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Job Deficit Becoming Major Problem for Fox Administration
by LADB Staff
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The rapid growth in unemployment is becoming a major headache for President Vicente Fox, whose economic policies have increasingly been criticized as ineffective. The spotlight shone again on the country's dire employment situation with the release of the jobless data for 2003. The report, published by the government's statistics agency (Instituto Nacional de Estadisticas, Geografia e Informatica, INEGI) in early January, put Mexico's rate of open unemployment at 3.3% in 2003. This was the highest percentage of jobless Mexicans since 1998 and the largest increase in unemployment since 1995, the year after the peso devaluation. The unemployment rate jumped from 2.12% in 2002.

The Fox administration's press office (Oficina de Comunicacion Social) attempted to put a less negative spin on the INEGI statistics, calling attention to the reduction in unemployment in December relative to November. INEGI reported the open unemployment rate at 3.38% in the last month of the year, compared with 3.97% the previous month. But data released by other agencies early this year contained similar bad news for the Fox government.

A report from the social security institute (Instituto Mexicano del Seguro Social, IMSS) said Mexico had a net loss of almost 35,000 jobs during 2003, raising to more than 355,000 the total number of formal positions lost since Fox took office in 2000.

"In the three years since the administration of Vicente Fox took office, the jobs deficit in Mexico has increased to 4.4 million," said the Mexico City daily newspaper Milenio Diario. "This trend is expected to continue this year, with only about 400,000 new jobs created this year, compared with the 1 million required to accommodate the new generations entering the job market."

Manufacturing sector continues to lose jobs
The downturn in the job market during the past year has hit all economic sectors, but those industries associated with manufacturing were especially hard hit. A subsequent INEGI report released in mid-January noted a sharp decline in jobs in the manufacturing sector last year. This report said the manufacturing employment index (Indice del Personal Ocupado de la Industria Manufacturera) declined by 3.8% in November 2003, compared with the same month the previous year.

The report said the number of workers in blue-collar positions declined by 4.3% in November, while those in white-collar or administrative positions fell by 3.1%. Of the manufacturing sectors, employment fell the most in industries that produce manufacturing equipment, textiles and apparel, and chemicals.

The administration and business leaders have blamed the loss of manufacturing jobs on the flight of some maquiladora operations to other low-wage economies like China and Central American countries (see SourceMex, 2002-11-13, 2003-05-14, and 2003-09-17). "China has become a much more
important exporter than Mexico, especially to the US, which is the world's most important market," said Gaston Azcarraga Andrade, president of the Mexican conglomerate Grupo Posadas.

INEGI said the Mexican economy has suffered not only from a loss of positions, but also from deterioration in the quality of jobs and an overall reduction in pay. The agency said that roughly half the workforce does not have any benefits such as social security or paid vacation. Regarding pay trends, INEGI noted an increase of about 1.3 percentage points in the number of workers receiving the equivalent of one minimum wage or less.

Conversely, the number of workers receiving between two and five minimum wages declined by three percentage points and by two percentage points for those earning more than five minimum wages.

**Unemployment also hits university graduates**

The job picture has also been unfavorable for Mexicans who have completed higher education. The INEGI report said that the unemployment figures at the end of last year included about 1.4 million Mexicans with university degrees. The statistics are based on a survey of 32 cities. And the future does not appear very encouraging for university graduates.

A survey by the Asociacion Nacional de Universidades e Instituciones de Educacion Superior (ANUIES) estimates that hundreds of thousands of professionals will be underemployed or unemployed through 2010. In the study, ANUIES noted that 41 professional fields are considered critically saturated, including medicine, accounting, law, computer engineering, education, and architecture.

ANUIES study coordinator Javier Mendoza Rojas said the market has changed significantly for Mexicans with higher education during the past 14 years. In 1990, he said, 93% of graduates from state or private universities found employment in their fields. "A university graduate now faces a very depressed professional job market," said Mendoza. Mendoza said many graduates who cannot find a job in their field end up working as taxi drivers or construction laborers or selling goods in the informal economy.

A Banco de Mexico (central bank) report said many graduates have begun to consider other alternatives such as seeking employment in other countries. "That means the undocumented migrant flow from Mexico to the United States that so far has affected mostly poor farmers and peasants will begin to include large numbers of educated workers in the years to come," said an article in The Arizona Republic newspaper. Some university graduates in past years had been able to depend on the government for employment.

Rather than expand state employment, however, the Fox administration has been forced to eliminate government jobs. In early January, the president came under fire for his plan to eliminate 50,000 jobs this year because of a tight budget. "There are important operations, such as hospitals and clinics, that do not even have sufficient personnel," said the government workers union Federacion de Sindicatos de Trabajadores al Servicio del Estado (FSTSE).
The administration's austerity program, which it claims had to be implemented because of the failure of Congress to approve a tax-reform plan, has also limited government expenditures on capital projects and infrastructure and further limited job creation.

**Administration criticized for lack of jobs program**

Some critics say the Fox administration has to offer a more specific program to promote economic recovery and job growth in Mexico. "If the government does not adopt the necessary measures to resolve the problem of unemployment, the country is going to turn into a pressure cooker," said Enrique Borrego, president of the labor organization Congreso del Trabajo (CT).

The Fox administration has provided few answers to address the unemployment picture other than to reassure Mexicans that the country's economy and employment situation will rebound this year along with the US economy. In a speech in late January, Fox predicted that 2003 would be a year of recovery for the Mexican economy. He especially cited the decline in the jobless rate in December and a 10% increase in exports at the end of the year.

Many private and government forecasts anticipate a 3% GDP growth for Mexico this year, which would be the country's largest economic growth since 2000. "We're expecting a 3.3% growth rate for 2004," said Jonathan Heath, an economist in Mexico City with LatinSource, a consulting firm. "But I wouldn't be surprised if we revise it upwards."

This is a sharp contract to 2003, when Mexico's GDP grew by only 1.2%, as the Banco de Mexico reported recently. The increasing jobless rate discouraged consumer spending during 2003, however, and contributed to one of the lowest inflation rates in 35 years. In a report released in early January, the Banco de Mexico said annual inflation reached only 3.8% in 2003, almost two full percentage points below the annual rate of 5.7% recorded in 2002.

Business leaders say the forecasts for increased growth do not guarantee a surge in new jobs. "We believe that we will create new jobs in 2004, but not at the levels required by our economy," said Juan Manuel Arriaga, president of the Camara Nacional de Comercio (CANACO) in Mexico City.

The Centro de Estudios Economicos del Sector Privado (CEESP) said job creation would remain low as long as economic growth is depressed. The private think-tank said slightly more than 83,000 jobs were created in the informal economy in the first eleven months of last year, but these represented only one-fourth of the more than 300,000 positions that have been lost since 2001.

A separate report published by the Consejo Coordinador Empresarial (CCE) said more than 27,000 direct jobs were lost last year in the agriculture sector, a trend that likely contributed to a growth in emigration to the US. The CEESP criticized Fox for relying too much on negotiating an immigration agreement with the US to reduce unemployment in Mexico.

"Rather than seeking formulas to reverse the ineffective policies employed during the past three years, the administration is sitting back and waiting for the US Congress to approve the immigration plan presented by US President George W. Bush," said CEESP economist Mario Rodarte.

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The Bush proposal, announced in early January, would offer six-year work permits to undocumented immigrants who find employment in the US. The proposal is expected to meet some resistance in the US Congress, especially among ultra-right legislators (see SourceMex, 2004-01-14).

Other economists cautioned against relying too much on a US economic recovery to boost the Mexican economy. "We're still in a 'don't worry, be happy' mode," said economist Enrique Dussel of the Universidad Nacional Autonoma de Mexico (UNAM). Dussel said a US recovery might not necessarily help Mexico as much as expected. "The United States will recover, and a small part of that recovery will fuel growth in Mexico," he said. "But it's going to help a lot less than it did in the 1990s. This year, an increasing share of the benefits will go to Asia and Central America," he told The Dallas Morning News. (Sources: Dow Jones news service, 01/08/04; El Financiero, 01/13/04, 01/16/04; The Arizona Republic, 01/18/04; Milenio Diario, 01/09/04, 01/20/04; Notimex, 01/22/04; El Universal, 01/09/04, 01/13/04, 01/14/04, 01/21-23/04, 01/26/04; The Dallas Morning News, 01/26/04; The Herald, 01/09/04, 01/20/04, 01/22/04, 01/27/04; El Sol de Mexico, 01/09/04, 01/13/04, 01/14/04, 01/21/04, 01/26/04, 01/28/04; La Cronica de Hoy, 01/09/04, 01/14/04, 01/22/04, 01/23/04, 01/28/04; La Jornada, 01/14/04, 01/22/04, 01/23/04, 01/28/04; Unomasuno, 01/22/04, 01/23/04, 01/28/04)

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