

Special Report: Manufacturing in Mexico Mexico's Job Market: Size Outpaces Worker Needs

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Jobs are on the rise in Mexico, but according to a recent study, worker earnings and benefits still lag behind.

The following summarizes portions of a recent study undertaken by the International Labor Organization (ILO) concerning the evolution, problems and challenges of the job market in Mexico. The ILO is a Geneva, Switzerland-based group that establishes and adopts international labor standards.

In the last decade, the figures seemed to point to high growth in employment in Mexico. Despite gains in the number of jobs, many could not provide quality work for the growing number of people entering the work force.

At the beginning of the 1990s, job growth in Mexico in large companies was practically stagnant. Most job openings were created in small businesses. However, from 1996, large corporations started to expand and exceeded the growth rate of small businesses. The evolution and growth of large companies was due to the impact of the North American Free Trade Agreement (NAFTA).

One of the principal characteristics of the evolution of the job market in Mexico has been the undermining of the value of real wages. With NAFTA, when the economy changed to a new model, the factors that contribute to wage growth changed radically. This made incomes more vulnerable, and affected both the minimum wages and the rest of the wage structure. Wage contraction and the high growth levels in labor supply have led to a considerable increase in the informal (hourly) sector, currently more than 40% of the working population. The low wage levels indicated that any further decrease caused by an economic slowdown, or a structural adjustment, would provoke severe political and social repercussions in the population.

Productivity growth initiatives

Changes made to boost productivity have been most evident in large and medium-sized companies. The measures most frequently used by companies in this respect have been the introduction of new machinery and technology. They have also added statistical indicators to control production processes or systems for quality improvement in service. The medium-sized companies have adopted new supervision schemes, while the smallest companies have tended to focus on cross-training.

These adjustments have raised the level of knowledge required and the responsibility of the workers, moving worker strategy further away from those based on mass work performed with unskilled labor. However, this has made difficulties for older workers. Currently, the level of schooling tends to be secondary school, therefore it is necessary to generalize the educational margin among the population in order to take advantage of greater employment options. This includes

specific training at middle levels with a technical or administrative orientation, because companies frequently require personnel of this kind. On the other hand, there is a surplus of university-educated workers, whose preparation has not corresponded to the needs of the production apparatus.

In Mexico today, there is no direct association between wages and productivity. However, with the recent signing the National Agreement to Increase Quality and Productivity, many wage negotiations now incorporate agreements to include incentives that are based principally on punctuality, attendance, and efficiency. More resources must be channeled to the key aspects of productivity, including education, training and the promotion of a culture of quality. As wages rise, workers' purchasing power will provide additional incentive for productivity, and generate a multiplying effect toward the rest of the productive apparatus.

Legal challenges

While Mexico has been decisively engaged in opening up trade in the last decade, it is one of the few Latin American countries that has not modified its labor laws. Based on intense worker/management dialogue, an effort has been made in the last five years to establish a structural change mechanism, called the New Work Culture. The result of this dialogue has been two recommendations to the Labor authorities: the first addresses the title and registration of trade unions, and the second is a draft project of the Labor Procedural Code created to separate the abstract from the substantial of the Federal Labor Law. To date, there have been no results on these subjects.

Also, Mexican legislation continues to be more restrictive concerning hiring, trial periods, training contracts (apprenticeships) and severance payments. The essential principles of the existing Labor Law, which are focused on ensuring employment stability, have not avoided the emergence of precarious work or generated better-quality jobs. Additionally, there are no plans for unemployment insurance or support for the unsalaried worker. Significant groups of the population still do not have health care or retirement plans.

Conclusion

The ILO considers Mexico's employment challenge both quantitative and qualitative. It is not just a question of generating any kind of job, concludes the group, but of generating productive jobs with respectable incomes that include respect for and protection of workers' rights.

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