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**MEXICO'S ECONOMIC CRISIS:
CHALLENGES AND OPPORTUNITIES**

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DEMOGRAPHIC PATTERNS AND LABOR MARKET TRENDS IN MEXICO

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Analyses of employment patterns in Mexico seem always to encounter an interesting paradox: the high levels of unemployment and underemployment prevalent in the labor force since the end of the 1970s appear to have resulted in part from Mexico's rapid economic development between 1940 and 1970. They have resulted also from related demographic changes and the government's long-term disregard of the employment problem.

Important studies on this topic did not appear until the late 1960s and early 1970s with the appearance of pioneering demographic studies at the Colegio de México. It was not until 1973 that the government appointed a special commission to conduct an exhaustive study of the subject.¹ The commission suggested in early 1974 that Mexico should adopt explicit employment policies for the first time in its history. Most of the commission's recommendations were incorporated into the 1974 Development Plan and were reflected later in several programs of the José López Portillo administration.

Mexico underwent a rapid demographic transformation between 1921 and 1970, especially marked after 1940. The mortality rate began decreasing in the 1920s because of improved nutrition; it decreased even more rapidly following the Second World War because of health programs and increasing urbanization. The birth rate, in contrast, remained nearly constant over a half-century and began a slight decline in the mid-1950s. This decline in the birth rate, however, was not significant until the 1970s and especially during the latter half of the decade (see table 1).² That is, in a period of only 50 years

1. This was the Employment Problem Study Group, directed by Francisco Javier Alejo, which in 1974 presented its report, *El problema ocupacional en México, magnitud y recomendaciones* (México, D.F., 1974), hereinafter cited as GEPE.

2. The gross birth rate declined from 46.68 per thousand in 1950-55 to 44.17 in 1965-70, 42.68 in 1970-75, and 37.56 in 1975-80.

TABLE 1
BASIC DEMOGRAPHIC INDICES, 1950-1980

Indices	Five-Year Periods					
	1950-55	1955-60	1960-65	1965-70	1970-75	1975-80
Gross birth rate (x 1000)	46.68	45.84	44.94	44.17	42.68	37.56
Global fertility rate	6.75	6.75	6.75	6.70	6.40	5.40
Gross reproduction rate	3.29	3.29	3.29	3.27	3.12	2.63
General fertility rate	2.06	2.07	2.08	2.05	1.96	1.69
Mortality rate (x 1000)	16.21	13.21	11.27	10.24	9.15	7.94
Average life expectancy	50.75	55.42	55.61	60.31	62.21	64.09
Natural growth (x 1000)	30.47	32.63	33.67	33.93	33.53	29.62

Source: CONAPO-CELADE, *México: estimaciones y proyecciones de población, 1950-2000* (Santiago, Chile, 1982).

(1925-1975), the Mexican population had completed the first phase of its demographic transition, during which mortality rates decreased (to less than 10 per thousand in 1970-75), and had begun the second phase, in which birth rates were to decline.³ The second phase, now fully underway, is expected to be completed by the end of this century, and Mexico's population will then enter the third phase, stabilization, with a growth rate of 1 percent, that is, the same rate as prevailed in 1921.⁴

The second phase of demographic transformation was stimulated by several factors: urbanization; increased median income and education; and, especially, increased participation of women in the economically active population (EAP), albeit at levels still relatively modest by international standards.⁵ Beginning in 1973 — the year in which the New Population Law was announced — family planning policies, implemented through the National Population Council, began to have an important impact on birth and fertility rates, which declined even faster in the second half of the 1970s.

Evidence of the strength of the decline in birth and fertility rates appears in the relationship of certain socioeconomic factors to fertility. The mean number of live births decreased between 1976 and 1980 from 4.1 to 3.5 for mothers of all ages, and the figure decreased even more radically for mothers in younger age groups and in the northern and central regions of Mexico (areas of relatively high per capita income). In 1976, we find notable differences in the number of births, dependent on the size of the mothers' resident communities: 5.0 in communities of less than 2,500 inhabitants; 4.4 in communities of up to 20,000; 3.6 in communities of 20,000 to 500,000; and 3.3 in

3. The net reproduction rate began declining only in the late 1960s (from 3.29 percent in 1950-55 to 3.27 in 1965-70 and 2.63 in 1975-80); and the overall fertility rate began its decline in the early 1970s (from 2.06 percent in 1950-55 to 2.08 in 1960-65, 1.96 in 1970-75, and 1.69 in 1975-80).

4. The rate of natural population growth had fallen to 2.5 percent in 1982 after having peaked at 3.39 percent in the 1965-70 period.

5. The percentage of economically active women in 1969 is estimated at 16.4, with 20.9 percent of these women between the ages of 15 and 19, 24.1 percent between 20 and 24, 17.4 percent between 25 and 29, and 14 to 16 percent falling in the remaining age groups. By 1980, experts estimate that 3.55 million women will be economically active, with 54.9 percent in the 15- to 29-year age group. See GEPE, p. 45. According to the National Population Council (CONAPO), 4.1 million women were economically active in 1977. See Consejo Nacional de Población, *México demográfico: breviarío 1980-81* (México, D.F., 1980), p. 72.

cities of over 500,000. These differences are even more marked for the younger age groups.

Regarding the mothers' level of education, the differences are pronounced: an average of 6 children for mothers with no formal education; 4.8 for mothers with some elementary school; 2.8 with completed elementary school; 1.7 with a secondary education; and 1.3 for mothers with some higher education. When focusing on women who are beyond reproductive age (45-49 years of age), we note that women with no education have, on the average, 7.3 children; women completing elementary school, 6.3; women completing secondary school, 2.8; and women with some higher education, 3.2. This phenomenon had been detected by a fertility survey conducted by the Colegio de México at the end of the 1960s. The disparity between the final two cases may be explained by a higher degree of incorporation into the labor force — a major factor in determining fertility — of women who have completed secondary school than of women who have gone on to advanced studies.⁶

The general pattern discussed above brought about dramatic changes in the size of the population, in the structure of its age groups, and in its relative distribution throughout Mexico. The total population grew from 14.3 million in 1921 to 25.8 million in 1950, 50.7 million in 1970 (doubling in only 20 years), and 69.3 million in 1980. A population of 86 million is projected for 1990, and 99.6 million by the year 2000 — that is, twice the population of 30 years earlier. If these trends and projections hold true, the next doubling of the population would not occur before 2070, with the population perhaps stabilizing at under 200 million before that date.⁷ The absolute annual population increase was 1.9 million in 1975-80. It is projected at 1.9 million for 1980-85, 1.6 million in 1985-90, and only 1.4 million in

6. Of the 4.1 million women economically active in 1977 (23.0 percent of the total EAP), only 10.6 percent were professionals, while 16.7 percent were clerical personnel; 29.3 percent were employed in services or transportation, 12.4 percent in agricultural labor, 16.5 percent in non-agricultural labor, and only 2.3 percent in an administrative capacity. Of this same total, 60.1 percent were categorized as laborers or employees, 18.1 percent as self-employed, 7.1 percent as homemakers, and only 6.8 percent as business people or employers. Divided by sector, 48.5 percent were employed in services, 21.2 percent in the manufacturing industry, 14.7 percent in commerce, and 12.5 percent in primary activities. See CONAPO, *México demográfico*, pp. 70-72.

7. These CONAPO figures correspond to their programmatic projection: to achieve a 1.0 percent population growth rate by the year 2000. If this rate stood at 2 percent (alternative projection), the population in 2000 would number 109.2 million. See CONAPO-CELADE, *México: estimaciones y proyecciones de población*, pp. 43, 57.

1995-2000. A trend toward decreased overall demographic pressure, clearly evident in these figures, undoubtedly will provide some respite in terms of Mexico's development in the upcoming years.

Table 2 presents the changes occurring in the age-group distribution of the population from 1950 to 1980. Given high fertility rates and decreasing mortality rates (that is, a natural population increase), the age distribution was weighted toward a younger population, continuing a trend begun in the 1940s. The 0-14 year age group accounted for 46.6 percent of the total population in 1970, when it began a gradual decline lasting through the 1970s. Thus, by 1980 the average age among the Mexican population had reached 17.4 years. Table 3 presents the decided reversal of the trend toward an ever younger population: according to these two hypotheses, the relative size of the 0-14 year age group will fall sharply, while the population of working age (15-64 years) will increase proportionately, representing 54.3 percent of total population in 1985, 57.2 percent in 1990, and 61.7 percent in 2000. The median age of the population is expected to be 18.6 in 1985, 20.3 in 1990, and 25 in the year 2000.

These data confirm that the years from 1950 to 1970 were characterized essentially by a high and increasing demographic pressure on Mexico's educational and health-care services. Much of this population growth reflects the baby boom following the Second World War. After 1970, and even more so after 1980, population dynamics are characterized principally by pressure exerted on the labor market; in fact, Mexico will feel greater population pressure in its labor market during the 1980s and part of the 1990s than at any period in history.

The current situation is proof that Mexico did not respond adequately to the first type of demographic pressure, the pressure exerted by a young population on the public sector's financial resources for education and health care. In 1950, those falling within primary- and secondary-school age totalled 7.7 million, but this figure had risen to 21.4 million by 1980, and by 1985 it will reach 23.4 million.⁸ The inability to meet these demands is reflected in Mexico's extremely uneven distribution of income and general well-being, and it has affected the functioning of the labor market.

The evolution of the economically active population from 1940 to 1980 and projections for 1985 appear in table 4. Demographic pressure on the labor market during the 1940-1970 period was relatively modest, given that in 1970 the EAP (12.9 million) was just over twice as large as it had been thirty

8. Ibid.

TABLE 2
POPULATION BY AGE GROUPS, 1950-1980

Year	0 - 14		15 - 64		64 and over		Total Thousands
	Thousands	%	Thousands	%	Thousands	%	
1950	11,804.9	43.1	14,659.3	53.5	911.4	3.4	27,375.6
1955	14,024.5	44.2	16,587.3	52.4	1,057.3	3.4	31,669.1
1960	16,911.6	45.6	19,006.2	51.3	1,154.8	3.1	37,072.6
1965	20,254.6	46.5	21,746.4	50.0	1,499.0	3.5	43,500.0
1970	23,877.9	46.6	25,508.3	49.9	1,789.9	3.5	51,176.1
1975	27,844.7	46.3	30,206.1	50.2	2,102.6	3.5	60,153.4
1980	31,013.0	44.6	35,914.0	51.8	2,465.8	3.6	69,392.8

Source: CONAPO-CELADE, *México: estimaciones y proyecciones de población.*

TABLE 3
COMPOSITION OF THE POPULATION BY AGE GROUPS, 1980-2000
(percentages and years)

Year	0 - 14		15 - 64		64 and Over		Median Age	
	P.P.	A.P.	P.P.	A.P.	P.P.	A.P.	P.P.	A.P.
1980	44.69	44.69	51.75	51.75	3.55	3.55	17.40	17.40
1985	41.85	42.19	54.59	54.27	3.56	3.54	18.55	18.42
1990	37.14	39.12	59.01	57.16	3.84	3.72	20.36	19.64
1995	32.34	36.55	63.52	59.56	4.15	3.89	22.70	21.21
2000	28.24	34.11	67.14	61.67	4.63	4.22	25.02	22.79

P.P. = Programmatic projection.

A.P. = Alternative projection.

Source: CONAPO-CELADE, *México: estimaciones y proyecciones de población.*

TABLE 4
 ECONOMICALLY ACTIVE AND INACTIVE POPULATION, 1940-1980
 AND PROJECTIONS UNTIL 1985
 (millions of persons and percentages)

Year	Active*		Inactive	
	Persons	Percentage	Persons	Percentage
1940	5.9	29.8	13.8	70.2
1950	8.3	32.4	17.4	67.6
1960	11.3	32.5	23.6	67.5
1970	12.9	26.8	35.3	73.2
1980	20.9	30.1	48.5	69.9
1985	25.4	32.4	53.1	67.6

Sources: CONAPO, *México demográfico*, p. 69; and Centro Nacional de Información y Estadísticas del Trabajo (CENIET), *Proyección de población económicamente activa para la República Mexicana* (México, D.F., 1977).

*CENIET's projection for 1980 appears here, since the CONAPO figures seem to reflect aberrations in the data. CENIET's figure may well underestimate the EAP, especially in the case of women, since it is based on age and employment measures taken in 1970. The figure was, therefore, adjusted with independent calculations.

years before (5.9 million). However, from 1970 to 1980 this group increased by 62 percent, emphasizing the phenomenon discussed earlier; thus, the employment problem became a major topic of study and concern only in the past decade. The EAP now grows at an approximate annual rate of 4 percent and should number more than 25 million by 1985; the present increase in absolute numbers of 800 thousand per year will swell to 1 million in 1985 and to over 1 million per year for the remainder of the decade. The dependency rate will decline significantly in statistical terms, reverting to its 1950 level (32.4 percent economically active), but unemployment and underemployment will certainly continue to increase.

Because Mexico failed to respond to the demographic challenge presented by a burgeoning infant and child population from 1940 to 1970, one wonders if Mexico will fail also to meet the present challenge of a mature population. To determine the probable response, we must examine the nature and causes of the Mexican economy's inability to absorb its labor force productively. Unfortunately, Mexico's official employment statistics show marked deficiencies. This holds for the growth rate of the EAP of 4-5 percent for 1970-1980, for the number of unemployed, and for the distinction between unemployment and underemployment. The lack of reliable data reflects the recent development of concern in this area.

From a conceptual perspective, the decade of the 1970s presents the emergence of an overall absolute surplus of labor, concurrent with the appearance of severe impediments to economic growth, a situation partially responsible for the inflationary trend appearing in the economy at that time. From 1940 to the mid-1970s, Mexico's development more or less followed the pattern of the dual rural-urban model for transferring surplus labor from the rural areas to the urban centers (i.e., the urban EAP grows more rapidly than the global EAP). In fact, a radical transformation occurred in record time (in 25-30 years) from a primary employment structure to one of manufactures and services, a transformation that took between 50 and 100 years to accomplish in the now developed countries. The same can be said for a rural to basically urban transition which occurred in the population structure. Thus, the decade of the seventies represents the transition from a traditional model of the transference of surplus labor from the countryside to the cities (as witnessed by the fall in salaried income from 1939 to the mid-1950s and its gradual recuperation up to the mid-1960s) to a new model of surplus intra- and inter-urban labor, with a highly fragmented labor market, widely disparate occupational skill levels, and high levels of unemployment and especially underemployment. The curb on escalating salaries imposed by the current labor surplus facilitates the government's management of the current crisis. Several equally qualified workers may well be

competing for the same job; in certain instances, these may even include a father and his sons.

A 1974 government report characterized Mexico's employment problems in terms which unfortunately are still valid: "Mexico's employment problems exceed the limits of what can be solved through isolated actions or exclusively short-term approaches," said the report. "In contrast to the situation in the developed countries, unemployment and underemployment in Mexico are extensive and result, to an important degree, from a development pattern followed for over thirty years — oriented fundamentally toward achieving accelerated growth of the GNP. This strategy provoked a series of structural distortions in the economy, which in turn prevented the economy from productively absorbing its entire labor force Faced with the need to increase production, the creation of productive and reasonably paid employment for all Mexicans was postponed; a current prime objective is to remedy the social, political, and economic imbalances created by this same process of rapid growth. If this is not accomplished, our society would fail to perform its function of guaranteeing political stability."⁹ Alas, the situation is unchanged.

For the year 1970, of an economically active population of nearly 13 million, estimates of the number of underemployed ranged from 4.8 to 5.8 million, that is, between 37 and 45 percent. "The economic system" — according to a government report — "is generating only 60 percent of the jobs needed for the absorption of the labor force, so that underemployment and unemployment are increasing in absolute terms, even though remaining at the same percentage level of the EAP."

The characteristics of the unemployed and the underemployed are extremely dissimilar. Generic measurements do not suffice; we must distinguish sectorial, regional, educational, and other factors. Unemployment and underemployment will not be decreased simply by greater GNP growth rates, as demonstrated in 1978-81, when more than the entire increase in the EAP was successfully incorporated (given job elasticity per unit of growth in the GNP of 0.6 to 0.7). Without a fundamental change in the sectorial strategy for assigning resources, however, this absorption, generally into temporary jobs, was achieved at great financial cost, culminating in the present crisis.

According to recent estimates by the United Nations Economic Commission for Latin America, the increase in new salaried jobs in recent years (4.9 percent in 1979, 6.3 percent in 1980, 6.6 percent in 1981, and -0.8 percent in 1982) has brought significant relief. Nevertheless, a significant portion of

9. See GEPE.

these jobs occurred in construction, transportation and storage, and financial services and real estate. The creation of jobs in manufacturing was below average (with the exception of 1979, when excess installed capacity was utilized). Negative growth in employment occurred in 1982 in agriculture, manufacturing, construction, commerce, restaurants and hotels, and transportation and communications. According to recent estimates, unemployment at the end of 1982 measured approximately 8 percent (about 1.8 million persons). In 1983, even with a negative growth rate in the GNP and an adequate temporary jobs program (Defense of Employment and the Productive Base), unemployment could still increase to up to 10 percent of the EAP. The Mexican economy is not expected to grow at over 2 percent in 1984 (with an elasticity of 1.0 relative to the GNP, employment will grow by only 2 percent), while the number of unemployed — even with a continuing jobs program — could reach at least 2.5 to 3 million by the end of 1984. If the elasticity in the creation of jobs (0.6-0.7) does not change during the remainder of the six-year presidential term, an additional 200 to 300 thousand persons annually could be added to the unemployed, given an annual growth rate in the economy of between 5 and 6 percent. In theory, the number of unemployed could thus reach nearly 5 million by 1988.

In the absence of any type of unemployment benefits, people potentially facing unemployment must opt for informal or low-wage jobs, emigration to the United States, affiliation with urban gangs (given that the majority are young people), or relatively unorthodox specialized or higher education. A recent estimate by B. Reitman suggests that "informal employment" absorbed 40-44 percent of the increase in the EAP before 1980, of which more than half were employed in primary activities and unidentified services, and nearly one-fifth in manufactures. Given the expected future increases in EAP (more than 5 million persons between 1983 and 1988), it is unlikely that agricultural activities will be able to absorb this high proportional increase. It follows that the urban problem then becomes increasingly acute. It is understandable that the Secretary of Labor stated recently that "no material basis exists in the short term for any improvement in the living standard of Mexico's population."

The only option open to Mexico is to proceed down the difficult avenue of structural change, as proposed in the de la Madrid administration's National Development Plan.

