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# LABOUR, INCOME AND SOCIAL PROGRAMMES IN CONTEMPORARY MEXICO

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## **INTRODUCTION**

Mexico is currently the second largest economy in the Latin America and Caribbean (LAC) region and the 14th worldwide (World Bank, 2012). Over the last three decades, however, the economy's performance has been sluggish, with average annual growth of only 2.2 percent (1981–2011), 1.4 percent in terms of per capita gross domestic product (GDP), and no net gain at all in terms of output per worker. After a period of structural adjustment Mexico became an attractive destination for foreign capital, leading to a massive inflow. Since the 1994 crisis the country's macroeconomic management has improved, judged by traditional criteria, as inflation has been reduced and interest rates brought to record lows, but growth has remained disappointing, at an average rate of 2.5 percent. The economy has recently rebounded from the brief but deep impact of the 2008–09 global economic and financial crisis (see Table 5.1).

Large and slowly declining gaps remain between rich and poor people (see Table 5.2), particularly between rural and urban areas. Despite slow economic progress, a middle class has been growing since the late 1990s (Lora and Fajardo, 2011). But such a slow growth rate has impeded the rapid creation of jobs that would both pay a reasonable wage and provide workers with adequate job protection. Levels of poverty were falling prior to the onset of the crisis of 2007–2009 but then rose again through at least 2010, a trend accompanied by an alarming growth of poorly paid jobs and the failure of open unemployment to return to pre-crisis levels,<sup>1</sup>

**Table 5.1: Macroeconomic Data on Mexico, 1980–2011**

Series Name	1980	1985	1990	1995	2000	2005
GDP (constant LCU) in trillion	4.40	4.84	5.26	5.68	7.41	8.11
MA5 GDP (constant LCU)	5.31	0.83	3.41	1.92	2.20	3.12
GDP per capita (constant LCU)	63,996	63,601	62,444	61,542	74,085	76,200
MA5 GDP per capita (constant LCU)	3.38	- 0.78	1.82	0.53	1.05	2.10
Gross Fixed Capital Formation, Private sector (% of GDP)	14.10	12.45	13.61	12.38	17.77	15.51

Series Name	2006	2007	2008	2009	2010	2011
GDP (constant LCU) in trillion	8.53	8.81	8.92	8.36	8.82	9.17
MA5 GDP (constant LCU)	2.55	0.60	0.67	0.80	NA	NA
GDP per capita (constant LCU)	79,120	80,664	80,586	74,609	777,62	79,859
MA5 GDP per capita (constant LCU)	1.51	- 0.42	- 0.35	- 0.20	NA	NA
Gross Fixed Capital Formation, Private sector (% of GDP)	16.55	16.50	16.52	15.21	14.24	20.48

*Source: Data taken from the World Bank Database. The Moving Averages (MAs) are based on the author's own calculations and encompass a timeframe of five years. The five-year MA for 2005 is the average over 2003–2007 inclusive.*

with new employment opportunities being created mostly in establishments of five or fewer workers, in which working conditions and levels of pay are relatively precarious. In addition to reducing income inequality, government challenges include upgrading infrastructure and modernizing the tax system. A recent reform of labour law lowered the cost of firing workers, allowed for part-time contracts per hour and regulated outsourcing processes. Nevertheless, the new law makes it more difficult for workers to achieve the needed time for retirement payments, and leaves the supervision of labour conditions with firms outsourced by the contracting firms themselves.

Various social programmes aiming to combat poverty, promote the creation of jobs or provide training have provided some help in alleviating the difficult working conditions and inadequate incomes of many Mexicans. But there are questions about the scope and relevance of these programmes in relation to the challenges to be addressed. With roughly 1 million Mexicans entering the labour force each year (Zepeda et al., 2009: 10), the generation of new jobs plays a crucial role. But the economy has provided far too few new jobs with social protection and good wages to absorb those displaced from agriculture and those newly entering the workforce (ibid.).

This chapter focuses on the main patterns of employment in Mexico between 1995 and 2010, emphasizing the importance of job creation in smaller enterprises and how employment characteristics—including access to social protection—vary by size and type of business. The paucity of information on the reach and the impact of social programmes at the national level has led to uncertainty as to how to characterize the relative income levels and the overall labour

**Table 5.2: Poverty Data for Mexico, 1984–2010**

Indicator	1984	1989	1992	1994	1996	1998	2000
Gini index	46.3		51.1	51.9	48.5	49.0	51.9
Income share held by:							
fourth 20%	21.4	26.1	19.8	19.3	20.4	20.7	19.4
highest 10%	35.1	16.9	40.3	41.5	38.0	37.7	41.4
highest 20%	51.7	32.1	56.0	56.9	53.7	53.8	56.6
lowest 10%	1.87	1.61	1.63	1.67	1.74	1.55	1.55
lowest 20%	4.67	6.37	4.09	4.13	4.43	4.09	3.98
second 20%	8.68	14.8	7.71	7.58	8.35	8.21	7.72
third 20%	13.6	20.7	12.4	12.1	13.1	13.1	12.3
Poverty gap at \$1.25 a day (PPP) (%)	2.95	4.32	0.79	0.47	1.88	2.22	1.47
Poverty gap at \$2 a day (PPP) (%)	9.64	4.65	4.25	3.56	6.42	6.78	4.74
Poverty headcount ratio at \$1.25 a day (PPP) (% of population)	12.8	3.98	4.83	3.56	7.86	8.62	5.53
Poverty headcount ratio at \$2 a day (PPP) (% of population)	28.5	6.55	15.2	14.0	20.1	20.1	15.1
Poverty headcount ratio at national poverty line (% of population)	53.0	53.5	53.1	52.4	69.0	63.7	53.6
Poverty headcount ratio at rural poverty line (% of rural population)			66.5	69.3	80.7	75.9	69.2
Poverty headcount ratio at urban poverty line (% of urban population)			44.3	41.2	61.5	55.9	43.7
<i>Note: PPP = purchasing power parity.</i>							
<i>Source: Data taken from the World Bank Database.</i>							

Indicator	2002	2004	2005	2006	2008	2010
Gini index	49.7	46.1		48.1	48.3	
Income share held by:						
fourth 20%	19.9	21.0		20.0	19.9	
highest 10%	39.4	35.6		38.3	38.7	
highest 20%	54.8	51.2		53.6	53.7	
lowest 10%	1.75	1.68		1.96	1.81	
lowest 20%	4.39	4.55		4.80	4.73	
second 20%	8.13	9.16		8.51	8.65	
third 20%	12.7	14.1		13.0	13.1	
Poverty gap at \$1.25 a day (PPP) (%)	0.77	0.13		0.13	0.34	
Poverty gap at \$2 a day (PPP) (%)	3.68	1.80		1.00	1.29	
Poverty headcount ratio at \$1.25 a day (PPP) (% of population)	3.90	1.60		0.68	1.15	

Indicator	2002	2004	2005	2006	2008	2010
Poverty headcount ratio at \$2 a day (PPP) (% of population)	13.5	7.6		4.94	5.19	
Poverty headcount ratio at national poverty line (% of population)	50.0	47.2	47.0	42.7	47.7	51.3
Poverty headcount ratio at rural poverty line (% of rural population)	64.3	57.4	61.8	54.1	60.3	60.8
Poverty headcount ratio at urban poverty line (% of urban population)	41.2	41.1	38.3	35.6	40.1	45.5

situation of potential target populations of these programmes. The chapter aims to throw new light on who the beneficiaries are of a set of public policies that create both employment and income.

Mexico and countries that broadly share its level of development and labour market features, especially its high shares of very small economic units (including self-employment) and the low levels of social protection for waged workers (the so-called ‘informality’), constitute the laboratories within which several important challenges to policy are being played out. These include:

- the impact of reforms aimed at making the labour market more flexible on the growth of jobs that enjoy social protection;
- the impact on poverty levels of active labour market policies;
- the direct social benefits of widening the coverage of social protection programmes; and
- the success of programmes designed to raise the productivity of the very small units.

Santiago Levy (2008) put forward the hypothesis that widening the coverage of social protection programmes to self-employed people would encourage low levels of social protection in paid employment. This thesis remains under debate, with studies such as by Knauth et al. (2012) contesting that view. Juárez pushed forward the argument that for low-income female workers the existence of a free health programme implies a lower level of women in jobs with access to social protection. Nevertheless, no proof of causality can be found in her research. As the evidence needed to prove the ‘good intentions, bad outcomes’ thesis<sup>2</sup> is not yet forthcoming, there is a need to improve case studies and experimentation to sort out the effects of existing programmes and enhance the design and identify better versions of the first-round programmes. Economic theory does not provide many hints unless a good number of empirical parameters can be estimated with a reasonable degree of accuracy.

The chapter is divided into six sections. The first gives a brief overview of the macroeconomic context in Mexico and highlights some of the factors that account for the pattern of slow growth that has been observed, in particular over the past decade. The second section

examines recent developments relating to labour and unemployment; the third addresses the sectoral structure of employment by size of enterprise, social and labour benefits, and income, over 1995–2010; and the fourth focuses on the movement of workers between employment, unemployment and inactivity and between units of various sizes. The fifth section considers the behaviour of micro-units, highlighting the distinction among three subsectors: one that is business-oriented, another survival-oriented, and a third ‘transition’ category, then characterizing the latter two low-level income groups in terms of their access to income and social programmes. The sixth section considers various productive programmes and social policies that have an impact on employment. The study concludes with a synthesis of its major findings, which postulates a number of consequences for the formulation and implementation of social policies.

## ***THE MACROECONOMIC ENVIRONMENT***

After the rapid economic growth of the decades leading up to the debt crisis of 1982 and the subsequent stagnation of the 1980s, Mexico moved to open its economy to the world, a development that culminated in the 1994 signing of the North American Free Trade Agreement (NAFTA), signalling the decision to base its economic strategy increasingly on the growth of exports, especially to the USA (Moreno-Brid and Ros, 2009; Haber et al., 2008: Chapter 3). While these economic integration policies triggered a large increase in trade and financial inflows (Kose, Meredith and Towe, 2004: 28f),<sup>3</sup> they did not bring the growth that might have ensured a general modernization of economic activities, strong creation of good jobs and a marked improvement in the living conditions of the population. Further, with its economy so closely tied to that of its northern neighbour, Mexico has been affected more severely than other countries of the region by the recent economic crisis (Zepeda et al., 2009).

Among the factors helping to explain why, even before the recent downturn, this turning outward has been less successful than its proponents expected are: the entry of China and other low-wage Asian countries as major players in the world market, the concentration of Mexican exports in the US market and an overestimation of the growth impact of Foreign Direct Investment (FDI) (*ibid.*). The scale of Mexico’s growth shortfall after turning outward is reflected by the decrease in GDP growth from 3.4 percent per year in the 1990s to 1.6 percent per year over 2000–2010.

Competition from China in the North American market dealt a serious blow to the growth of Mexican exports by reducing its market share (Table 5.3), a process analysed in depth by Gallagher et al. (2008). Additionally, Chinese exports to Mexico have increased, thereby accentuating Mexico’s trade deficit with Asia (ECLAC, 2011). Much of China’s increased share of US imports, doubling from around 10 percent in 2001 to almost 20 percent in 2009, occurred after it joined the World Trade Organization (WTO). In 2002, China overtook Mexico as the second largest source of US imports after Canada, and in 2007 its share exceeded that of all 18 Latin American countries together. Mexican exports did increase after the creation of NAFTA, but its share of the US market declined from 2002 to 2005 and has since then fluctuated around 10 percent (Jenkins, 2010: 2).

**Table 5.3: Latin America's Loss of Market Share in the USA to China, 1996–2009**

	1996–2001	2001–2009
Mexico	- 0.9%	- 10.1%
Total Latin America	- 0.7%	- 8.2%
<i>Source: author's elaboration from USITC data.</i>		

The desire to attract FDI was galvanized by the aim of raising investment (Berg et al., 2006). Nonetheless, the increase in FDI flows to Mexico did not generate a large increase in the gross investment rate (which rose only from an (unweighted) average of 23.0 percent in the 1990s to 23.9 percent over the following decade); meanwhile the gross marginal capital–output ratio rose from an already high 6.6 to a very high 13.6; even over 2000–2007 growth only averaged 2.5 percent, and this ratio was at 9.3. On neither public investment nor total capital expenditure could a statistically significant effect from FDI be confirmed (Zepeda et al., 2009: 8), and the very high marginal capital–output ratio remains a puzzle and a challenge. Mexico's new openness has made the country more vulnerable to certain external 'shocks' (Blecker, 2009). Analyses show that growth in Mexico has been substantially determined by three key 'external' variables: net financial flows,<sup>4</sup> the real international price of petroleum and the rate of growth of the US economy.

When the US crisis began to unfold in 2007, the Mexican authorities played down its dangers for the economy; only at the beginning of 2009 were more serious policies announced. Rather than major new directions, however, most were straightforward additions to the federal budget, such as investments in infrastructure, support to businesses under stress so that they would not have to dismiss personnel, and other steps designed to increase the scope of the existing Temporary Employment Programme (Programa de Empleo Temporal—PET) (ECLAC, 2010). In principle, these measures should have helped to revive economic activity, keep people in jobs and create income for the most vulnerable groups. Instead, GDP fell by 6 percent in 2009, open unemployment reached 6.4 percent in August 2009, average wages fell by 4 percent, and most new jobs were created within small companies rather than by large ones. While these policies may have had the technical potential to be effective, and despite their approval by Congress, their impacts were severely curtailed by mid-2009 reductions in federal expenditures, a result of the government's having underestimated the effect of the crisis on its own revenues. Subsequent recovery has been gradual, and while unemployment has fallen, it remains above the pre-crisis level, wages have increased only marginally, and small businesses continue to be the main locus of job creation.

## **RECENT TRENDS AND DEVELOPMENTS RELATING TO LABOUR**

The last few decades have seen a slow but sustained reduction in the rate of male participation in the labour market and a more marked increase in that of women (Table 5.4).

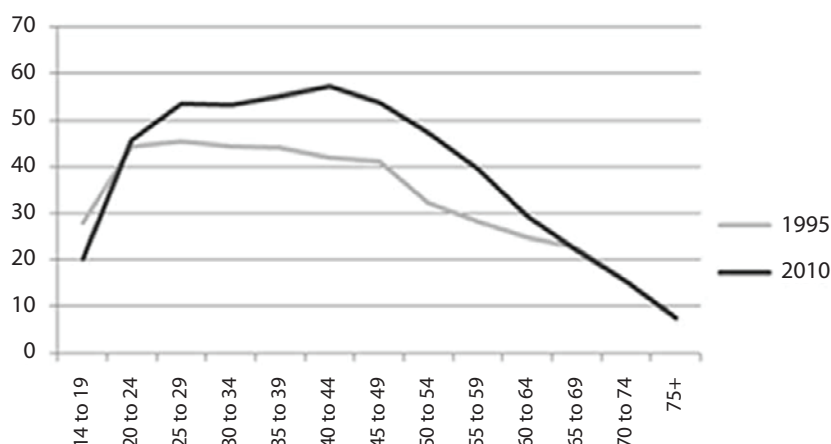
**Table 5.4: Labour Force Participation Rates, by Gender, 1995–2010, 2nd quarter**

Sex	1995	2000	2005	2006	2007	2008	2009	2010
Men (%)	80.9	79.9	77.7	78.7	78.2	78.3	76.8	77.6
Women (%)	36.8	38.0	39.6	40.7	41.4	42.0	41.2	42.5

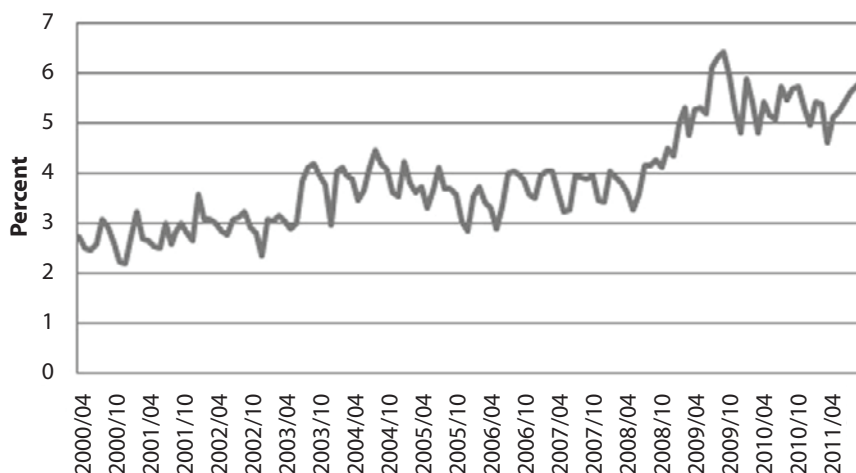
**Source:** National Employment Survey (*Encuesta Nacional de Empleo (ENE)*) by Instituto Nacional de Estadística y Geográfica (INEGI) (second quarter of each year)..

Behind these contrasting trends is a modest decline in rates for the youngest and oldest groups of males. For women, only the youngest group has experienced a reduction, while for women aged 20–60 a significant increase occurred (Figure 5.1). Rising educational attainment has exerted downward pressure on the rates of both young men and young women. The share of males who are pensioners has risen, as has the number of inactive adult men who are neither pensioners nor disabled, a reflection of the lack of retirement and pension programmes for non-waged workers and the relatively low coverage for waged workers. Despite the increases in the rate of female activity, its level remains far below that of such other Latin American countries as Argentina, Brazil and Uruguay, suggesting that further increases will occur in the future.

A much-noted feature of Mexico's labour market is the relatively low level of open unemployment.<sup>5</sup> During normal periods it has usually fluctuated between 2 and 4 percent, rising during recession or crisis (Figure 5.2). Disregarding fluctuations, the rate appears to be on an upward trend since 2001. In absolute terms, the number of unemployed people rose from 935,000 in 2001 to 2.485 million in 2010.

**Figure 5.1: Female Labour Force Participation Rates, by Age, 1995 and 2010**

**Source:** 1995: National Employment Survey, INEGI. 2010; National Survey of Occupation and Employment, 2nd semester of 2010.

**Figure 5.2: Open Unemployment Rate, 2000–2011**

*Source:* INEGI, Economic Information Data Bank.

These comparatively low rates might seem to be capturing little beyond frictional unemployment (the typical period it takes a person to move between jobs when these are not too hard to find). Their low level relative to the rates of some industrial countries reflects in part the fact that in Mexico open unemployment is only one of the possible ways in which the scarcity of job opportunities manifests itself; in fact, the luxury of remaining unemployed while engaging in a lengthy search for employment is limited to a small group (Myrdal, 1968: 1122–1125). Mexico's low unemployment compared to otherwise similar developing countries remains perplexing, however, since such countries share this second feature, but most have higher open unemployment rates.

The short duration of the average unemployment period (less than a month) plus the fact that in more than a third of cases the individuals have resigned or left their jobs voluntarily suggest that a significant part of the unemployment is at least partly frictional. The other cases originate mainly in discontinuations of employment, i.e. in temporary contracts that reach their end.

In 2010, 65.6 percent of unemployed people were spouses or children of the head of household; in 2010, 78 percent of the individuals who left their jobs voluntarily were in these two categories. Thus a significant share of unemployed people have some family support as they search for work. As discussed further below, an important proportion of the unemployed people who get a job enter the microenterprise or 'micro-unit' sector, made up of units with five or fewer workers (Salas, 2003; INEGI, 2006; Junco, 2007).

Employment growth has been moderate, averaging about 2 percent per year over 1992–2008. Years of very low growth in GDP (e.g. 2001, 2002 and 2009) have generally also featured low growth in employment, with renewed GDP growth showing up in high employment creation the following year. These cyclical patterns of total job creation are matched by changes in the breakdown of



employment by size of establishment (Table 5.5). Over 2006–2008, that structure did not change a great deal, but as the economy confronted the crisis of 2008–2010 there was first a decline in employment in all size categories (2008–2009), though a sharper one for the large establishments; then in 2009–2010 all categories showed some recovery except the largest, but over 80 percent of the total increase occurred in microenterprises.<sup>6</sup> Over the longer period 2005–2010, such micro-units accounted for 69 percent of all net new jobs; over 2008–2010 (including the downturn of 2009) they accounted for more than the total modest increase (since employment shrunk in the other size categories taken together (Table 5.5). The fact that open unemployment did not reach the high levels of developed countries during the crisis can be explained in considerable part by the contribution of smaller-sized units (which include self-employed work) to the job creation process.

In sectoral terms, Mexico stands out for the rapid decline in agricultural employment, from over a quarter of the total in the early 1990s to 13 percent by 2010. The greatest change has been in small-scale agriculture, a sector including a significant number of home-consumption subsistence activities; it was dramatically affected by NAFTA, whose liberalization of trade (together with an overvalued exchange rate and US corn subsidies) brought massive imports of corn and beans into the country (Fox and Haight, 2010). One aim of NAFTA was to foster a sustained growth of manufacturing employment, not just in activities relating to the maquila assembly plants (Zepeda et al., 2009). Between 1995 and 2008 the increase was just over 2 million individuals, pushing the sectoral share of total employment up from 14.5 percent to 16.5 percent. Meanwhile, construction expanded strongly in percentage terms. Virtually all of

**Table 5.5: Increases in Employment, by Size of Establishment, 2006–2010, 2nd quarter**

Year	Number of employees				
	1 to 5	6 to 15	16 to 100	101 or more	Total
2006	633,508	74,362	397,573	287,566	1,393,009
2006	45.48%	5.34%	28.54%	20.64%	100%
2007	304,118	101,274	23,967	156,402	585,761
2007	51.92%	17.29%	4.09%	26.70%	100%
2008	481,947	92,140	-42,594	269,020	800,513
2008	60.20%	11.51%	-5.32%	33.61%	100%
2009	-175,869	-49,676	-12,586	-501,314	-739,445
2009	23.78%	6.72%	1.70%	67.80%	100%
2010	1,070,361	45,193	314,370	-102,301	1,327,623
2010	80.62%	3.40%	23.68%	-7.71%	100%
2006–2010	2,314,065	263,293	680,730	109,373	3,367,461
2006–2010	68.72%	7.82%	20.21%	3.25%	100%
<i>Source: Data taken from the National Survey for Employment (ENOE) by INEGI, measuring the second quarter of each year and illustrating employment increases in relation to the same quarter of the previous year.</i>					

the net employment creation, however, came from services, with the retail trade sector, personal services and public administration responsible for the bulk of it; domestic service, traditionally an important source of employment for women, lost some ground, as female employment shifted towards trade and other services as well as manufacturing.

## ***CHARACTERISTICS OF EMPLOYMENT***

One of the most noteworthy trends over 1995–2010 has been the marked increase in the share of workers who are in paid employment (Table 5.6), resulting largely from a jump of almost 10 percentage points in the agricultural sector; in non-agricultural activities the increase was a modest 2 percentage points. In agriculture the absolute number of paid workers rose until the early 2000s and then fell back, leaving a small net increase between the early 1990s and 2008. As can be seen from the analysis of the National Employment Surveys, the increase in the proportion of salaried agricultural workers is in large part due to the significant drop in the number of self-employed and unpaid workers, deriving from the process of expulsion of peasants in the aftermath of NAFTA. The greatest increases in waged employment were in personal services, trade and construction. In contrast, the proportion of self-employment in manufacturing grew due to the proliferation of micro-units producing garments and foodstuffs.

As noted below, these trends are, to a considerable degree, a reflection of the size of establishments, which has wide-reaching consequences for the amount of paid employment, wage and salary levels and access to social security and labour rights.

### ***Structure of employment by size of establishment***

For the economy as a whole, employment is concentrated in small-scale activities, with 53 percent located in very small micro-units of up to five workers, 64 percent in units of 15 workers or less, and only 14 percent in large units of over 250 workers (Table 5.7). Micro-units play the dominant role in employment creation in agriculture, retail trade, construction and manufacturing, while large units dominate in mining and utilities (generation and distribution of energy, water and gas)—sectors that create little employment in total. Outside agriculture, the micro-units account for 43 percent of employment. The proportion of waged work increases with the size of the establishment (Table 5.7). Non-waged work is thus concentrated in activities where micro-units are important, in particular agriculture, followed by retail trade and some sub-branches in the services sector.

Establishment size is closely related to three key features of paid work: access to social security, access to labour rights, and job stability. It is also related to average labour income. The percentage of waged workers with access to social security<sup>7</sup> rises from 21.6 percent for units with 1–5 workers to 95.3 percent for establishments with 251 workers or more; overall, 61.8 percent of paid workers have such access (Table 5.8). The big jump in coverage—a tripling—occurs between the establishments of up to five workers and those with 6–15.

**Table 5.6: Percentage of Employment by Job Position, by Economic Sector, 1995 and 2010, 2nd quarter**

	1995	2010	1995	2010	1995	2010	1995	2010
	Employers %		Self-Employed %		Waged Workers %		Non-paid Workers %	
Agriculture, Livestock farming, Development of Forestry, Fisheries and Gamekeeping	4.1	4.9	38.5	37.8	28.5	37.7	28.8	19.6
Mining	0.2	1.4	12.0	3.5	73.1	93.9	14.7	1.2
Electricity, Water and Supplying Gas through Gas Lines to the Final Consumer	0.0	0.0	0.0	0.0	100.0	99.6	0.0	0.4
Construction	9.6	10.0	23.7	18.3	65.3	71.3	1.4	0.4
Manufacturing Industries	3.8	3.9	10.9	16.1	81.3	75.7	4.0	4.3
Wholesale trade	6.4	6.3	5.2	9.5	85.2	81.5	3.2	2.7
Retail trade	4.5	4.8	43.8	40.5	32.9	43.1	18.8	11.6
Transport, Communication, Post and Storage	5.2	4.3	17.8	20.4	75.5	75.0	1.3	0.3
Information in the mass media	1.3	2.7	2.0	2.3	96.1	94.4	0.6	0.7
Financial and Insurance services	0.6	1.7	0.6	1.9	98.7	96.1	0.1	0.3
Real Estate Services and the Leasing of Movable and Intangible Assets	6.3	10.7	18.1	18.4	68.6	68.4	7.0	2.4
Professional, Scientific and Technical services	9.4	12.1	25.8	29.8	63.1	56.9	1.6	1.2
Management of Corporations and Companies	26.6	0.5	33.2	0.0	37.4	95.2	2.9	4.3
Support Services for Businesses and Waste Management and Remediation Services	1.8	2.9	43.7	16.6	49.4	78.4	5.2	2.1
Educational Services	0.3	0.6	1.7	2.3	97.9	96.4	0.2	0.7
Health and Social Welfare Services	4.9	4.6	8.5	11.1	85.6	82.2	1.1	2.1
Leisure, Cultural and Sporting Services and other Recreational Services	6.5	4.7	20.1	24.9	71.7	67.3	1.8	3.2
Temporary Housing Services and the Preparation of Foods and Beverages	7.3	7.2	24.2	27.1	55.9	54.2	12.5	11.5
Other Services except for Government Activities	3.9	4.0	27.1	21.3	66.9	73.4	2.1	1.3
Activities by the Government and International and Extra-territorial Organizations	0.1	0.0	1.1	0.0	97.7	99.0	0.5	1.0
Unspecified	0.0	1.5	0.4	1.4	77.5	83.6	0.0	13.6
<b>Total</b>	<b>4.4</b>	<b>4.7</b>	<b>25.4</b>	<b>23.0</b>	<b>58.4</b>	<b>65.6</b>	<b>11.7</b>	<b>6.7</b>
Non-agricultural Sector	4.5	4.7	21.3	20.7	67.7	69.8	6.4	4.7

**Source:** author's calculations based on ENE data for 1995 and ENOE data for 2010, as measured in the second quarter of each year by INEGI.

**Table 5.7: Employment by Economic Sector, by Size of Establishment and by Whether Paid or Not, 2010, 2nd quarter**

Size of Establishment (number of individuals)	1 to 5	6 to 15	16 to 100	101 to 250	251 and more	Total
<b>Agricultural activities</b>	<b>4,887,030</b>	<b>528,941</b>	<b>330,540</b>	<b>51,218</b>	<b>49,504</b>	<b>5,847,233</b>
Paid	1,330,266	422,761	312,310	50,703	49,002	2,165,042
Paid/Total	27.22%	79.93%	94.48%	98.99%	98.99%	37.03%
<b>Mining</b>	<b>18,105</b>	<b>14,083</b>	<b>38,207</b>	<b>17,073</b>	<b>90,669</b>	<b>178,137</b>
Paid	7785	13,493	37,433	17,073	90,490	166,274
Paid/Total	43.00%	95.81%	97.97%	100.00%	99.80%	93.34%
<b>Electricity, Water and Gas</b>	<b>2,498</b>	<b>2,259</b>	<b>16,134</b>	<b>8,335</b>	<b>146,191</b>	<b>175,417</b>
Paid	2,498	2,259	16,134	8,335	143,837	173,063
Paid/Total	100.00%	100.00%	100.00%	100.00%	98.39%	98.66%
<b>Construction</b>	<b>2,438,204</b>	<b>331,291</b>	<b>484,534</b>	<b>56,765</b>	<b>75,375</b>	<b>3,386,169</b>
Paid	1,493,828	285,546	460,557	54,021	74,962	2,368,914
Paid/Total	61.27%	86.19%	95.05%	95.17%	99.45%	69.96%
<b>Manufacturing industries</b>	<b>2,405,705</b>	<b>655,579</b>	<b>1,308,797</b>	<b>599,583</b>	<b>1,566,990</b>	<b>6,536,654</b>
Paid	850,819	582,166	1,274,728	591,365	1,559,767	4,858,845
Paid/Total	35.37%	88.80%	97.40%	98.63%	99.54%	74.33%
<b>Wholesale trade</b>	<b>299,710</b>	<b>180,581</b>	<b>383,564</b>	<b>66,771</b>	<b>69,814</b>	<b>1,000,440</b>
Paid	136,859	155,682	371,226	65,844	69,138	798,749
Paid/Total	45.66%	86.21%	96.78%	98.61%	99.03%	79.84%
<b>Retail trade</b>	<b>5,898,734</b>	<b>779,349</b>	<b>764,710</b>	<b>172,445</b>	<b>204,764</b>	<b>7,820,002</b>
Paid	1,437,308	659,525	662,263	149,580	180,477	3,089,153
Paid/Total	24.37%	84.63%	86.60%	86.74%	88.14%	39.50%
<b>Transport, Communications, Post and Storage</b>	<b>1,083,967</b>	<b>144,515</b>	<b>335,285</b>	<b>54,605</b>	<b>155,720</b>	<b>1,774,092</b>
Paid	640,849	129,098	326,808	54,015	154,362	1,305,132
Paid/Total	59.12%	89.33%	97.47%	98.92%	99.13%	73.57%
<b>Services</b>	<b>7,557,238</b>	<b>1,971,941</b>	<b>3,241,093</b>	<b>601,954</b>	<b>2,857,678</b>	<b>16,229,904</b>
Paid	3,958,389	1,840,561	3,321,682	629,463	2,926,217	12,676,312
Paid/Total	52.38%	93.34%	102.49%	104.57%	102.40%	78.10%
<b>Total</b>	<b>19,704,161</b>	<b>4,079,598</b>	<b>6,572,324</b>	<b>1,577,531</b>	<b>5,167,201</b>	<b>37,100,815</b>
Paid	9,858,601	4,091,091	6,783,141	1,620,399	5,248,252	27,601,484
Paid/Total	50.03%	100.28%	103.21%	102.72%	101.57%	74.40%

*Source: author's calculations based on ENOE data from the second quarter of 2010. Please note that public employees are included in this table.*

**Table 5.8: Percentage of Paid Workers with Social Security Benefits, by Economic Sector, 2010, 2nd quarter**

Economic Sector	Size of Establishment (Number of workers) %					
	1 to 5	6 to 15	16 to 100	101 to 250	251 and more	Total
Agriculture	6.8	16.2	37.4	56.4	77.7	15.7
Mining	23.3	48.3	87.3	98.0	98.2	88.3
Electricity, Water and Gas	97.3	97.0	96.6	100.0	97.6	97.7
Construction	5.9	35.2	79.0	90.4	87.8	28.0
Manufacturing Industries	22.3	51.1	86.9	97.6	99.0	76.8
Wholesale Trade	34.9	76.8	92.8	95.3	95.7	80.9
Retail Trade	33.6	76.4	88.9	91.5	87.8	62.3
Transport & Communications	11.0	59.9	83.0	90.8	96.6	48.1
Services	29.1	72.3	87.8	93.9	93.9	69.1
All Sectors	21.6	61.6	85.1	93.8	95.3	61.8
Total number of individuals	2,119,098	2,486,898	5,664,223	1,506,490	4,927,578	16,704,287
Percentage of all workers having social security benefits	12.7	14.9	33.9	9.0	29.5	100.0
<i>Source: author's calculations based on the ENOE, 2nd quarter of 2010.</i>						

**Table 5.9: Percentage of Paid Workers with Labour Benefits, by Economic Sector, 2010, 2nd quarter<sup>a</sup>**

Economic Sector	Size of Establishment (Number of workers) %					
	1 to 5	6 to 15	16 to 100	101 to 250	251 and more	Total
Agricultural activities	6.7	15.9	34.6	50.8	64.1	15.3
Mining	23.3	47.4	83.3	94.6	96.3	85.9
Electricity, Water and Gas	94.9	92.7	82.1	96.6	96.0	94.8
Construction	5.8	32.2	70.4	81.3	75.1	26.6
Manufacturing industries	21.9	49.6	83.5	95.1	96.6	74.6
Wholesale trade	34.0	74.5	90.6	95.0	94.0	78.9
Retail trade	32.8	74.0	87.2	90.8	87.2	60.8
Transport & Communications	10.9	57.9	78.5	87.3	94.1	46.6
Services	29.1	70.8	85.7	92.2	92.7	68.1
All sectors	21.4	59.8	82.0	91.5	93.3	60.3
Number of individuals	2,114,972	2,485,850	5,661,140	1,506,490	4,927,477	17,417,607
Percentage of all workers having labour benefits	12.14	14.27	32.50	8.65	28.29	100

**Notes:** a) According to the Secretariat for Work and Social Prevision (La Secretaría del Trabajo y Previsión Social-STPS), labour benefits are defined as “goods and services, other than access to health institutions, that workers receive in cash or in kind, on behalf of the economic unit they work for, in addition to their salary, to supplement their earnings” (see STPS glossary on labour terminology, available at: [tinyurl.com/bmawqgx](http://tinyurl.com/bmawqgx)).

**Source:** author's calculations based on the ENOE, 2nd quarter of 2010.





[illegible]



expect to stay in their jobs. Any lack of access to these rights for workers in larger units can be mitigated by the better pay they earn. But workers in smaller units also suffer, on average, from lower earnings (Table 5.12).

In terms of the policy on employment and access to labour rights, there is a clear need to better understand the smaller units.

**Table 5.12: Average Monthly Labour Income by Economic Sector, Size of Establishment and Job Position, 2010, 2nd quarter\***

<b>Economic Sector/ Type of Contract</b>	<b>Waged workers</b>	<b>Employers</b>	<b>Self-employed workers</b>
<b>Agriculture</b>			
1 individual			981
2 to 5 individuals	2,203	5,118	1,069
6 to 10 individuals	2,692	5,775	1,308
11 to 15 individuals	3,465	20,849	4,047
16 to 50 individuals	3,207	11,909	930
51 and more individuals	3,722	7,663	
<b>Total</b>	<b>15,289</b>	<b>51,314</b>	<b>8,335</b>
<b>Construction</b>			
1 individual			4,017
2 to 5 individuals	3,462	5,489	5,152
6 to 10 individuals	4,452	7,387	
11 to 15 individuals	5,168	10,440	
16 to 50 individuals	5,699	6,702	
51 and more individuals	6,383	16,738	
<b>Total</b>	<b>25,164</b>	<b>46,756</b>	<b>9,169</b>
<b>Manufacturing industry</b>			
1 individual			1,944
2 to 5 individuals	2,748	5,285	2,790
6 to 10 individuals	3,216	8,180	3,765
11 to 15 individuals	3,347	5,069	1,500
16 to 50 individuals	3,466	5,376	50
51 and more individuals	4,516	4,439	
<b>Total</b>	<b>17,293</b>	<b>28,349</b>	<b>10,049</b>
<i>Source: author's estimations on the basis of ENOE data, 2nd quarter of 2010.</i>			

Economic Sector/ Type of Contract	Waged workers	Employers	Self-employed workers
<b>Trade</b>			
1 individual			2,386
2 to 5 individuals	2,721	5,623	3,538
6 to 10 individuals	3,697	6,431	4,786
11 to 15 individuals	4,176	14,153	361
16 to 50 individuals	4,262	11,240	
51 and more individuals	4,652	39,132	
<b>Total</b>	19,508	76,579	11,071
<b>Services</b>			
1 individual	2,145		3,358
2 to 5 individuals	3,111	6,341	3,673
6 to 10 individuals	4,119	9,616	7,063
11 to 15 individuals	4,643	10,765	3,220
16 to 50 individuals	4,822	9,670	4,606
51 and more individuals	5,708	20,373	
<b>Total</b>	24,548	56,765	21,920
<b>Whole Economy</b>			
1 individual	2,145	0	12,686
2 to 5 individuals	14,245	27,856	16,222
6 to 10 individuals	18,176	37,389	16,922
11 to 15 individuals	20,799	61,276	9,128
16 to 50 individuals	21,456	44,897	5,586
51 and more individuals	24,981	88,345	0
<b>Total</b>	101,802	259,763	60,544
* Numbers in the third column apparently showing the presence of self-employed workers in larger units refer to individuals who work for fees on specific projects but are who are considered to be self-employed to avoid additional labour costs.			

### **General characteristics of micro-units**

In terms of employment policies and access to labour rights, smaller units play a crucial role in ensuring the survival of a significant group of workers or securing an entry point for small-scale capitalist activities. It is thus worthwhile examining the functioning of small-sized units and their changing role in the economy and the labour market. Moreover, employment policies and policies to grant access to labour rights cannot be applied without a careful study of this type of unit. The ENAMIN 2008 survey permits an in-depth look at these units, their owners and their workers. This source defines microenterprises as units of up to five workers in the trade and

services sectors and up to 15 workers in manufacturing. It further distinguishes between three categories: those employing waged workers, self-employed workers accompanied by unpaid family workers, and self-employed workers operating on their own.

**Table 5.13: Number of Microbusinesses by Whether the Owner Hires Paid Workers and by Number of Workers, 2008**

	Position of Owner		
	Employer	Self-employed*	Total
Total Businesses	1,044,460	7,064,295	8,108,755
Businesses with workers	1,044,460	1,488,640	2,533,100
1 worker	474,355	1,059,086	1,533,441
2 workers	281,376	276,295	557,671
3 workers	146,825	115,593	262,418
4 workers	78,225	28,130	106,355
5 workers	39,715	2,889	42,604
6–15 workers	10,845	1,024	11,869
Unspecified	13,119	5,623	18,742
* Workers in units operated by 'self-employed' owners are unpaid family workers.			
<b>Source:</b> National Microbusinesses Survey 2008.			

Microenterprises are notoriously heterogeneous; those more orientated to or successful in achieving growth and accumulation tend to employ waged labour, while others are primarily oriented towards subsistence and the social reproduction of their families (Picchio, 1992); some units that begin closer to the latter modality transition to the former. Whether unpaid family helpers are involved depends a good deal on the setting. The range of types of micro-units creates a need for public support policies that are customized by segment.

ENAMIN reports the presence of over 8 million microenterprises in 2008, with just over 1 million having paid workers. Total employment was about 11 million workers, about 8 million with no paid workers, and the rest with paid workers.<sup>8</sup>

According to the ENAMIN survey, the main direct reason for beginning a small-scale activity is a quest for income (46 percent, if we include the categories 'complement family income' and 'more money than as a wage earner'), while less than a quarter (22.7 percent) seemed in their responses to be alluding to 'entrepreneurship' (found a good 'business opportunity' and 'wanted to be independent'), and 8 percent referred to carrying on the family tradition (Table 5.14). In any case, it is clear that the microenterprise sector is not made up primarily of 'entrepreneurs' who start a business even though they have other good alternatives but also includes individuals seeking income for reasons of survival and related to the general state of the economy. Data shown in Table 5.14 also imply that, though important to some (less than 10 percent of the

**Table 5.14: Main Reasons for Beginning a Small Business, 2008**

	Number	Percentage
Family tradition	648,948	8.00
To complement family income	2,612,963	32.22
For more money than as wage earner	1,119,426	13.81
Did not find employment as a waged worker	562,650	6.94
Flexible timetable	218,582	2.70
Dismissal or laying off of personnel	139,068	1.72
Wanted to be independent	603,600	7.44
Found a good business opportunity	1,239,919	15.29
Other	963,599	11.88
<b>Total</b>	<b>8,108,755</b>	<b>100.00</b>
<i>Source: National Microbusinesses Survey 2008.</i>		

**Table 5.15: Microbusinesses, by Economic Activity, by Presence of Paid Workers or not, and by Age, 2008**

	5 years and less (%)	6 years and more (%)
<b>Total</b>	<b>42.7</b>	<b>57.3</b>
Manufacturing	33.1	66.9
Construction	25.4	74.6
Trade	49.8	50.2
Services	43.0	57.0
Transport	38.6	61.4
<b>Employer</b>	<b>33.1</b>	<b>66.9</b>
Manufacturing	33.0	67.0
Construction	22.4	77.6
Trade	32.1	67.9
Services	36.9	63.1
Transport	40.4	59.6
<b>Self-employed worker</b>	<b>44.1</b>	<b>55.9</b>
Manufacturing	33.1	66.9
Construction	26.5	73.5
Trade	51.3	48.7
Services	44.1	55.9
Transport	38.4	61.6
<i>Source: National Microbusinesses Survey 2008.</i>		

sample), the desire for independence or flexibility is not the dominant motivator for engaging in these kinds of activities.

The success of microenterprise units, measured in terms of longevity, is uneven, with 57 percent of those surveyed having been in existence for a substantial period of time (six years or more) (Table 5.15). Average completed life of these firms would, by definition, be greater than their average life at the time of the survey, suggesting a perhaps considerable longevity.<sup>9</sup> This finding, consistent with those of all ENAMIN surveys since 1992, leaves no doubt that microenterprises are not primarily temporary activities in which workers take refuge, pending their return to jobs in larger-scale units.<sup>10</sup> As will be noted in Section 5, the flow of workers between micro- and medium- or large-scale units is negligible.

Despite their survival capacity, micro-units face many problems. Most frequently cited is ‘low sales or excessive competition’, which reflects the first or direct level at which firms perceive their difficulties. Other factors, such as high or rising costs, sometimes lie behind the

**Table 5.16: Main Problems Reported by Microenterprises, by Availability of Fixed Location for Business, 2008 (percentage citing the problem)\***

	No fixed location (%)	Fixed location (%)	Total (%)
Excess of debt, taxes or high interest	0.49	1.82	0.95
Rising costs	9.28	5.04	11.09
Low sales or excessive competition	46.21	48.18	46.90
Lack of credit or capital	2.35	2.62	2.44
Noncompliance of suppliers or poor quality of inputs	0.20	0.33	0.24
Conflicts with workers	0.00	0.09	0.03
Lack of training	0.11	0.17	0.13
Excessive bureaucracy	0.15	0.42	0.24
Problems relating to payment by customers	0.41	1.97	2.16
Problems with authorities or public insecurity	2.10	2.26	2.16
Others	17.25	13.13	15.82
No problems evident	21.46	14.54	19.05
<b>Total number of firms</b>	<b>5,162,976</b>	<b>2,755,717</b>	<b>7,918,693</b>

*\* The distinction between the categories ‘fixed location’ and ‘no fixed location’ is based on the availability of specific sites and facilities for the execution of business activities. Whereas the latter encompasses vehicles with or without motor, improvised or fixed spots on public roads, markets or outdoors, semi-fixed selling activities from door to door and in the homes of clients, the former refers to more formalized locations, such as shops, which are installed on a market under a common roof, in a shopping mall, in a factory or an office (ENAMIN, 2008: 63 and 239).*

**Source:** National Microbusinesses Survey 2008.

market problem. It is striking that relatively few units refer to problems related to lack of credit or working capital or to problems with bureaucracy.

As expected, the interface between these very small firms and the agencies of the state is limited. Registration with local, state or federal authorities is a normal legal requirement to conduct an economic activity, as is registration with both the Municipality and the Health Department. Access to support programmes requires registration with the Economy Secretariat. Registration is uncommon, however; the most frequent type (with the Municipality) is undertaken by less than a quarter of these establishments (Table 5.17), while membership in a trade association is even less common, at about 10 percent (Table 5.18).

As for health services, only a modest 20 percent of the micro-units' waged workers are enrolled in the IMSS, along with under 10 percent of the self-employed workers (Table 5.19). For the self-employed, the Community (Popular) Insurance, a support mechanism for non-waged

**Table 5.17: Type of Registration with an Institution by Microenterprises, 2008**

	Total	Type of registration			
		Municipality or delegation	Economy Secretariat	Health Department	None of these
Total	8,108,755	1,963,281	250,137	338,059	5,863,202
Employer	1,044,460	453,798	99,705	118,597	493,865
Self-employed worker	7,064,295	1,509,331	150,432	219,462	5,369,337
<i>Source: National Microbusinesses Survey 2008.</i>					

**Table 5.18: Trade Union Membership by Type and by Type of Microenterprise, 2008**

	Total	Type of registration					
		Tenants, stallholders etc.	Transport workers, Taxi drivers	Chamber of Commerce or Industrial	Professional association	Other	None
Total	8,108,755	260,719	173,868	143,678	143,167	129,516	7,257,807
Employer	1,044,460	38,151	23,872	48,735	42,335	33,584	857,783
Self-employed worker	7,064,295	222,568	149,996	94,943	100,832	95,932	6,400,024
<i>Source: National Microbusinesses Survey 2008.</i>							

**Table 5.19: Access to Health Services, by Type of Microenterprise and Type of Health Service, 2008**

Position at work	Total	Type of registration				
		IMSS	Private medical service	'Community' insurance	Other	None
Total	12,283,418	1,348,587	143,637	625,342	35,858	10,129,994
Employers	1,044,460	214,262	22,343	53,725		754,130
Self-employed workers	7,064,295	672,145	83,676	550,736		5,757,738
Partners	480,473	21,538	2819	1023	5250	449,843
Subordinate waged workers*	1,938,979	431,133	28,826	12,471	24,484	1,442,065
Non-waged workers	1,755,211	9509	5973	7387	6124	1,726,218
<p>* Subordinate waged workers are persons who have served as wage/paid and non-wage/non-paid workers.</p> <p>- Waged or paid worker: a person who performs any productive activity and in return receives remuneration via a salary or wage.</p> <p>- Non-waged or non-paid worker: a person who performs any productive activity to complement their or their family's livelihood without receiving in return any remuneration via monetary flows or goods, subject to market exchange.</p> <p><b>Source:</b> National Microbusinesses Survey 2008.</p>						

workers outside the IMSS, brings another 8 percent under some form of coverage. The ENAMIN figures demonstrate the general lack of access to medical services—including basic services—among individuals employed in microbusinesses. Among the groups distinguished in Table 5.19, coverage of one sort or another ranges from 1.7 percent for unpaid family helpers to a maximum of 28 percent for the employers.

## THE DYNAMICS OF LABOUR ACTIVITY

There is much movement of individuals between inactivity, unemployment and activity, as evidence by figures covering the period between the 2nd and 3rd quarter of 2010 (recall that 2010 was a year of employment recovery after the overall decline in 2009). Over this three-month period, a full 15 percent of those originally employed changed status, with 5.2 percent becoming unemployed or inactive but available (persons who are not actively pursuing an economic activity but are willing to work if an opportunity arises), and nearly 10 percent moving to more definite inactivity (Table 5.20). Nearly a quarter of those initially unemployed had made the transition to employment, while a little under a quarter stayed unemployed, and over a quarter moved to inactivity, presumably in part because of discouragement. Many fewer of those initially inactive became employed (about 15 percent), with most staying in the same category.

**Table 5.20: Flows between Employment, Unemployment and Economic Activity, 2010, 2nd and 3rd quarters (persons 14 years and older)**

State of Activity in Second Quarter, 2010	State of Activity in Third Quarter, 2010 (%)			
	Employed	Unemployed	Inactive available	Inactive not available
Employed	85.4	2.7	2.5	9.5
Unemployed	48.5	23.6	8.4	19.6
Inactive available	18.2	4.3	20.5	57.0
Inactive not available	13.4	1.8	10.8	74.0

*Source: author's calculations basis on ENOE data (second and third quarters of 2010).*

The great majority of those who made the transition from unemployment or inactivity to employment took up jobs in trade or personal services, and for nearly three quarters (73.7 percent) the employment was in a business of five or fewer workers. Since at this time only a little over half of all workers were in such units (Table 5.7), the receiving capacity of these small firms was thus about three times greater than that of larger firms.<sup>11</sup> Those who remained employed between the second and third quarters of 2010 also experienced considerable movement across establishment sizes (Table 5.21). Thus of those initially working alone, one third were, three months later, working in a larger unit, with 27.6 percent moving to the 2–5 worker category, and 7.0 percent to larger firms. Symmetrically, a third of those starting in establishments of over 250 workers wound up in a smaller one, with most of these (22.9 percent) still in fairly large units (16–250 workers), and a few (7.1 percent) in a smaller one between fairly adjacent size categories. The observed movements of people between size categories are, however, the combined result of

**Table 5.21: Distribution of Employed Persons by Size of Establishment, 2010, 2nd and 3rd quarter**

Number of individuals	1	2-5	6-10	11-15	16-50	51-100	101-250	251 and more
1	65.40	27.60	2.30	0.60	1.70	0.70	0.30	0.90
2 to 5	15.30	69.20	7.40	1.70	2.90	0.90	0.50	1.10
6 to 10	5.80	34.00	26.80	8.60	14.30	3.30	1.10	2.90
11 to 15	4.00	16.50	20.20	18.00	28.20	4.30	1.70	3.20
16 to 50	3.10	9.50	8.80	9.20	39.20	11.60	5.80	8.40
51 to 100	1.50	6.40	4.40	3.20	25.30	21.20	14.40	19.10
101 to 250	1.70	3.70	2.30	2.00	15.90	15.00	24.00	31.30
251 and more	1.60	2.80	1.60	1.10	7.30	6.50	9.10	67.30

*Source: author's calculations basis on ENOE data (second and third quarters of 2010).*



some people changing firms together with the movement of the enterprises themselves between size categories, and the source does not permit a distinction between these two types of mobility. It seems likely that the pattern of movement between adjacent sizes holds both for people who change firms and for firms that change size categories. In either case, movements between segments distant from each other—for example, from micro-units towards medium-sized or large enterprises—are a relatively rare phenomenon.

## ***POLICIES FOR THE VERY SMALL ECONOMIC UNITS***

A variety of specific policies have been created to improve the competitiveness of micro and small firms by improving their access to resources and providing training programmes for employers and workers. The Small and Medium-Sized Enterprises Fund of the Economy Secretariat (Fondo PyME), founded in 2004, is designed to provide “support to projects that encourage the creation, development, consolidation, viability, productivity, competitiveness and sustainability of micro, small and medium-sized enterprises...”. Its resources, originating with the federal and local governments and the private sector, are managed by intermediary entities established to select which projects to fund. The intermediaries can be financial or educational institutions, business organizations, development banks, state governments or civil associations, as long as their aims are compatible with at least one of the Fund’s objectives. The Fund is directed at five business segments: entrepreneurs, microenterprises, small and medium-sized enterprises (SMEs), ‘gazelle’ companies (those with a potential for sustained high growth) and driver or magnet companies (whose presence can attract other firms to start up in the same vicinity). These segments receive support for finance, trading, training and consulting services (Fund Evaluation, 2007–2008).

**Table 5.22: Support Programmes for Micro-units, Known of and Used, 2008**

<b>Programme</b>	<b>Aware Of</b>	<b>Used</b>
National Programme for Microenterprise Financing (PRONAFIM)	806,815	25,023
Training Support Programme (PAC)	347,785	10,536
Support Fund for Micro, Small and Medium-sized Companies (Fondo PyME)	1,074,250	49,959
Competitive Programme in Logistics and Storage Centres (PROLOGYCA)	60,284	133
Microfinancing Fund for Rural Women (FOMMUR)	238,442	11,244
Programme for Modernizing Tortilla Industry (MI TORTILLA)	188,407	2103
GeneraciónUno y Generación Dos (Generation One and Generation Two) (PIPS1 and PIPS2)	156,773	4896
National Entrepreneurs Programme/National Network for Sponsoring Microcompanies	169,578	5489
<i>Source: National Microbusinesses Survey 2008.</i>		

ENAMIN 2008 data and other evaluations of the Fund show its limited impact in this sector (Table 5.22), with just 4.7 percent of units availing themselves of such support. This case is not the exception, with Table 5.22 pointing to a comparably small impact of other national programmes designed to support micro-units.

The National Programme for Microenterprise Financing (PRONAFIM) aims to promote the productive initiatives of individuals and social groups in poverty conditions in every region of the country by encouraging and promoting a micro-financing system with the participation of microfinance institutions (MFIs) as channels of distribution and execution of the credit, with special emphasis on those with higher poverty levels (UNAM, 2012). Evaluations (ibid.) show that this programme helps to increase income in those units that received credit from it, although job creation was small or negligible. For both PRONAFIM and Fondo PyME, the two programmes that are used the most, coverage seems unrelated to the age of the enterprise.

Data are available (from the National Survey of Occupation and Employment – ENOE) on the coverage of social programmes, such as community medical insurance, and on economic support for micro-units, such as training scholarships and other forms of monetary support, where the assistance cannot be attributed to a specific programme; they complement and provide a cross-check on the estimates from governmental administrative records. For the several governmental

**Table 5.23: Access to Community Health Insurance, by Whether Employed or Not and, for Those Employed, by Decile<sup>a</sup> of Per Capita Family Income,<sup>b</sup> 2010, 2nd quarter**

Programme	Yes	No	Yes/Total(%)
Not employed	7,641,369	34,763,157	18.0
<b>Employed, by per capita family income decile</b>			
Decile 1	884,578	4,616,515	16.1
Decile 2	860,975	3,109,085	21.7
Decile 3	759,986	3,220,404	23.1
Decile 4	666,783	2,975,890	18.3
Decile 5	773,347	3,508,660	16.6
Decile 6	672,176	3,386,471	13.8
Decile 7	448,582	2,807,949	13.2
Decile 8	621,920	4,100,236	10.6
Decile 9	404,747	3,399,140	10.6
Decile 10	397,506	3,623,329	9.9
<b>Total</b>	<b>14,131,969</b>	<b>69,510,836</b>	<b>16.9</b>
<p><i>a) This table includes all individuals of age 14 and older. Unemployed and economically inactive people are included together under the category 'Not Employed'.</i></p> <p><i>b) Information was not reported for a small number of families (0.6 percent of the total).</i></p> <p><b>Source:</b> ENOE (second quarter of 2010)</p>			

programmes aiming to provide training grants or support for microenterprises, the figures reported in the government reports do not coincide with those derived from the ENOE survey. This might be explained by the usage of sampling methods in the case of the latter, with the survey not capturing complete beneficiary populations but reconstructing totals via the design of samples.

The Community Health Insurance (Seguro Popular de Salud) medical insurance scheme for non-economically active and self-employed workers who do not have access to either public or private social security (IMSS, ISSSTE) was launched as a pilot project in 2001 and institutionalized in 2004. Available data from ENOE (Table 5.23) imply that about 18 percent of all non-working people accessed the service in 2010. When the numbers of employed people with access to this programme are tabulated according to the family decile of labour income, a progressive impact becomes visible: the degree of access by upper deciles is striking, with the share of people availing themselves falling from a peak of 23.1 percent in the second decile to 9.9 percent in the top decile. Also noteworthy is the fact that the bottom decile took less advantage of the service than did the second decile, possibly for logistical reasons (distance from a clinic etc.).

Of particular interest are the 35 federal programmes aiming to promote projects that generate employment and income. The diversity of these programmes makes an overall evaluation virtually impossible. In addition, some of the programmes do not provide an adequate evaluation of coverage in terms of the population potentially capable of being served and the number of beneficiaries. Therefore, we will only examine a selection of the existing programmes.

In addition to the support programmes for specific groups of producers, such as Fondo PyME, there is a group of programmes more closely geared towards creating short-term employment. Of special interest is the Temporary Employment Programme (PET), which aims to provide temporary income support for men or women during periods of low labour demand and natural or economic emergencies, with a focus on less urbanized areas where employment opportunities and infrastructure are less adequate, and which offers a wage low enough to limit participation to workers in extreme poverty. As has been shown in Coneval evaluations (Coneval,

**Table 5.24: Coverage of the Employment Support Programme (PAE), 2003–2010**

Year	Estimates of potential target population	Programme objective	Coverage
2003	N/A	272,562	280,051
2004	N/A	220,765	243,195
2005	N/A	227,510	326,439
2006	N/A	207,158	244,146
2007	N/A	207,158	245,621
2008	20,917,806	261,277	403,184
2009	N/A	5,000,000	385,454
2010	N/A	6,940,131	439,842
<i>Source: La Secretaría del Trabajo y Previsión Social (STPS).</i>			

2008), while useful, the temporary nature of the support means that neither the individuals nor the communities included in the programme are likely to emerge from the conditions of social marginalization in which they find themselves. Such short-term subsistence support programmes are—by their very nature—not designed to substantially transform the self-perpetuating social problems confronting the localities where they are implemented.

Another national initiative of considerable scope is the Employment Support Programme (PAE), designed to improve the labour market by facilitating “the placement in a job or productive activity of unemployed or underemployed people, by means of the granting of support measures, either economic or in kind, for training, self-employment, labour mobility or assistance to returning emigrants” (Subsecretaría de Empleo y Productividad Laboral, 2011: 2). Its objective is to improve the interface between employers and job seekers in response to the perceived lack of: i) information regarding available job seekers and existing vacancies; ii) resources needed to look for or keep a job, to initiate or to strengthen a self-employed activity or to relocate to markets with a supply of jobs; and iii) adjustment of the labour skills of the workers. As Table 5.24 shows, its coverage is very limited: in 2009 only 385,000 individuals took advantage of it, out of a target population of 5 million people.

## **CONCLUSION**

The Mexican case study provides a detailed picture of the relationship between firm size, sector, type of work (permanent vs. temporary), on the one hand, and worker benefits and the reach of several government programmes, on the other. It is clear that only a minority of Mexican workers could be described as having adequate working conditions, including a modicum of security, and that a large share of new jobs over recent years have been created in microenterprise. Recent trends lead many observers to the conclusion that the informal sector is likely to remain large in Mexico for many decades; it follows that policy decisions relating to the sector and the enormous number of people who live and work in it will be central to the welfare of many Mexicans over the decades to come.

This chapter highlights, among other things, the heterogeneity of the small-enterprise and informal sectors (overlapping but not synonymous with each other), not only in the nature of the productive activity in which people engage but also in the degree and type of interface with public institutions and the types of social protection available to the workers. This heterogeneity provides the setting for two of the great policy challenges facing Mexico and (either now or in the future) most other developing countries:

- establishing efficient social programmes with wide coverage; and
- establishing efficient support programmes to raise productivity and incomes in smaller/more informal enterprises.

It is clear that a policy focus too narrowly directed towards economic growth and the expansion of the formal sector is unlikely to resolve the problems of poverty and inadequate

employment of Mexicans in the foreseeable future. A healthy growth policy can, however, be consistent with these two other objectives; achieving this consistency will be the central test of policy for some time in Mexico.

## NOTES

- 1 When an economy rebounds from recession, recovery in the labour market often follows that of output with a lag. Severe financial crises are typically associated with profound declines both in output and employment. From their study of such crises around the world, Reinhard and Rogoff (2009) conclude that, whereas the unemployment rate rises an average of 7 percentage points over the down phase of the cycle, which lasts on average over four years, output falls an average of over 9 per cent, but over a shorter period. In this light, the sluggishness of the global labour market is, in many respects, to be expected in the middle of the crisis, even though global economic growth has rebounded somewhat.
- 2 The ‘good intentions, bad outcomes’ thesis argues that Mexico has a dual system of social insurance that inadvertently subsidizes informal workers and firms. According to this thesis, some of these social programmes significantly contribute to hampering growth, creating low-productivity, informal jobs, fostering illegality, trapping many in poverty (see Levy, 2008).
- 3 Mexico’s exports to the USA and Canada tripled in US dollar terms between 1993 and 2002. While the growth of trade has slowed since 2000, Mexico’s trade (exports plus imports) with NAFTA partners were still equal to around 40 percent of its GDP in 2002. Similarly, NAFTA helped boost Foreign Direct Investment (FDI) flows to Mexico, which rose from US\$12 billion over 1991–1993 to roughly US\$54 billion in 2000–2002 (Kose, Meredith and Towe, 2004: 28). Increased trade and financial linkages have affected the dynamics of economic growth in Mexico in several ways. Contributions of exports and foreign investment to GDP growth have increased substantially following the introduction of the agreement. For example, the ratio of foreign investment to GDP growth reached 3 percent during 1996–2002 (*ibid.*: 29).
- 4 The net transfer of financial resources measures the total receipts of financial and other resource inflows from abroad and foreign investment income minus total resource outflows, including increases in foreign reserves and foreign investment income payments.
- 5 Unemployment is defined in accordance with the recommendations of the International Labour Organization (ILO) (see ILO, 1982: para. 10).
- 6 Note that the changing distribution of employment by establishment size reflects not only entry, exit and establishment growth in a given category but transitions of some establishments from one category to another. Thus part of the decrease in the largest category over 2008–2009 was no doubt the result of the size of some establishments falling below 100 workers.
- 7 That is, medical services and pensions that are the legal right of workers under contract and registered through the Instituto Mexicano del Seguro Social (IMSS), the Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (ISSSTE) or other state institutions.
- 8 Figures derived from Table 5.11, with approximations for the categories 6–15 and ‘unspecified’ and the assumption that 80 percent of the employers also worked in the microenterprise. A comparison with Table 5.8, where the number of people employed in units of 1–5 people outside agriculture in 2010 was 14.817 million (to which should be added 656,000 in manufacturing with 6–15 workers) suggests,

as is to be expected, that the survey missed a significant number of enterprises, presumably mainly smaller, more hidden (e.g. those working from home) and more transient ones.

- 9 On the other hand, the firms missed in the survey would almost certainly have a shorter average life than those captured.
- 10 For an in-depth analysis, see Perry et al. (2007).
- 11 Disregarding the probably small number who moved out of employment and back into it over this period.

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