

2001-12

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Román-Morales, I. (2001) "Market liberalization and employment restructuring in México". En Valencia, Enrique (guest editor) *Development and Society*, 30 (2), pp. 79-108. Seul: ISDPR.
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MARKET LIBERALIZATION AND EMPLOYMENT REESTRUCTURATION IN MEXICO

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ITESO

This paper analyzes how the economic liberalization policies have transformed the structure of employment in Mexico since the 1980s. In particular, this paper focuses on how the underemployment and the heterogeneity of the Mexican economy are increasing. In fact, this study shows that the labor market policies are producing more social exclusion because most of the Mexican labor force is not integrated to typical labor markets.

INTRODUCTION

In the beginning of the 21st century, the paradigms' crisis appears to deepen in order to propitiate economic and social development. In general terms, there has not been real success in most countries in the struggle against the obstacles for development. These obstacles include low economic growth, technological and organizational underdevelopment, income concentration in very few families, concentration of markets in few enterprises, continuous deficit and external vulnerability, and, accumulation of debt.

Facing this, two interpretations about solutions which lead the search of social welfare can be developed. Should these be applicable since concepts, techniques and principles are universally valid? Or, on the contrary, should concepts, techniques, and principles be gelatinized and modified in function of the reality among its wants to act?

Historically, the first interpretation has led to debates among great disjunctives around the agent's preeminence and ambits that benefit development. These include the following: between economic incidence State and free market; between national economy protection and its international liberalization; between considerate increase as a previous condition to distribution and consider it simultaneous to development of redistribute practice; and, between what is known as real spheres (of production) and the commercial-financial (of circulation).

In the second interpretation, which will relate concepts and theories (just as public policies suggestions that came from there) to specificities, among they operate, appears the problem about the form to establish their space-

temporal delimitation. Certainly the same policy alternatives cannot be suggested for any part of the world. But how can we delimit its space and validity period? A policy to promote development is not necessary equally adequate for Italy, South Korea, Mexico or Mali. Furthermore, a policy staged for Mexico is not necessarily applied equally in zones where indigenous populations predominate in the south of the country, in the same way that it is applied in border zones with United States.

Discussions around great theories and economic disjunctives permit us to define basic orientation among its establish action priorities to modify a determinate reality. On its part, knowledge of particular realities permits to practice base theory's schemes and to adequate them to different circumstances. However, bridges between theories and specific realities are fragile and frequently have conduced, as in the Mexican case, to give priority to theory scheme logical coherence (doesn't matter if we agree or not with it), upon realities where it is applied. Thus, dissimulation between theory scheme and social relations of production that exist can generate opposite results to the ones that the scheme itself follows.

Social policy in Mexico, as in most non-industrialized countries, has followed orientations associated with universal techniques and principles of validity. Paradoxically, in economic liberalization, its principles do not involve universality but pay attention to social policy actions and population that cannot incorporate productivity to markets.

Thus, social policy is oriented to the attention of extreme poverty, to enforcement of productive individual capacities (human capital) and as a consequence, to the search for economic opportunities. This refers to the entire population which can constitute an effective supply in labor market. All of this enhances a series of ideological conceptions, where society is conceived of as an articulated individual sum fundamentally, as suppliers and demanders that take their decisions in a personal way, instead of one based on power relations and interests which are worked between them.

This methodological individualism makes easier a construction of cause-effect relations associable to discriminatory perceptions toward specific social groups where, moreover the characterization of social group in relation to poverty is confused. In front of consensus' inexistence about poverty understanding meaning (in the sense of whole characteristics that define an object), it appeals to an extensive definition and, from there, to an association with the population which execute predetermined characteristics, mostly Indians, farmers, and children whom live in streets.

If poverty is a phenomenon determined by individual elements (school, healthy services, housing, nourishment absence), why do the poor not have

access to these factors? If answer lies with individual circumstances, then rest of society is not guilty for their poverty. In this line of thinking, power relationships in a country do not produce poverty; therefore the problem of wealth concentration has nothing to do with the operation forms of a whole economic system.

Under this perspective, sons of the poor deserve special attention, because they are not guilty of their parents' poverty. In this way, society must give them the satisfactory elements needed to fight against poverty (economic opportunities). They can appeal to focalized programs or private programs. If they still continue being poor that is no longer responsibility of the rest of society.

Who conceives of the elements that the poor require to stop being poor? Clearly the poor are not asked to answer this question. In these circumstances, social policy is a decision taken instrumentally by the non-poor people trying that the poor act under logic that do not belong them. Even though the intention is to fight against poverty, this scheme involves a kind of paternalist classism, where the poor are objects, not creators and evaluators of economic and social policies.

In this article we will analyze the relationships between economic liberalization in Mexico (established since a similar logic of most of the underdeveloped economies and indebted countries in the world) and the transformations occurred in employment forms, wealth production and distribution. Our hypothesis is that liberalization has resulted in a major heterogeneous process (coexistence of unequal production forms) and economic disintegration, where a few productive and trade segments have been favored by their successful integration to the global economy but the national productive capacity and welfare society level have been damaged.

In the first section we will specify the main lines of economic policies applied in Mexico since 1982, particularly on those items that refer to state effort forms of workforce reproduction. In the second section, we will present a general view of Mexico's macroeconomic evolution in order to examine primary employment determinants: economic activity and productivity. We will review conceptual debate among employment problems and the main transformations that Mexico has experienced since economic liberalization. Finally, we will refer to labor market situations and possible transformations in its regulation forms.

FROM STATE TO MARKET, FROM PROMOTION OF EMPLOYMENT TO IMPERFECTION CORRECTIONS IN THE LABOR MARKET

In this section, we will present synthesis of the economic strategy applied in Mexico since 1982, and the role that employment policy developed in it. Then we will discuss the preeminence of human capital inversion policies, and current discussion around labor legislation reform.

1. Economic liberalization: privatizations, external opening markets and deregulation

Mexico is a highly indebted country that is finding it difficult to meet its financial commitments. Even before 1982, it had growing fiscal imbalances, highly concentrated income distribution structures and markets controlled by oligopolies. Such were its characteristics in the early 1980s, and it was obvious that substantial modifications to its economic organizational structure were necessary. However, the types of changes implemented have not reduced labor disparities existing before adjustment. On the contrary, the heterogeneity of these economies has substantially increased. It would almost seem that the main common denominator among these countries is their internal heterogeneity.

At the same time, Mexico is among the countries with the highest concentration of income in the world.

Generally, employment and the labor market have been significantly affected by structural adjustment policies. Decisions made by governments to liberalize are often put into practice through privatization, deregulation, external liberalization, financial reforms, and reorganization of landholdings. These structural adjustments have affected labor and living conditions.

Since external debt crisis and the moratorium of the payment of external debt in August 1982, Mexico began its economic liberalization. Initially the economic reorganization strategy (fiscal and external stabilization policies) and structural change (adjustment), developed in 1982 and 1988. In this period, many free markets policies took place.

They include:

- Lockdown or the sale of public enterprises.
- Substitution of permissions to importation for tariffs to external trade (and fall on tariff rates).
- Inclusion of Mexico into GATT (1986) and juridical & administrative reforms to deregulate public intervention on (i) bonus market, (ii)

direct foreign investment and (iii) public restrictions to free market.

In the labor field, since 1982, governments have reoriented their employment policies toward what are known as active labor market policies. Here, the role of labor policy (limited to the labor market), is based on the assumption that there is no involuntary unemployment but rather market imperfections that can be handled through: (i) information (for example, using employment agencies); (ii) policies that actively adjust supply to demand (human capital formation); and (iii) elimination of market externalities (flexibilization of the labor market). In section two we will further discuss this issue.

Between 1988 and 1994 liberalization processes were intensified, particularly with privatization of the largest public enterprises (except in electricity and petroleum), as in banks, telephone, mines, and airlines. For trade liberalization, free market agreements were established with Chile, Costa Rica, the United States and Canada. Likewise, Mexico was incorporated into OCDE and APEC. Also, there was a reform in the law regarding foreign investments, and the human capital theory influenced deeply many social policies, particularly labor market ones.

From 1994 to 2000, privatizations (sales) and private concessions for using public infrastructures, such as railroads, petrochemicals, satellite systems, roads, ports, and airports have continued. Simultaneously, free trade agreements were frequently promoted, now with the Europe Union, encouraging not only trade deregulation but also foreign investment opening. Thus, Mexico has entered the Multilateral Investment Agreement (which finally has been postponed for international discussions). Currently, the government has to take care financially of privatization failures, principally through banking system, highways, and airlines rescue. By the same way, autonomy was given to central bank (Bank of Mexico) to stop credits to the public sector (monetary restriction policy). In regards to main public enterprises (Petroleos Mexicanos, Comision Federal de Electricidad y Compania Luz Fuerza del Centro), outsourcing processes for private enterprises have been established for construction and operation specific works. In the labor field, precedent government actions continue.

The current government, that assumed power on December 2000, has proposed to continue with the previous governments logic, in order to contain inflation (and the current deficit on balance of payments), to achieve public finances equilibrium and to continue fostering free trade. Thus, accomplishment of a free trade agreement with Japan is being negotiated. At the same time, the Americas Free Trade Agreement for 2005 has been approved. To

Meanwhile, trade liberalization and the reorientation of economic strategy toward exports have considerably weakened micro, small and medium-sized businesses (only 1% of Mexican companies participate in international trade, and 700 companies control 75% of all exports). There was also an increase in interest rates from 1982 to 1987, and the country's development banking system was dismantled. This created a serious problem due to loan defaults, which became one of the causes of the weakening of micro, small and medium-scale industry. Corruption and poor administration forced the government to intervene to rescue the banking sector (through the creation of FOBAPROA).

To the preceding must be added the maquiladorization of industry. In this scheme, it is true that fresh investments are generated from new sectors and regions, but at the same time, this industry replaces already existing businesses, with an ensuing multiplication effect on employment and domestic investment. That is to say, when businesses do not generate either forward or backward productive linkages within the country's economy, they become enclaves. They generate employment only in the production of the final product and destroy existing businesses and the jobs of those providing inputs for the now-displaced businesses. This is how gross employment generated by the maquiladoras can produce a negative sum in the net generation of employment.

This type of industrialization is thus linked to the depression of wages. Instead of increasing national capacity to generate formal employment, it has brought about its opposite, increasing underemployment and informality.²

Thus, employment is dislocated and a disintegration-maquiladorization of the industrial sector occurs. This, in together with the policy of cleaning up public finances and concomitant business closings and layoffs, has augmented the concentration of employment in the service sector as well as in the informal sector.

3. Employment

In general, significant changes were observed in the percentage of the economically active population (EAP) with respect to the total population and

² Employment in this type of business involves mostly women. When the labor market is deregulated, women are the most affected since they are easily fired when they become pregnant or get married. In the case of pregnancy, both they and their future children find themselves at greater risk of illness and injury because of the presence of toxic substances and the possibility of suffering an accident in the workplace.

reinforce private investment, the creation of a multinational plan is being designed, and is oriented to private investment promotion which would cover Mexico's south and Central America's region (Puebla-Panama Plan.)

On the internal level, four fundamental economic reforms are being planned: rural, energetic, fiscal and labor market reforms. The third section discusses this final aspect.

2. Human Capital and labor market policies.

According to promoted conceptions since the mid 1980s, development policies beginning in this decade (like unemployment insurance) were considered passive, because they did not implicate a change on supply characteristics and labor demand to adjust to market equilibrium. In order to modify this scheme, labor market active policies, as they are known, were designed to reduce labor market imperfections and to make the market more flexible.

If it is assumed that employment problems exist mainly because of poor articulation between supply and demand, the simplest way to correct this problem would be by informing those supplying labor about where the demand is and vice versa, thereby adjusting the characteristics of the supply to the needs of the demand. How can this be done? Mainly through education and training and, to a lesser degree, through primary health care, housing and nutrition programs.

Following this assumption, the existence of unemployment and poor working conditions could be explained by the fact that the workers (supply) do not know where the demand (jobs) is located, and that the characteristics of the supply (education, training, health) are not compatible with the requirements of the demand. In other words, it is assumed that there are indeed jobs, and well-paid ones, but people do not know where they are or what is needed to get them.

In the interest of correcting these market imperfections, most policies concerning the labor market are, in reality, policies for rapid training of the labor force, with the growing participation of private agents. One example of this is the Training Grants for Unemployed Workers Program (1984).

These are labeled active policies, in that they promote concrete actions to adjust the labor supply to the needs of the market. They contrast with passive policies, such as unemployment insurance, severance pay and seniority-based promotions, where the worker does not need to make any changes in order to obtain employment benefits.

In order for such a scheme to work, an increase in the demand for labor

would be needed, with the assumption of economic growth resulting from increased productivity and benefiting all of society. This is precisely what has not occurred. Instead, there has been an increase in individual productive capacity, while social productive capacity has decreased. This can produce a generalized downward pressure on workers' income, especially for the unskilled (usually heads of household), as well as replacement of the unskilled by skilled workers, young workers or those willing to accept more difficult working conditions. This leads to even further concentration of income and of the formal-sector labor market.

3. From labor flexibilization to labor market legal reform

In Mexico, labor market flexibility practices are changing ahead of the law. While similar changes have not yet been made in Mexico, they can be expected in the near future.

Changes in economic policies have accompanied both the 1980's technological revolution and the shifts in types of work organization and industrial relations. That is to say, adjustment policies have facilitated technological change and changes in the organization of work. These changes, in turn, have generated incompatibilities between the new policies and preexisting labor legislation. The latter was based on the welfare state model, and, although in Latin America, this type of state was often corporative, it contained elements usually found in industrialized countries. These elements include the Taylor principle of specialization of tasks with standard procedures and times, production of homogenous, identical goods and the broadening of society's capacity to consume. However, with the implementation of adjustment, the technological revolution and changes in industrial relations, such legislation has become obsolete for the new groups in power.

No significant legal changes have been made in labor legislation in as much as the corporative union structure functioned quite well, even within the context of economic liberalization, and in accordance with the interests of the government and its political party -in power from 1929 until December, 2000. However, this corporative character has permitted constant violations of existing rights, especially those of women, as documented in the Mexican study, and based on information from the ILO.

“ILO itself indicates that Mexico is one of the member countries with the most accusations of violations of the right to free association for workers (labor unions), discrimination against the feminine workforce and non-compliance in the payment of social and economic benefits.” (CASA-Mexico, 2001)

In summary, even if not all labor legislation has been adapted to the free market model, in practice things are moving in that direction. More legislative changes can be expected under the assumption that there would be greater investment and employment with (i) fewer regulations concerning labor stability (temporary contracts) and firing practices, (ii) greater flexibility in labor conditions (hourly contracts, workers performing numerous functions), (iii) lower labor costs (social security payments, distribution of profits, bonuses, vacations, minimum wage), and (iv) less ability for workers to organize. These conditions might produce short-term competitiveness for the countries undergoing adjustment because of the low costs they can supply to attract investment. However, workers will have no collective or ongoing involvement in decision-making or in the companies' futures. Thus, competitiveness obtained by supplying short-term low costs is given preference, hindering the formation of a quality-based competitiveness that would produce greater labor stability and direct improvement in the living standards of workers.

DETERIORATION OF PRODUCTIVE CAPACITIES AND CONCENTRATION OF PRODUCTIVITY

In regard to employment definitions given by the International Labor Organization (ILO), labor demand does not depend only on labor market internal variables like (as inferred from human capital), labor supply and demand, but from external variables that determine economic activity, its composition and productivity levels (ILO, 1990).

1. Economic activity

Restructuring has not led to greater modernization and competitiveness even after 20 years of adjustment. Not only has the growth of GDP been irregular and insufficient, it has been concentrated in the development of the leading businesses, sectors and regions. This has exacerbated the gap between these and the traditional sectors, as well as the heterogeneity already existing before adjustment. In addition, the concentration in distribution of generated wealth has tended to increase, and as a result, the consumption capacity of growing sectors of society is deteriorating even further. In the face of such imbalances within the real economy, financial equilibrium has been given precedence. Nevertheless, even in this domain, Mexico has experienced disastrous banking crises.

Mexico's economic behavior is even more inadequate. The mean rate of

yearly GDP growth from 1980 to 1997 was barely 1.3%, while the average rate of population growth was 2%. Recovery began in 1997, allowing an improvement in the GDP per capita of 2.7% annually from 1997 to 1999. However, these cycles of recovery have been short and unstable. A process of deceleration began during the last third of 2000 was rooted in the U.S. economic situation. Stagnation in GDP is expected for 2001 and 2002 (0.2% for 2001 and 1.7% for 2002).

2. Restructuring of the productive apparatus

Given that the primary determinant of employment is production, and that most production is concentrated in micro, small and medium-sized businesses, it is important to examine the restructuring of the productive apparatus resulting from adjustment policies.

The Mexican rural sector has felt the effects of structural adjustment policies through Article 27 of the Constitution, which now allows the sale of collective farms (*ejidos*). This change has bolstered the profitability of agriculture, especially for export, while neglecting the domestic market, community organizational structures and efforts to attain domestic food security. This situation has resulted in a new dynamic of renting and potential selling of land. Because of technological breakthroughs and crop substitution, a growing percentage of farmers find it necessary to migrate for economic reasons, whether (i) as agricultural day laborers under conditions of monopsony, (ii) to the countrys urban-industrial centers where their knowledge and culture do not coincide with labor demand, or (iii) to the U.S., as undocumented workers under precarious working conditions, after risking their lives to cross the border. Rural women migrating to the cities usually become domestic workers. From having been owners of their own land, farmers become day laborers or sweatshop workers.¹

Similarly, the Mexican industrial structure was destroyed by the 1982 crisis. During the six-year term of Carlos Salinas (1988-1994), generally characterized as a period of recovery and economic upturn, small and medium businesses remained stagnant. The crisis of 1995, occurred, and currently only 25% to 30% of industries existing in 1982 are still in operation.

¹ *Maquiladoras* are assembly plants where most of the inputs are imported (in Mexico, about 98.5%). They enjoy an especially favorable tax environment, and production is focused on exports. Enclaves are formed to utilize "comparative advantages" supplied by the host countries: low salaries, fiscal breaks, lax controls on pollution (whether tacitly or implicitly defined), possible donations of electricity, and locations that may be conveniently close to consumers in the large international markets.

TABLE 1. PROPORTION (%) OF MEN AND WOMEN IN EMPLOYMENT, 1980 AND 1999

	Agriculture		Industry		Services	
	1980	1999	1980	1999	1980	1999
Men	43	27	30	27	28	46
Women	19	9	28	21	53	70

Source: World Bank, *World Development Indicators*, 1999 and Encuesta Nacional de Empleo, 1999.

the working-age population. These changes show an increase in child, female and elderly workers in spite of deteriorating income levels and working conditions. In addition, Mexico is undergoing a “demographic dividend” from a decreased population growth rate and an increase in the working-age population, both of which produce decreases in dependency rates.

Generally speaking, although agricultural employment has decreased both for men and women, this labor force has not been absorbed into industry, thus increasing movement toward the services sector.

Unemployment affects the population in Mexico, especially the most vulnerable groups, with similar consequences from employment instability, poverty and migration (CASA-Mexico, 2001). Although unemployment was at 2.3% at the end of Zedillo’s presidency, employment for nine million members of the economically active population (EAP) was precarious, and 50% of those able to work were making their living from the informal economy. In the poorest regions, labor instability has aggravated social conditions. Children are malnourished and infant mortality rates have increased in the southern states (Oaxaca 51.2, Guerrero 46.6 and Chiapas 50.7), while child labor is on the rise. Increasing instability is reflected not only in the area of employment, but also in school desertion rates. Thus, as people grow older, their search for work intensifies. By the age of 12 or upon entering secondary school, the desertion rate increases considerably, especially for girls. At the same time, out of 3.6 million day laborers, 1.2 million are 18 years of age or less (CASA-Mexico, 2001).

In terms of businesses, liberalization has resulted in the destruction of the country’s industrial fabric, creating a situation where micro and small businesses teetering on the edge of sustainability are constantly opening and closing. Working conditions in these businesses are particularly precarious, and their possibilities of modernizing and becoming successful in the export sector are practically nonexistent.

In terms of poverty, 40% of the Mexican population gets by on less than two dollars a day. Meanwhile, as in Ecuador, only a handful of businesses,

sectors and regions, especially those associated with the foreign market such as in the border zones, enjoy liberalization? beneficial effects. These beneficial effects generally do not trickle down to the workers or society in general.

FROM LABOR MARKET TO UNDEREMPLOYMENT

Human work is defined because of a deliberated action to transform nature. The ILO considers employment as that part of human work susceptible to being quantified based on national wealth, particularly on the GDP. Thereby it constitutes a source for the development of any society and its welfare base.

Moreover, as the mechanism through which labor generates wealth, employment is its principal distribution mechanism. Incomes are generated by employment, obtained from salaries, business profits, self-employment, and family or community incomes, familiar incomes or communitarian, and conditions levels and lifestyles of diverse population groups.

If wealth is generated by human labor, without labor there would be no production or distribution of wealth, neither would markets exist. In other words, it is not the market that determines the existence of this labor. On the contrary, without labor there are no markets.

Labor can be employed in many different ways. In “developed” economies, where the relationships between supply and demand are clearly articulated, work is usually salaried. Such is not the case everywhere, however. The labor market can co-exist with many types of employment, including small-scale rural producers, independent merchants, self-employed workers, non-paid family workers, etc. Paradoxically, within the logic of the market, some basic activities necessary for the reproduction of society remain outside of all economic considerations. Non-remunerated housework underpins work performed outside the home by other household members. However, such work is considered to be non-economic, and whoever performs it is almost always classified as part of the economically inactive population.

That is to say that, from a market point of view, labor is reduced to a simple relationship of supply and demand. If the capacity to work is not sold nor has no buyers, a worker is not considered as such. What is s/he then? A social parasite? Thus, the original sequence of the work-market relationship is inverted. If there is no market, work is invisible.

Be that as it may, whether the market is in expansion or contraction, in ascendance or in crisis, societies must produce in order to survive and to

develop. To achieve this, work should be indispensable. Exercising human capabilities is the essential bridge between economic and social realms. Without work there is no income, whether in cash or in kind, no consumer goods, no technology, capital or organization.

The economic policies that have predominated since the beginning of the 1980s have disrupted the arrangement of the factors of production, which in this case actually alters the outcome, giving preference to the labor market over work itself. In most of the world, structural adjustment policies have redefined labor in the function of criteria of individual productivity and competitiveness, instead of social and labor rights or social equity and collective welfare.

Employment is, by definition, a function of the level and structure of economic activity and productivity. That is to say:

An increase in demand for goods and services tends to increase a sector's economic activity. With constant levels of productivity, if this demand is not met by imports, employment rises. In effect, in order to produce more, additional labor is needed, whether by increasing time worked by those already employed or by adding new workers.

If demand increases as a result of a net increase in productive sectors requiring little labor per unit of capital, accompanied by decreases in highly labor-intensive sectors (such as the ejidos in Mexico), then, even when production increases, employment declines.

Increased productivity has a double-edged effect. It directly results in technological unemployment (substitution of workers by technological modernization), but also indirectly generates employment linked to the new technologies, and provides a stimulus to production that will, in turn, generate new jobs.

Just as production and productivity depend on an economic overall functioning and its relationship to the rest of the world, employment behavior is linked to the entire economic performance and the primary strategies promoted by public policy.

As a result, the effects of structural adjustment on employment cannot be determined by labor market flexibility policies alone, but also depend on the economy's evolution, restructuring of the productive apparatus, and overall changes in employment.

In summary, employment is a central variable in improving technological capacities; it allows to bring profit for most of the population or to concentrate it in privileged power groups.

1. Logic structure of labor market

Underlying the analytic logic of labor markets is the presupposition that all existent employment in society is salaried. This supposition closely relates to industrialized economic performance, but not for the Mexican case. In 2000, 36.9% of the employed population was non-salaried (ENE-2000, www.stps.gob.mx). For salaried workers (including piecework workers), 12.8% received an income of low to minimum wage (\$38 Mexican pesos daily, on average in 2001, equivalent to 4.11 US\$). This indicates an exclusion of structured labor markets. Thus, 45% of employed workers do not work under the logic of formal labor markets, but under other forms. These forms include non-waged work to prop family income, and self-workers or informal market forms, dissociated from competition with formal markets (as with day labor farmers'). In most of these cases, their employment is translated directly on the generation of services and benefits market, without entering labor market.

Workers' rationality to include themselves in employment is different to settled commonly. While models suppose that front wages fall, and labor supply diminishes, in Mexico, the latter grow more on crisis periods. On seventieth decade, the proportion of EAP in relation to population of age to work (in Mexico, 12 years and more) grew from 46.7% to 47.5%, but during the crises (the "lost decade") increased to 53.6%. In 1995, it reached 55.6% and in 1996 was established at 55.4, counting with few variations until 1999, when it reached 56.0%. In contrast, in 2000, it jumped to 58.1%. So, it is not due to neither a fall in "labor price" that prices on the supply side are reduced or due to an increase in salaries that supply grows immediately (except in 2000, when a significant increase in supply was observed). On the contrary, to move from an individual rationality to a gregarious rationality, the behaviors get invert: a decrease in employed workers incomes produce new home members' incorporation, pretending to compensate the loss of individual incomes. This generates a major press on labor supply, and results in a major decline of workers purchasing power.

Economic policy associated with neoclassic interpretation: trying to get the labor market perfection, not the employment improvement, which means the nature being conscious transformation process, which can be in mercantile and non-mercantile forms.

Based on the traditional Keynesian scheme, even inside of an employment logic related exclusively to labor mechanisms, unemployment can be derived from independent causes to wage levels. Hence, wage adjustment

to reduce it just would drop down unemployment, because some workers would stop looking for a job, not because the increase of newly hired workers.

This logic does not explain central elements of contemporaneous economy. It does at least suggest, in contrast to the neoclassic scheme, an articulated explanation of what happens between labor markets and goods markets. In the Mexican case, when unemployment with wages fall grew, as in the 1995 crisis, this scheme is more real. However, due to the misuse of structuralist and Keynesian theories, an economic model is applied with an interpretation that does not conform to this reality.

When there is just one labor buyer (monopsony), workers do not have possibilities to organize and defend their labor rights, as with undocumented workers in the United States in agriculture, based on day-paid work. Then, the market operates on different schemes of neoclassic and Keynesian models (Gazier, 1991).

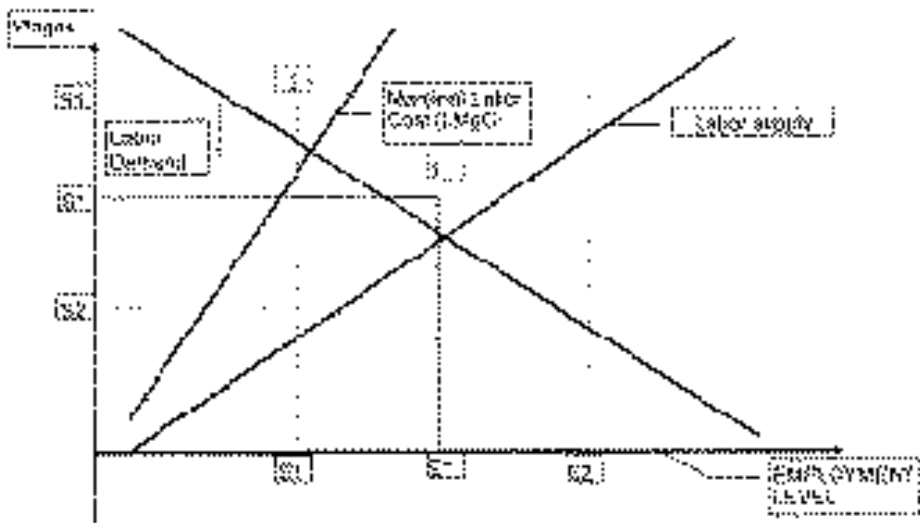
In a monopsonic economy in the labor market case, demand diminishes, but not only because of decreasing performances (which are present equally without monopsony). In a normal market, to attract new workers, wages should be increased. This impacts not only new ones but also those whom were already working. This is observed in the curve, Labor's Marginal Cost (LMgC) in graph 1, that shows the net cost that implicate new worker contraction.

Under monopsony, employers will not hire until point 1 of labor supply and demand equilibrium. At point 2, where demand is equilibrated with LMgC, each causes less employment level (E1).

The hired workers productivity would give place to wage S_1 higher than equilibrium (S^*). Even though, on this level, there would be a major quantity of workers wishing to be employed at E2. But as the employer only needs for his optimum productive level, E1 workers, the wage he pays correspond only with S_2 , which coincides with the number of necessary workers to reach the production level wanted, and is inferior to the equilibrium wage. So, when there is only one employer or employers are organized in a unique position and workers are not, the result is less employment and less wage per worker. That is to say, there exists worker exploitation in the way that, neoclassic theorists' assumption is broken, as these theorists argue that wages conform to worker productivity.

If this monopsony is combined with a monopolized goods market, employment possibilities are even less, and whom ever gets employed, also earns lower wages.

In a monopoly, prices are the inverse function of production level. If there



GRAPH 1. MONOPSONY ON LABOR MARKET

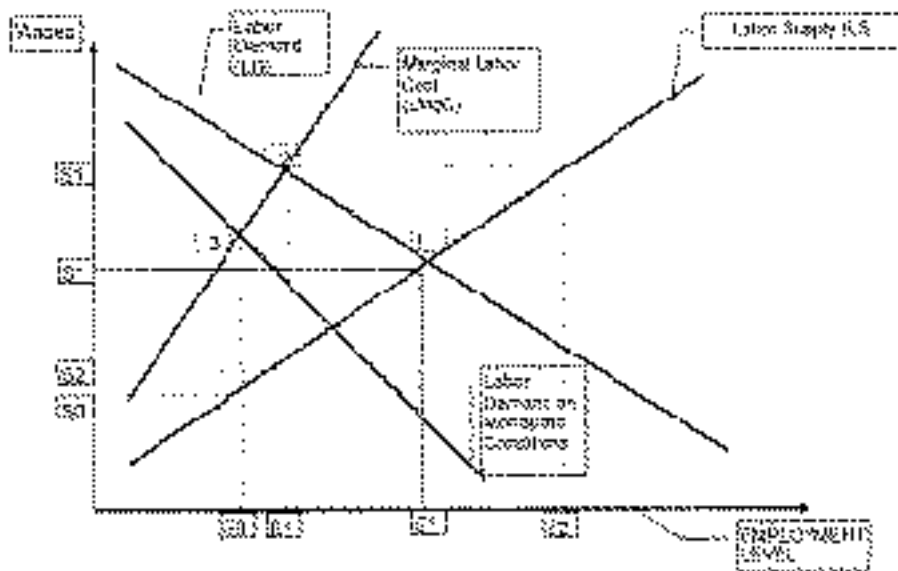
is a greater quantity of a product, its scarcity will be low and its price will tend to reduce, so that each time it will be less rentable to contract one new worker. Besides, if each new worker performs less effectively (per increase on marginal cost), then the employment level falls on graph 1 to Point 3, where LMgC and the goods demand cross, (as does labor), under monopsonic conditions. With the same reasoning for the monopsony case, a wage will correspond with that point that will attract more workers than required by employers. So, employers can reduce wages to S_0 where, the required number of workers can be found to reach production.

The final two graphs show the non-existence equilibrium forces between labor buyers and sellers, this give place to serious market disarrangement. Thus, the more concentrated labor demand is, the less efficient will be this market to give employment and salary to workers in correspondence with their productivity.

However, economic models assume that disparities do not exist for each agent's relative power in the labor market. Then, beyond theoretical models in an exclusively market terms, it is required to address specific types of unemployment and underemployment problems that Mexico confronts.

2. Who are the unemployed and the underemployed?

Employment, unemployment and underemployment, have different con-



GRAPH 2. MONOPSONY IN LABOR MARKET WITH MONOPOLY IN GOODS MARKET

notations on statistical formulation in most economic theory. As defined by the Labor International Organization (ILO), employment is all the population who contribute to wealth generation. The difference between both is important, because policies that are applied respond to theoretical statements that not necessarily reflect Mexicans' occupational situation, and neither confront the lack of adequate employment.

The base which all-general statistics among employment begins is whole population one. Generally this is obtained from results of the Population and Housing General Census. As housing is the reference unit, it is difficult to count homeless population. Therefore, we do not have complete employment information on these people.

Next, the Population on Age to Work (PAW) is based on physical aptitudes that are necessary categories for a person to work, and on the possibility of finding people in certain age who are working. This does not necessarily coincide with the legal minimum to count with a labor contract. Limited age reference is significantly higher in major developed countries. For Mexico, the legal age to work is 12 years and older, even when Labor Federal Law bans 14 years engagement.

Age ranking establishments, which include the PAW, exclude workers under the reference age limit. This can not be attributed to "bad intention" regarding statistics. A reduction on the age reference would imply an appli-

cation of employment surveys to younger populations (for instance, above 10 year old) but this act might increase the costs of the survey. Increase of information of younger people might hinder the rise, or even maintenance of geographic covering. Nevertheless, some survey of less periodicity as the Home's Income and Expenses National One (INEGI) and Micro-business National One, both permit getting information about under 12 years old.

Two sub-samples are obtained from PAW. They are the Not Economically Active Population (NEAP) and Economically Active Population (EAP). The first group consists of the all population that does not execute activities of economic character, this is to say, that can be counted in the GDP. On its part, EAP is the principal denominator of every statistic among employment and includes all PAW which has employment or is looking for employment (unemployed people). To calculate employment and unemployment magnitudes, ILO considers as employed all persons who have worked at least one hour in the reference week, for obtaining an individual income or to contribute to a collective one (even though not directly obtained by them, as with non-waged family workers). This criterion has been seriously questioned in Mexico, but is convenient in that it is basically the same that is used all over the world, and tries to count all populations who participate in economic wealth generation.

A) UNEMPLOYMENT

The unemployment concept tries to define total absence of employment. In Mexico, EAP includes people who: (I) did not work during the reference week, (week before the survey), (ii) was able to work, and (iii) was actively looking for employment (during the two months previous to the survey). Great differences in Mexican rates as compared to the rates of developed countries, does not come from conceptual differences, but from using the same concepts in radically different contexts.

Table 2 shows standard individual and social conditions that explain why unemployment rates are greater in developed countries than in Mexico. We can use the same concept of unemployment in many occasions. However, if we are talking about the unemployment population, the meaning of this word is very different in each case.

In developed countries, most unemployed workers have an income, but this means an economic, political and social problem. In fact, unemployment insurance is paid by the whole society. The use of saving represents loss of patrimony, credit is a new debt for the future, and support from third people implies a cost for them all.

TABLE 2. WHO ARE THE UNEMPLOYED?

HIGHLY INDUSTRIALIZED COUNTRIES	MEXICO
What is employment? Mainly wages that permit diverse benefits in case of loss of employment.	Many workers are non-wage or informal-wage, which impedes access to special resources in case of loss of employment.
What kind of social and regular insurance exist if they lose their employment? There is unemployment insurance, which allows them to have a regular income even if they do not have employment. In other nations, as in France, there are other kinds of social rights, as the minimum revenue of insertion.	If workers lose their employment, even if they are wage workers, there is no guarantee of sure incomes.
What is the situation of the worker when he loses his employment? Primarily, the worker has some savings that gives him the chance of looking for a job when he is unemployed.	Incomes are not enough, so the worker cannot save money.
What private financing exists for the unemployed? The unemployed have a better economic situation than in Mexico. This allows them to be credit subjects so they can look for a job, for a while.	Mostly workers are not credit subjects, so if they are unemployed they do not have any possibility.
What kind of possibilities do families have to finance the unemployed? Whether he is looking for a job or if he does not have labor experience, his family can support him economically for a while because they often have enough income and their purchasing power is normally growing.	The home economic situation presses on the unemployed, so they have to get a job as soon as is possible, and younger members must work to get a better home purchasing power.

In Mexico, it is very difficult to have an income in an unemployment situation. Among the poorest, this situation rarely appears because they do not have money for supporting the job search. So, in most of cases, unemployment touches middle class people, bringing a situation of impoverishment to them. An indicator that reflects this problem is that the EAP with high school studies represents 50.8% of employed people and 73.7% of the unemployed, while workers with elementary school finished or not represent 27.8% of employment and just 10.8% of open unemployment.

In these circumstances, open unemployment in Mexico is significantly less than in richer countries. Even in the worse moments of the 1995 crisis,

TABLE 3. UNEMPLOYMENT WITH JOB EXPERIENCE PER EDUCATION LEVEL

SCHOOL LEVEL	Rate Unemploy- ment level	Proportion on total of unemployment.	Proportion of school level on the total of employment.
Without school education	0.38	1.95	8.87
Elementary school not completed	0.81	8.89	18.96
Elementary school completed	1.25	15.50	21.36
High school	2.18	35.99	28.23
> High school	2.84	37.71	22.56

Source: INEGI/STPS, Encuesta Nacional de Empleo (National Survey of Employment), 1999, Table 3.7.

the unemployment rate was below 8%, when in a rich country like Spain, it was almost 20%.

B) UNDEREMPLOYMENT

A person who cannot generate wealth (even he wants to) is categorized as unemployed. Job under marginal situations is defined as underemployment. Underemployment quantification is variable in relation to most relevant characteristics: (i) work-hours (visible underemployment), (ii) productivity (non-visible underemployment), (iii) lendings or, (iv) working in activities, which do not have relations to labor capacities of workers. If we take each criterion separately, each one gives different perspectives of underemployment.

INEGI created — la Tasa de Condiciones Criticas de Ocupacion — (Critical Conditions of Employment Rate), which consists of workers who earn an income less than minimum wage and work more than 35 hours weekly, workers who earn between 1 or 2 minimum-wages working more than 48 hours, and workers that labor less than 35 hours per week, wishing to work more time.

Based on the first two criteria, and adding non-wage workers calculated by ENE Encuesta Nacional de Empleo (National Survey of Employment), we get an underemployment indicator. This indicator crosses the total time of a weekly journey with income. In order to use this criterion we can say that underemployment affected the third part of the employed population in 1999.

Similarly, underemployment levels are similar between men and women, but underemployed women work on more precarious jobs. More than half of female underemployment is composed of non-paid women workers. On the other hand, underemployed men are distributed in similar proportions

among: (i) non-wage workers, (ii) workers who earn incomes inferior to minimum-wage working more than 35 hours a week, and (iii) workers who earn between 1 or 2 minimum wages working more than 48 hours per week. In more urbanized zones, distribution between three groups is homogenic between women, but most men are in the rank of those who can earn an income.

Underemployment rates in less-urbanized zones double those in the cities. In the first case, almost half of the employed population, is underemployed, while in the cities with more than 100,000 inhabitants, one-fifth is under-employed. In less-urbanized zones there are more non-paid workers, while in more urbanized zones, almost half of the workers get between 1 or 2 minimum wages.

During the 1991-1993 period, underemployment grew slowly, and during 1993-1995, grew rapidly, principally among men of industrialized-zones. After this is notorious underemployment increase even tough economic recuperation of 1996 and particularly of 1997. Thus, even crisis stayed behind, formally, ciphers of production growth were not reflected on reduction of underemployment. On the contrary, in 1997, underemployment reached 38.5% of the employed population. This happened because of a little reduction in underemployment in urbanized zones (with more than 10,000 inhabitants) from 22.7% to 22.4%, with a strong increase in less-urbanized zones, which grew from 49.5% to 51.6% of employment.

Thereby, the 1998 recuperation seems to include employment. In that year, underemployment was strongly reduced in both industrialized and less industrialized zones, reaching 33.7% of the total of employment. The reduction continued in 1999 and 2000, but with not very reliable original data. We should mention inconsistent information from AEP. Between 1988 and 1998, this grew 3.2% annually (1.07 million persons more in a year). However in 1999, there was a growth of 0.6% (244 thousand persons) and in 2000, ENE shows a decline in EAP of 0.3% (118 thousand persons). This is explained by a change in the criterion of accountability in EAP.

If this tendency from 1988-1998 continues for 2000, we will have an EAP of 42.07 million persons. Differences between sample of data and registered data can represent an important proportion of population on underemployment cases.

C) UNDEREMPLOYMENT PER LENDINGS

We must mention the great importance that work without lending has as a proportion that grows even before or after a period of crisis, particularly

TABLE 4. PERCENTAGE OF UNDEREMPLOYMENT PER INCOMES AND DURATION OF WEEKLY LABOR JOURNAL IN RELATION TO TOTAL EMPLOYMENT.

	1991			1993			1995			1996			1997			1998			1999			2000										
	BS	M	F	BS	M	F	BS	M	F	BS	M	F	BS	M	F	BS	M	F	BS	M	F	AS	M	F	AS	M	F					
More and less urbanized zones	12.9	10.9	17.5	14.7	13.1	18.2	15.9	14.4	19.1	15.4	14.1	18.1	15.7	13.8	19.5	13.8	12.4	16.7	13.3	12.0	15.9	10.9	ND	ND	ND	ND	ND	ND				
Non-paid workers.	12.9	10.9	17.5	14.7	13.1	18.2	15.9	14.4	19.1	15.4	14.1	18.1	15.7	13.8	19.5	13.8	12.4	16.7	13.3	12.0	15.9	10.9	ND	ND	ND	ND	ND	ND				
Workers Inc.<MW work>35 Hs	10.6	11.3	9.1	10.5	11.4	8.6	10.6	11.4	9.0	11.8	11.7	12.0	12.7	12.7	12.6	11.5	11.1	12.3	11.5	11.3	11.7	8.7	8.7	ND	ND	ND	ND	ND	ND			
Workers Inc 1 to 2 MW work>48Hs	8.0	9.2	5.3	7.4	8.2	5.7	9.5	10.8	7.0	10.2	12.0	6.5	10.1	11.8	6.5	8.4	9.5	6.0	7.7	8.9	5.2	7.1	ND	ND	ND	ND	ND	ND	ND			
TOTAL	31.5	31.4	31.9	32.6	32.7	32.5	36.0	36.6	35.1	37.4	37.8	36.6	38.5	38.3	38.6	33.7	33.0	35.0	32.5	32.2	32.8	26.7	ND	ND	ND	ND	ND	ND	ND			
More urbanized zones	BS	M	F	BS	M	F	BS	M	F	BS	M	F	BS	M	F	BS	M	F	BS	M	F	AS	M	F	AS	M	F	AS	M	F		
Non-paid workers.	4.8	3.1	8.1	5.4	3.5	4.0	5.4	3.5	8.7	5.6	3.7	8.8	5.4	3.6	9.9	5.2	3.1	9.3	4.2	2.5	7.2	3.7	ND	ND	ND	ND	ND	ND	ND	ND	ND	
Workers Inc.<MW work>35 Hs	5.0	4.3	6.3	4.3	3.8	5.3	5.7	5.3	6.4	7.2	6.3	8.9	6.8	5.8	8.5	6.3	5.2	8.5	5.4	4.1	7.6	3.5	ND	ND	ND	ND	ND	ND	ND	ND	ND	
Workers Inc 1 to 2 MW work>48Hs	7.6	9.0	5.0	8.0	9.1	5.8	10.3	12.0	7.3	9.9	11.9	6.5	10.2	12.2	6.7	7.7	8.8	6.1	6.7	6.9	4.7	6.3	ND	ND	ND	ND	ND	ND	ND	ND	ND	
TOTAL	17.4	16.4	19.4	17.7	16.4	20.1	21.4	20.8	22.4	22.7	21.9	24.2	22.4	21.6	25.1	19.2	17.1	23.9	16.3	13.5	19.5	13.5	ND	ND	ND	ND	ND	ND	ND	ND	ND	
Less urbanized zones	BS	M	F	BS	M	F	BS	M	F	BS	M	F	BS	M	F	BS	M	F	BS	M	F	AS	M	F	AS	M	F	AS	M	F		
Non-paid workers.	20.2	17.1	28.3	22.4	20.7	29.0	24.9	22.8	30.0	23.6	22.0	27.3	24.0	21.7	29.2	21.4	19.9	24.9	21.3	19.7	24.9	18.0	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Workers Inc.<MW work>35 Hs	15.7	17.0	12.4	16.1	17.4	12.4	14.7	16.0	11.7	15.5	15.7	15.1	17.6	18.0	16.8	16.1	15.8	16.6	16.7	17.1	15.8	13.8	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Workers Inc 1 to 2 MW work>48Hs	8.3	9.3	5.5	7.0	7.4	7.7	8.9	9.8	6.8	10.4	12.0	6.6	10.0	11.6	6.4	8.9	10.1	6.2	8.6	9.8	5.8	7.8	ND	ND	ND	ND	ND	ND	ND	ND	ND	
TOTAL	44.2	43.4	46.6	46.0	45.5	47.1	48.5	48.6	48.5	49.5	49.7	49.0	51.6	51.3	52.4	46.4	45.8	47.7	46.6	46.6	46.5	39.6	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND

Source: ENE 91, chapter 17; ENE 93, chapter 36 a 38; ENE 95, chapter 143 a 145; ENE 96 a 99, chapter 3.63, 3.63.1 y 3.63.2; ENE 2000 (www.stps.gob.mx) Chapter 24^a, 24B y 24C

BS = Both sexes, M = Masculine, F = Feminine

Workers Inc. < MW work > 35 Hs = Workers who earn less than minimum wage and who worked more than 35 hours in the reference week.

Workers Inc 1 to 2 MW work > 48 Hs = Workers who earn incomes between 1 or 2 minimum wages, and who worked more than 48 hours in the reference week.

Note: Underemployment calculus, considered in this criterion, were effected based on the employed population, excluding the workers who were trying to obtain a job, workers who did not work in the reference week and workers who did not tell their incomes or their work hours.

in more urbanized zones. Thus, almost two thirds of the employed population does not have any lending, and this proportion surpasses 80% for men of less urbanized zones.

Workers proportion without lending is greater for men than women. However, in context of this proportion increase for the sexes, the difference between them declines. While in 1991 the rates were 10 points more for men, in 1995 the difference fell to 6 points.

The fact that women received more lending becomes necessary because of theirs special need of social attention. Women do not have the same attention as men especially because of maternity and parturition requirements.

In the distribution per zones case, the crisis clearly affects principally non-attention urbanized zones, where waged-labor relationships have permitted more social protection. In less urbanized zones, there was a change in wage forms in agrarian matter and this could break at least on men, process of non-attention.

D) DISQUALIFICATION OF QUALIFIED LABOR

As considered aspects, another employment problem is that part of the population has knowledge necessities socially, and because of labor experience, external training processes or scholar training, they cannot execute those knowlodgements, because there is not effective demand (talking about mercantile terms). As an example, the doctor who cannot get a job as a doctor because of insufficient investment on health centers, although there is a population needing these services and centers. Another example: skilled

TABLE 5. PERCENTAGE OF EMPLOYED POPULATION WITHOUT BENEFITS IN RELATION TO TOTAL OF EMPLOYMENT.

	Total			More urbanized zones.			Less urbanized zones		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
1991	61.4	64.5	54.2	42.3	45.1	37.0	78.4	80.0	74.0
1993	64.3	66.5	59.4	45.9	47.4	43.0	80.2	81.2	77.6
1995	65.9	67.9	61.7	49.0	51.0	45.4	80.0	80.6	78.8
1996	64.9	67.1	60.2	49.4	51.5	45.7	77.9	79.1	75.0
1997	66.7	68.0	64.3	50.9	52.3	48.5	80.4	80.4	80.5
1998	63.6	65.4	60.1	48.2	49.8	45.3	77.4	78.1	76.0
1999	64.0	65.8	60.4	47.5	49.1	44.8	78.8	79.6	76.9
2000	61.6	ND	ND	45.6	ND	ND	77.2	ND	ND

Source: ENE 95, tables 143 to 145; ENE 1996, table 3.66; ENE 1997 a 1999, table 3.65; ENE 2000 (www.stps.gob.mx), table 25.

workers whose experience cannot be utilized, because of crisis affects sectors where they could be employed.

Based on the segmentation perspective of labor markets (Doeringer and Piore, 1971), the latter implicates not to give the same importance to workers on different levels. Agree with authors labor market is founded on primary and secondary workers. Primary workers have better conditions to work, income, possibility of career mobility, and stability. Secondary workers can be easily substituted and they do not have any primary advantage. At the same time the primary sector can be divided into inferior and superior, where the superior market has qualified workers and the interior has professional and directives groups.

Workers situation on superior primary sector, inferior or secondary sector, do not depend only on their individual characteristics, but also on the context where they are performing. A society that significantly increases its educational levels and does not simultaneously increase productive absorption of the workforce because of its economic difficulties, produces an increase of competition between workers, so that most of them can be replaced, even if they have more knowledge than workers who would have been considered as necessary before. The Primary sector of workers decline, the secondary sector increases because of lack of employment opportunities.

PRODUCTIVITY AND WAGES

In general, underemployment affects the overcoat non-waged population. However, for wage-workers their occupational situation has deteriorated either, particularly their job conditions and income level.

Changes in socioeconomic conditions led to decreased mobilization on the part of workers. Flexibility has also increased through such mechanisms as subcontracting (formerly illegal) by large industries and industrial development concentrated in *maquiladoras*.

Labor unions have been weakened. According to the free market logic, this is positive in that it reduces barriers to entering and exiting the labor market. However, when on the industry side there is monopolistic competition, all the power of the market is in the side demand for labor, which gives rise to nominal wage increases below price increases and even lower than productivity increases. In other words, labor flexibility is unilateral: workers must be flexible for the benefit of capital, but there is no reciprocal process that could involve workers in a company' decisions (as is done in Europe, for example, Germany and France, through company committees).

Salary costs rose more rapidly than value added, reducing the ratio of

TABLE 6. RELATIONSHIP OF VALUE-ADDED/AGGREGATE COST PER WORKER IN THE MANUFACTURING INDUSTRY (US dollars)

Cost per worker	1980-1984		1990-1994		
	Value added per worker	Ratio value added / cost	Cost per worker	Value added per worker	Ratio value added / cost
3,772	17,448	4.63	6,138	25,991	4.23

Source: World Bank, *ibid.*, Figure 2.6.

value added/costs, It is very probable that this ratio has once again increased in Mexico as a result of the 1994-1996 crisis.

The numbers in Table 6 can be compared to those of industrialized countries: during the 1990s in the U.S., the ratio was 2.54; in Japan, 2.69; in France, 1.57 and in England, 2.11. In other words, with regard to value added, salaries in developed countries are double those of the countries studied here.

Since stabilization and adjustment policies were first implemented, the reduction of wages and salary costs has constituted an important strategy for containing inflation and production costs. It has also served as a mechanism allowing a country to achieve competitiveness vis a vis the rest of the world by supplying low salaries.

In this interpretation, the deterioration of living standards is noted, but instead of being attributed to adjustment, the inflation and devaluation preceding adjustment are blamed. The deterioration in living standards is expressed as a necessary evil to correct external imbalances (the deficit in the current account of the balance of payments).

However, corrections made to the external deficit have been fleeting. This type of crisis has recurred in 1987 and 1994, and a similar threat currently looms. On the other hand, wage deterioration does not seem to reverse itself in the countries studied.

The minimum wage has lost 69% of its purchasing power since the beginning of adjustment (1982). Simultaneously, the number of people living in extreme poverty (unable to obtain the basic food basket) has risen from 6 million to 30 million between 1994 and 2000. These data show the dehumanizing effect when employment policy shifts away from a societal-based logic that treats people as integral beings and moves toward market-oriented logic. Salaries were restricted in order to maintain competitiveness and reduce demand. Meanwhile, corporate (official) unions have defended business and government projects in efforts to maintain low salaries and change from collective to individual work contracts, leaving the unions without any

real power. Within such a labor-market structure, changes brewing within social security (IMSS) will lead to its privatization.

A striking quote appears in the Mexican CASA study. In a reference to Claudio X Gonzalez, leader of the Business Coordinating Council and presidential advisor from 1988 to 1994 (to Carlos Salinas), he states: “the day our country pays salaries above a competitive level, national industry will be priced out of the market and any hope of creating new jobs will disappear” (Becerril, 2000).

The impact of modifying agrarian legislation to permit rental and sale of collective lands was tremendous. The consultations with civil society confirmed that members of the rural populations who are forced to rent or sell their land are then frequently employed as agricultural day workers, under monopsonic conditions, for export companies. These companies take advantage of the free trade agreement and the workers’ predicament when they find themselves without enough money to return to their homes and are obligated to work for a particular employer.

According to the Swiss Bank Union (UBS, 1982, 1988, 1991, 1994, 1997, 2000), in 1982, the average salaries of 12 professions in Mexico were equivalent to 19% of those in New York or Zurich. Since Mexico’s prices were 52% of Zurich’s, purchasing power reached only 36% of the Swiss level.³ Six years later, this rate had fallen to 10.4% and by 1991 it had dropped to 8.8%. Due to the peso’s overvaluation, purchasing power compared to Swiss salaries rose to 25% in 1994. However, it once again fell in 1997 to 16.4% and then to 13% in 2000.

CONCLUSIONS

Structural adjustment has had an impact on working conditions on two levels. The first level involves the general impact of the policy packages on employment — as in the case of stabilization policies and reduction of public spending, privatization and deregulation, and trade liberalization. Secondly, specific adjustment policies affecting the labor market have had a direct impact on workers through wage policies, flexibilization of markets and governmental permissiveness in allowing practices that violate labor rights.

Even if the establishment of a labor market policy would increase efficien-

³ Union de Banques Suisses, *Prix et salaires dans le monde*, 1982, 1988, 1991, 1994 y 1997. The indicators are based on average salaries of a teacher, a bus driver, an automobile mechanic, a bricklayer, a metalworker, a cook, the department head of a large manufacturing company, an electrical engineer, a bank teller, a secretary, a shopkeeper and a textile worker.

cy, it would not necessarily resolve or lead to resolving the employment problems. These latter have a broader scope, as they depend on the general functioning of the economy and not on a specific market. Under structural adjustment, however, there is no explicit employment policy; such a policy would imply the formulation of sector policies aimed at stimulating production that would have a multiplier effect on investment and employment domestically.

Thus, working conditions are not related exclusively to labor-market policies under adjustment, but rather to the general design of structural adjustment. Deregulation, privatization, trade liberalization, targeted social policies and reform of the state have an integrated impact on the evolution of working conditions and employment levels, as well as on the specific functioning of the labor market.

Employment conditions, salaries and the labor market are all less equitable today than before adjustment policies were implemented. Although adjustment may not be the only determinant of this trend, neither can it be shown that it did not contribute to it. In any case, after one or two decades of adjustment, no significant trend to reverse these inequities has been generated. In this sense, economic and labor market policies are strongly linked with social policies and conditions. It is not possible to develop a successful social strategy against poverty, without another one, in economic field, that assures the possibility for obtaining a regular income in a productive way.

Labor flexibility has meant, in real terms, greater subordination of labor with respect to capital, without any reciprocal compensation being generated, such as greater flexibility on the part of companies regarding labor's demands, the possibility of including workers in company decision-making, benefits from profits generated by increased productivity, or improvements in working conditions. In fact, no means exist to allow the purchasing power of wages to increase in concert with rises in productivity.

Problems existed prior to adjustment that in some cases were the reason for the implementation of adjustment policies, such as foreign debt. Instead of moving towards resolution, these problems have tended to worsen and have decreased the social resources available for generation of employment.

Policies have been formulated based on the economic rationality of the individual, who should, in theory, be the same in all parts of the world. Yet real differences in the economic behavior of individuals, families or societies — likely based in diverse socioeconomic conditions, histories, cultures and environments — seem to go unnoticed.

In general terms, there are more identified problems linked to structural adjustment policies, as well as previously-existing negative tendencies

regarding employment that worsened with adjustment, such as structural heterogeneity, market oligopolies, and concentration of land and of income.

The productivity and competitiveness sought by adjustment policies, in general, have not been achieved. Although exporting sectors may have developed through the use of high technology or low costs (especially low salaries), increases in sectors and regional productivity have been negatively offset by increased informality, underemployment and the growing incorporation of the economically active population in low-productivity sectors.

Farther productivity and competitively, development problem is not presence of poor individuals, but poverty of whole societies which in its way to relation it to external, repeat and increase inequalities. To reduce poverty does not consist only on having access to basic resources but to employment forms promotion and labor relations which permits diversified schemes of wealth generation with active workers participation on its definition and with redistributed social mechanism as patrimony (present wealth) as constitution of new wealth. Policies focused on poverty are equally valid, but social policy, for being effectively social, requires propping creation and equitable wealth redistribution. Without it, focalization, in the best of the ways, could relieve people from poverty, but it will not confront social causes that increase it.

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