The Jus Semper Global Alliance
Living Wages North and South

Sustainable Human Development

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Brazil: in perfect harmony with TLWNSI's concept

Brazil undertakes a historical policy to close wage gaps that stands out for its strong affinity with Jus Semper's TLWNSI concept for the realisation of living wages

Álvaro J. de Regil*

President Lula's Brazilian government, approaching the end of its second term, has just made a decision that is both transcendental and historical due to its paramount effectiveness in the reduction of poverty in a very meaningful manner and in the span of little more than a decade. Beginning in 2010 the Brazilian State intends to increase the real minimum wage annually, until 2023, following the simple rule of increasing nominal wages by applying the rate of inflation plus the GPD growth recorded two years earlier. Without a doubt, such policy will gradually transform Brazilian wages into living wages. In this way, Brazil commits to closing the wage gap prevailing between current Brazilian labour endowments, still undignified, and the living wage ethos prevailing in developed economies, within the current market context. This commitment makes the Brazilian State achieve a great deal of congruence with the most primeval raison d'être of any State that takes pride in being a democracy: the pursuit of the welfare of every rank of society, and especially of the dispossessed.

The Brazilian plan brings a great dose of encouragement for Jus Semper's mission, for it exhibits rather strong affinity with our concept: The Living Wages North and South Initiative (TLWNSI); an initiative designed to close the wage gap between so-called developed and developing economies, through the gradual increase of real wages, by increasing nominal wages several percentage points above inflation. Our ebullience is unprecedented for TLWNSI has always argued that, unfortunately, the vast majority of so-called democratic governments have become market agents of the world's capitalist system. Consequently, their performance typically favours institutional investors and their corporations. A second alternative to close the wage gap is the pressure of consumer power on businesses; an option until now unsuccessful, however, for the development of a responsible consumer culture is still in its infancy. Therefore, if by chance a State commits itself to closing the wage gap in its society, as is the case in Brazil, the setting could not be better to fulfil a fundamental human right in the context of real democracy, with the full power of the State: the right to a just and favourable remuneration ensuring the worker and his/her family an existence worthy of human dignity, as stipulated in Article 23 of the Universal Declaration of Human Rights.

In this manner, Jus Semper obtains conclusive evidence, and hardly surpassable, that provides a powerful argument to assert, convincingly, that the realisation of this human right is perfectly possible through the gradual closing of the wage gap, as proposed by TLWNSI, when a country counts with the resolute political will of the State.

❖ *Introduction*

When Lula won the elections in late 2002, Brazilians' hope for at last materialising a considerable measure of their social demands was very high. Lula is not only the first Brazilian president that has come to power as the candidate of the Workers Party (PT), but a man of humble origins, a metallurgical worker and a trade unionist. The Brazilian oligarchy had defeated him on three previous occasions, and it was not until the fourth time when he won the presidency in the second round. However, Lula disappointed millions of his constituents from the start. The agencies of the Washington Consensus, the IMF and the World Bank, had already gone to great lengths to ensure that Lula would undertake "moderate" policies that would neither distance him from neoliberal dogma nor from the interests of the owners of the "capitalist world system" (Wallerstein: 1979). Then as now, the halls of government were under the tutelage of big business worldwide. Thus, many people were not surprised at all when Lula aligned his government with the IMF, to give assurances to the markets that consequently would cancel social demands. He seemed satisfied with mitigating hunger –Family Basket program, or the least alms-giving, Zero Hunger program– without addressing its causes. After all, Lula's economic policies during his first term in power were designed in line with the neoliberal mantra by a team formed by neoliberals, some of them coming directly from Cardoso's immediately preceding government.

In this way, gradually, focalised social programs are designed to centre on the most vulnerable sectors, in line with the Washington consensus, and not in the context of universal rights. As Emir Sader argues, two distinctive elements of the Third Way were joined together: the maintenance of monetary stability as the main objective, and the development of compensatory social policies, whilst, at the same time, some social rights already conquered were put under attack.[1] As usual, the goal was to create the conditions demanded for the investments of the owners of the market. As in the case of Europe, Gidden's Third Way served as a subterfuge for Lula's so-called leftist government to cross the bridge to the embankments of the neoliberal ethos. The most amazing thing, Ignacio Ramonet noted, was to watch how the PT appealed to the will of corrupt rightwing parliamentarians to push through rightwing legislation.[2]

Nonetheless, gradually, Lula has moved through a process that clearly amends the path already traversed, and now aims at the development of a Brazilian geopolitical framework of regional leadership, with a clear role in the global sphere as a true actor and not as docile and passive peripheral client State. Lula has also been amending the social and economic policies originally undertaken, moving away from the neoliberal canon and approaching the historical proposals of the PT and of Brazil's social movements. Such process has triggered the adoption of positions clearly in defence of national and regional interests. As a result, Lula rejected, along with Venezuela and Bolivia, U.S. pretensions to adopt a new concept of preventive security through a multinational force under the control of the pentagon; Brazil spearheaded the creation of the community of South American nations (UNASUR), and joined the bloc that elected Insulza at the OAS; the first time in the sixty years of history of this organisation that a secretary general who is not Washington's favourite is elected.[3] In the global sphere, the incorporation of Brazil as a frontline strategic actor in the so-called BRIC (Brazil, Russia, China and India) makes it an important player that will act in accordance with its national and regional interests.

In the economic arena, Brazil undertook the leadership that engendered the defeat of the U.S. attempt to impose the Free Trade Area of the Americas –a carbon copy of NAFTA, which has submerged Mexico into a deep state of pauperisation. Well into his first term in office, Brazil, in sync with Argentina, Venezuela, Ecuador and Bolivia, cancelled its IMF debt, at the end of 2005. Subsequently, it gave the necessary backing –an essential condition– for the creation of Banco del Sur –formally chartered at the end of 2009– to operate as the financing source for regional infrastructure, away from the dollar aegis and the Bretton Woods institutions of the Washington Consensus. By the same token, the Brazilian State has now been adopting a policy of re-nationalisation, particularly in the strategic energy sector with Petrobras –where the State only holds little less than 40% of the shares. Now, with the discovery of the huge Tupí deep waters oil field, Brazil has adopted measures to block the further privatisation of Petrobras, whilst concurrently has created a new oil company, Petrosal, entirely State owned. According to its legislative project, Petrosal will be the exclusive operator of the Tupi oil field. Moreover, part of the future earnings of the new company will be used to institute a fund for poverty reduction, education and the development of science and technology.[4]

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[1] Emir Sader: Brasil: tercera vía cada vez más contestada, La Jornada, 16 January 2005.
[2] Ignacio Ramonet: Brazil's soiled hero, Le Monde Diplomatique, October 2005.
[3] Maurice Lemoine: Latin America docile no more, Le Monde Diplomatique, June 2005.
[4] Antonio Gershenson: Brasil: fortalecimiento estatal en el petróleo, La Jornada, 6 October 2009.

The shift in the direction of Lula's government is not radical whatsoever. Lula remains essentially anchored in the context of the market, still providing prerogatives, for example, to both domestic and foreign financial market speculators and to big agribusiness and monopolistic exporters that customarily use fertilisers, pesticides and transgenics. The exploitative practices of the capitalist world system remain in place. It cannot be denied, nevertheless, that the current Brazilian State has moved away in a meaningful manner from neoliberal dogma. It has been building a geopolitical framework that recants from the centre-periphery neocolonial role, assigned by the metropolises, and has enhanced the policies that transfer income to the greater part of the population, thus engendering wealth redistribution –the antithesis of neoliberalism. Such enhancement materialises when its social policies move away from a mitigating role –such as those applied during Lula's first term– to address the causes: the customary system of labour exploitation. From inception, Lula begins the gradual recovery of real wages. A meaningful action, albeit it does not change the context. The change takes place, however, when the government addresses the causes through the new long-term plan –encompassing fourteen years– just undertaken. Its goal will inexorably contribute, meaningfully, to real wage equalisation with the living wage ethos that prevails in developed economies. This indeed goes to the root of the problem. Thus, it brings labour endowments closer to the level where they should have been from inception; not through mitigating policies, but by reducing from the supply side's share of income the portion that belonged to labour originally.

❖ *From hunger wages to living wages*

At the end of 2009, the Brazilian State makes the decision to redefine the future of its wage policy by clearly establishing a commitment not just with the return of wages to their 1996 level –when they recorded their best position vis-à-vis the U.S.– but with their equalisation with the equivalent wages in the main economies of the system. Beginning in 2010 a plan for the annual increase of the minimum wage –described by the government as the "minimum wage appreciation policy"– is put in place.[5] As is the case in most countries, the minimum wage operates as the benchmark to assess the wage level of all jobs in the economy. Thus, every increase to the minimum way induces an increase in all other wage racks. In this way, for 2010, the Brazilian government has just increased the minimum wage 5,87% above inflation. The increase amounts, in nominal terms, to an increase of 9,68%. The measure constitutes a direct action of real wage recovery, regardless of business performance. Inevitably, this will transfer income from employers to workers, thus increasing the labour endowments within the economic activity. The measure transfers wealth from capital to labour, consequently moving forward towards a living wage ethos.

Even of more importance, Brazil's government will send to Congress –before 31st march 2010– a legislative project with three proposals to adjust the minimum wage, for the periods 2012 to 2015, 2016 to 2019 and 2020 to 2023. The plan clearly shows the intention of gradually closing the wage gap with the wages of the major economies up to 2023. The specific formula used by Brazil –to be applied in 2011– is the sum of the national consumer price index plus the variation of the GDP, if it is positive. For example, if a year's inflation is of 5% and GDP grows 4%, the nominal increase will be of 9% and the real growth of 4%. Some expert assessments –rather optimistic in my opinion– reckon that Brazil could eliminate extreme poverty and produce social indicators that are close to those of rich countries by 2016. This is the opinion of the Institute of Applied Economic Research (IPEA in Portuguese), associated with the Ministry of Strategic Affairs of Brazil's presidential office. The institute argues that if Brazil succeeds in keeping the pace of performance achieved between 2003 and 2008, the goal of reducing poverty to 4% by 2016 is realistic, as well as the reduction of inequality to a Gini index below 0,4, which would put Brazil in the level of rich countries. IPEA considers that a meaningful part of the progress achieved with poverty and inequality are due to the permanence of monetary stability, greater economic expansion, the strengthening of minimum wage real growth and the expansion of social credit.[6] In this respect, there are sound indicators that clearly exhibit progress in poverty reduction. One of the hardest evidence is the reduction in the number of hours needed to buy the basic basket of goods, which in 2009 dropped to the lowest number of hours since 1970, according to the Statistics and Socioeconomic Studies Inter trade Union Institute (Dieese in Portuguese).[7] A trend which is exactly the opposite, for example, to what Mexico is experiencing, where the State has been doggedly fixated, for more than three decades, on depressing real wages.[8]

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[5] Media Provisória No 474, de 23 de dezembro de 2009: Dispõe sobre o salário mínimo a partir de 1o de janeiro de 2010 e estabelece diretrizes para a política de valorização do salário mínimo entre 2011 e 2023.
[6] Mariana Sallowicz: Brasil pode zerar miséria e se igualar a países ricos em 2016, diz Ipea, FolhaOliner, 12 January 2010.
[7] FolhaOnine: Tempo de trabalho necessário para comprar cesta básica é o menor desde 1970, 11 January de 2010.
[8] The Jus Semper Global Alliance: Wage Gap Charts for Mexico vis-à-vis selected developed and emerging economies, with available wage and PPP data (1975-2007), January 2010.

Nonetheless, IPEA's assessment appears optimistic. The core element in the reduction of poverty is, undoubtedly, the transformation of Brazilian wages from their current undignified condition into living wages, through the equalisation of real wages in the entire economy with those of their counterparts in the most developed economies. The scope of the Brazilian plan of wage appreciation is set up to 2023. Thus, it seems unlikely that poverty would be eliminated by 2016, seven years before the extent of Brazil's plan of wage appreciation. Moreover, as we shall see ahead, our analysis indicates that it is highly improbable that Brazilian wages would be equalised –in purchasing power parity terms– with those of their U.S. counterparts –the international benchmark– in the term of fourteen years (2010 to 2023). Yet, it is possible to place the wages of some major economic sectors –such as manufacturing– by 2023 in ranks not too distant, and even similar, to those of economies regarded today as developed, such as South Korea and Spain. The plan up to 2023 will materialise the goal of converting a great deal of labour compensations into living wages, and this will constitute a great breakthrough in the reduction of poverty, but the time span will not be enough to fully close the wage gaps between Brazil and the major economies, as I will elaborate ahead.

❖ *Affinity with TLWNSI"s concept*

Brazil's wage appreciation concept uses two criteria that are practically identical to TLWNSI's criteria. In order to determine the increase to be applied to the minimum wage, Brazil uses the sum of the inflation index or "national consumer price index (NCPI)" (INPC in Portuguese) of the immediately preceding year and the growth of GDP recorded two years prior. TLWNSI's conceptual framework also uses the sum of the inflationary index of the immediately preceding year plus several percentage points. The exact amount of additional points depends on the size of the gap and the term that each government imposes on itself to fulfil the goal of closing the wage gap. TLWNSI's goal is the equalisation of wages –in purchasing power parity terms– of developing countries with their U.S. counterparts in the term of not more than thirty years or a generation. TLWNSI's research indicates that, to fulfil the goal –in the maximum term of thirty years– most economies need to increase wages annually an average of 5% (+/- 2%) above inflation. Thus, if inflation averages 5%, wages would increase nominally an average of 10% to reach its goal.

In a succinct manner, TLWNSI's concept is comprised of the following elements:[9]

1. 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 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.

2. Definition of a living wage

- A living wage is that which, using the same logic of ILO´s Convention 100, awards "equal pay for work of equal value" between North and South in PPPs terms,

[9] For a detailed presentation see: The Jus Semper Global Alliance: The LIving Wages North and South Initiative (TLWNSI). A strategic program to commit the private sector (Working draft 2006): http://www.jussemper.org/TLWNSI/Resources/TLWNSING0303.pdf

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

3. Supporting criteria

The argument of an equivalent living wage is anchored on two criteria of international law:

- ✦ Article 23 of the UN Universal Declaration of Human Rights, on the following points:
  a. Everyone, without any discrimination, has the right to equal pay for equal work,
  b. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
- ✦ ILO´s Convention 100 of "equal pay for work of equal value', which is applied for gender equality, but applied in this case to North-South equality, using PPPs as the mechanism,

4. Other ethical criteria from human rights

- 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,

5. Concept of living wage using PPPs

- The concept of a living wage using PPPs is straightforward. To determine real wages in terms of purchasing power of any country in question, 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 is then applied to the U.S. wage,
- This provides the equivalent living wage that a worker in the country in question should be earning in order to be at par in terms of purchasing power to the material quality of life enjoyed by the equivalent U.S. worker. This is the equalised wage in terms of purchasing power,
- In this way, the comparison 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 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.

6. A real example in 2007

- Equivalent production-line manufacturing workers in Mexico and Brazil earn only 17% and 37%, respectively, of what they should be making in order to be compensated at par with their United States counterparts in terms of purchasing power,
- U.S. Workers earn $25,27/hour whilst Mexican and Brazilian workers earn only $2,92/hour and $5,96/hour, respectively,
- Since costs of living in purchasing power parity terms in Mexico and Brazil are 68¢ and 64¢, respectively, for each $1 U.S. in the United States, equivalent Mexican and Brazilian production-line manufacturing workers should be earning instead $17,08/hour and $16,09/hour, respectively, in order to enjoy equal purchasing power compensation with their U.S. counterparts,
- The difference is the wage gap that originally belongs to workers but that employers perversely keep to increase their profits,
- Canada, in contrast, has a surplus with equivalent workers in the United States, since Canada's nominal wage ($29,08) is 103% of the equivalent wage ($28,22) needed to be at par, with a purchasing power parity of $1,12 per each $1 U.S.

Nominal Wage, Real Wage and Wage Equalisation for Manufacturing Workers by Using Purchase Power Parities (PPPs) Benchmark

2007	Nominal Hourly Wage	PPP 2006	PPP Real Wage	Equalised Nominal Hourly Wage	Equalisation Index
United States	$25,27	100	$25,27	$25,27	100
Canada	$29,08	112	$26,04	$28,22	103
	115%		103,0%	112%	
Mexico	$2,92	68	$4,32	$17,08	**17**
	12%		17%	68%	
Brazil	$5,96	64	$9,36	$16,09	**37**
	24%		37%	64%	

Sources:

U.S. Department of Labour, Bureau of Labor Statistics, November 2009..

Data base of World Bank's World Development Indicators, 1975-2008, (GNI & GNI PPP, Atlas method)

Comparatively, there is a very strong affinity between the Brazilian concept and TLWNSI's concept. The Brazilian criterion subjects real increments to economic growth. TLWNSI's concept subjects the annual real wage increments to the size of the wage gap and to the term of time set out to close it –not beyond thirty years. Why thirty years? Because, putting ourselves in political reality, we consider that annual increments above an average of 5% (+/-2%) would endure tremendous pressure from all the vested interests that benefit from the status quo. Why a maximum term of thirty years? Because such term is more than reasonable –it amounts to the time required for the full development of one generation of people in a society– and, as long as there is political will, the goal is perfectly attainable in that extent of time or in a shorter one.

Furthermore, the average 5% increase is completely realisable, from the perspective of GDP growth, for the average growth for all developing countries, according to the World Bank, was 6,1%, for Iberian America and the Caribbean 3,6% and for Brazil 3,7%, between 2000 and 2008. Moreover, Brazil's average GDP growth between 2006 and 2008 was 4,9%. Thus, if Brazil succeeds in sustaining the same performance pace recorded in the last few years for all the core economic indicators –as the IPEA hopes for– the average annual increase of 5% is quite realistic.

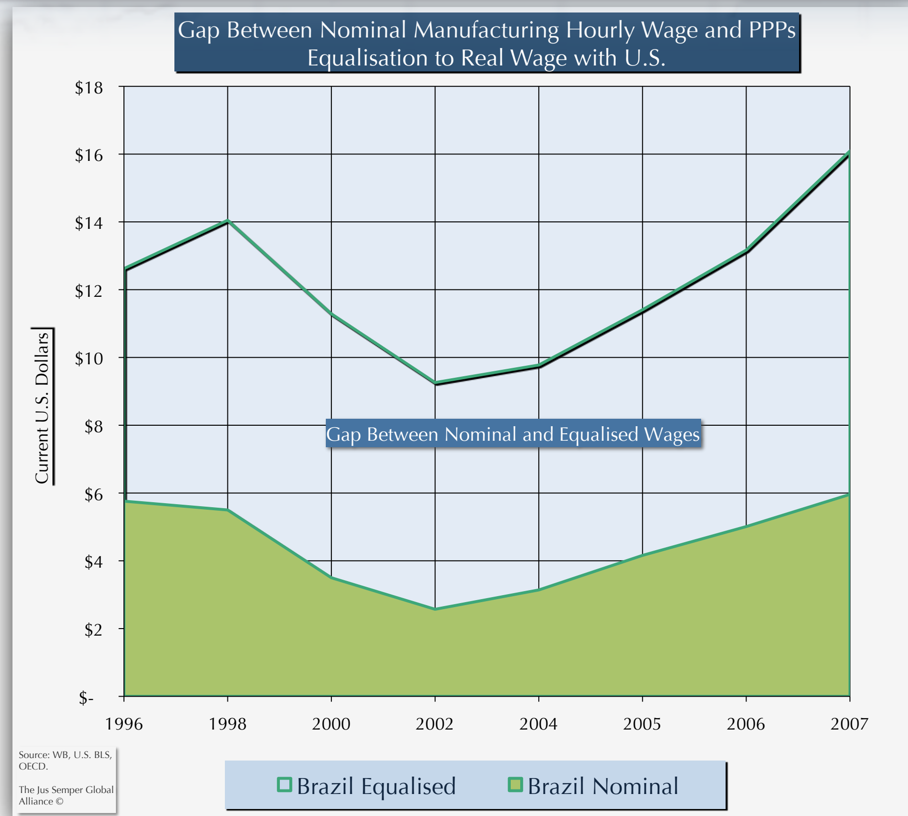
❖ *Brazil's manufacturing wage track record*

To locate the position of Brazil's real wages –vis-à-vis its counterparts in the United States– comparative data that the U.S. Department of Labour reports for production-line manufacturing wages is used, analysing the trajectory of Brazilian wages during the 1996-2007 period.[10]

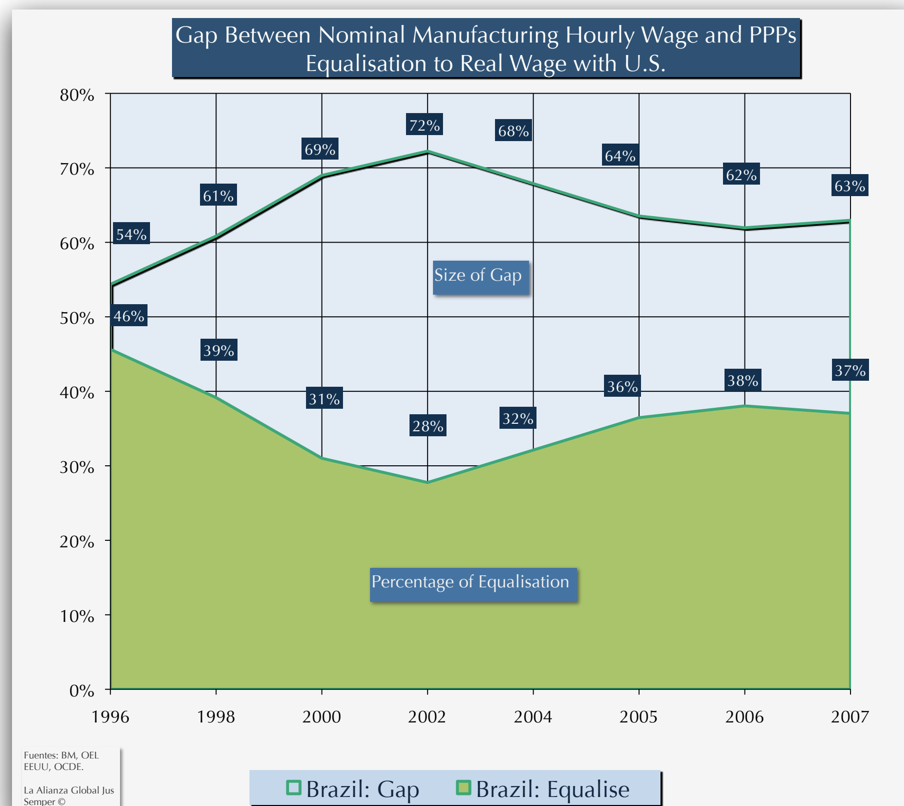
[10] The Jus Semper Global Alliance: Wage Gap Charts for Brazil vis-à-vis selected developed and emerging economies, with available wage and PPP data (1975-2007), January 2010.

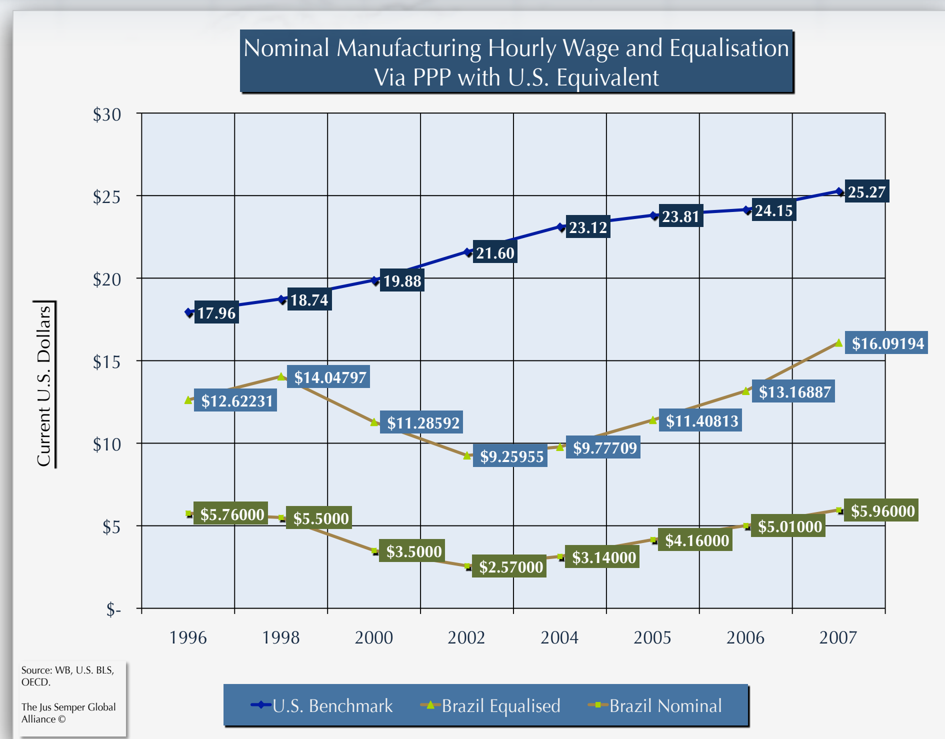
- Since 1996 –the first year with comparable manufacturing wage data available– real wages lose 39% up to 2002 –relative to their PPP equalisation with the U.S. The cost of living drops with the 1999 crisis but wages do even more; thus, real wages collapse during the period.

- The gap between nominal and PPP equalised wages deepens, growing from 54% to 72% between 1996 and 2002. That is, although the PPP cost of living drops 38,6% –from 70¢ to 43¢ against $1 in the U.S.– nominal wages drop 55,4%. Thus, the true value of Brazilian PPP wages (relative to their U.S. counterparts) drops from a 46 to a 28 index, for wages drop even more than does the cost of living –real wages fall.

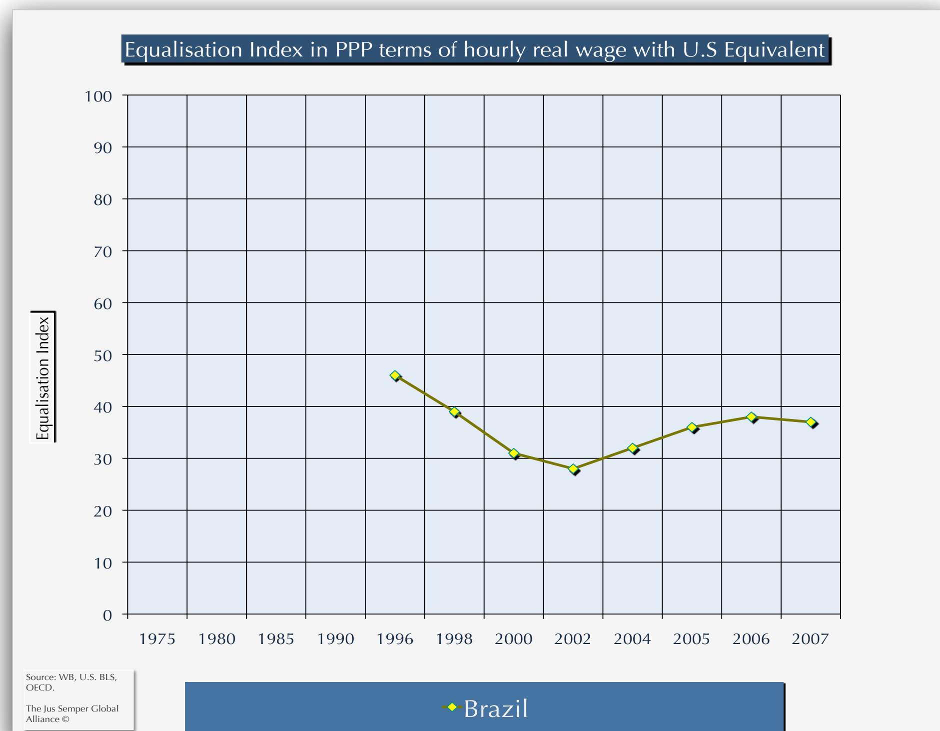


- Nonetheless, between 2003 and 2006 Brazil records strong wage recovery. This increases equalisation by 36% (from a 28 to a 38 index), due to strong growth of nominal wages, averaging annually 18,5% between 2002 and 2006, for a total growth of 95% during the period, quite above the PPP cost of living of 27,9% during the same interval. In this way, real wages recover 53% in that course of time. In 2007, however, the cost of living increases 16,4% relative to 2006, thus real wages barely grow 1,8% vis-à-vis an increment of 4,6% among its U.S. counterparts, bringing in this way equalisation to idleness (index 37).





➡ Between 1996 and 2007, the hourly equalised manufacturing Brazilian wage –the wage required to receive an equivalent remuneration to that of their U.S. counterparts– increases 27,5%, relative to the relationship between the PPP cost of living of Brazil and the U.S., going from $12,62 in 1996 to $16,09 U.S. in 2007. Yet, given that Brazil's hourly manufacturing wages scantly grew by 3,5%, from $5,76 in 1996 to $5,96 U.S. in 2007, Brazil's 1996 wage equalisation level (index 46) has not yet been recovered and in 2007 it is still 20% (index 37) below the 1996 level.



❖ *Thirty-year equalisation projection under the Brazilian concept*

Using as benchmarks production-line manufacturing wages for Brazil and the U.S. in 2007, below is a thirty-year projection for the equalisation of Brazilian real wages with those of their U.S. counterparts. I part from the fact that the Brazilian State has made the decision to increase minimum wages annually. It is assumed, with a great degree of confidence, that real wages for workers in all sectors of the economy will increase at a similar pace to that the Brazilian State imbues on the minimum wage –based on the inflationary index and GDP growth. This is so given that the minimum wage operates as the benchmark for the wage increases applied –or not– to all other wage racks. If real minimum wage increases take place, employers will feel compelled to raise other wages at a similar pace to maintain their competitiveness in the labour market.

The purpose of this projection is to assess what would happen in the future to manufacturing wages as Brazil raises the minimum wage in line with its plan for minimum wage appreciation. In the same way, and in the same projection, TLWNSI's concept of raising nominal wages several percentage points above inflation to close wage gaps is applied. As I have argued previously, both criteria are practically identical. Therefore, by applying Brazil's criteria of NCPI + GDP, TLWNSI's criteria of applying NCPI + various points above it is fulfilled. In this way, the projection lets us observe with precision what is the wage equalisation index at the end of fourteen years, as the Brazilian plan is set out to reach. Moreover, if the gap has not been closed, it determines the number of additional years that would be required to reach wage equalisation with the United States.

Furthermore, given that nominal manufacturing wages for 2008 and 2009, for both countries, are not yet available, the projection assumes that the start of the Brazilian plan takes place in 2008 –instead of 2010. Hence the benchmark used are the wages recorded for 2007 for production-line manufacturing sector workers. As in the case of all previous charts, the analysis uses as its source the nominal wage data reported by the U.S. Department of Labour.[11] Moreover, to calculate the cost of living and the size of the wage gap, the purchasing power parities that the World Bank estimates annually and applies to many economic indicators are applied herein as well. This analysis uses the differential between GNI (Gross National Income) and PPP GNI for Brazil, generated by the World Bank's economic indicators database.[12] This data derives, in turn, from the World Bank's 2005 International Comparisons Programme (ICP); the most recent of the eight rounds completed up to now for PPP estimates for the major components of countries' gross domestic product (GDP).

I. Criteria used in the projection:

- Average U.S. inflation: 3,5%,
- Average Brazilian inflation: 5% until year 22, 4,5% until year 25, and 4% until year 30,
- Brazil's average GDP growth: 5%,
- Average nominal increase of Brazilian wages (NCPI + GDP) of 10% until year 21, then 7,265% for year 22, and 5% until year 30.
- Real value of wages in the U.S. remains constant, increasing annually their nominal value 3,5% to neutralise inflation,
- The benchmarks –and starting point– used in this projection are the real manufacturing wages for both economies for the year 2007 (Brazil: $9,31 and United States: $25,27). This thirty-year projection covers the 2008 to 2037 span of time.

It must be clearly stated that this projection at no time has the intention of forecasting what would be the inflationary indices or the growth of GDP. The average behaviour of these indicators has been established in a discretionary manner, based on the data recorded in the last few years, with the only purpose of assessing what will happen to Brazil's real wage appreciation under these assumptions.

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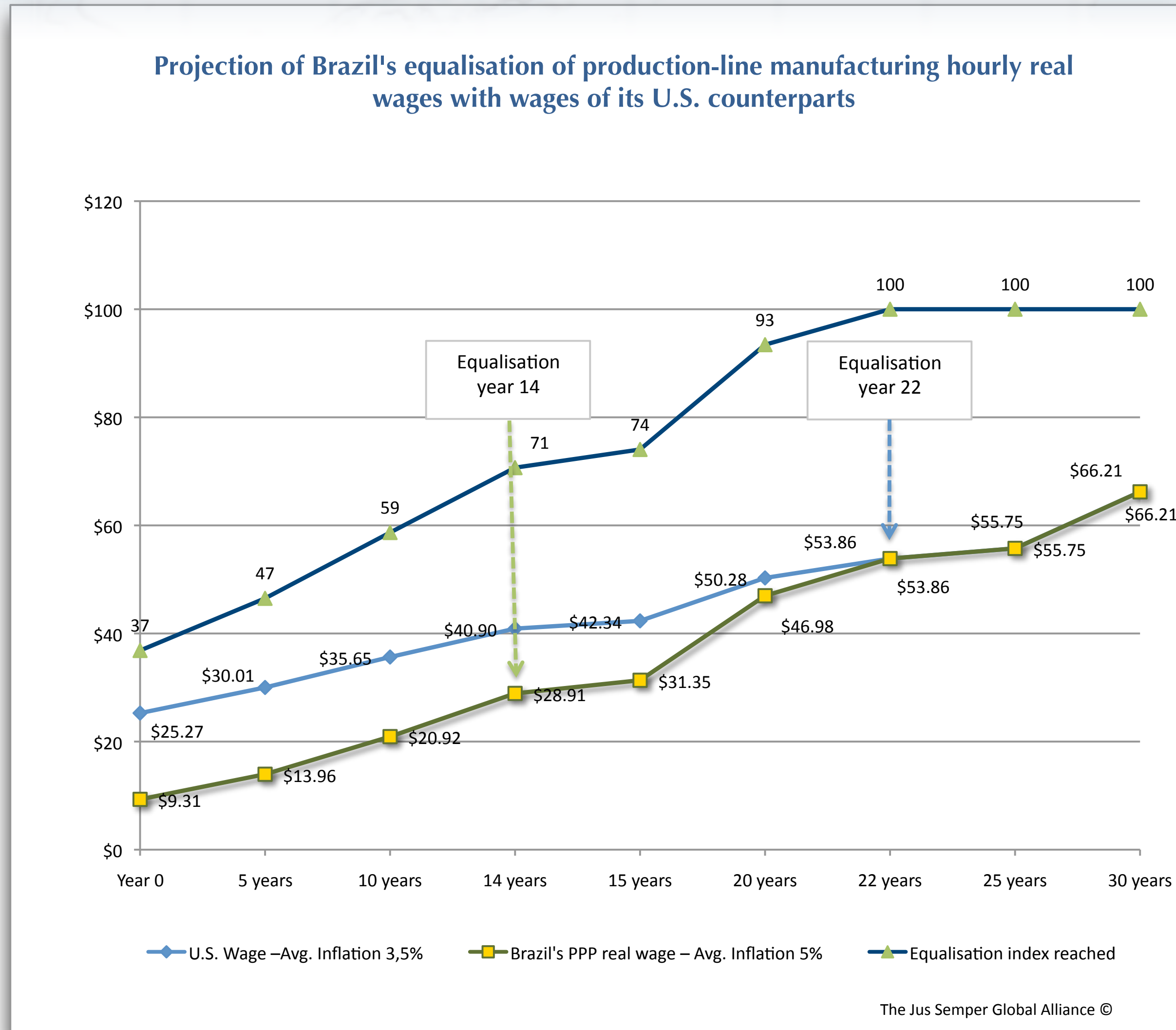
[11] United States Department of Labour: Hourly Compensation Costs for Production Workers in Manufacturing (34 Country Tables), updated on March & November 2009. U.S., Bureau of Labour Statistics.

[12] The World Bank: World Development Indicators Online (WDI) database, 1975-2008 (GNI and PPP GNI, Atlas Method).



II. Results obtained:

- At the end of the fourteen-year term covered by the Brazilian plan, the closing of the wage gap has not been met, albeit there has been a dramatic progress, reaching an equalisation index of 71.
- For Brazilian wages to be fully equalised with the wages of their counterparts in the United States, it is necessary to maintain the same pace of annual nominal wage increases of 10%, for a real wage annual increment of 5% during 21 years and of 7,265% in year 22. In this way, wage equalisation with the U.S. would take 22 years of real wage increments at this pace to be fulfilled.
- From year 23 to year 30 it is assumed that inflation gradually decreases, increasingly approaching U.S. levels, and nominal wages are only increased at the same pace of inflation, so as to maintain their real value and the parity already equalised with the wages of their U.S. counterparts.

❖ *Prognosis*

Parting from the implications carried by the plan of the Brazilian government to increase in a sustainable manner minimum wages up to 2023 –and using as the benchmark Brazil's production-line workers in the manufacturing sector– it can be asserted that the policy to be applied will generate, in all certainty, rather meaningful social and economic benefits. Following the most relevant benefits are depicted:

- Although Brazil's plan will hardly close the wage gap with the United States by 2023, it will undoubtedly embody a great improvement that will trigger different multiplying effects that will generate the endogenous development of Brazil. This will place it far much closer to the socioeconomic indicators of developed countries than of developing ones. Moreover, it is to be expected that once the benefits to be obtained are attested, future governments will maintain the same policy with the intention of sustaining the same growth until the degree of development becomes attuned with that of the major economies.

- The previous projection proves that, if the assumptions used materialise, Brazil would be able to equalise its wage endowments in approximately 22 years. Nonetheless, although this is a projection that most likely will not occur as stated, Brazil would undoubtedly reach equalisation in the term of thirty years –in the worst case scenario– as proposed by TLWNSI's concept. This would be the case, as long as the social pressure and the political will necessary to sustain the wage policy that Brazil has launched this year combine to make this happen. As a reference, Spain and South Korea began to close their wage gaps since at least 1975, and albeit they have achieved tremendous progress and their wages already have clearly evolved into a living wage ethos, they still record small wage equalisation gaps (13% and 20% respectively). On the other hand, Germany, Canada, and Italy enjoyed in 2007 a wage surplus, and the United Kingdom and France were practically at a par with equivalent wages in the U.S.[13]

- Brazil's demand-side economic policy will generate multiplying effects that will consolidate social development, anchored on the generation of aggregate demand. This will increase not just wages, but formal employment, tax revenue, the sustainability of the social security system, economies of scale and the competitiveness of the Brazilian economy in the global context, among others. These effects notwithstanding, the greatest benefit will be the drastic decrease of poverty and an abatement of innumerable social problems engendered by poverty and exclusion. In this way, Brazil will move ahead and approach, meaningfully, the making of an ethos where the majority of Brazilians will have full access to the enjoyment of a broad array of human rights instrumental in the development of their capacities to carve a dignified life.

- One of the greatest benefits of the appreciation of real wages of any country –in the context of a living wage ethos– is the direct impact on the eradication of the conditions of inequality and exclusion. Conditions that have prevailed in Brazil in a customary and rather brazen manner. Thus, if Brazil seriously commits long-term to the materialisation of this central objective of social justice, it will accomplish the transformation of its society into one where equality and a high degree of wellbeing prevail –the sine qua non attributes of truly democratic societies.

- Lula is at the end of his second term. Yet it is likely that this policy will continue due to the huge approval rating that his performance is enjoying. According to the last survey from Latinobarómetro, Brazil's current government has an 84% approval rating, the highest in Iberian America along with Chile's.[14] Therefore, the social timing could not be better to sustain Brazil's wage policy. To be sure, there is no guarantee to be expected from future governments. In any case, the responsibility for making sure that this policy remains falls directly on society, which bears the full load for making Brazil's future governments feel compelled to consolidate this objective. Hence, it is indispensable that Brazilians become fully conscientious about the need to permanently get involved in the public matter to make sure that future governments work for the benefit of society and not for the owners of the market and their very private interests.

- On the other hand, Brazil has to resolve a dilemma regarding the appreciation of the minimum wage. The current Brazilian minimum wage is 510 reales a month, which is tantamount to U.S. $280. However, the cost of living in Brazil –in purchasing power parity terms– was, in 2007, 64% of the cost of living in the U.S. The hourly minimum wage in the U.S. is currently $7,25, which amounts to barely $1.257 dollars. Thus –assuming the same cost of living in 2010– Brazil's minimum wage in 2010 would need to be $804 U.S. to be equalised with the U.S. minimum wage. As a reference, in 2009 Brazil's minimum wage was barely enough to by 49,5% of the basic basket of goods and services. Yet, in many developed economies, the minimum wage does not constitute a living wage. This is the case of the United States, where the minimum wage is a rather insufficient compensation to live a dignified life in such economy.

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[13] See: The Jus Semper Global Alliance: Wage Gap Charts for Spain vis-à-vis selected developed and emerging economies, with available wage and PPP data (1975-2007), January 2010. See: Wage gap charts for Group of Seven (G7) largest economies and other selected economies, including "emerging" economies with available wage and PPP data (1975-2007).

[14] Corporación Latinobarómetro: Informe 2009, November 2009.

Still, the majority of –legal– workers in the U.S. earn more than the minimum wage. In this way, the U.S. minimum wage acts primarily as an indicator for the wage endowments of many economic sectors. When the minimum wage is raised, the other wage racks tend to increase as well. For this reason, the future equalisation of Brazil's real minimum wage with its equivalent in the U.S. would not make the former a living wage in real terms. Thus Brazil's dilemma is to determine whether the wage appreciation policy will set as its long-term goal to make the minimum wage a living wage. If that is not the objective, then, to equalise –in real terms– Brazil's wage remunerations with their U.S. equivalents, the vast majority of workers would need to earn clearly more than a minimum wage, as in the U.S., to enjoy a dignified life, and the minimum wage would need to operate only as the benchmark for the allocation of true wage levels, as in the U.S.

❖ *Afterword*

In retrospect, Lula's government envisions and implements a project against poverty comprised of various elements, where the appreciation of the labour endowments stands out, to be sure, as the most important. Yet, such vision is based on the current logic of the market, which is unsustainable in the long term. Consumer levels in the developed world are leaving an unsustainable environmental footprint, as a great number of qualified voices alert us, ineffectively, from a diversity of perspectives. Such is the case that wage equalisation for the equalisation of standards of living between developed and developing economies –in the context of the market– cannot be a long-term objective. The final goal must be a sustainable growth that reduces consumption and the human footprint in a radical manner. This requires new definitions of development and progress that depart completely from capitalism. The culture of exacerbated consumption –to boost shareholder value– must be replaced by a culture that has, as its sole purpose, the procurement of dignified levels of social wellbeing, yet permanently sustainable. To this endeavour, the quality of life of developing countries must be improved sensibly –whilst inequality is eliminated– and consumption levels in developed countries must decrease substantially until they reach a dignified but sustainable ethos. Increasingly, arguments are raised in favour of stationary paradigms of no economic growth in themselves. Yet, we are still far from agreeing on a common idea of development for the future. For this to become possible, the cooperation of all countries, particularly the metropolises of the system, is needed. Unfortunately, the vast majority of governments are under the aegis of the owners of savage capitalism: the institutional investors and their corporations.

Consequently, as long as we are unable to be in agreement, developing countries –emerging and all others– continue to be compelled to provide their workers with living wages within the current market context, through the concept of gradual wage equalisation, as proposed by TLWNSI. This concept must take as its benchmark the wage remunerations of the developed world for all the reasons previously presented. In the last decades some economies –South Korea and Spain– have succeeded in transforming the wage remunerations into living wages. However, Brazil is the first case that explicitly has laid out a plan of wage appreciation with very specific criteria and for a term beyond a decade. This is a State policy truly *sui generis*, especially when assessed from the perspective of a world enduring the depredation of a Darwinian market context, of savage capitalism –undemocratically imposed– and completely opposed to any demand-side economic policy –of wealth redistribution and social justice. There is yet to be seen, to be sure, if future Brazilian governments –from Lula's party or from any other– endorse the political will of the current government to materialise some of the fundamental social rights of any truly democratic State. In any case, Brazil's policy of wage appreciation sets a historical milestone. Moreover, its strong affinity with TLWNSI serves in turn as hard evidence –hardly improvable– that TLWNSI's conceptual framework is clearly realistic when there is the political will of the State. Let us then hope that Brazil maintains its plan at least until 2023. If this becomes the case, I will have no doubt, whatsoever, that other developing economies will follow, sooner than later, in Brazil's footsteps.

* Álvaro de Regil is Executive Director of The Jus Semper Global Alliance

Useful links:

- http://www.jussemper.org
- Bureau of Labour Statistics: http://www.bls.gov/fls/home.htm
- World Bank – World Development Indicators: http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:21725423~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html
- World Bank – International Comparisons Programme: http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/ICPEXT/0,,pagePK:62002243~theSitePK:270065,00.html

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