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by LADB Staff
Category/Department: Mexico
Published: 2002-03-13

The downturn in the Mexican economy has eliminated thousands of industrial, manufacturing, and retail jobs during the past year and forced a growing number of Mexicans to make a living as street vendors, domestic workers, and artisans. An analysis by the daily newspaper Reforma estimates that 600,000 Mexicans have entered the informal economy since early 2001, following the loss of more than 400,000 jobs in the formal economy. This brought the number of Mexicans making a living in the informal economy to about 18.9 million, or roughly 46.4% of the economically active population (EAP).

Reforma's analysis was based on data from the government's statistics agency (Instituto Nacional de Estadisticas, Geografia e Informatica, INEGI) and the Secretaria del Trabajo y Prevision Social (STPS). January unemployment highest since February 1999 INEGI said 1.258 million Mexicans, or 2.98% of the EAP, were unemployed at the end of January, the highest unemployment rate since February 1999. The government's unemployment data considers anyone who is working even a few hours as employed.

Economist Victor Godinez of the Sistema de Informacion Regional de la Economia Mexicana (SIREM) said the combination of unemployed and underemployed would cover roughly two-thirds of Mexico's EAP. He said the trend goes back several years, with the deficit of formal jobs since the mid-1990s growing to 6.53 million.

Private economists have long criticized the Mexican government's methods of calculating unemployment, saying it is not a true reflection of the jobless picture. Among other things, economists cite the failure to gather relevant data in rural areas and the tendency to count any person who works even one hour as employed (see SourceMex, 1994-11-02).

Labor Secretary Carlos Abascal Carranza said the Fox administration recognizes the need to make changes in the methods for calculating employment. This year the government is planning to pool data compiled by various agencies to create the Sistema Nacional de Informacion Laboral, which will offer an index of open unemployment.

The labor secretary said the administration wants to reduce criticisms that government employment data is "doctored." Regardless of the accuracy of the job-creation data, some experts note that unemployment is a significant problem for women, who are the sole breadwinners in an estimated 5.6 million homes in Mexico.

Researchers at the Universidad Obrera de Mexico (UOM) estimate that 5 million women in the EAP are unemployed. Furthermore, 11.93 million women do not earn enough to acquire the items in
the basic basket of subsistence goods. The lack of jobs in the domestic economy has forced many
Mexicans to seek employment in the US. But the employment picture has not been so rosy for
Mexican expatriates because of the reduction in service jobs since the attacks in New York and
Washington, DC, on Sept. 11.

A report published by the US Department of Labor in early March said 774,000 Mexican nationals
were unemployed in the US during the fourth quarter of 2001, compared with 567,000 in the same
period in 2000.

Employment expected to improve in second half of 2002
In a recent analysis, Grupo Financiero Banamex-Accival said unemployment in Mexico would
continue to deteriorate in the first and possibly the second quarters of the year, particularly in
the manufacturing and construction sectors. The report predicted a "solid" improvement in the
second half of the year, with Mexico creating a net 233,000 new jobs during 2002. The government is
presenting contradictory statements regarding job prospects in the coming months.

In a report released in early March, the Secretaria de Hacienda y Credito Publico (SHCP) said more
than 32,000 new jobs were created in the first half of February, the largest number for any 15-day
period in almost 16 months. The SHCP said this was the beginning of a recovery in the job market.
In contrast, the Instituto Mexicano del Seguro Social (IMSS) reported that the number of workers
enrolled in the government's social-security program has continued to decline gradually since Fox
took office in December 2000 and does not show any signs of recovery. As of Feb. 15, slightly more
than 12.06 million workers were enrolled in the IMSS, compared with 12.77 million in December
2000.

The IMSS said the majority of workers who lost jobs in the past 14 months were full-time
employees. The IMSS said the formula used by the SHCP and the Secretaria del Trabajo y Prevision
Social (STPS) to calculate unemployment is misleading because the annual growth in the EAP is not
balanced adequately with the job losses.

Thousands of jobs lost in maquiladora sector in 2001
Mexico's dire unemployment picture is a reflection of the general deterioration in the Mexican
economy, which is tied directly and indirectly to the sluggish US economy. The US economic
downturn, which worsened after the Sept. 11 attacks, has sharply reduced Mexican exports to
the US and curtailed activity in service sectors like tourism. The most dramatic losses are in the
manufacturing and assembly sectors, which INEGI says lost more than 6% of the work force, or
about 226,000 jobs, to layoffs in 2001.

The loss was especially evident in the states of Baja California and Chihuahua, and in particular the
cities of Ciudad Juarez and Tijuana, home to thousands of maquiladora plants. Deputy economy
secretary Rocio Ruiz said job loss in the maquiladora sector was accompanied by the relocation
of dozens of operations to Central America and the Caribbean for the cheaper labor and lower
production costs. "The maquiladora industry experienced its worst year ever in 2001 because of
the economic downturn in the US and higher production costs due to a strong peso," said Ruiz.
"Increases in the price of electric energy and water have also reduced competitiveness."
Juan Bueno Tenorio, deputy secretary for small- and medium-business development at the Secretaria de Economica (SE), said many parent companies have also begun to introduce less labor-intensive technology at maquiladora factories in Mexico, which is boosting production and reducing costs but also cutting back on lower-paying jobs. "Even with the losses in employment, the maquiladora sector has managed to increase exports because of greater efficiency," said Bueno Tenorio.

Many Japanese companies whose operations are primarily in Baja California have threatened to relocate or shut down their Mexican operations because of increasing production costs. Japanese plants employ about 50,000 Mexican workers. One Japanese company, office-equipment manufacturer Canon Business Machines, shut down its Tijuana operations in early March, leaving 450 workers unemployed. The company said the operations would be moved to Thailand and Vietnam.

Mitsuhara Nakata, vice president of the Asociacion de Maquiladores Japoneses, said maquiladora plants affiliated with Asian companies are facing many of the same problems as their counterparts whose parent companies are in the US and Canada. These problems include reduced sales to the US market and the strong peso.

But Japanese, South Korean, and Taiwanese subsidiaries are at an additional disadvantage because they are required to pay taxes on imported components that originate outside the US and Canada. This tax, required under the North American Free Trade Agreement (NAFTA), went into effect in November 2000 (see SourceMex, 2000-11-08).

Central American countries lure Mexican maquiladoras

Mauricio Marcos, president of the Camara del Vestido de Nuevo Leon, said many Central American countries like Honduras, Panama, and El Salvador are trying to attract maquiladora plants to their free-trade zones. Companies that move to these zones do not pay income tax, said Marcos.

Raul Picard, former president of the Camara Nacional de la Industria de Transformacion (CANACINTRA), said lower costs for materials, energy, and other production inputs are more of a factor than labor in determining the relocation of maquiladora plants to Central America and the Caribbean.

Still, many skeptics say Mexico's labor costs are not very high in real terms when compared with recent years. A study by the UOM on behalf of the International Labor Organization (ILO) indicated that Mexico has had the highest decline in the minimum wage in recent years. Researcher Laura Juarez, who led the study, said real wages in Mexico declined by 68.8% between 1980 and 2000. The loss of jobs and a new hard-line approach by some maquiladora owners has increased tensions in some cities that rely on the maquiladora industry.

In Ciudad Juarez, CANACINTRA has announced plans to create an "employment bureau," which would in effect blacklist employees attempting to organize workers at maquiladora plants.
CANACINTRA president Picard justified the bureau, saying it was directed at a "mafia" of workers and "pseudo-lawyers" who are seeking to blackmail employers with threats of labor unrest. "[The bureau] is a repressive strategy suited to totalitarian regimes," said labor activist Pedro Reyes of Espacio DESC, an umbrella organization of prominent human rights groups in Mexico. "It rolls back all the gains made by Mexican workers over the last century."

The Congreso del Trabajo (CT) has denounced the plans and has developed its own "blacklist" of 22 companies that are allegedly participating in the scheme. The CT's think tank, the Centro de Reflexion y Accion Laboral (CEREAL), said the union would organize marches, sit-ins, and other protests in Tijuana, Ciudad Juarez, and other cities if CANACINTRA does not back away from its plan. (Sources: Dow Jones news service, 02/27/02; Milenio Diario, 02/22/02, 02/28/02, 03/06/02; Reforma, 02/26-28/02, 03/04/02, 03/07/02; Notimex, Reuters, 03/07/02; Unomasuno, 03/08/02; El Universal, 02/22/02, 02/28/02, 03/04/02, 03/11/02; The News, 02/28/02, 03/05/02, 03/11/02; El Financiero, 03/11/02; La Cronica de Hoy, 02/11/02, 02/21/02, 02/22/02, 03/13/02; La Jornada, 02/21/02, 02/28/02, 03/04/02, 03/07/02, 03/13/02; Novedades, 02/22/02, 02/27/02, 03/08/02, 03/13/02)