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Mexico, ILO Sign Agreement to Help Boost Formal Jobs, Increase Social Benefits for Workers

by Carlos Navarro
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The Mexican government and the International Labor Organization (ILO) have entered into a five-year agreement to develop greater social protections for workers in Mexico, expand the job market to create more alternatives for workers in the informal economy, and bring Mexico in line with international labor standards. Mexican Labor Secretary Alfonso Navarrete Prida and ILO secretary-general Guy Ryder signed the agreement at the ILO’s annual meeting in Geneva in mid-June.

The agreement signed by the Secretaría del Trabajo y Previsión Social (STPS) runs through 2018, the last year of President Enrique Peña Nieto’s administration. The two sides left the option of renewing the agreement after five years.

Calling the agreement a "historic first step that will allow us to do many things together," Ryder said the ILO and Mexico are on the same page in many areas, including the goal of creating a network to provide social protection for all workers.

Majority of “employed” workers in informal economy

One major goal of the accord is to encourage more Mexicans to move from the informal economy to formal employment. "An inclusive social security will reduce the incentives to remain in the informal economy," said the text of the agreement.

"The statistics indicate that between 4.8% and 5% of Mexico’s economically active population is unemployed," said Navarrete. "But these are misleading statistics. The reality is that 60% of those who are working are engaged in the informal economy, which means that only 40% of the EAP has a formal job."

Navarrete said moving workers from the informal to the formal economy would provide benefits for both the labor market and the federal government. "The 60% of the EAP that makes a living from the informal economy does not pay taxes, nor does it receive benefits or social security," said the labor secretary.

A recent report from the government’s statistics office (Instituto Nacional de Estadística y Geografía, INEGI) showed that about 30.4 million Mexicans did not have access to social security as of the first quarter of 2013, compared with 17.4 million who did enjoy these benefits.

The agreement is also in line with seven other areas that the ILO identified as targets for 2014-2015, including creating and extending social protection floors, protecting workers from unacceptable forms of work, developing jobs and skill for youth, boosting productivity and safeguarding conditions for small and medium-sized businesses, creating decent work in the rural economy, and strengthening workplace compliance through labor inspection.
ILO to subsidize studies, pick up other costs

Mexico’s labor secretary said the ILO would be covering a large share of the costs of implementing the program in México, particularly the initiatives that deal with creating social and health protection for workers, which are guaranteed under the Mexican Constitution. The ILO will also provide financing for Mexico to expand its social security network, including strengthening the pension program and creating a system to provide workplace insurance for Mexicans.

"I have to emphasize that the resources that will be used to meet the commitments under this agreement—including studies, projects, and solutions—will be covered primarily by the ILO, which is something that the agreement specifies," Navarrete said from Geneva in a remote news conference with Mexican reporters.

The labor secretary did not offer any specifics on the amount of money involved in implementing the agreement but said the ILO and the STPS would have more details related to studies and projects in November.

Navarrete said he was convinced that President Peña Nieto’s administration would be able to meet all the commitments signed with the ILO, particularly the effort to bring workers into the formal economy.

"The strength of the federal government’s institutions will be put to the test with such a large number of workers, about 30 million, in the informal economy," Navarrete said in the press conference.

Navarrete also tied the labor reforms to one of President Peña Nieto’s goals, which is to enact strategic changes to the energy sector, including increased private investment. These reforms, he said, were essential to bring down energy costs for businesses in Mexico, which would allow them to expand and employ more workers.

"Oil represents our main source of revenues, and this is significant because PEMEX is a state-run enterprise," said the secretary. "The problem is that the state-run company lacks the capacity to invest in exploration, and this has prevented us from developing the natural-gas resources that our industry requires."

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