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Labor Leaders Drop Threat to Block 17 Percent Increase in Minimum Wage

by LADB Staff

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In early December, the workers confederation (Confederacion de Trabajadores de Mexico, CTM) dropped its efforts to seek a larger increase in the country's minimum wage for this year and accepted the 17% raise prescribed by the national minimum-wage commission (Comision Nacional de Salarios Minimos, CNSM).

Under the new formula, a worker paid the minimum wage in Mexico City will take home 26.45 pesos (US\$3.35) per day, up from 22.60 pesos (US\$2.86). In Zone B which comprises the major metropolitan areas of Jalisco, Nuevo Leon, Sonora, Tamaulipas, and Veracruz states the minimum wage increased to 24.51 pesos (US\$3.10) daily from the previous 20.95 pesos (US\$2.65). In Zone C which includes all other areas of the country- -workers will now receive a daily minimum wage of 22.73 pesos (US \$2.88), compared with the previous rate of 19.05 pesos (US\$2.41).

The 17% increase was originally negotiated in October by representatives of labor and agricultural organizations, the private sector, and members of President Ernesto Zedillo's administration as part of the latest economic growth and anti- inflation agreement (Alianza para el Crecimiento Economico, ACE). ACE negotiators arrived at the 17% rate by taking into account the Zedillo administration's forecast of 15% annual inflation for 1997 (see SourceMex, 10/31/96). The CTM which had reluctantly accepted the original 17% increase negotiated in the ACE in October launched a campaign in the ensuing weeks to boost the minimum wage by 22%. In seeking the larger increase, the CTM and the labor congress (Congreso del Trabajo, CT) argued that the 17% raise failed to account for increases in the price of gasoline, electricity, and public transportation, also negotiated under the ACE.

In fact, because of the increases in these goods and services, most economists doubt the government will be able to meet its targeted rate of 15% annual inflation for 1997. According to some economists, the increases in the cost of transportation, energy, and some items in the basic basket of consumer goods could boost the consumer price index (Indice Nacional de Precios al Consumidor, INPC) for December to 2.3%. The minimum wage and the increases in energy and transportation all went into effect on Dec. 1. In mid-December, the Banco de Mexico (central bank) reported the INPC at 1.52% for November, bringing the accumulated inflation rate for January-November to 23.74%. Significantly, the increase in the inflation rate for the basic basket of consumer goods for November was 1.92% or about 0.4% point higher than the INPC for that month.

Critics suggest the Banco de Mexico's inflation statistics for November may be understated. Arturo Lomeli, president of Mexico's largest consumer-rights organization (Asociacion Mexicana de Estudios para la Defensa del Consumidor, AMEDEC), estimates the inflation rate for the basic basket of goods actually increased by 2.2% during November, which would be the highest monthly rise in 1996. Lomeli estimates the accumulated cost of 87 basic products over the first 11 months of

the year has risen almost 25% from the same period in 1995. In the end, the decision to retain the 17% increase in the minimum wage was influenced in large measure by business organizations such as the employers confederation (Confederacion Patronal del la Republica Mexicana, COPARMEX), the industrial chambers confederation (Confederacion de Camaras Industriales, CONCAMIN), and the national manufacturing industry chamber (Camara Nacional de la Industria de Transformacion, CANACINTRA).

At the CNSM session, members of these organizations said a 22% increase in the minimum wage would force many businesses to reduce operations or shut down all together. After the session, COMPARMEX president Carlos Abascal Carranza sounded a conciliatory message, pledging to convince retailers to hold down the price of consumer products.

On the other hand, the CTM's decision to drop its demand for a 22% increase attracted protests from other labor organizations. In the first week of December, members of independent labor groups and civic groups organized massive demonstrations in downtown Mexico City, at times blocking streets and boulevards for several hours. Some workers demonstrated their dissatisfaction by binding themselves in chains outside the CNSM building. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Dec. 11, reported at 7.89 pesos per US\$1.00] (Sources: Excelsior, 11/26/96, 11/27/96, 12/02/96, 12/10/96; La Jornada, El Economista, 12/02/96, 12/10/96; El Universal, 11/27/96, 12/02/96, 12/03/96; The News, 12/02/96, 12/03/96, 12/10/96; Reuter, 12/03/96; Novedades, 12/02/96, 12/06/96, 12/10/96)

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