

3

Social implications of Mexico's 1994-1995 crisis¹

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Since at least the 1980s, and particularly by multilateral agencies, Mexico has been regarded as an international example of economic policy. The country was apparently able not only to solve the 1982 crisis, but also the crisis that began in December of 1994. After the Asian crisis, Mexico has again been cited as an example to follow and, several Asian countries are following Mexico's apparent successful crisis recovery plan.

This paper, divided into four parts, presents and analyses the impact of Mexico's crisis on social issues. The first part examines the economic policy in place since 1988, and the economic results of the liberalisation strategy that led to the crisis. The second part of the paper analyses policy responses, both economic and social, implemented by the government since 1995. Policy suggestions from multilateral agencies as well as agreements with the Mexican Government are included. The third section looks in depth at the employment challenge and real wage tendencies in Mexico. As described here, the employment issue is of the utmost economic and social importance, since wages linked to employment are one of the largest sources of income for Mexico's population. This third section also briefly addresses other social issues relevant to Mexico since 1994. The paper ends with conclusions regarding the social implications of Mexico's crisis, as well as liberalisation strategy.

Liberalisation strategy and economic conditions prior to the crisis

During most of the 1980s Mexico's economic policy was still undergoing a transition period, attempting to solve the international debt crisis as well as taking decisive steps against import-substitution, which had been operating since the 1930s. As a result, in 1988 a liberalisation strategy was implemented, beginning with the first *Pacto Económico* (Economic Pact). As opposed to import-

substitution, the liberalisation strategy followed different economic guidelines: the world market (through exports) and the private manufacturing sector formed the pillars of this new growth strategy.²

Mexico's liberalisation strategy was consolidated by means of a series of Economic Pacts, the first one being agreed upon in December 1987. The respective Pacts - which included wage ceilings and allowed for an *ex post* indexing of wages - were negotiated jointly by government-friendly union officials, the government, and the private sector. These pacts became the centerpiece of the new strategy under the Salinas administration, whose strategy Zedillo has continued since 1994.

In contrast to import-substituting industrialisation (ISI), the major reforms and guidelines of this strategy of liberalisation, are as follows (Aspe 1993; Cordoba 1991; Dussel Peters 1997; PEF 1995; SCHP/BM 1995):

- 1 Macroeconomic stabilisation was to induce the process of microeconomic and sectorial growth and development for example all sectorial and specific policies were to be abolished in favor of neutral or market-friendly policies. Significant savings in resources destined for direct or indirect subsidies were expected.
- 2 As an extension of point 1, the main priority of the government was to stabilise the macroeconomy. Since 1988, the government has viewed controlling inflation rates and the fiscal deficit, as well as import liberalisation and the attraction of foreign investments, as the principal mechanisms of its liberalisation strategy, backed up by restrictive money and credit policies.
- 3 Supported by the reprivatisation of the banking system, beginning in the mid-1980s, and the massive privatisation of state-owned industries, the Mexican manufacturing private sector was to lead Mexico's economy out of the lost decade of the 1980s. The massive import liberalisation process, initiated at the end of 1985, was to support the private manufacturing sector in order to orient it toward exports, as a result of cheaper international imports.
- 4 Government policies toward labour unions were of the utmost significance. Starting in 1987, only a few, government-friendly labour unions were deemed acceptable to negotiate the respective *Pactos* within firms and with the government, while all other unions were declared illegal. This process, which has involved violent disruptions to independent labour unions, has, since 1987, made national wage-negotiations in Mexico possible.
- 5 Social policy, as well as most of the specific economic and social issues, has been given a low priority in the framework of a liberalisation strategy. In order to make social policy more efficient despite fiscal constraints social policy is now attempting to target specific groups and regions of low-income persons, concentrating on particular issues, such as poverty and basic health. Other social issues are to be managed and financed by the private sector and market-friendly mechanisms (CCPNS 1994; Dresser 1997; Narro Robles 1993; Sheahan 1998).

Table 3.1 Macroeconomic variables /a

	1980	1985	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997 \b
GDP	8.2	2.6	1.2	3.5	4.4	3.6	2.9	0.9	4.6	-7.0	5.2	7.0
GDP per capita	5.4	0.5	-0.2	1.7	2.5	1.7	0.9	-0.9	1.7	-8.7	3.4	5.2
Employment	14.7	2.2	0.9	1.3	0.9	2.6	0.4	0.2	1.2	-7.5	3.4	--
Open unemployment rate	4.7	4.4	3.6	3.0	2.8	2.6	2.8	3.4	3.7	6.2	5.5	3.8
Real wages (1980=100), total economy	100.0	84.1	76.4	73.9	71.5	73.6	77.5	79.2	81.6	69.7	60.0	58.7
Real wages(1980=100), minimum wages	100.0	70.9	53.6	49.4	43.1	40.7	39.4	38.9	38.8	33.3	31.0	29.0
Gross formation of fixed capital	24.8	17.9	16.8	17.3	18.7	19.6	21.1	20.7	21.7	16.1	16.9	17.9
Public	10.7	6.5	4.7	4.7	5.1	4.7	4.3	3.8	3.7	3.3	4.0	3.8
Private	14.1	11.4	12.1	12.6	13.7	14.9	16.8	16.6	17.3	12.3	12.9	14.1
Savings / GDP	25.5	20.1	22.6	22.9	23.1	23.4	23.3	21.0	21.7	19.6	20.9	22.9
Internal	20.5	20.5	21.3	20.3	20.3	18.7	16.6	15.1	15.0	19.0	20.4	21.3
Public	5.9	5.4	0.6	3.3	6.8	6.5	6.6	5.1	4.0	4.7	4.4	--
Private	14.6	15.1	20.7	17.0	13.5	12.2	10.0	10.0	11.0	14.3	16.1	--
Foreign	5.0	-0.4	1.3	2.6	2.8	4.7	6.7	5.9	6.7	0.6	0.5	1.7
Inflation	29.8	63.7	51.7	19.7	29.9	18.8	11.9	8.0	6.9	54.5	27.7	16.0
Financial deficit / GDP \d	7.5	9.6	12.5	5.6	3.9	-1.5	1.6	0.7	-0.1	0.1	1.0	0.8
Exports of goods and services	25.7	-4.5	5.8	2.3	3.6	4.6	1.7	3.7	17.3	33.0	22.0	13.0
Imports of goods and services	35.2	11.0	36.7	21.3	19.7	16.8	20.9	-1.2	16.7	-25.6	27.4	24.2
Trade balance, not including maquiladoras \c	-4.7	7.7	-0.9	-4.1	-6.3	-13.4	-23.0	-21.4	-27.3	-3.8	2.2	-7.0
Current account \c	-10.7	1.2	-2.4	-5.8	-7.5	-14.9	-24.8	-23.4	-29.7	-1.6	-1.9	-7.5
Capital account \c	11.4	-1.5	-1.2	3.2	8.3	24.5	26.3	32.5	14.6	15.4	4.1	15.4
International reserves \c	4.2	5.7	6.6	6.9	10.3	18.1	19.3	24.3	6.1	15.7	17.5	28.0
Foreign investment \c	2.1	-0.5	5.9	2.8	-0.2	18.7	24.4	33.3	22.9	-0.4	22.9	18.3
Direct \c	2.2	0.5	3.2	2.5	3.7	6.6	5.2	4.9	14.7	9.3	8.7	10.0
Portfolio \c	-0.1	-1.0	2.7	0.3	-3.9	12.1	19.2	28.4	8.2	-9.7	14.2	8.3
Total foreign debt \c	57.5	96.9	99.2	93.8	100.8	103.8	112.9	127.6	136.5	161.1	176.1	--
Foreign debt service \c	9.4	15.3	8.1	14.5	11.2	16.1	25.7	24.7	32.9	31.6	33.6	--

\a Unless otherwise specified, all data refers to growth rates.

\b Preliminary.

\c US\$ billions.

\d Refers to total income less total expenditures of public sector.

Sources: Own estimations based on data from INEGI, Banco de Mexico, CEPAL and SHCP.

What, after 10 years, are the economic results and challenges of this liberalisation strategy in Mexico? First of all, it is important to stress that, within its own frame of reference, this liberalisation strategy has been relatively successful in Mexico. Inflation has fallen continuously since 1988, as has the financial deficit (see Table 3.1). Similarly, foreign investments (both direct and portfolio) have increased sharply from US\$5.9 billion in 1988 to more than US\$30 billion in 1993, and to an estimated US\$18.3 billion in 1997. Moreover, both exports and productivity have increased vigorously, particularly in manufacturing. From this perspective, the strategy of liberalisation has been relatively successful, apart from the episode of the December 1994 crisis. Thus, official and multilateral sources highlight that the crisis was actually the result of policy errors and political events, all of them in 1994, and had nothing to do with the liberalisation strategy as such (Banco de Mexico 1995; Edwards/Javed Burki 1995; IMF 1995). Thus, and after the disruptions of 1994, the future of Mexico's economy once again looks promising: exports are growing fast, as are the GDP and foreign investments, while inflation and financial deficits are back under control (see Table 3.1).

In spite of these apparently bright scenarios for Mexico's economy, there are several issues that have been overlooked by multilateral agencies and the proponents of the liberalisation strategy.³ Since 1988, several structural limitations have arisen in the Mexican economy. These limitations are a direct result of the liberalisation strategy itself (see Table 1; Dussel Peters 1997, 1998; Ibarra 1996):

- 1 GDP and GDP per capita during 1988-97 accounted for 2.6 per cent and 1.1 per cent annually, respectively, both being significantly lower than for prior growth periods.⁴
- 2 Economic, income, regional, business, and sectorial polarisation in Mexico have sharpened dramatically since 1988. One of the most significant changes between 1988 and 1994 has been that only a few branches of the manufacturing industry (namely: automobiles, basic petrochemicals, beer and malt, glass and electronic equipment) have enjoyed increases in terms of capital and labour productivity, GDP, employment, exports and imports. The other branches, particularly the domestically oriented ones, have not benefited from the economic changes brought about by the introduction of liberalisation strategy. This evolution has sharpened with NAFTA and the economic recovery that started in 1996, because these firms were already export-oriented and account for a high percentage of intrafirm trade, particularly with the US (Dussel Peters 1997).
- 3 The branches of manufacturing industry as mentioned above, have also reflected a high degree of concentration in their share of GDP and exports. Most of the firms in these branches are either Mexican monopolies, oligopolies or transnational corporations. As a share of total exports, for example, foreign firms accounted for 48 per cent of the total exports in 1993, and 56 per cent in 1996.
- 4 Export-oriented branches and firms which have been the most dynamic

since 1988, are markedly capital-intensive, and have not been able to generate the employment that Mexico's economy particularly requires.⁵

- 5 Starting in 1980, and throughout the 1980s and 1990s, real and minimum wages began to decline dramatically, and they have continued to do so since 1988 (see Table 3.1).
- 6 Given the liberalisation strategy's priorities (inflation control, financial deficit control, and the attraction of foreign investment), the overvaluation of the real exchange rate became an unavoidable result, affecting exports negatively and imports positively. Added to high real interest rates (which were the result of attracting foreign investment) and import liberalisation, Mexico's economy has increased its already high import dependency, and this has been reflected particularly during growth periods that have occurred since 1988. This feature is particularly striking in the manufacturing sector (not including *maquiladoras*), the expected pillar of liberalisation strategy, where the sectorial trade balance / GDP coefficient increased from -15.4 per cent in 1988 to -44.9 per cent in 1994, then fell to -13.7 per cent because of the 1995 crisis. It has since increased once more, as a result of the economic recovery. This process reflects an increasing lack of economic endogeneity with an impact on the learning process, employment and productivity, among other variables.

The structural limitations of this liberalisation strategy mentioned in the paragraph above, reflect an increasing polarisation within Mexico's economy and society, and unsustainable economic conditions in the medium and long term. Viewed from this angle, it was Mexico's manufacturing sector - the main pillar of the liberalisation strategy - that was at the center of the 1994 crisis; and yet, very similar economic structures to those in place in 1994 still remain today.

Policy responses to Mexico's crisis

In general, economic and social policy have not changed substantially since the crisis of December 1994, in spite of the effort at least to maintain social expenditure as a percentage of total public expenditure, and the goals of liberalisation strategy have remained unchanged until 1998. However, and as a result of the crisis, the government has been forced to take several measures to face the most dramatic crisis that Mexico has ever experienced.

From a macroeconomic perspective, the bail-out of the recently privatised banking system - with costs accounting for an estimated 15 per cent of GDP⁶ - as well as continuing to service the foreign debt, have been the main priorities of the Mexican Government, and were added to the guidelines in place since 1988 (PEF 1995, 1997). Moreover, the government raised the value-added tax from 10 per cent to 15 per cent, given that other sources of government income have shrunk significantly since 1995. Similarly, the severe fall of international oil prices during 1998 have resulted in three expenditure cuts, totaling around US\$4 billion, also affecting social and education expenditures.

Opinion widely held among specialists in Mexico (Cornelius *et al.* 1994; Dresser 1997; Guevara Sangines 1997) is that social policy has been given a low priority since the beginning of the Salinas Government in 1988. This situation has been more notable since the crisis in addressing the social damage brought on by the liberalisation strategy. Specific programs, such as *Programa Nacional de Solidaridad* (the National Solidarity Program, Pronasol)⁷ or *Proyecto Piloto de Nutricion, Alimentacion y Salud* (the Pilot Nutrition, Food and Health Project), were designed to target specific segments, regions and/or ethnicities in Mexico, in the context of a lean State. As is the case with Pronasol, the targeting of social policy involved political interests and became increasingly dependent on the discretionary power of the President.

Thus, and in line with the constraints of the liberalisation strategy, the 1994 crisis and several expenditure cuts in 1998, there has been little room for new employment and social policies⁸ or for the respective resources required, with a few notable exceptions.⁹ Nevertheless, since the crisis, the government has enforced a 'second generation of reforms' (Edwards, Burki 1995) in order to make the labour market more flexible and induce market mechanisms in different areas of social need.¹⁰ Moreover, in its 1995 letter of intent to the IMF, the government specified that policies to reduce poverty and to raise living standards among the Mexican population would only begin 'once financial stability recovers'(SHCP/BM 1995:12).^{11 12}

Employment and real wages (1988-1996)

Wages are one of the most important sources of income, and accounted for 49.3 per cent of total income for Mexico's population in 1994 (see Table 3.2). Indeed, minimum wages are highly relevant in Mexico, since more than 50 per cent of the five poorest household deciles have only one income earner, and the current monetary income of 56.6 per cent of Mexican households is between 0 and 2 times the minimum wage (see Tables 3.3 and 3.4).¹³ Thus, real wages linked to employment are of the utmost importance for Mexico's social development and will be analysed below, regarding the impact of the crisis on these variables.¹⁴

Official data on unemployment estimates that the open unemployment rate has increased from relatively low levels for the period 1988-94 - between 2.6 per cent and 3.7 per cent - to 6.2 per cent in 1995 (see Table 3.1). These levels, including 1995, are comparable to, or even lower than, those for most OECD nations. However, in the Mexican context, with a limited and in some cases nonexistent social network to allow for unemployment, unemployment is by definition¹⁵ nonexistent. Thus, from an official perspective, unemployment apparently does not pose a serious problem or challenge, although it increased by more than 70 per cent during 1994-95.

However, in the specific Mexican social and economic context, employment generation (and not unemployment) and the quality of employment, are of critical importance to the understanding of real wages and the social, economic and political challenge of employment.

Table 3.2 Mexico: main income factors \a

Household decile	Total income	Monetary current income	Wage income	Wage and business income
I	100.00	60.30	26.76	45.87
II	100.00	68.93	40.22	58.30
III	100.00	71.35	41.43	58.08
IV	100.00	72.34	47.41	63.08
V	100.00	72.65	49.30	64.23
VI	100.00	72.38	49.19	64.42
VII	100.00	70.90	47.49	63.21
VIII	100.00	73.65	48.45	65.79
IX	100.00	74.57	51.66	67.70
X	100.00	78.60	51.62	71.82
TOTAL	100.00	74.82	49.32	67.07

\a Total income = monetary current income + non-monetary income. Monetary current income = labor income + business rent + property rent + production cooperatives + transfers + other current incomes.

Source: INEGI (1996).

In the period 1980-96, the economically active population (EAP) increased by 17 million, whereas the economy only created 2 million new jobs. During the 1990s, the EAP has been increasing by around 1.5 million annually, and required employment growth should have been 5.2 per cent annually to absorb this growing number. However, employment growth was only 2.7 per cent for the period 1988-96, far below the employment generation under import-substitution (see Figure 3.1; Dussel Peters 1996).

These trends have been particularly dramatic as a result of the crisis. During 1994-95 the EAP increased by 1.32 million and employment decreased by 0.82 million, resulting in an employment generation gap of 2.2 million. From this perspective, employment generation becomes a massive challenge for Mexico's economy and society which has not only had to live with this legacy since the 1980s, but which also depends on Mexico's relative young population. These tendencies also explain the increase in the informal sector as well as Mexican migration to the US, since, given the official unemployment definition, unemployment does not exist in Mexico.

Looking at the situation from another perspective, which are the sectors and branches that have generated employment since the crisis of 1995? What are their characteristics regarding real wages and other economic variables?

From a general and sectorial perspective, employment generation increased at an average annual growth rate (AAGR) of 2.7 per cent during the period 1988-96, which was considerably lower than that for 1970-81, with an AAGR of 4.8 per cent.

Historically, as well as for this period, commerce, restaurants and hotels, agriculture, manufacturing and construction have been the most significant sectors according to their share over total employment (see Table 3.5).

Figure 3.1 Required and real employment growth

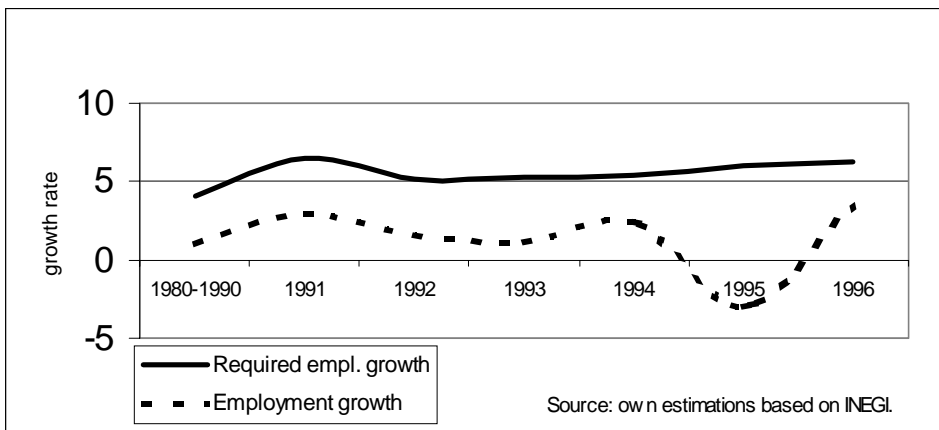


Table 3.3 Mexico: total current income by perceiver (1994)
(percentage of respective decile)

Household	1	2	3 or more	Total
I	75.62	20.78	3.60	100.00
II	65.37	26.20	8.43	100.00
III	68.04	25.30	6.65	100.00
IV	66.34	26.93	6.72	100.00
V	59.22	29.63	11.14	100.00
VI	46.67	35.76	17.57	100.00
VII	38.88	38.76	22.36	100.00
VIII	37.11	34.10	28.79	100.00
IX	33.53	35.20	31.27	100.00
X	33.54	37.93	28.52	100.00
TOTAL	52.43	31.06	16.51	100.00

Source: INEGI (1996).

Specifically relating to the period 1988-96 and the 1994 crisis, it is important to highlight that:

- 1 The service sector was the most significant in generating employment for the period 1988-96; Commerce, restaurants and hotels, as well as Communal Services and Construction accounted for 84 per cent of employment generation during that same period. Other sectors such as mining, agriculture and financial insurance have remained relatively stable or present negative growth rates.
- 2 Manufacturing, the main pillar of the liberalisation strategy, presents an AAGR in employment of 1.4 per cent, almost half the performance

of Mexico's total economy, and represents 11.6 per cent of total employment in 1996.

- 3 Table 3.5 reflects the impact of the crisis on employment since the economy as a whole had, after two years in 1996, barely recovered employment lost during the crisis, while several sectors and subsectors were still below 1994 employment levels.
- 4 After construction, manufacturing presents the most significant fall in employment, accounting for -5.3 per cent in 1995.

Table 3.4 Mexico: current monetary income (1994)

	Households	Percentage of total households
0-2 minimum wages	19,008,759	56.64
2.01-3 minimum wages	5,558,607	16.56
3.01-4 minimum wages	3,049,629	9.09
4.01-6 minimum wages	2,614,914	7.79
6.01-7 minimum wages	836,069	2.49
more than 6.01 minimum wages	2,492,347	7.43
TOTAL	33,560,325	100.00

Source: INEGI (1996)

At a more disaggregated level,¹⁶ several issues stand out (see Table 3.6). On the one hand, only the five most significant branches alone - according to their employment generation during 1995-96 - represent in 1988-96, 58.8 per cent of total employment generation within Mexico's economy. For the period 1995-96, construction, transportation and agriculture accounted for 62.8 per cent of employment generation. On the other hand, and similar to the total economy, this group already reached in 1996 employment levels similar to 1994.

How do these sectors and branches relate to real wages, added to the minimum and real wage tendencies analysed before? Real wages per worker for the total economy have recovered since 1988, following the lost decade of the 1980s. However, a dramatic fall in real wages has taken place since 1994, and in 1996 real wages for the total economy are even below the 1991 levels (see Table 3.7). All sectors show similar tendencies, and only mining stands out in 1996 with real wages levels 7.2 per cent below 1994 levels, for example, none of the sectors has recovered since the crisis, and, the fall has continued in 1996. Real wages in the total economy are similar to those of 1988, while in most of the sectors, such as in agriculture, forestry and fishing, construction and even manufacturing, they are significantly below 1988 levels.

Finally, what are some of the features and characteristics of the 5 selected greatest employment generating branches of Mexico's economy? Table 3.8 elucidates some of these issues:

- 1 These branches, which accounted for 57.1 per cent of Mexico's total employment in 1996, reflect an important decrease in its GDP share,

from 43.9 per cent in 1988 to 37.8 per cent in 1996.

- 2 One of the most significant characteristics of these branches is that real wages, compared to the total economy, are significantly lower and show a falling tendency, for example, they represented 84.75 per cent of real wages of the economy in 1988 and fell to 68.07 per cent in 1996. Thus, new employment in Mexico, since 1988 and as a result of the crisis, is, added to the general tendencies regarding real wages, of low quality. Contrary to initial expectations which might have assumed that new employment would have been generated in high-tech jobs, tendencies since 1988, and reinforced since the crisis, show that employment generation in construction, transportation and agriculture are closely associated with low real wages, both compared to periods prior to the crisis, as well as to the rest of the economy.
- 3 GDP in these 5 branches fell by more than 11 per cent in 1995, and have recovered to levels significantly below those of the total economy. Productivity levels of these branches, significantly below levels of the total economy during 1988-96, might partly explain these tendencies.
- 4 It is significant that these employment-generating branches only marginally participate in Mexico's foreign trade. As reflected in Table 8, in 1996 their share in total exports and imports was 4.32 per cent and 5.36 per cent, respectively, in contrast to their significant share in total GDP and employment.
- 5 Finally, similar to most of Mexico's economy and manufacturing, as analysed above, these branches also account for a relatively high and negative trade balance / GDP coefficient. This is rather surprising, since several of these branches, particularly construction, commerce and other services, hardly engage in foreign trade activities. The tendencies of this coefficient also reflect one of the outstanding features of Mexico's economy: its lack of endogenous economic conditions, with an impact on other variables such as employment, technology and the learning process, among others.

Other social indicators (see Table 3.9) reflect that, in spite of massive public expenditure on social programs, particularly education, health and poverty, to date their impact on Mexico's population has been limited and unable to counter the general impact of the lost decade of the 1980s and the 1994 crisis. On the one hand, estimated GDP per capita in 1997 is similar to the levels achieved in 1980, and poverty and indigency levels in 1994 are similar to, or just above, 1980 levels.¹⁷ Similarly, and in spite of an extraordinary effort on the part of the government not to cut social spending, expenditure levels on items such as education and total social spending in 1996 are still below 1982 levels. On the other hand, and also as a result of targeting policies, indicators such as life expectancy and infant mortality show continuously improving performances, in spite of the tendencies in other areas analysed.

Preliminary conclusions

Data limitations, specifically regarding poverty and indigency after 1994, necessarily make any conclusion regarding the social implications of the crisis a preliminary one. Nevertheless, employment and real wage tendencies allow for preliminary conclusions on the social implications of liberalisation strategy and the crisis of December 1994.

From the prior discussion, there is still a need to discuss and revise the theoretical core of liberalisation strategy. Is it compatible with social policy priorities? What is the relationship between social welfare and economic growth? Is any development, without employment generation, economically sustainable and desirable? Endogenous growth theories and recent discussions, including multilateral agencies, are again discussing these theoretical topics and will have an impact on economic and social policies.¹⁸

Employment tendencies for 1988-96, including the crisis in December of 1994, highlight the fact that the incapacity of Mexico's economy to absorb the growing EAP is significantly associated with the development strategy adopted and its priorities. As herein described, the liberalisation strategy since 1988 has been quite successful in its own terms, for example, in controlling inflation, the fiscal deficit and in attracting foreign investment, but said strategy fails to allow for GDP and employment growth, particularly if compared with historical levels in Mexico's economy. The positive association between GDP growth and employment - which has been established for Mexico by several authors (Dussel Peters 1995; Fujii 1998; Lopez 1997, 1998; Ruiz Duran 1998) - partly explains the low employment generation performance of Mexico's economy. From this perspective, increasing employment is not an issue of making labour markets more flexible, but strongly related to the priorities, results and contradictions of the liberalisation strategy.

On the other hand, this paper has pointed out that employment generation during 1988-96 has been far below the employment requirements of Mexico's society, also as a result of a rapidly growing economically active population, and the structure of Mexico's population. Employment generation for 1988-96, as well as since the crisis, has been highly concentrated in a few sectors and branches, and is associated with low quality employment, for example, with falling real wages, both compared to 1988 as well as to the rest of the economy. These results are compatible with other studies (Dussel Peters, Piore, Ruiz Duran 1997) which stress the increasing polarisation of Mexico's economy from an economic, social and regional perspective. Thus, most employment generating branches are domestic-market oriented and highly dependent on the GDP growth of Mexico's economy. In other words, the highly dynamic and export-oriented sector of Mexico's economy is concentrated in only a few branches and firms (around 300 firms in Mexico account for 80 per cent of total exports). This sector presents relatively high levels of capital intensity and of intrafirm trade, while its contribution to employment generation has been marginal.¹⁹

The employment issue, probably the most important economic and social

issue in Mexico, has not yet been adequately addressed by the government and multilateral agencies and may well become one of the most serious economic and social issues of the future. As analysed, the massive challenge regarding the increasing gap between EAP and employment, has to be confronted by the government, and, so far, market-friendly policies aimed at eliminating labour market rigidities have not been successful in Mexico.²⁰ Thus, employment generation limitations do not seem to be a problem of flexibility within the labour market, since minimum and real wages have declined drastically, and it is socially and politically not feasible to call for further flexibilisation in this respect.

Finally, and in the context of the Asian crisis in the 1990s, neither Latin America nor Mexico seems to be an example to follow for Asia after the second half of the 1990s. Economic recovery, such as Mexico's since 1994-95, has been mainly in terms of GDP and exports, but not significantly affecting real wages, employment and income distribution variables, among others. Countries such as Mexico have neither been able to reduce poverty nor to increase employment significantly since liberalisation strategy. Any promised quick recovery, particularly from a social perspective, would generate unrealistic expectations under liberalisation strategy. As the Mexican experience shows, socially, the Mexican economy has not recovered since 1980.

Table 3.5 Mexico: employment by sector (1988-1996)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	
TOTAL	24,069,99	24,764,01	25,957,66	26,723,91	27,160,07	27,467,47	28,165,78	27,347,48	28,281,79	
GD1	6,260,752	6,131,131	6,230,307	6,214,512	6,157,699	6,244,883	6,318,703	6,193,599	6,309,355	
GD2	183,816	173,139	178,871	176,296	149,255	131,420	125,462	124,098	124,112	
GD3	3,034,654	3,167,969	3,275,202	3,307,128	3,379,765	3,309,755	3,238,906	3,066,717	3,289,943	
D1	609,757	630,202	641,193	655,002	672,345	679,253	667,973	651,170	662,086	
D1I	522,032	527,761	527,607	531,034	518,280	515,872	497,454	481,971	547,956	
D1II	169,382	168,034	164,274	163,450	165,263	154,367	151,584	136,668	146,855	
D1III	167,577	176,532	187,261	192,492	196,017	192,612	185,327	172,390	170,880	
DIV	370,230	360,425	393,831	401,902	395,282	383,933	370,978	348,688	365,607	
DVI	157,668	167,832	178,737	179,074	183,210	183,108	174,841	149,948	146,865	
DVII	103,516	97,038	88,467	81,812	70,279	59,441	56,143	52,788	55,947	
DVIII	864,602	932,137	988,820	998,935	1,062,024	1,025,021	1,018,573	960,141	1,068,116	
DIX	66,890	88,008	105,012	103,427	117,065	116,148	116,033	112,953	125,625	
GD4	1,939,971	2,179,170	2,528,703	2,666,818	2,734,161	2,837,982	3,053,734	2,645,841	3,014,074	
GD5	132,962	136,330	142,252	145,523	146,901	148,030	146,558	149,406	151,680	
GD6	3,921,757	4,149,849	4,505,159	4,772,226	4,976,645	5,024,695	5,176,745	5,184,770	5,190,865	
GD7	1,267,531	1,337,521	1,438,371	1,485,122	1,488,660	1,498,679	1,579,353	1,520,974	1,624,726	
GD8	494,769	503,262	511,118	529,206	538,479	546,811	556,090	548,605	561,555	
GD9	6,833,787	6,985,641	7,147,678	7,427,095	7,588,507	7,725,223	7,970,231	7,913,558	8,015,476	
	1988	1989	1990	1991	1992	1993	1994	1995	1996	
				PERCENTAGE OVER TOTAL						
TOTAL	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	
Agriculture, forestry and fishing	26,01	24,76	24,00	23,25	22,67	22,74	22,43	22,65	22,31	
Mining	0,76	0,70	0,69	0,66	0,55	0,48	0,45	0,45	0,44	
Manufacturing industry	12,61	12,79	12,62	12,38	12,44	12,05	11,50	11,21	11,63	
D1	2,53	2,54	2,47	2,45	2,48	2,47	2,37	2,38	2,34	
D1I	2,17	2,13	2,03	1,99	1,91	1,88	1,77	1,76	1,94	
D1II	0,70	0,68	0,63	0,61	0,61	0,56	0,54	0,50	0,52	
D1III	0,70	0,71	0,72	0,72	0,72	0,70	0,66	0,63	0,60	
DIV	1,54	1,54	1,52	1,50	1,46	1,40	1,32	1,28	1,26	
DVI	0,66	0,68	0,69	0,67	0,67	0,67	0,62	0,55	0,52	
DVII	0,43	0,39	0,34	0,31	0,26	0,22	0,20	0,19	0,19	
DVIII	3,59	3,76	3,81	3,74	3,91	3,73	3,62	3,51	3,73	
DIX	0,29	0,36	0,40	0,39	0,43	0,42	0,41	0,41	0,44	
GD4	8,06	8,80	9,74	9,98	10,07	10,33	10,84	9,67	10,66	
GD5	0,55	0,55	0,55	0,54	0,54	0,54	0,52	0,55	0,54	
GD6	16,29	16,76	17,36	17,86	18,32	18,29	18,38	18,96	18,35	
GD7	5,27	5,40	5,54	5,56	5,48	5,46	5,61	5,56	5,74	
GD8	2,06	2,03	1,97	1,98	1,98	1,99	1,97	2,01	1,95	
GD9	28,39	28,21	27,54	27,79	27,94	28,12	28,30	28,94	28,34	

Table 3.5 Mexico: employment by sector (1988-1996) (continued)

		1988	1989	1990	1991	Growth rate		1994	1995	1996	1988-199
						1992	1993				
	TOTAL	--	2.9	4.8	3.0	1.6	1.1	2.5	-2.9	3.4	2
GD1	Agriculture, forestry and fishing	--	-2.1	1.6	-0.3	-0.9	1.4	1.2	-2.0	1.9	0
GD2	Mining	--	-5.8	3.3	-1.4	-15.3	-11.9	-4.5	-1.1	0.0	-6
GD3	Manufacturing industry	--	4.4	3.4	1.0	2.2	-2.1	-2.1	-5.3	7.3	1
D1	Food products, beverages and tobacco	--	3.4	1.7	2.2	2.6	1.0	-1.7	-2.5	1.7	1
DII	Textiles, apparel and leather	--	1.1	0.0	0.6	-2.4	-0.5	-3.6	-3.1	13.7	0
DIII	Wood and its products	--	-0.8	-2.2	-0.5	1.1	-6.6	-1.8	-9.8	7.5	-2
DIV	Printing and publishing	--	5.3	6.1	2.8	1.8	-1.7	-3.8	-7.0	-0.9	0
DV	Basic petrochemicals, rubber and plastic	--	2.8	3.5	2.0	-1.6	-2.9	-3.4	-6.0	4.9	-0
DVI	Non-ferrous metals	--	6.4	6.5	0.2	2.3	-0.1	-4.5	-14.2	-2.1	-1
DVII	Structural metal products	--	-6.3	-8.8	-7.5	-14.1	-15.4	-5.5	-6.0	6.0	-9
DVIII	Metal products, machinery and equipment	--	7.8	6.1	1.0	6.3	-3.5	-0.6	-5.7	11.2	3
DX	Other manufacturing industries	--	25.9	19.3	-1.5	13.2	-0.8	-0.1	-2.7	11.2	10
GD4	Construction	--	12.3	16.0	5.5	2.5	3.8	7.6	-13.4	13.9	7
GD5	Electricity, gas and water	--	2.5	4.3	2.3	0.9	0.8	-1.0	1.9	1.5	2
GD6	Commerce, restaurants and hotels	--	5.8	8.6	5.9	4.3	1.0	3.0	0.2	0.1	4
GD7	Transportation, storage and communications	--	5.5	7.5	3.2	0.2	0.7	5.4	-3.7	6.8	4
GD8	Financial insurances, real estate	--	1.7	1.6	3.5	1.8	1.5	1.7	-1.3	2.4	2
GD9	Communal services, social and personal	--	2.2	2.3	3.9	2.2	1.8	3.2	-0.7	1.3	2
						1994 = 100					
		1988	1989	1990	1991	1992	1993	1994	1995	1996	Differenc. 1994-199
	TOTAL	85.46	87.92	92.16	94.88	96.43	97.52	100.00	97.09	100.41	0.4
GD1	Agriculture, forestry and fishing	99.08	97.03	98.60	98.35	97.45	98.83	100.00	98.02	99.85	-0.1
GD2	Mining	146.51	138.00	142.57	140.52	118.96	104.75	100.00	98.91	98.92	-1.0
GD3	Manufacturing industry	93.69	97.81	101.12	102.11	104.35	102.19	100.00	94.68	101.58	1.9
D1	Food products, beverages and tobacco	91.28	94.35	95.99	98.06	100.65	101.69	100.00	97.48	99.12	-0.6
DII	Textiles, apparel and leather	104.94	106.09	106.06	106.75	104.19	103.70	100.00	96.89	110.15	10.1
DIII	Wood and its products	111.74	110.85	108.37	107.83	109.02	101.84	100.00	90.16	96.88	-3.1
DIV	Printing and publishing	90.42	95.25	101.04	103.87	105.77	103.93	100.00	93.02	92.20	-7.8
DV	Basic petrochemicals, rubber and plastic	99.80	102.55	106.16	108.34	106.55	103.49	100.00	93.99	98.55	-1.4
DVI	Non-ferrous metals	90.18	95.99	102.23	102.42	104.79	104.73	100.00	85.76	84.00	-16.0
DVII	Structural metal products	184.38	172.84	157.57	145.72	125.18	105.87	100.00	94.02	99.65	-0.3
DVIII	Metal products, machinery and equipment	84.88	91.51	97.08	98.07	104.27	100.63	100.00	94.26	104.86	4.6
DX	Other manufacturing industries	60.23	75.85	90.50	89.14	100.89	100.10	100.00	97.35	108.27	8.2
GD4	Construction	63.53	71.36	82.81	87.33	89.54	92.93	100.00	86.64	98.70	-1.3
GD5	Electricity, gas and water	90.72	93.02	97.06	99.29	100.23	101.00	100.00	101.94	103.49	3.4
GD6	Commerce, restaurants and hotels	75.76	80.16	87.03	92.19	96.13	97.06	100.00	100.16	100.27	0.2
GD7	Transportation, storage and communications	80.26	84.69	91.07	94.03	94.26	94.89	100.00	96.30	102.87	2.6
GD8	Financial insurances, real estate	88.97	90.50	91.91	95.17	96.83	98.33	100.00	98.65	100.98	0.3
GD9	Communal services, social and personal	85.74	87.65	89.68	93.19	95.21	96.93	100.00	99.29	100.57	0.3

Source: own calculations based on INEGI.

Table 3.6 Mexico: employment by branch (1988-1996)(out of 73 branches, five most important branches, by employment generation during 1995-1996)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	Difference 1994-96
TOTAL	24,069,99 ₉	24,764,01 ₂	25,957,66 ₁	26,723,91 ₆	27,160,07 ₂	27,467,47 ₈	28,165,78 ₃	27,347,48 ₂	28,281,79 ₃	116,011
60 Construction	1,939,971	2,179,170	2,528,703	2,666,818	2,734,161	2,837,982	3,053,734	2,645,841	3,014,074	-39,660
64 Transportation	1,162,487	1,233,564	1,332,189	1,378,164	1,380,868	1,388,282	1,467,964	1,407,024	1,512,430	44,466
01 Agriculture	5,395,958	5,251,360	5,338,234	5,261,680	5,184,087	5,259,007	5,342,238	5,242,141	5,345,968	3,730
62 Commerce	2,811,668	2,932,564	3,135,707	3,259,106	3,393,363	3,406,969	3,459,665	3,495,782	3,553,834	94,169
72 Other Services	2,367,065	2,432,633	2,455,676	2,539,720	2,597,824	2,650,411	2,737,444	2,672,262	2,725,787	-11,657
Subtotal	13,677,14 ₉	14,029,29 ₁	14,790,50 ₉	15,105,48 ₈	15,290,30 ₃	15,542,65 ₁	16,061,04 ₅	15,463,05 ₀	16,152,09 ₃	91,047
PERCENTAGE OVER TOTAL										
	1988	1989	1990	1991	1992	1993	1994	1995	1996	Difference 1994-96
TOTAL	856.08	844.45	827.81	819.98	800.39	806.21	814.12	782.30	795.81	-18.31
60 Construction	69.00	74.31	80.64	81.83	80.57	83.30	88.27	75.69	84.81	-3.45
64 Transportation	41.35	42.06	42.48	42.29	40.69	40.75	42.43	40.25	42.56	0.13
01 Agriculture	191.91	179.07	170.24	161.45	152.77	154.36	154.41	149.96	150.43	-3.99
62 Commerce	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00
72 Other Services	84.19	82.95	78.31	77.93	76.56	77.79	79.12	76.44	76.70	-2.42
Subtotal	486.44	478.40	471.68	463.49	450.59	456.20	464.24	442.33	454.50	-9.74
Growth rate										
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1988-96
TOTAL	--	2.9	4.8	3.0	1.6	1.1	2.5	-2.9	3.4	2.7
60 Construction	--	12.3	16.0	5.5	2.5	3.8	7.6	-13.4	13.9	7.6
64 Transportation	--	6.1	8.0	3.5	0.2	0.5	5.7	-4.2	7.5	4.5
01 Agriculture	--	-2.7	1.7	-1.4	-1.5	1.4	1.6	-1.9	2.0	-0.2
62 Commerce	--	4.3	6.9	3.9	4.1	0.4	1.5	1.0	1.7	4.0
72 Other Services	--	2.8	0.9	3.4	2.3	2.0	3.3	-2.4	2.0	2.4
Subtotal	--	2.6	5.4	2.1	1.2	1.7	3.3	-3.7	4.5	2.8
1994=100										
	1988	1989	1990	1991	1992	1993	1994	1995	1996	Difference 1994-96
TOTAL	85.46	87.92	92.16	94.88	96.43	97.52	100.00	97.09	100.41	0.41
60 Construction	63.53	71.36	82.81	87.33	89.54	92.93	100.00	86.64	98.70	-1.30
64 Transportation	79.19	84.03	90.75	93.88	94.07	94.57	100.00	95.85	103.03	3.03
01 Agriculture	101.01	98.30	99.93	98.49	97.04	98.44	100.00	98.13	100.07	0.07
62 Commerce	81.27	84.76	90.64	94.20	98.08	98.48	100.00	101.04	102.72	2.72
72 Other Services	86.47	88.87	89.71	92.78	94.90	96.82	100.00	97.62	99.57	-0.43
Subtotal	85.16	87.35	92.09	94.05	95.20	96.77	100.00	96.28	100.57	0.57

Source: own calculations based on INEGI.

Table 3.7 Mexico: real wages by sector (1988-1996)

		Growth rate									
		1988	1989	1990	1991	1992	1993	1994	1995	1996	1988-96
	Total	--	0.7	0.4	5.9	8.6	5.9	3.5	-14.5	-5.1	0.6
GD1	Agriculture, forestry and fishing	--	-7.1	-11.2	-0.2	-1.0	-1.6	-2.3	-14.7	-6.5	-7.5
GD2	Mining	--	-4.2	-5.5	13.6	9.2	5.8	-3.9	-6.6	-0.7	1.0
GD3	Manufacturing industry	--	3.0	-1.3	2.9	6.2	0.8	2.5	-14.3	-5.8	-1.3
DI	Food products, beverages and tobacco	--	6.8	1.1	6.7	8.2	6.1	3.7	-15.9	-4.8	1.6
DII	Textiles, apparel and leather	--	5.4	-1.6	1.0	7.2	-1.6	0.8	-20.7	-8.5	-3.5
DIII	Wood and its products	--	1.7	2.1	2.1	3.7	0.2	2.8	-16.1	-5.9	-1.8
DIV	Printing and publishing	--	-3.2	-3.3	0.9	9.2	0.3	3.9	-17.1	-4.1	-2.6
DV	Basic petrochemicals, rubber and plastic	--	0.3	-1.7	3.4	7.3	1.1	1.7	-11.1	-1.3	-0.2
DVI	Non-ferrous metals	--	2.4	-2.4	4.4	4.5	0.5	2.8	-9.5	-11.3	-1.7
DVII	Structural metal products	--	8.5	-2.1	-3.4	10.0	-4.9	3.0	-12.2	-7.0	-1.7
DVIII	Metal products, machinery and equipment	--	2.6	-1.8	2.8	4.7	0.3	2.7	-12.8	-6.1	-1.4
DIX	Other manufacturing industries	--	0.9	-4.5	3.0	8.7	3.8	1.5	-15.4	-4.2	-1.4
GD4	Construction	--	-10.4	-2.3	1.0	4.3	2.3	1.6	-17.0	-2.4	-4.1
GD5	Electricity, gas and water	--	-2.7	1.3	3.2	9.2	10.2	7.8	-10.8	-5.3	1.8
GD6	Commerce, restaurants and hotels	--	2.9	2.8	5.8	6.7	5.0	1.5	-16.0	-7.5	-0.2
GD7	Transportation, storage and communications	--	-3.4	-1.9	5.8	8.2	4.2	-0.4	-10.8	-4.9	-0.8
GD8	Financial insurance, real estate	--	-0.8	8.9	10.3	18.0	10.7	1.2	-18.1	-10.7	2.4
GD9	Communal services, social and personnel	--	0.7	1.8	7.3	10.5	11.3	7.4	-14.6	-3.7	3.0
		1994=100									
		1988	1989	1990	1991	1992	1993	1994	1995	1996	Difference 1994-96
	Total	78.42	78.94	79.28	83.94	91.17	96.58	100	85.54	81.19	-18.81
GD1	Agriculture, forestry and fishing	127.54	118.47	105.20	105.03	104.03	102.37	100	85.30	79.76	-20.24
GD2	Mining	87.64	83.94	79.31	90.08	98.40	104.08	100	93.43	92.80	-7.20
GD3	Manufacturing industry	87.15	89.73	88.52	91.08	96.77	97.56	100	85.69	80.72	-19.28
DI	Food products, beverages and tobacco	72.81	77.77	78.63	83.93	90.81	96.39	100	84.12	80.12	-19.88
DII	Textiles, apparel and leather	89.85	94.68	93.17	94.08	100.85	99.23	100	79.32	72.57	-27.43
DIII	Wood and its products	88.26	89.80	91.67	93.63	97.10	97.26	100	83.91	78.99	-21.01
DIV	Printing and publishing	93.09	90.08	87.10	87.87	95.95	96.22	100	82.91	79.49	-20.51
DV	Basic petrochemicals, rubber and plastic	88.85	89.14	87.67	90.63	97.22	98.31	100	88.92	87.72	-12.28
DVI	Non-ferrous metals	88.79	90.90	88.71	92.65	96.79	97.30	100	90.54	80.31	-19.69
DVII	Structural metal products	90.39	98.10	96.01	92.78	102.10	97.05	100	87.83	81.72	-18.28
DVIII	Metal products, machinery and equipment	89.45	91.79	90.17	92.72	97.09	97.34	100	87.24	81.96	-18.04
DIX	Other manufacturing industries	88.02	88.79	84.81	87.33	94.92	98.50	100	84.57	81.02	-18.98
GD4	Construction	104.20	93.38	91.20	92.14	96.13	98.38	100	83.02	81.02	-18.98
GD5	Electricity, gas and water	75.75	73.68	74.64	77.06	84.11	92.73	100	89.24	84.50	-15.50
GD6	Commerce, restaurants and hotels	78.64	80.89	83.15	88.00	93.86	98.56	100	83.98	77.67	-22.33
GD7	Transportation, storage and communications	88.85	85.82	84.20	89.10	96.36	100.43	100	89.24	84.85	-15.15
GD8	Financial insurance, real estate	63.44	62.93	68.52	75.61	89.25	98.81	100.0	81.93	73.15	-26.85
GD9	Communal services, social and personnel	68.77	69.27	70.54	75.71	83.69	93.11	100.0	85.41	82.25	-17.75

Source: own calculations based on INEGI.

Table 3.8 Mexico: Performance of employment generating branches

	1988	1989	1990	1991	1992	1993	1994	1995	1996	Difference 1994-96
Employment generation										
5 Branches	--	352,141	761,218	314,979	184,816	252,348	518,394	-597,995	689,043	170,648
Total economy	--	694,012	1,193,649	766,255	436,157	307,406	698,305	-818,301	934,312	236,007
Employment (1994=100)										
5 Branches	85.16	87.35	92.09	94.05	95.20	96.77	100.00	96.28	100.57	0.57
Total economy	85.46	87.92	92.16	94.88	96.43	97.52	100.00	97.09	100.41	0.41
Employment (Total = 100)										
5 Branches	56.82	56.65	56.98	56.52	56.30	56.59	57.02	56.54	57.11	0.09
Total economy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00
Real wages (1994=100)										
5 Branches	97.70	93.35	90.73	93.37	98.29	100.57	100.00	85.61	81.24	-18.76
Total economy	78.42	78.94	79.28	83.94	91.17	96.58	100.00	85.54	81.19	-18.81
Real wages (total =100)										
5 Branches	84.75	80.45	77.86	75.68	73.34	70.84	68.03	68.09	68.07	0.04
Total economy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00
GDP (1994=100)										
5 Branches	81.8	84.3	88.6	91.5	93.9	94.7	100.0	88.2	94.0	-6.01
Total economy	79.4	82.8	87.0	90.6	93.9	95.8	100.0	93.8	98.7	-1.31
GDP (total=100)										
5 Branches	43.92	42.24	41.93	40.35	38.78	37.39	36.81	36.39	37.80	0.98
Total economy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00
Labor productivity (1994=100)										
5 Branches	96.05	96.56	96.18	97.34	98.67	97.81	100.00	91.61	93.46	-6.54
Total economy	92.96	94.15	94.38	95.54	97.42	98.21	100.00	96.64	98.29	-1.71
Labor productivity (total=100)										
5 Branches	68.54	68.03	67.60	67.58	67.19	66.07	66.34	62.88	63.08	-3.26
Total economy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00
Exports (1994=100)										
5 Branches	85.58	88.12	85.15	102.36	82.95	96.40	100.00	137.57	145.92	45.92
Total economy	70.40	71.48	74.84	80.40	81.38	87.77	100.00	139.05	164.60	64.60
Exports (1994=100)										
5 Branches	5.93	6.01	5.55	6.21	4.97	5.36	4.88	4.83	4.32	-0.55
Total economy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00
Imports (1994=100)										
5 Branches	51.06	63.12	69.33	63.39	87.75	76.74	100.00	78.01	120.99	20.99
Total economy	37.17	45.09	55.48	67.32	83.63	82.91	100.00	72.80	91.23	-8.77
Imports (total=100)										
5 Branches	5.55	5.65	5.05	3.80	4.24	3.74	4.04	4.33	5.36	1.32
Total economy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00
Trade Balance / GDP										
5 Branches	-6.46	-9.19	-3.76	-0.86	-5.14	-1.98	-5.52	1.24	-12.93	-7.41
Total economy	-0.52	-2.02	-2.62	-4.64	-6.91	-5.76	-6.94	0.04	-0.87	6.07

Source: own calculations based on INEGI.

Table 3.9 Mexico: selected social indicators

	1980	1982	1985	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Life expectancy	65.5	--	67.7	--	--	69.9	--	--	70.3	--	71.5	72.4	
Infant mortality ^f	56.8	--	47	46.6	--	39.5	--	--	35.2	--	34	31	
GDP per capita (\$US)	3,050	3,141	3,009	2,819	2,860	2,932	3,000	3,054	3,054	3,139	2,882	2,960	3113
Poverty (by household), total ^a ^b	34	--	34	--	39	--	--	36	--	36	--	--	
Urban	20	--	28	--	34	--	--	30	--	29	--	--	
Rural	49	--	45	--	49	--	--	46	--	47	--	--	
Indigency (by household), total ^a ^c	12	--	11	--	14	--	--	12	--	12	--	--	
Urban	6	--	7	--	9	--	--	7	--	6	--	--	
Rural	18	--	20	--	23	--	--	20	--	20	--	--	
Public social spending (% of GDP)	7.0	8.4	6.4	5.1	5.5	5.0	7.0	7.8	8.5	9.1	8.3	8.1	
Public social spending, per capita	213	264	193	144	157	147	210	238	260	286	245	253	^e
Public expenditure in education (% of GDP)	3.2	3.9	3.0	2.4	2.7	2.4	2.9	3.2	3.6	3.9	3.7	4	
Public expenditure in education, per capita	98	122	90	68	77	70	87	98	110	122	110	114	^e
Public expenditure in health (% of GDP) ^d	0.4	0.4	0.3	0.4	0.4	0.3	3.3	3.4	3.7	3.8	3.4	3.2	
Public expenditure in health, per capita ^d	12	13	9	11	11	9	99	104	113	119	101	104	^e

^a 1980 refers to 1970 and 1985 to 1984 for poverty.

^b Percentage of households whose income is less than twice the basic food basket. Includes households in indigency level.

^c Percentage of households whose income is less than one basic food basket.

^d Does not include health spending of social security institutions before 1991.

^e estimated

Source: CEPAL (1997, 1998). Data for 1996 and 1997 was estimated from several official sources.

Notes

1 I am very thankful for the comments and critiques during the conference, particularly to Dr. Cecilio Garza Limon, Dr. Chong Sup Kim and Dr. Hyecheon Lee.

2 For a theoretical analysis of this issue see: Dussel Peters (1997).

3 It is important to stress that, recently, institutions like the World Bank have profoundly and officially reconsidered their policies (Steglitz 1998).

4 In contrast, GDP and GDP per capita during 1940-80 increased by 6.4 per cent and 3.1 per cent annually, respectively.

5 This issue will be analysed in depth in part 3.

6 It is surprising that these costs, which will reflect in fiscal costs and probably in a fiscal deficit, have not been highlighted and criticised by multilateral agencies.

7 Pronasol was initially created as a short-term mechanism to protect the poorest segments of Mexico's society. However, and mainly during 1988-94, it became one of the centerpieces of social policy, focusing also on productive projects for micro and small businesses (Dresser 1997).

8 There are several important changes regarding social policy since 1988. However, probably the most significant one has been the reform to the Social Security Law, enforced in 1997, is now based on an individual basis and is being administrated by private firms (Ruiz Duran 1997).

9 The Program for Integral Quality and Modernisation (CIMO), the Project for Modernisation of Labor Markets (PMMT) and the Program for Temporary Employment, are some of the few employment programs that have attempted to target employment issues. In general, these programs, also funded by the World Bank, aim to train workers through scholarships, providing information to workers and business on the employment market, modernising the labor market and making it more transparent (STPS).

10 "A third line of action is to try gradually to eliminate the existing rigidities of the Mexican labour market. It is important to reorient public expenditure as well as public investment and to focus on the antipoverty programs so as to reduce these regional discrepancies" (Ortiz 1995:30).

11 This vision of economics and of economic policy has been influenced by, and is compatible with, some publications of multilateral agencies, which state that "there is no more powerful mechanism to raise the income of workers than market-led development" (World Bank 1995/a:1). It concludes that institutional mechanisms such as minimum wages, restrictions on social security and job security legislation have to be eliminated or reformed, in line with the vision of a necessary flexibilisation in the labor market.

12 "Labour-market policies, minimum wages, job security regulations, and social security, are usually intended to raise welfare or reduce exploitation. But they actually work to raise the cost of labour in the formal sector and reduce labour demand" (World Bank 1990).

13 One minimum wage in 1997 was equivalent to around 800 Mexican Pesos monthly or US\$90.

14 Most of the data for this part were obtained directly from National Institute for Statistics, Geography and Information (INEGI) records for 1988-96. Data for 1997 has been estimated by the author or by other sources.

15 The general open unemployment rate, compatible with the OECD definition, refers to the percentage of the population, 12 years of age or older, which did not have a job during the week of the interview and which had made an attempt to search for a job during the preceding 2 months (INEGI 1997). Under such a definition, it is surprising that there is any unemployment at all. This unemployment definition is plausible for OECD nations, with an unem-

ployment and social network, but not for underdeveloped nations, with nonexistent unemployment and social security networks.

16 According to Mexico's National Accounting System, Mexico's economy is divided into 73 branches.

17 As of July 1998, there is still no official source on which to base a strict evaluation of the impact of the crisis on issues such as income distribution and poverty. It is expected that the 1996 data on these issues will be published by October of this year. However, there is a widespread belief among experts that poverty and indigency indicators have increased substantially since 1994.

18 This discussion includes issues such as the role and efficiency of foreign investments and the role of the state, which are beyond the scope of this paper.

19 For example, if we select the five most important branches according to their growth in employment for 1995-96 (garment, electric and electronic equipment, other manufacturing and construction), they only account for a 13 per cent share over total employment in 1996; not including constructing it falls to 2.1 per cent.

20 According to some authors (Fujii 1998), "flexibilisation" in Mexico's labor market has already been taking place since the 1980s. Employment not receiving any kind of fringe benefits increased from 30.1 per cent of total employment in 1991 to 41 per cent in 1995. Employment working either less than 15 hours a week or more than 49 hours a week, together, increased from 22.7 per cent of employment in 1988 to 33.8 per cent in 1995.

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