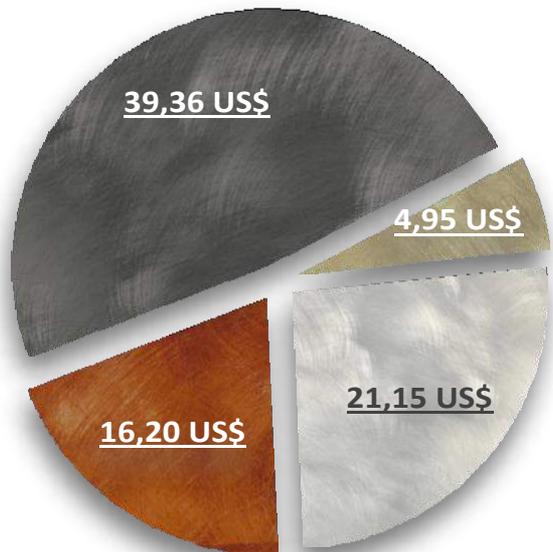
Nominal, Real and Equalisation Wage Rate for All Employed					
in Manufacturing by Using Purchase Power Parities (PPPs) Benchmark					
	Nominal Hourly	PPP	PPP	Equalised Nominal Hourly	Equalisation
2017	<u>Wage Rate</u>	<u>2017</u>	<u>Real Wage Rate</u>	<u>Wage Rate</u>	<u>Index</u>
United States	39,36 US\$	100	39,36 US\$	39,36 US\$	100
Canada	33,63 US\$	103	32,58 US\$	40,63 US\$	83
	85 %		83 %	103 %	
Mexico	4,95 US\$	54	9,21 US\$	21,15 US\$	23
	13 %		23 %	54 %	
Brazil	9,13 US\$	70	13,11 US\$	27,41 US\$	33
	23 %		33 %	70 %	
Sources:					
International Observatory of Living Wages 2019.					
The Conference Board, International Labor Comparisons program, February 2018.					
Data base of World Bank's World Development Indicators, 1975-2017, (private consumption PPP indicator)					

The Argument for Wage Equalisation

Using Purchasing Power Parities (PPPs)

■ A Classic Example in 2017

- 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 \$21,15 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 \$4,95 instead of \$21,15, thus the employer deliberately retains \$16,20, 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 77% of labour’s surplus value, or labour share of income, by only allocating to the worker 23% of what he/she is entitled to.



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

- Nominal wage rate earned
- Equalised nominal wage rate
- Difference inappropriately retained by the employer
- U.S. equivalent wage rate (benchmark for equalisation)

- Nominal wage rate earned
- Difference inappropriately retained by the employer

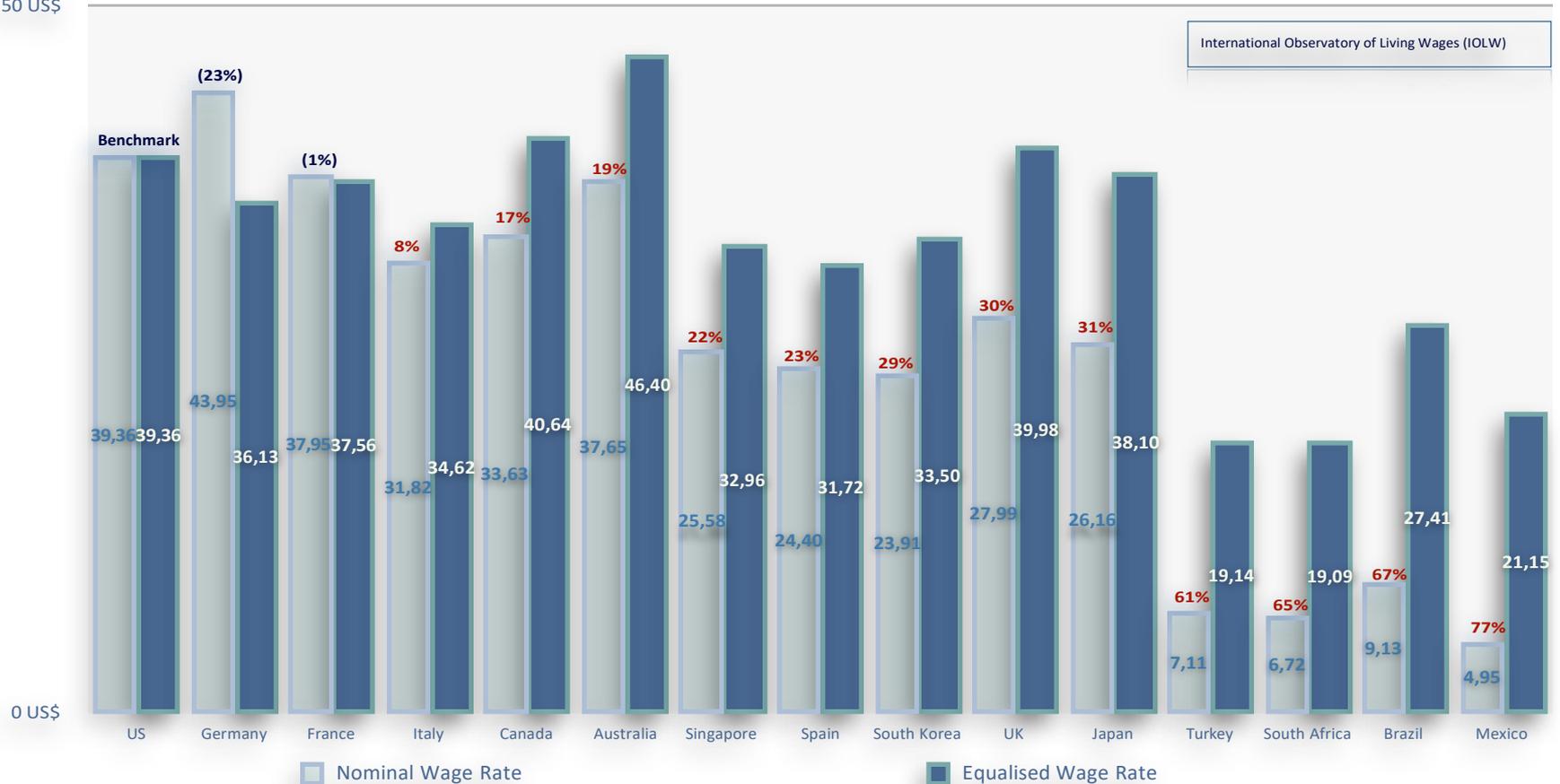
Wage rate gap comparisons for selected economies

- **2017 is the first year in the 22-year span in this report that US hourly wage rates dropped (0,9%). This enabled the vast majority of countries to reduce their comparative wage gaps or increase their surpluses in their manufacturing wage Eq-Index or at least keep their position (For full details see Table T5, starting in page 27).**
- In 2017 Japan has reversed the downward trend in living-wage equalisation (Eq-Idx) that began in 2013, increasing its Eq-Idx by three points, to a 69 index. This is the result of the combination of the drop of the US hourly rate, an increase of Japan's hourly rate in local currency and the drop of PPP cost of living, despite a decrease of its hourly rate in US dollars. South Korea sustained the growing trend of its Eq-Idx that resumed in 2014 after a brief downturn in 2013, and it is now at 71, three points below its highest index in 2012. This is the result of the combination of the drop of the US equivalent rate, an increase of the local currency rate, and a currency revaluation that produced a 4% increase of its hourly rate in US dollars. South Korea has also been able to remain ahead of Japan's Eq-Idx. A strong drop of Singapore's hourly rate in local currency produced a 1 point loss in its Eq-Idx.
- In the euro zone, Spain, Germany and France stopped their downturn that began in 2012, after steady and stronger growth of the US hourly rate vis-à-vis the growth of their comparative hourly rates in euros. In the case of France and Germany, they recovered some ground in their equalisation due to the revaluation of the euro in 2017 and no change in their PPP cost of living, despite the drop of their hourly rates in local currency. In the case of Spain the revaluation of the euro combined with a +2% growth of its hourly rate in euros and again no growth of the PPP cost of living, enabled it to gain four points in its Eq-Idx. In contrast, Italy's drop of its hourly rate of almost 4% in local currency and 2% in US dollars, produced further erosion of its Eq-Idx that began in 2014.
- The United Kingdom reversed the sustained erosion of its Eq-Idx that began in 2008 and gained four points from its 2016 position. This resulted from the devaluation of its currency and a drop of its PPP cost of living, combined with a 2,2% growth of its hourly rate in local currency and the nearly 1% drop of the US rate. In contrast, Australia continued to decrease its Eq-Idx that began in 2014, with 4,4% drop of its hourly rate in local currency and a 1,9% increase in the PPP cost of living. In the case of Canada, the combination of its hourly rate increase in Canadian dollars of 9,4%, its currency revaluation of 2,2% and the 0,9% US rate decrease, produced an 11,8% increase of its hourly rate in US dollars between 2016 and 2017. This enabled its living wage equalisation index (Eq-Idx) to grow 10,2%, from 75 to 83, its highest since 2010. South Africa is a new economy incorporated into this report, showing a steady increase of its Eq-Idx since 2004, the earliest year with available data. But little growth of its hourly rate in local currency (1,9%) combined with strong inflation that pushed up its PPP cost of living almost 14% did not allow it to sustain its Eq-Idx growth in 2017, despite the fact that a strong currency revaluation increased its hourly rate +12% in US dollars. Extremely strong growth of hourly rate in local currency (41%) at a much higher rate than strong currency devaluation (17%) produced a strong 31% increase of Turkey's Eq-Idx, the highest of all economies included in our reports.
- After Brazil widened its manufacturing wage gap in 2014 and 2016, due to the devaluation of its currency since 2010 under a sustained recession, it managed to remain stable in 2017, despite the fact that the neoliberal government of Michele Temer passed a law that put a freeze on public spending effectively ending compliance with the minimum wage appreciation law. Minimum wage policy serves as an indicator for all other wages and directly influences manufacturing wages. Consequently, with a 2,1% inflation rate in 2017, the manufacturing hourly rate increased 1,4% in local currency units, effectively dropping in real terms. However, the appreciation of Brazil's Real and the drop of the US hourly manufacturing rate, allowed its equalisation index to remain at 33. Hourly rates and the Eq-Idx are bound to drop in 2018 and 2019, given that Bolsonaro's new government is deepening the anti-labour policies initiated by the Temer government.
- Mexico's track record since 1996 exposed a deliberate state policy of maintaining modern-slave-work real wages between 1996 and 2015. However, 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, touting to implement a strong minimum wage recovery policy, increased the minimum wage by 16,2%, including a 5% increase to offset inflation. The change of policy has had a direct positive impact on manufacturing wages in real terms and on its equalisation with comparative US wages. Between 2014 and 2017 the hourly rate in local currency increased 41,2%, but the peso experienced a steep devaluation of 29,8%. Thus the hourly rate in US dollars decreased slightly by 0,8%. However, due to the devaluation of the Mexican peso and low inflation, the PPP conversion factor dropped 23,6% for the same period. This allowed the Eq-Idx to gain four points, to 23, both in 2016 and 2017, the highest recorded index in the 22 year span of time. Yet, Mexico continues to have one of the widest living-wage gaps among the 41 countries included in all our reports, just ahead of China, India and the Philippines.
- 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 happen 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. Unless 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. Given this ominous situation, demand-side 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. Unless we replace the current system life in our planet will reach its demise as the result of the ecological rift produced by our anthropocentric era.

2017 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)

50 US\$



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

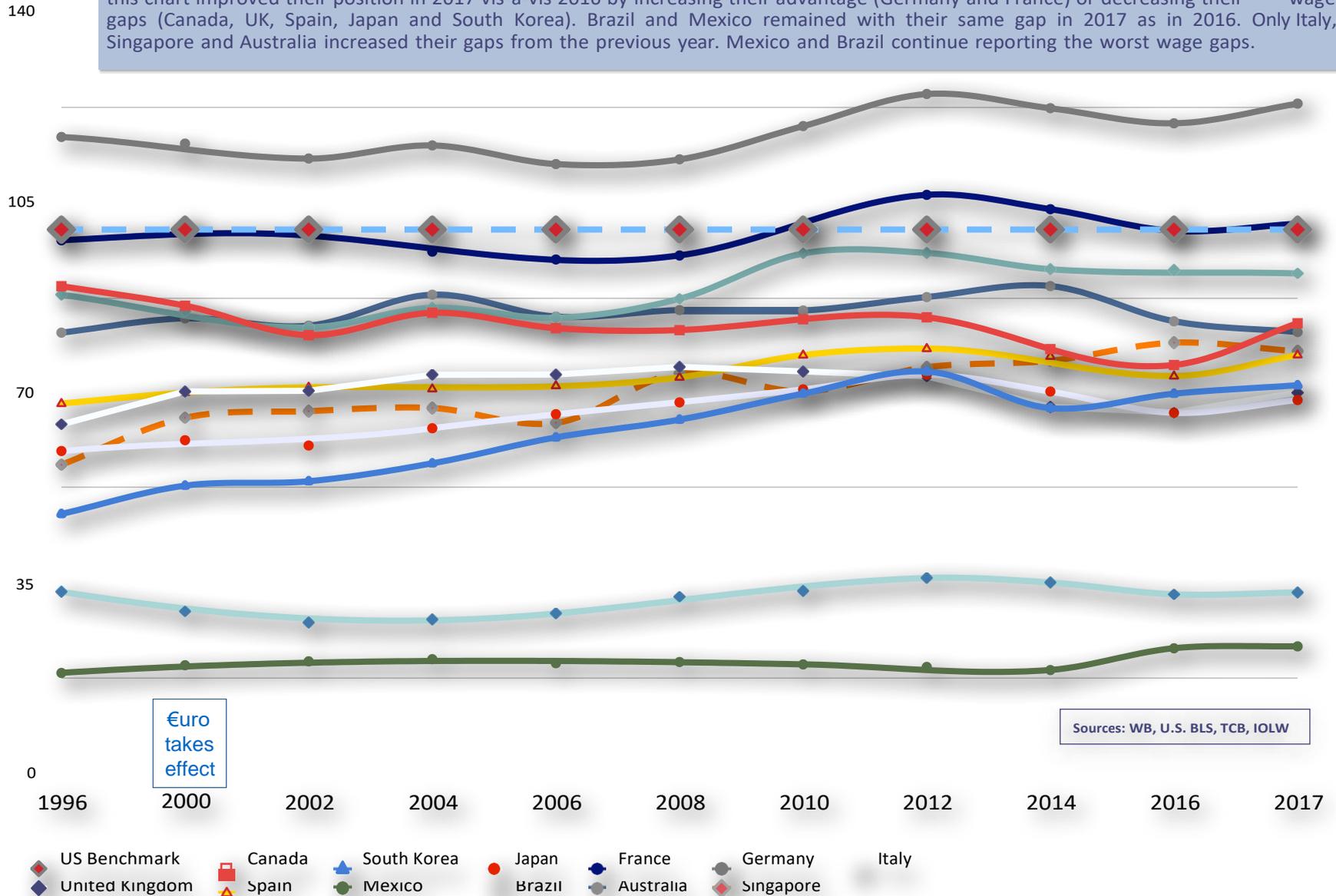
- 1) If lighter bar is greater than darker bar= Nominal wage rate is superior to rate required to be at par with U.S.
 - 2) If darker bar is greater than lighter bar= Nominal wage rate is less than wage required to be at par with U.S.
 - 3) If both bars are in equilibrium= Nominal wage is equivalent 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.
- x Database of World Bank's World Development Indicators, 1975-2017.
- x U.S. Bureau of Labor Statistics, August 2013 and The Conference Board (TCB), International Labor Comparisons Program - Manufacturing Hourly Compensation Costs, February 2018.
- x The Conference Board (TCB) — International Comparisons of Manufacturing Productivity and Unit Labor Costs 2017, July 2018
- Purchasing Power Parities and Real Expenditures of World Economies. Summary of Results and Findings of the 2011 International Comparison Program. World Bank 2014.

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 actual equalisation advantage over the US in real PPP terms in its hourly wage rates, followed by France with a one point advantage over US wage rates. All other countries continue to record wage gaps vis-à-vis equivalent manufacturing wage rates in the US. Seven out of the twelve countries in this chart improved their position in 2017 vis-à-vis 2016 by increasing their advantage (Germany and France) or decreasing their wage gaps (Canada, UK, Spain, Japan and South Korea). Brazil and Mexico remained with their same gap in 2017 as in 2016. Only Italy, Singapore and Australia increased their gaps from the previous year. Mexico and Brazil continue reporting the worst wage gaps.

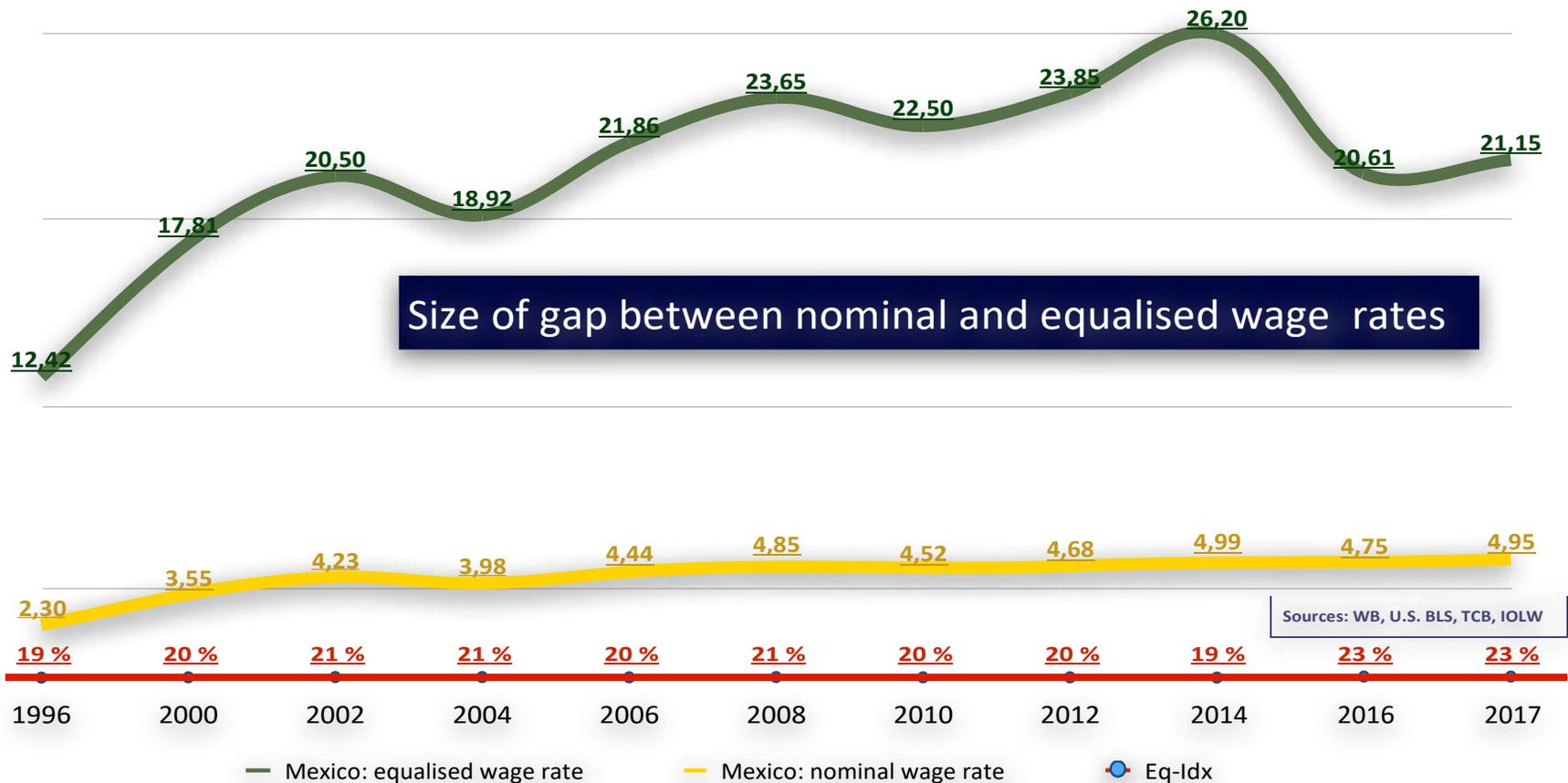


€uro takes effect

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

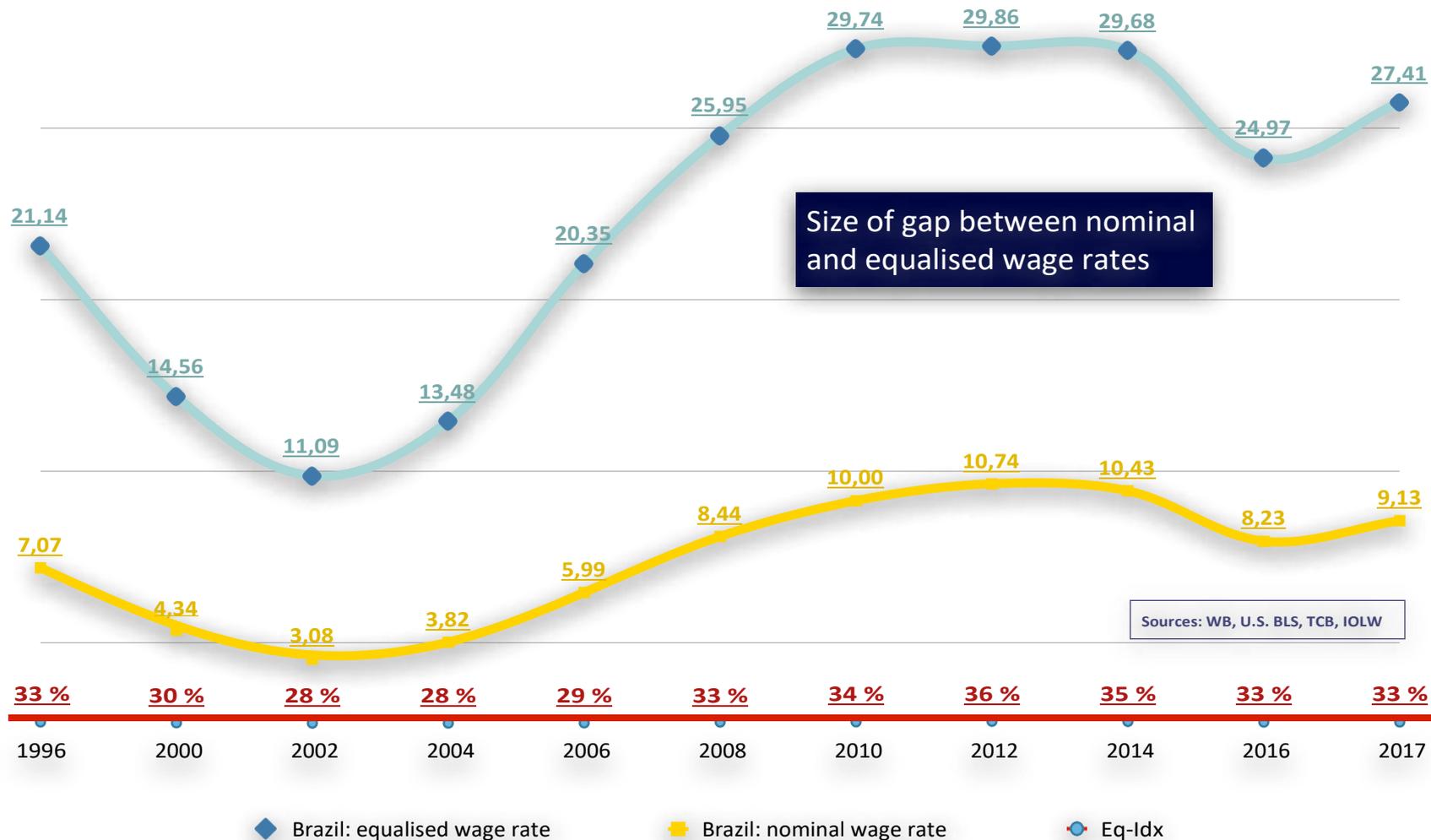
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

For the first time —after more than three decades— 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. In 2019, Mexico’s new government increased the minimum wage at even a higher nominal rate (16,2%). The change of policy is beginning to have a direct positive impact on manufacturing wages in real terms and on its equalisation with comparative US wages. Yet, a two point increase in the PPP index kept the equalisation index in 2017 at the same rate as in 2016 (23%), despite the 0,9% drop of the US wage rate. Nonetheless, the 23 Eq-Idx constitutes the best recorded since 1996, albeit it remains by far the position with the worst gap (77%) of the fourteen economies in this report.



Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

Brazil managed to remain stable in 2017, despite the fact that neoliberal policies put a freeze on public spending effectively ending compliance with the minimum wage appreciation law advanced by the preceding labour party governments. The manufacturing hourly rate increased 1,4% in local currency units, below the 2,1 inflation rate, effectively dropping in real terms. But the appreciation of Brazil's Real and the drop of the US hourly manufacturing rate, allowed its equalisation index to remain at 33. Hourly rates and the Eq-Idx will likely drop in 2018 and 2019, due to the deepening of anti-labour policies pursued by the current government. After 21 years, Brazilian workers endure the same compensation gap vis-à-vis their US counterparts under the principle of equal pay for work of equal value by remaining at the same 33 index of 1996.



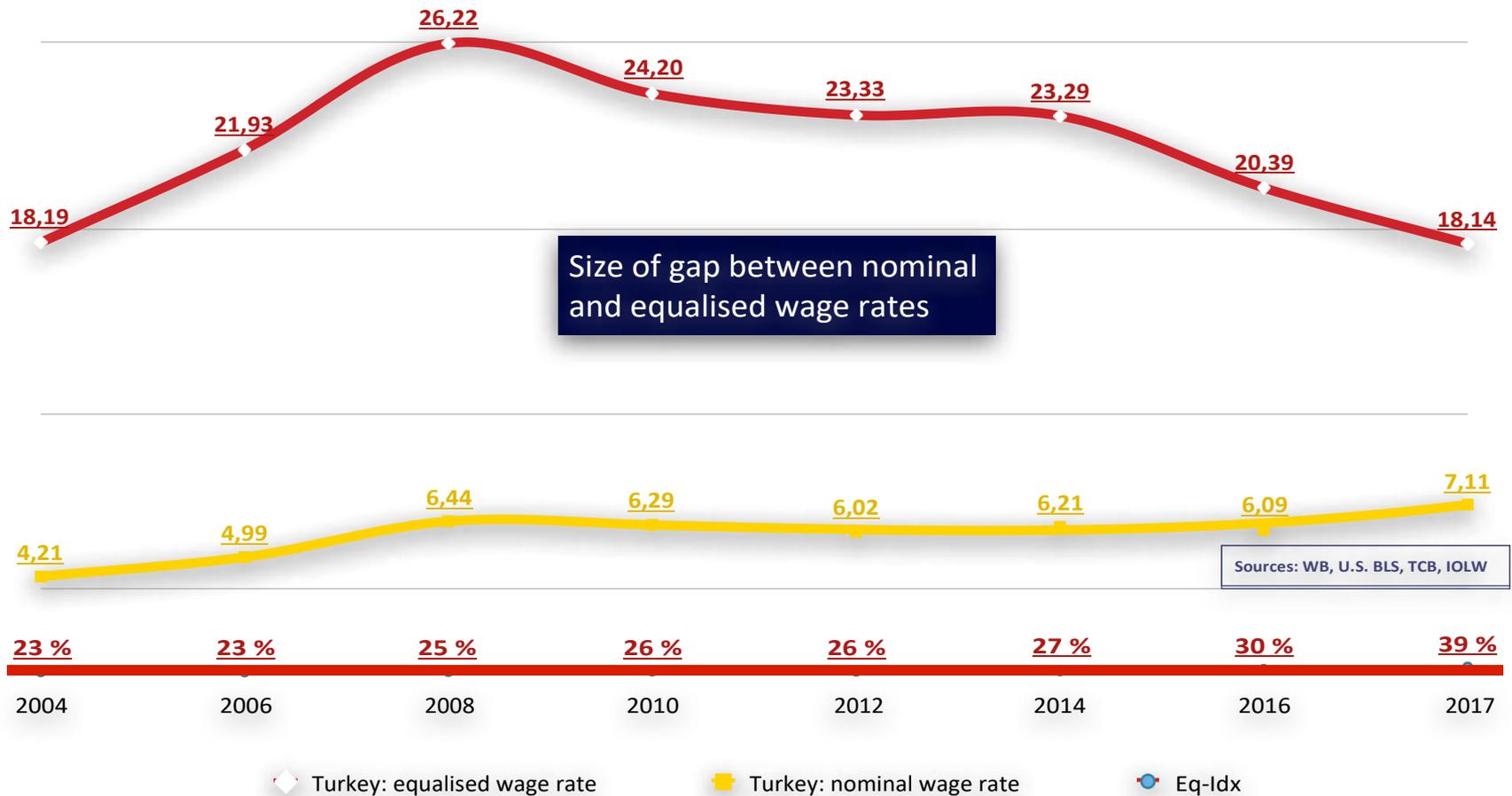
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

South Africa shows a steady increase of its Eq-Idx since 2004, the earliest year with available data. But little growth of its hourly rate in local currency and strong inflation preclude it from sustaining its Eq-Idx growth in 2017, despite a strong currency revaluation that increased its hourly rate in US dollars by more than 12%. Nonetheless, it has already gained 14 points since 2004, equivalent to an 18% reduction of its wage gap.



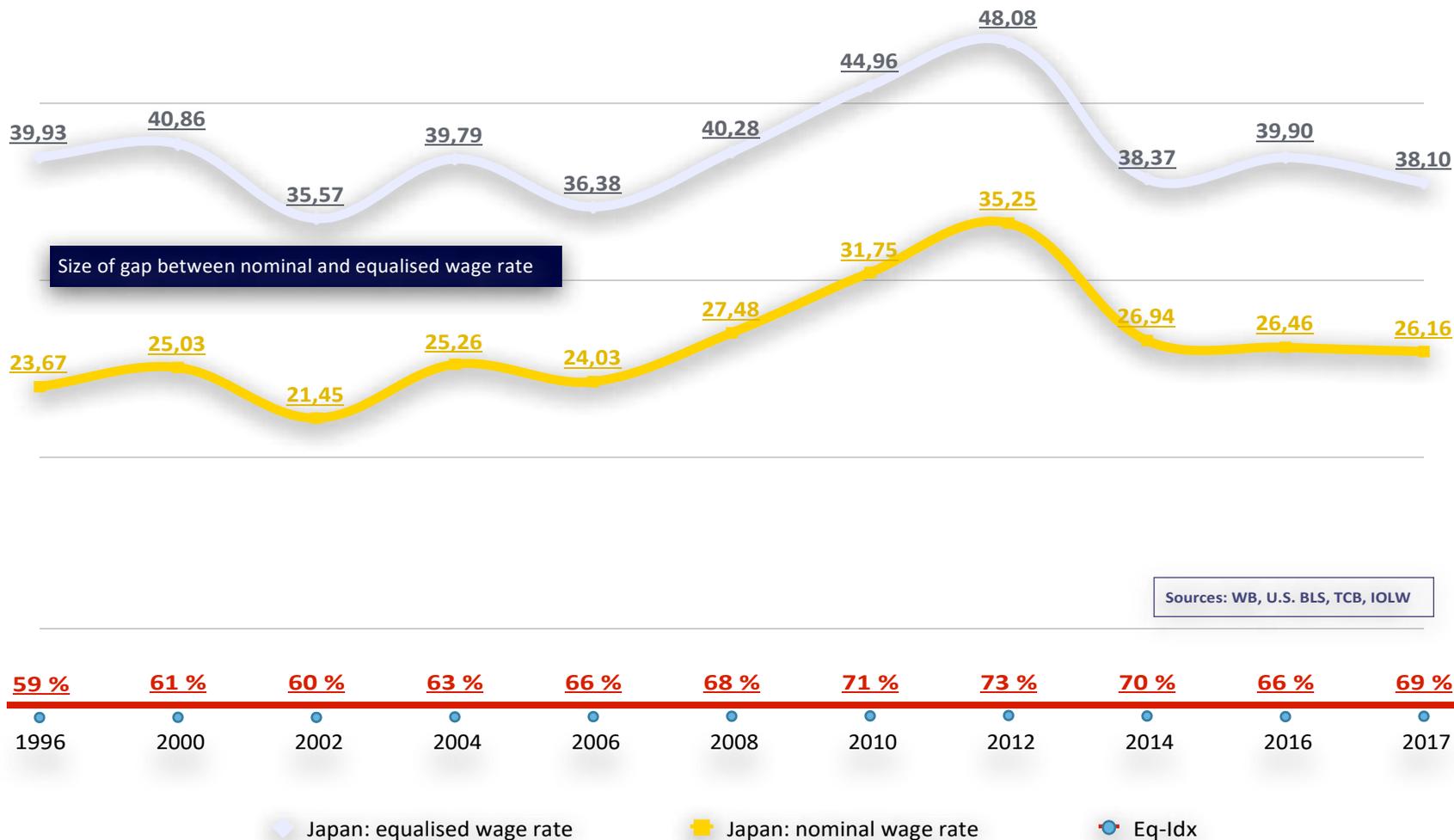
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

Turkey shows a steady increase of its Eq-Idx since 2004, the earliest year with available data. This trend has increased its growth pace since 2014. Yet 2017 data reported an extremely powerful and unusual increase for just one year (from a 30 to a 39 Eq-Idx). This is explained by the extremely strong growth of its hourly rate in local currency (41%); much stronger than the strong currency devaluation experienced (17%). This combination produced a strong 31% increase of Turkey's Eq-Idx in just one year, the highest of all economies included in our reports. Thus, compared with 2004, Turkey's equalisation has improved by 70%, equivalent to a 21% reduction of its wage gap with US workers.



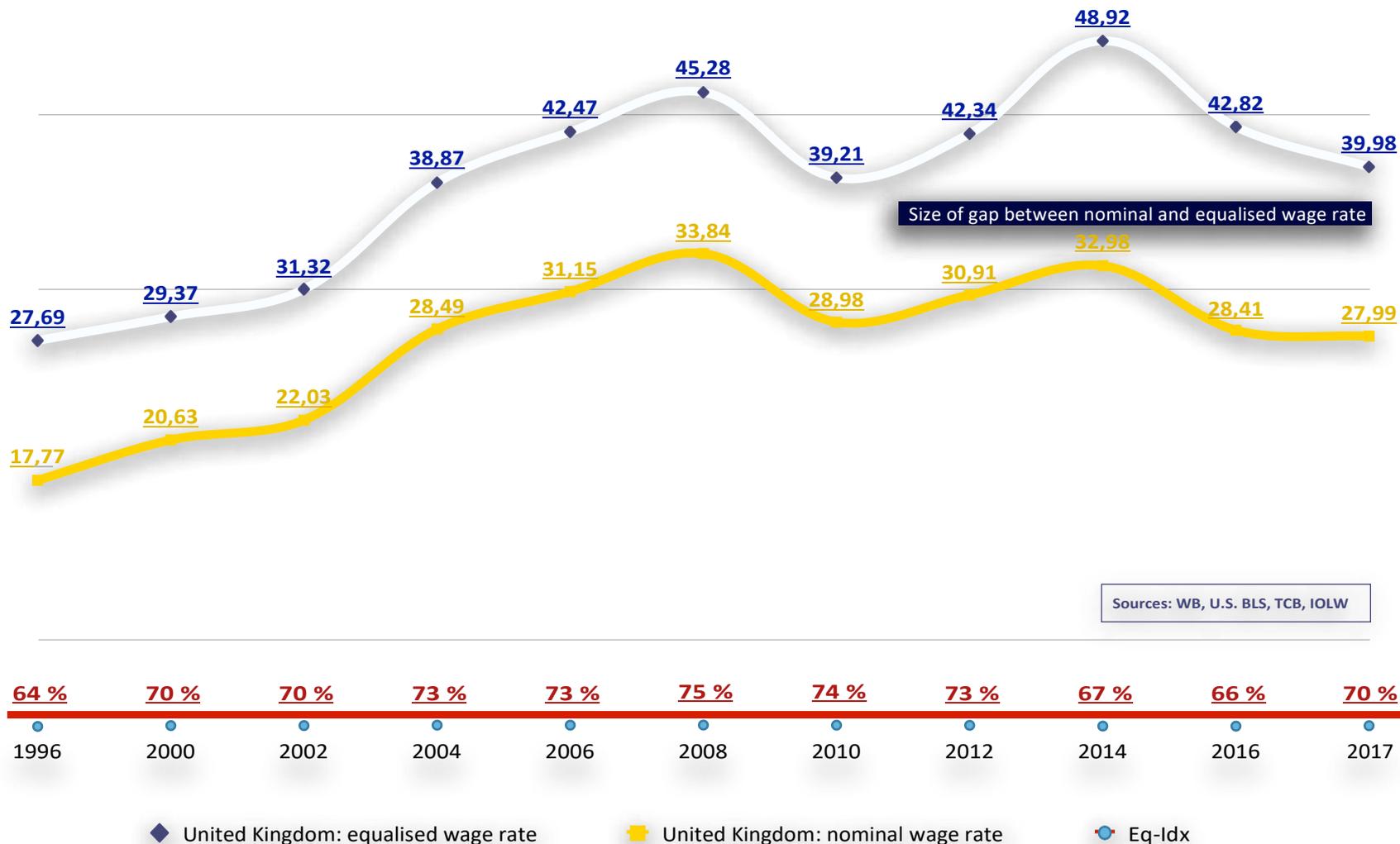
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

The combination of the drop of the US hourly rate, the increase in local currency of Japan's equivalent rate and the drop of its PPP cost of living for private consumption, produced a 3 point gain in its equalisation index —despite a decrease of its hourly rate in US dollars, consequently reducing its gap in manufacturing compensation. As a consequence, in 2017 Japan reversed the downward trend of its Eq-Idx that began in 2013. After 21 years, Japan is 10 points above its 1996 index, which is tantamount to a 24% reduction of its wage gap with equivalent US workers.



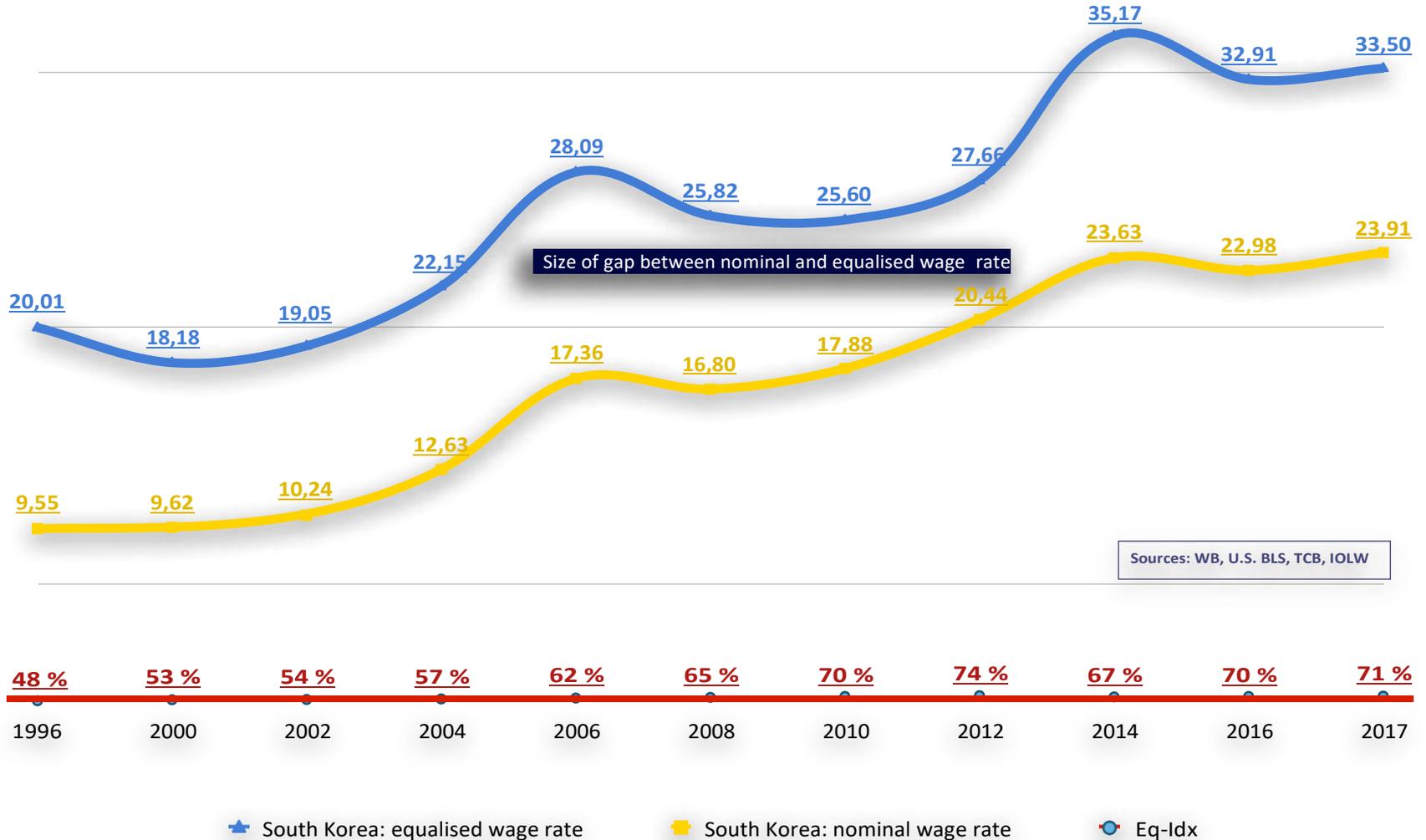
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

In 2017, the UK experienced a substantial devaluation of the pound and a drop of its PPP for private consumptions cost of living. These factors, combined with the drop of the US hourly rate, lowered the equalised wage rate by almost \$3 dollars. On the other hand, the hourly rate in local currency increased by 2,3%. The combination of these indicators enabled the UK to experience a strong gain of 4 points in its Eq-Idx (66% - 70%), six points above its 1996 index, tantamount to a 17% reduction of its wage gap with its US counterparts.



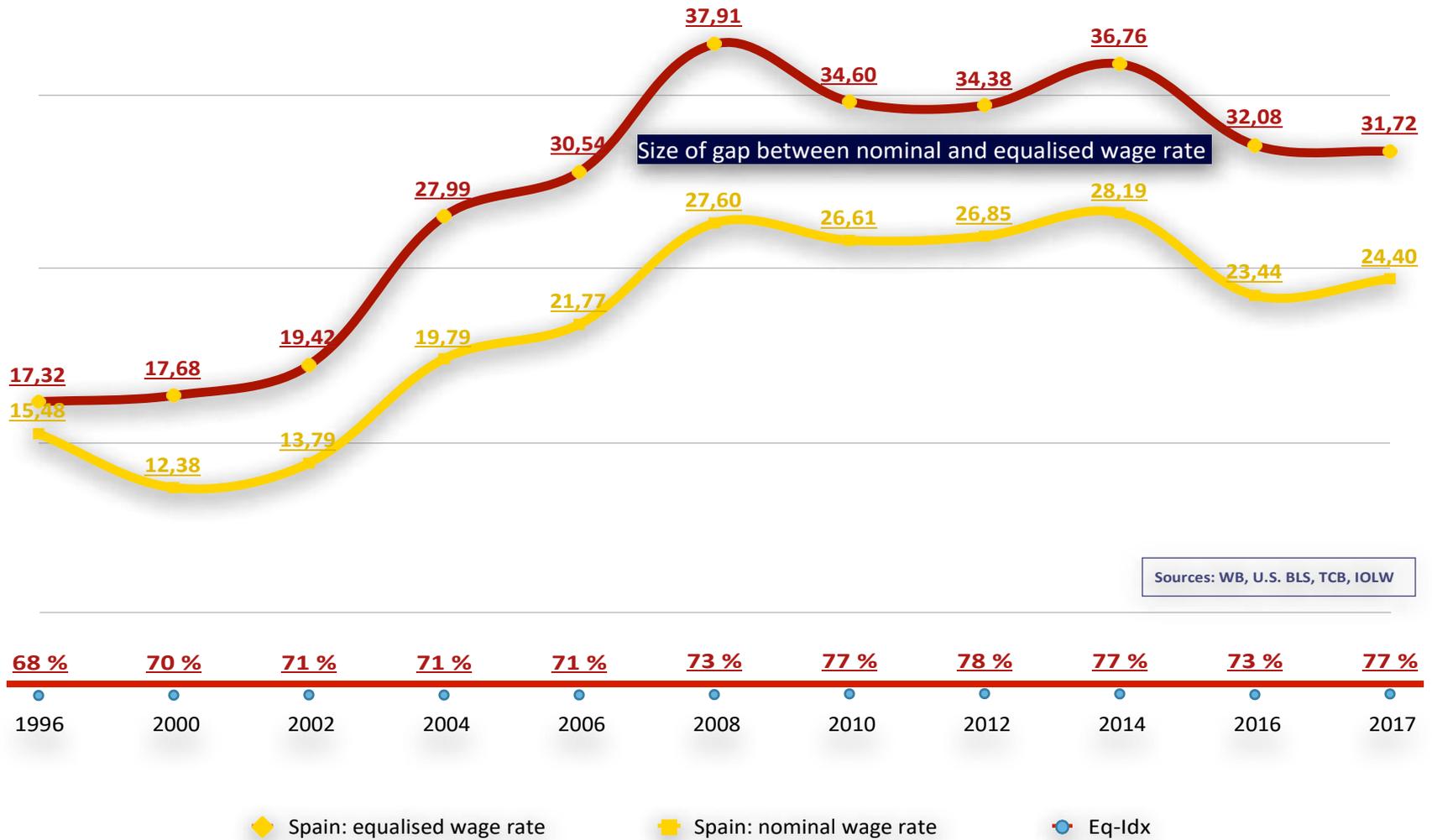
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

South Korea sustained the growing trend of its Eq-Idx that resumed in 2014 after a brief downturn in 2013, and it is now at 71, three points below its highest index in 2012. This is the result of the combination of the drop of the US equivalent rate, an increase of the local currency rate, and a currency revaluation that produced a 4% increase of its hourly rate in US dollars. South Korea has also been able to remain ahead of Japan's Eq-Idx, after being far behind in 1996. Overall, since 1996, South Korea, along with Singapore, is the best performer of all economies included in this report, by gaining 23 equalisation points, which is equivalent to a 44% reduction of its wage gap (from 52 to 29).



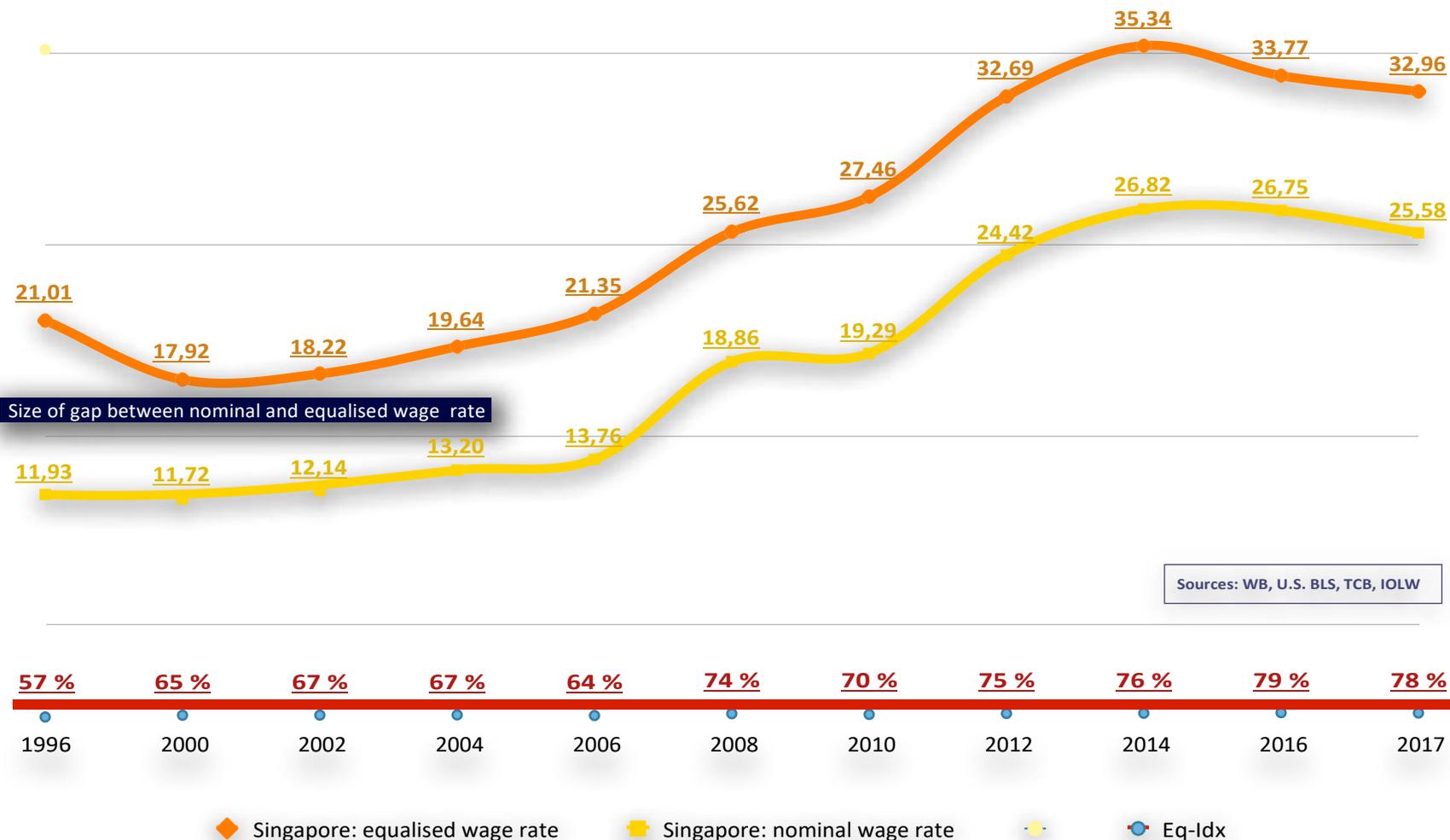
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

In Spain the combination of the drop of the US rate, an increase in the local currency rate, the euro revaluation and no growth of the PPP cost of living produced a strong gain of four points. Since its adoption of the euro in 2000, Spain has gained seven points, which reduces its wage gap with equivalent US workers by a strong 23%.



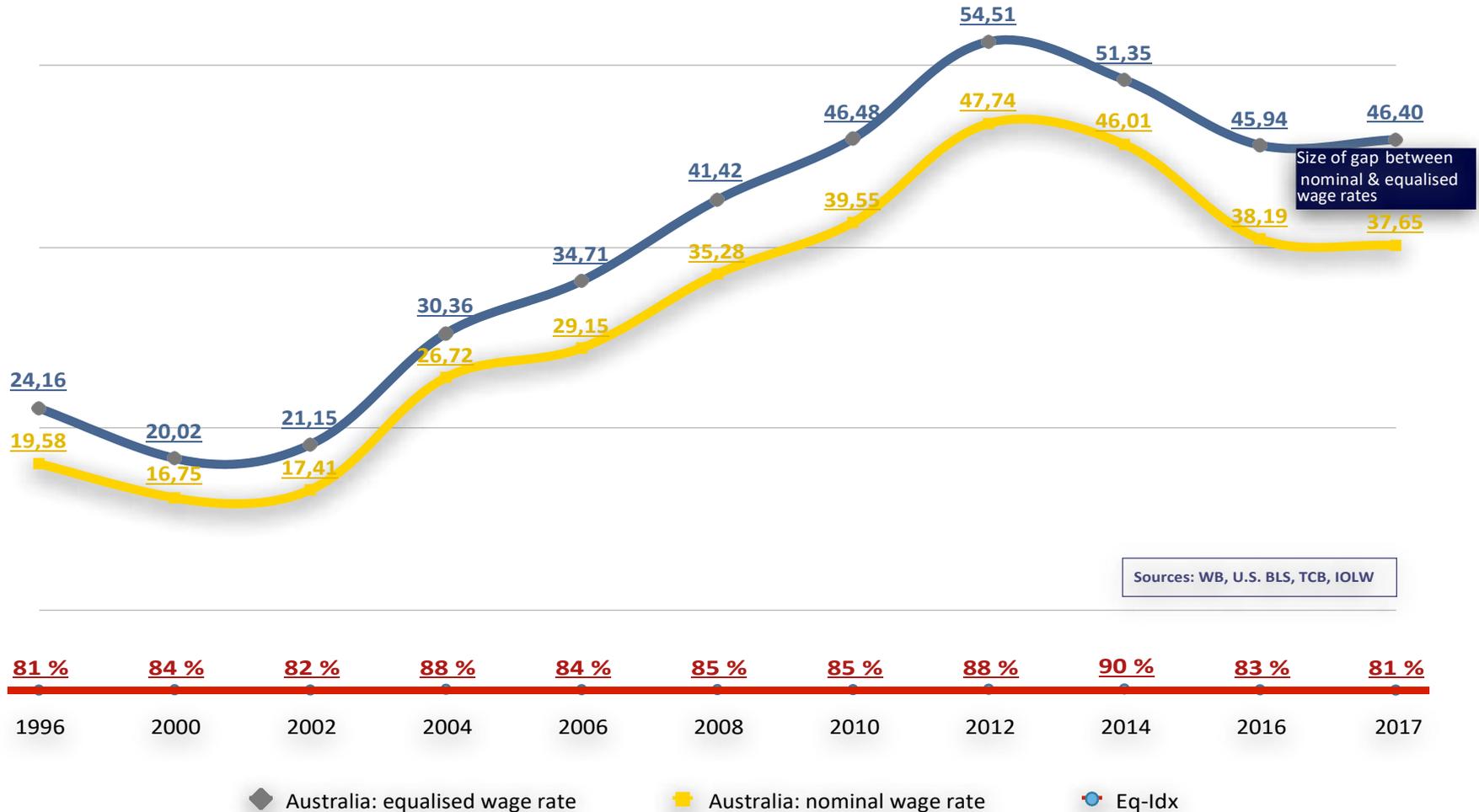
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

In 2017, the strong drop in local currency and a slight increase in PPP produced a one point loss of Singapore's Eq-Idx. However, along with South Korea, it is the best performing economy in the closing of its wage gap of all economies in this report since 1996. While it was two equalisation points behind Japan in 1996, it is now nine points ahead. This constitutes a 21 point gain in equalization, which corresponds to a reduction of 49% of its wage gap with equivalent US workers (from 43 to 22).



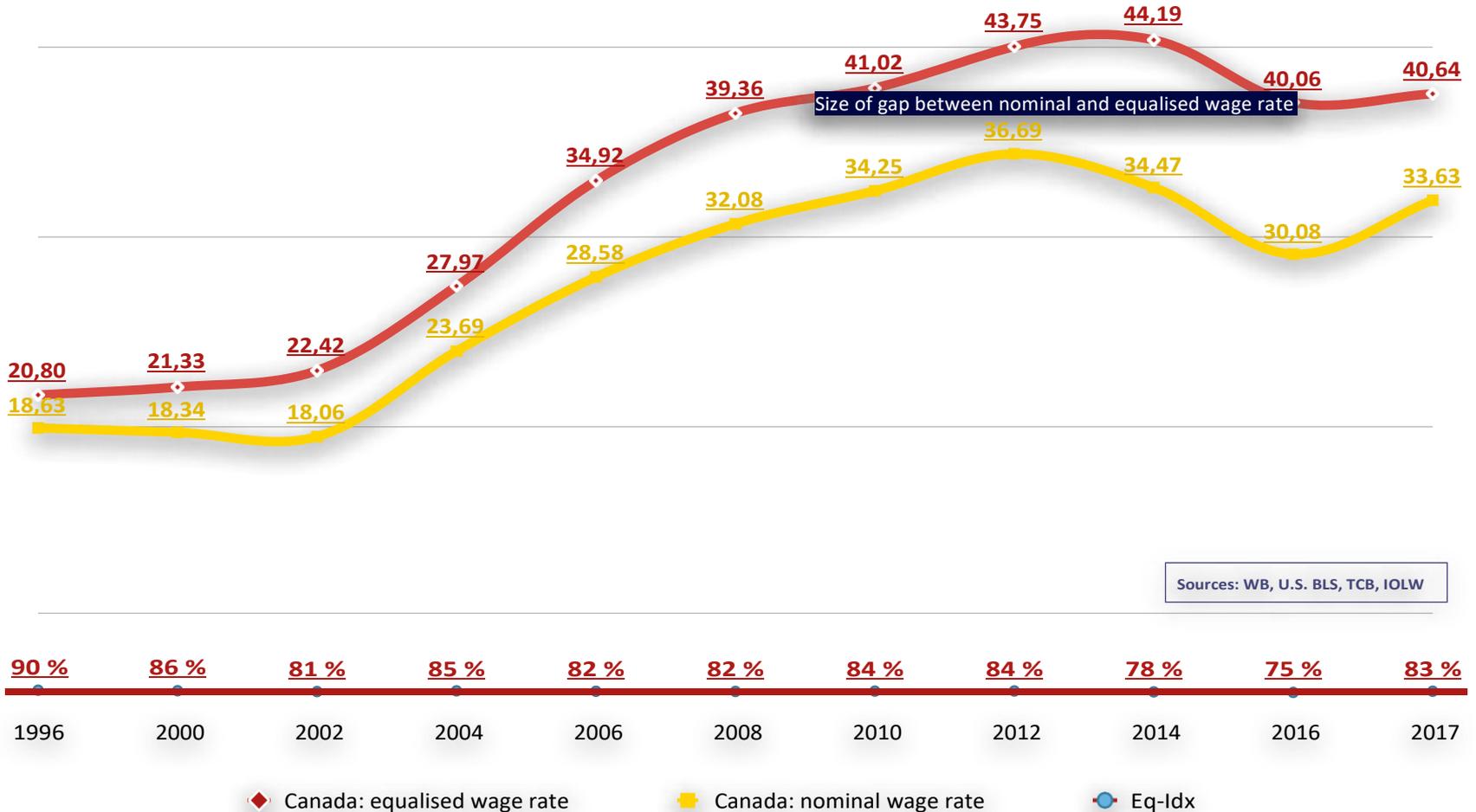
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

In 2017, Australia experienced a two point drop in its Eq-Idx, from 2016, due to a high revaluation of the Australian dollar, the associated increase of the PPP cost of living and a drop in local currency of its hourly wage rate. Overall, Australia is one of the worst performers in this report. After its best performance with a 90% equalisation in 2014, it has gone down by 10% in three years and it is now at the same level as 21 years ago, in 1996.



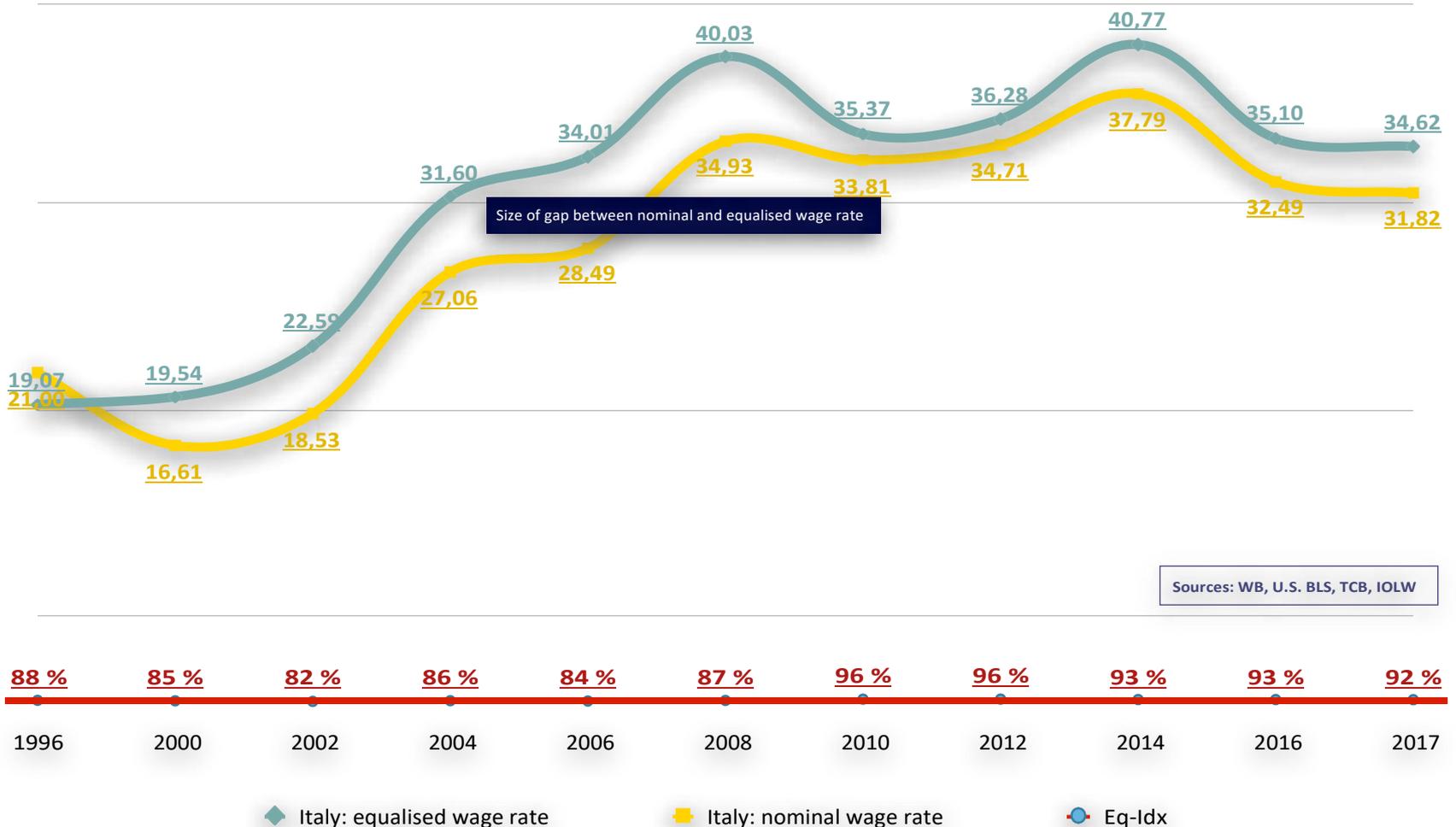
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

Canada experienced a strong recovery in 2017 that puts its Eq-Idx ahead of its previous equalisation positions since 2014, with a very strong eight point gain from 2016, tantamount to an 11% improvement. A strong increase of its wage rate in local currency (9,4%), with a local currency revaluation of 2,2%, despite a 2,4% increase in PPP cost of living, allowed a 12% increase of the wage rate in US dollars. These factors, combined with the 0,9% drop of the US hourly rate, increased its Eq-Idx to 83% in 2017. Nonetheless, Canada is one of the worst performers in this report by remaining seven points behind its 1996 position. As a result, Canada's wage gap with US equivalent workers is now 70% greater than in 1996 (from a 10 to a 17 point increase), despite the recent improvement.



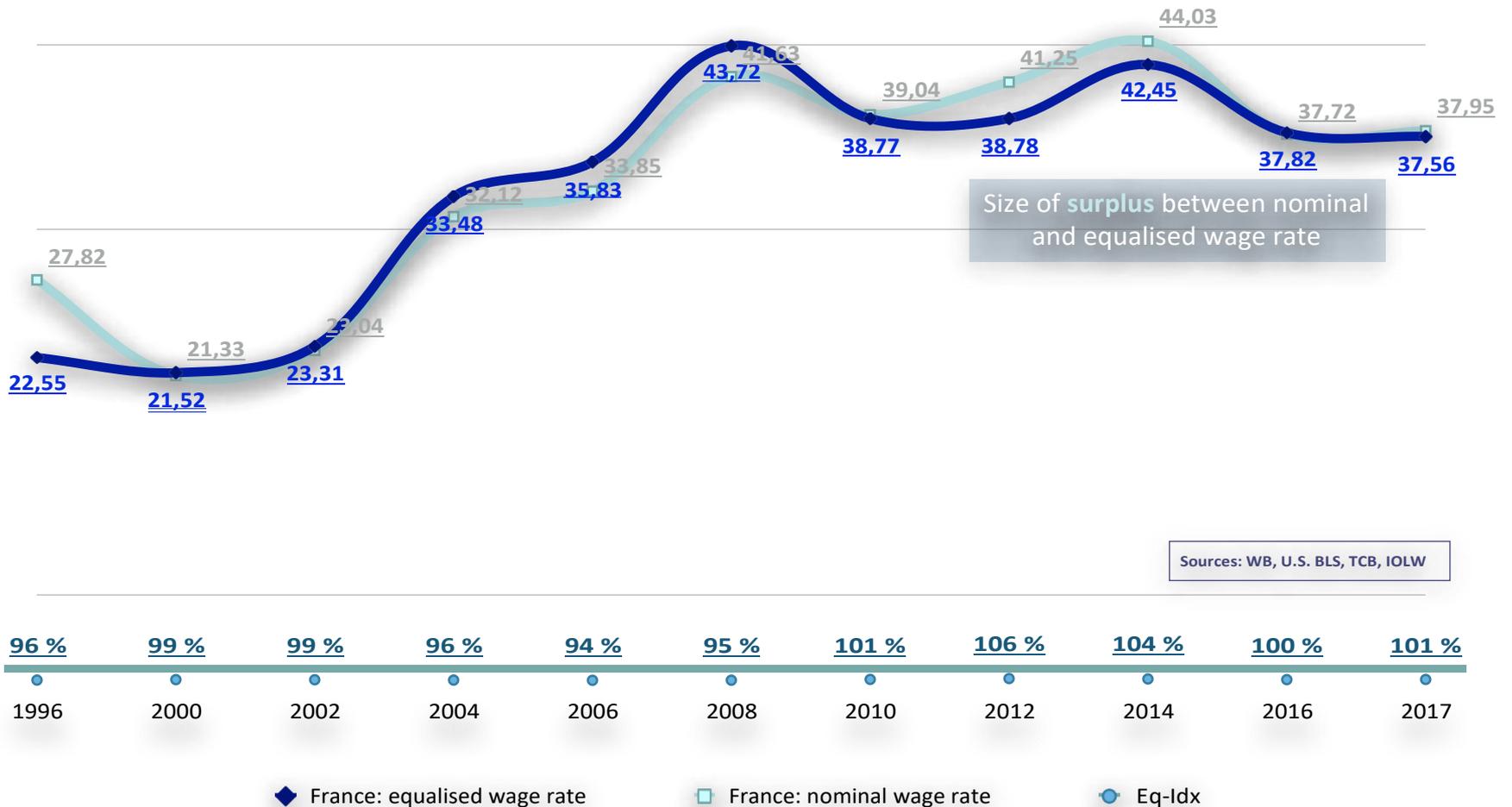
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

In contrast with most euro-zone economies, despite the revaluation of the euro, Italy's drop of its hourly wage rate of nearly 4% in euros and 2% in US dollars, produced in 2017 a one point loss from the previous year, despite the drop of the US hourly rate of 0,9%. Since its adoption of the euro in 2000, Italy has gained seven points, which has reduced its wage gap with equivalent US workers by a strong 47%. Moreover, since 2010, Italy has been able to record an Eq-Idx above the 90% level. Yet, since its peak in 2010 at 96, it has recorded a gradual erosion, losing four points since then.



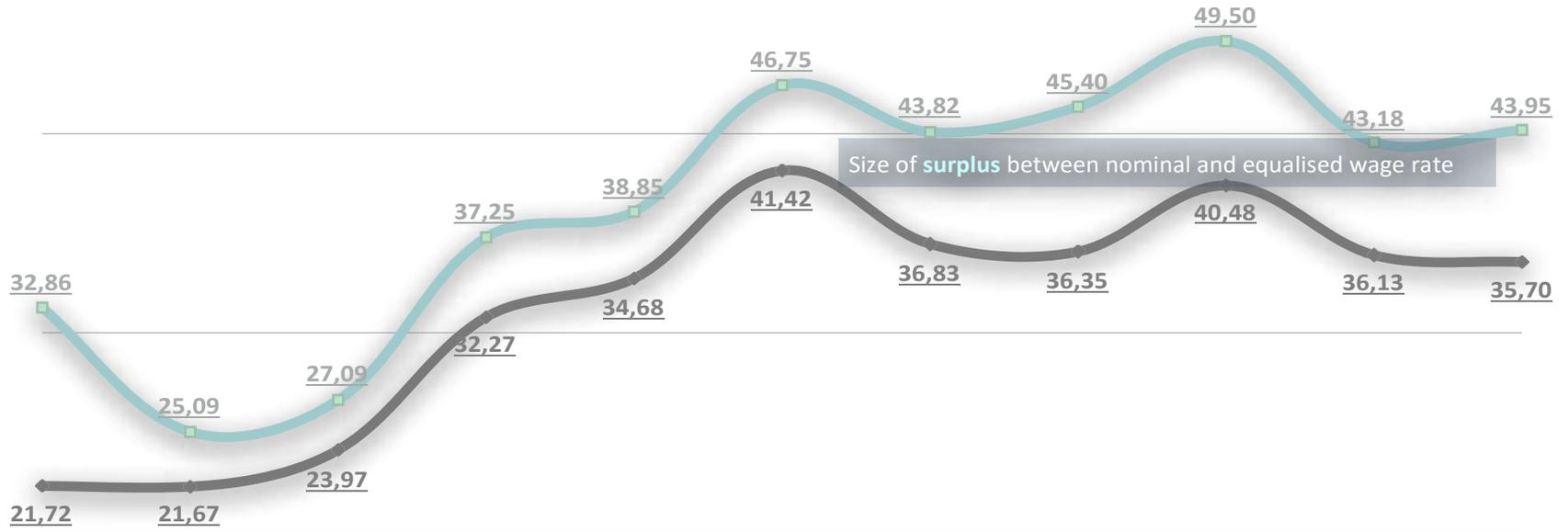
Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

In 2017, the nearly 2% revaluation of the euro and the drop of US rate allowed a small gain, despite a slight drop of 1,2% in France's hourly rate in euros. France's hourly wage rates in manufacturing have been consistently close to equivalent wage rates in the US since the adoption of the euro in 2000. Furthermore, France has been slightly ahead of the US hourly rate in PPP real terms since 2010, and remains with one point surplus vis-à-vis the US hourly rate in 2017 at 101.



Hourly wage rate equalisation between hourly nominal and equalised wage rates in PPP terms for all employed in manufacturing with equivalent U.S. real wage rate (current dollars)

In 2017, the nearly 2% revaluation of the euro, the drop of US rate and no change in the hourly rate in local currency, allowed a three point gain in Germany's Eq-Idx from 2016. Germany has consistently outperformed equivalent US hourly rates in manufacturing in real PPP terms, always with a very substantial surplus. Since the adoption of the euro in 2000, Germany has gained seven points, and its has sustained a surplus of at least 20% over US wage rates since 2012.



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



◆ Germany: equalised wage rate ■ Germany: nominal wage rate ● Eq-Idx

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 1996-2017 (based on the methodology of Jus Semper’s “The Living Wages North and South Initiative (TLWNSI)”, following the principle of “Equal pay for equal work of equal value” of UN and ILO’s international conventions).

		1996	2000	2002	2004	2006	2008	2010	2012	2014	2016	2017
Benchmark	PPP conversion factor for private consumption											
	1. U.S. Hourly Manufacturing Wage Rate* (Hourly compensation cost)	22,46	24,95	27,35	28,59	30,77	32,26	32,61	34,05	37,23	39,73	39,36
	Canada											
	PPP conversion factor (in country currency)	1,263	1,270	1,287	1,273	1,287	1,302	1,296	1,284	1,311	1,337	1,340
	Exchange rate	1,3635	1,4854	1,5703	1,3013	1,1343	1,0671	1,030	0,9994	1,105	1,326	1,298
PPP conversion factor (in U.S. dollars)	US\$ 0,93	US\$ 0,85	US\$ 0,82	US\$ 0,98	US\$ 1,13	US\$ 1,22	US\$ 1,26	US\$ 1,28	US\$ 1,19	US\$ 1,01	US\$ 1,03	
2. Equalised PPP nominal wage rate US \$	US\$ 20,00	US\$ 21,33	US\$ 22,42	US\$ 27,97	US\$ 34,92	US\$ 39,36	US\$ 41,02	US\$ 43,73	US\$ 44,19	US\$ 40,06	US\$ 40,64	
3. Actual PPP Real wage rate US \$	US\$ 20,12	US\$ 21,45	US\$ 22,04	US\$ 24,21	US\$ 25,19	US\$ 26,29	US\$ 27,23	US\$ 28,53	US\$ 29,04	US\$ 29,83	US\$ 32,57	
4. Actual Nominal wage rate US \$	US\$ 18,63	US\$ 18,34	US\$ 18,06	US\$ 23,69	US\$ 28,38	US\$ 32,08	US\$ 34,25	US\$ 36,69	US\$ 34,47	US\$ 30,08	US\$ 33,63	
Compensation Deficit in US \$ (2 minus 4)	US\$ 2,17	US\$ 2,99	US\$ 4,36	US\$ 4,28	US\$ 6,34	US\$ 7,28	US\$ 6,77	US\$ 7,06	US\$ 8,22	US\$ 9,98	US\$ 7,81	
Wage Equalisation index (4+2 or 3+1)	0,99	0,86	0,81	0,85	0,82	0,82	0,84	0,84	0,78	0,75	0,83	
Brazil	PPP conversion factor (in country currency)	0,946	1,067	1,184	1,379	1,438	1,475	1,605	1,711	1,876	2,194	2,222
	Exchange rate	1,0051	1,829	2,920	2,925	2,175	1,834	1,759	1,953	2,353	3,491	3,191
	PPP conversion factor (in U.S. dollars)	US\$ 0,94	US\$ 0,58	US\$ 0,41	US\$ 0,47	US\$ 0,66	US\$ 0,80	US\$ 0,91	US\$ 0,80	US\$ 0,80	US\$ 0,63	US\$ 0,70
	2. Equalised PPP nominal wage rate US \$	US\$ 21,14	US\$ 14,56	US\$ 11,09	US\$ 13,48	US\$ 20,35	US\$ 25,95	US\$ 29,74	US\$ 29,86	US\$ 29,68	US\$ 24,97	US\$ 27,41
	3. Actual PPP Real wage rate US \$	US\$ 7,51	US\$ 7,44	US\$ 7,60	US\$ 8,10	US\$ 9,06	US\$ 10,49	US\$ 10,96	US\$ 12,23	US\$ 13,08	US\$ 13,10	US\$ 13,11
4. Actual Nominal wage rate US \$	US\$ 7,07	US\$ 4,34	US\$ 3,08	US\$ 3,82	US\$ 5,99	US\$ 8,44	US\$ 10,00	US\$ 10,74	US\$ 10,43	US\$ 8,23	US\$ 9,13	
Compensation Deficit in US \$ (2 minus 4)	US\$ 14,07	US\$ 10,22	US\$ 8,01	US\$ 9,66	US\$ 14,36	US\$ 17,51	US\$ 19,74	US\$ 19,12	US\$ 19,25	US\$ 16,74	US\$ 18,28	
Wage Equalisation index (4+2 or 3+1)	0,33	0,30	0,23	0,28	0,29	0,33	0,34	0,34	0,35	0,33	0,33	
Mexico	PPP conversion factor (in country currency)	4,202	6,750	7,238	7,470	7,744	8,150	8,720	9,221	9,354	9,682	10,172
	Exchange rate	7,599	9,456	9,656	11,286	10,899	11,130	12,636	13,169	13,292	18,664	18,927
	PPP conversion factor (in U.S. dollars)	US\$ 0,55	US\$ 0,71	US\$ 0,75	US\$ 0,66	US\$ 0,71	US\$ 0,73	US\$ 0,69	US\$ 0,70	US\$ 0,70	US\$ 0,52	US\$ 0,54
	2. Equalised PPP nominal wage rate US \$	US\$ 12,42	US\$ 17,81	US\$ 20,58	US\$ 18,92	US\$ 21,86	US\$ 23,65	US\$ 22,50	US\$ 23,85	US\$ 26,20	US\$ 20,61	US\$ 21,15
	3. Actual PPP Real wage rate US \$	US\$ 4,16	US\$ 4,97	US\$ 5,64	US\$ 6,01	US\$ 6,25	US\$ 6,62	US\$ 6,55	US\$ 6,68	US\$ 7,09	US\$ 9,16	US\$ 9,21
4. Actual Nominal wage rate US \$	US\$ 2,30	US\$ 3,55	US\$ 4,23	US\$ 3,98	US\$ 4,44	US\$ 4,85	US\$ 4,52	US\$ 4,68	US\$ 4,99	US\$ 4,75	US\$ 4,95	
Compensation Deficit in US \$ (2 minus 4)	US\$ 10,12	US\$ 14,26	US\$ 16,27	US\$ 14,94	US\$ 17,42	US\$ 18,89	US\$ 17,98	US\$ 19,17	US\$ 21,21	US\$ 15,06	US\$ 16,20	
Wage Equalisation index (4+2 or 3+1)	0,19	0,20	0,21	0,21	0,20	0,21	0,20	0,20	0,19	0,23	0,23	
France	PPP conversion factor (in country currency)	6,579	0,936	0,906	0,943	0,928	0,925	0,898	0,886	0,859	0,861	0,847
	Exchange rate	5,1155	1,0854	1,0626	0,8054	0,7971	0,6827	0,7550	0,7781	0,7537	0,9040	0,8874
	PPP conversion factor (in U.S. dollars)	US\$ 1,29	US\$ 0,86	US\$ 0,85	US\$ 1,17	US\$ 1,16	US\$ 1,36	US\$ 1,19	US\$ 1,14	US\$ 1,14	US\$ 0,95	US\$ 0,95
	2. Equalised PPP nominal wage rate US \$	US\$ 28,88	US\$ 21,52	US\$ 21,31	US\$ 33,48	US\$ 35,83	US\$ 43,72	US\$ 38,77	US\$ 38,78	US\$ 42,45	US\$ 37,82	US\$ 37,56
	3. Actual PPP Real wage rate US \$	US\$ 21,63	US\$ 24,73	US\$ 27,03	US\$ 27,43	US\$ 29,07	US\$ 30,72	US\$ 32,84	US\$ 36,22	US\$ 38,61	US\$ 39,62	US\$ 39,77
4. Actual Nominal wage rate US \$	US\$ 27,82	US\$ 21,33	US\$ 23,04	US\$ 32,12	US\$ 33,83	US\$ 41,63	US\$ 39,04	US\$ 41,25	US\$ 44,03	US\$ 37,72	US\$ 37,95	
Compensation Deficit in US \$ (2 minus 4)	US\$ 1,06	US\$ 0,19	US\$ 0,27	US\$ 1,36	US\$ 1,99	US\$ 2,09	US\$ 0,27	US\$ 2,47	US\$ 1,58	US\$ 0,10	US\$ 0,38	
Wage Equalisation index (4+2 or 3+1)	0,95	0,99	0,99	0,96	0,94	0,95	1,01	1,06	1,04	1,00	1,01	
Germany	PPP conversion factor (in country currency)	1,889	0,943	0,931	0,909	0,898	0,876	0,853	0,831	0,820	0,822	0,805
	Exchange rate	1,5044	1,0854	1,0626	0,8054	0,7971	0,6827	0,7550	0,7781	0,7537	0,9040	0,8874
	PPP conversion factor (in U.S. dollars)	US\$ 1,26	US\$ 0,87	US\$ 0,88	US\$ 1,13	US\$ 1,13	US\$ 1,28	US\$ 1,13	US\$ 1,07	US\$ 1,09	US\$ 0,91	US\$ 0,91
	2. Equalised PPP nominal wage rate US \$	US\$ 28,19	US\$ 21,67	US\$ 23,97	US\$ 32,27	US\$ 34,68	US\$ 41,42	US\$ 36,83	US\$ 36,35	US\$ 40,48	US\$ 36,13	US\$ 35,70
	3. Actual PPP Real wage rate US \$	US\$ 26,18	US\$ 28,88	US\$ 30,91	US\$ 33,01	US\$ 34,47	US\$ 36,41	US\$ 38,80	US\$ 42,52	US\$ 45,52	US\$ 47,48	US\$ 48,46
4. Actual Nominal wage rate US \$	US\$ 32,86	US\$ 25,09	US\$ 27,89	US\$ 37,25	US\$ 38,85	US\$ 46,75	US\$ 43,82	US\$ 45,40	US\$ 49,50	US\$ 43,18	US\$ 43,95	
Compensation Deficit in US \$ (2 minus 4)	US\$ 14,67	US\$ 3,42	US\$ 3,12	US\$ 4,98	US\$ 4,17	US\$ 5,33	US\$ 6,99	US\$ 9,05	US\$ 9,82	US\$ 7,85	US\$ 8,25	
Wage Equalisation index (4+2 or 3+1)	1,17	1,16	1,13	1,15	1,12	1,13	1,19	1,25	1,22	1,20	1,23	

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 1996-2017 (based on the methodology of Jus Semper’s “The Living Wages North and South Initiative (TLWNSI)”, following the principle of “Equal pay for equal work of equal value” of UN and ILO’s international conventions).

		1996	2000	2002	2004	2006	2008	2010	2012	2014	2016	2017
Benchmark	PPP conversion factor for private consumption											
	1. U.S. Hourly Manufacturing Wage Rate* (Hourly compensation cost)	22,46	24,95	27,35	28,59	30,77	32,26	32,61	34,05	37,23	39,73	39,36
Italy	PPP conversion factor (in country currency)	1641,957	0,850	0,878	0,890	0,881	0,847	0,819	0,829	0,825	0,799	0,780
	Exchange rate	1542,947	1,0034	1,0626	0,8034	0,797	0,6827	0,7550	0,7783	0,7537	0,9040	0,8874
	PPP conversion factor (in U.S. dollars)	US\$ 1,06	US\$ 0,78	US\$ 0,83	US\$ 1,11	US\$ 1,11	US\$ 1,24	US\$ 1,08	US\$ 1,07	US\$ 1,10	US\$ 0,88	US\$ 0,88
	2. Equalised PPP nominal wage rate US \$	US\$ 23,90	US\$ 19,54	US\$ 22,59	US\$ 31,60	US\$ 34,81	US\$ 40,03	US\$ 35,37	US\$ 36,28	US\$ 40,77	US\$ 35,10	US\$ 34,62
	3. Actual PPP Real wage rate US \$	US\$ 19,73	US\$ 21,21	US\$ 22,43	US\$ 24,48	US\$ 25,78	US\$ 28,13	US\$ 31,17	US\$ 32,58	US\$ 34,51	US\$ 36,77	US\$ 36,18
	4. Actual Nominal wage rate US \$	US\$ 21,00	US\$ 16,61	US\$ 18,33	US\$ 27,06	US\$ 28,49	US\$ 34,93	US\$ 33,81	US\$ 34,71	US\$ 37,79	US\$ 32,49	US\$ 31,82
	Compensation Deficit in US \$ (2 minus 4)	US\$ 2,90	US\$ 2,93	US\$ 4,06	US\$ 4,54	US\$ 5,32	US\$ 5,18	US\$ 1,86	US\$ 1,57	US\$ 2,98	US\$ 2,61	US\$ 2,80
	Wage Equalisation Index (4+2 or 3+1)	0,88	0,85	0,82	0,86	0,84	0,87	0,96	0,96	0,93	0,93	0,92
United Kingdom	PPP conversion factor (in country currency)	0,790	0,778	0,764	0,743	0,750	0,763	0,778	0,787	0,799	0,798	0,789
	Exchange rate	0,6410	0,6609	0,667	0,5462	0,5435	0,5440	0,6472	0,6330	0,6077	0,7406	0,7770
	PPP conversion factor (in U.S. dollars)	US\$ 1,23	US\$ 1,18	US\$ 1,15	US\$ 1,36	US\$ 1,38	US\$ 1,40	US\$ 1,20	US\$ 1,24	US\$ 1,31	US\$ 1,08	US\$ 1,02
	2. Equalised PPP nominal wage rate US \$	US\$ 27,69	US\$ 29,37	US\$ 31,32	US\$ 38,87	US\$ 42,47	US\$ 45,28	US\$ 39,21	US\$ 42,34	US\$ 48,92	US\$ 42,82	US\$ 39,98
	3. Actual PPP Real wage rate US \$	US\$ 14,42	US\$ 17,52	US\$ 19,24	US\$ 20,95	US\$ 22,37	US\$ 24,11	US\$ 24,10	US\$ 24,86	US\$ 25,10	US\$ 26,36	US\$ 27,36
	4. Actual Nominal wage rate US \$	US\$ 17,77	US\$ 20,63	US\$ 22,83	US\$ 28,49	US\$ 31,15	US\$ 33,84	US\$ 28,98	US\$ 34,91	US\$ 32,98	US\$ 28,41	US\$ 27,39
	Compensation Deficit in US \$ (2 minus 4)	US\$ 9,92	US\$ 8,74	US\$ 9,29	US\$ 18,38	US\$ 11,32	US\$ 11,44	US\$ 10,23	US\$ 11,43	US\$ 15,94	US\$ 14,41	US\$ 11,89
	Wage Equalisation Index (4+2 or 3+1)	0,64	0,70	0,70	0,73	0,73	0,75	0,74	0,73	0,67	0,66	0,70
Spain	PPP conversion factor (in country currency)	128,188	0,769	0,755	0,789	0,791	0,802	0,801	0,786	0,744	0,730	0,715
	Exchange rate	126,66	1,0854	1,0626	0,8054	0,7971	0,6827	0,7550	0,7783	0,7537	0,9040	0,8874
	PPP conversion factor (in U.S. dollars)	US\$ 1,01	US\$ 0,71	US\$ 0,71	US\$ 0,98	US\$ 0,99	US\$ 1,18	US\$ 1,06	US\$ 1,01	US\$ 0,99	US\$ 0,81	US\$ 0,81
	2. Equalised PPP nominal wage rate US \$	US\$ 22,73	US\$ 17,68	US\$ 19,42	US\$ 27,99	US\$ 30,34	US\$ 37,91	US\$ 34,60	US\$ 34,38	US\$ 36,76	US\$ 32,08	US\$ 31,72
	3. Actual PPP Real wage rate US \$	US\$ 15,30	US\$ 17,47	US\$ 19,42	US\$ 20,21	US\$ 21,93	US\$ 23,49	US\$ 25,08	US\$ 26,59	US\$ 28,35	US\$ 29,83	US\$ 30,28
	4. Actual Nominal wage rate US \$	US\$ 15,48	US\$ 12,38	US\$ 13,79	US\$ 19,79	US\$ 21,77	US\$ 27,60	US\$ 26,61	US\$ 24,85	US\$ 28,19	US\$ 23,44	US\$ 24,40
	Compensation Deficit in US \$ (2 minus 4)	US\$ 7,25	US\$ 5,30	US\$ 5,63	US\$ 8,20	US\$ 8,27	US\$ 10,21	US\$ 7,99	US\$ 7,53	US\$ 8,57	US\$ 8,64	US\$ 7,32
	Wage Equalisation Index (4+2 or 3+1)	0,68	0,70	0,71	0,71	0,71	0,73	0,77	0,78	0,77	0,73	0,72
Turkey	PPP conversion factor (in country currency)	—	—	—	0,907	1,018	1,058	1,115	1,230	1,369	1,550	1,681
	Exchange rate	—	—	—	1,426	1,428	1,302	1,503	1,796	2,1885	1,0201	3,6481
	PPP conversion factor (in U.S. dollars)	—	—	—	US\$ 0,64	US\$ 0,71	US\$ 0,81	US\$ 0,74	US\$ 0,69	US\$ 0,63	US\$ 0,51	US\$ 0,46
	2. Equalised PPP nominal wage rate US \$	—	—	—	US\$ 18,19	US\$ 21,93	US\$ 26,22	US\$ 24,20	US\$ 23,33	US\$ 23,29	US\$ 20,39	US\$ 18,14
	3. Actual PPP Real wage rate US \$	—	—	—	US\$ 6,62	US\$ 7,00	US\$ 7,92	US\$ 8,40	US\$ 8,79	US\$ 9,93	US\$ 11,86	US\$ 15,43
	4. Actual Nominal wage rate US \$	NA	NA	NA	US\$ 4,21	US\$ 4,99	US\$ 6,44	US\$ 6,29	US\$ 6,02	US\$ 6,21	US\$ 6,09	US\$ 7,11
	Compensation Deficit in US \$ (2 minus 4)	—	—	—	US\$ 13,98	US\$ 16,94	US\$ 19,78	US\$ 17,91	US\$ 17,31	US\$ 17,08	US\$ 14,30	US\$ 11,03
	Wage Equalisation Index (4+2 or 3+1)	—	—	—	0,23	0,23	0,25	0,26	0,26	0,27	0,30	0,39
Japan	PPP conversion factor (in country currency)	193,385	176,466	163,075	150,594	137,513	129,061	121,030	112,664	109,182	109,247	108,572
	Exchange rate	108,78	107,77	125,39	108,19	116,30	103,36	87,78	79,79	105,94	108,79	112,17
	PPP conversion factor (in U.S. dollars)	US\$ 1,78	US\$ 1,64	US\$ 1,30	US\$ 1,39	US\$ 1,18	US\$ 1,25	US\$ 1,38	US\$ 1,41	US\$ 1,03	US\$ 1,00	US\$ 0,97
	2. Equalised PPP nominal wage rate US \$	US\$ 39,93	US\$ 40,86	US\$ 35,57	US\$ 39,79	US\$ 36,38	US\$ 40,28	US\$ 44,96	US\$ 48,08	US\$ 38,37	US\$ 39,90	US\$ 38,10
	3. Actual PPP Real wage rate US \$	US\$ 13,31	US\$ 15,29	US\$ 16,49	US\$ 18,13	US\$ 20,32	US\$ 22,01	US\$ 23,03	US\$ 24,96	US\$ 26,14	US\$ 26,33	US\$ 27,83
	4. Actual Nominal wage rate US \$	US\$ 23,67	US\$ 25,01	US\$ 21,45	US\$ 25,26	US\$ 24,83	US\$ 27,48	US\$ 31,75	US\$ 35,25	US\$ 26,94	US\$ 26,46	US\$ 26,16
	Compensation Deficit in US \$ (2 minus 4)	US\$ 16,26	US\$ 15,83	US\$ 14,12	US\$ 14,53	US\$ 12,35	US\$ 12,88	US\$ 13,21	US\$ 12,83	US\$ 11,43	US\$ 13,44	US\$ 11,94
	Wage Equalisation Index (4+2 or 3+1)	0,59	0,61	0,60	0,63	0,66	0,68	0,71	0,73	0,70	0,66	0,69

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 1996-2017 (based on the methodology of Jus Semper’s “The Living Wages North and South Initiative (TLWNSI)”, following the principle of “Equal pay for equal work of equal value” of UN and ILO’s international conventions).

		1996	2000	2002	2004	2006	2008	2010	2012	2014	2016	2017
Benchmark	PPP conversion factor (or private consumption)											
	1. U.S. Hourly Manufacturing Wage Rate* (Hourly compensation cost)	22.46	24.95	27.35	28.59	30.77	32.26	32.61	34.05	37.23	39.73	39.36
South Korea	PPP conversion factor (in country currency)	716,616	823,900	871,604	887,224	871,617	882,091	907,525	914,934	994,758	961,145	962,003
	Exchange rate	804.45	1130.96	1251.09	1145.32	954.79	1102.05	1156.06	1126.47	1052.96	1160.43	1130.42
	PPP conversion factor (in U.S. dollars)	US\$ 0.89	US\$ 0.73	US\$ 0.70	US\$ 0.77	US\$ 0.91	US\$ 0.80	US\$ 0.79	US\$ 0.81	US\$ 0.94	US\$ 0.83	US\$ 0.85
	2. Equalised PPP nominal wage rate US \$	US\$ 20.01	US\$ 18.18	US\$ 19.05	US\$ 22.15	US\$ 28.09	US\$ 25.82	US\$ 25.60	US\$ 27.66	US\$ 35.17	US\$ 32.91	US\$ 33.50
	3. Actual PPP Real wage rate US \$	US\$ 10.72	US\$ 13.21	US\$ 14.70	US\$ 16.38	US\$ 19.02	US\$ 20.99	US\$ 22.78	US\$ 25.17	US\$ 25.01	US\$ 27.74	US\$ 28.10
	4. Actual Nominal wage rate US \$	US\$ 9.55	US\$ 9.62	US\$ 10.24	US\$ 12.63	US\$ 17.36	US\$ 16.80	US\$ 17.88	US\$ 20.44	US\$ 23.63	US\$ 22.98	US\$ 23.91
	Compensation Deficit in US \$ (2 minus 4) Wage Equalisation Index (4+2 or 3+1)	US\$ 10.46	US\$ 8.56	US\$ 8.81	US\$ 9.52	US\$ 10.73	US\$ 9.02	US\$ 7.72	US\$ 7.22	US\$ 11.54	US\$ 9.93	US\$ 9.39
0.53	0.54	0.57	0.62	0.65	0.70	0.74	0.67	0.70	0.71			
Singapore	PPP conversion factor (in country currency)	1,319	1,238	1,193	1,161	1,102	1,124	1,148	1,200	1,203	1,174	1,156
	Exchange rate	1,4100	1,7240	1,7906	1,8902	1,5889	1,4149	1,3635	1,2497	1,267	1,382	1,381
	PPP conversion factor (in U.S. dollars)	US\$ 0.94	US\$ 0.72	US\$ 0.67	US\$ 0.69	US\$ 0.69	US\$ 0.79	US\$ 0.84	US\$ 0.96	US\$ 0.95	US\$ 0.85	US\$ 0.84
	2. Equalised PPP nominal wage rate US \$	US\$ 21.01	US\$ 17.92	US\$ 18.22	US\$ 19.64	US\$ 21.35	US\$ 25.62	US\$ 27.46	US\$ 32.69	US\$ 35.34	US\$ 33.77	US\$ 32.96
	3. Actual PPP Real wage rate US \$	US\$ 12.75	US\$ 16.32	US\$ 18.22	US\$ 19.21	US\$ 19.83	US\$ 23.75	US\$ 22.91	US\$ 25.43	US\$ 28.26	US\$ 31.47	US\$ 30.35
	4. Actual Nominal wage rate US \$	US\$ 11.93	US\$ 11.72	US\$ 12.14	US\$ 13.20	US\$ 13.76	US\$ 18.86	US\$ 19.29	US\$ 24.42	US\$ 26.82	US\$ 28.75	US\$ 25.58
	Compensation Deficit in US \$ (2 minus 4) Wage Equalisation Index (4+2 or 3+1)	US\$ 9.08	US\$ 6.20	US\$ 6.08	US\$ 6.44	US\$ 7.59	US\$ 6.76	US\$ 6.17	US\$ 7.27	US\$ 8.52	US\$ 7.02	US\$ 7.38
0.65	0.67	0.67	0.64	0.74	0.70	0.75	0.76	0.79	0.78			
South Africa	PPP conversion factor (in country currency)	—	—	—	4,181	4,128	4,516	4,978	5,249	5,715	6,280	6,467
	Exchange rate	—	—	—	6,460	6,772	6,261	7,321	8,210	10,853	14,710	13,334
	PPP conversion factor (in U.S. dollars)	—	—	—	US\$ 0.65	US\$ 0.61	US\$ 0.55	US\$ 0.68	US\$ 0.64	US\$ 0.53	US\$ 0.43	US\$ 0.49
	2. Equalised PPP nominal wage rate US \$	—	—	—	US\$ 18.50	US\$ 18.76	US\$ 17.64	US\$ 22.17	US\$ 21.27	US\$ 19.61	US\$ 14.96	US\$ 19.09
	3. Actual PPP Real wage rate US \$	—	—	—	US\$ 6.01	US\$ 6.97	US\$ 8.36	US\$ 10.16	US\$ 11.31	US\$ 12.80	US\$ 14.01	US\$ 13.35
	4. Actual Nominal wage rate US \$	NA	NA	NA	US\$ 3.89	US\$ 4.25	US\$ 4.57	US\$ 6.91	US\$ 7.23	US\$ 6.74	US\$ 5.98	US\$ 6.72
	Compensation Deficit in US \$ (2 minus 4) Wage Equalisation Index (4+2 or 3+1)	—	—	—	US\$ 14.61	US\$ 14.51	US\$ 13.07	US\$ 15.26	US\$ 14.54	US\$ 12.87	US\$ 18.98	US\$ 12.37
0.23	0.26	0.31	0.33	0.34	0.35	0.35						
Australia	PPP conversion factor (in country currency)	1,375	1,384	1,423	1,444	1,498	1,531	1,554	1,546	1,530	1,556	1,538
	Exchange rate	1,270	1,725	1,841	1,360	1,328	1,192	1,090	0,966	1,109	1,345	1,305
	PPP conversion factor (in U.S. dollars)	US\$ 1.08	US\$ 0.80	US\$ 0.77	US\$ 1.06	US\$ 1.13	US\$ 1.28	US\$ 1.43	US\$ 1.60	US\$ 1.38	US\$ 1.16	US\$ 1.18
	2. Equalised PPP nominal wage rate US \$	US\$ 24.16	US\$ 20.02	US\$ 21.15	US\$ 30.36	US\$ 34.71	US\$ 41.42	US\$ 46.48	US\$ 54.51	US\$ 51.35	US\$ 45.94	US\$ 46.40
	3. Actual PPP Real wage rate US \$	US\$ 18.20	US\$ 20.87	US\$ 22.51	US\$ 25.16	US\$ 25.84	US\$ 27.48	US\$ 27.75	US\$ 29.02	US\$ 33.36	US\$ 33.03	US\$ 31.94
	4. Actual Nominal wage rate US \$	US\$ 19.58	US\$ 16.75	US\$ 17.41	US\$ 26.72	US\$ 29.15	US\$ 35.28	US\$ 39.55	US\$ 47.74	US\$ 46.01	US\$ 38.19	US\$ 37.65
	Compensation Deficit in US \$ (2 minus 4) Wage Equalisation Index (4+2 or 3+1)	US\$ 4.58	US\$ 3.27	US\$ 3.74	US\$ 3.64	US\$ 5.56	US\$ 6.14	US\$ 6.93	US\$ 6.77	US\$ 5.34	US\$ 7.75	US\$ 6.75
0.84	0.82	0.88	0.84	0.85	0.85	0.88	0.90	0.83	0.81			

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 1996-2017 (based on the methodology of Jus Semper’s “The Living Wages North and South Initiative (TLWNSI)”, following the principle of “Equal pay for equal work of equal value” of UN and ILO’s international conventions).

***Definitions:**

- PPPs stands for Purchasing-Power Parities, which reflect the currency units in a given currency that are required to buy the same goods and services that can be purchased in the base country with one currency unit. This analysis uses the U.S. and the U.S. dollar as the benchmark and assumes that the U.S. wage is a living wage.
- The hourly manufacturing 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 express the number of country currency units required to buy the same goods and services a U.S. dollar can buy in the U.S.
- Exchange rate is nominal exchange rate.
- 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 viceversa.
- 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: [<Wage Gap Analysis of PLW versus All employed 1996-2009>](#)

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:)

- o The Jus Semper Global Alliance: Living Wage Gaps Analysis in the manufacturing sector using:
- o The Living Wages North and South Initiative ([TLWNSI](#)) using "Equal Pay for Work of Equal Value" Methodology.
- x Database of World Bank's World Development Indicators, 1975-2017.
- x U.S. Bureau of Labor Statistics, August 2013 and The Conference Board (TCB), International Labor Comparisons Program - Manufacturing Hourly Compensation Costs, February 2018.
- x The Conference Board (TCB) — International Comparisons of Manufacturing Productivity and Unit Labor Costs 2017, July 2018
- Purchasing Power Parities and Real Expenditures of World Economies. Summary of Results and Findings of the 2011 International Comparison Program. World Bank 2014.

Note regarding the new 2011 PPC round:

The International Comparison Program (ICP) released new data showing that the world economy produced goods and services worth over \$90 trillion in 2011, and that almost half of the world's total output came from low and middle income countries.

Under the authority of the United Nations Statistical Commission, the 2011 round of ICP covered 199 economies - the most extensive effort to measure Purchasing Power Parities (PPPs) across countries ever. ICP 2011 estimates benefited from a number of methodological improvements over past efforts to calculate PPPs.

The ICP's principal outputs are PPPs for 2011 and estimates of PPP-based gross domestic product (GDP) and its major components in aggregate and per capita terms. When converting national economic measures (e.g. GDP), into a common currency, PPPs are a more direct measure of what money can buy than exchange rates.

Limitations in the use of the data

PPPs are statistical estimates. Like all statistics they are subject to sampling errors, measurement errors, and errors of classification. Therefore, they should be treated as approximations to true values. Because of the complexity of the process used to collect the data and calculate the PPPs, it is not possible to directly estimate their margins of error. Therefore, small differences in the estimated values between economies should not be considered significant.

