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Conservative, Center-Left Parties Offer Proposals to Boost Minimum Wage

by Carlos Navarro

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In an odd turn of events, the left and the right have both launched initiatives to raise the minimum wage in Mexico, seizing on an initiative that President Enrique Peña Nieto and the governing Partido Revolucionario Institucional (PRI) have not put at the top of their economic priority lists. Some administration officials, including Labor Secretary Alfonso Navarrete Prida, have even warned that increasing wages could affect growth.

While a higher minimum wage has long been a priority for the center-left Partido de la Revolución Democrática (PRD) and other parties on the left, the generally conservative Partido Acción Nacional (PAN) has often taken the opposite stance, which is to support its business constituency, including the largest industrial groups like the Confederación Patronal de la República Mexicana (COPARMEX). One of the arguments of business groups is that keeping down operational costs—including labor—is important to allow Mexico to compete against China and other low-wage economies (SourceMex, Jan. 28, 2004). The PAN decision to jump into the minimum-wage debate on the side of the workers is surprising because the party has generally been considered an adversary of unions, which have tended to side with the PRI or the PRD on many issues (SourceMex, May 5, 2010, and Nov. 14, 2012).

Governing PRI urges caution

Conversely, the PRI has defended the status quo, suggesting that an increase in the minimum wage could affect the Peña Nieto government’s targets for economic growth. The PRI has traditionally had a very close relationship with the two largest labor umbrella organizations, the Confederación de Trabajadores de México (CTM) and the Congreso del Trabajo (CT), even during the administrations of former Presidents Carlos Salinas de Gortari (1988-1994) and Ernesto Zedillo (1994-2000), when the focus was on neoliberal economic policies.

The CTM remains a loyal partner of the PRI. In a statement in early August, the labor organization made the same arguments as the Peña Nieto government, that Mexico is not ready to raise salaries significantly. "The Mexican economy is in no way prepared to increase the minimum wage, at least not to the extent that some authorities and political parties are proposing," said José Luis Carazo, CTM representative on the Comisión Nacional de Salarios Mínimos (CONASAMI), referring to separate proposals made by Mexico City Mayor Miguel Mancera and PAN president Gustavo Madero.

However, some unions have come out in support of increasing the minimum wage, including the organization that represents workers at the Universidad Autónoma de México (UNAM). "This is not an inflationary proposal," said Agustín Rodríguez Fuentes, secretary-general of the Sindicato de Trabajadores de la Universidad Autónoma de México (STUNAM). "On the contrary, this increases the consumption capacity of workers, which in turn contributes to development."
Others warn that the proposals to boost the minimum wage might end up hurting small and medium-sized businesses. For larger businesses, the higher wages could mean layoffs or some other reduction in work force.

"The proposals [to raise the minimum wage] could bring worse consequences than the problems they were intending to fix," said Agustín Carstens, chief governor of the Banco de México (central bank). "If there is an arbitrary increase in the minimum wage, the question that one must answer is who will be paying for that increase."

Still, the PRI is not standing pat in the face of the proposals from the two other parties. The Peña Nieto government is planning to announce an initiative to change the formula to set standards for salaries in Mexico. Under the plan, which the president will send to Congress before the end of the year, the minimum wage would be removed as a base measure for dozens of fees and benefits, ranging from bank loans and mortgages to pensions and scholarships. The changes would eliminate certain restrictions that inhibit flexibility to set salaries. "I am convinced that the next important item on the agenda for Congress will be the initiative that removes the minimum wage as a unit of measure [for many unrelated economic criteria]," Navarrete Prida said in a radio interview in early September.

Under the PRI proposal, the statistics agency (Instituto Nacional de Estadística y Geografía, INEGI) would be in charge of creating a new index (Unidad de Medida y Actualización, UMA), which would be calculated at the beginning of each year as a guideline for salary levels.

**Mexico’s minimum wage among the lowest in Latin America**

While some analysts agree there is some merit to the PRI’s proposal, the overwhelming sentiment in Mexico is that authorities should take more intentional actions to boost the minimum wage. They point to a broad range of indices that put Mexico at the bottom of many lists in worker pay. Mexico has the 14th largest economy in the world, estimated at US$1.3 trillion. Yet, the country’s minimum wage of US$144 per month is one of the lowest in the Americas, even lower than some smaller economies in Central America. Workers receive a monthly minimum wage of US$166 in Nicaragua, US$492 in Costa Rica, and US$640 in Panama.

In South America, the monthly minimum wage ranges from US$211 in Bolivia and US$265 in Peru to US$300 in Brazil, US$340 in Ecuador, US$375 in Uruguay, US$386 in Chile, and US$433 in Argentina.

In a recent report from the Economic Commission for Latin America and the Caribbean (ECLAC), Mexico is the only country in Latin America where the minimum wage is much below the poverty line. The ECLAC report said the large economies in South America—Argentina, Brazil, Chile, and Colombia—all raised their base wages significantly during the period from 2002 to 2011, resulting in improved income equality.

"To be a worker in the formal economy in Mexico is a bad business because of the poor wages," economist Gerardo Esquivel of El Colegio de México (COLMEX) in Mexico City said in an interview with The Wall Street Journal.

Esquivel is among those who believe that controlled increases in the minimum wage would have little detrimental impact on the Mexican economy. "Moderate increases would create an incentive for formal jobs, only causing a manageable one-time impact on inflation," said the COLMEX economist.
Mexico’s low minimum wage also sets the country apart among members of the Organization for Economic Cooperation and Development (OECD). Mexico and Turkey were the only two members of the 34-member organization whose minimum wage fell in dollar terms between 2000 and 2012. And Mexico was at a disadvantage compared with Turkey, whose minimum wage of US$2.80 per hour was more than five times higher than its Latin American counterpart.

Some observers point out that increases in the minimum wage are enshrined in the Mexican Constitution, specifically Article 23, which spells out a number of protections for workers, including the right to a dignified salary.

"No one can seriously think the minimum wage is okay," respected economist Jonathan Heath, who owns the consulting firm Jonathan Heath y Asociados, said in an interview with the British newspaper The Economist. "Either we change the Constitution and don't do anything to the minimum wage, or we change the minimum wage."

**PRD takes the initiative**

The PRD has offered multiple proposals related to the minimum wage. Mexico City Mayor Miguel Mancera has not only presented a plan to boost salaries in the capital but also called on the national Congress to raise the minimum wage, beginning in 2015. In a plan developed in consultation with a group of experts, Mancera is pushing for a minimum wage of between 80 and 87 pesos per day (US $6.00 to US $6.50), compared with the current rate of about 67 pesos (US $5.00), which he said would provide the essentials for survival in daily food intake and transportation to and from work.

In offering his proposal in early August, the Mexico City mayor proposed a broad discussion on the minimum wage that would include the participation of academics, labor unions, business leaders, legislators, and other members of civil society. Mancera said urgent action was needed, as the minimum wage has lost 77% of its purchasing power in the past 35 years, eroded by inflation. "This means that, in Mexico City, we can only acquire 23% of what we could buy in the 1970s," Mancera told reporters.

To demonstrate that he is serious about his proposal, Mancera has instructed Mexico City government officials to refrain from hiring companies that pay less than the minimum wage. "This is not a fleeting proposal that we are putting forth," said Mancera. "We will continue to push for an improvement in the minimum wage in our country because this is a reality that we have to bring to light."

The PRD has brought up the issue in both chambers of Congress. At a hearing in early August, Deputy Silvano Aureoles Conejo, floor leader for the PRD in the lower house, urged his colleagues from all parties to take Mancera’s proposal seriously and engage in thorough debate regarding modifications to the minimum wage. Aureoles said the current minimum wage has become simply an instrument that regulates the decline in the salaries of Mexican workers.

Furthermore, Aureoles said recent studies show that, for many years now, the minimum wage in Mexico has lost significant purchasing value, which has forced Mexican workers to adjust their living conditions and expenditures based on that change.

The PRD delegation in the Senate, meanwhile, introduced an initiative in early September to raise the minimum wage to 82 pesos (US $6.19), effective in 2015. "This timely proposal intends to guarantee that, effective in January, the minimum wage should increase from the current rate of
just over 60 pesos (US$4.52), eliminating the current structure of setting salaries by zone," said Sen. Armando Ríos Piter.

Ríos Piter acknowledged, however, that an increase of 30% in the minimum wage is a short-term measure and by no means sufficient to meet the needs of many workers. Therefore, the PRD initiative also contains a proposal for the long term, which is to increase the minimum wage by 200% in a six-year period, bringing the wage to 171 pesos (US$12.90) by 2020.

Analysts agreed that the move to boost the minimum wage is compatible with the political philosophy of the PRD and other center-left parties. "The political left has deep-seated and historical reasons to address minimum wage, but this issue also represents a challenge to conciliate fair wages with employment increase," said Liébano Sáenz, a columnist for the online English-language news site The News.

Sáenz, who served as an aide to ex-President Zedillo, also defended the PRI’s opposition to quick-fix solutions on the low minimum wage. "It requires more imagination and preparation than a simple demand for better wages," said the columnist. "Workers are not so superficial as to believe the easy demagogic political proposal of a simple wage increase."

Cecilia Soto, a columnist and former presidential candidate for the Partido del Trabajo (PT), agreed with the PRD on the need to push through a minimum-wage measure. "My proposal differs from the [Mancera plan] only on the timetable by which it is to be implemented," Soto wrote in one of her columns in the daily newspaper Excélsior. "Even though I believe that it is a matter of justice that the minimum wage be increased by 20 pesos, followed by annual increases, as Mancera has proposed, I think we should consider gradual increases every six months. This timetable would allow us to observe the effects in the short term of an increase in the minimum wage."

**PAN proposes citizen consultation**

The overwhelming support by the PAN for a minimum-wage increase is more surprising, given that this has not been one of the issues promoted by the pro-business party. The party would not immediately raise the minimum wage but would bring the issue to the public to vote in 2015 on whether the increase should take place. Party president Madero announced the PAN’s intention to seek a referendum in late July.

The wording of the referendum would ask citizens if they agree that the federal labor law (Ley Federal del Trabajo) be amended to require that the national minimum-wage commission (Comisión Nacional de los Salarios Mínimos) establish a new minimum wage to guarantee the well-being of a family. The guidelines for "well-being" would be established by the federal social-welfare council (Consejo Nacional de Evaluación de la Política de Desarrollo Social, CONEVAL).

"With this consultation, we are proposing to substantially improve the earnings of workers and guarantee a dignified salary that would provide for improved well-being for families in our country," Madero said in announcing the PAN initiative. "This could help us with a better distribution of wealth and a reduction of poverty and inequality in Mexico."

Critics said the PAN initiative is simply a political maneuver to give the party a popular issue to bring to the public. In this manner, the PAN would be taking advantage of a new tool provided by recent electoral reforms that allows citizens and political parties to bring certain issues directly to the public (SourceMex, Dec. 11, 2013, and March 19, 2014). The PRD and the Movimiento Regeneración
Nacional (Morena) have said they want to use this instrument for the public to vote on whether they approve of the energy reforms that Congress approved in 2013 (SourceMex, Oct. 16, 2013, and July 30, 2014). The PRI wants citizens to vote on a proposal to reduce the size of Congress (SourceMex, Aug. 27, 2014).

PRD Sen. Miguel Barbosa said the consultation is a political ploy to enhance the image of the PAN for the upcoming mid-term elections in 2015. "The people do not need to be asked whether they receive a good salary," said the PRD senator. "What they want is solutions."

Others agreed that plan seems unnatural for the PAN. "Indeed, the current minimum wage is unacceptable because it is based on the established parameters that do not permit decent living conditions," said Liébano Sáenz. "However, what is new now, and perhaps unique, is that the PAN is beginning to embrace this argument. [Peso-dollar conversions in this article are based on the Interbank rate in effect on Sept. 17, 2014, reported at 13.26 pesos per US$1.00.]

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