

Table T4 – Living-Wage-Gap and Equalisation analysis (vis-à-vis the U.S.) for Asia and Oceania –for production workers in manufacturing in PPP terms 1975-2009 (last year of publication)***

In assessing the competitiveness in the equalisation of countries' manufacturing wages (total hourly compensation costs) for production-line workers –in purchasing power parity (PPP) terms– with equivalent U.S. wages, most countries in Asia and Oceania lost ground in 2009 relative to their 2007 position. Only Japan was able to increase its advantage due to a strong revaluation of the yen. Several countries, particularly South Korea, Australia and New Zealand suffered devaluations that dropped their equalisation indices. The rest lost some ground or were barely able to sustain their 2007 position.

In comparing 2009 with 2007 living-wage equalisations, most countries lost ground in their equalisation indices because real wages in U.S. dollars dropped or grew less than equivalent U.S. wages. Broadly, when real wages in U.S. dollars dropped, they did it because real wages in domestic currency dropped or due to large currency devaluations.

- Japan increased the value of the yen by more than 20% between 2007 and 2009. Thus, despite a drop in real wages –in PPP terms– real wages in U.S. dollars increased almost 19%. This caused its equalisation index to jump more than 22% (from 72 to 85) and to record its best position vis-à-vis equivalent U.S. wages since 1975. In fact, Japan recorded by far the best equalisation index performance of all countries in all regions.
- In contrast, South Korea has experienced a dramatic devaluation of the won of more than 37% since 2007. Consequently, despite real wages growing domestically 10,4%, real wages dropped 18,8% in U.S. dollars and its living-wage equalisation index dropped a steep 22,1%, from 83 to 65, which takes South Korea back to levels recorded before 2000. New Zealand and Australia also suffered currency devaluations that were large enough (15% and 6,2% respectively) to offset the growth of their real wages in domestic currency and to cause a drop in U.S. dollars and, consequently, in their equalisation indices of 12% and 8% respectively. This drop meant for New Zealand to record its worst equalisation index (58) since 1975.
- Singapore and the Philippines increased nominal wages in domestic currency below their PPP cost of living. Thus, real wages dropped both in local currency and U.S. dollars. This caused them to increase their living-wage equalisation gaps. For the Philippines in particular, its performance is consistent with those recorded since 1975, for, contrary to the improvement trend followed by most countries, it has never recorded any meaningful improvement of its huge equalisation gap of 90%, given that its meagre equalisation level has always remained in the range of 8-11 and it is currently close to its lower range.
- Hong Kong and Sri Lanka were able to sustain their 2007 positions mainly due to combined effect of marginal real wage increases plus small currency revaluations. Nonetheless, Sri Lanka continues to have the largest living wage gap of all countries in all regions (93%) and with no sign of improvement whatsoever since 1975. To be sure, as in the case of the Philippines, it is clear that workers are enduring a modern-slave-work ethos where governments make it a point to permanently maintain real wages at the lowest possible level, a subsistence level of the like of labour bondage or labour servitude.

		1975	1980	1985	1990	1995	2000	2005	2007	2009
Benchmark	1. U.S. Hourly Production-line Rate	6,19	9,67	12,76	14,88	17,24	19,73	23,60	25,13	26,19
Japan	GNI PPPs in country currency*	286,000	283,358	205,644	206,539	168,142	143,776	138,352	128,134	106,775
	Exchange rate	296,79	226,74	238,54	144,79	94,06	107,77	110,22	117,75	93,57
	GNI PPPs in US Dollars	\$ 0,96 \$	1,25 \$	0,86 \$	1,43 \$	1,79 \$	1,33 \$	1,26 \$	1,09 \$	1,14
	2. Equalised PPP nominal compensation US \$	\$ 5,96 \$	12,08 \$	11,00 \$	21,23 \$	30,82 \$	26,32 \$	29,62 \$	27,35 \$	29,89
	3. Actual Real compensation US \$	\$ 3,06 \$	4,33 \$	7,24 \$	8,78 \$	13,06 \$	16,26 \$	16,98 \$	18,17 \$	22,22
	4. Actual Nominal compensation US \$	\$ 2,95 \$	5,41 \$	6,24 \$	12,52 \$	23,34 \$	21,69 \$	21,31 \$	19,77 \$	25,36
	Compensation Deficit in US \$ (2 minus 4)	\$ 3,01 \$	6,67 \$	4,76 \$	8,71 \$	7,48 \$	4,63 \$	8,31 \$	7,58 \$	4,53
	Wage Equalisation index (4÷2 or 3÷1)	0,49	0,45	0,57	0,59	0,76	0,82	0,72	0,72	0,85
South Korea	GNI PPPs in country currency*	238,900	469,826	475,856	534,158	668,807	655,045	760,441	750,774	929,230
	Exchange rate	484	607,4	870,02	707,76	771,27	1130,96	1024,12	929,26	1276,93
	GNI PPPs in US Dollars	\$ 0,49 \$	0,77 \$	0,55 \$	0,75 \$	0,87 \$	0,58 \$	0,74 \$	0,81 \$	0,73
	2. Equalised PPP nominal compensation US \$	\$ 3,06 \$	7,48 \$	6,98 \$	11,23 \$	14,95 \$	11,43 \$	17,52 \$	20,30 \$	19,06
	3. Actual Real compensation US \$	\$ 0,67 \$	1,27 \$	2,34 \$	5,02 \$	8,70 \$	14,74 \$	17,78 \$	20,98 \$	17,03
	4. Actual Nominal compensation US \$	\$ 0,33 \$	0,98 \$	1,28 \$	3,79 \$	7,54 \$	8,54 \$	13,20 \$	16,95 \$	12,39
	Compensation Deficit in US \$ (2 minus 4)	\$ 2,73 \$	6,50 \$	5,70 \$	7,44 \$	7,41 \$	2,89 \$	4,32 \$	3,35 \$	6,67
	Wage Equalisation index (4÷2 or 3÷1)	0,11	0,13	0,18	0,34	0,50	0,75	0,75	0,83	0,65

	1975	1980	1985	1990	1995	2000	2005	2007	2009
Benchmark 1. U.S. Hourly Production-line Rate	6,19	9,67	12,76	14,88	17,24	19,73	23,60	25,13	26,19
Hong Kong									
GNI PPPs in country currency*	-	3,834	4,598	5,923	7,822	7,789	6,129	5,581	5,451
Exchange rate	-	4,9760	7,7910	7,79	7,7357	7,7924	7,7770	7,8010	7,7520
GNI PPPs in US Dollars		\$ 0,77	\$ 0,59	\$ 0,76	\$ 1,01	\$ 1,00	\$ 0,79	\$ 0,72	\$ 0,70
2. Equalised PPP nominal compensation US \$		\$ 7,45	\$ 7,53	\$ 11,31	\$ 17,43	\$ 19,72	\$ 18,60	\$ 17,98	\$ 18,42
3. Actual Real compensation US \$		\$ 2,00	\$ 3,00	\$ 4,34	\$ 4,84	\$ 5,50	\$ 7,09	\$ 8,04	\$ 8,28
4. Actual Nominal compensation US \$	-	\$ 1,54	\$ 1,77	\$ 3,30	\$ 4,89	\$ 5,50	\$ 5,59	\$ 5,75	\$ 5,82
Compensation Deficit in US \$ (2 minus 4)		\$ 5,91	\$ 5,76	\$ 8,01	\$ 12,54	\$ 14,22	\$ 13,01	\$ 12,23	\$ 12,60
Wage Equalisation index (4÷2 or 3÷1)		0,21	0,24	0,29	0,28	0,28	0,30	0,32	0,32
Singapore									
GNI PPPs in country currency*		1,564	1,372	1,236	1,280	1,221	1,114	1,018	1,082
Exchange rate		2,14	2,20	1,81	1,42	1,72	1,66	1,51	1,45
GNI PPPs in US Dollars		\$ 0,73	\$ 0,62	\$ 0,68	\$ 0,90	\$ 0,71	\$ 0,67	\$ 0,67	\$ 0,75
2. Equalised PPP nominal compensation US \$		\$ 7,07	\$ 7,96	\$ 10,16	\$ 15,55	\$ 14,00	\$ 15,84	\$ 16,93	\$ 19,54
3. Actual Real compensation US \$		\$ 2,12	\$ 4,12	\$ 5,58	\$ 8,55	\$ 10,41	\$ 10,96	\$ 12,61	\$ 12,37
4. Actual Nominal compensation US \$	-	\$ 1,55	\$ 2,57	\$ 3,81	\$ 7,71	\$ 7,39	\$ 7,36	\$ 8,50	\$ 9,23
Compensation Deficit in US \$ (2 minus 4)		\$ 5,52	\$ 5,39	\$ 6,35	\$ 7,84	\$ 6,61	\$ 8,48	\$ 8,43	\$ 10,31
Wage Equalisation index (4÷2 or 3÷1)		0,22	0,32	0,37	0,50	0,53	0,46	0,50	0,47
Philippines*									
GNI PPPs in country currency*				10,871	12,488	19,496	21,927	19,967	24,165
Exchange rate				27,48	25,71	44,19	55,09	46,15	47,68
GNI PPPs in US Dollars			\$ 0,40	\$ 0,49	\$ 0,44	\$ 0,40	\$ 0,43	\$ 0,51	\$ 0,51
2. Equalised PPP nominal compensation US \$			\$ 5,89	\$ 8,37	\$ 8,70	\$ 9,39	\$ 10,87	\$ 13,27	\$ 13,27
3. Actual Real compensation US \$			\$ 1,64	\$ 1,83	\$ 1,56	\$ 2,09	\$ 2,52	\$ 2,31	\$ 2,31
4. Actual Nominal compensation US \$ *(1990 w -	-	-	\$ 0,65	\$ 0,89	\$ 0,69	\$ 0,83	\$ 1,09	\$ 1,09	\$ 1,17
Compensation Deficit in US \$ (2 minus 4)			\$ 5,24	\$ 7,48	\$ 8,01	\$ 8,56	\$ 9,78	\$ 12,10	\$ 12,10
Wage Equalisation index (4÷2 or 3÷1)			0,11	0,11	0,08	0,09	0,10	0,09	0,09
Sri Lanka**									
GNI PPPs in country currency*		6,340	9,136	12,886	17,860	25,477	34,465	40,420	43,087
Exchange rate		16,53	27,16	40,06	51,25	77,01	100,498	110,623	108,334
GNI PPPs in US Dollars		\$ 0,38	\$ 0,34	\$ 0,32	\$ 0,35	\$ 0,33	\$ 0,34	\$ 0,37	\$ 0,40
2. Equalised PPP nominal compensation US \$		\$ 3,71	\$ 4,29	\$ 4,79	\$ 6,01	\$ 6,53	\$ 8,09	\$ 9,18	\$ 10,42
3. Actual Real compensation US \$		\$ 0,57	\$ 0,83	\$ 1,09	\$ 1,38	\$ 1,45	\$ 1,57	\$ 1,67	\$ 1,71
4. Actual Nominal compensation US \$	-	\$ 0,22	\$ 0,28	\$ 0,35	\$ 0,48	\$ 0,48	\$ 0,54	\$ 0,61	\$ 0,68
Compensation Deficit in US \$ (2 minus 4)		\$ 3,49	\$ 4,01	\$ 4,44	\$ 5,53	\$ 6,05	\$ 7,55	\$ 8,57	\$ 9,74
Wage Equalisation index (4÷2 or 3÷1)		0,06	0,07	0,07	0,08	0,07	0,07	0,07	0,07

*(1990 wage is for 1991)

** (2009 wage is for 2008)

*** This will be the last report for production workers. Beginning with 2010, the data will report labour costs for all manufacturing employees, including production workers.

		1975	1980	1985	1990	1995	2000	2005	2007	2009
Benchmark	1. U.S. Hourly Production-line Rate	6,19	9,67	12,76	14,88	17,24	19,73	23,60	25,13	26,19
Australia	GNI PPPs in country currency*	0,750	1,059	1,360	1,343	1,304	1,423	1,264	1,282	1,454
	Exchange rate	0,76	0,88	1,43	1,28	1,35	1,72	1,31	1,20	1,28
	GNI PPPs in US Dollars	\$ 0,99	\$ 1,20	\$ 0,95	\$ 1,05	\$ 0,97	\$ 0,83	\$ 0,96	\$ 1,07	\$ 1,14
	2. Equalised PPP nominal compensation US \$	\$ 6,11	\$ 11,64	\$ 12,14	\$ 15,62	\$ 16,65	\$ 16,32	\$ 22,77	\$ 26,84	\$ 29,75
	3. Actual Real compensation US \$	\$ 5,88	\$ 7,25	\$ 8,91	\$ 12,93	\$ 15,77	\$ 17,11	\$ 25,96	\$ 28,06	\$ 26,85
	4. Actual Nominal compensation US \$	\$ 5,80	\$ 8,73	\$ 8,48	\$ 13,57	\$ 15,23	\$ 14,15	\$ 25,05	\$ 29,97	\$ 30,50
	Compensation Deficit in US \$ (2 minus 4)	\$ 0,31	\$ 2,91	\$ 3,66	\$ 2,05	\$ 1,42	\$ 2,17	\$ (2,28)	\$ (3,13)	\$ (0,75)
	Wage Equalisation index (4÷2 or 3÷1)	0,95	0,75	0,70	0,87	0,91	0,87	1,10	1,12	1,03
New Zealand	GNI PPPs in country currency*	0,605	0,910	1,158	1,595	1,377	1,524	1,490	1,416	1,657
	Exchange rate	0,83	1,03	2,02	1,68	1,52	2,20	1,42	1,36	1,60
	GNI PPPs in US Dollars	\$ 0,73	\$ 0,88	\$ 0,57	\$ 0,95	\$ 0,91	\$ 0,69	\$ 1,05	\$ 1,04	\$ 1,04
	2. Equalised PPP nominal compensation US \$	\$ 4,51	\$ 8,54	\$ 7,31	\$ 14,13	\$ 15,62	\$ 13,67	\$ 24,76	\$ 26,16	\$ 27,12
	3. Actual Real compensation US \$	\$ 4,53	\$ 6,22	\$ 8,02	\$ 9,03	\$ 11,40	\$ 12,02	\$ 14,22	\$ 16,55	\$ 15,15
	4. Actual Nominal compensation US \$	\$ 3,30	\$ 5,49	\$ 4,60	\$ 8,57	\$ 10,33	\$ 8,33	\$ 14,92	\$ 17,23	\$ 15,69
	Compensation Deficit in US \$ (2 minus 4)	\$ 1,21	\$ 3,05	\$ 2,71	\$ 5,56	\$ 5,29	\$ 5,34	\$ 9,84	\$ 8,93	\$ 11,43
	Wage Equalisation index (4÷2 or 3÷1)	0,73	0,64	0,63	0,61	0,66	0,61	0,60	0,66	0,58

*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: This includes (1) hourly direct pay and (2) employer social insurance expenditures and other labour taxes. Hourly direct pay includes all payments made directly to the worker, before payroll deductions of any kind, consisting of pay for time worked and other direct pay. Social insurance expenditures and other labour taxes refers to the value of social contributions incurred by employers in order to secure entitlement to social benefits for their employees.
- 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.
- 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).
- Compensation 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:)

- Database of World Bank's World Development Indicators, 1975-2010, (GNI & GNI PPP, Atlas method)
- X Hourly Compensation Costs for Production Workers in Manufacturing (34 Country Tables), updated on March 2011. U.S. Dept. of Labour, Bureau of Labour Statistics.
- Global Purchasing Power Parities and Real Expenditures. 2005 International Comparison Program. World Bank 2008.
- X PPPs for OECD Countries 1970-2002, OECD 2002 and GDP PPPs historical series 1970-1999.
- Purchasing Power parities – Measurement and Uses by Paul Schreyer and Francette Koechlin, OECD Statistical briefs, March 2002.