

## The Jus Semper Global Alliance - Resource Department

### International Comparisons of Hourly Compensation Costs for Manufacturing Workers in G7 Countries and Selected "Emerging" Markets, Expose a Widening Wage Gap in PPPs Terms.

**Most G7 countries are experiencing a real wage gap for equivalent work against the U.S. This is even worse among emerging markets.**

Excluding the U.K., all other G7 markets are experiencing a widening real wage gap with the U.S. or, in the best case, they have only been able to maintain the same real wage difference. In the last five years, Canada, France, Japan and Italy have maintained their real wage deficit or, even worse, they have increased it. Even Germany – the only country with higher real wages than the U.S.– has significantly reduced its compensation advantage. Moreover, whilst the U.K. has been able to steadily decrease its real wage difference, it is still experiencing a significant deficit in compensation for equivalent work.

Among emerging markets, while South Korea has been able to steadily reduced an enormous wage gap (which is still 30% away from being at par), the other emerging markets are either losing ground or, at best, maintaining the same gap. Brazil and Mexico present a particularly dismal picture. While Hong Kong and Singapore have maintained their position, Brazil has experienced a significant and steady widening of an already huge gap. The case of Mexico is even worse, for it shows that economic integration with the rest of North America has not only rendered zero improvement in labour compensation, but it has not being able to shed the worst wage gap among all the so-called emerging markets. Real wage manufacturing jobs in Mexico have remained at less than one-fifth of U.S. wages for equivalent work. Thus, NAFTA has done nothing for social justice in Mexico. It has only consolidated Mexico's role as a geographically convenient source of cheap labour as long as it remains cheap. Nominal wages in Mexico have averaged about one-tenth of the nominal wages in the U.S. for equivalent work since 1975, but not so the cost of living.

The common thread among all countries is a clear loss in real wage compensations, in order to increase productivity, since the return of darwinian U.S. style capitalism. A much worse situation is prevalent in the rest of the so-called "developing world".

		1980	1985	1990	1995	1998	2001
<b>Benchmark</b>	<b>U.S. Hourly rate</b>	9,87	13,01	14,91	17,19	18,64	20,32
<b>Canada</b>	GDP PPPs in country currency*	1,206	1,256	1,3	1,212	1,159	1,2
	Exchange rate	1,169	1,366	1,167	1,373	1,484	1,549
	GDP PPPs in U.S. Dollars	\$ 1,03	\$ 0,92	\$ 1,11	\$ 0,88	\$ 0,78	\$ 0,77
	Equal PPP compensation in U.S. Cy.	\$ 10,18	\$ 11,96	\$ 16,61	\$ 15,17	\$ 14,56	\$ 15,74
	Actual Compensation in U.S. Cy.	\$ 8,67	\$ 10,95	\$ 15,95	\$ 16,10	\$ 15,60	\$ 15,64
	Compensation Deficit in U.S. Cy.	\$ 1,51	\$ 1,01	\$ 0,66	\$ (0,93)	\$ (1,04)	\$ 0,10
	Compensation Equalization index	0,85	0,92	0,96	1,06	1,07	0,99
<b>South Korea</b>	GDP PPPs in country currency*	411,6	465	538	629	664,3	723,8
	Exchange rate	607,4	870	707,8	771,3	1400	1292
	GDP PPPs in U.S. Dollars	\$ 0,68	\$ 0,53	\$ 0,76	\$ 0,82	\$ 0,47	\$ 0,56
	Equal PPP compensation in U.S. Cy.	\$ 6,69	\$ 6,95	\$ 11,33	\$ 14,02	\$ 8,84	\$ 11,38
	Actual Compensation in U.S. Cy.	\$ 0,96	\$ 1,23	\$ 3,71	\$ 7,29	\$ 5,67	\$ 8,09
	Compensation Deficit in U.S. Cy.	\$ 5,73	\$ 5,72	\$ 7,62	\$ 6,73	\$ 3,17	\$ 3,29
	Compensation Equalization index	0,14	0,18	0,33	0,52	0,64	0,71
<b>Japan</b>	GDP PPPs in country currency*	243,9	213,6	195	172,9	162,1	149,8
	Exchange rate	225,7	238,5	145	93,96	131	121,6
	GDP PPPs in U.S. Dollars	\$ 1,08	\$ 0,90	\$ 1,34	\$ 1,84	\$ 1,24	\$ 1,23
	Equal PPP compensation in U.S. Cy.	\$ 10,67	\$ 11,65	\$ 20,05	\$ 31,63	\$ 23,07	\$ 25,03
	Actual Compensation in U.S. Cy.	\$ 5,52	\$ 6,34	\$ 12,80	\$ 23,82	\$ 18,29	\$ 19,59
	Compensation Deficit in U.S. Cy.	\$ 5,15	\$ 5,31	\$ 7,25	\$ 7,81	\$ 4,78	\$ 5,44
	Compensation Equalization index	0,52	0,54	0,64	0,75	0,79	0,78

	1980	1985	1990	1995	1998	2001
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<b>Benchmark</b>	<b>U.S. Hourly rate</b>	9,87	13,01	14,91	17,19	18,64	20,32
<b>France</b>	GDP PPPs in country currency*	5,559	6,559	6,61	6,49	6,54	6,73
	Exchange rate	4,22	8,98	5,447	4,986	5,9	7,327
	GDP PPPs in U.S. Dollars	\$ 1,32	\$ 0,73	\$ 1,21	\$ 1,30	\$ 1,11	\$ 0,92
	Equal PPP compensation in U.S. Cy.	\$ 13,00	\$ 9,50	\$ 18,09	\$ 22,38	\$ 20,66	\$ 18,65
	Actual Compensation in U.S. Cy.	\$ 8,94	\$ 7,52	\$ 15,49	\$ 19,35	\$ 17,49	\$ 15,88
	Compensation Deficit in U.S. Cy.	\$ 4,06	\$ 1,98	\$ 2,60	\$ 3,03	\$ 3,17	\$ 2,77
	Compensation Equalization index	0,69	0,79	0,86	0,86	0,85	0,85

<b>Germany</b>	GDP PPPs in country currency*	2,397	2,173	2,09	2,02	2,005	2,089
	Exchange rate	1,815	2,942	1,617	1,432	1,76	2,185
	GDP PPPs in U.S. Dollars	\$ 1,32	\$ 0,74	\$ 1,29	\$ 1,41	\$ 1,14	\$ 0,96
	Equal PPP compensation in U.S. Cy.	\$ 13,03	\$ 9,61	\$ 19,27	\$ 24,25	\$ 21,23	\$ 19,43
	Actual Compensation in U.S. Cy.	\$ 12,21	\$ 9,50	\$ 21,81	\$ 31,60	\$ 27,45	\$ 22,86
	Compensation Deficit in U.S. Cy.	\$ 0,82	\$ 0,11	\$ (2,54)	\$ (7,35)	\$ (6,22)	\$ (3,43)
	Compensation Equalization index	0,94	0,99	1,13	1,30	1,29	1,18

<b>Italy</b>	GDP PPPs in country currency*	782,8	1183,7	1421	1556	1624,1	1736,89
	Exchange rate	855,1	1909	1198	1629	1737	2163
	GDP PPPs in U.S. Dollars	\$ 0,92	\$ 0,62	\$ 1,19	\$ 0,96	\$ 0,94	\$ 0,80
	Equal PPP compensation in U.S. Cy.	\$ 9,04	\$ 8,07	\$ 17,69	\$ 16,42	\$ 17,43	\$ 16,32
	Actual Compensation in U.S. Cy.	\$ 8,15	\$ 7,63	\$ 17,45	\$ 16,22	\$ 16,35	\$ 13,76
	Compensation Deficit in U.S. Cy.	\$ 0,89	\$ 0,44	\$ 0,24	\$ 0,20	\$ 1,08	\$ 2,56
	Compensation Equalization index	0,90	0,95	0,99	0,99	0,94	0,84

<b>United Kingd.</b>	GDP PPPs in country currency*	0,4928	0,5327	0,602	0,656	0,6576	0,641
	Exchange rate	0,43	0,7708	0,5605	0,6335	0,6034	0,6946
	GDP PPPs in U.S. Dollars	\$ 1,15	\$ 0,69	\$ 1,07	\$ 1,04	\$ 1,09	\$ 0,92
	Equal PPP compensation in U.S. Cy.	\$ 11,31	\$ 8,99	\$ 16,01	\$ 17,80	\$ 20,31	\$ 18,75
	Actual Compensation in U.S. Cy.	\$ 7,56	\$ 6,27	\$ 12,70	\$ 13,78	\$ 16,75	\$ 16,14
	Compensation Deficit in U.S. Cy.	\$ 3,75	\$ 2,72	\$ 3,31	\$ 4,02	\$ 3,56	\$ 2,61
	Compensation Equalization index	0,67	0,70	0,79	0,77	0,82	0,86

	1996	1998	2000	2001
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<b>Benchmark</b>	<b>U.S. Hourly rate</b>	17,70	18,64	19,72	20,32
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<b>Brazil</b>	GDP PPPs in country currency*	0,7595	0,8329	0,8982	0,9655
	Exchange rate	1,095	1,161	1,83	2,353
	GDP PPPs in U.S. Dollars	\$ 0,69	\$ 0,72	\$ 0,49	\$ 0,41
	Equal PPP compensation in U.S. Cy.	\$ 12,28	\$ 13,37	\$ 9,68	\$ 8,34
	Actual Compensation in U.S. Cy.	\$ 5,79	\$ 5,61	\$ 3,58	\$ 3,02
	Compensation Deficit in U.S. Cy.	\$ 6,49	\$ 7,76	\$ 6,10	\$ 5,32
Compensation Equalization index	0,47	0,42	0,37	0,36	

<b>Mexico</b>	GDP PPPs in country currency*	3,59	4,7179	5,4601	5,8982
	Exchange rate	7,5	9,152	9,459	9,337
	GDP PPPs in U.S. Dollars	\$ 0,48	\$ 0,52	\$ 0,58	\$ 0,63
	Equal PPP compensation in U.S. Cy.	\$ 8,47	\$ 9,61	\$ 11,38	\$ 12,84
	Actual Compensation in U.S. Cy.	\$ 1,54	\$ 1,64	\$ 2,08	\$ 2,34
	Compensation Deficit in U.S. Cy.	\$ 6,93	\$ 7,97	\$ 9,30	\$ 10,50
Compensation Equalization index	0,18	0,17	0,18	0,18	

		1996	1998	2000	2001
<b>Benchmark</b>	<b>U.S. Hourly rate</b>	17,70	18,64	19,72	20,32
<b>Hong Kong</b>	GDP PPPs in country currency*	7,75	8,82	7,89	7,761
	Exchange rate	7,74	7,747	7,792	7,78
	GDP PPPs in U.S. Dollars	\$ 1,00	\$ 1,14	\$ 1,01	\$ 1,00
	Equal PPP compensation in U.S. Cy.	\$ 17,72	\$ 21,21	\$ 19,97	\$ 20,27
	Actual Compensation in U.S. Cy.	\$ 5,14	\$ 5,57	\$ 5,63	\$ 5,96
	Compensation Deficit in U.S. Cy.	\$ 12,58	\$ 15,64	\$ 14,34	\$ 14,31
	Compensation Equalization index	0,29	0,26	0,28	0,29
<b>Singapore</b>	GDP PPPs in country currency*	1,71	2,00	1,71	1,78
	Exchange rate	1,502	1,672	1,725	1,793
	GDP PPPs in U.S. Dollars	\$ 1,14	\$ 1,19	\$ 0,99	\$ 0,99
	Equal PPP compensation in U.S. Cy.	\$ 20,10	\$ 22,25	\$ 19,60	\$ 20,18
	Actual Compensation in U.S. Cy.	\$ 8,32	\$ 7,72	\$ 7,42	\$ 7,77
	Compensation Deficit in U.S. Cy.	\$ 11,78	\$ 14,53	\$ 12,18	\$ 12,41
	Compensation Equalization index	0,41	0,35	0,38	0,38

#### \*Definitions

- PPPs stands for Purchasing Power Parities, which reflect the currency units in a giving 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.
- GDPs PPPs in country currency express the number of country currency units required to buy the same goods and services a U.S. dollar can buy in the U.S.
- Exchange rate is nominal exchange rate
- GDP PPPs in U.S. Dollar 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. It also expresses the real exchange rate.
- Equal PPP compensation expresses the hourly U.S. dollar nominal rate required in a given country to equally compensate a local worker, in terms of purchasing power, for equal work rendered, as the equivalent U.S. workers is compensated.
- Actual Compensation is the nominal hourly wage paid in a given country
- Compensation deficit expresses the wage gap between the hourly rate paid and the equivalent PPP rate that should be paid for equal work.
- Compensation equalization index expresses the ratio of actual pay to equivalent PPP pay

Sources: This analysis was prepared by TJSKA using the sources below. Sources with X indicate that some of their data is directly incorporated in the table:

- World Development Indicators 1998, 2000 and 2002, The World Bank, table 1.1
- World Development Indicators database, The World Bank, August 2002 - GNI per capita 2001, Atlas method and PPP
- X International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing, September 2002  
U.S. Department of Labour, Bureau of Labour Statistics
- X Comparative Real Gross Domestic Product per Capita and per Employed Person, Fourteen Countries 1960-1998  
U.S. Department of Labour, Bureau of Labour Statistics, Office of Productivity and Technology.
- X PPPs for OECD Countries 1970-2002, OECD 2002.
- Purchasing Power parities - Measurement and Uses by Paul Schreyer and Francette Koechlin, OECD Statistical briefs, March 2002