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Commission Sets Minimum-Wage Increase at Only 14 Percent for 1999

by LADB Staff

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In early December, the Comision Nacional de Salarios Minimos (CNSM) announced a 14% increase in the minimum wage for 1999. Representatives from the government and business chambers on the CNSM voted for the increase, while labor representatives protested the small raise by abstaining from the vote. The increase, which went into effect Dec. 3, designated minimum wages for three separate geographical regions.

The minimum wage in region A, which includes Mexico City and much of northern Mexico, was set at 34.45 pesos (US\$3.46) per day. In region B, which includes Guadalajara, Monterrey, and other cities, the minimum wage was set at 31.90 pesos (US\$3.20) daily. In region C, which covers the poorest states in Mexico, the minimum wage was set at 29.70 pesos (US\$2.98) per day.

Census data from 1996 showed that 35% of the 35 million Mexicans in the economically active population (EAP) were earning the minimum wage or less. Another 48% of the EAP were earning between one and three times the minimum wage. Labor organizations say increase is too small As expected, business chambers strongly approved the 14% increase but major labor organizations soundly rejected it.

"This is a mockery of the workers," said Francisco Hernandez Juarez, leader of the Union Nacional de Trabajadores (UNT). Leonardo Rodriguez Alcaine, head of the Confederacion de Trabajadores de Mexico (CTM), questioned whether the CNSM should continue to exist. "The organization does not respond to the economic expectations of the workers," said Rodriguez.

The UNT, the CTM, the Congreso del Trabajo (CT), the Confederacion Revolucionaria de Obreros y Campesinos (CROC), and other labor organizations had pushed for a 22% increase. The labor groups based their request on a formula that projected an annual inflation rate of 17%, plus 5% to compensate for a loss of purchasing power.

President Ernesto Zedillo supported a 13% to 14% rate to match the inflation rate projected when the 1999 budget proposal was submitted to the Chamber of Deputies. In real terms, a 14% increase would represent either no gain or a loss for most workers, depending on the actual inflation rate for 1999. Many private economists project inflation in Mexico at 17% or higher.

Business groups, government say low inflation a priority

Labor Secretary Jose Antonio Gonzalez Fernandez acknowledged that Mexican workers deserved a higher increase in the minimum wage than the 14% approved by the CNSM. But he said such an increase was not possible because of concerns about high inflation next year. "An out-of-control increase in the minimum wage, which is what labor organizations have proposed, could result in a

surge in inflation, business closures, and greater layoffs," said Gonzalez Fernandez. Gonzalez said 80% of Mexican workers are employed by small and medium-sized businesses, which could not afford the increased costs from a 22% increase in the minimum wage.

The business sector had also rejected labor's request for a 22% increase, although some business organizations like the Camara Nacional de Comercio (CANACO) of Nuevo Leon state had supported a 17% increase. "We must maintain the purchasing power of the people," said CANACO-Nuevo Leon president Luis Sada. "Consumption, which makes up some 54% to 55% of GDP, must remain dynamic." But CANACO was overruled by larger organizations like the Confederacion de Camaras Industriales (CONCAMIN) and the Camara Nacional de la Industria de Transformacion (CANACINTRA), which were adamant that the increase be limited to 13%. CANACINTRA president Vicente Yanez said salary increases will be taken on a case-by-case basis, with some companies able to afford raises above the 14% increase approved by the CNSM.

The position of labor groups and CANACO-Nuevo Leon was supported by some economists, who said the neoliberal economic model employed by Zedillo and his predecessors has done little to help workers earn a living wage. The Centro de Analisis y Proyecciones Economicas de Mexico (CAPEM) said minimum wage purchasing power, in real terms, has fallen by 67% since 1980. "This is a clear attempt by the government to limit inflation at the expense of the nation's poor," said economist Joel Estudillo of Instituto Mexicano de Estudios Politicos. He said the Zedillo administration is merely following the policies implemented under former president Carlos Salinas de Gortari.

CAPEM economist Pedro Venegas also criticized the administration's shortsighted policy. "The problem in Mexico is that our purchasing power is constantly being undermined, as it has been for two decades," said Venegas. "This latest minimum wage settlement appears to have been arrived at in an environment of mounting political pressures." But Guillermo Guemez, a Banco de Mexico (central bank) governor, argues that an increase in the inflation rate would also set back the purchasing power of workers. "Once we are able to bring down the inflation rate to the single digits, the purchasing power for most low-income workers will increase by about 11.4%," Guemez said at an economic forum in Mexico City.

The 14% increase has also met some opposition in the Chamber of Deputies and the Senate, where some members of Zedillo's Partido Revolucionario Institucional (PRI) have spoken out against the small increase. For example, PRI Sen. Porfirio Camarena Castro questioned whether the government should even be involved in proposing a minimum wage. "This is a matter that should be resolved between business and labor," said Camarena, who is also CTM leader. Legislators push to eliminate minimum-wage commission. Meanwhile, senators from the center-left Partido de la Revolucion Democratica (PRD) and the conservative Partido Accion Nacional (PAN) have drafted an initiative to eliminate the CNSM. But PRI senators have developed an alternate proposal, which would merely propose "major revisions" to the CNSM. In the Chamber of Deputies, the Partido del Trabajo and Partido Verde Ecologista Mexicano (PVEM) joined the three major parties in passing a resolution calling for the elimination of the CNSM.

Deputy Adelaida de la Cruz Moreno of the PRI said the CNSM recommendation for only a 14% increase is a direct affront to a resolution passed by the Chamber of Deputies Nov. 23, which

recommended a 22% increase. But the efforts in the Senate and the Chamber of Deputies to eliminate the CNSM may not move forward unless Congress first overhauls the federal labor law (Ley Federal del Trabajo, LFT), said CNSM president Basilio Gonzalez. The Zedillo administration has declined to introduce legislation to modify the LFT, citing a lack of common ground in the proposals offered by business and labor sectors (see SourceMex, 08/05/98). [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Dec. 9, reported at 9.95 pesos per US\$1.00] (Sources: Reuters, 11/17/98, 11/27/98, 11/30/98, 12/01/98, 12/02/98; The News, 12/03/98; La Jornada, 11/23/98, 12/02/98, 12/03/98, 12/04/98; El Universal, 11/04/98, 11/13/98, 11/18/98, 11/24/98, 11/25/98, 11/27/98, 12/02/98, 12/03/98, 12/07/98; Excelsior, 11/13/98, 11/19/98, 11/24/98, 11/25/98, 11/30/98, 12/02/98, 12/03/98, 12/09/98; Novedades, 11/18/98, 11/19/98, 11/24/98, 11/25/98, 12/01-03/98, 12/09/98; El Economista, 11/19/98, 11/24/98, 11/27/98, 12/02/98, 12/07-09/98)

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