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Wages and Modernization

It is fairly obvious that our country is moving slowly and irreversibly towards a new economic configuration, linked to a new social and political formation.

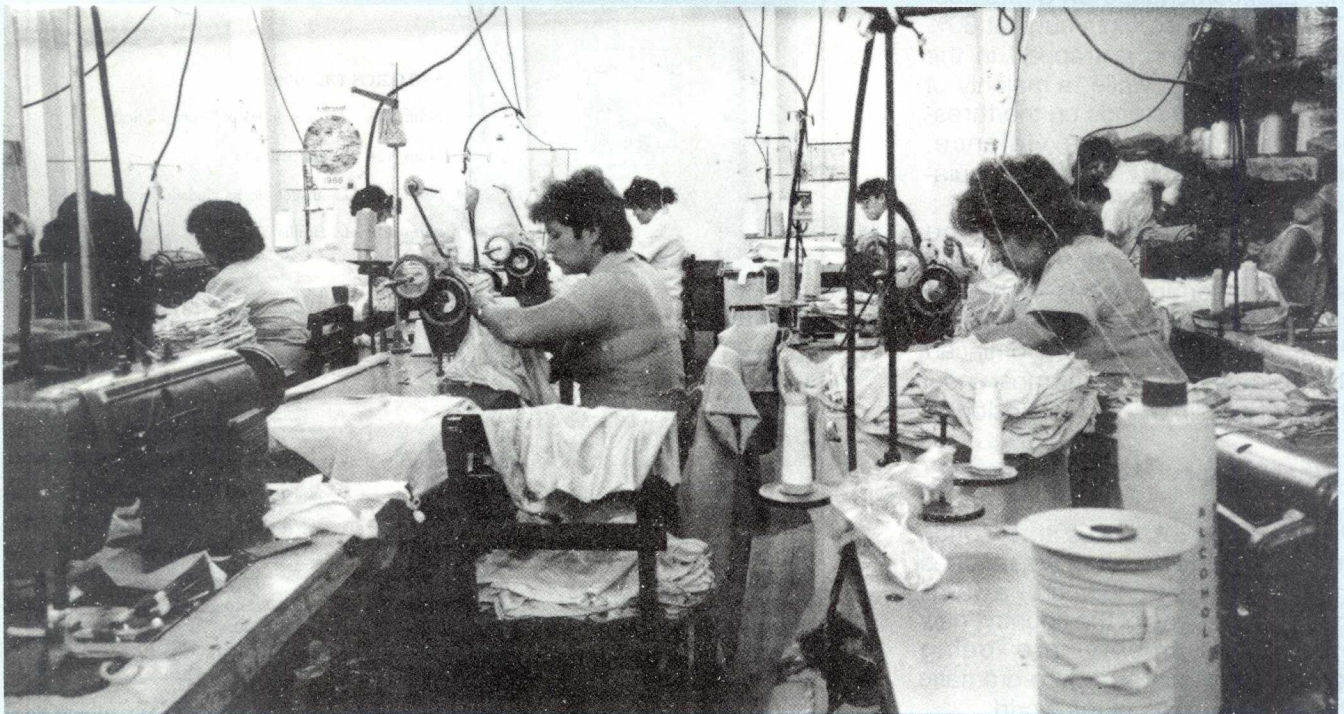
Mexico is undergoing a severe transition, a process that has included intense and growing deterioration of salaries and wages. Without a doubt this is true for the tendencies the wage structure has shown in our country in recent years. It is surprising to discover that even during the oil boom (1978-1981) Mexican wages had begun to show drastic regression. The "explosion" of the crisis in mid and late 1981 only accelerated a process which had begun five years before, after wages reached an historically high point in 1976. This high point was reached as a result of a general wage increase promoted at the end of Luis Echeverría's presidential term, although this increase would later turn out to be artificial, with no basis for support be-

cause of the regressive dynamic which social productivity of labor had shown from 1971 on (and which worsened in 1974).

The so-called "Mexican miracle" was characterized by a sustained increase in wages (at least when evaluated in terms of the real tendencies of the minimum wage). This process should have been scrutinized during the 1972-1976 period because it caused a dramatic decrease in wage levels, only momentarily postponed by a short-lived recuperation of the economy during 1981 and by the demagogic increase fixed in 1982 by José López Portillo.

The historical behavior of real wages in our country has included a period of decrease and stagnation (1935-1963) followed by an increase supported by the elevation of social productivity (1964-1971) and by a period of artificial increase (1972-1976). These stages were followed in turn by a rapid decrease in workers' incomes, resulting in fourteen years of real deterioration (1977-1990).

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Workers' earnings have fallen by 50% since 1980. Photo by Angeles Torrejón / Imagenlatina

It should not be surprising that this deterioration has co-existed with two different moments in the economic evolution of Mexico. Firstly, a moment of intensification and explosion of the economic structural crisis lasting from 1978 to 1981. A second moment of adjustment and economic reorganization followed, which includes the first signs of what have been called "new economic characteristics", but with the eruption of old phenomena related to the previous economic configuration which is gradually being replaced. This is a process which has lasted from 1982 to 1990.

This last period, officially referred to as "modernization", offers a disastrous overview of the wage situation. This leads us to think that an appropriate name for this period, at least for the moment, would be "savage modernization". We risk this label because from 1982 (when economic adjustment began) real wages have not stopped falling. The minimum wage and wages in the manufacturing industry as well as those in the in-bond (*maquila*) industry, have all experienced a constant decrease.

In the manufacturing industry, wage levels during 1989 were the lowest in the last fourteen years and equaled half the level of 1980 and 1981, and barely 43% of the wage level reached in 1976.

In the *maquila* industry, on the other hand, the lowest level in recent years was registered in 1983 (60% in terms of its equivalent in dollars), after which time it has shown a slight increase and last year showed a decrease of 45%, in comparison to the level reached in 1980. Nevertheless, evaluated in Mexican pesos, the highest rate of wage deterioration in the *maquila* industry was also registered in 1989, although the decrease is much less than that of the minimum wage or the manufacturing industry's wages.

Something similar has happened with two important economic indicators: the participation of the global wage mass in the national product, and the level of public spending on social programs. The global wage mass (that is, the sum total of wages paid to Mexican workers, which also includes high-level management salaries) and government spending related to social programs (education, health, housing, social security, recreation, culture) have undergone a decrease that has been constant and drastic.

As to the first indicator, after reaching just over 40% in 1976, during the last two years in the modernization period the participation of the global wage mass in the national product has been only slightly more than 25%. That is, after coming fairly close to half the national product, today Mexican workers receive only one fourth of this product, which itself barely equals the levels reached during the years of the oil boom.

All that can be said about the second economic indicator -social spending- is that the level reached today is only one half of public spending for social programs in 1982, and is barely 11% of total public spending. This is without a doubt one of the negative effects repeatedly pointed out in relation to paying the foreign debt and interests on it. While in 1978 the public budget only allotted 11.3% to paying the public debt (and in 1980 only 9.19%), in 1989 more than 55% of this budget was used to pay the foreign debt.

The government itself has admitted that this situation cannot be maintained and that raising wages and social spending is imperative. Nevertheless, for now the government has chosen the false path of social assistance through the National Solidarity Program, to lessen the worst effects of deterioration of the population's income. This is obviously a policy which will not be workable for more than two or three years. This policy should be replaced with a definitive increase in wages, be they minimum, manufacturing or *maquila* wages, as well as raising the so-called social wage.

Although it is true that a reorganization of the Mexican economy is urgent and that an adjustment program is unavoidable, I can find no explanation for the fact that the burden of these processes is laid exclusively on the shoulders of those most severely affected by the crisis, that is, salaried industrial and rural workers.

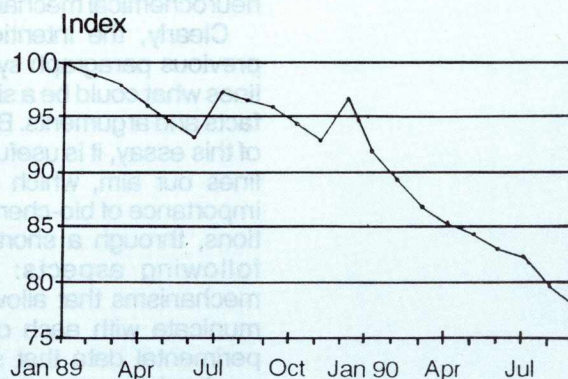
Therefore, the process of modernization that is underway today will only overcome its "savage" character when all social indicators begin to demonstrate a different tendency and the population overcomes the drastic deterioration in its standard of living which it has suffered for more than twelve years.

A reflection would then be necessary about the economic, social and political requirements for the reversal of social deterioration and the transformation of the process of savage modernization into a progressive, people's modernization. However, this reflection must be made on another occasion. ■

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EVOLUTION OF THE REAL MINIMUM WAGE 1989 - 90

(January 1989=100)



Source: José Antonio Rojas Nieto, with information from the National Minimum Wage Commission.