

The Informal Economy

Otherwise known as the black or parallel economy, the informal economy is pervasive throughout Mexico. It consists of those economic activities that are not formally recorded and therefore are not included in national economic statistics. Workers in the informal sector suffer a number of disadvantages such as poor job security, long hours, unsafe working conditions and no social benefits. Nevertheless, work in the informal sector is often preferable to unemployment or to taking on the bureaucratic impediments of setting up a business legally.

Since most of those who operate in the informal sector are reluctant to discuss how they earn an income — for fear of ending up in the taxman's net — statistics are difficult to gather. CANACINTRA, Mexico's National Chamber of Industrial Transformation, estimates that 5.7 million people, or 22.5 percent of the economically active population, are engaged in informal activities, and that the value of their production is equivalent to 10 percent of Mexico's GDP.

The informal economy is measured in two different ways:

- according to the activities which employ most people; and
- according to the value added by informal activities in each sector.

By the first method, the largest number of workers in the informal sector are to be found in transportation and communications (18.7 percent), communal services (15.4 percent), and commerce (13.1 percent). By the second method, most of the value added by informal activities is found in the catering trades and commerce (35.1 percent) and small-scale manufacturing (17.5 percent), primarily in foodstuffs, beverages, tobacco and textiles.

The National Institute for Statistics, Geography and Information (*Instituto Nacional de Estadística, Geografía e Informática, (INEGI)*), offers a different analysis. Its figures show that retailing accounts for almost 19 percent of workers in the informal sector, while other services such as repairs, make up a further 12 percent.

Just over two thirds of those surveyed by INEGI were running single-person operations. More than half of the remainder employed relatives who did not declare their wages. About half of them do business either on the streets or in customers' homes. Only a fifth work on their own premises. The INEGI survey also revealed that low rates of pay in the formal sector are a major force driving people into the informal sector.

Education and Skills

The 31.5 million economically active Mexicans comprise the full range of unskilled, semi-skilled, managerial, and executive capabilities. The overall educational level of the population has improved dramatically in the last twenty years. In 1990, more than 25 million Mexicans had attained some level of formal education ranging from pre-school to postgraduate studies (see Figure 2.4).

The rapid growth of Mexico's population and its distribution have created a significant challenge for the National Education System. The 1989-1994 Program to Modernize Education has taken up this challenge by allocating an increasing portion of the federal budget to education. As a result, the educational budget grew from 6 percent in 1989, to 13.5 percent in 1991. The specific objectives of this program are:

- to upgrade the quality of education and increase final effectiveness;
- to expand access to educational services for all who need them;

- to link education, scientific research, technology and experimental development to the national requirements of Mexico; and
- to make education an ongoing process that involves the participation of the whole society.

These objectives are being met through an ambitious program of school construction and remodelling as well as an extensive scholarship program to provide students and researchers with economic support. In 1990, there were 154,000 schools in the country. Of these, 14,300 were private schools. There were also 1,600 technical and higher learning institutions.

Mexico's official literacy rate of over 90 percent is not very different from rates to be found in the U.S. work force, and Mexico boasts a steadily increasing number of university graduates. In fact, today, Mexico has slightly more engineering graduates per capita than does the United States. You can find highly trained engineers and managers, many with foreign experience, throughout Mexican industry.