

3-29-1995

Economic Crisis Could Worsen Already Difficult Unemployment Picture

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

Recommended Citation

LADB Staff. "Economic Crisis Could Worsen Already Difficult Unemployment Picture." (1995). <https://digitalrepository.unm.edu/sourcemex/3414>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Economic Crisis Could Worsen Already Difficult Unemployment Picture

by LADB Staff

Category/Department: Mexico

Published: 1995-03-29

In early March, the government statistics agency (Instituto Nacional de Geografia, Estadística e Informática, INEGI) reported that unemployment during January amounted to 4.5% of the economically active population (población económica activa, PEA), the highest jobless rate since February 1994. According to the INEGI report, more than 460,000 jobs were lost during January. The INEGI report confirmed concerns that significant job losses would occur in Mexico as a result of the devaluation of the peso and the country's economic downturn. The INEGI statistics, however, do not reflect the true extent of job losses in Mexico, since INEGI does not take into account the number of workers who are underemployed, and the agency only measures the jobless rate in some large, targeted cities.

The statistics for total job losses this year vary widely, although many analysts agree that the employment picture will remain grim the rest of this year and possibly through the end of the decade, since the Mexican economy has not had a track record of creating sufficient jobs to meet the country's growing population. For example, in a recent report, the Labor Secretariat (STPS) predicted that un- and underemployment will affect up to 12% of the PEA by year-end.

Included in this estimate were the 1.2 million workers that are expected to enter the workforce this year but will not find jobs, as well as the 1.7 million that are expected to lose their posts. Moreover, El Financiero daily business newspaper stressed that the impact of Mexico's economic slump will be even more severe outside the metropolitan areas. The report said unemployment in rural Mexico could reach 39.5% this year, compared with about 11% in 1994. Even after Mexico pulls out of the present recession, the economy is still not expected to provide enough jobs for the country's growing labor force in the long term. According to calculations released by the economic analysis company Cimex- Wefa, which is affiliated with Wharton Econometrics, only 881,000 new positions will have been created in Mexico between 1985 and 1999. This contrasts with a demand for 17.1 million jobs during the 15-year period.

Another respected economic analysis organization, Grupo Serfin, predicts contractions in the construction and manufacturing sectors, and in government expenditures, which will result in numerous layoffs in all those areas. The construction sector is expected to contract by 13.6% this year, while output in the manufacturing sector is projected to fall by 3.8%. According to Serfin, the decline in manufacturing will have a special impact on the employment picture, since that sector has traditionally accounted for one fourth of Mexico's total GDP. The decline in output will especially affect such areas as paper, editorial products, wood, chemicals, and petrochemicals. Meantime, the emergency economic measures announced by Zedillo in mid-March are expected to sharply curtail the purchasing power of those workers who are able to remain employed.

The economic measures include a tight restriction on salary increases, a hike in the value-added tax (impuesto al valor agregado, IVA), and higher prices for gasoline and electricity (see SourceMex, 03/15/95). The restriction of 10% on increases in the minimum wage for this year is of special concern to labor unions, since it is insufficient to keep up with an inflation rate that is expected to approach 50% during 1995. La Jornada, quoting government studies, noted that the devaluation of the peso has caused a 56% loss in the purchasing power of the minimum wage since January of this year. The purchasing power of the minimum wage had already been declining gradually in the last 12 years, losing 53% during the six-year term of former president Miguel de la Madrid (1982-1988) and another 28% during the administration of former president Carlos Salinas de Gortari (1988-1994). A separate study conducted by the Universidad Nacional Autonoma de Mexico (UNAM) found that the minimum wage must increase by 250% in order for workers to recover the purchasing power they had in 1976. (Sources: La Jornada, 03/11/95; Reforma, El Financiero International, 03/20/95; Inter Press Service, El Financiero, 03/23/95; El Universal, 03/24/95; Notimex, 03/25/95; Agence France-Presse, 03/20/95, 03/21/95, 03/26/95)

-- End --