

**International comparisons of hourly compensation costs for manufacturing workers among developed economies and selected "emerging" markets, expose for Mexico a dire situation with the worst wage gap in PPPs terms**

**In comparing 2002 against 2000, European economies narrowed their wage gap for equivalent work against the U.S.**

**Canada moved from a small surplus to a small gap, whilst Japan and South Korea increased their wage gaps. Among emerging markets, Singapore and Honk Kong showed little improvement, whilst Mexico and Brazil increased their gaps slightly**

The Euro area countries, as well as the UK, significantly closed their wage gaps with the U.S., in 2002, after the first year of the changeover to the Euro. The improvement was substantial, with gap reductions averaging 52% for the five countries in the analysis, with France and Italy almost closing the gap and Germany increasing its wage purchasing power advantage over the U.S. This is a turn around, when compared with the gap increases these countries experienced (except the UK) between 1995 and 2000.

Japan in contrast, along with South Korea, experienced its first wage gap increase since 1975 by doubling it to 28%, and South Korea increased it 40%, from 20% to 28%. Among other East Asia economies, Singapore and Hong Kong shrank their wage gaps by one point, whereas, in the case of Mexico and Brazil, they widened them by also one point.

In 2002, Mexico continues to have the worst real purchasing power parities (PPPs) wage, for it has the greatest equalized wage gap with the U.S. (82%), when compared against other emerging economies and against eight developed economies. South Korea, in particular, –a country with a wage gap twice as large as Mexico's in 1975– is now at the same level as Japan with a gap of only 28% in 2002. Between 1975 and 2002, México worsened its equalization index from 29 to a meagre 18. Since 1990, there has been no improvement. In the case of Spain, –a country with a cost of living similar to Mexico both in 1975 and in 2002, and like South Korea, giving priority to the growth of the domestic market– its wage gap has moved from representing two thirds of Mexico's to little more than one fifth in the span of 27 years. Even in Brazil, a country with a similar level of development, the wage gap has also increased, but not at the same rate nor as dramatically as in Mexico (wage-equalization index in 2002 is 32 vs. 18 for Mexico).

In sum, almost a quarter century of neoliberalism in Mexico exposes, overwhelmingly, a situation, based on manufacturing wages, of deep pauperization of Mexican workers.

		1975	1980	1985	1990	1995	2000	2002
<b>Benchmark</b>	<b>U.S. Hourly rate</b>	<b>6.36</b>	<b>9.87</b>	<b>13.01</b>	<b>14.91</b>	<b>17.19</b>	<b>19.76</b>	<b>21.37</b>
<b>Canada</b>	GDP PPPs in country currency*	1.222	1.206	1.256	1.3	1.212	1.156	1.215
	Exchange rate	1.017	1.169	1.366	1.167	1.373	1.486	1.57
	GDP PPPs in U.S. Dollars	\$ 1.20	\$ 1.03	\$ 0.92	\$ 1.11	\$ 0.88	\$ 0.78	\$ 0.77
	Equal PPP compensation in U.S. Cy.	\$ 7.64	\$ 10.18	\$ 11.96	\$ 16.61	\$ 15.17	\$ 15.37	\$ 16.54
	Actual Compensation in U.S. Cy.	\$ 5.96	\$ 8.67	\$ 10.95	\$ 15.95	\$ 16.10	\$ 16.04	\$ 16.02
	Compensation Deficit in U.S. Cy.	\$ 1.68	\$ 1.51	\$ 1.01	\$ 0.66	\$ (0.93)	\$ (0.67)	\$ 0.52
	Compensation Equalization index	0.78	0.85	0.92	0.96	1.06	1.04	0.97
<b>South Korea</b>	GDP PPPs in country currency*	238.9	411.6	465	538	629	582.5	731.9
	Exchange rate	484	607.4	870	707.8	771.3	1131	1250
	GDP PPPs in U.S. Dollars	\$ 0.49	\$ 0.68	\$ 0.53	\$ 0.76	\$ 0.82	\$ 0.52	\$ 0.59
	Equal PPP compensation in U.S. Cy.	\$ 3.14	\$ 6.69	\$ 6.95	\$ 11.33	\$ 14.02	\$ 10.18	\$ 12.51
	Actual Compensation in U.S. Cy.	\$ 0.32	\$ 0.96	\$ 1.23	\$ 3.71	\$ 7.29	\$ 8.19	\$ 9.04
	Compensation Deficit in U.S. Cy.	\$ 2.82	\$ 5.73	\$ 5.72	\$ 7.62	\$ 6.73	\$ 1.99	\$ 3.47
	Compensation Equalization index	0.10	0.14	0.18	0.33	0.52	0.80	0.72
<b>Japan</b>	GDP PPPs in country currency*	286	243.9	213.6	195	172.9	141.8	155.5
	Exchange rate	296.7	225.7	238.5	145	94.0	107.8	125.2
	GDP PPPs in U.S. Dollars	\$ 0.96	\$ 1.08	\$ 0.90	\$ 1.34	\$ 1.84	\$ 1.32	\$ 1.24
	Equal PPP compensation in U.S. Cy.	\$ 6.13	\$ 10.67	\$ 11.65	\$ 20.05	\$ 31.63	\$ 25.99	\$ 26.54
	Actual Compensation in U.S. Cy.	\$ 3.00	\$ 5.52	\$ 6.34	\$ 12.77	\$ 23.19	\$ 22.34	\$ 19.02
	Compensation Deficit in U.S. Cy.	\$ 3.13	\$ 5.15	\$ 5.31	\$ 7.28	\$ 8.44	\$ 3.65	\$ 7.52
	Compensation Equalization index	0.49	0.52	0.54	0.64	0.73	0.86	0.72

		1975	1980	1985	1990	1995	2000	2002
<b>Benchmark</b>	<b>U.S. Hourly rate</b>	6.36	9.87	13.01	14.91	17.19	19.76	21.37
<b>France</b>	GDP PPPs in country currency*	4.978	5.559	6.559	6.61	6.49	7.009	0.870
	Exchange rate	4.282	4.22	8.98	5.447	4.986	7.105	1.058
	GDP PPPs in U.S. Dollars	\$ 1.16	\$ 1.32	\$ 0.73	\$ 1.21	\$ 1.30	\$ 0.99	\$ 0.82
	Equal PPP compensation in U.S. Cy.	\$ 7.39	\$ 13.00	\$ 9.50	\$ 18.09	\$ 22.38	\$ 19.49	\$ 17.58
	Actual Compensation in U.S. Cy.	\$ 4.52	\$ 8.94	\$ 7.52	\$ 15.49	\$ 19.38	\$ 15.56	\$ 17.27
	Compensation Deficit in U.S. Cy.	\$ 2.87	\$ 4.06	\$ 1.98	\$ 2.60	\$ 3.00	\$ 3.93	\$ 0.31
	Compensation Equalization index	0.61	0.69	0.79	0.86	0.87	0.80	0.98
<b>Germany</b>	GDP PPPs in country currency*	3.062	2.397	2.173	2.09	2.02	2.136	0.892
	Exchange rate	2.455	1.815	2.942	1.617	1.432	2.119	1.058
	GDP PPPs in U.S. Dollars	\$ 1.25	\$ 1.32	\$ 0.74	\$ 1.29	\$ 1.41	\$ 1.01	\$ 0.84
	Equal PPP compensation in U.S. Cy.	\$ 7.93	\$ 13.03	\$ 9.61	\$ 19.27	\$ 24.25	\$ 19.92	\$ 18.01
	Actual Compensation in U.S. Cy.	\$ 6.29	\$ 12.21	\$ 9.50	\$ 21.81	\$ 31.57	\$ 23.68	\$ 25.40
	Compensation Deficit in U.S. Cy.	\$ 1.64	\$ 0.82	\$ 0.11	\$ (2.54)	\$ (7.32)	\$ (3.76)	\$ (7.39)
	Compensation Equalization index	0.79	0.94	0.99	1.13	1.30	1.19	1.41
<b>Italy</b>	GDP PPPs in country currency*	539.5	783	1184	1421	1556	1801	0.771
	Exchange rate	652.4	855.1	1909	1198	1629	2097	1.058
	GDP PPPs in U.S. Dollars	\$ 0.83	\$ 0.92	\$ 0.62	\$ 1.19	\$ 0.96	\$ 0.86	\$ 0.73
	Equal PPP compensation in U.S. Cy.	\$ 5.26	\$ 9.04	\$ 8.07	\$ 17.69	\$ 16.42	\$ 16.97	\$ 15.58
	Actual Compensation in U.S. Cy.	\$ 4.67	\$ 8.15	\$ 7.63	\$ 17.45	\$ 16.04	\$ 14.15	\$ 15.07
	Compensation Deficit in U.S. Cy.	\$ 0.59	\$ 0.89	\$ 0.44	\$ 0.24	\$ 0.38	\$ 2.82	\$ 0.51
	Compensation Equalization index	0.89	0.90	0.95	0.99	0.98	0.83	0.97
<b>United Kingd</b>	GDP PPPs in country currency*	0.3802	0.4928	0.5327	0.602	0.656	0.684	0.639
	Exchange rate	0.4501	0.43	0.7708	0.5605	0.6335	0.6598	0.666
	GDP PPPs in U.S. Dollars	\$ 0.84	\$ 1.15	\$ 0.69	\$ 1.07	\$ 1.04	\$ 1.04	\$ 0.96
	Equal PPP compensation in U.S. Cy.	\$ 5.37	\$ 11.31	\$ 8.99	\$ 16.01	\$ 17.80	\$ 20.50	\$ 20.51
	Actual Compensation in U.S. Cy.	\$ 3.37	\$ 7.56	\$ 6.27	\$ 12.70	\$ 13.88	\$ 16.96	\$ 18.03
	Compensation Deficit in U.S. Cy.	\$ 2.00	\$ 3.75	\$ 2.72	\$ 3.31	\$ 3.92	\$ 3.54	\$ 2.48
	Compensation Equalization index	0.63	0.67	0.70	0.79	0.78	0.83	0.88
<b>Spain</b>	GDP PPPs in country currency*	44.83	70.54	91.83	109.50	122.08	141.09	0.727
	Exchange rate	57.39	71.64	170	102	124.6	180.2	1.058
	GDP PPPs in U.S. Dollars	\$ 0.78	\$ 0.98	\$ 0.54	\$ 1.07	\$ 0.98	\$ 0.78	\$ 0.69
	Equal PPP compensation in U.S. Cy.	\$ 4.97	\$ 9.72	\$ 7.03	\$ 16.01	\$ 16.84	\$ 15.47	\$ 14.69
	Actual Compensation in U.S. Cy.	\$ 2.53	\$ 5.89	\$ 4.66	\$ 11.38	\$ 12.80	\$ 10.74	\$ 12.02
	Compensation Deficit in U.S. Cy.	\$ 2.44	\$ 3.83	\$ 2.37	\$ 4.63	\$ 4.04	\$ 4.73	\$ 2.67
	Compensation Equalization index	0.51	0.61	0.66	0.71	0.76	0.69	0.82
<b>Mexico</b>	GDP PPPs in country currency*	9.80	18.80	136.4	1530	2.96	5.46	6.5
	Exchange rate	12.5	22.97	256.9	2813	6.42	9.46	9.66
	GDP PPPs in U.S. Dollars	\$ 0.78	\$ 0.82	\$ 0.53	\$ 0.54	\$ 0.46	\$ 0.58	\$ 0.67
	Equal PPP compensation in U.S. Cy.	\$ 4.99	\$ 8.08	\$ 6.91	\$ 8.11	\$ 7.93	\$ 11.41	\$ 14.37
	Actual Compensation in U.S. Cy.	\$ 1.47	\$ 2.21	\$ 1.59	\$ 1.58	\$ 1.65	\$ 2.19	\$ 2.61
	Compensation Deficit in U.S. Cy.	\$ 3.52	\$ 5.87	\$ 5.32	\$ 6.53	\$ 6.28	\$ 9.22	\$ 11.76
	Compensation Equalization index	0.29	0.27	0.23	0.19	0.21	0.19	0.18

		1996	1998	2000	2001	2002
<b>Benchmark</b>	<b>U.S. Hourly rate</b>	17.70	18.64	19.76	20.61	21.37
<b>Brazil</b>	GDP PPPs in country currency*	0.7595	0.8329	0.897	1.022	1.110
	Exchange rate	1.095	1.161	1.83	2.353	2.921
	GDP PPPs in U.S. Dollars	\$ 0.69	\$ 0.72	\$ 0.49	\$ 0.43	\$ 0.38
	Equal PPP compensation in U.S. Cy.	\$ 12.28	\$ 13.37	\$ 9.69	\$ 8.95	\$ 8.12
	Actual Compensation in U.S. Cy.	\$ 5.79	\$ 5.61	\$ 3.56	\$ 2.97	\$ 2.58
	Compensation Deficit in U.S. Cy.	\$ 6.49	\$ 7.76	\$ 6.13	\$ 5.98	\$ 5.54
	Compensation Equalization index	0.47	0.42	0.37	0.33	0.32
		1996	1998	2000	2001	2002
<b>Benchmark</b>	<b>U.S. Hourly rate</b>	17.70	18.64	19.76	20.61	21.37
<b>Hong Kong</b>	GDP PPPs in country currency*	7.75	8.82	7.89	7.73	7.01
	Exchange rate	7.74	7.75	7.79	7.80	7.80
	GDP PPPs in U.S. Dollars	\$ 1.00	\$ 1.14	\$ 1.01	\$ 0.99	\$ 0.90
	Equal PPP compensation in U.S. Cy.	\$ 17.72	\$ 21.21	\$ 20.01	\$ 20.42	\$ 19.19
	Actual Compensation in U.S. Cy.	\$ 5.14	\$ 5.57	\$ 5.64	\$ 5.98	\$ 5.85
	Compensation Deficit in U.S. Cy.	\$ 12.58	\$ 15.64	\$ 14.37	\$ 14.44	\$ 13.34
	Compensation Equalization index	0.29	0.26	0.28	0.29	0.30
<b>Singapore</b>	GDP PPPs in country currency*	1.71	2.00	1.71	1.69	1.56
	Exchange rate	1.50	1.67	1.73	1.79	1.79
	GDP PPPs in U.S. Dollars	\$ 1.14	\$ 1.19	\$ 0.99	\$ 0.94	\$ 0.87
	Equal PPP compensation in U.S. Cy.	\$ 20.10	\$ 22.25	\$ 19.63	\$ 19.39	\$ 17.97
	Actual Compensation in U.S. Cy.	\$ 8.32	\$ 7.72	\$ 7.61	\$ 7.55	\$ 7.26
	Compensation Deficit in U.S. Cy.	\$ 11.78	\$ 14.53	\$ 12.02	\$ 11.84	\$ 10.71
	Compensation Equalization index	0.41	0.35	0.39	0.39	0.40

#### \*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.

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.

If the PPP is greater 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, expressed in national currency, reflects the exchange rate in comparison with the market exchange rate, which does not reflect the ratio of prices.

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, 2002 and 2004, 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, May 2004  
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 and GDP PPPs historical series 1970-1999.
- Purchasing Power parities - Measurement and Uses by Paul Schreyer and Francette Koechlin, OECD Statistical briefs, March 2002