

Labor force and economic development in Mexico and the U. S.

James W. Russell*

Economists generally consider the labor force to be made up of all those who are involved in the production of goods and services. How a society's labor force is distributed among agricultural, manufacturing, service, and other activities as well as how it is organized into classes of employees and business owners reveals a great deal about its level of development. In these respects the labor force in Mexico and the United States show distinct differences.

Examination of government data from both countries reveals that in 1988, only 34.5 percent of Mexicans were active in that country's labor force compared to 46.7 percent in the United States, percentages that have been rising over the last several decades in both countries.

The labor force participation rate in the United States is higher than in Mexico for primarily two reasons. There are proportionately more women working outside of the home and in the labor force in the United States than in Mexico, thereby accounting for part of the difference.

There is also a purely demographic factor that accounts for a significant difference in labor force participation rates between the two countries. The Mexican population contains significantly more members under 16 years of age and therefore by definition outside the labor force, than does that of the United States.

Primary, secondary, and tertiary labor

It is conventional for economists to study the spatial distribution of a country's labor force in primary (agricultural and mining), secondary (industrial and construction), and tertiary (services, commerce, and transportation) activities. This follows from the assumption that economic development proceeds in stages.

In the first stage farmers increase their productivity so that fewer of them are necessary to maintain and increase primary food supplies for the population as a whole. This

A comparative analysis of employment in the U.S. and Mexico and economic development in both countries.

then releases labor from the countryside to secondary manufacturing and industry in cities.

In the second stage technological advances allow industrial workers to increase their productivity so that fewer of them are necessary to maintain and increase supplies of necessary industrial goods for the society. This releases labor from factories and other industry to tertiary services.

In this respect there are dramatic differences between labor force distributions in Mexico and the United States. Nearly forty percent of the Mexican labor force is devoted to primary economic activities, of which agriculture is by far the largest part, compared to only 4 percent of the U.S. labor force. The Mexican labor force conforms, in this respect, to the typical profile of third world labor forces where agriculture continues to be the predominant economic activity.

In general the distribution of the United States labor force shows clear evidence of the progressive development from primary to secondary to tertiary activities, while the Mexican labor force is still significantly located in primary activities. By 1988 only 28.6 percent of the United States labor force (compared to 55.6 percent in Mexico) was required to produce necessary agricultural and industrial goods. By far the greatest contrast was in the agricultural part of the primary sector which absorbed a full 38.8 percent of the Mexican labor force compared to only 2.8 percent of the U.S. labor force.

If we follow the technological mode of classification espoused by a number of sociologists such as Daniel Bell, we must conclude that Mexico remains an essentially agricultural society since agricultural activity absorbs the

* Sociologist and visiting Fulbright scholar at the CISEUA, UNAM.

largest part of its labor force, while the United States is a post-industrial society in the sense that services now absorb by far the largest part of its labor force.

Three additional contrasts stand out in how these countries's labor forces are spatially distributed. Mexican labor contains proportionately more business owners and unpaid (mainly family) and informal sector workers than does that of the United States.

Business owners

In Mexico 25.4 percent of the labor force is self employed compared to only 8.6 percent in the United States. The self employed in Mexico are highly stratified. While there are some prosperous owners of large businesses, the vast majority are owners of small farms, urban shops called *tianguis* or itinerants who go from place to place peddling their goods or services.

Many members of the urban *tianguis* and itinerant populations prefer to work regular jobs when and for as long as they can be found. But when they cannot find regular paying jobs they must hustle livelihoods as best they can as itinerant peddlers of goods and services. Thus, in the Mexican labor force there is active circulation between the unemployed and the bottom levels of both the working and small business classes.

It is typical, for example, for a worker to be laid off, be unemployed for a period, and then start some type of itinerant business in order to garner an income. The business will then be abandoned when a better paying position as an employee opens up. On the other hand there is also a substantial part of the *tianguis* population that earns income higher than average wages and thus prefers to remain in that position.

Because of this sporadic employment pattern of a substantial part of the labor force, it is difficult to estimate the true size of unemployment in Mexico. Depending on whether they are counted as employed, underemployed, or unemployed greatly affects overall estimates of unemployment in the country.

There does indeed exist a population of somewhat similar itinerant sellers in large U.S. cities such as Washington,

Population and labor force (1988)

	Mexico	United States
Population	83,700,000	246,300,000
Labor force	28,874,780	114,968,000
Labor force as % of pop.	34.5	46.7

Sources: Calculated from *Statistical Abstract of the United States, 1989* and the following publications of the *Instituto Nacional de Estadística, Geografía e Informática: VI Censo Agrícola-Granjero y Ejidal, 1981; IX Censo de Transportes y Comunicaciones, 1981; Encuesta Nacional de Ingresos y Gastos de los Hogares, 1984; Sistema de Cuentas Nacionales de México 1985-1988; and Resultados Oportunos, 1990.*

New York, and Los Angeles, and the growing existence of week-end flea markets indicates that many people are at least part-time itinerants, but the significance of itinerancy is no where nearly as great as in Mexico.

In Mexico *tianguis* and itinerant sellers are one of the largest components of the labor force. In the contemporary United States they are a distinctly marginal phenomenon, but they were not always marginal. At the turn of the century many especially immigrant neighborhoods contained street markets and itinerant sellers. The relatively large itinerant population in Mexico is thus a reflection of the country's stage of development.

Unpaid labor

What also stands out about the Mexican labor force, compared to that of the United States, is the large proportion of unpaid laborers in it. Of the Mexican labor force 24.2 percent are unpaid laborers, compared to 0.4 in the United States. These are usually family members of the owners of small businesses. In agriculture 78.2 percent of unpaid laborers are family members of the owner. The largest fraction of the unpaid labor force (three-quarters) is to be found on farms, with significant fractions also being devoted to trade and services.

Labor force distribution by source of income (1988)

	Mexico		United States	
	(number)	(%)	(number)	(%)
Self employed	7,322,874	25.4	9,917,000	8.6
Wage and salaried workers	14,569,126	50.4	104,641,000	91.0
Unpaid workers	6,982,780	24.2	410,000	0.4
Total	28,874,780	100.0	114,968,000	100.0

Sources: Calculated from *Statistical Abstract of the United States, 1990* and the following publications of the *Instituto Nacional de Estadística, Geografía e Informática: Encuesta Nacional de Ingresos y Gastos de los Hogares, 1984; VI Censo Agrícola-Granjero y Ejidal, 1981; IX Censo de Transportes y Comunicaciones, 1981; and Resultados Oportunos, 1990.*

Labor force distribution by economic activity (1988)

	Mexico		United States	
	(number)	(%)	(number)	(%)
Primary				
Agriculture	11,213,616	38.8	3,169,000	2.8
Mining	273,000	0.9	753,000	0.7
Secondary				
Manufacturing	2,665,100	9.3	21,320,000	18.5
Construction	1,915,032	6.6	7,603,000	6.6
Tertiary				
Transportation, communications, util.	1,163,535	4.0	8,064,000	7.0
Commerce	4,171,903	14.5	23,663,000	20.6
Finances	489,000	1.7	7,921,000	6.9
Services	6,983,594	24.2	42,475,000	36.9
Total	28,874,780	100.0	114,968,000	100.0

Sources: Calculated from *Statistical Abstract of the United States, 1990* and the following publications of the *Instituto Nacional de Estadística, Geografía e Informática: VI Censo Agrícola-Granjero y Ejidal, 1981; IX Censo de Transportes y Comunicaciones, 1981; Sistema de Cuentas Nacionales de México 1985-1988; and Resultados Oportunos, 1990.*

The large part of the labor force accounted for by unpaid workers is a logical consequence of farming and self-employment still being predominant in the Mexican economy. There is a high correlation between the existence of family ownership of small business in a sector and the use of unpaid family labor. Traditionally the family members, including children, of both farmers and urban small business owners have been called upon to supply labor when hired workers could not be afforded. To the degree that farms and small businesses decrease, as they have in the United States, such opportunities for employment of unpaid family labor decrease.

The informal labor force

If we consider the Mexican informal labor force to be made up of unpaid laborers and self-employed workers who have neither fixed places of business nor employees then it constitutes at least one-third of the total labor force. To the extent that there is an informal labor force in the United States, it does not absorb regularly more than at most 1 or 2 percent of the total.

A comparative examination of the labor forces of Mexico and the United States thus reveals clear differences. The greatest difference is that agricultural activities still absorb a substantial part (39 percent) of the Mexican labor force while they absorb less than 3 percent of the United States labor force. The second greatest difference is that the Mexican labor force contains proportionately four times as many self-employed laborers as does that of the United States.

Finally, because small family businesses continue to occupy a substantial part of Mexico's economic structure whereas they no longer do in the United States, there are

relatively more unpaid, usually family, laborers in Mexico than in the United States.

The present configuration of the Mexican labor force has, however, been undergoing changes. As peasants have left the countryside over the past several decades in search of better opportunities in urban areas, they have reduced the proportion of agricultural laborers in the labor force. But, what worries a number of economic analysts is that more of these former peasants are finding work in tertiary service than in industrial occupations.

The signing of a free trade treaty between Mexico and the United States will also most certainly have a significant impact on the Mexican labor force. To the extent that the two economies become more integrated, depending on the terms of the treaty, the configuration of the Mexican labor force will begin to approximate, at least to a degree, that of the United States.

In particular, there will be a proportionate reduction in agricultural laborers as small farms become consolidated into larger units, as happened earlier in this century in the United States; and there will be a corresponding reduction in the number of small businesses as these too begin to consolidate in larger units to meet the increased competition of larger U.S. based businesses.

The decades ahead thus portend dramatic changes in how the Mexican labor force is constituted. It seems safe to predict that just as the shift from an industrial to a so-called post-industrial economy created new working and living patterns in the United States, the proportionate reduction of primary and self-employed laborers in the Mexican labor force will create new institutional patterns in economic production and distribution. **M**