India's living-wage gap: another modern slave work ethos

India's manufacturing wages bear, after China, the widest living-wage gap, expose a modern slave work condition, exert strong downward pressure on the labour endowments of developing economies and show no improvement in the 1999-2005 period assessed

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India is one of the so-called BRIC countries of the global economy; an acronym coined by global financial speculator Goldman Sachs –a key player in the global crisis that we are far from overcoming– to refer to Brazil, Russia, India and China.[1] *In 2003 this so-called institutional investor published a paper that argues that, over the next few decades, the growth generated by the large developing countries, particularly the BRICs, could become a much larger force in the world economy than it is now. The paper suggests that, if this goes right, the economies of the BRICs together could be larger than those of the U.S., Germany, Japan, France, Italy and the U.K. combined.*[2]

As could be expected, things are not going nearly as they envisioned, but it is indeed a fact that the overall size of these economies is already ranking them among the largest in the world. China is already the third largest economy in the world, in GDP terms, behind Japan, and it is bound to surpass it at any moment now. India is currently the twelfth largest economy and it is slated to become larger than Japan before 2050, assuming the current unsustainable marketocratic context remains. Yet, since both China and India also have the two largest populations in the world, and endure a high incidence of inequality, their per capita gross national income, in purchasing power parities (PPP) for 2008, ranked them 122 and 153 respectively in the world.[3]

Relative to trade, in 2008 China was the second largest U.S. trading partner, whilst India was fourteenth.[4] *Similarly, in 2008 China was the second largest exporting nation, after the combined exports of the European Union, whereas India ranked eighteenth.*[5] *Moreover, unlike China, India is not yet a strategic trading partner for the U.S. The structure of its economy explains why. Whereas China had 112 million people working in the*

[1] Jim O'Neill: Building Better Global Economic BRICs, Goldman Sachs, Global Economics Paper No: 66, 30th November 2001.
[2] Dominic Wilson Roopa Purushothamanl: Dreaming With BRICs: The Path to 2050, Goldman Sachs, Global Economics Paper No: 99, 1st October 2003.
[3] World Bank: World Development Indicators database, April 2010.
[4] U.S. International Trade Commission: U.S. Trade Balance, by Partner Country 2009 in descending order of trade turnover (imports plus exports)
[5] WTO: Press release 598: U.S. Trade Balance, by Partner Country 2009 in descending order of trade turnover (imports plus exports), International Trade Statistics. 26 March 2010.

manufacturing sector in 2006, India only had 8,8 million or 7,7% of China's workers formally employed in the sector. As a result, the value added contribution of the industrial sector –including the informal manufacturing sector– was only of 29% in 2008, whilst Chinese' industries contributed with 49%. In contrast, India's service and agricultural sectors contributed with 54% and 17% respectively, whilst in China they contributed with 40% and 11% respectively.[6] India's service sector is rapidly becoming a contributor to exports thanks to the marketing of India for the outsourcing of software development, outsourced research-and-development and a wide array of customer relationship services delivered over the Internet or phone lines. India's high incidence of bilingualism has enabled it to sell many outsourcing services to English-speaking countries, which would otherwise be provided in domestic facilities in the home countries. The catch, to be sure, or comparative advantage, is always the offering of this labour pool at a meagre labour cost that has nothing to do with the actual cost of living in India –in PPP terms. Thus, wages in the sector do not constitute, by any means, labour endowments of a living wage condition but clearly of the modern slave work kind: the system of labour exploitation that is so pervasive across the developing world.

Indeed, relative to the real value of the manufacturing wages, India's living-wage gap is not as dramatically dire as that of China. However, as could be expected, it is still one of the worst in the world, for it clearly exhibits its sheer modern slave work nature. As a result, India's increasingly deregulated economy is rapidly becoming a very important source of misery wage manufacturing workers for the Darwinian capitalist system of today's global corporations and their institutional investors. India's population is growing faster than China's, and it reached 1,14 billion people in 2008, amounting to 86% of China's 1,32 billion population.[7] Given that India's demographic structure depicts a "bottom heavy" or much younger population structure than China's, it will contribute, for the foreseeable future, a fast growing pool of available labour force to the global economy.[8] Whereas there is increasing talk about China reaching a turning point when its pool of surplus labour would start declining,[9] India is expected to contribute, over the next few decades, a larger labour supply to its manufacturing sector than China. Yet, to be sure, this will continue to occur at rather meagre real wages. Consequently, along with China, India will continue to exert tremendous downward pressure on the wages of all the developing nations that have bet their economic strategy on the traditional centre-periphery relationship, anchored on the offering of comparative advantages. In this way, from the perspective of real democracy and human rights, this poses a rather intractable problem for the labour endowments of workers worldwide, but all the more so for those in the periphery of the world's Darwinian capitalist system in which we have been undemocratically immersed.

[6] World Bank: World Development Indicators database, April 2010.
[7] ibidem.
[8] Jessica R. Sincavage, Carl Haub, and O.P. Sharma: Labor costs in India's organized manufacturing sector, Monthly Labor Review, May 2010.
[9] The Economist: Socialist workers – Is China's labour market at a turning-point?, June 10, 2010.

❖ Introduction

Although India's trade with the U.S. is not nearly as important as China's, it has acquired enough weight to elicit the interest of many stakeholders to assess the state of labour compensation costs. After all, global capitalism has labelled India a BRIC country, which means that it is expected to become a powerful economic contender in the global economy in the next decades. Between 1988 and 2008 India's GDP averaged a 6,5% annual growth, whilst China averaged 9,7%. The GDP growth for both countries became closer between 1999 and 2008 (7% and 9% respectively). For this same period, India's per capita GDP increased 5,7% and China's 9%. This is well above the world's average of 3,1% GDP and 1,9% GDP per capita, for the same period.[10] India's manufacturing and service sectors' wages increasingly will be playing an important role in the world's capitalist system. With the second largest population in the world, India's vast number of young workers will contribute to secure, for global corporations, labour endowments in the periphery countries at some of the lowest costs in the world. This despite much regard for India as an emerging economic powerhouse. Whereas the chinese population is turning older, the Indian population is providing a big relief to the world's capitalist system. Thus, unless India makes a deliberate act of political will to increase –through a long-term plan such as Brazil is doing–[11] the value of real wages, to gradually put them in line with the real value of India's output in the global economy, India's labour force is doomed to remain in dire poverty, for the foreseeable future, by enduring exploitative wages.

Undoubtedly, raising wages is anathema for the owners of the market: the financial institutional investors and their corporations. For a long time, they have been gaming the system to increase profiteering at the expense of all other stakeholders, with no regard whatsoever for their rather dire footprint. Such a thing is simply disregarded as the externalities of doing business, with no qualms for their lack of true social and environmental responsibilities. Thus, at the slightest sign of increase of China's labour endowments, their anxiety for a potential loss of shareholder value increases exponentially. To this effect, Pritchett, a Harvard professor, responds to The Economist magazine's question of whether the era of cheap Chinese labour is over, by pointing at India. He argues that *assuming China's wages and other factors combine to push it up out of the niche, the impact on the global market hinges entirely on India. India has the demographic potential to fill in everything China leaves behind. So far they are still in the fat of the demographic pyramid, they are still substantially under-urbanised (three quarters rural), have had rapidly rising schooling levels, have an economy amazingly concentrated in services that could move into manufacturing, have incredibly low wages except at the very top end—and most obviously have more than a billion people*.[12]

The logic followed is that a large supply of workers in the world, clearly above demand, must expect low wages for their work. Nonetheless, this logic has largely been discredited by the indisputable fact that today's neoliberal system operates under rather imperfect market conditions. Unlike the assumption of an ethos of perfect competition of such theory, we endure a global oligopolist system. These conditions are not a random event but the direct product of economic policies staunchly entrenched in a supply-side paradigm deliberately designed to boost shareholder value at the expense of workers' compensations and to promote the oligopolisation of the system. Both China and India –who are still in transition into a neoliberal market ethos– fully subscribe to it. Therefore, it is quite likely that both India and China will continue to protect their so-called comparative advantage of rather low labour costs to attract more foreign direct investment (FDI) and to compete in the world with their own exports at the expense of their labour endowments. Although both countries are interested in developing their domestic markets, their leaders have not shown any evident interest in making the eradication of poverty a priority of their economic and social policies. They still see their vast pool of workers as a valuable strategic asset in the global market. In the 2009 Human Development Report, India ranked 134th and China 77th out of 182 countries. And in the case of India, in particular, although poverty has been decreasing, 42% lived below the poverty line of $1,25 a day in 2007 and 46% of children under the age of five were underweight in 2006.[13] India, in fact, contains the largest concentration of poor people in the world.[14] Yet, even if China continues to slowly increase real wages, as I have shown in my China assessment,[15] so far it appears that India is ready to fulfil the demands of corporations for outsourced labour at hunger prices.

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[10] World Bank: World Development Indicators database, July 2010..
[11] See: Álvaro de Regil: Brazil: In perfect harmony with TLWNSI's concept, The Jus Semper Global Alliance, A TLWNSI Issue Brief, January 2010.
[12] Lant Pritchett: A response by invitation only to: Is the era of cheap Chinese labour over? The Economist, July 16th 2010.
[13] UNDP: Human Development Report 2009: Overcoming barriers: Human mobility and development, tables H and I.
[14] World Bank: Inclusive Growth and Service delivery: Building on India's Success, 29 May 2006. Retrieved 7 May 2009.
[15] See: Álvaro J. de Regil: A comparative approximation into China's living-wage gap: A TLWNSI Issue Brief, The Jus Semper Global Alliance, June 2010.

This Darwinian logic imposes a tremendous downward pressure on the quality of life of many societies in the developing world, for governments have bet their sustainability in power on customary centre-periphery relationships. They put emphasis on the attraction of FDI by offering cheap labour at misery prices to global corporations. Neoliberal globalisation has globalised consumer markets, prices and access to labour pools, but wages, deliberately, have not been globalised. In this sense, the extremely low level of India's and China's wages and the weight of their huge pool of workers is a perfect strategic element used by corporations to maintain strong pressure on the manufacturing wages of other economies that compete for FDI, and periphery governments enthusiastically comply with providing their labour force under modern slave work conditions. In essence, the institutional investors and their corporations have successfully maintained a race to the lowest common denominator in real wages in much of the developing world. As could be expected, to maintain this rather unfair and unsustainable labour environment of misery wages, labour rights are customarily violated by governments and the private sector in their race to the bottom. Similarly, this logic has put a cap on the real wages of workers in the major economies. One emblematic example is the United States. According to the Economic Policy Institute, the so-called "new economy" has bypassed most working families in the U.S. and it has driven a wedge between productivity and living standards.[16]

This is the political economic ethos in which India's labour endowments are immersed. From the perspective of Jus Semper's The Living Wages North and South Initiative (TLWNSI), my assessment of wages for all employees in India's manufacturing sector, between 1999 and 2005, finds that real wages growth has actually stagnated after a period of some improvement –in PPP terms. This has caused India's manufacturing sector's living wage gap to show minute improvement over a six-year period. Further assessment indicates that, if real wage increases continue at such a rate, there is no chance, whatsoever –in a hypothetical case– to ever close the gap between the current value of wages and the value of a living wage for manufacturing employees in India, vis-à-vis their U.S. counterparts, even under very stable global economic conditions; currently, a very unlikely event as the world's capitalist system is increasingly being dominated by the Darwinian economics of global institutional financial market speculators. To close its enormous wage gap, India will need to forcefully embark on the implementation of a very specific economic policy of real wage appreciation in the same line as the programme that Brazil initiated this year for minimum wage appreciation.[17]

❖ *A Living wage perspective*

From TLWNSI's perspective, as in the case of China, India's real wages in the manufacturing sector are light years away from reaching the quality of what would constitute a living wage in its economy. Although India's cost of living –in PPP terms– is about a third of the U.S., India's manufacturing wages account, nominally, for barely 3% of U.S. wages in the sector. Thus, in real terms they account for less than 10% of what they ought to be. This makes the quality of these wages what constitutes, in today's globalised economy, an outright modern slave work ethos.

Jus Semper's TLWNSI project has been seeking data that can enable it to reliably assess the state of real wages in India and China and their gap with a living wage. TLWNSI regularly uses as its main source for its analytical work the annual reports published by the International Labour Comparisons (ILC) programme of the Bureau of Labour Statistics (BLS) of the U.S. Department of Labour. The ILC programme publishes on an annual basis the hourly compensation costs for all employees and production-line workers in the manufacturing sector for 32 countries in the Americas, Asia, Oceania and Europe. The growing weight of India's economy in the global capitalist system has prompted the interest of the BLS. Nonetheless, as in the case of China, the data available to assess the level of labour costs in the manufacturing sector in India –vis-à-vis those in the U.S. and other countries– are not qualitatively consistent enough to draw conclusive comparisons. In this way, the BLS approach towards India's manufacturing compensation costs is paralleling the approach applied for China. The BLS has commissioned a first research paper on India's manufacturing labour costs. This effort, according to Sincavage, Haub, and Sharma, the authors of the study,[18] constitutes *the first step toward developing the measures necessary to include India in the regular comparisons series*. The final goal is to incorporate India along with China to the list of 32 nations that the BLS reports on their hourly compensation costs through its ILC programme.

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[16] Lawrence Mishel, Jared Bernstein and Sylvia Alegretto "The State of Working America 2006-2007", Economic Policy Institute, Cornell University Press 2006.

[17] See: Álvaro de Regil: Brazil: In perfect harmony with TLWNSI's concept, The Jus Semper Global Alliance, A TLWNSI Issue Brief, January 2010.

[18] Jessica R. Sincavage, Carl Haub, and O.P. Sharma: Labor costs in India's organized manufacturing sector, Monthly Labor Review, May 2010.

India has reliable statistics of the formal sector, but, according to the authors, it lacks good data on the informal sector, which accounts for roughly one-third of India's manufacturing output. For this reason, the BLS is conducting additional research on it.[19] Thus this report on India covers only the formal manufacturing sector, as is the case for most countries with large informal sectors. As to the quality of the data, two prominent differences currently prevent the BLS from including India in the regular series. The first is the fact that India's statistical data on labour costs in the sector are reported in raw form. Thus, any inconsistencies or missing data not provided by employers are not adjusted. The other major difference is the divergent way in which India's "Annual Survey of Industries" (ASI) and the BLS define the manufacturing sector. Therefore, the BLS has to filter out several industrial sectors to reconcile the ASI data with its own North American Industry Classification System (NAICS). Other conceptual differences –in the way the data are reported– prevent the BLS from reporting separate data for all employees and production-line workers as it is regularly done in the ILC series. The wages of all types of workers (contract production workers, directly employed production workers, salaried employees) is combined in the Indian data, which prevents the BLS from applying the appropriate filter to standardise India's data with that reported for the other countries. In this way, as in the case of China, the BLS report presents its assessment of both employees and production workers combined, as all employees. A detailed description of the difference in how data are retrieved is offered in the paper commissioned by the BLS, already footnoted.

Although the Indian data are treated in a similar fashion as that from China, there are clear differences in their nature. China's data are broken into three groups: all manufacturing employees, urban manufacturing employees and rural manufacturing employees. India's data refer to manufacturing data for all employees in the formal sector. Yet, as the authors of the study assert, despite the differences, *the BLS research on both countries indicates that the concept of all employees in the organised manufacturing sector in India is similar enough to the "all employees" concept for manufacturing in China to allow for rough comparisons to be made*.[20] Furthermore, in both cases the BLS constructs a series of procedures to derive estimates of the different components of hourly compensation costs (all forms of direct pay, employer contributions and labour taxes). Such procedures are similar to those applied to countries in the ILC series where the BLS uses similar methods to those used for a number of countries lacking the requisite production worker data. Hence, the researchers argue that the work conducted by the BLS for these countries does not substantially affect the hour compensation estimates.

In this way, the study commissioned by the BLS for India conducts comparative analyses against China and other countries regularly included in the BLS series. Therefore, as in the case of my recent assessment on the living wage gap of China's manufacturing wages –derived from the BLS wage data– this assessment follows a similar approach. Essentially, the fact that the research commissioned by the BLS is already providing comparative analysis between India and other countries is reason enough to warrant performing Jus Semper's own analysis applying the criteria developed by TLWNSI. As explained in our China's assessment,[21] the data for all countries in the ILC programme are not a precise, but the best, estimate of the level of hourly compensation costs. These data also bear methodological differences, which, nonetheless, do not imperil deriving a good picture of how nominal wages in manufacturing compare between countries. They provide an estimated comparative quality of wages and their trend in a time line. The data from India and China are also estimates that comparatively appear to be relatively less reliable, but are still a valid source to assess the quality of wages and how they behave in time. This is precisely why the BLS is publishing hourly compensation costs for both countries, with a clear word of prudence to regard them as estimates and not as hard data, as I also herein make. Consequently, from TLWNSI's perspective, these precedents make it a clearly coherent exercise to perform a comparative analysis of the level of real wages in India, in PPP terms, with other countries and how India's manufacturing real wages measure up to the closing of their rather ample wage gap. It merits to emphasise that because the data analysed in the following assessment reflect the combined level of wages for both production-line workers and all other employees in the sector, the average generally makes wages higher than those that refer to production-line workers only. This is generally true for most countries. For instance, in the U.S. –the customary benchmark to assess living-wage gaps with other countries– production-line hourly wages in 2005 were $23,81, whilst hourly wages for all manufacturing employees were $29,74.

[19] Jessica R. Sincavage, Carl Haub, and O.P. Sharma: Labor costs in India's organized manufacturing sector, Monthly Labor Review, May 2010..
[20] ibidem, page 17.
[21] See: Álvaro J. de Regil: A comparative approximation into China's living-wage gap: A TLWNSI Issue Brief, The Jus Semper Global Alliance, June 2010.

The analysis is performed following TLWNSI's methodology for determining what would constitute a living wage for people employed in the manufacturing sector in India, with the equivalent U.S. wage used as the benchmark. First, TLWNSI's living wage concept is explained in detail in the following section. Then, we will review India's 1999-2005 nominal and real wages –in PPP terms– in order to assess the dimension of the gap between the real wage and the living wage. Subsequently, we will perform two projections into the future of India's manufacturing sector wages. The first projection –considering that the nominal wage average growth experienced during the seven-year assessment would not produce any significant future reduction of its wage gap– is based on twice that growth (10%). This will allow us to prospect how long it would take to close the living-wage gap –at the average rate of 10%– under certain assumed conditions. The second projection explores the average growth rate of Indian real wages, in the manufacturing sector, required to close the gap in thirty years –TLWNSI's standard to close wide wage gaps– under certain assumed conditions.

❖ *TLWNSI's living wage concept*

The gaps between real wages and living wages in most developing countries are so wide that realistically it would be impossible, for many reasons, to close the gaps in a few years. As a general rule, TLWNSI's conceptual framework increases real wages by applying the sum of the inflationary index of the immediately preceding year plus several additional percentage points to nominal wages. The exact amount of additional percentage 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. That would be a political economy decision. TLWNSI's goal is the equalisation of wages –in PPP 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, for instance, inflation averages 5%, wages would increase nominally an average of 10% to reach its goal. TLWNSI's conceptual framework is firmly anchored on the context of true democracy. That is, a truly democratic ethos has as its only purpose the welfare of people and planet. In this ethos the market is firmly harnessed to work as a vehicle to generate material welfare instead of being an end in itself as is currently the case. To be sure, TLWNSI's concept parts from the assertion that we do not live in democratic societies but rather in *marketocratic* societies where the market has overtaken the halls of governments and dictates the public policy to fulfil its very private interest. In essence, the public matter has been privatised and politicians discuss it in private with the owners of the market, the world's institutional investors. The policies that the EU is currently taking to supposedly protect the euro –including, prominently, the downgrading of labour standards– is the most recent example of how financial markets dictate public policy decision making to impose the neoliberal mantra –in which their very private interest is embedded.[22] In a succinct manner, TLWNSI's concept is comprised of the following elements:[23]

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,
- The benchmark used is the wages paid by the entity in the North; namely the U.S.,
- 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 PPP terms as defined by the World Bank and the OECD,
- The material quality of life in Jus Semper's TLWNSI is defined in terms of purchasing power, so that equal pay occurs when purchasing power is equal,
- Purchasing power is determined using PPPs,
- PPPs are the rates of currency conversion that eliminate the differences in price levels between countries.

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[22] The Economist: 1) Fear spreads – A big rescue package for Greece has not protected other countries such as Portugal, 6th May 2010; 2) Labour reform in Spain isn't working, 17th, June 2010; 3) Reforming France State of denial, 17th June 2010.
[23] 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

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,
- 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 a human rights perspective

- The proposal is to make workers in the South earn living wages at par with those of the North in terms of PPPs in the course of a generation (thirty years).
- Just as the ILO'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.
- There cannot be a decent work ethos without a living wage as the standard for work remuneration.
- 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 increasing it to dignified levels in the South, thus reducing our ecological footprint on the planet.
- This entails that equal pay for equal work in the North-South context –of a living wage quality– will meet at a point in the long-term future where the human footprint on the environment will be substantially lower than it currently is.

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 PPP 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 with 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, 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.
- The difference between the real wage of a subsistence quality of life nature and the equalised wage of a dignified nature is the amount that originally belongs to workers but that employers perversely keep to increase their profits and shareholder value.

- 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 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 capitalism.

6. A real example in 2005 (table 1)

- Equivalent manufacturing employees in India nominally earned only $0,91 an hour, which in real terms amounts to $2,74, or barely 9% of what they needed to make to be compensated at par with their U.S. counterparts in terms of purchasing power.

Table 1: Nominal wage, real wage and wage equalisation for manufacturing employees in purchasing-power parity terms

2005	Nominal hourly wage	PPP 2005	PPP Real wage	Equalised nominal hourly wage	Equalisation index
United States	$29,74	100	$29,74	$29,74	100
Canada	$26,73	96	$27,76	$28,63	93
	90%		93%	96%	
India	$0,91	33	$2,74	$9,88	9
	3%		9%	33%	
China	0,73	43	$1,71	$12,66	6
	2%		6%	43%	

- While the cost of living in India in 2005 –in PPP terms– was 33% of the U.S., the nine equalisation index exposes a gap of 91%, for Indian employees needed to earn nominally $9,88 an hour (33% of U.S. wages) to enjoy an equivalent wage in real terms of purchasing power.
- Comparatively, equivalent Chinese real wages were even worse, for manufacturing employees earned only $0,73/hour, which amounts to scarcely 6% of what was required in real terms for them to enjoy a living wage with a purchasing power equalised with that of their U.S. counterparts. Nominally, Chinese needed to earn $12,66 an hour to be at par with the U.S, since the cost of living in China in 2005 was $0,43 for each $1 in the U.S. or 43%.

- In contrast, Canadian manufacturing employees' hourly real wages were near equalisation with those of their U.S. counterparts, since they amounted to 93% of what was needed to be at par with U.S. equivalent wages.

7. TLWNSI and long-term sustainability

It should be pointed out that envisioning the appreciation of the real wages of any society that endures misery wages of modern slave work conditions, must be considered with prudence. TLWNSI's approach to providing a living-wage ethos to exploited workers is made on the context of long-term sustainability. Closing the living wage gap of any country –with no other consideration than dispensing the same purchasing power that is currently enjoyed by equivalent workers in developed economies– is, unequivocally, unsustainable, for the simple reason that many critical resources are running scarce and the human footprint on the planet may have already crossed a threshold of no return to previous conditions. Consumption levels in the "developed" world are leaving an unsustainable environmental footprint, as a great diversity of qualified voices have ineffectively alerted us. 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 proposed by TLWNSI must be a sustainable growth that reduces consumption and the human footprint in a radical manner.

This requires a new definition of development and progress clearly afar from capitalism (and GDPism). The culture of exacerbated consumerism –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. Radically decreased northern consumption levels must still deliver a dignified quality of life ethos with a hallmark for achieving long-term sustainability. Highly efficient consumption of both renewable and non-renewable resources must be its most prominent attribute. Increasingly, arguments are raised in favour of stationary paradigms of no economic growth in themselves (Haribey, La Touche, Custers, Stoll). 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 –financial market speculators– and their corporations. Thus, so far, governments have consistently disregarded any change of paradigm, as we are witnessing in a myriad of instances in every region of the world.

Consequently, as long as we are unable to be in agreement, the civil societies of 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 serves as hard evidence –hardly improvable– that TLWNSI's conceptual framework is clearly realistic when there is the political will of the State. Indeed, the possibility of Russia, India and China (the rest of the BRIC) –as well as other emerging markets such as Mexico, Argentina and South Africa and the rest of developing countries– gradually closing their living-wage gaps is completely dependent on the political will of its rulers. So far they have clearly signalled their staunch loyalty to the centre-periphery model of labour exploitation. Yet, I must insist that, in the event that a country embarks on a long-term programme for real wage appreciation, equalising consumption levels with the developed world –at its present level of consumption– is not a sustainable and responsible approach, whatsoever. True sustainability requires a drastic change of paradigm so that consumption levels both North and South meet at a point where our footprint provides a dignified quality of life, yet with a much lower (efficient) level of consumption that guarantees long-term sustainability globally and locally.

❖ *India's living-wage gap performance for all manufacturing employees 1999 - 2005*

To position India's real wages –vis-à-vis its counterparts in the United States– comparative data that the U.S. Department of Labour reports for the wages of all manufacturing employees is used, analysing the course followed by Indian wages during the 1999-2005 period.[24]

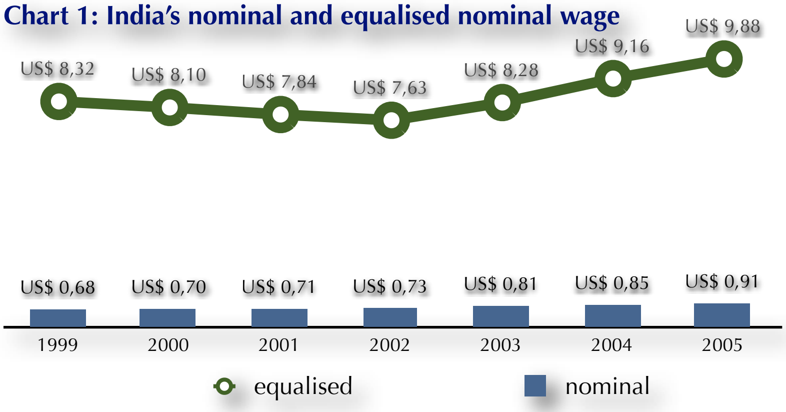
[24] For a detailed description of Table 2, see appendix.

Table 2: Living-wage gaps of all manufacturing employees in India in PPP terms 1999-2005

		1999	2000	2001	2002	2003	2004	2005
Benchmark	**1. U.S. Hourly Manufacturing Employees Rate**	**23,64**	**24,63**	**25,90**	**27,01**	**28,18**	**28,94**	**29,74**
India	GNI PPPs in country currency (Rupee)	13,265	13,479	13,694	13,726	13,692	14,345	14,658
	Exchange rate	43,055	44,942	47,186	48,610	46,583	45,315	44,100
	GNI PPPs in US Dollars	$0,3081	$0,2999	$0,2902	$0,2824	$0,2939	$0,3166	$0,3324
	2. Equalised PPP nominal compensation US $	**$8,32**	**$8,10**	**$7,84**	**$7,63**	**$8,28**	**$9,16**	**$9,88**
	3. Actual Real compensation US $	**$2,21**	**$2,33**	**$2,45**	**$2,59**	**$2,76**	**$2,69**	**$2,74**
	4. Actual Nominal compensation US $	**$0,68**	**$0,70**	**$0,71**	**$0,73**	**$0,81**	**$0,85**	**$0,91**
	Compensation Deficit in US $ (2 minus 4)	**$7,64**	**$7,40**	**$7,13**	**$6,90**	**$7,47**	**$8,31**	**$8,97**
	Wage Equalisation index (4÷2 or 3÷1)	**0,082**	**0,086**	**0,091**	**0,096**	**0,098**	**0,093**	**0,092**

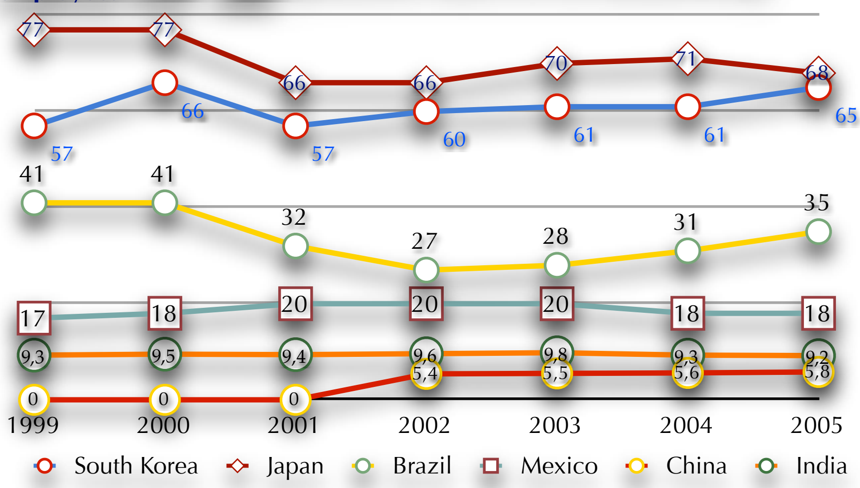
In the seven-year period assessed, India's real (PPP) wages improved poorly, by an annual average of 3,69% (actual real compensation), whereas U.S. wages averaged slightly a higher rate of 3,9% for the period. Between 2000 and 2003, India's real (PPP) wages grew more than those of their U.S. counterparts (24,9% versus 19,2% respectively), but then, between 2003 and 2005, they dropped (-0,7%) whilst U.S. wages still grew (+5,5%). For the entire 1999-2005 period U.S. wages in the manufacturing sector grew more (25,8%) than India's real (PPP) wages (24%). Consequently, India's "equalised PPP nominal compensation" grew almost as much as real (PPP) wages for the entire period (18,75% versus 24% respectively). In this way, India's "wage equalisation index" with the U.S. barely improved one point during the entire period (from 8,2 to 9,2) as shown in table 2. In fact, despite this slight increase, the nominal compensation deficit, or wage gap, grew by 17,4%, or $1,33 in dollar terms (from $7,64 to $8,97). For the entire period, Indian nominal wages averaged a low growth of barely 5%. The poor performance of India's wage equalisation was driven by 1) a sharp increase in PPP cost of living, in dollar terms, between 2003 and 2005 (13,1%) –after an actual drop between 1999 and 2003 of -4,6%; 2) a cost of living increase above the increase in nominal wages between 2003 and 2005 (13,1% vs. 12,3% respectively), and 3) a 5,5% growth of U.S. wages for the same period. The outcome is a rather poor increase of real wages, dramatically below what would be required to close the wage gap with the U.S., at the end of thirty years, as proposed by TLWNSI. Such a rather slow rate of wage equalisation of India's manufacturing wages with its U.S. counterparts is all the more dramatic when compared with China. In our assessment of China, nominal wages averaged a 9,2% annual growth. In an optimistic projection –of stable and low inflation conditions– it would take China 71 years to close its wage gap with the U.S. at the 9,2% annual growth rate. Thus, if India's nominal wages averaged a 5% annual growth, it would take far more time than China's 71 years to close its wage gap with the U.S., under the same conditions. Chart 1 exhibits the widening gap between India's nominal wages and its wages equalised, in PPP terms, with those of its U.S. counterparts, during the period assessed, due to the behaviour of the different variables previously explained. After a slight reduction between 1999 and 2002 the trend shifts and the gap widens steadily since 2003.

Chart 1: India's nominal and equalised nominal wage



Comparatively, India's living wage equalisation indices (PPP real wages) are not as poor as those for China, but still at the bottom of the scale in the manufacturing sector for all employees, when compared with Japan and South Korea or vis-à-vis Brazil and Mexico, the two major economies in Iberian America. Chart 2 illustrates the dramatic distance between Japan and South Korea's equalisation indices of 68 and 65, respectively, in 2005, and the minuscule 9,2 index recorded by India's PPP real wages for the same year. As for Brazil and Mexico, India's PPP real wages are still a long distance below Brazil's 35 index and Mexico's 18 index recorded in 2005. Furthermore, South Korea's and Brazil's PPP real wages –an even China's– are improving at a much faster pace than India's, which actually dropped in 2004 and 2005. Between 2002 and 2005, China, South Korea and Brazil's indices improved 7%, 8% and 30% respectively, whilst Japan's barely grew 3%. Only Mexico's equalisation index for all manufacturing employees –which has remained in the doldrums since at least 1996, when it recorded 20 points– and India's index dropped 10% and 4% respectively during that period. Consequently, at the pace of 5% annual growth of nominal wages in the sector, India is nowhere near a path towards the closing of its wage gap with its U.S. counterparts. It appears, as earlier argued, that an ethos of modern slave work will remain the standard in India unless future Indian governments decide to change their economic strategy and overall political economy. In fact, at the current pace, it would take India 50 years to be at par with Mexico, and only under stable inflationary conditions in India, the U.S. and Mexico, and only assuming Mexico's economic ethos maintains the same policy of real wage pauperisation it has imposed for three decades in the manufacturing sector.[25] That is, only if Mexico's real wage equalisation index with the U.S. remains flat at 18 or 20 points.

Chart 2: PPP real wage equalisation indices for all manufacturing employees 1999 – 2005



❖ *Projections of India's real wage in the manufacturing sector*

Using as the benchmark the manufacturing wages for all employees in the U.S. in 2005, charts three and four illustrate the time span required to close the real wage gap between Indian workers in the sector and their U.S. counterparts, in PPP and dollar terms, at different average hourly nominal wage increases. The first projection is made at twice the annual average growth rate of nominal wages (5%) experienced during the period assessed (slow pace projection). I doubled the rate, for a 5% average growth will maintain the huge living-wage gap at fairly the same width, and because an inflation rate 2 points above the average consumer price index (CPI) that India recorded between 2000 and 2008 (4,9%) is assumed. The second projection estimates the average rate increase required to close the living-wage gap in thirty years. Both projections are made assuming stable global economic conditions. This would be reflected in relatively low inflation rates not just for the U.S. and India, but also for the entire world. This would still include a strong sustained growth of India's economy throughout the period, clearly above the world's average. Albeit the inflation rate of 7% assumed is higher than what was experienced, this is still, to be sure, an optimistic assumption, given the inherent instability of the system, which will tend to increase as long as governments refuse to regulate the market –with a very visible and resolute hand– and insist on ceding control of the real economy to the speculative culture of the institutional investors of the casino-like financial sector economy. Yet, despite the absolute certainty of boom and bust periods both in India and globally, the projection assumes that India's economy will continue to grow strongly, on average, clearly above the world's average, albeit at a somewhat lower rate than the 7% average recorded between 1999 and 2008.

1. Criteria used in the first projection (slow pace):

- Average U.S. consumer price index (CPI) (inflation): 3,5% (currently at 2%).
- Average Indian CPI: 7% (currently at 13,3% and average of 4,9% between 1999 and 2008).
- Average nominal increase of Indian wages of 10% in dollar terms over the entire projection period.
- Real value of wages in the U.S. remains constant, increasing nominally by 3,5%, annually, to neutralise inflation.

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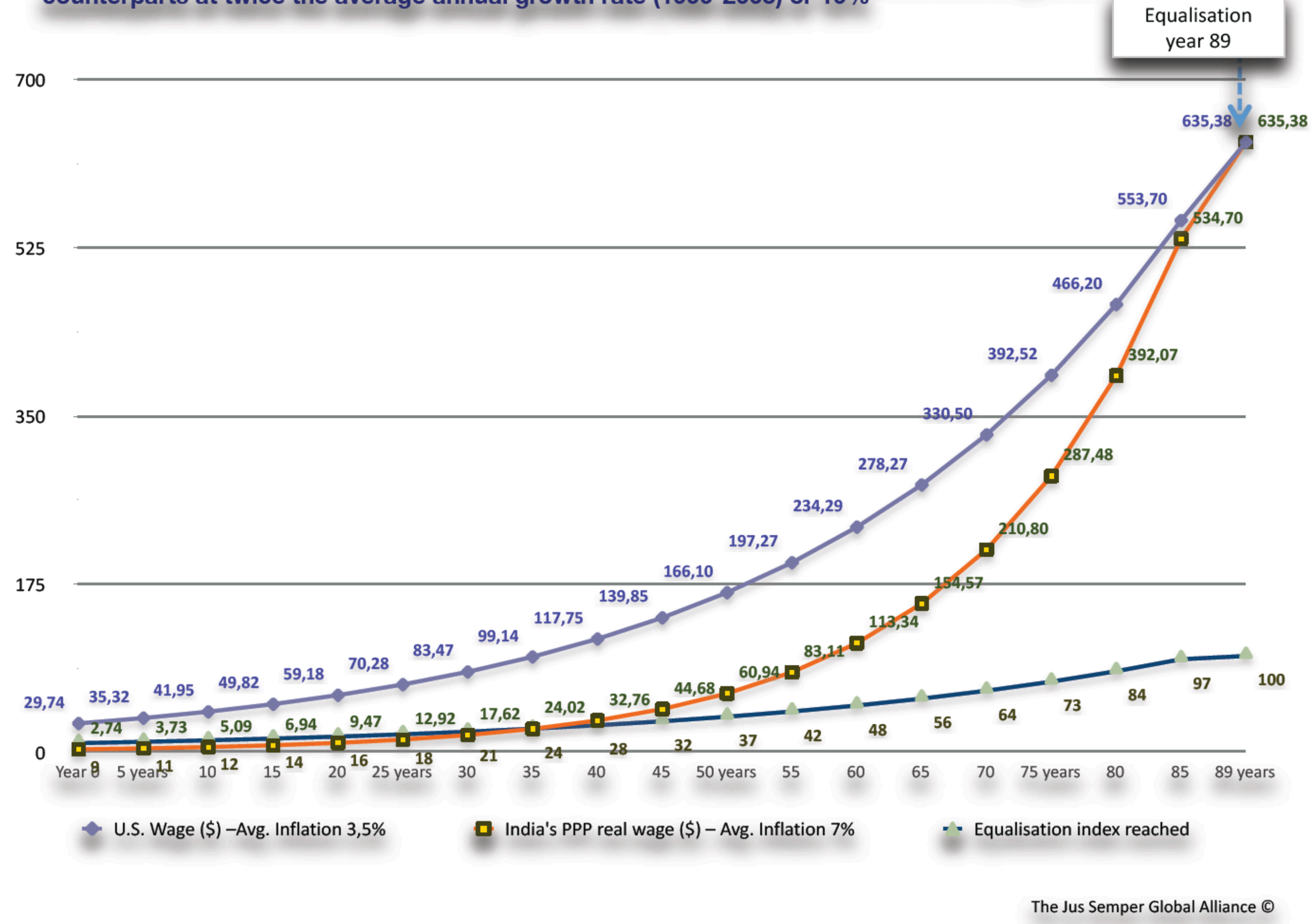
[25] The Jus Semper Global Alliance: Wage Gap Charts for Mexico vis-à-vis selected developed and emerging economies, with available wage and PPP data (1975-2007), January 2010.

- World Bank indicators recorded a PPP of $0,33 for India, equivalent to 33% of the U.S. cost of living in 2005. The nominal hourly wages for the U.S. and India were $29,74 and $0,91, respectively.
- The benchmarks –and starting point– used in this projection are the real PPP manufacturing hourly wages for both economies for the year 2005 (United States: $29,74 and India: $2,74).
- Wage figures are shown at constant prices, reflecting future purchasing power after applying inflation rates.

This projection assesses what would happen in the future to manufacturing wages as India raises nominal hourly wages in dollar terms at an average rate of 10%. This analysis uses as its source the nominal wage data reported by the U.S. Department of Labour.[26] Moreover, to calculate the cost of living and the size of the wage gap, the 7% and 3,5% inflation rate for India and the U.S., respectively, are applied annually starting from the PPPs reported in the World Bank's development indicators for 2005. Specifically, this analysis uses as its benchmark the differential between GNI (Gross National Income) and PPP GNI for India, generated by the World Bank's economic indicators database for 2005.[27] This data derives in turn from the 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). The benchmark data for 2005 is shown on table 2 on page ten.

Chart 3. Projection of India's manufacturing employees real wage equalisation with wages of its U.S. counterparts at twice the average annual growth rate (1999-2005) or 10%



[26] 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.

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

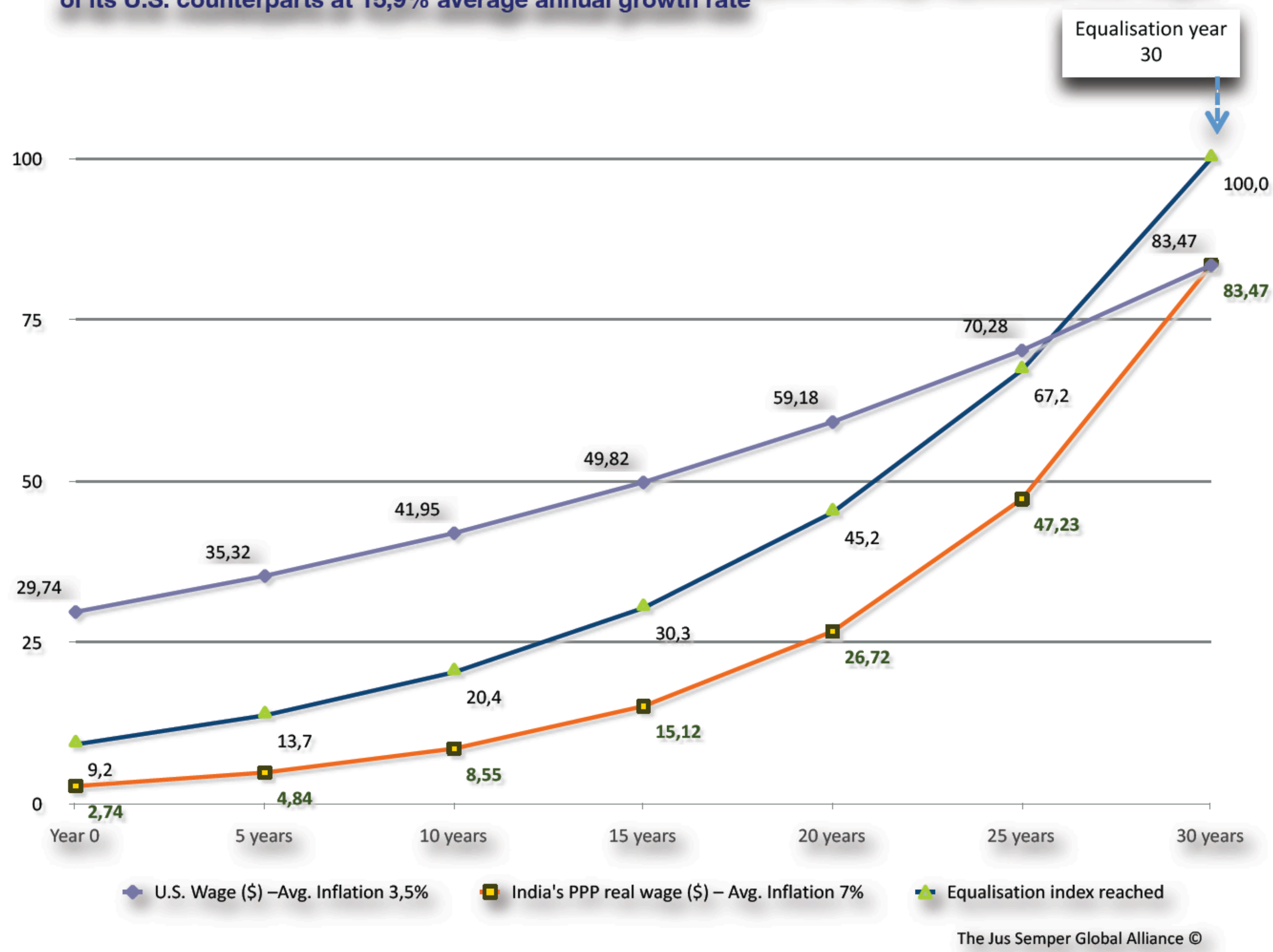
2. Results of slow-pace projection:

- ➡ Results, as shown in chart 3, indicate that, at the 10% pace, it would take India 89 years to close the wage gap of all its manufacturing employees with their counterparts in the U.S. after applying the criteria previously described.
- ➡ Every year, nominal wages in India were increased by 10% for 88 years.
- ➡ Chart shows the behaviour of real wages for both the U.S. and India over the 89 year period.
- ➡ For year 89, wages only needed to increase by 1,98% to fully close the living-wage gap.
- ➡ Not shown on the chart, the projection made India's cost of living higher than in the U.S. starting in year 35 due to a projection of twice the inflation rate than in the U.S. and assuming no significant changes in the exchange rate.
- ➡ Closing the wage gap would cover the 2006 to 2094 span of time.

3. Criteria used in the thirty-year projection:

- Average U.S. consumer price index (CPI) (inflation): 3,5% (currently at 2%).
- Average Indian CPI: 7% (currently at 13,3% and average of 4,9% between 1999 and 2008).
- Real value of wages in the U.S. remains constant, increasing nominally by 3,5%, annually, to neutralise inflation.
- World Bank indicators recorded a PPP of $0,33 for India, equivalent to 33% of the U.S. cost of living in 2005. The nominal hourly wages for the U.S. and India were $29,74 and $0,91, respectively.
- The benchmarks –and starting point– used in this projection are the real PPP manufacturing hourly wages for both economies for the year 2005 (United States: $29,74 and India: $2,74).
- Wage figures are shown at constant prices, reflecting future purchasing power after applying inflation rates.

Chart 4. Thirty-year projection of India's manufacturing employees real wage equalisation with wages of its U.S. counterparts at 15,9% average annual growth rate



This projection uses as data the same sources of the U.S. Department of Labour –for nominal wages– and the World Bank –for PPPs– used in the slow-pace projection.

4. Results of thirty-year projection:

- ➡ Results, as shown in chart 4, required an annual rate increase of nominal wages of 15,9% to close India's wage gap of all its manufacturing employees with their counterparts in the U.S., in the span of thirty years, after applying the criteria previously described.
- ➡ Chart 4 shows the behaviour of real wages for both the U.S. and India over the 30-year period.
- ➡ Not shown on the chart, India's cost of living was nine-tenths the cost of living in the U.S. at the end of thirty years. This would make Indian PPPs by year 30 a 90 index, or 90,1% the cost of living in the U.S. Accordingly, Indian nominal wages would reflect that, whilst real wages would reach equalisation.
- ➡ This thirty-year projection covers the 2006 to 2035 span of time.

Chart 5. Slow-pace and Thirty-year projections of Indian real wage equalisation for all manufacturing employees 5. Slow-pace and Thirty-year

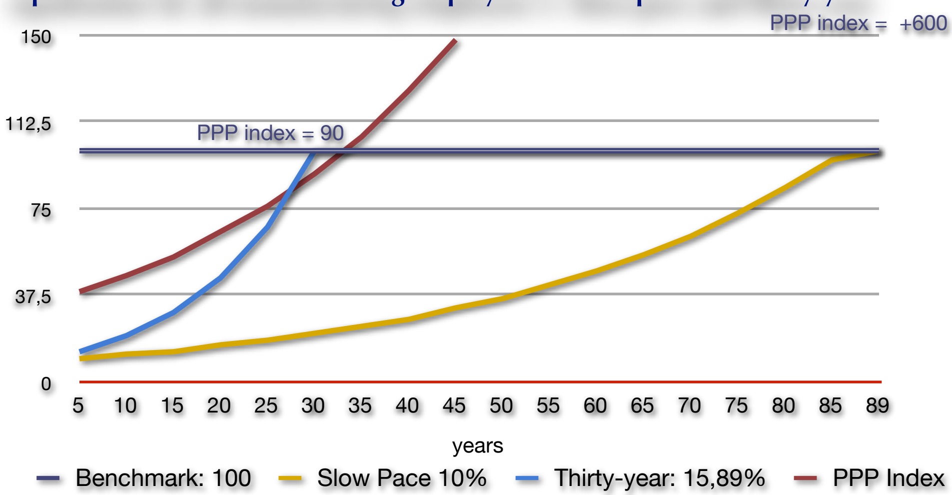


Chart 5 compares the slow-pace and thirty-year projections. As could be expected, the difference in the annual wage increases applied generates a dramatic difference in the time span required to close the living-wage gap (89 versus 30 years respectively). Similarly, the difference in cost of living between both projections –at the point in time when equalisation is accomplished– is dramatic (slow-pace: +600 versus 30-year: 90). This is due because annual inflation rates are projected to be twice as high in India than in the U.S. in both projections and the exchange rate to remain fairly stable; thus costs of living in India would surpass those in the U.S. in year 35, as previously noted.

Comparatively with China, India's equalisation of its manufacturing wages –under the assumed conditions– would take almost twenty years longer than in China's case, primarily due to an assumed higher average inflation rate for India than for China (7% versus 5%), despite the higher annual increase of nominal wages, the higher equalisation of India –due to a lower PPP index– and a higher nominal rate on year 1 (starting point) of the projection, as shown in table 3. Inflation has more compounded weight than the other variables. Yet, in the thirty-year projection, the required annual rate of increase of nominal wages for India, is less than one percentage point above China's required annual rate of increase with all assumed variables remaining intact.

Table 3: Comparison of wage equalisation projections for India and China

	Average nominal wage increase/Yr.	Inflation rate	PPP Index Year 1	Nominal wage Year 1	Equalisation index achieved Year 1	Years to close wage gap
India's slow pace	10%	7%	33	$0,91	9,2	89
China's status quo	9,2%	5%	43	$0,81	6,3	71
India's Thirty year	15,85%	7%	33	$0,91	9,2	30
China's Thirty year	15,12%	5%	43	$0,81	6,3	30

❖ *Summing up*

✦ ***Not a forecasting analysis.*** As I made clear in my assessment of China's living-wage gap, these projections at no time pretend to forecast what would be the inflationary indices or the rates of wage increases that will occur in India in the future. For this paper, 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 projecting two different scenarios under these assumptions to derive a comparative analysis to the closing of India's living wage gap.

✦ ***An overwhelming living-wage gap.*** Parting from TLWNSI's living-wage concept, the two projections in this assessment expose, comparatively, the dramatic gap that currently exists between the real wages paid, on average, to all manufacturing employees in India and the nominal wages that would constitute a living wage in real terms. This gap is dramatically wider than those prevalent in the two largest East Asian economies of Japan and South Korea, and still quite wider than those in some of the so-called emerging markets in other regions, such as Brazil and Mexico.

✦ ***Unless India changes its economic strategy, Indian workers are bound to a meagre existence.*** Despite a living-wage gap not as wide as China's, India's manufacturing real wages appear to have stagnated in recent years. Thus, unless the Indian State changes its policies towards an endogenous, demand-side economic strategy, to develop its domestic market, India's workers are bound to continue enduring a meagre existence under modern slave work conditions. If nominal wages in the manufacturing sector in India continue stagnated, India will never close nor dwindle, whatsoever, its living wage-gap with its U.S. counterparts and will remain a supplier of cheap labour in a global system, where everything has been deliberatively globalised but wages and the free movement of workers between countries, for obvious reasons.

✦ ***A dominant speculative ethos will likely require annual wage hikes greater than projected.*** The casino-like ethos of the capitalist system will require higher wage hikes than those projected. The assumed conditions used for these projections, albeit not impossible, are optimistic and, thus, unlikely to occur given the market system's inherent instability, with its customary recurring boom and bust events. This natural tendency is likely to be all the more exacerbated as the global capitalist system becomes overwhelmingly dominated by the speculative culture of the institutional investors of all the major financial markets. As long as governments continue to refuse complying with their so-called democratic mandate to address the systemic causes of this instability, and deliberately continue to defer to these private stakeholders the design of the public agenda, they will continue producing enormous moral hazards to society worldwide. In this way, inflationary rates are likely to be higher than my assumption due to ever increasing speculative environs; thus annual wage hikes will need to increase accordingly –and not as projected. This is true for both the slow-pace and the thirty-year projection, albeit the latter will obviously be exposed to fewer periods of booms and busts.

✦ ***Closing a living-wage gap requires annual hike adjustments in line with inflationary trends.*** As in the case of China –or any country with wide living-wage gaps– to realistically close its living-wage gap, under any scenario, India would need to determine real wage increases on an annual basis, based on the actual inflationary rates that its economy experiences, so that the rates of increase are adjusted annually accordingly. India would first need to set a time span to accomplish this goal. Once the time is set, the projected average wage hike required to close the gap would need to be adjusted annually to offset the previous year's inflation. This is the approach followed by TLWNSI's living-wage concept, with a thirty-year time span, a rather reasonable gradualist approach to address the issue. As previously referenced, Brazil launched in 2010 a minimum-wage appreciation program, until 2023, that closely resembles TLWNSI's methodology.

✦ ***Current geopolitical economics make closing the living-wage gap an unlikely event.*** Once again, as in the case of China, the likelihood that India's future economic policy will integrate a reasonable long-term plan of thirty years to achieve labour endowments of a living wage condition in the manufacturing sector, and elsewhere in its economy, is currently unrealistic. The oligarchic elite –of the so-called largest democracy in the world– that has been ruling India since it became independent –mostly through the Indian National Congress– has not shown any clear inclination to stop the traditional centre-periphery relationship that demands a race to the lowest common denominator in labour endowments, and reinforces India's traditional labour exploitation by its business class. Unlike China, there is no clear sign from India's government indicating a keen interest in developing a large and burgeoning domestic market.

The population is certainly there. Yet India is unlikely to give up on attracting foreign direct investment using as its main sales pitch the availability of abundant cheap labour, and less organised than China's –child labour is an endemic Indian trait.[28] On the contrary, the global profiteers expect India to fill any voids left by China in their search for the cheapest labour possible. The Economist recently asserted that *eventually, this extra spending –from China– will help the world economy return to full employment. At that point, foreign companies and consumers may miss China's cheap coastal workers, who kept profits high and prices low. But there will still be cheap labour to be found inland and in places like India.*[29]

- ***Race to lowest common denominator will continue.*** In the meantime, the weight of China's huge labour pool and India's bottom-heavy population will continue to exert strong downward pressure on the wages of other developing economies of the global South that are dependent on centre-periphery relationships. Rich economies' partners in these countries will continue to enthusiastically adhere to the North's demand to treat their labour forces as cheap expendable commodities to jointly exploit the labour and natural resources of the countries in question, for their very private interests.

- ***The market reigns supreme.*** The most populous so-called democracy in the world is still quite busy imposing the structures of neoliberal and predatory globalisation, since it joined the crowd in 1991. Thus it is joining all others in making marketocracy the supreme ruler of the lives of every member of society. This will allow the greed of domestic and global institutional investors to increasingly dictate the social agenda of India's current and future governments.

❖ *Corollary*

The enormous living-wage gap that manufacturing workers endure in India is a direct reflection of India's insertion in the global capitalist system's international division of labour as a provider of cheap labour under modern slave work conditions. This is a situation enthusiastically subscribed by India's oligarchic class that has chosen to transform its previously closed economy into an export-oriented economy. For this "development strategy" requires cheap labour and a blatant disregard for the environment to become successful. As Alejandro Nadal correctly asserts, *the evolution of India's economy is a pathologic process that feeds from social inequality and environmental destruction.*[30] This makes India's model –as well as all centre-periphery models– an emblematic example of a socially and environmentally unsustainable endeavour. For this to change, the citizenry would need to mobilise to bring about a paradigmatic change with a truly democratic ethos at its core to replace the current *marketocratic* ethos –euphemistically called representative democracy. The odds for this to happen –in the not too distant future– in the most populous "democracy" in the world are currently slim. Human development in India is still so starkly missing that most people lack the time to involve themselves in the appropriate democratic process. More than forty percent of Indians do not know if they will be able to eat adequately each new morning. Consequently, India, along with China –together accounting for 37% of the world's population– will continue to exert for a long time –by setting the benchmark in the competition for the lowest common denominator– a very strong downward pressure on the wages of workers in the South of the world's capitalist system. Moreover, even if China's real wages sustain their current growth, they would not become of a living wage condition for many generations, if at all; and India's heavy-bottom demographics are likely to fulfil much of the demand for modern slave work labour no longer fulfilled by China. From a global perspective, despite the fact that the living wage has been declared a human right for a long time, it is not even a Millennium Development Goal, much less an ILO convention and, to be sure, is regarded as anathema to any corporate social responsibility gimmick, including prominently, the UN Global Compact and the OECD Guidelines for Multinationals. In this way, the prognosis for Indian workers –as well as for all other societies subject in the world to the customary centre-periphery partnerships– to achieve a living wage ethos is, at the present time, a rather grim affair.

[28] Navdip Dhariwal: Child labour - India's 'cheap commodity', BBC News, 13 June 2006
[29] The Economist: The rising power of the Chinese worker, 29 July 2010.
[30] Alejandro Nadal: El crecimiento depredador en India, 14 July 2010.

Useful links:

- http://www.jussemper.org
- Bureau of Labour Statistics: http://www.bls.gov/fls/home.htm
- World Bank – World Development Indicators: http://data.worldbank.org/indicator
- World Bank – International Comparisons Programme: http://siteresources.worldbank.org/ICPEXT/Resources/ICP_2011.html

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Appendix:

The Jus Semper Global Alliance: Living-Wage-Gap Analysis of All Manufacturing Employees in India in Purchasing Power Parities Comparison Terms 1999-2005

Comparisons of hourly wages for all manufacturing employess between the US, India, China, Japan, South Korea, Brazil and Mexico indicate that India's living-wage gaps are dramatically large, but less than China, the country with the widest wage gap with its U.S. counterparts.

		1999	2000	2001	2002	2003	2004	2005
Benchmark	**1. U.S. Hourly Manufacturing Rate**	**23,64**	**24,63**	**25,9**	**27,01**	**28,18**	**28,94**	**29,74**
India	GNI PPPs in country currency*	13,265	13,479	13,694	13,726	13,692	14,345	14,658
	Exchange rate	43,055	44,942	47,186	48,610	46,583	45,3165	44,1
	GNI PPPs in US Dollars	$ 0,31	$ 0,30	$ 0,29	$ 0,28	$ 0,29	$ 0,32	$ 0,33
	2. Equalised PPP nominal compensation US $	**$ 8,32**	**$ 8,10**	**$ 7,84**	**$ 7,63**	**$ 8,28**	**$ 9,16**	**$ 9,88**
	3. Actual Real compensation US $	**$ 2,21**	**$ 2,33**	**$ 2,45**	**$ 2,59**	**$ 2,76**	**$ 2,69**	**$ 2,74**
	4. Actual Nominal compensation US $	**$ 0,68**	**$ 0,70**	**$ 0,71**	**$ 0,73**	**$ 0,81**	**$ 0,85**	**$ 0,91**
	Compensation Deficit in US $ (2 minus 4)	**$ 7,64**	**$ 7,40**	**$ 7,13**	**$ 6,90**	**$ 7,47**	**$ 8,31**	**$ 8,97**
	Wage Equalisation index (4÷2 or 3÷1)	**0,082**	**0,086**	**0,091**	**0,096**	**0,098**	**0,093**	**0,092**
China	GNI PPPs in country currency*	3,317	3,292	3,240	3,220	3,321	3,419	3,464
	Exchange rate	8,2783	8,2785	8,2771	8,298	8,339	8,209	8,137
	GNI PPPs in US Dollars	$ 0,40	$ 0,40	$ 0,39	$ 0,39	$ 0,40	$ 0,42	$ 0,43
	2. Equalised PPP nominal compensation US $	**$ 9,47**	**$ 9,79**	**$ 10,14**	**$ 10,48**	**$ 11,22**	**$ 12,05**	**$ 12,66**
	3. Actual Real compensation US $	NA	NA	NA	**$ 1,47**	**$ 1,56**	**$ 1,61**	**$ 1,71**
	4. Actual Nominal compensation US $	NA	NA	NA	**$ 0,57**	**$ 0,62**	**$ 0,67**	**$ 0,73**
	Compensation Deficit in US $ (2 minus 4)	NA	NA	NA	**$ 9,91**	**$ 10,60**	**$ 11,38**	**$ 11,93**
	Wage Equalisation index (4÷2 or 3÷1)	NA	NA	NA	**0,054**	**0,055**	**0,056**	**0,058**
South Korea	GNI PPPs in country currency*	737,413	654,347	775,103	751,642	748,141	782,694	760,404
	Exchange rate	1189	1131	1290	1250	1192	1145	1024
	GNI PPPs in US Dollars	$ 0,62	$ 0,58	$ 0,60	$ 0,60	$ 0,63	$ 0,68	$ 0,74
	2. Equalised PPP nominal compensation US $	**$ 14,66**	**$ 14,25**	**$ 15,56**	**$ 16,24**	**$ 17,69**	**$ 19,78**	**$ 22,08**
	3. Actual Real compensation US $	**$ 13,59**	**$ 16,30**	**$ 14,68**	**$ 16,30**	**$ 17,24**	**$ 17,61**	**$ 19,26**
	4. Actual Nominal compensation US $	**$ 8,43**	**$ 9,43**	**$ 8,82**	**$ 9,80**	**$ 10,82**	**$ 12,04**	**$ 14,30**
	Compensation Deficit in US $ (2 minus 4)	**$ 6,23**	**$ 4,82**	**$ 6,74**	**$ 6,44**	**$ 6,87**	**$ 7,74**	**$ 7,78**
	Wage Equalisation index (4÷2 or 3÷1)	**0,575**	**0,662**	**0,567**	**0,60**	**0,61**	**0,61**	**0,65**
Japan	GNI PPPs in country currency*	150,058	143,700	160,233	152,637	138,546	134,186	138,206
	Exchange rate	113,9	107,7	121,5	125,2	115,9	108,2	110,1
	GNI PPPs in US Dollars	$ 1,32	$ 1,33	$ 1,32	$ 1,22	$ 1,20	$ 1,24	$ 1,26
	2. Equalised PPP nominal compensation US $	**$ 31,14**	**$ 32,86**	**$ 34,16**	**$ 32,93**	**$ 33,69**	**$ 35,89**	**$ 37,33**
	3. Actual Real compensation US $	**$ 18,13**	**$ 18,99**	**$ 17,21**	**$ 17,84**	**$ 19,83**	**$ 20,63**	**$ 20,36**
	4. Actual Nominal compensation US $	**$ 23,88**	**$ 25,34**	**$ 22,70**	**$ 21,75**	**$ 23,71**	**$ 25,59**	**$ 25,56**
	Compensation Deficit in US $ (2 minus 4)	**$ 7,26**	**$ 7,52**	**$ 11,46**	**$ 11,18**	**$ 9,98**	**$ 10,30**	**$ 11,77**
	Wage Equalisation index (4÷2 or 3÷1)	**0,77**	**0,77**	**0,66**	**0,66**	**0,70**	**0,71**	**0,68**
Mexico	GNI PPPs in country currency*	6,118	605,178	5,979	6,184	6,576	7,285	7,122
	Exchange rate	9,56	945,6	9,342	9,663	10,79	11,29	10,89
	GNI PPPs in US Dollars	$ 0,64	$ 0,64	$ 0,64	$ 0,64	$ 0,61	$ 0,65	$ 0,65
	2. Equalised PPP nominal compensation US $	**$ 15,13**	**$ 15,76**	**$ 16,58**	**$ 17,29**	**$ 17,17**	**$ 18,67**	**$ 19,45**
	3. Actual Real compensation US $	**$ 4,00**	**$ 4,52**	**$ 5,06**	**$ 5,38**	**$ 5,51**	**$ 5,18**	**$ 5,46**
	4. Actual Nominal compensation US $	**$ 2,56**	**$ 2,89**	**$ 3,24**	**$ 3,44**	**$ 3,36**	**$ 3,34**	**$ 3,57**
	Compensation Deficit in US $ (2 minus 4)	**$ 12,57**	**$ 12,87**	**$ 13,34**	**$ 13,85**	**$ 13,81**	**$ 15,33**	**$ 15,88**
	Wage Equalisation index (4÷2 or 3÷1)	**0,17**	**0,18**	**0,20**	**0,20**	**0,20**	**0,18**	**0,18**
Brazil	GNI PPPs in country currency*	0,778	0,784	1,008	1,253	1,248	1,238	1,167
	Exchange rate	1,814	1,829	2,35	2,921	3,075	2,926	2,435
	GNI PPPs in US Dollars	$ 0,43	$ 0,43	$ 0,43	$ 0,43	$ 0,41	$ 0,42	$ 0,48
	2. Equalised PPP nominal compensation US $	**$ 10,14**	**$ 10,56**	**$ 11,11**	**$ 11,58**	**$ 11,44**	**$ 12,24**	**$ 14,25**
	3. Actual Real compensation US $	**$ 9,75**	**$ 10,05**	**$ 8,40**	**$ 7,16**	**$ 7,93**	**$ 9,01**	**$ 10,46**
	4. Actual Nominal compensation US $	**$ 4,18**	**$ 4,31**	**$ 3,60**	**$ 3,07**	**$ 3,22**	**$ 3,81**	**$ 5,01**
	Compensation Deficit in US $ (2 minus 4)	**$ 5,96**	**$ 6,25**	**$ 7,51**	**$ 8,51**	**$ 8,22**	**$ 8,43**	**$ 9,24**
	Wage Equalisation index (4÷2 or 3÷1)	**0,41**	**0,41**	**0,32**	**0,27**	**0,28**	**0,31**	**0,35**

***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 rate is the "hourly compensation cost" as defined by the U.S. Department of Labour, Bureau of Labour Statistics: include (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.
– GNI (Gross National Income) 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.
– GNI PPPs 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 GNI PPP, 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 compensation 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 Real Compensation is the hourly wage paid in a given country in purchasing power terms (real wage).
– Actual Nominal Compensation is the nominal hourly wage paid in a given country.
– Compensation deficit expresses the wage gap between the hourly nominal rate paid (4) and the equalised PPP hourly rate that should be paid for equal work (2).
– Wage equalisation index expresses the ratio of actual nominal pay to equivalent PPP hourly pay (4 between 2): or the ratio of actual real pay (3) to the hourly nominal pay benchmark (1) (3 between 1).
– Note: Variations in previous years are due to revisions made by the sources, including the World Bank's new 2005 PPP benchmarks, which replaced the previous 1993 benchmarks. According to the World Bank, the 2005 PPPs are the most comprehensive for developing countries since 1993, and reveal that the size of their economies were often overestimated.

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:)

– Data base of World Bank's World Development Indicators, 1975-2008, (GNI & GNI PPP, Atlas method)
X Hourly Compensation Costs for Production Workers in Manufacturing (34 Country Tables), updated on March & November 2009. U.S. Dept. of Labour, Bureau of Labour Statistics.
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❖ **About Jus Semper:** The Living Wages North and South Initiative (TLWNSI) constitutes the sole program of The Jus Semper Global Alliance (TJSGA). TLWNSI is a long-term program developed to contribute to social justice in the world by achieving fair labour endowments for the workers of all the countries immersed in the global market system. It is applied through its program of Corporate Social Responsibility (CSR) and it focuses on gradual wage equalisation, for real democracy, the rule of law and living wages are the three fundamental elements in a community's quest for social justice.

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