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Labor Seeks Changes in Anti-Inflation Pact with Government, Business

by LADB Staff

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In mid-October, Labor Secretary Javier Bonilla Garcia reached an informal agreement with representatives of Mexico's largest labor organization, the Confederacion de Trabajadores de Mexico (CTM), to work jointly to incorporate some of the concerns of the CTM into a future anti-inflation agreement. As a first step, Bonilla met with CTM leaders on Oct. 16 to discuss some of the proposals the organization would like to bring to the negotiating table. CTM sources said the labor union will reinforce the need for formulas to boost worker salaries, reinforce low-income housing programs, and preserve social security benefits.

Representatives of labor, the government, agricultural producer organizations, and business are expected to meet before the end of the year to hammer out a new anti-inflation agreement. According to some government sources, President Ernesto Zedillo's administration would like to conclude negotiations on an agreement during November. Bonilla acknowledged that the Zedillo administration would like to conclude an agreement soon but said the government will retain a flexible stance. "The agreement will be signed when the different sectors and the government are ready, and not before," Bonilla told reporters.

At one point this year, doubts emerged over whether the government would be able to bring all sides together to sign an anti-inflation accord. This is because both the business sector and labor unions in recent weeks have criticized specific government policies and threatened not to participate in the annual ritual of negotiating an anti-inflation accord. This tradition of negotiating anti-inflation agreements was initiated by former president Miguel de la Madrid in the late 1980s. Despite the decision by CTM and its sister organization, the workers Congress (CT), not to withdraw entirely from the negotiating process, talks on an anti-inflation accord this year are expected to be more difficult than in past years.

The CTM and the CT remain angry at the Zedillo administration for allowing producers of basic products such as sugar and tortillas to raise prices without any input from the labor organizations. In fact, the greatest threat that the CT and CTM would withdraw from the negotiations came in late September, after the third increase in tortilla prices this year. In a press conference the day after the increase, CTM leader Fidel Velazquez said "unilateral" action by the Zedillo administration had created a strong sense of anger and resentment among members of the CTM against the federal government (see SourceMex, 10/27/95).

The possibility that the Zedillo administration would begin 1996 without an anti-inflation agreement created strong concerns in the financial markets and contributed to heavy losses in the Mexican Stock Exchange (BMV) and the value of the peso during the second half of September (see SourceMex, 10/04/95). Meantime, labor leaders have hinted that the CT and CTM will enter anti-inflation negotiations with a less flexible stance than in recent years, and will not accept any accord

that does not serve the interests of their constituents. In the past, labor leaders have tended to show a relatively flexible stance during the negotiations due to the long-standing close relationship between CTM leader Velazquez and the governing Institutional Revolutionary Party (PRI).

However, CT president Rafael Rivapalacio Pontones said labor negotiators will now place a strong emphasis during negotiations on adequate pay for workers during the economic crisis. According to Rivapalacio, the CT will seek an increase of 100% in the minimum wage and quarterly reviews to determine if workers under contract are receiving adequate salaries. Indeed, studies released by the CT indicate that workers need to earn the equivalent of three minimum salaries, at their current level, in order to meet all the basic needs of their families.

A number of recent studies support Rivapalacio's contention that purchasing power of Mexican workers has fallen significantly as a result of the peso devaluation and the economic crisis in Mexico. According to one study, the minimum wage in August had dropped in real terms by 15.4% from the same month in 1994. The study suggested that as a result of the economic crisis in Mexico, which has resulted in the loss of at least one million jobs this year, an increasing number of Mexicans are willing to accept salaries at minimum pay rather than remain unemployed, and many more are joining the informal economy. A related set of statistics, released by a group of labor organizations, suggests that the informal economy now represents about 45% of Mexico's job market.

Business leaders, for their part, have criticized the proposals offered by the CTM and the CT to create mechanisms in the next anti-inflation agreement to boost salaries by a significant rate. Carlos Abascal, president of the employers confederation (Confederacion Patronal de la Republica Mexicana, Comparmex) said "emergency" salary increases were not the proper mechanism to boost the purchasing power of Mexican workers. "We understand the CTM's complaint about the decline in salaries," said Abascal, who noted that many businesses are facing difficult conditions and are under the constant threat of bankruptcy. "We cannot create money where it doesn't exist, nor boost salaries when there is no liquidity." Abascal said the business sector's proposals for the next anti-inflation agreement would center on proposals to boost employment and productivity.

On the other hand, he said COPARMEX supports an increase in the minimum salary. For his part, Rivapalacio has rejected the positions presented by COPARMEX and other business leaders, suggesting that past negotiations have placed too strong an emphasis on improving worker productivity and less of a focus on the needs of workers. He said that Mexico cannot continue to use a model by which salaries remain restricted, while consumer prices are allowed to increase. The strong differences between the positions of labor unions and business could, in fact, delay the completion of an anti-inflation agreement. The business sector itself has approached the negotiation of an anti-inflation agreement in a less-than-enthusiastic manner.

Business leaders have made statements on the record supporting the need for such an agreement, which they say is necessary to maintain the viability of President Zedillo's economic policies. On the other hand, leaders from the COPARMEX and the national confederations of chambers of commerce (Confederacion de Camaras Nacionales de Comercio, CONCANACO) have also emphasized the need for a "major revision" in the agreements. Among other things, the business leaders have asked for greater input into all of the Zedillo administration's policy decisions, not only

those that affect the economy. Many business leaders have in recent months expressed displeasure with what they see as a weak effort by the Zedillo administration to reactivate the economy.

The most common criticism has been continuation of high interest rates. Representatives of the business sector, just like the CT and CTM, are due to meet with Labor Secretary Bonilla in the near future to discuss their positions before the actual start of negotiations on a new accord. CONCANACO president German Gonzalez Quintero said one of the proposals offered by the business leaders is to strengthen the commission that oversees and evaluates the effectiveness of the anti-inflation agreements. (Sources: Agence France- Presse, 10/04/95; La Jornada, 10/06/95; Excelsior, 10/10- 12/95; El Universal, Notimex, 10/16/95; El Diario de Yucatan, 10/17/95)

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