Mexico's labor force: 50% unemployment, and rising

by Dennis Small and Carlos Cota Meza

A nation's greatest wealth is its labor force, and the development of its productive powers through growing employment at increasingly sophisticated technological skill levels. Judged by that standard, the single greatest crime that International Monetary Fund-sponsored neoliberal (i.e., free trade) policies have inflicted on Mexico's physical economy, is the decimation of its work force. Over the last 15 years of strict International Monetary Fund (IMF) conditionalities:

- Real unemployment has doubled from 25% to nearly 50% of the labor force.
- Of those lucky enough to still have a job, the proportion who are *productively* employed has plunged by more than a third.
- The all-important manufacturing sector has shrunk by half, from an already low 10% of the total labor force in 1970, down to less than 5% today. In fact, about 2.5 million manufacturing jobs that would otherwise exist today, were lost between 1981 and 1996, as a direct result of IMF policies.

TABLE 1
Calculation of real unemployment
(thousands)

	1971	1976	1981	1986	1991	1996
Disguised unemployment	416	1,508	727	4,117	6,627	10,958
Unemployment in manufacturing	289	249	264	391	475	886
Under-employment in agriculture	950	1,200	1,400	1,519	1,530	1,271
Mis-employment in services	1,000	2,250	3,250	3,564	3,834	3,638
Total	**2,655**	**5,207**	**5,641**	**9,591**	**12,466**	**16,753**
% of labor force	**18%**	**28%**	**25%**	**37%**	**41%**	**49%**

Sources: FAO, INEGI, *EIR*.

Our calculation of "real unemployment" includes the following four categories:

1. *Disguised unemployment:* This is the difference between the economically active population, or labor force, and the number of *remunerated jobs*, as per the data published by Mexico's INEGI.
2. *Unemployment in manufacturing:* In addition to what is reported as *open unemployment* or what appears as *disguised unemployment* in this sector, there is an additional element of real unemployment, corresponding to the difference between the official figure of remunerated jobs in manufacturing, and *EIR*'s calculation of the actual level of employment in the sector. (Details of this calculation are provided in the text of the article on the labor force.)
3. *Underemployment in agriculture:* This category is derived from updated calculations based on the methodology employed in the Schiller Institute's 1986 book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000!*. That study explained that "a large part of the workers who remain in the countryside are in fact underemployed, either because they work only part of the year and are idle the rest, or because they are employed in agricultural jobs of such low productivity that their contribution to net output is virtually insignificant." The book then used proportional parameters based on South Korea, to calculate that in 1980 Mexico had 1.4 million underemployed in agriculture.

   From 1980 to the present, we have estimated that any increase in the official number of remunerated jobs in agriculture is not real, because such numbers don't correspond to any actual increase in production in the sector—and we have therefore added this number to the 1.4 million of 1980, to obtain our total number for this category.
4. *Misemployment in services:* Here we have also used the methodology employed in the *Ibero-American Integration* book, which defines misemployment in services as "those who hold a physical job only part time or part of the year; those employed in clearly marginal activities, as street vendors . . . or other examples of the 'informal economy'; and those 'white collar' employees whose total numbers clearly exceed what is required for such activities." From this standpoint, we revised the Schiller Institute's earlier calculations (which had covered the period 1950 to 1980), to reflect the time span under consideration in this study (1970-80), which yielded an estimate of 3.25 million misemployed in services in 1980. We then added to this number, the increase in the official category of remunerated jobs between 1980 and 1996, for the same reasons as explained in the case of underemployment in agriculture.

The crime against the Mexican population begins at the top, and it has been committed against all of its 95 million inhabitants. Throughout the 1950s, '60s, and '70s, Mexico had a rapidly growing population, and therefore a relatively high proportion of children and youth in its "population pyramid." The historical policy of its governments was summarized in the dictum, "To govern is to populate," and the citizenry rightly viewed the growing population as a tremendous national asset and source of wealth. This earned Mexico the distinction of being one of the 14 countries singled out by Henry Kissinger in his evil National Security Study Memorandum 200 (NSSM-200) policy document of 1974, for supposedly being a threat to U.S. national security because of its demographic growth.

Beginning in the 1970s, under the Luis Echeverría administration, a concerted campaign by the Kissinger cabal in Washington and Wall Street, by the World Bank, the Club of Rome, and other proponents of Malthusian depopulation, imposed their policies of "population control" on Mexico. As a result, between 1965 and 1995, the natural rate of growth of the population dropped from 3.4% (a historical high) down to 2.05%. Although between 1975 and 1995 the number of women of child-bearing age doubled, the number of children per fertile woman fell from 6.0 to 3.0. According to Mexico's National Council on Population (Conapo), that is why the growth of the population in absolute terms has remained steady over the last two decades.

This overall trend translated into a steady

growth of the "economically active population," or labor force, from about 14.8 million in 1971, to an estimated 34.4 million in 1996, which is about 36% of the total population today. In other words, somewhere between 750,000 and 1 million young Mexicans have been joining the labor force every year.

(The economically active population, according to standard International Labor Organization [ILO] definitions, "comprises all persons of either sex who furnish the supply of labor for the production of economic goods and services"—that is, it is the labor force, including both those currently employed and those currently unemployed. It typically excludes children under the age of 10, as well as "students, women occupied solely in domestic duties, retired persons, persons living entirely on their own means, and persons wholly dependent upon others.")

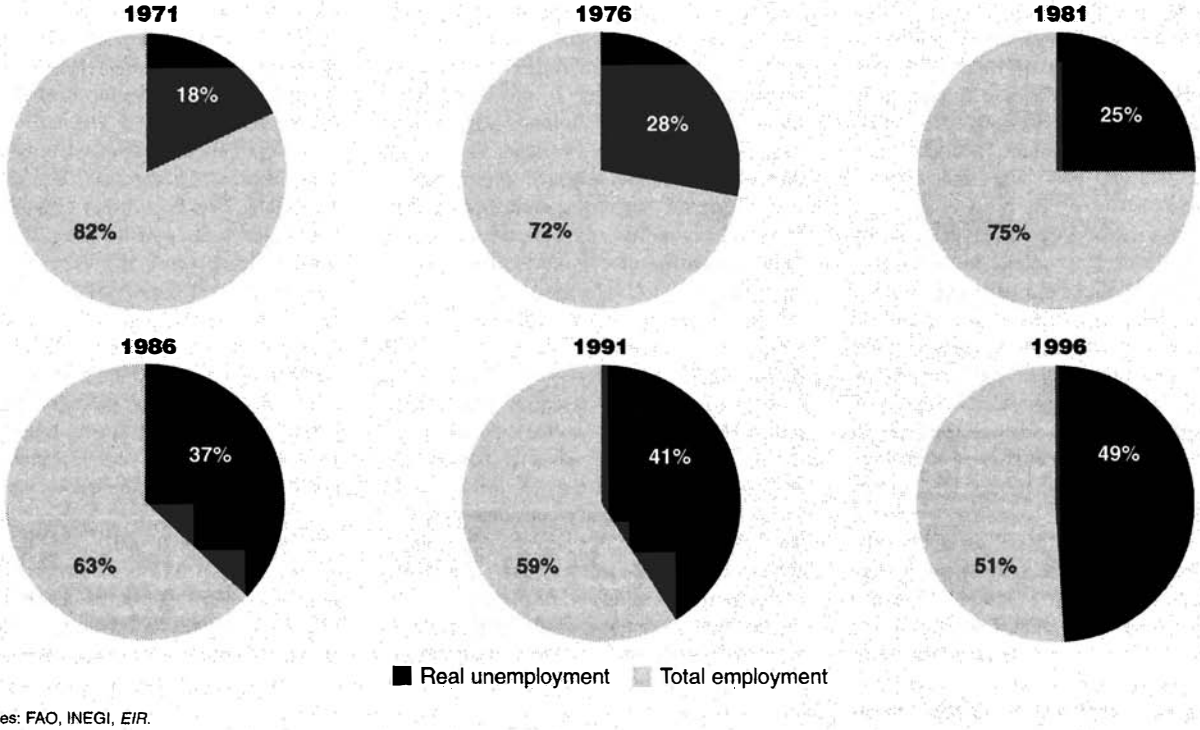
Until 1981, a fairly typical situation prevailed in Mexico. In that year, the economically active population was 22.407 million, and the category of "remunerated jobs" (presumably all paid job-holders in the domestic economy) was at 21.549 million. The difference of 858,000 between the two categories, was accounted for by about 131,000 people employed in the *maquiladora* assembly plants along the U.S. border (which the government excludes from their remunerated jobs category), and by various forms of official unemployment totalling perhaps 727,000 Mexicans (about 3% of the labor force in that year). Real unemployment was of course much higher (as we explain below), but the point to note is that the labor force and the remunerated jobs categories were relatively close to each other.

However, over the next 15 years, the economically active population grew by more than 50% to 34.435 million, while the remunerated jobs completely stagnated: From 21.549 million in 1981, it rose by only 6% to an estimated 22.770 million in 1996. The difference between this and the labor force in 1996, which is about 12 million people, is what we have called "disguised unemployment." It is one of the most shocking indications of what real unemployment is in Mexico. In other words, these are working-age individuals, who are not otherwise excluded from the labor force for the reasons cited by the ILO (students, housewives, the disabled, and so on), but who are simply not counted among the officially unemployed. So, they have statistically vanished from the face of the Earth, although they are in reality unemployed—thus, disguised unemployment. However, even that figure underestimates the reality of the unemployment situation.

What is real unemployment?

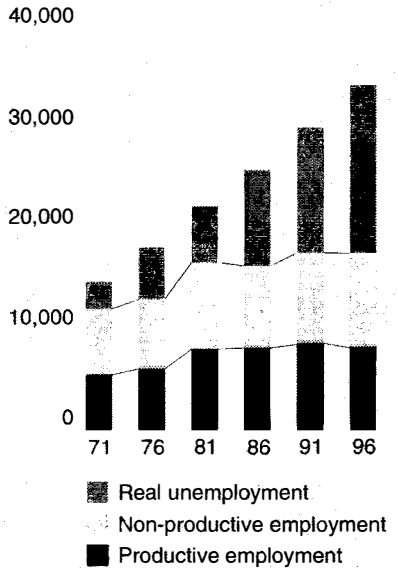
In order to estimate actual unemployment, we must first define the real unemployment rate as that percentage of the total labor force which, for one reason or another, contributes nothing, or nearly nothing, to the production of physical economic wealth. From that standpoint, we must add to the disguised unemployment the following additional categories: real unemployment in manufacturing (as compared to the official statistics), underemployment in agriculture, and mis-employment in services. (For a more detailed explanation of the methodology employed, see the Schiller Institute's 1986 study, *Ibero-American Integration,* chapter 4, and the note to Table 1 below.) If these categories are added, we see that real unemployment in Mexico today is conservatively estimated at 16.8 million, or 49% of the labor force. The growth of real unemployment, as a percentage of the labor force, is shown in five-year intervals in the pie charts in **Figure 1.**

FIGURE 1
Total employment and real unemployment
(% of labor force)



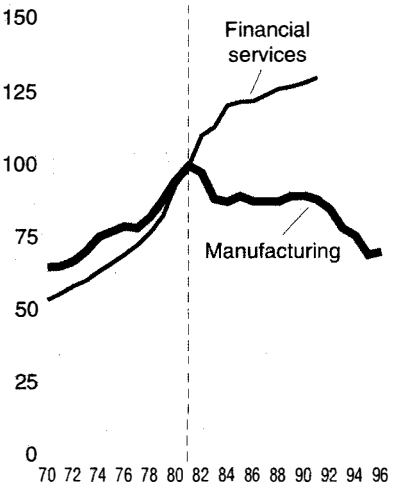
Sources: FAO, INEGI, *EIR.*

FIGURE 2
Composition of the labor force
(thousands)



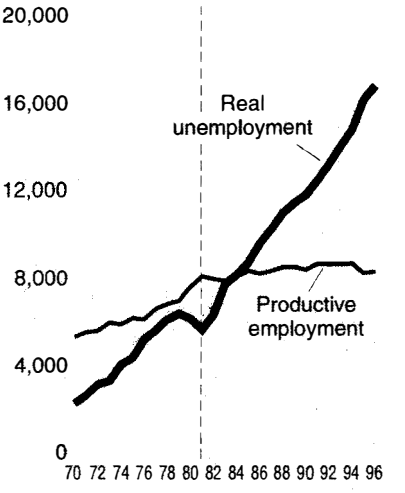
Sources: FAO, INEGI, *EIR.*

FIGURE 3
Employment in manufacturing and financial services
(index 1981=100)



Sources: INEGI, *EIR.*

FIGURE 4
Productive employment and real unemployment
(thousands)



Fuentes: FAO, INEGI, *EIR.*

Compare this with the absurd figures of official "open unemployment," which the National Institute of Statistics, Geography and Information (INEGI) estimated, at 5.3% of the labor force in August 1996—statistics which are rightly the laughingstock of economic analysts the world over.

Figure 2 shows that the steady growth of the labor force between 1971 and 1996, was channelled almost totally into the category of the unemployed—especially after 1981. Although total employment grew modestly between 1971 and 1981, after that period it stagnated. In other words, virtually all youth entering the labor force over the last 15 years have ended up on the human scrap heap: Some of them are officially unemployed; another large number have given up looking for jobs, and are thus no longer even counted, appearing only in our category of disguised unemployment; others remain virtually unemployed for most of the year in the devastated rural sector (underemployment in agriculture); and another large group have ended up in de facto unemployment, disguised as informal "jobs" as street vendors or hustlers, or in the more openly criminal components of the so-called informal economy (mis-employment in services).

None of this takes into account the more than 5 million Mexicans who currently reside in the United States, nor the various millions who enter the country yearly (some legally, some not), in a desperate effort to find economic sustenance. Nor does it consider the 700,000 Mexicans currently employed in the slave labor sweatshops, euphemistically called *maquiladoras,* or in-bond assembly plants, principally along the U.S.-Mexico border (more on this below).

Figure 2 employs a further distinction within the employed labor force which is of great importance: productive versus non-productive employment. In this, we follow Lyndon LaRouche's standard definitions, which consider productive labor to be only that which is directly engaged in the production of tangible output that contributes to the physical economic reproductive process. Thus, it consists of operatives employed in manufacturing, construction, agriculture, mining (including oil), and utilities such as electricity and water. We are also here including in our category of productive employment, certain essential "infrastructure" workers, such as teachers, doctors, and nurses, as well as operatives in transportation and communications. Scientists and engineers are also rightly considered part of this category, but unfortunately, their number in Mexico is so small as to be negligible for the purposes of this calculation.

The non-productive employment category, on the other hand, comprises all service and office employees, which are a kind of "overhead cost" to the productive economy.

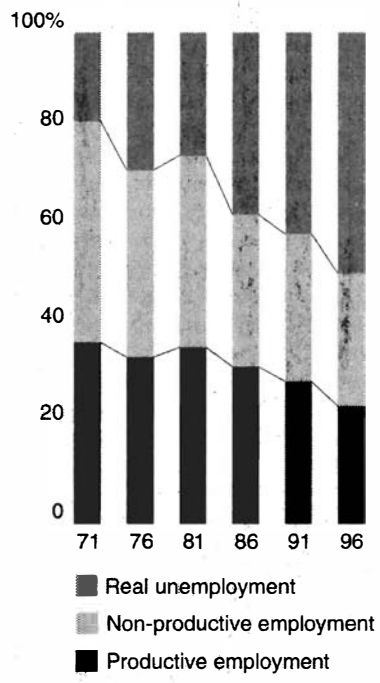
Not surprisingly, productive employment, such as in manufacturing, has stagnated or collapsed under IMF policies, whereas non-productive employment, such as in financial services, continued to prosper (**Figure 3**).

Using these definitions, we see in **Figure 4** that overall productive employment in Mexico rose slowly to the level of about 8.1 million in 1981, but it stagnated thereafter, rising to only 8.3 million in 1996—a pathetic 2% increase in 15 years. Real unemployment, by comparison, tripled during the same period, skyrocketing from 5.6 million to 16.8 million.

In both Figures 3 and 4, a particularly sharp dip can be seen in 1995, continuing into 1996. This is a direct reflection of the near disintegration of the Mexican economy which occurred in the aftermath of the December 1994 debt bomb explosion. Over the course of 1995, interest rates skyrocketed, credit dried up, huge amounts of non-performing debt piled up in the banks, manufacturing, agriculture, and other enterprises went bankrupt—in short, the economy imploded. Estimates vary, but most analysts agree that about 1 million jobs were lost in 1995 alone.

Figure 5 presents the employment data as percentages of the economically active population. This presentation is perhaps the best way to gain insight into the physical economic process. More than absolute numbers, what determines an economy's ability to reproduce itself is the internal *proportions* of its labor force—that is, the share or per-

FIGURE 5
Composition of the labor force
(% of the total)



Sources: FAO, INEGI, *EIR*.

centage of the total available manpower which is dedicated to each economic task. Thus, in measuring an economy's trajectory, we are well-served to use this *shifting metric,* rather than any fixed yardstick.

Looked at this way, we see the shocking growth of the cancer of unemployment, to the point where it has taken over about half of the labor force. Meanwhile, productive employment remained constant throughout the 1970s at the (far too low) level of about 36% of the labor force, but then plummeted to a mere 24% today—a decline of more than one-third. Remember, it is this portion of the labor force which must produce all of the physical economic output required to sustain the entire population; it is they who, so to speak, carry the nation on their shoulders. Fifteen years ago, about one-third of the labor force did that; today, less than one-quarter does so.

Ironically, this trend in Mexico almost exactly parallels what happened in the United States during the same time period. U.S. productive employment was 36% of the labor force in 1970, and by 1996 had shrunk to 26% of the total. The only difference is that the United States showed a steady decline over this period, while Mexico was stable from 1970 until about 1981, and then fell apart rapidly.

When we look at the internal composition of Mexico's (shrinking) productive labor force (see **Figure 6**), we see that almost half of it is engaged in agriculture—a proportionally large share, which is a sign of Mexico's chronic underdevelopment. Thus, industrial operatives and essential infrastructure workers today make up only 6% and 7%, respectively, of the total labor force.

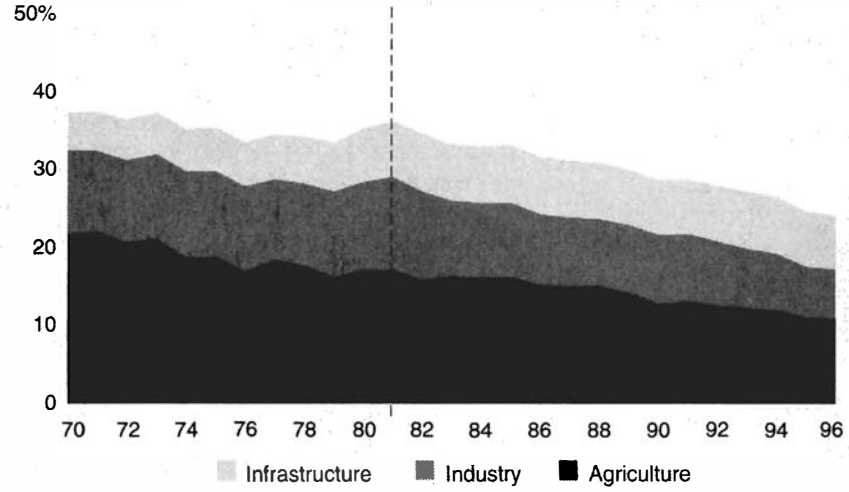
Manufacturing vs. *maquiladoras*

But the true dimensions of the labor force catastrophe brought about in Mexico by IMF policies, only appear when we focus in on the situation in the manufacturing sector. Manufacturing is the direct transformation of nature to produce the market basket of consumer and producer goods which an economy requires to progress. Growing employment in manufacturing, reaching perhaps 35 to 40% of the labor force, at rising skill levels, is the sign of a healthy economy. Of that, a rising proportion must be employed in the all-important machine tool sector, which is the principal means whereby technological advances are introduced and spread throughout the economy by the rising skill level of the labor there employed.

Mexico's manufacturing sector is clearly moribund. As **Figure 7** shows, employment in manufacturing (including both operatives and administrative employees) remained relatively stable throughout the 1970s, at about 10% of the total labor force. This was not a particularly healthy level: For example, even Spain, a relatively undeveloped European nation, had about 20% of its labor force in manufacturing during this same period. But, with the imposition of IMF policies in 1982, things in Mexico rapidly went from bad to worse: Employment in manufacturing dropped off sharply, plunging to under 5% of the labor force in 1996.

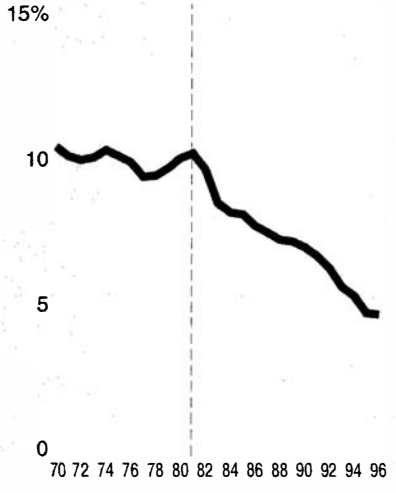
In this and subsequent figures on manu-

FIGURE 6
Productive employment
(% of the labor force)



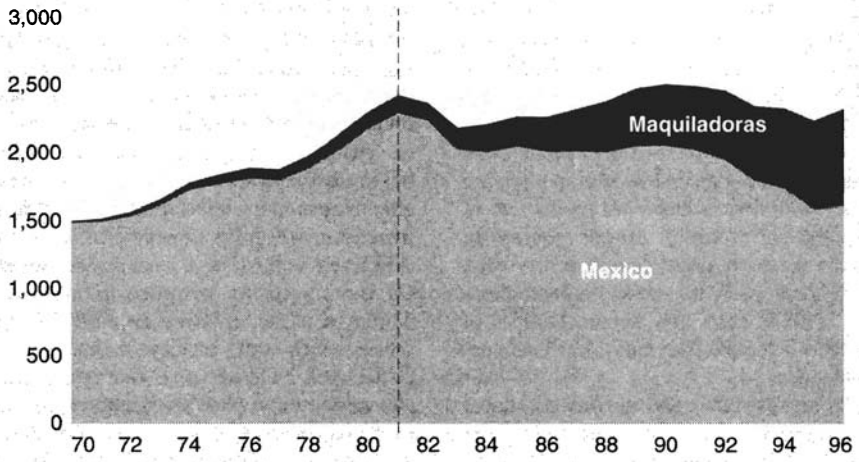
Sources: FAO, INEGI, *EIR*.

FIGURE 7
Total employment in manufacturing
(% of the labor force)



Sources: FAO, INEGI, *EIR*.

FIGURE 8
Real employment in manufacturing
(thousands)



Sources: INEGI, *EIR*.

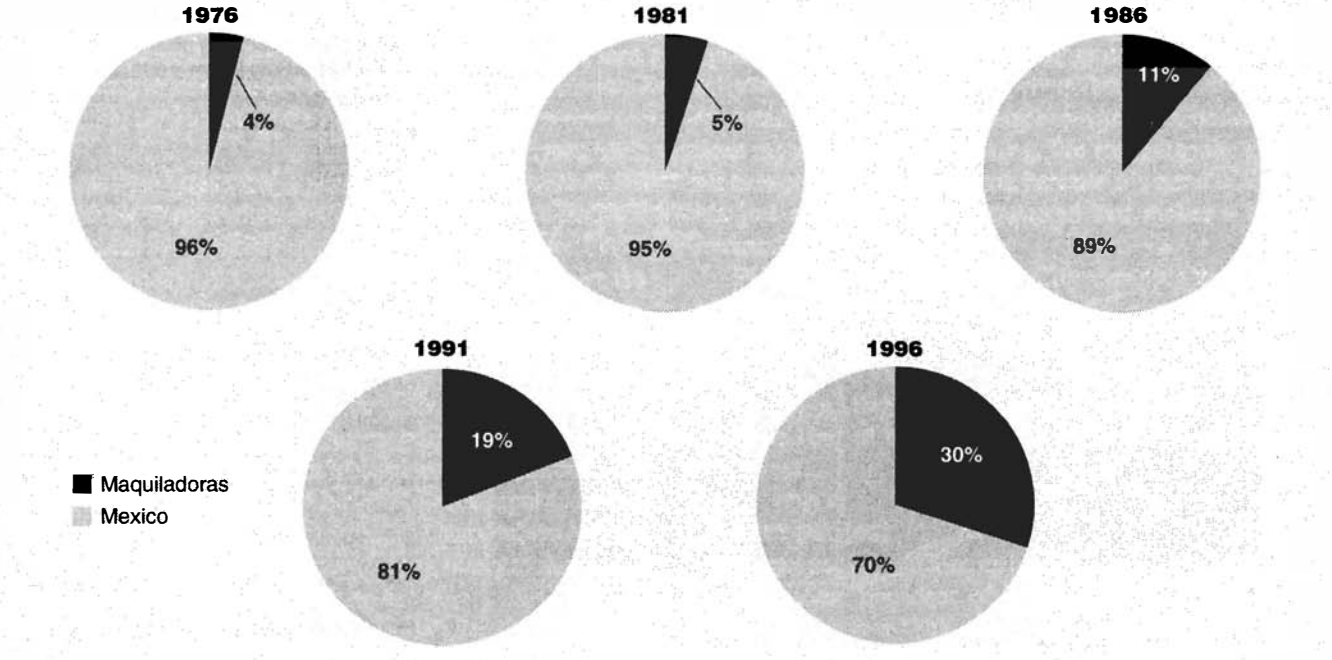
facturing, *EIR* has *not* used the official statistics supplied by INEGI for employment in this sector; instead, we have chosen to develop our own estimate. The reason is that the official numbers significantly overstate actual employment—even according to high-level officials of that agency, who admit that their standard presentation of "employed personnel, by division of economic activity" includes significant double-counting.

EIR has conservatively recalculated real employment in manufacturing, which appears as the bottom curve in **Figure 8.** Here we see that employment in manufacturing rose a respectable 50% from 1970 to 1981, from 1.494 million workers to 2.293 (i.e., about 800,000 new jobs were created). Note that the rate of increase was higher in the second half of the decade, when Mexican President José López Portillo began to use the country's growing oil revenues to build up the industrial sector, especially heavy industry run by the state sector, including such areas as steel, petrochemicals, and fertilizer production.

But when the IMF descended on Mexico in 1982, in the last year of the López Portillo administration, manufacturing employment dropped sharply, never to recover. The collapse occurred in two, clearly discernible stages. From 1981 to 1988, total employment in manufacturing dropped by 283,000, or 12% of the total. This first ratchet down was then followed by a second, more severe one, from 1988 to 1996, where manufacturing lost another 440,000 jobs, which is an additional 19% of the total employed in 1981. Thus, in 15 years, more than 700,000 jobs were lost in this sector, nearly one-third of total employment in 1981.

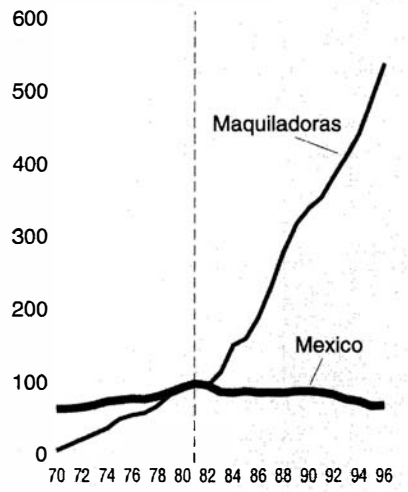
Where did the jobs go? The IMF forced Mexico to stop producing for domestic consumption, and to export like mad in order to earn foreign exchange with which to pay the foreign debt. Thus, production of market basket items for the domestic economy shrivelled, and national employment fell

FIGURE 9
Employment in maquiladoras
(% of total employed in manufacturing)



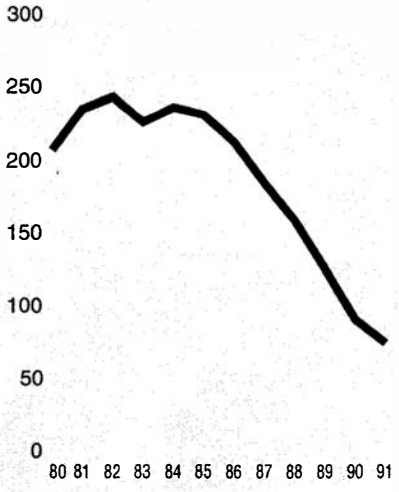
Sources: INEGI, *EIR*.

FIGURE 10
Real employment in manufacturing
(index 1981=100)



Sources: INEGI, *EIR*.

FIGURE 11
Public sector employment in manufacturing
(thousands)



Source: INEGI.

with it, while the *maquiladora* sector geared up significant manufacturing production—*all* of it for export. Thus, while Mexico proper was losing 700,000 manufacturing jobs after 1981, employment in the *maquiladora* assembly plants grew from only 131,000 to 707,000 in 1996.

It would be a mistake to consider the *maquiladoras* part of the Mexican economy, however. They may be located on Mexican soil; they may employ Mexican workers, but they are in fact nothing but foreign enclaves on Mexican territory, which assemble goods out of imported parts and export largely semi-finished and finished products, mainly to the United States. Even the miserable slave wages that the workers are paid scarcely have an impact on Mexico: It is well documented that a large share is used by the workers for purchases across the border in the United States.

The only thing the *maquiladoras* leave Mexico, is a monstrous social and political bill for the "privilege" of providing slave labor to facilitate debt repayment. Gigantic urban ghettos of *maquila* workers and their families have spread along the border, with little or no infrastructure available. The squalor and health hazards are matched only by the slave labor working conditions that the assembly workers (for the most part, young women and girls) are forced to endure.

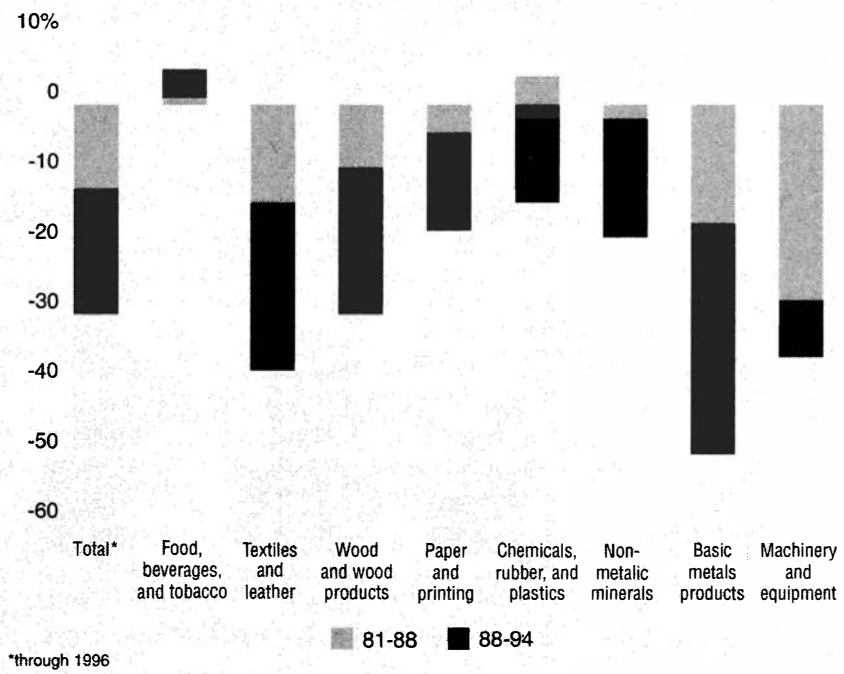
In short, the *maquiladoras* are far worse than a foreign enclave on Mexican soil. By all rights, they must be considered an economic *cancer,* which has grown prodigiously on the body of the Mexican economy.

How big a cancer, can be seen from **Figure 9.** If we add the manufacturing workers employed in Mexico proper, and those working in the *maquiladoras*—which, under other circumstances, would be the potential manufacturing labor force that Mexico has at its disposal—we see that back in 1976, those employed in the *maquiladoras* were only 4% of that total. That percentage grew rapidly, especially after 1981, to the point where today, more than 30% of the total has been taken over by the *maquiladora* cancer. If Mexican manufacturing continues to collapse, and the *maquiladoras* keep spreading under the North American Free Trade Agreement lunacy, then by the year 2000 there will be more *maquiladora* workers than manufacturing workers in the rest of Mexico combined: The cancer will have taken over most of the healthy tissue.

Figure 10 shows the relative growth rates of the two categories: *Maquiladora* employment has grown more than fivefold since 1981, while manufacturing employment in Mexico has plummeted by about one-third.

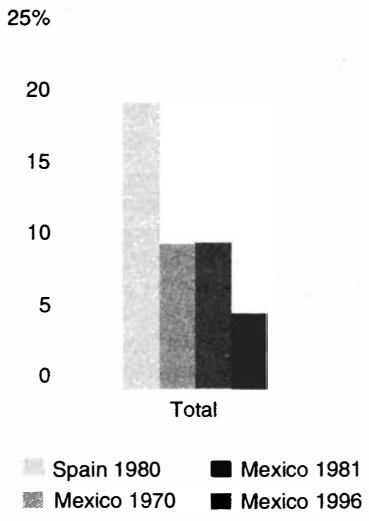
Perhaps the most significant component of the fall in manufacturing employment—politically, if not in strictly quantitative terms—has been the shutdown of Mexico's formerly productive *public* sector (see **Figure 11**). Under the guise of privatization, manufacturing employment in the public sector fell from 236,000 in

FIGURE 12
Loss of manufacturing jobs, by sub-sector
(% change from 1981 level)



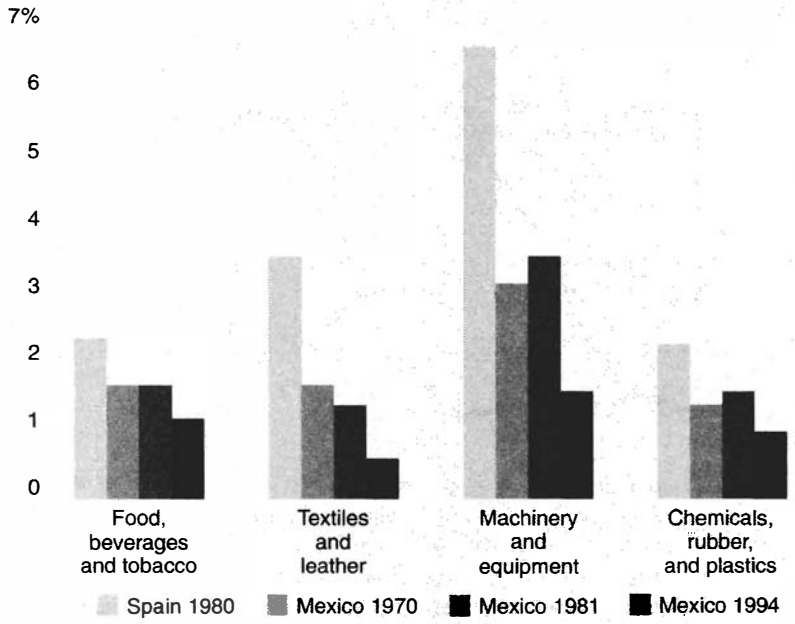
*through 1996
Sources: INEGI, *EIR*.

FIGURE 13
Employment in manufacturing, by sub-sector
(% of labor force)



Sources: OIT, FAO, INEGI, *EIR.*

FIGURE 14
Employment in manufacturing, by sub-sector
(% of labor force)

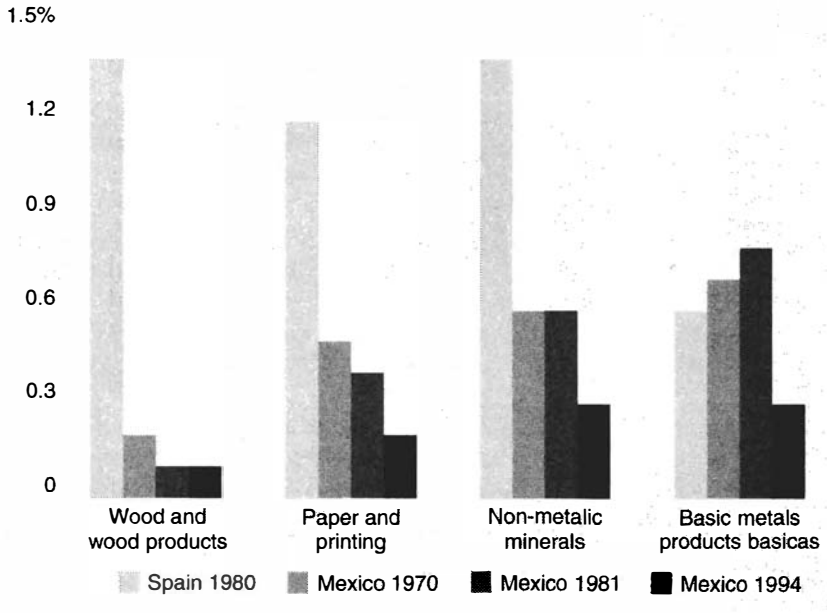


Sources: OIT, FAO, INEGI, *EIR.*

1981, to 75,000 in 1991, the latest year for which there are figures (more recent data will show that the decline has continued). This is a two-thirds reduction in a decade, a far more rapid rate than the average for manufacturing as a whole.

What kind of public sector manufacturing jobs have been lost? Those at the privatized Lázaro Cárdenas steel complex on Mexico's west coast; at fertilizer plants once run by Fertimex; at petrochemical plants from the parts of that sector that have already been privatized—in short, the most skilled, among the best paid, and the strategically most significant to Mexico's overall economic health.

FIGURE 15
Employment in manufacturing, by sub-sector
(% of labor force)



Sources: OIT, FAO, INEGI, *EIR.*

Capital goods fared worst

Figure 12 shows manufacturing employment by sub-sector, using the eight standard divisions by ISIC codes (the ninth category, "other" is excluded). In each case, we present the loss of jobs from the 1981 level, divided into two time periods. As indicated above, the rate of collapse increased in the 1988-94 period, in almost every case.

The only sub-sector where employment grew at all during this entire period, was food, beverages, and tobacco. This does not mean that more food is being produced, or that Mexicans are eating more and better. The growth of employment in this sub-sector has occurred in the areas of bakery, tortilla preparation, and in the preparation and bottling of soda and alcoholic beverages. Much of this is rightly classified as "junk food" industries, given their low protein content and their relatively low prices, which make them accessible to the unemployed, the marginally employed, and other

impoverished Mexicans.

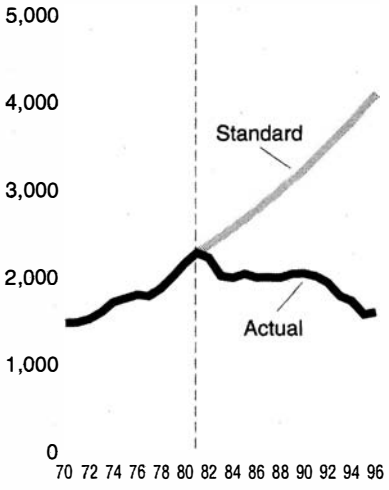
The textile and leather (footwear) industries were among the hardest hit, with an employment drop of nearly 40% from 1981 levels. But of particular significance is the shocking 50% plunge in basic metals products, and also the more than 35% fall in metal products, machinery, and equipment. In other words, employment in the production of consumer and intermediate goods suffered, but the hardest hit tended to be the producer goods areas, and capital goods especially.

Figures 13 to **15** look at the same information, but from the standpoint of the employment in each sub-sector, as a percentage of the total labor force—which, as we noted above, is a more useful indicator of the relative health or infirmity of a physical economy. In each case, we present the corresponding proportions for Spain in 1980, for purposes of comparison, along with employment percentages in Mexico in 1970, in 1981, and then the sharp drop down to the 1994 level. In most cases, Mexico's 1981 level is about half of that of Spain in the corresponding year (1980), and then Mexico's level is halved again by 1994. Again, metal products, machinery, and equipment, which is a decisive sub-sector for any successful economy, is noteworthy: Mexico's 1970 level of about 3.2% of the labor force rose slightly to 3.6% in 1981, but then plummeted to 1.6% of the labor force in 1994.

Many people have wondered what would have happened in Mexico if IMF policies had not been adopted from 1982 onwards, if the country had been able to continue the modest growth trajectory achieved during the decade of the 1970s. In fact, as we explained in the first section of this report, that projected 1996 standard serves as the best norm or point of comparison of what Mexico's employment and market basket output levels should be—and could have been—had IMF policies not been imposed on the country.

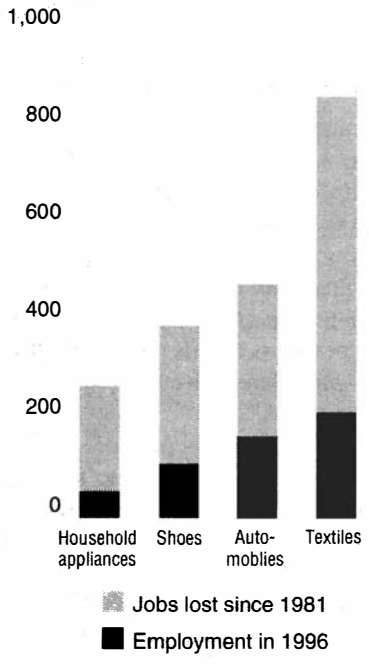
In **Figure 16** we compare that standard for employment in manufacturing, with the stark reality of today. Had manufacturing employment continued to grow even at the modest rate of the 1970s (about 4% per year, on average), then employment in that sector would today be about 4.111 million, as compared to the 1.614 million it actually is. The difference is about 2.5 million manufacturing jobs, lost as a direct result of IMF policies. Some of the specific industries that suffered those job losses are depicted in **Figure 17,** for consumer goods, and **Figure 18,** for producer goods. The textile industry was particularly hard hit: If growth had continued at the rate of the 1970s, that sector would today employ 644,000 more workers than it does. In both the consumer goods and the producer goods cases, the decline in employment is directly related to the drop in their physical output levels, per capita and per household.

FIGURE 16
Employment in manufacturing
(thousands)



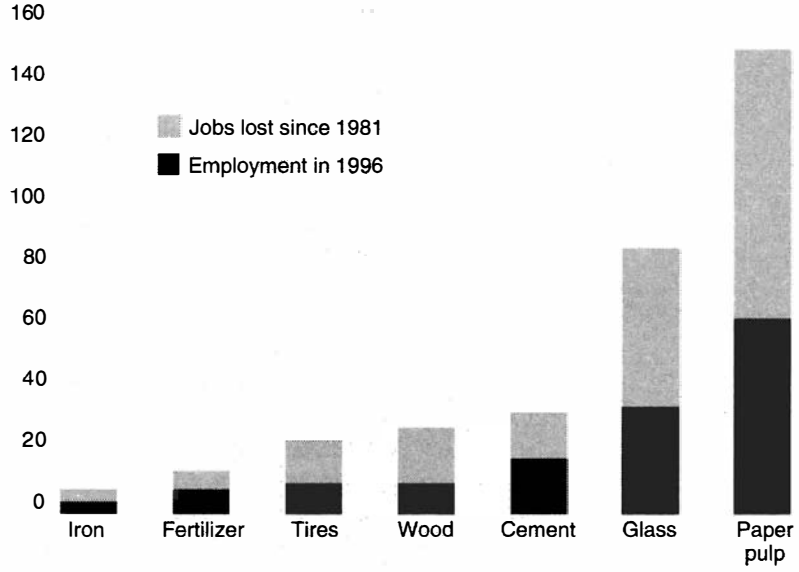
Sources: INEGI, *EIR.*

FIGURE 17
Employment in the production of consumer goods
(thousands)



Sources: INEGI, *EIR.*

FIGURE 18
Employment in the production of producer goods
(thousands)



Sources: INEGI, *EIR.*