
M E M O

To: Ald. Tony Zielinski
From: Leslie Silletti, Legislative Research Analyst
Date: April 13, 2007
Re: **Discussion of Methodologies Used to Calculate Non-poverty Wages**

You recently requested that the Legislative Reference Bureau prepare a memo that addresses a number of questions you posed relating to Common Council File #061257, an ordinance relating to procurement of various items. Specifically, the questions related to the provision of the proposed ordinance that amends the methodology by which the City will calculate an international "non-poverty" wage. Following were your questions:

- 1. Is the methodology included in the proposed ordinance more appropriate than the methodology currently employed by the City's Procurement Services Section (PSS)? In other words, is the "CIA World Factbook-PPP" method more appropriate than the "Department of Labor (DOL)" method?*
- 2. Is one method more objective or subjective than the other?*
- 3. How often is each of the datasets updated?*
- 4. Who or what agency updates the datasets?*
- 5. How do you access and apply the formula for the calculation of wages according to each methodology?*
- 6. What is the net difference in the "non-poverty wage" rates when employing each of these methodologies?*

Please find a brief introduction and summary of this topic preceding a discussion of your questions.

Introduction

In a marketplace that is increasingly global, the dominance of the sweatshop as a mode of production is institutionalized, and low-wage labor has become a commodity in many industries. Approximately 175 “sweatfree” policies have been legislated in states, cities, counties, dioceses and school districts. The City of Milwaukee passed anti-sweatshop legislation in 2003, in what is often referred to as the “Clean Clothes Ordinance” (Common Council File Number 021338). The ordinance requires that city apparel contracts of at least \$5,000 to be from “Responsible Manufacturers.”

A responsible manufacturer means an establishment engaged in manufacturing, distributing, laundering and dry cleaning that can demonstrate all of the following:

- Compliance with all applicable local and international labor laws and workplace regulations regarding wages and benefits, workplace health and safety, as well as fundamental conventions of the International Labor Organization, including those regarding forced and child labor and freedom of association.
- Payment to its employees of **non-poverty wages**.
- Termination of its employees only with just cause.
- Establishment of a mechanism for the resolution of workplace disputes.

Setting a non-poverty wage.

A “non-poverty” or “living wage” is a wage sufficient to provide for some minimum standard of living, including basic needs, defined as housing, food, medicine, utilities, clothing, children’s education, recreation, etc. The concept of a non-poverty or living wage is similar to the minimum wage, but with the understanding that the minimum wage is insufficient for a family to live above the poverty level. Minimum wages can be conceptually very different. “Minimum wage” is defined differently country-to-country, and while some minimum wages can be presumed to be fair and equitable to workers, there are other countries where that may not necessarily be the case. For instance, governments may set minimum wages artificially low to attract foreign manufacturing. The City of Milwaukee passed its “Living Wage Ordinance” in 1995 for domestic contractors performing services for the city.

A component of most sweatfree policies is that a “non-poverty” or “living wage” minimum must be paid in all workplaces that are involved in fulfillment of the purchasing contract; i.e., all contractors, subcontractors and places of manufacture. There are few ordinances, however, that specify exactly how to go about calculating wages. There is not a universally-accepted definition of what comprises a “living wage” or formula for calculating it, but for each ordinance that specifies how to calculate wages, a method which employs internationally comparable estimates of countries’ purchasing power parity-adjusted real capita income; i.e., Gross National Product and Gross Domestic Product, has been adopted. The PPP international comparison method “involves the use of standardized international dollar price weights, which are applied to the quantities of final goods and services produced in a given economy. The data derived from the PPP method provide the best available starting point for comparisons of economic strength and well-being between countries” (CIA, *World Factbook- Notes and Definitions- GDP Methodology, 2000*, emphasis added).¹

¹ Excerpt from “A Practical Method for Fairly Indexing a U.S. “Non-Poverty Wage” to Countries’ Relative Standards of Living.”

As there is no singular methodology for calculating a living wage for manufacturing outside the U.S., a jurisdiction must decide which methodology best fits its intentions, and it must try to determine wage levels for all countries that are objective, fair and easy to implement². To collect first-hand data on the costs of living in places of manufacture is not feasible by most standards. It would be prohibitively expensive, constantly changing, and have its share of intrinsic inaccuracies. There are national organizations that are currently establishing and testing methodologies relating to these concepts, but with the underlying strategy of researching on an “as needed” basis, rather than developing a schedule containing data for all countries.

How the City of Milwaukee calculates the U.S. non-poverty wage

To determine the “non-poverty” wage for domestic manufacturers for services relating to the purchasing, renting, laundering and drycleaning of apparel, the code states:

s. 310-17-c-1. Domestic Manufacturers. A base hourly wage adjusted annually to the amount required to produce, for 2,080 hours worked, an annual income equal or greater than the U.S. department of health and human services' most recent poverty guideline for a family of 3 plus an additional 20 percent of the wage level paid either as hourly wages or health benefits.

Each year the U.S. Department of Health and Human Services (HHS) publishes poverty guidelines, which are minimum annual salaries necessary to keep families above the poverty line. For a family size of 3 in 2006, an annual salary of \$16,600 was needed to keep a family above the poverty line. When \$16,600 is divided by 2,080 (number of hours worked per year), it yields a minimum hourly wage of \$7.98. When 20% is added to \$7.98, the product, \$9.58 is what an employer must pay if health insurance is not provided. Please find attached a memo from the Legislative Reference Bureau which shows the minimum hourly wages from 1995 to 2007 (Attachment 1).³

There is little disagreement with setting a non-poverty wage for the U.S. using HHS data. The difficulty arises when attempting to find the best way to calculate a “non-poverty wage” for foreign manufacturers, one that is comparable to the “non-poverty wage” that is paid to manufacturers in the U.S., as is required by code.

How the City calculates the FOREIGN non-poverty wage

The City's Procurement Services Section (PSS) uses a table provided by the U.S. Department of Labor that lists the prevailing, or average, wages and minimum wages in footwear and apparel industries in several countries, and compares those with the wages reported on the affidavits. It is important to note that “prevailing wage,” as it is used in the DOL paper is different than the “prevailing wage” used in calculating wages for workers under the Davis-Bacon Act of 1931, which applies to federal construction contracts. In the DOL paper, “prevailing wage” means the “average wage” or “going rate.”⁴ Following is a link to the DOL paper, titled, “*Wages, Benefits, Poverty Line, and Meeting Workers' Needs in the Apparel and Footwear Industries of Selected Industries*,” from February, 2000:

² Analysis of this methodology provided by Scott Littlehale, Economist with the Northern California Carpenters Regional Council, in a February 13, 2007, interview. Mr. Littlehale was among the researchers who advised the City of San Francisco and the City of Los Angeles on similar legislation.

³ \$9.58 is used for analysis and discussion, which is the US\$ wage required when an employer doesn't provide health insurance.

⁴ DOL paper, p. I-13.

<http://www.dol.gov/ilab/media/reports/oica/wagestudy/wagestudy.pdf>

I have not located any other jurisdiction that employs this methodology in the calculation of non-poverty wages, and have been unable to determine any advantage in employing this methodology.

How the proposed ordinance calculates the foreign non-poverty wage

The proposed ordinance uses the CIA World Factbook Purchasing Power Parity –adjusted Gross Domestic Product per Capita Index (referred to as the “CIA World Factbook-PPP” method) to calculate foreign non-poverty wages.

The underlying concept behind this methodology, which will be discussed further in this memo, is that workers in other countries are entitled to a wage that is adjusted (either reduced or increased) according to the level of development of their national economy relative to that of the United States. A nation where productivity and average income is one-quarter that of the United States would have its wage standard set at one-quarter that of the U.S. non-poverty wage. Conversely, if a nation’s productivity and average income was higher than that of the U.S., that country’s wage standard would be higher than in the U.S. This methodology provides for a fair and clear methodology that is easy to implement.⁵ The proposed code reads as follows:

c-2. Outside the United States. A nationwide wage, to be adjusted annually, that shall be comparable to the wage for domestic manufacturers in subdiv. 1, adjusted to reflect the country’s level of economic development using the central intelligence agency’s most recent purchasing power parity-adjusted gross domestic product per capita world factbook index...

This methodology was adopted by the City of San Francisco and the City of Los Angeles, the Los Angeles Unified School District and the St. Paul School District; however, these jurisdictions adopted the World Bank-PPP index for calculation of non-poverty wages rather than adopting the CIA World Factbook-PPP method. Upon consultation with the city’s Purchasing Services Section, this ordinance proposes to adopt the CIA World Factbook-PPP method. Differences between the World Bank and CIA methods are minor.

Following is a discussion of your questions:

Question 1: Is the methodology included in the proposed ordinance more appropriate than the methodology currently employed by the City’s Procurement Services Section (PSS)? In other words, is the “CIA World Factbook-PPP” method more appropriate than the “Department of Labor (DOL)” method?

Please find attached (Attachment 2) excerpts from the DOL study. The report compiles a variety of data from 1995 to 1999 to “serve as a basic reference for further discussion.” Types of data included in the report include:

- Legal foreign minimum wage rates, along with legal maximum hours of work per week.

⁵ Analysis of this methodology provided by Scott Littlehale.

- Prevailing wages for manufacturing, apparel or footwear industries are provided (from 1992-1999); but not always all 3; sometimes only one of the 3 rates is available, or any combination of the 3.
- National poverty line data for 1999. However, the report notes, “Poverty thresholds are not necessarily comparable across countries due to national differences in concepts, definitions, and measures.”

The following are my observations with regard to using this paper to define a foreign non-poverty wage.

Why the DOL method may not be the best possible solution for determining an international living wage:

- The PSS uses the minimum wage as the foundation of the “non-poverty” wage, and then adds 20% for health benefits (if those are not included). If that was the case for domestic contractors, then the “non-poverty” or “living” wage would be only the federal minimum wage with 20% added for health benefits. However, with the Living Wage ordinance, the City has declared that the minimum wage is not sufficiently a living wage.
- The table that is used for calculating wage rates includes a “Note” that states, “Measures are not necessarily comparable across countries due to national differences in concepts, definitions, and measures.” Prevailing (average) and minimum wages are conceptually very different country-to-country; i.e., there is nothing that says a prevailing wage in China means the same as it does in El Salvador, or that a minimum or prevailing wage that is sufficient in India is able to afford the same quality of life as in any other country. Using a prevailing (average) wage or minimum wage is not objective.
- Furthermore, it is the case that governments often set minimum wage levels artificially low, so that they may be more competitive globally in attracting foreign manufacturers.
- A prevailing (average) wage or a minimum wage is not the same as a “living” or “non-poverty” wage, and this report gives figures only for average/prevailing wages and minimum wages, not living wages.
- Even if the minimum or average wages could be used to extrapolate a non-poverty wage, many of the average or minimum wage figures have a wide range. For example, the minimum wage in India is US\$0.24-2.09/day or US\$6.26-54.51/mo, and the prevailing (average) wage is US\$0.71-3.55/day or US\$18.52-92.58/month. There is no way of determining which part of the range is most appropriate for the City’s purposes and which range (per day or per month scale) should be used to calculate an hourly wage.
- Even if the minimum wages could be used to calculate a non-poverty wage, these are not available, in this table, for all countries, and thus sometimes prevailing, or average, wages are used.
- Many workers, especially in less developed countries, work more than the legal number of hours. If a prevailing wage is used, we must also know the corresponding *prevailing hours*

worked, rather than the maximum allowed by law, to have a clearer picture of the *actual* hourly rate. Similarly, if the legal minimum wage is used, the legal maximum hours worked per week should be considered. For example, if someone in India is paid a minimum wage of US\$2.09 per day, and an 8-hour workday is assumed, then the wage rate is US\$0.26/hour. If the maximum number of hours that can be worked legally is 10 hours per day, then the actual hourly rate would be US\$0.21.

- Not all countries are included, only the 35 largest countries for apparel and footwear manufacturing. It is unclear how a non-poverty wage for a country not included in this paper would be calculated; however, it is obvious that additional sources must be utilized. This presents a problem with not measuring with the same scale, and equity issues. Even if this paper is sufficient for the City's current contracts, it may not include all countries that will be engaged in future contracts.
- This paper has not been, nor will it be presumably updated. Local and global economic conditions change on a monthly basis. To use 8-15 year-old data that is provided in local currency values easily could lead to wage specifications that do not correspond to current relative standards of living.
- There is no way to take data from the paper, plug it into a formula, and find the "correct" wage level. A host of judgments must first be made (expanded on in Question 2, below).

Further discussion; elaborating on why not to use minimum or prevailing wages to determine a living wage:

In Part II of the DOL study, the "*Compendium of Country Information*" section, a narrative is provided for each country included in the study which discusses minimum and prevailing wage rates. An excerpt from the Bangladesh analysis: "However, there is doubt that garment industry wage rates in general meet the legal minimum wage standard." It also discusses the poverty line per country, and the percentage of persons below the national poverty line. This section does not determine a formula for calculating a living, or non-poverty wage, nor does it even discuss it. In fact, looking at Bangladesh again, the paper states, "There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Bangladesh meet workers' basic needs...The U.S. Embassy did not identify any studies on the living wage in Bangladesh and observed that since poverty studies indicate that half of the people in Bangladesh do not have enough to eat, a 'living wage' which would allow for some additional expenditure beyond this absolute level is not often focused on."

For China, it states the same, and also says, "...the Chinese Ministry of Labor and Social Security sets the minimum wage level higher than the local poverty relief ceiling, but lower than the current wage level of the average worker." If the minimum wage level is adopted, it is clear that that would mean Chinese workers are paid less than the "market rate." The narrative for India is also attached (Attachment 4) as an example.

Why is the CIA World Factbook-PPP method more appropriate?⁶

The proposed City of Milwaukee ordinance states that non-poverty wages outside the U.S. must be:

"...comparable to the wage for domestic manufacturers in subdiv. 1, adjusted to reflect the country's level of economic development using the central intelligence agency's most recent purchasing power parity-adjusted gross domestic product per capita world factbook index ..."

The proposed ordinance uses the U.S. "non-poverty" wage as a starting point and adjusts that rate according to the level of output in another country. A nation where productivity and average income is one-quarter that of the United States would have its wage standard set at one-quarter that of the U.S. non-poverty wage. The practical impact of setting wage standards abroad by the criteria established in the proposed ordinance would be to discount (or, adjust downward) the "non-poverty" wage level for countries less developed than the United States. This methodology provides for a fair and clear methodology that is easy to implement. A table that can be compiled within a few hours can be utilized for an entire year. The City of San Francisco creates and updates a table each year using a similar methodology, and makes it available on its website.

To make the specified adjustment to the U.S. non-poverty wage (to adjust the wage level in a foreign nation relative to its level of output) is to acknowledge that:

- (1) Standards of living vary across countries;
- (2) Economists believe that the single most important driver of differences in standards of living are *productivity* differences across countries (and Gross Domestic Product is used as a measure of productivity); and that
- (3) National productivity and income differences are measured and reported by institutions that possess global legitimacy.⁷

In its "*Performance 2001: Productivity, Employment, and Income in the World's Economies*," the Conference Board discusses how labor productivity (national output) is an indicator of economic efficiency⁸. It states:

It (labor productivity) measures how much output is obtained per hour of work. It also has a straightforward connection to living standards as measured by per capita income: The more hours spent on work and the higher the level of productivity, the higher the per capita income.

Productivity data are available on a timely basis for many countries, since both output and labor statistics are fairly readily available. While estimates of productivity levels are subject to more uncertainty than estimates of productivity growth...they provide important benchmarks and reveal much about differences in economies in economic performance across countries [emphasis added].

This methodology permits such countries to compete for manufacturing contracts on the basis of cheaper labor, but would only permit wage discounts (downward adjustments based on a country's

⁶ This section entitled, "Why is the CIA World Factbook-PPP method more appropriate" is largely comprised of Scott Littlehale's contributions; minor changes to his initial text were made. Initial conversation was focused on the World Bank methodology.

⁷ These authorities include the World Bank, the United Nations Development Report, the Penn World Table (compiled by academic economists), the U.S. Conference Board and the CIA World Fact Book.

⁸ The Conference Board, 2001. The Conference Board is a non-profit international business organization composed of business executives.

productivity) that are commensurate with national productivity differences. For example, if Cambodian productivity is 1/10th of productivity in the U.S., the U.S. wage rate must be discounted 9/10^{ths} to arrive at the Cambodian wage rate. Therefore, there is a competitive advantage of producing in Cambodia – with regard to the cost of labor – but the lower wage rate is not *unfair*. Wages that are further depressed by forces such as employer or government repression of workers presumably would fall below the City-specified “non-poverty” wage level. Employing this methodology maintains the competitive advantage of lower wage labor in developing countries, but disallows for the ‘unfair’ depression of wages from other sources, such as employers or government.

If one accepts the logic of adjusting the U.S. non-poverty wage by relative standards of living, then the next challenge is to determine how to make that adjustment for as many countries as possible and where to find the most current data that captures as best as possible changes in the relative standards of living of those countries.

The CIA World Factbook-PPP methods and data address these challenges. Key reasons for adopting this methodology are its acceptability and feasibility. This method provides internationally comparable estimates of per capita income, and there is consensus among international economists that the best way of drawing international income and productivity comparisons is by looking at Purchasing Power Parity.⁹

The relationship between productivity and income is not considered in the City’s current DOL methodology, and it is unclear which economic principles comprise the foundation of the City’s wage calculations.

Why the CIA World Factbook-PPP Method may be the best possible solution for determining an international living wage:

- It more accurately provides “non-poverty” wage levels, rather than “minimum” wage levels, as is required by the current and proposed ordinance.
- It streamlines a process and makes it more in line with the requirement of the ordinance, especially the provision which states, “adjusted to reflect the country’s level of economic development...” (Current ordinance).
- This methodology has been adopted by other jurisdictions that specify how to calculate a non-poverty wage. It was originally recommended by the UC-Berkeley Labor Center.
- It is fair, objective and can be easily implemented.
- It does not rely on subjective definitions of “minimum wage” or “prevailing (or average) wage.”
- The economic concepts that are at the foundation of this methodology are accepted by economists internationally.
- It provides for comparison of standards of living between countries.

⁹ Authorities that state such include the World Bank, the United Nations Development Report, the Penn World Table (compiled by academic economists), the U.S. Conference Board and the CIA World Fact Book.

- It is simple to calculate, and easily can be calculated in a spreadsheet.
- Data is updated on an ongoing basis, and is available on-line at no cost.

Please refer to Question 5 for an explanation of how the CIA World Factbook-PPP data is used to determine non-poverty wages.

Question 2: Is one method more objective or subjective than the other?

There is no empirical way of determining a non-poverty wage using the DOL paper. Each person will need to make a number of decisions to arrive at an answer; e.g., which portion of the range to select, or whether to take an average; and how to determine this to calculate an hourly rate. The process itself can be copied, but the initial process itself is derived subjectively.

The CIA World Factbook-PPP method employs a formula that anyone may plug numbers into. There is no opportunity for subjectivity, and the non-poverty wage for each country is calculated exactly the same. It ensures that all vendors will have the same requirements, and that all wages will be calculated using the same standard.

Question 3: How often is each of the datasets updated?

The DOL study has not been updated since its 2000 publication, and it includes data from 1992 to 1999. I am unsure if there ever will be another version of this paper, but there is no such indication.

The CIA World Factbook-PPP index is updated on an ongoing basis.

Question 4: Who or what agency updates the datasets?

The CIA updates the dataset on an ongoing basis; the DOL study is not updated.

Question 5: How do you access and apply the formula for the calculation of wages according to each methodology?

Following are the steps PSS follows for administering s. 310-17-2-c-2 (refer to Attachment 2):

- PSS uses the “Current Minimum Wage” column, where wages are listed in local currency and US\$ (usually), and by hour, day or month.
- If there are no data in this column, PSS uses the “Prevailing Wage” column.
- If the wages are listed in a range, select the highest end of the range.
- If the wages are listed by week or month, assume an 8-hour day and a 40-hours per week worked and extrapolate an hourly wage.
- If necessary, convert to local currency (or US\$, whichever is needed for comparison), using most current exchange rates.

- Compare this figure to the vendors' affidavits, for all contractors, subcontractors and places of manufacture.

The following is a discussion of the calculation required with adoption of the CIA World Factbook-PPP method. India will be used as an example.

Please refer to Attachment 3. The Gross Domestic Product per capita of the U.S. using the CIA's World Factbook Purchasing Power Parity Index is \$43,500 and the purchasing power of India is \$3,700.¹⁰ The U.S. purchasing power is the equivalent of "1," and the purchasing power of other countries is relative to it. So, India's purchasing power is 0.085 of that of the U.S. For reference, as numbers are closer or greater to 1, the more developed a country is, generally speaking. India's purchasing power is 0.085 times that of the U.S., so it follows that India's living wage should be 0.085 of that of the U.S. Maintaining this ratio ensures that workers in the U.S. and India, and all contractors and subcontractors involved in City of Milwaukee contracts, are provided a wage relative to their respective level of development (refer to numbers 1-3 on page 7 of this memo).

Step one: Figure out the ratio between U.S. purchasing power and that of the other country:

$$3,700 \text{ divided by } \$43,500 = 0.085$$

(India's Gross Domestic Product per Capita divided by the U.S. Gross Domestic Product per Capita, as provided by the *CIA World Factbook-PPP* Index).

Step two: Apply that ratio to the U.S. non-poverty wage:

$$0.085 \text{ multiplied by } \$9.58 = \$0.81$$

Step three: Convert \$0.81 to Indian Rupees using a current exchange rate:

$$\$0.81 = 34.71 \text{ INR}$$

(India's non-poverty wage, in both US\$ and Indian currency)

(continued on next page)

¹⁰ Most current CIA World Factbook-PPP data was compiled in March, 2007.

Question 6: What is the net difference in the “non-poverty wage” rates when employing each of these methodologies?

The following table shows the difference between the non-poverty wage rate using the PSS DOL method (Column A)¹¹, compared to the non-poverty wage under the proposed ordinance, using the CIA World Factbook-PPP method (Column B), for 9 countries. Please note that included below are only the wages when health insurance is not included (\$9.58 compared to \$7.98 per hour when health benefits are provided), and data are from 2006.

COUNTRY	A	B
	Using DOL Method – current methodology (US\$)	Using CIA World Factbook Method – proposed ordinance (US\$)
United States	9.58	9.58
Singapore	7.46	6.81
Malaysia	2.42	2.80
Mexico	0.49	2.33
China	0.29	1.67
Philippines	0.75	1.10
Indonesia	0.25	0.84
India	0.31	0.81
Vietnam	Not included in table	0.68
Pakistan	0.29	0.57

A further analysis of the costs of goods in each country would help in understanding these wage rates in terms of what a person can afford if he or she is paid according to a particular schedule.

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¹¹ There will be a slight margin of error in every calculation where converting currencies is required, as these fluctuate on a daily basis.

ATTACHMENT 1



www.milwaukee.gov

Office of the City Clerk
Legislative Reference Bureau

Ronald D. Leonhardt
City Clerk

Barry J. Zalben
Manager

February 7, 2007

Ronald D. Leonhardt, City Clerk
City Clerk's Office
City Hall, Room 205

Dear Mr. Leonhardt:

Section 310-13-3 of the Milwaukee Code of Ordinance provides for an annual March 1 adjustment of the minimum hourly wage for workers employed under City of Milwaukee service contracts. The hourly minimum is calculated on an annual income, divided by 2,080 hours, equal to the U.S. department of health and human service's most recent poverty guideline for a family of 3. The most recent guideline, obtained from the Federal Register dated January 24, 2007 (copy attached) establishes a figure of \$17,170 for a family of 3, which, when divided by 2,080, yields a minimum hourly wage of \$8.25.

Prior Minimum Hourly Wage

1995 - \$6.05
1996 - 6.24
1997 - 6.41
1998 - 6.56
1999 - 6.67
2000 - 6.80
2001 - 7.03
2002 - 7.22
2003 - 7.34
2004 - 7.53
2005 - 7.74
2006 - 7.98

(+20% = \$9.58)

Sincerely,

Barry J. Zalben, Manager

BJZ/mbh
attachment
minimum hourly wage

[Federal Register: January 24, 2007 (Volume 72, Number 15)]
[Notices]
[Page 3147-3148]
From the Federal Register Online via GPO Access [wais.access.gpo.gov]
[DOCID:fr24ja07-74]

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary

Annual Update of the HHS Poverty Guidelines

AGENCY: Department of Health and Human Services.

ACTION: Notice.

SUMMARY: This notice provides an update of the HHS poverty guidelines to account for last calendar year's increase in prices as measured by the Consumer Price Index.

DATES: Effective Date: Date of publication, unless an office administering a program using the guidelines specifies a different effective date for that particular program.

ADDRESSES: Office of the Assistant Secretary for Planning and Evaluation, Room 404E, Humphrey Building, Department of Health and Human Services (HHS), Washington, DC 20201.

FOR FURTHER INFORMATION CONTACT: For information about how the guidelines are used or how income is defined in a particular program, contact the Federal, State, or local office that is responsible for that program. Contact information for two frequently requested programs is given below:

For information about the Hill-Burton Uncompensated Services Program (free or reduced-fee health care services at certain hospitals and other facilities for persons meeting eligibility criteria involving the poverty guidelines), contact the Office of the Director, Division of Facilities Compliance and Recovery, Health Resources and Services Administration, HHS, Room 10-105, Parklawn Building, 5600 Fishers Lane, Rockville, Maryland 20857. To speak to a person, call (301) 443-5656. To receive a Hill-Burton information package, call 1-800-638-0742 (for callers outside Maryland) or 1-800-492-0359 (for callers in Maryland). You may also visit <http://www.hrsa.gov/hillburton/default.htm>. The

Division of Facilities Compliance and Recovery notes that as set by 42 CFR 124.505(b), the effective date of this update of the poverty guidelines for facilities obligated under the Hill-Burton Uncompensated Services Program is sixty days from the date of this publication.

For information about the percentage multiple of the poverty guidelines to be used on immigration forms such as USCIS Form I-864, Affidavit of Support, contact U.S. Citizenship and Immigration Services at 1-800-375-5283 or visit <http://www.uscis.gov/files/form/I-864p.pdf>.

For information about the number of people in poverty or about the Census Bureau poverty thresholds, visit the Poverty section of the Census Bureau's Web site at <http://www.census.gov/hhes/www/poverty/poverty.html> or contact the Census Bureau's Demographic Call Center

Staff at (301) 763-2422 or 1-866-758-1060 (toll-free).

For general questions about the **poverty guidelines** themselves, contact Gordon Fisher, Office of the Assistant Secretary for Planning and Evaluation, Room 404E, Humphrey Building, Department of Health and Human Services, Washington, DC 20201--telephone: (202) 690-7507--or visit <http://aspe.hhs.gov/poverty/>.

SUPPLEMENTARY INFORMATION:

Background

Section 673(2) of the Omnibus Budget Reconciliation Act (OBRA) of 1981 (42 U.S.C. 9902(2)) requires the Secretary of the Department of Health and Human Services to update, at least annually, the **poverty guidelines**, which shall be used as an eligibility criterion for the Community Services Block Grant program. The **poverty guidelines** also are used as an eligibility criterion by a number of other Federal programs. The **poverty guidelines** issued here are a simplified version of the **poverty** thresholds that the Census Bureau uses to prepare its estimates of the number of individuals and families in **poverty**.

As required by law, this update is accomplished by increasing the latest published Census Bureau **poverty** thresholds by the relevant percentage change in the Consumer Price Index for All Urban Consumers (CPI-U). The **guidelines** in this 2007 notice reflect the 3.2 percent price increase between calendar years 2005 and 2006. After this inflation adjustment, the **guidelines** are rounded and adjusted to standardize the differences between family sizes. The same calculation procedure was used this year as in previous years. (Note that these 2007 **guidelines** are roughly equal to the **poverty** thresholds for calendar year 2006 which the Census Bureau expects to publish in final form in August 2007.) The guideline figures shown represent annual income.

2007 Poverty Guidelines for the 48 Contiguous States and the District of Columbia

Persons in family	Poverty guideline
1.....	\$10,210
2.....	13,690
3.....	17,170
4.....	20,650
5.....	24,130
6.....	27,610
7.....	31,090
8.....	34,570

For families with more than 8 persons, add \$3,480 for each additional person.

2007 Poverty Guidelines for Alaska

Persons in family	Poverty guideline
1.....	\$12,770
2.....	17,120
3.....	21,470
4.....	25,820

5.....	30,170
6.....	34,520
7.....	38,870
8.....	43,220

For families with more than 8 persons, add \$4,350 for each additional person.

2007 Poverty Guidelines for Hawaii

Persons in family	Poverty guideline
1.....	\$11,750
2.....	15,750
3.....	19,750
4.....	23,750
5.....	27,750
6.....	31,750
7.....	35,750
8.....	39,750

For families with more than 8 persons, add \$4,000 for each additional person.

Separate poverty guideline figures for Alaska and Hawaii reflect Office of Economic Opportunity administrative practice beginning in the 1966-1970 period. (Note that the Census Bureau poverty thresholds--the version of the poverty measure used for statistical purposes--have never had separate figures for Alaska and Hawaii.) The poverty guidelines are not defined for Puerto Rico or other outlying jurisdictions. In cases in which a

[[Page 3148]]

Federal program using the poverty guidelines serves any of those jurisdictions, the Federal office that administers the program is generally responsible for deciding whether to use the contiguous-states-and-DC guidelines for those jurisdictions or to follow some other procedure.

Due to confusing legislative language dating back to 1972, the poverty guidelines have sometimes been mistakenly referred to as the "OMB" (Office of Management and Budget) poverty guidelines or poverty line. In fact, OMB has never issued the guidelines; the guidelines are issued each year by the Department of Health and Human Services. The poverty guidelines may be formally referenced as "the poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 U.S.C. 9902(2)."

Some programs use a percentage multiple of the guidelines (for example, 125 percent or 185 percent of the guidelines), as noted in relevant authorizing legislation or program regulations. Non-Federal organizations that use the poverty guidelines under their own authority in non-federally-funded activities can choose to use a percentage multiple of the guidelines such as 125 percent or 185 percent.

The poverty guidelines do not make a distinction between farm and non-farm families, or between aged and non-aged units. (Only the Census Bureau poverty thresholds have separate figures for aged and non-aged one-person and two-person units.)

Note that this notice does not provide definitions of such terms as "income" or "family." This is because there is considerable variation in how different programs that use the guidelines define

These terms, traceable to the different laws and regulations that govern the various programs. Therefore, questions about how a particular program applies the poverty guidelines (e.g., Is income before or after taxes? Should a particular type of income be counted? Should a particular person be counted in the family or household unit?) should be directed to the organization that administers the program.

Dated: January 17, 2007.

Michael O. Leavitt,
Secretary of Health and Human Services.
[FR Doc. 07-268 Filed 1-19-07; 8:45 am]
BILLING CODE 4151-05-P

ATTACHMENT 2

Table I-6. National Poverty Lines and Minimum and Prevailing Wages in the Footwear and Apparel Industries in Selected Countries, Latest Available Year

(in national currencies and U.S. dollars)

Country	National Poverty Line	Current Minimum Wage Applicable to Workers in the Footwear and Apparel Industries	Prevailing Wage in the Footwear and/or Apparel Industries
Bangladesh	Tk550/cap/mo [1995-96] (US\$11.32/cap/mo)	Tk600-3,500/mo (US\$12.35-76.00/mo)	Tk69-81/day [1996/97] (US\$1.42-1.67/day or US\$36.51-42.51/mo)
Brazil	R\$45/cap/mo [c.1998-99] (US\$25/cap/mo)	R\$136/mo (US\$81/mo)	R\$300-500/mo [1999] (US\$160-270/mo)
Cambodia	CR1,210-1,819/cap/day [1997] (US\$0.44-0.66/cap/day or US\$13.38-20.08/cap/mo)	CR152,000/mo (US\$40/mo)	CR152,000-266,000/mo [1999] (US\$40-70/mo)
Canada	NA	C\$5.00-7.15/hr (US\$3.35-4.80/hr)	C\$10.08/hr [1998] (US\$6.75/hr)
China	¥165-220/cap/mo [1998] (US\$20.50-26.50/cap/mo)	¥100-320/mo (US\$12-39/mo)	¥388.5-647.0/mo [1997] (US\$114.67-190.97/mo)
Colombia	C\$567,456/hld/mo [1999] (US\$364.76/hld/mo)	C\$7,881.3/day (US\$5.07/day or US\$132.23/mo)	C\$176,861-197,182/mo [1995] (US\$194-216/mo)
Costa Rica	US\$100/hld of 5/mo [1999]	C73,258/mo (US\$266/mo)	C61,055-69,600/mo [1997] (US\$262-299/mo)
Dominican Republic	NA	RD\$1,932/mo (US\$120.75/mo)	RD\$21.6/hr (all manuf) [1997] (US\$1.51/hr or US\$315.05/mo)
Egypt	£E1,354-1,795/cap/yr [1984] (US\$929-1,231/cap/yr)	£E116/mo (US\$34/mo or US\$408/yr)	£E4,476/yr [1999] (US\$1,312/yr or US\$109.33/mo)
El Salvador	Urban: C1,295-2,590/hld4.3/mo (US\$148-296/hld4.3/mo) [1999] Rural: C904-1,808/hld5.9/mo US\$103-206/hld5.9/mo) [1999]	C42/day (US\$4.81/day or US\$125.44/mo)	C1,600/mo [1997] (US\$183/mo)
Guatemala	Q67.50/5.38hld/day [1998] (US\$11.07/hld5.38/day)	Q21.68/day (US\$3.16/day)	Q35/day [1999] (US\$6.11/day)
Honduras	L69.10/5hld/day [1997] (US\$5.06/hld5/day)	L46.80/day (US\$3.34/day)	L93.60-140.40/day [1999] (US\$6.86-10.03/day)
Hong Kong	HK\$9,000/mo [1998] (US\$1,150/mo)	HK\$3,860/mo <small>—the average domestic market only</small> (US\$500/mo)	HK\$250.50/day [1998] (US\$32.34/day or US\$843.43/mo)
India	Rs228.9-264.1/cap/mo [1993/94prices] (US\$5.41-6.24/cap/mo)	Rs9.25-80.35/day (US\$0.24-2.09/day or US\$6.26-54.51/mo)	Rs30-150/day [1999] (US\$0.71-3.55/day or US\$18.52-92.58/mo)
Indonesia	Rp41,588-52,470/cap/mo [1998] (US\$4.84-6.11/cap/mo)	Rp130,000-290,000/mo (US\$15.12-33.72/mo)	Rp130,000-362,500/mo [1999] (US\$15.12-42.06/mo)
Israel	NIS1,315/cap/mo [1997] (US\$381/cap/mo) NIS3,366/hld4/mo (US\$976/hld4/mo)	NIS2,560/mo [1998] (US\$675/mo)	NIS3,976-4,313/mo [1998] (US\$1,046-1,135/mo)
Italy	Lit663,270/cap/mo [1997] (US\$389.93/cap/mo) Lit1,788,388/hld4/mo (US\$1,051.37/hld4/mo)	Lit1,615,000-2,458,000/mo (US\$949.44-1,445.03/mo)	Lit26,662,000-26,766,000/yr [1998] (US\$15,358.29-15,418.20/yr or US\$1,279.86-1,284.85/mo)

Country	National Poverty Line	Current Minimum Wage Applicable to Workers in the Footwear and Apparel Industries	Prevailing Wage in the Footwear and/or Apparel Industries
Jamaica	J\$126,922/hld5/yr [1997] (US\$3,567/hld5/yr)	J\$20/hr (US\$0.55/hr or US\$1,377.20/yr)	US\$1,800-5,000/yr [1999]
Macau	NA	none	P3,252-4,096/mo [1998] (US\$420-529/mo)
Malaysia	RM425/hld4.6/mo [1995] (US\$169.58/hld4.6/mo)	none	RM742-807/mo [1995] (US\$296-322/mo)
Mauritius	MRs6,000/mo [1999] (US\$250/mo)	MRs348.36/wk (US\$13.90/wk or US\$55.60/mo)	MRs6,452-9,210/mo [1998] (US\$258-368/mo)
Mexico	M\$36.53/cap/day [1999] (US\$3.71/cap/day)	M\$29.70-34.45/day (US\$3.02-3.24/day)	M\$6.40-7.85/hr [1996] (US\$0.84-1.03/hr or US\$6.72-8.24/day)
Nicaragua	C\$1,200/hld/mo [1999] (US\$400/hld/mo)	C\$600/mo (US\$52/mo)	C\$2,724/mo (all manuf) [1997] (US\$288/mo)
Pakistan	PRs332/cap/mo [1998] (US\$6.39/cap/mo)	PRs1,950/mo (US\$38/mo)	PRs1,932/mo [1994] (US\$63/mo)
Peru	S/.157/mo [1997] (US\$47/mo)	S/.345/mo (US\$100/mo)	S/.345/mo [1999] (US\$100/mo)
Philippines	P11,388/cap/yr [1997] (US\$315/cap/yr or US\$0.86/cap/day)	P198/day (Metro Manila) (US\$5/day)	P198/day (Metro Manila) [1999] (US\$5/day)
Singapore	NA	none	S\$1,477.3/mo [1997] (US\$995/mo)
South Korea	W218,000/mo [1994] (US\$182/mo)	W1,525/hr (US\$1.27/hr or US\$264.97/mo)	W872,349-1,118,027/mo [1999] (US\$727-932/mo)
Spain	NA	PTas2,309/day (US\$15.92/day or US\$415.19/mo)	PTas232,367/mo [1998] (US\$1,529/mo)
Sri Lanka	SLRs1,000/hld/mo [1999] (US\$14.50/hld/mo)	SLRs1,500-2,575/mo (US\$21.70-37.30/mo)	SRs18.15/hr (all manuf) [1997] (US\$0.31/hr or US\$64.68/mo)
Taiwan	NT\$7,110-11,443/cap/mo [1999] (US\$213.66-343.87/mo)	NT\$15,840/mo (US\$476/mo)	NT\$22,943-24,676/mo [1998] (US\$689.45-741.53/mo)
Thailand	B906/cap/mo [1998] (US\$22/cap/mo)	B139-162/day (US\$3.58-4.18/day or US\$93.37-109.01/mo)	B52,560/yr [1999] (US\$1,273/yr or US\$106.08/mo)
Turkey	TL264 mil/hld4/mo [1999] (US\$820/hld4/mo)	TL93.60 mil/mo (US\$291/mo)	TL804 thous/hr (apparel) [1999] (US\$2.50/hr or US\$522/mo) TL170 mil/mo (footwear) [1999] (US\$528/mo)
United Arab Emirates	NA	none	NA
United Kingdom	NA	£2.72/hr (US\$4.39/hr or US\$210.72/wk)	£140.40/wk [1999] (US\$226.75/wk)
United States	US\$8,310/unrel indiv/yr [1998] US\$16,655/family of 4/yr	National: US\$5.15/hr or US\$10,300/yr States: none-US\$6.50/hr or US\$13,000/yr	US\$8.52-8.93/hr or US\$17,040-17,860/yr

Note: Measures are not necessarily comparable across countries due to national differences in concepts, definitions, and measures.
Source: Tables 1-1, 1-2, and 1-3, see individual country summaries in Part II for further information.

THE WORLD FACTBOOK

ATTACHMENT 3



Field Listing - GDP - per capita
(PPP)

Home Reference Maps Appendixes Rank Order List

Country	GDP - per capita (PPP)
Afghanistan	\$800 (2004 est.)
Albania	\$5,600 (2006 est.)
Algeria	\$7,700 (2006 est.)
American Samoa	\$5,800 (2005 est.)
Andorra	\$38,800 (2005)
Angola	\$4,300 (2006 est.)
Anguilla	\$8,800 (2004 est.)
Antigua and Barbuda	\$10,900 (2005 est.)
Argentina	\$15,000 (2006 est.)
Armenia	\$5,400 (2006 est.)
Aruba	\$21,800 (2004 est.)
Australia	\$32,900 (2006 est.)
Austria	\$35,500 (2006 est.)
Azerbaijan	\$7,300 (2006 est.)
Bahamas, The	\$21,300 (2006 est.)
Bahrain	\$25,300 (2006 est.)
Bangladesh	\$2,200 (2006 est.)
Barbados	\$18,200 (2006 est.)
Belarus	\$7,800 (2006 est.)
Belgium	\$31,800 (2006 est.)
Belize	\$8,400 (2006 est.)

Benin	\$1,100 (2006 est.)
Bermuda	\$69,900 (2004 est.)
Bhutan	\$1,400 (2003 est.)
Bolivia	\$3,000 (2006 est.)
Bosnia and Herzegovina	\$5,500 (2006 est.)
Botswana	\$11,400 (2006 est.)
Brazil	\$8,600 (2006 est.)
British Virgin Islands	\$38,500 (2004 est.)
Brunei	\$25,600 (2005 est.)
Bulgaria	\$10,400 (2006 est.)
Burkina Faso	\$1,300 (2006 est.)
Burma	\$1,800 (2006 est.)
Burundi	\$700 (2006 est.)
Cambodia	\$2,600 (2006 est.)
Cameroon	\$2,400 (2006 est.)
Canada	\$35,200 (2006 est.)
Cape Verde	\$6,000 (2006 est.)
Cayman Islands	\$43,800 (2004 est.)
Central African Republic	\$1,100 (2006 est.)
Chad	\$1,500 (2006 est.)
Chile	\$12,700 (2006 est.)
China	\$7,600 (2006 est.)
Colombia	\$8,400 (2006 est.)
Comoros	\$600 (2005 est.)
Congo, Democratic Republic of the	\$700 (2006 est.)
Congo, Republic of the	\$1,300 (2006 est.)
Cook Islands	\$9,100 (2005 est.)
Costa Rica	\$12,000 (2006 est.)
Cote d'Ivoire	\$1,600 (2006 est.)
Croatia	\$13,200 (2006 est.)
Cuba	\$3,900 (2006 est.)
	<i>area under government control: \$22,700</i>

Cyprus	<i>area administered by Turkish Cypriots: \$7,135 (2006 est.)</i>
Czech Republic	\$21,600 (2006 est.)
Denmark	\$37,000 (2006 est.)
Djibouti	\$1,000 (2005 est.)
Dominica	\$3,800 (2005 est.)
Dominican Republic	\$8,000 (2006 est.)
East Timor	\$800 (2005 est.)
Ecuador	\$4,500 (2006 est.)
Egypt	\$4,200 (2006 est.)
El Salvador	\$4,900 (2006 est.)
Equatorial Guinea	\$50,200 (2005 est.)
Eritrea	\$1,000 (2005 est.)
Estonia	\$19,600 (2006 est.)
Ethiopia	\$1,000 (2006 est.)
European Union	\$29,400 (2006 est.)
Falkland Islands (Islas Malvinas)	\$25,000 (2002 est.)
Faroe Islands	\$31,000 (2001 est.)
Fiji	\$6,100 (2006 est.)
Finland	\$32,800 (2006 est.)
France	\$30,100 (2006 est.)
French Polynesia	\$17,500 (2003 est.)
Gabon	\$7,200 (2006 est.)
Gambia, The	\$2,000 (2006 est.)
Gaza Strip	\$1,500 (includes West Bank) (2003 est.)
Georgia	\$3,800 (2006 est.)
Germany	\$31,400 (2006 est.)
Ghana	\$2,600 (2006 est.)
Gibraltar	\$27,900 (2000 est.)
Greece	\$23,500 (2006 est.)
Greenland	\$20,000 (2001 est.)
Grenada	\$3,900 (2005 est.)
Guam	\$15,000 (2005 est.)
Guatemala	\$4,900 (2006 est.)
Guernsey	\$44,600 (2005)

Guinea	\$2,000 (2006 est.)
Guinea-Bissau	\$900 (2006 est.)
Guyana	\$4,700 (2006 est.)
Haiti	\$1,800 (2006 est.)
Honduras	\$3,000 (2006 est.)
Hong Kong	\$36,500 (2006 est.)
Hungary	\$17,300 (2006 est.)
Iceland	\$38,100 (2006 est.)
India	\$3,700 (2006 est.)
Indonesia	\$3,800 (2006 est.)
Iran	\$8,900 (2006 est.)
Iraq	\$2,900 (2006 est.)
Ireland	\$43,600 (2006 est.)
Isle of Man	\$35,000 (2005 est.)
Israel	\$26,200 (2006 est.)
Italy	\$29,700 (2006 est.)
Jamaica	\$4,600 (2006 est.)
Japan	\$33,100 (2006 est.)
Jersey	\$57,000 (2005 est.)
Jordan	\$4,900 (2006 est.)
Kazakhstan	\$9,100 (2006 est.)
Kenya	\$1,200 (2006 est.)
Kiribati	\$2,700 (2004 est.)
Korea, North	\$1,800 (2006 est.)
Korea, South	\$24,200 (2006 est.)
Kuwait	\$21,600 (2006 est.)
Kyrgyzstan	\$2,000 (2006 est.)
Laos	\$2,100 (2006 est.)
Latvia	\$15,400 (2006 est.)
Lebanon	\$5,500 (2006 est.)
Lesotho	\$2,600 (2006 est.)
Liberia	\$1,000 (2006 est.)
Libya	\$12,700 (2006 est.)
Liechtenstein	\$25,000 (1999 est.)

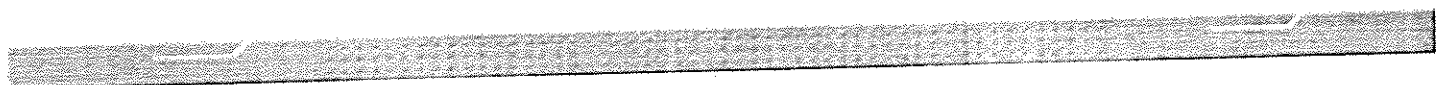
Lithuania	\$15,100 (2006 est.)
Luxembourg	\$68,800 (2006 est.)
Macau	\$24,300 (2005)
Macedonia	\$8,200 (2006 est.)
Madagascar	\$900 (2006 est.)
Malawi	\$600 (2006 est.)
Malaysia	\$12,700 (2006 est.)
Maldives	\$3,900 (2002 est.)
Mali	\$1,200 (2006 est.)
Malta	\$20,300 (2006 est.)
Marshall Islands	\$2,900 (2005 est.)
Mauritania	\$2,600 (2006 est.)
Mauritius	\$13,500 (2006 est.)
Mayotte	\$4,900 (2005 est.)
Mexico	\$10,600 (2006 est.)
Micronesia, Federated States of	\$2,300 (2005 est.)
Moldova	\$2,000 (2006 est.)
Monaco	\$30,000 (2006 est.)
Mongolia	\$2,000 (2006 est.)
Montenegro	\$3,800 (2005 est.)
Montserrat	\$3,400 (2002 est.)
Morocco	\$4,400 (2006 est.)
Mozambique	\$1,500 (2006 est.)
Namibia	\$7,400 (2006 est.)
Nauru	\$5,000 (2005 est.)
Nepal	\$1,500 (2006 est.)
Netherlands	\$31,700 (2006 est.)
Netherlands Antilles	\$16,000 (2004 est.)
New Caledonia	\$15,000 (2003 est.)
New Zealand	\$26,000 (2006 est.)
Nicaragua	\$3,000 (2006 est.)
Niger	\$1,000 (2006 est.)
Nigeria	\$1,400 (2006 est.)
Niue	\$5,800 (2003 est.)

Northern Mariana Islands	\$12,500 (2000 est.)
Norway	\$47,800 (2006 est.)
Oman	\$14,100 (2006 est.)
Pakistan	\$2,600 (2006 est.)
Palau	\$7,600 (2005 est.)
Panama	\$7,900 (2006 est.)
Papua New Guinea	\$2,700 (2006 est.)
Paraguay	\$4,700 (2006 est.)
Peru	\$6,400 (2006 est.)
Philippines	\$5,000 (2006 est.)
Poland	\$14,100 (2006 est.)
Portugal	\$19,100 (2006 est.)
Puerto Rico	\$19,100 (2006 est.)
Qatar	\$29,400 (2006 est.)
Romania	\$8,800 (2006 est.)
Russia	\$12,100 (2006 est.)
Rwanda	\$1,600 (2006 est.)
Saint Helena	\$2,500 (1998 est.)
Saint Kitts and Nevis	\$8,200 (2005 est.)
Saint Lucia	\$4,800 (2005 est.)
Saint Pierre and Miquelon	\$7,000 (2001 est.)
Saint Vincent and the Grenadines	\$3,600 (2005 est.)
Samoa	\$2,100 (2005 est.)
San Marino	\$34,100 (2004 est.)
Sao Tome and Principe	\$1,200 (2003 est.)
Saudi Arabia	\$13,800 (2006 est.)
Senegal	\$1,800 (2006 est.)
Serbia	\$4,400 for Serbia (including Kosovo) (2005 est.)
Seychelles	\$7,800 (2002 est.)
Sierra Leone	\$900 (2006 est.)
Singapore	\$30,900 (2006 est.)
Slovakia	\$17,700 (2006 est.)

Slovenia	\$23,400 (2006 est.)
Solomon Islands	\$600 (2005 est.)
Somalia	\$600 (2006 est.)
South Africa	\$13,000 (2006 est.)
Spain	\$27,000 (2006 est.)
Sri Lanka	\$4,600 (2006 est.)
Sudan	\$2,300 (2006 est.)
Suriname	\$7,100 (2006 est.)
Swaziland	\$5,500 (2006 est.)
Sweden	\$31,600 (2006 est.)
Switzerland	\$33,600 (2006 est.)
Syria	\$4,000 (2006 est.)
Taiwan	\$29,000 (2006 est.)
Tajikistan	\$1,300 (2006 est.)
Tanzania	\$800 (2006 est.)
Thailand	\$9,100 (2006 est.)
Togo	\$1,700 (2006 est.)
Tokelau	\$1,000 (1993 est.)
Tonga	\$2,200 (2005 est.)
Trinidad and Tobago	\$19,700 (2006 est.)
Tunisia	\$8,600 (2006 est.)
Turkey	\$8,900 (2006 est.)
Turkmenistan	\$8,900 (2006 est.)
Turks and Caicos Islands	\$11,500 (2002 est.)
Tuvalu	\$1,600 (2002 est.)
Uganda	\$1,800 (2006 est.)
Ukraine	\$7,600 (2006)
United Arab Emirates	\$49,700 (2006 est.)
United Kingdom	\$31,400 (2006 est.)
United States	\$43,500 (2006 est.)
Uruguay	\$10,700 (2006 est.)
Uzbekistan	\$2,000 (2006 est.)
Vanuatu	\$2,900 (2003 est.)

Venezuela	\$6,900 (2006 est.)
Vietnam	\$3,100 (2006 est.)
Virgin Islands	\$14,500 (2004 est.)
Wallis and Futuna	\$3,800 (2004 est.)
West Bank	\$1,500 (includes Gaza Strip) (2005 est.)
Western Sahara	\$NA
World	\$10,000 (2006 est.)
Yemen	\$900 (2006 est.)
Zambia	\$1,000 (2006 est.)
Zimbabwe	\$2,000 (2006 est.)

This page was last updated on 13 March 2007



ATTACHMENT 4

INDIA¹

MINIMUM WAGE

The minimum wage is based on the Minimum Wages Act of 1948.² Setting the minimum wages in India is the responsibility of the respective state governments. There is no uniform national minimum wage in the country. Minimum wages vary by skill level, industry, and state.³ There is no prescribed minimum wage for either the apparel or the footwear industry in any of the states where these products are manufactured.

The Minimum Wages Act is primarily applicable to workers in the unorganized (non-unionized) sector and empowers both the federal and state governments to fix and revise the minimum wage rates for the occupations which are covered by the Act and are under their respective jurisdictions.⁴ The occupations listed under the federal sphere total 40, and include agriculture, mining, and road construction. The occupations listed under the state sphere vary from state to state, and range in number from 5 in Manipur to 72 in Bihar. In the organized sector, wages are normally set by collective bargaining; however, in some industries (e.g., newspaper, cement, and sugar), wage boards have been established.

Ranges of minimum wages for certain states as of November 1, 1996 are given below in Indian rupees (Rs) and U.S. dollars (US\$):⁵

¹ Unless noted otherwise, information presented here is from American Embassy—New Delhi, unclassified telegram No. 2350 (March 24, 1999).

² See Gerald Starr, *Minimum Wage Fixing: An International Review of Practices and Problems* (Geneva: International Labour Office, 1981; second printing with corrections, 1993), p. 67.

³ For a listing of industries covered under the Minimum Wages Act for which the central government may set minimum wages, the detailed schedule of minimum wage rates it has set, and the detailed schedule of minimum wage rates by occupation/skill/industry set by each state under the Act, see R.K.A. Subrahmanya and Parduman Singh, *Minimum Wages in India: Scheduled Employments and Rates of Minimum Wages* (New Delhi: Social Security Association of India and Friedrich Ebert Stiftung, 1995). For excerpts from basic documents, reports, special commission recommendations, and court judgments related to minimum wages in India, see R.K.A. Subrahmanya and Parduman Singh, *Minimum Wages in India: Basic Documents* (New Delhi: Social Security Association of India and Friedrich Ebert Stiftung, 1995).

⁴ American Embassy—New Delhi, unclassified telegram No. 1344 (February 19, 1998).

⁵ American Embassy—New Delhi, unclassified telegram No. 1344 (February 19, 1998). Minimum wage rates as of November 1, 1996 were the latest available figures; conversion to U.S. dollars was made using the February 1998 exchange rate of Rs38.50 to US\$1.

<u>State</u>	<u>Rs per day</u>	<u>US\$ per day</u>
Andhra Pradesh	35.00 - 63.00	0.91 - 1.64
Bihar	27.30 - 39.70	0.71 - 1.03
Gujarat	34.00 - 57.90	0.88 - 1.50
Haryana	51.57 - 55.57	1.34 - 1.44
Karnataka	26.00 - 37.32	0.68 - 0.97
Maharashtra	9.25 - 80.35	0.24 - 2.09
Punjab	55.73 - 58.28	1.45 - 1.51
Delhi	64.50 - 68.00	1.68 - 1.77

The Factories Act defines a factory as a unit which employs 10 or more workers and utilizes power for its operations or has a minimum of 20 workers but does not use power for its operations. The Act establishes an 8-hour workday, a 48-hour workweek, and various standards for working conditions.⁶

PREVAILING OR AVERAGE WAGE

The broad range of prevailing wages in the apparel and footwear industries by skill level is:

Apparel

Unskilled	Rs 35 to 70 per day	(US\$ 0.83 to 1.65 per day)
Skilled	Rs 80 to 150 per day	(US\$ 1.89 to 3.55 per day)

Footwear

Unskilled	Rs 30 to 50 per day	(US\$ 0.71 to 1.18 per day)
Skilled	Rs 60 to 110 per day	(US\$ 1.42 to 2.60 per day)

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in India for production workers in the manufacturing sector and in the combined apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.⁷ Average hours worked per week by all employees were 46.5 in all manufacturing and 46.6 in the combined apparel and footwear industries for the years 1990 through 1995.⁸ Current average earnings, which are reported by the ILO in the national currency, were converted to US\$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March

⁶ U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1915.

⁷ International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

⁸ International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 745.

1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Monthly Earnings in All Manufacturing and Apparel and Footwear

Year	All Manufacturing		Apparel & Footwear		Real Earnings Index (Rs: 1990=100)		
	(Rs)	(US\$)	(Rs)	(US\$)	Manuf.	Apparel & Footwear	
1990	988.4	56	889.3	51	100	100	
1991	1,019.3	45	1,001.3	44		91	99
1992	932.6	36	975.0	38		74	86
1993	977.4	32	773.0	25		73	64
1994	960.4	31	1,027.8	33		65	77
1995	1,211.0	37	1,196.4	37		74	82
1996	na	na	na	na	na	na	
1997	na	na	na	na	na	na	

Note: na = not available.

Source: ILO, *Yearbook of Labour Statistics*, 1998, p. 904.

NON-WAGE BENEFITS

Mandated non-wage benefits for Indian workers are provident fund (social security), health insurance, yearly bonus, and severance pay. However, all these benefits are applicable only in establishments that fall under the Factories Act. A large number of small footwear and apparel manufacturing units do not come under the provisions of the Factories Act. Many of these units manufacture for domestic consumption and not for the export markets.

A U.S. Social Security Administration survey⁹ elaborates on four different non-wage benefit programs in India, which apply only to workers in firms covered by the Factories Act: (1) old age, disability, and death benefit programs are comprised of the provident (begun in 1952), pension (begun in 1995), gratuity (begun in 1972), and insurance (begun in 1976) funds. The provident fund provides a lump-sum (total employee and employer contributions plus interest) old age benefit, into which the insured person pays 10 percent of their earnings and the employer pays 10 percent of their payroll plus 0.65 percent of payroll for administration. The pension fund provides an old-age monthly pension, into which the employer pays 8.33 percent of their contributions to the provident fund and the government pays 1.16 percent of the payroll. The gratuity fund pays a lump-sum (15 days' wages for each year of continuous service) and is financed entirely by the employer who pays about 4 percent of the payroll. The insurance fund pays a lump-sum (up to Rs35,000) and is also financed entirely by the employer who pays 0.5 percent of the payroll plus 0.01 percent toward administration. (2) sickness and maternity benefits, begun in 1948, in which the

⁹ Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 170-172.

insured person pays 1.75 percent of their earnings (none for employees whose average daily wage is below Rs25), employers pay 4.75 percent of the payroll of covered employees, and the state governments pay 12.5 percent of the cost of medical benefits; (3) work injury benefits, begun in 1923, which are now part of the social insurance system and have the same source of funds maternity and sickness benefits; and (4) unemployment insurance, which is a part of the labor code and requires employers to pay severance indemnity of 15 days' average pay for each year of employment; eleven states have instituted temporary unemployment programs funded by the government.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The poverty line in India is defined as the expenditure required for a daily calorie intake of 2,400 per person in rural areas and 2,100 in urban areas. The government estimates this expenditure at Rs228.9 (US\$5.41) per capita per month in rural areas and Rs264.1 (US\$6.24) in urban areas at 1993-94 prices. The poverty line is estimated periodically by conducting sample surveys. These surveys are carried out by the government's central statistical organization.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization¹⁰ reports numerous sets of measures of a national poverty line for India:

- ! For 1979, 51 percent of the rural Indian population was below the rural poverty line (annual per capita income of US\$114), 40 percent of the urban Indian population was below the urban poverty line (annual per capita income of US\$132), with a national poverty rate of 48 percent.¹¹
 - ! For 1979/80, 53.3 percent of the rural Indian population was below the rural poverty line (monthly per capita expenditure of Rs49.09 in 1973/74 rural prices) and 43.0 percent of the urban Indian population was below the urban poverty line (monthly per capita expenditure of Rs56.64 in 1973/74 urban prices), with a national poverty rate of 51.1 percent;
- for 1987/88, 32.7 percent of the rural population was below the same rural poverty line, 19.4

¹⁰ Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 28-34.

¹¹ The estimates are referenced as originating from the World Bank, *Social Indicators of Development 1987* (Washington: World Bank, 1987). The poverty estimates are based upon an estimated absolute poverty income level below which a minimal nutritionally adequate diet plus essential non-food requirements are not affordable. According to the UN's Food and Agriculture Organization (FAO), *The Impact of Development Strategies on the Rural Poor* (Rome: FAO, 1988), p. 7, the poverty lines were determined by: (1) identifying the food basket consumed by low-income groups in the country (taken to be the 20th percentile of the household income distribution); (2) estimating the quantities of that food basket necessary to provide the minimum calories and proteins required for nutritional needs; (3) costing the minimum food basket at appropriate retail market prices; and (4) adding the estimated monetary equivalent of essential non-food needs (clothing, shelter, etc.). See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 139.

percent of the urban population was below the same urban poverty line, with a national poverty rate of 29.2 percent.¹²

- ! For 1987/88, 44.9 percent of the rural Indian population was below the rural poverty line (monthly per capita expenditures of Rs49.09 in 1973/74 rural prices), 36.5 percent of the urban Indian population was below the urban poverty line (monthly per capita expenditures of Rs56.64 in 1973/74 urban prices);

for 1992, 48.1 percent of the rural Indian population was below the same rural poverty line, 33.9 percent of the urban Indian population was below the same urban poverty line.¹³

- ! For 1985, 61.4 percent of the rural and 36.5 percent of the urban Indian population were below the poverty line of US\$31 per capita per month in 1985 purchasing power parity adjusted US\$ (or Rs127), with a national poverty rate of 55.0 percent;

for the same year, 37.9 percent of the rural and 17.5 percent of the urban Indian population were below the extreme poverty line of US\$23 per capita per month in 1985 purchasing power parity adjusted US\$ (or Rs94), with a national poverty rate of 32.7 percent.¹⁴

¹² The estimates are referenced as originating from the Government of India, Planning Commission, *Sixth Five-Year Plan, 1980-85: Mid-term Appraisal* (New Delhi, 1983) and *Seventh Five-Year Plan, 1985-90* (New Delhi, no date). The poverty lines are the official poverty lines for India used by the Planning Commission and are based on nutritional norms (a daily calorie intake of 2,400 per person in rural areas and 2,100 in urban areas) which were recommended by a special Task Force set up in 1977. Based on household consumption expenditure data, the Commission used linear interpolation methods to arrive at point estimates of per capita monthly expenditure that were consistent with the minimum calorie intakes (Rs49.09 and Rs56.64 per capita per month at 1973/74 prices for rural and urban sectors, respectively). An implicit deflator of private final consumer expenditure is used to estimate current-price poverty lines for different years. The poverty lines are applied to adjusted consumption expenditure distributions to yield estimates of poverty in rural and urban areas. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 147-148.

¹³ The estimates are referenced as originating from Suresh D. Tendulkar and L.R. Jain, "Economic Reforms and Poverty," *Economic and Political Weekly*, Vol. 30, No. 23 (June 10, 1995), pp. 1373-1377. The urban and rural poverty lines are the same as the official poverty lines used by the Indian Planning Commission. The authors feel that the price deflator used by the Planning Commission is inappropriate and instead estimate regional (by state) rural and urban cost of living indexes. Also, expenditures on consumer durables are excluded from the consumption data since there were doubts about their reliability. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 149.

¹⁴ The estimates are referenced as originating from Elaine K. Chan, "A Compendium of Data on Poverty and Income Distribution," Background Paper for the *World Development Report 1990* (Washington: World Bank, 1990), p. 39. They are based on household consumption expenditure data from the Indian National Sample Survey (NSS) and internal World Bank data. An absolute poverty line, defined as the expenditure level below which basic needs cannot be satisfied, is used with two cut-off points corresponding to Rs94 per capita per month (extreme poverty) and Rs127 per capita per month (poverty) in 1985 prices. The first is the Indian poverty line for rural areas (derived by updating estimates in B.S. Minhas, L.R. Jain, S.M. Kansal, and M.R. Saluja, "On the Choice of Appropriate Consumer Price Indices

! For 1983, 73.5 percent of the Indian population was below the poverty line of US\$30.42 per capita per month (i.e., US\$1 per day) in 1985 purchasing power parity adjusted US\$;

for 1989/90, 70.9 percent of the national population was below this poverty line.¹⁵

The World Bank reports¹⁶ that, in 1994, 35.0 percent of the Indian population was below the country-specific poverty line, with 36.7 percent of the rural and 30.5 percent of the urban population living below the poverty line; corresponding figures for 1992 were 40.9, 43.5, and 33.7 percent, respectively. The same source also reports that, in 1994, 87.5 percent of the Indian population was below the international poverty line of US\$2 per person per day and 52.5 percent of the population was below the poverty standard of US\$1 per person per day, both in 1985 purchasing power parity adjusted US\$.

A recent World Bank country poverty assessment report¹⁷ states that poverty in India remains widespread—35 percent of the population (37 percent rural and 31 urban) lived below the national poverty line in 1994 (the latest year for which household survey data are available). India has the largest concentration of poor people in the world, over 300 million (240 million rural poor and 72 million urban poor) particularly, in rural areas where almost three out of four Indians and 77 percent of the Indian poor live.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in India meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that minimum wages provide only a minimal standard of living for a worker, and are inadequate to provide a decent standard of living for a worker and family. However, most workers employed in units subject to the Factories Act receive much more than the

and Data Sets for Estimating the Incidence of Poverty in India," *Indian Economic Review*, Vol. 22, No. 1 (January-June 1987), pp. 19-50), and the second, which is 35 per cent higher, was thought at the time to be more representative and more common among many developing countries. These two poverty lines correspond to US\$23 and US\$31 in 1985 purchasing power parity adjusted US\$. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, pp. 136; 148.

¹⁵ The estimate is referenced as originating from Shashou Chen, Gaurav Datt, and Martin Ravallion, "Is Poverty Increasing in the Developing World?" *Policy Research Working Paper* WPS 1146 (Washington: World Bank, 1993). This study uses essentially the same methodology as the World Bank's *World Development Report 1990*, but with updated purchasing power parity rates. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 137.

¹⁶ World Bank, *World Development Indicators 1999* (Washington: World Bank, 1999), p. 67.

¹⁷ World Bank, *Reducing Poverty in India* (Washington: World Bank, 1997), p. 8.

minimum wage, including benefits and bonuses.¹⁸ The U.S. Embassy was not able to find any studies on the issue of the living wage in India. Separately, the U.S. Department of State reports, "The directive principles of the [Indian] Constitution declare that 'the State shall endeavor to secure . . . to all workers . . . a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities.'"¹⁹

A study conducted in 1989 by Shanta A. Vaidya at the Maniben Kara Institute in Bombay presents basic information on the evolution and development of the minimum wage in India, including relevant legislation and official recommendations related to minimum wage fixing and information on the enforcement of minimum wage regulations. The study also includes some comparisons of the minimum wage payable in various industries in different Indian states with the poverty line established by India's Planning Commission. Specifically, the minimum wage for an industrial activity in a particular state on January 1, 1986 was compared to the Commission's poverty line (Rs608 per person per month in urban areas and Rs533 per person per month in rural areas, in 1984-85 prices). Sample results presented in the study show that for the industrial activities considered (printing presses, public transportation, hotels-residential/restaurants, shops and commercial establishments, and engineering) that there were only two states where industry monthly minimum wages were above or near the poverty line: Maharashtra (Rs671-printing presses, Rs606-engineering, and Rs573-public transport) and Kerala (Rs624-engineering).²⁰

¹⁸ U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1915.

¹⁹ U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 1915.

²⁰ Shanta A. Vaidya, *Minimum Wages in India: Concepts and Practices* (Bombay: Maniben Kara Institute/Nagindas Chambers, 1989), Appendix IV.