

The world of labor in Mexico in a Neoliberal context.

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Received: 18/07/2020

Accepted: 23/09/2020

Abstract

The Neoliberal context has precarious the labor context in Mexico. The unemployment rate decreased from 7.5% in 1973 to 3.6% in 2017, however, temporary jobs predominate. In addition, the minimum wage decreased case 30% between 1940 and 2018, and only one third of the employed population has access to health institutions. An economic policy based on history, mentality, needs and the country environment could be a possibility to face the current imbalances of the labor market. Definitely, a greater participation of the government in the indicated economic activities is needed to guarantee a better functioning of the labor world in Mexico.

Key Words

Neoliberalism, Mexico, Employment, Latin America

The neoliberal model appears in the 80's to replace the model of substitution of Imports (MSI), after a strong oil crisis that paralyzed Latin American and African countries, particularly. During the Washington conference, the Bretton Wood institutions imposed the Structural Adjustment Programs (SAPs), which consisted of balancing the balances of payments of the developing countries that based their exports on oil and raw materials. But the International Monetary Fund (IMF) did not comply with the agreements of the conference, that is, to bring investment to countries that were going through unfavorable circumstances in order to get back to full employment (Stiglitz, 2002).

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After the Second World War, Mexico experienced an exponential economic growth that occurred between 1954-1970, called "the Mexican Miracle", the country grew steadily at rates above 6% with a control of the level of inflation and indebtedness, all driven by nationalist policies based on the protection of the domestic market (Aguirre, 2019). The application of nationalist policies oriented towards economic and social well-being, materialized by high salaries, social security, the pension system and others, corresponds to the context of protectionism.

During the protectionist era, the State applied Universal Public Policies (PPU) that consisted of strengthening the relationship between the welfare State and Society. The objective of the PPU was to establish a strong channel of communication between the government and the population through benefits from the development of industry, the expansion or creation of large cities such as Mexico City, Guadalajara and Monterrey, social cohesion, equality of rights and opportunities, the generation of employment and decent wages.

Also, the application of the PPU favored the increase of the Gross Domestic Product (GDP), the Per Capita, the construction of infrastructure such as roads, improvement of the Human Development Index. But this situation could not be sustained and presented signs of exhaustion due to various problems of which we can mention the speculations about the possible devaluation of the peso, the protest marches of students and civil society, the increase in foreign debt and mainly the fall in oil prices.

In fact, at the beginning of the 1970s, the protectionist model showed signs of weakening after the Yom Kippur war, which generated a deep crisis due to the rise in international oil prices that had a devastating effect on those countries that export raw materials, especially Latin American and African countries. This crisis marked the transition from an MSI with a protectionist character to a liberal model of Mexico's economy oriented towards opening up to the international market.

For Piketty (2013), the neoliberal model leads to an economy dominated by those who are lucky enough to be born into a position of inherited wealth. It is interesting to observe how the children of families of great fortune and public visibility began to come together in an affinity group; they are the ones who enjoy the best jobs, leaving those in a position of poverty to work poorly.

Stiglitz (2012) about the shortcomings of the neoliberal model mentions that "although underlying economic forces may intervene, politics has conditioned the market, and conditioned it in ways that favor those at the top at the expense of others. Any economic system must have rules and regulations; it must function within a legal framework. There are

many different frameworks, and each of them has consequences for the distribution of wealth, as well as for growth, efficiency and stability. The economic elite has pushed for a framework that benefits them, at the expense of others, but it is an economic system that is neither efficient nor fair" (P. 326).

For the analysis of the context of the labor market in Mexico, this document will focus on indicators or variables such as unemployment, occupation, social security, wages and sectors of activity.

According to data from INEGI (2019), the growth of the GDP in 1940 was at 6.5%, a percentage that fell to 2.5% in 1985, the date when economic liberalism began. By 1994 growth reached 2.5% and fell slightly to 2.1% in 2016. After 30 years of the neoliberal model, economic growth did not reach 3%, half of the growth of the post-second war period. The momentum of neoliberal policies has brought slow economic growth to Mexico.

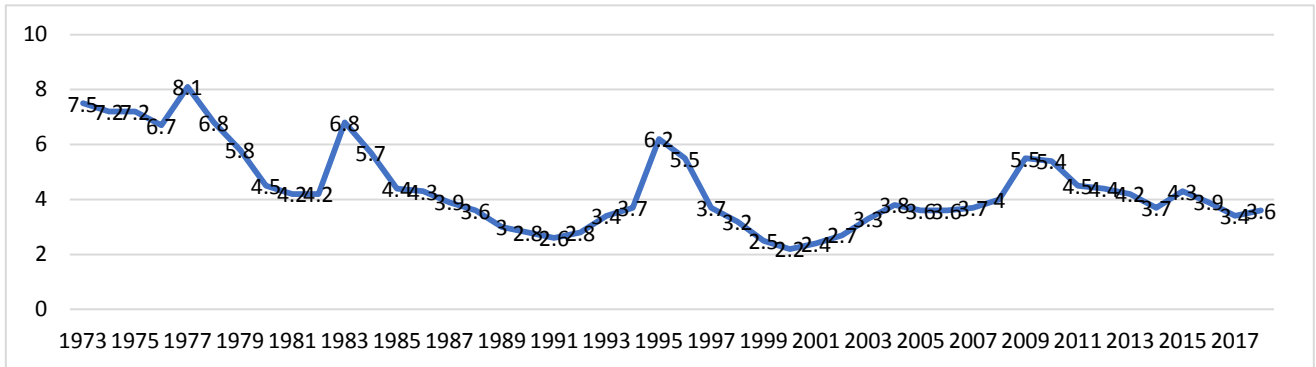
Graph 1 shows the unemployment rate in Mexico between 1973 and 2017. The unemployment rate has decreased from 7.5 to 3.6%, that is, a little less than half. This seemed to be a good result, but it has produced an increase in the rate of temporary jobs, generating problems with the formality of the jobs and the training of the labor force. Many young people do not find well-paid work in large companies are hired by micro, small and medium enterprises (MSMEs) where there is no employment contract, social security and where the demand for labor is lower because there are no training programs, courses, seminars. Due to their lack of capital, MSMEs cannot offer better working conditions and are inserted in the informal sector, which represents 60% of the national economy.

The SAP², in contrast to the protectionist period it has implemented from its programs Focused Public Policies (PPF), are those policies oriented to the market, the privatization of the means of production as well as the reduction of the participation of the State in the economic activities. The government sees itself stripped of its paternalistic role, as protector of the workers, the formality in work decreases, outsourcing type contracts are born that limit the rights of the worker, social security and others. The priority objective of the PPF is the growth of macroeconomic variables without worrying about issues such as inequality, poverty, basic rights, and social welfare. Therefore, neoliberalism tends to favor the separation of the economy from social realities.

² The Structural Adjustment Programs are a series of measures incorporated to correct the economy of the countries after the oil crisis, these measures were: Fiscal Discipline, Foreign Direct Investment, Interest Rate, Deregulation, Exchange Rate, Tax Reform, Inflation, Trade Policy, Public Expenditure Priorities and Privatization.

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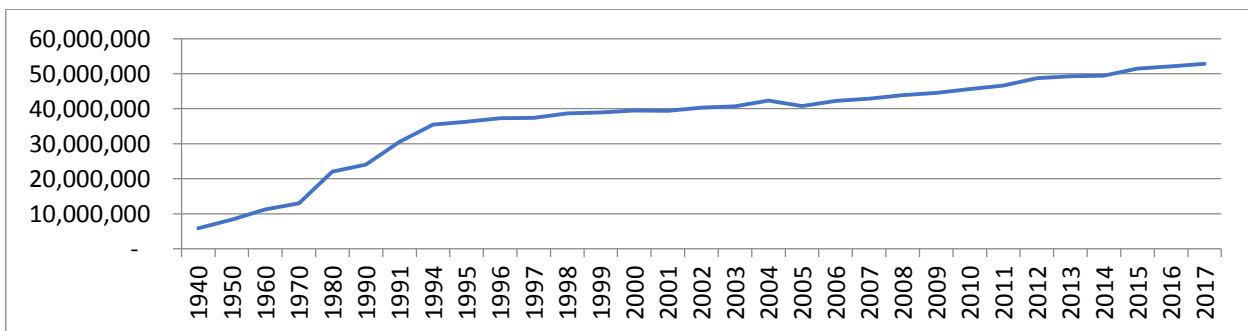
Graph 1. Unemployment rate in Mexico 1973- 2017. Millions of people



Source: Own elaboration based on the National Survey of Occupation and Employment and Ruiz y Ordaz (2011).

Graph 2 shows that the slope of the growth of the total occupied personnel between 1940 and the beginning of the 1990s has been greater than the slope during 1995 until 2017. It cannot be denied that the employed population has increased as a result of population growth in the last mentioned period, only that the slope is not sufficiently steep upwards as in the period of protectionism.

Graph 2. Employed Population in Mexico 1940- 2017. Millions of people



Source: Own elaboration based on INEGI (2019).

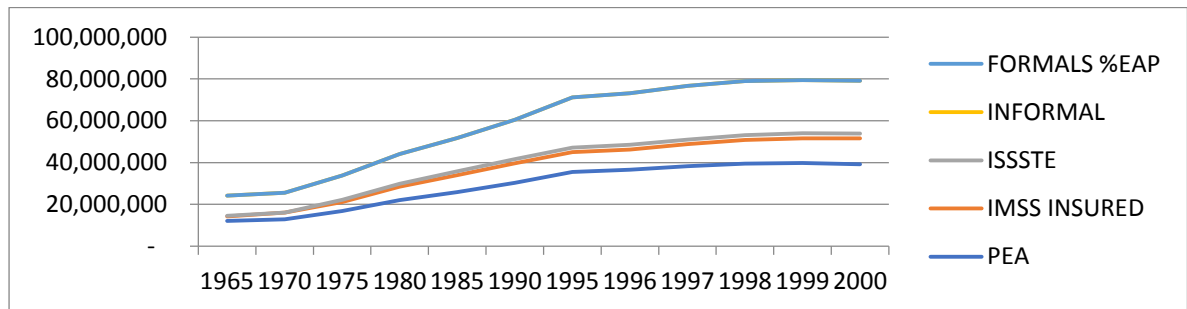
For, Hirst and Thompson (2003) there are three factors generated by neoliberalism that affect labor markets. First, neoliberal policies have stimulated the process of economic globalization, favoring the expansion of capitalism and multinational corporations beyond national borders. Second, neoliberalism has made labor markets more flexible by deregulating collective bargaining contracts, reducing real wages and eliminating labor benefits. Third, neoliberalism has fought for the relative reduction of government regulation of the economy and the

privatization of numerous parastatal enterprises, and the state has abandoned the provision of social security and other social benefits for the working class.

Graph 3 presents the evolution of the IMSS and ISSSTE insured persons. It can be seen that between 1965 and 1990 the number of beneficiaries increased substantially, with a positive or rising curve. However, after the signing of NAFTA, a slow evolution of said process can be seen. In Mexico, only a part of the labor force is employed in the formal sector, that is, in those activities that register their workers and employees with the IMSS or ISSSTE, and the rest has to make do in the informal sector. This situation has worsened and has increased the inequality gap between the population.

According to ECLAC (2016), inequality has taken on proportions much higher than the average for the region and points out that while the Mexican economy only grew at a rate of 2.6% between 2004 and 2014, wealth increased by 7.9% for the same years and 10% of the richest families in the country concentrated two thirds of all physical and financial assets (Quintana, 2016).

Graph 3. EAP, IMSS Insured, ISSSTE, Informal and Formal Workers (%EAP) in Mexico (1965-2000).



Source: Own elaboration based on Nacional Financiera (1990), *L a economía mexicana en cifras*, reissue; Poder Ejecutivo Federal, Segundo Informe de Gobierno, September 1, 1996; Poder Ejecutivo Federal, Quinto Informe de Gobierno, September 1, 1998.

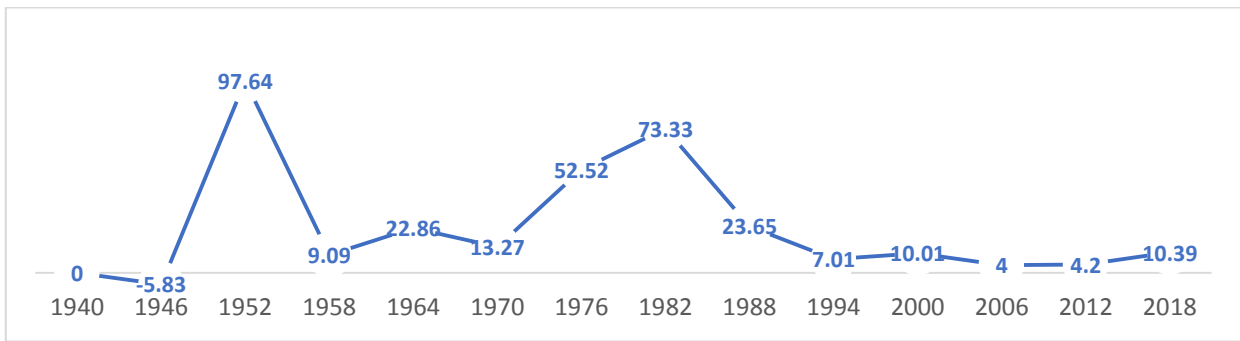
However, it can be seen in Graph 4 that during the period 1940-1970 a worker had greater purchasing power than in 2018. During this period, the so-called Mexican miracle took place, which evidently reduced poverty by increasing the purchasing power of salaries. For Aguirre, (2019), the behavior of the minimum wage is reflected in other wage strata and what we have today are wage levels that have been stagnant for more than 20 years. It is enough to see what

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today's graduates from universities earn. Low wages favor exports, but at the cost of limiting the purchasing power of workers.

According to Mariña-Flores (2016), real wages in the manufacturing industry, especially in the automotive sector (Tapia and Chiatchoua, 2020), have not recovered the maximum levels reached in 1977. Today, purchasing power is almost 30 percent lower than in the mid-1970s. The contraction in the purchasing power of salaries since 1977, particularly acute since 1981-82, has been sustained by a state policy that, reinforcing the previous trend, has prevented the recovery of the purchasing power of the minimum wage that continues to be the foundation of the levels of all strata of the wage structure.

Graph 4. Percentage increase of the minimum wage in Mexico 1935-2018

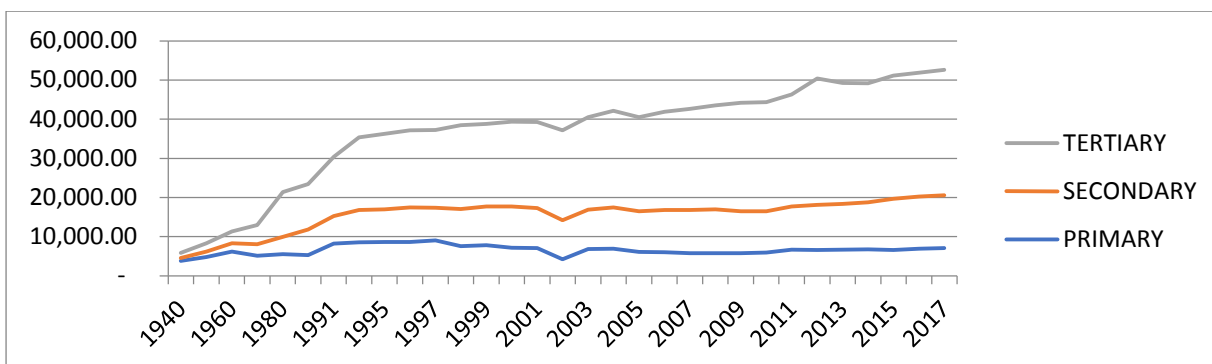


Source: Own elaboration based on Banxico, INEGI and STPS, 2019.

Next, Graph 5 shows the employed population by sector of activity. It can be seen that most people work in the tertiary sector. This sector has been growing as Mexico has become more globalized. The creation of new jobs generated by the introduction of technology, changes in habits, and financial movements, established by rich countries, has led to the outsourcing of economic activities in developing countries, mainly in Mexico where the tertiary sector employs more than half of the workforce and provides more than 70% of the total income of the GDP (Coll-Hurtado and Córdoba, 2006).

Graph 5. Employed Population by Sector of Activities in Mexico. (1940-2017). In millions

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Source: Own elaboration based on INEGI, 2019

Finally, Mexico has gone through several stages after the 1980 crisis with the implementation of structural adjustment plans, which is why this paper analyzes the evolution of the labor market in Mexico during the stage of nationalism and neoliberalism. The results have shown that the indicators selected have not grown as expected and the need for a new path or economic model that responds to the expectations of society arises.

The transition from a protectionist model to a liberal model has not been well assimilated by the different governments that through the PPF have only sought to improve the growth indicators of macroeconomic variables at the expense of social cohesion and welfare. The proposal should be based on generating knowledge that strengthens the design of differentiated public policies focused on combating social problems such as inequality, discrimination, marginalization, exclusion, poverty, insecurity, femicide and other social problems. So, a return to PPU is the solution?

Answering in the affirmative would be very risky because the social, historical, population, and economic context has evolved. Perhaps the PPU could be the starting point for the generation of PPDs aimed at improving the context of the Mexican labor market. This implies generating proposals to reduce the informality of the economy, this by supporting micro and small businesses in terms of labor training, financial education, fiscal and banking facilities and access to social security, without forgetting to increase salaries. In fact, the current government has begun this task with two minimum wage increases since December 2018 when it became president.

This proposal will not be an easy task since the owners or holders of capital will not accept to share their profits and will struggle to maintain their different privileges. This is the dilemma that the government will have to face and that is why it must generate an environment of trust with the different economic agents. Establishing a link between government-university-

business-society-market will allow the development of proposals or policies that will satisfy the needs, in this case of the labor market. A well-advised labor market is a guarantee of economic development and growth. Finally, what will be the role of the government in improving the labor market?

The absence of a state that regulates and facilitates trade in the market causes the dysfunctions mentioned above, the large multinationals are not interested in the dignity of the human being, it is enough to develop an economic model that responds to the needs of the worker and not to the interests of a few capitalists. As the president-elect recently mentioned: "What we want is for the government to represent everyone. Just as there was the separation at the time of the state and the church, because to God what is God's and to Caesar what is Caesar's, so now a separation of economic power from political power is needed, and that the government represents everyone, that is what I propose" (ADN political, 2018). Greater government involvement in the above-mentioned economic activities is definitely needed to ensure a better functioning of the world of work in Mexico.

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