1-12-2000

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Commission Approves 10 Percent Increase In Minimum Wage

by LADB Staff
Category/Department: Mexico
Published: 2000-01-12

In late December, the Comision Nacional de los Salarios Minimos (CNSM) set the increase in the minimum wage at only 10% for 2000, creating a potential confrontation with Mexican labor unions. The increase in the minimum wage is based on the 10% annual inflation rate projected by President Ernesto Zedillo's administration for 2000. The administration included the inflation projection in its 2000 budget proposal presented to the Mexican Congress in November (see SourceMex, November 17, 1999). As expected, the Zedillo administration strongly endorsed the CNSM's decision to limit the increase in the minimum wage to 10%. "This represents a vote of confidence in the economic policies of this administration," said Labor Secretary Mariano Palacios Alcocer. The CNSM overwhelmingly approved the minimum wage although labor representatives on the commission abstained from voting. The labor representatives, which include leaders of the government-sanctioned Congreso del Trabajo (CT) and Confederacion de Trabajadores de Mexico (CTM), decided not to participate when their proposal for at least a 15% increase was turned down by the business and government representatives on the commission.

Labor unions wanted at least 15% increase

CTM leader Leonardo Rodriguez Alacaine raised the possibility that the labor sector would no longer participate in the CNSM. "It is futile to remain in an alliance with employers and the government, which merely want to impose their positions," Rodriguez said. He said the question of withdrawing from the CNSM would be presented to representatives of various unions at a meeting Jan. 18. Another labor organization, the independent Union Nacional de Trabajadores (UNT), called for eliminating the CNSM, which it described as an "obsolete bureaucracy" that fails to adequately represent the needs of the workers. "The wage agreements that come out of the CNSM are an obstacle to the free negotiations that companies must engage in with their unions," UNT president Hernandez Juarez told reporters in early December. The 10% increase for this year means the minimum wage will increase to about 37.90 pesos (US$3.98) per day for workers in Zone A, which includes Mexico City and five other cities, plus the states of Baja California and Baja California Sur. In Zone B, which includes Guadalajara, Monterrey, and four other cities, the minimum wage was raised to 35.10 pesos (US$3.69) per day. In all other areas of the country, the daily minimum wage was increased to only 32.70 pesos (US$3.43). "This tiny increase eliminates any possibility for workers to improve their situation," said CT vice president Enrique Aguilar Borrego. About 20% of the Mexicans who comprise the economically active population (EAP) earn only the minimum wage. The CT and CTM wanted an increase of at least five percentage points above the projected inflation rate to compensate for the steady deterioration in workers' purchasing power since the 1994 peso devaluation. In real terms, Mexico's minimum wage has fallen by more than 30% since 1994, even though Mexican workers have steadily increased their productivity. Higher costs for basic products have also deteriorated workers' purchasing power. The consumer rights organization Asociacion Mexicana de Estudios para la Defensa de Consumidor (AMEDEC) says the index of basic products cost on average was about 11.5% higher at the end of 1999 than at the end of 1998. While the CTM
and CT had tempered their demands for wage increases, independent labor organizations such as the Consejo Nacional de Trabajadores (CNT) were demanding at least a 25% increase.

**Business leaders cite need to keep inflation down**

Business leaders said the increase in the minimum wage had to be kept small for Mexico to meet its inflation target for 2000. Alejandro Rodriguez Gallardo, president of the Confederacion de Camaras Industriales (CONCAMIN), said a low inflation rate would benefit workers in the long run. "We all know that inflation is the principal hindrance to worker salaries," said Rodriguez Gallardo. "We will only cause inflation and poverty if we increase wages without economic justification." Alberto Fernandez Garza, president of the employers organization Confederacion Patronal de la Republica Mexicana (COPARMEX), urged businesses to use the 10% figure as a guideline in negotiating all salaries with workers during 2000. Speaking at a forum sponsored by his organization, Fernandez said Mexico could easily attain its inflation target for a second consecutive year if worker salaries are kept in check. "If inflation is projected at 10%, then a 10% salary increase is sufficient." The Mexican government managed to keep annual inflation slightly below its target for 1999. In a report released in early January, the Banco de Mexico (central bank) reported the country's 1999 annual inflation at 12.32%, almost 0.70 of a percentage point below the Zedillo administration's target of 13%. Analysts credited the low inflation to a strong peso and the central bank's decision to tighten money supply. Still, the increase in the index for the basic basket of consumer goods totaled 13.15% during 1999, close to a full percentage point above the annual inflation rate. But labor leaders reject the excessive focus by the government and the business sector on a low inflation rate. "It doesn't matter how often we are presented with acceptable macroeconomic statistics because the workers continue to face difficulties," said the UNT's Hernandez Juarez. "Authorities are only interested in ensuring that we have cheap labor so we can continue to attract investments." The determination of businesses and the government to restrict wages in 2000 has angered many workers, who have threatened massive strikes in early 2000. Mexico City daily newspapers Novedades and El Economista reported that more than 82,000 workers from the airline, sugar, academic, transportation, and automotive sectors are planning to strike in January unless they receive salary increases ranging between 20% and 40%. Potential strikers include employees of the Universidad Nacional Autonoma de Mexico (UNAM), Transportes Aereos Ejectivos (TAESA), Ford de Mexico, and several sugar-milling operations. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Jan. 12, reported at 9.52 pesos per US$1.00] (Sources: El Universal, 12/13/99, 12/15/99, 12/20/99; Reuters, 12/30/99, 11/07/00; Associated Press, 12/31/99, 11/07/99 El Economista, 12/01/99, 12/03/99, 12/08-10/99, 12/15/99 01/06/00, 01/10/00; Reforma, 01/10/00; Excelsior, 12/03/99, 12/06/99, 12/08/99, 12/13/99, 12/15/99, 12/31/99, 01/03/00, 01/05/00, 01/07/00, 01/11/00, 01/12/00; La Jornada, 12/09/99, 12/15/99, 12/21/99, 12/31/99, 01/04/00, 01/07/00, 01/12/00; Novedades, 12/15/99, 12/17/99, 01/05/00, 01/06/00, 01/12/00

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