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## Government Reports Significant Drop in Open Unemployment Rate

by LADB Staff

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According to a report published in mid-January by the official statistics agency (Instituto Nacional de Estadísticas, Geografía e Informática, INEGI), the country's open unemployment rate in December dropped to 4.1% of the economically active population (EAP). The December unemployment rate is the lowest since December 1994, when the devaluation of the peso sent the Mexican economy into a severe recession (see SourceMex, 01/11/95 and 01/18/95). The December statistics represent almost a percentage point drop compared with November, when the unemployment rate was reported at 4.8% by INEGI. In actual numbers, the INEGI statistics suggested that 6.9 million workers in Mexico lacked a job during December.

In contrast, in December 1995, the unemployment rate was 5.5% of the EAP, which translated to about 8.6 million workers without a job. "The latest numbers certainly aren't bad, especially compared with unemployment of 7.6% in August 1995," said economist Cesar Castro of the CAPEM-Oxford economic consulting company in Mexico City. According to Castro, the slight improvement in the unemployment picture was partly the result of the government's decision to increase spending on public-works projects in 1996 and a recovery in such sectors as services, construction, and manufacturing.

Some economists see other positive signs for the Mexican employment picture. For example, a report issued by Grupo Financiero Inverlat (GFInlat) in late January reported that 700,000 new workers enrolled for benefits with the social security institute (Instituto Mexicano del Seguro Social, IMSS) during 1996. As of year-end 1996, a total of 9.2 million workers were enrolled in IMSS, compared with 8.5 million at the end of 1995. According to GFInlat, the total number of new enrollments matches the number of actual jobs created by the formal economy during the year. GFInlat projected that formal employment in Mexico would increase by 2.4% in 1997, which translates to more than 222,000 new jobs.

The analysis said almost 21,000 of these new jobs would be in the construction sector. The report also said prospects were promising in the mining sector and in industrial manufacturing, such as machinery and heavy equipment. Some growth was also anticipated in the area of transportation and telecommunications. Economists say employment situation not totally positive. Still, despite the improvement in unemployment statistics, economists say the country's employment picture remains very depressed. Referring to the actual number of workers still without a job, CAPEM-Oxford's Castro described the jobless rate as "quite punishing." Furthermore, Castro reiterated a major flaw in the government's definition of who is considered "employed." INEGI defines open unemployment as members of the work force older than 12 who have searched for work but have not worked more than one hour a week during a month. "Using this criteria, many people will still be considered employed who are actually underemployed," said Castro.

Other common criticisms about INEGI's monthly report is that the employment statistics are based on data from 43 metropolitan areas and do not present a picture of the jobless rate in rural areas. The government has attempted to address this disparity by creating a separate measure called the rate of partial joblessness and unemployment (Ocupacion Parcial por Razones de Mercado y Desocupacion). This category, which includes open unemployment and those who have worked less than 35 hours a week because of market conditions, fell to 5.6% during December. Even so, the rate in this category is still lower than the 7.8% rate reported in December 1995.

Labor leaders have also consistently disputed the government's unemployment statistics. At his monthly press conference in January, workers confederation (Confederacion de Trabajadores de Mexico, CTM) leader Fidel Velazquez urged the government to take decisive steps to boost employment rates. According to Velazquez, the INEGI statistics report only about one-half of the workers in Mexico who are unemployed. For his part, labor-market analyst Jorge Jauregui of the Asociacion Mexicana de Ejecutivos en Relaciones Industriales (AMERI) estimates that the Mexican economy currently has a deficit of about 11.5 million jobs. Jauregui estimated that Mexico's GDP would have to grow by at least 6% annually to generate the number of jobs needed by the Mexican economy in the next several years. President Zedillo's administration has forecast a GDP growth of 4% for 1997 (see SourceMex, 10/30/96).

Still, Jauregui said economic growth by itself will not rectify Mexico's severe unemployment programs. He suggested that the government and the labor and business sectors must work together to create a training and educational program to help workers become skilled enough to attain higher paying jobs. Additionally, Jauregui criticized the administration for failing to take sufficient steps to increase the purchasing power of workers. He said the purchasing power of workers earning the minimum wage has declined about 30% over a five- year period. GFInlat presented a similar assessment, urging the Zedillo administration to take decisive actions to reduce unemployment, such as providing tax breaks to companies that employ more workers.

However, the report said the government's employment program should look beyond increasing numbers and take steps to improve the quality of jobs in Mexico. According to GFInlat, 43% of the EAP receives at most the equivalent of two minimum salaries, which translates to about 1,500 pesos (US\$205) monthly. Jobless rate remains high in nine cities, including capital Of the 43 cities surveyed by INEGI in its December report, 32 of the urban centers reported open unemployment rates that were below the 4.1% national average. In fact, the cities of Leon, Tijuana, Ciudad Juarez, and Puebla all reported unemployment rates of below 2%. In contrast, open unemployment was reported at 4.5% or higher in such industrial cities as Monterrey, Mexico City, Pachuca, Saltillo, Monclova, and Coatzacoalcos. In Mexico City, INEGI reported open unemployment at 5% of the EAP of 3.6 million. However, Mexico City legislator Carlos Daniel Torres Alvarez suggests that if authorities use the International Labor Organization (ILO) methodology to account for underemployed workers, the unemployment rate in the capital could be at least 16% of the EAP.

According to Torres, who heads the economic development committee in the Mexico City legislative assembly (Asamblea Legislativa del Distrito Federal, ALDF), the unemployment situation was especially severe in the first three quarters of 1996, when 583,000 Mexico City residents who were actively seeking employment were unable to find any jobs. Furthermore, Torres said the EAP

in Mexico City increases by about 200,000 persons each year. Torres said the growth in the EAP has been greater than usual over the past two years because the economic crisis that followed the devaluation of the peso forced a number of residents who normally would not work such as housewives and students to seek jobs to supplement their family income.

The lack of employment opportunities in Mexico City has also promoted a surge in the informal economy. According to a report compiled by the national confederation of chambers of commerce (Confederacion Nacional de Camaras de Comercio, CONCANACO), the informal economy has increased by 13.6% annually in recent years. The report estimated that at least 250,000 residents of the capital currently make a living as street vendors. (Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Jan. 29, reported at 7.79 pesos per US\$1.00.) [Sources: Reuter, 01/20/97; The News, El Economista, 01/21/97; El Universal, 01/21/97, 01/23/97; Excelsior, 11/24/96, 01/22/97, 01/23/97; Novedades, 01/21/97, 01/28/97]

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