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Mexico's Jobless Rate Drops in January-September; Underemployment High

by LADB Staff

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The latest government statistics on unemployment report the jobless rate for September at only 3.3% of the economically active population (EAP). As of 1997, the EAP comprised 38.8 million Mexicans of working age. The September statistics, published by the government's Instituto Nacional de Estadísticas, Geografía e Informática (INEGI), are slightly higher than the August unemployment rate of 3% of the EAP. INEGI said the September data brought the average unemployment rate for the first nine months of the year to 3.9%.

The government includes in the official employment rate EAP members who are working even a few hours a week. However, INEGI's index of part-time employment, often overshadowed by the unemployment data, offers a more accurate picture of the country's employment situation. The index (Tasa de Condiciones Críticas de Ocupación, TCCO) measures the percentage of the EAP that is either employed less than 35 hours per week and earning less than one minimum wage or is working 48 hours per week and earning between one and two minimum wages. According to the recent INEGI report, the TCCO for January-September was 13.2% of the EAP.

But even INEGI's attempts to measure underemployment via the TCCO provide an incomplete picture of Mexico's employment situation. Some economists suggest that the TCCO rate would be much higher if INEGI modified the criteria to include workers employed more than 35 but less than 40 hours per week. Similarly, the TCCO would rise if the government counted workers who were employed 40 or more hours per week but who make the equivalent of one minimum wage.

Many Mexicans working in informal economy

A report published in late September by Grupo Financiero Banamex-Accival (Banacci) said only 19.4 million Mexicans, or half the EAP, receive a regular salary. Another 1.94 million, roughly 5% of the EAP, are employers. The remainder of the EAP either make a living from the informal economy, work for a relative for no pay, or have no way to earn a living. Some legislators and businesses have proposed that the government begin taxing street vendors to raise revenue. The issue has been brought to the table as part of the debate over the proposed 1999 budget, which faces some reductions because of a sharp decline in oil-export revenues and the impact of the global financial crisis.

But the Secretaría de Hacienda y Crédito Público (SHCP) has rejected a tax on the informal economy. In a recent forum, deputy finance secretary for revenues Tomás Ruiz said the plan could cost the government about 0.22% of Mexico's annual GDP, which is more than would be obtained from imposing the new taxes. Meanwhile, the Banacci report said the number of jobs in Mexico has risen in recent years because of growth in GDP in 1995-1997. The report said there were more jobs in Mexico in 1997 than in 1994, but the number of jobs created was insufficient to match the explosive growth in the EAP. The government expects GDP growth to slow considerably in 1998 and 1999.

because of the global financial crisis. Mexico will only create about 700,000 jobs this year, far short of its goal of 1 million jobs, said Labor Secretary Jose Antonio Gonzalez Fernandez. Labor and business organizations are also concerned about the slowdown in the global economy, which has tended to limit direct investment in Mexico.

At a meeting to discuss new labor legislation (Ley Federal del Trabajo, LFT), representatives from the Confederacion de Trabajadores de Mexico (CTM), Congreso del Trabajo (CT), and Union Nacional de Trabajadores (UNT) pledged to work with counterparts from business organizations to increase jobs. The labor organizations said Mexico will face a deficit of 400,000 jobs by year-end because of the global financial crisis. Reforms to labor code remain in limbo. Despite the willingness of the three labor organizations to work with the Confederacion Patronal de la Republica Mexicana (COPARMEX) and other organizations to stimulate job creation, the two sides have been unable to find sufficient common ground for a new LFT proposal to be introduced in the Chamber of Deputies.

In August, President Ernesto Zedillo's administration said it had intended to present an LFT proposal to the lower house by mid-September, but only if the proposal was approved by both labor and business sectors (see SourceMex, 08/05/98). As of early November, the two sides had been unable to draft a common proposal because of disagreements on whether existing benefits would continue under the new labor code. For example, business organizations insist that the new law provide them greater flexibility to reduce current worker benefits, including paying laid-off employees a salary for three months after they lose their jobs. "We cannot achieve consensus on labor reform as long as employers fail to change their position and present a proposal that is more compatible with our country's current economic conditions," said CT leader Joel Mayren in early November.

Even if the administration eventually introduces a bill to modify the labor code, it will undergo wide debate in the Chamber of Deputies because of differences in the proposals presented by the governing Partido Revolucionario Institucional (PRI) and those from the opposition Partido de la Revolucion Democratica (PRD) and Partido Accion Nacional (PAN). Sen. Rosa Albino Garavito, who heads the PRD's research unit (Instituto de Estudios del PRD), says her party and the PAN have worked hard to bridge differences in their proposals and have developed common positions in such areas as collective-bargaining rights and the length of the work week. However, Garavito said the two sides cannot agree on other issues, including profit-sharing, maternity leave, and overtime pay. (Sources: Reuters, 10/19/98; Excelsior, 10/01/98, 10/12/98, 10/13/98; The News, 09/28/98, 10/20/98; Novedades, 09/28/98, 10/13/98, 10/20/98; El Economista, 09/28/98, 10/19/98, 10/20/98, 10/22/98, 10/23/98, 11/01/98; El Universal, 09/30/98, 10/15/98, 10/20/98, 11/02/98)

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