

# Mexico's economic boom fails workers

*Many jobless despite bull market*

**Chris Hawley**

Republic Mexico City Bureau

Jan. 10, 2005 12:00 AM

MEXICO CITY - Every morning about 10, Carlos González Arriega sets out across the cold stone expanse of the Zócalo Plaza carrying a little wooden sign, a bag of clanking tools and enough hope to get him through another day.

In the northwest corner of the plaza, he takes his place next to the cathedral and sets up his sign. "Plumber and Gas," it says. Beside him, two dozen other journeymen sit, waiting.

And waiting.

"It's been this way for a year now," González said. "There used to be 100 or more people here every day, but they've either given up or gone to the United States. There's just no work for us."

That's the paradox of the Mexican economy, where the stock market is riding its biggest boom in five years while the job market has mostly stalled. It's what economists call a "jobless recovery," and it has left regular Mexicans scratching their heads.

"I haven't worked in two weeks," González said. "I don't know why they keep saying the economy is getting better."

It's a phenomenon with important ramifications for Arizona, which sells \$3.3 billion a year in goods to Mexico and serves as a gateway for unemployed Mexicans who come looking for work.

By most indicators, Mexico is recovering from an economic slump that began in 2000, experts say. The economy grew 4.1 percent in 2004, the peso was stable and inflation stayed under control at 4.9 percent. The stock market rocketed up 4.8 percent, its biggest gain since 1999.

That's the good news. The bad news is, the official unemployment rate hit a seven-year high of 4.4 percent in August and is still hovering around 3.6 percent, as it did for most of last year. But that estimate is notoriously low because nearly two-thirds of Mexican workers are believed to work off the books, in food stands, as street vendors, doing odd jobs or simply not reporting their employment to the government.

In all, about 23 percent of Mexicans are working less than 35 hours a week, said Mario Correa, an economist with Scotiabank Inverlat bank. Many are scraping by on just a few hours of paid work a week.

In Mexico City, the Zócalo day workers are seen as a barometer of the economy. There are other places in the capital where laborers gather, but those on the Zócalo tend to be masters and journeymen of their trades - people trusted to work on landmark buildings in the city's colonial center.

As recently as 2001, the plaza drew more than 100 skilled laborers from surrounding cities like Toluca and Cuernavaca, bricklayer Honorio Ayala said.

"Now they've all gone to the United States, or just gone home," Ayala said.

He said he has been averaging three weeks between jobs, which usually last a day or so and pay about \$17.

He survives thanks to his daughter, who works at a restaurant in Phoenix. She sends \$100 every couple of weeks.

To make a dent in unemployment, the Mexican economy would have to grow at least 5 percent in 2005, said Alfredo Coutiño, director of the Center for Economic Forecasting of Mexico. But instead, growth likely will slow down, he said, to 3.5 to 3.8 percent instead of the 4.1 percent seen in 2004.

"What does that mean to Mexican society in general? Well, the escape is to go to the United States," Coutiño said. "That means the migration rate will be the same in 2005, or it could be even worse."

Growth in 2004 was linked mainly to the economic recovery in the United States, Mexico's biggest trading partner, Coutiño said. The price of Mexican oil also hit a peak of \$42 a barrel, providing a windfall for the government, which controls the oil industry.

Meanwhile, investors have been drooling over new rules that will allow Mexican pension funds to put more of their money in stocks beginning this month. That's partly why the stock market has been sky-high, economists said.

Things look dimmer in 2005 because oil prices have fallen and the U.S. economy is expected to grow more slowly, they said. And there's a political factor: campaigning for the 2006 presidential elections will kick into high gear this year, meaning Mexican President Vicente Fox has little chance of getting his economic reforms passed by a hostile Congress.

Fox wants to open the oil and electricity industries to more private investment, something economists have applauded.

"But now, it's going to be very difficult for (Fox) to get those things through," said Dawn McLaren, an economist at Arizona State University.

Meanwhile, the men on the Zócalo say they're waiting for the stock market boom and the strengthening economy to trickle down to them. They measure markets in terms of faucets installed, bricks laid and chairs made.

"When people start hiring me again, then I'll know things are getting better," plumber Lucio Cansino Contreras said.

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