

# INCOMES AND PRODUCTIVITY IN NORTH AMERICA

**Papers from the 2000 Seminar**



COMMISSION FOR LABOR COOPERATION  
NORTH AMERICAN AGREEMENT ON LABOR COOPERATION

## **Acknowledgments**

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## Foreword

The third Seminar on Incomes and Productivity in North America was held in February of 2000 in Mexico City. As in previous years, the Seminar brought together under the auspices of the Secretariat of the Commission for Labor Cooperation prominent members of academia, government and labor to exchange points of view on the constantly changing area of productivity and incomes in the NAFTA region. Along with other research work undertaken by the Secretariat, the successive Seminars have played a meaningful role in fulfilling the Commission's mandate regarding the analysis of issues related to the economic side of labor relations in North America.

Sponsored by the Secretariat of the Commission for Labor Cooperation and put together by a Steering Committee composed of Professors Leonard Bierman, of Texas A&M University in the United States; Anthony Giles, of Laval University in Canada; Gonzalo Hernández, of the Instituto Tecnológico Autónomo de México in Mexico; and the Executive Director of the Secretariat, the Seminar has proved a very successful enterprise of international cooperation that creates an ideal forum where the different voices on labor economics in North America can be heard.

To this end, the Seminar has always striven to bring together, along with top-of-the-line specialists to present their papers, a dynamic and vocal group of panelists representing both the business and the labor perspectives on the issues, as well as academics, from the three countries of North America. This year's panelists included Bonnie DuPont, Richard Long, Andrew Sharpe and Diane-Gabrielle Trembley from Canada; Juan Pablo Arroyo Ortiz and Juan Moisés Calleja García from Mexico; Ron Bird, William Glade, Stephen Herzenberg and Tom Palley from the United States. Their brief biographies, along with those of the speakers, can be found in the Appendix.

As in previous years, the 2000 Seminar on Incomes and Productivity was designed to take place in two sessions, one devoted to macroeconomic issues and one to microeconomic issues. Three papers were presented in each session, followed by a discussion panel. This year, for the first time, the panel discussions were recorded and edited and are included in this book following each of the papers presented. We believe that this will convey to the reader a clearer sense of the way in which the Seminars are conducted and of the pluralistic spirit that inspires them. We wish to thank professors Leonard Bierman and Anthony Giles for their additional help in editing these panel discussions.

The third Seminar was the first one to be held outside Dallas, Texas, where the Secretariat was originally based. From now on each of the three North American countries is going to host the event by rotation at the venues of one of their top academic institutions. The seminal idea is not only to strengthen ties with universities in the three countries, but also to interact and mingle with academics in their own milieu. The Secretariat will continue to play its role as facilitator, sponsor and fosterer of exchange not only among academics of the three countries, but also in an academic framework to enable labor and business representatives to exchange ideas and research within a regional scope.

Precisely for being the first Seminar hosted by a university, special thanks are due to Professor Gonzalo Hernández and all the staff at

the Instituto Tecnológico Autónomo de México in Mexico City for their valuable support during the Seminar, as well as the staff of the Mexican National Administrative Office at the Mexican Secretariat of Labor and Social Welfare for their precious help.

As an ongoing event, the Seminar has provided a unique forum for dialogue on economic labor issues in the North America region. Promoting this kind of dialogue and the greater understanding of our realities that comes with it is one of the main objectives of the North American Agreement on Labor Cooperation. The Secretariat of the Commission for Labor Cooperation is happy to make this contribution to such an important goal.

*Alfonso Oñate*

Executive Director

Secretariat of the Commission for Labor Cooperation





# Globalization and Objective Research

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Although recent stories have discussed globalization as either a panacea to cure all evils or the villain inspiring them, we are fully aware that such tales are far from new, since globalization is perhaps as old as the creation of the world's first states. Commercial, cultural and even financial exchange between different regions can be observed in the most ancient literature. It even seems possible that ancient times were marked by events like those of Davos, Seattle and perhaps Chiapas, in which leading social groups protested against certain facets of openness. We may assume that terms such as *globaphobes* or *globaphiles* were not actually coined in Mexico in the year 2000, but rather are concepts expressed hundreds of years ago, possibly with greater elegance, by some governor or other in Asia Minor at the end of a particularly difficult period of government.

The main difference between those early manifestations and modern-day globalization is undoubtedly the velocity of today's development as a result of technological change and, consequently, its greater potential impact on society. Furthermore, both protests against

globalization and praise for it travel far more quickly than before and cross borders just as readily as finance capital. The sounding board is now much larger owing to advances in communications.

If the criticisms and virtues of economic liberalization may now be heard by more people throughout the world, this process will either gain or lose momentum depending on which of the two sides manages to state its position with the greatest force. If a violent demonstration against globalization is televised by an international network, it will have an enormous impact on potential voters. The same occurs when a message supporting liberalization is transmitted time and time again on the Internet or television. In view of the varying political and personal positions, power relations and even emotional arguments that emerge from trade liberalization and globalization, the best possible way of reaching agreements and implementing better policies is through objective research and the direct confrontation of ideas.

In the new wave of trade liberalization that commenced in the early 1980s, and more specifically in North America in 1994, only the theory and experience of other regions could possibly forecast the consequences of such a process at this time. Orthodox economic theory predicted (and continues to predict) that there would be greater well-being in two societies if both of them pledged themselves to barrier-free commercial exchange, thereby exploiting their comparative advantages. Other theories, however, state that, for reasons of national security, it is indispensable that production be oriented toward the domestic market, so as to avoid depending on the fluctuations of the outside world.

Fortunately, theories can and should be constantly set against reality in order to be objectively evaluated and to allow the correct economic policy decisions to be made. Institutions such as the Commission for Labor Cooperation, among others, have had the vision to promote continuing research to demonstrate the effects of trade liberalization on the societies of North America, as well as determining the course that this process should follow.

Since its creation during 1995–1996, the Secretariat of the Commission for Labor Cooperation has not only assumed the task of

bringing to a successful conclusion the employment-related administrative duties stipulated by the North American Free Trade Agreement (NAFTA), and set down in the Parallel Agreement, but has also promoted research on the standards of living in the three countries since the implementation of the controversial commercial agreement.

The standard of living concept was clearly the most suitable for analysis. In the end, if trade liberalization does not offer participants a higher standard of living, there is no doubt that it does not—and will not—generate benefits and should therefore have no future. However, in order to lend a sense of objectivity to the research proposed by the Secretariat, it was necessary to make the standard of living a workable concept. Literature on this subject contains innumerable discussions on the meaning of the term and how it should be measured.

Thus, it was decided that, in order to analyze standards of living without getting bogged down in the complications of the term itself, research work should focus on two variables that are closely associated with the concept: productivity and income. Recent literature shows without contradiction that productivity growth is the variable that best forecasts the standard of living of a society in the long run. The countries that now have a high standard of living have also undergone considerable productivity growth for a number of years. Thus, productivity growth is the driving force behind economic growth, which in turn determines a country's income at the aggregate level.

Japan, Korea, Singapore and the United States are examples of countries where per capita income doubled in just a few years because of the sustained increase in productivity. On the other hand, Venezuela, Chad and other African countries unfortunately demonstrate that this relationship can also work in the opposite direction, since lower productivity leads to lower standards of living. Like its national soccer team, Mexico is situated about halfway up the table.

This line of reasoning clearly justified research into NAFTA's effects on labor productivity in the three countries of North America.

In the case of the income variable, this justification was even more obvious. Even though income does not offer a perfect standard of living measurement, it nonetheless constitutes a fairly attractive *proxy*. A sustained income growth rate attributable to NAFTA in the three countries would tell us that the orthodox theory that forecasts an increased level of well-being as a result of trade liberalization could be accepted.

Thus, in 1996, the Secretariat agreed to stage annual seminars to analyze the impact of NAFTA on productivity and income, together with the relationship between these two variables within the labor markets of Canada, the United States and Mexico. The goal was to obtain perspectives from differing domestic and international viewpoints, as well as from varying areas of knowledge and economic activity.

As early as 1996, it was clear that the results of NAFTA could not be categorized as either totally positive or completely negative. There were areas and sectors that had gained ground while others had lost out; some areas and sectors had benefited, while others had been adversely affected. Consequently, the seminars were not designed so that a given group of academics (economists), frequently out of contact with the business world, could discuss different empirical models to lend support to their theoretical models. The seminars were staged so that the joint vision of academics, business leaders, workers and government representatives could produce a global analysis of productivity and income. In other words, it was necessary that the entire universe of NAFTA stakeholders be properly represented: some were potential winners, and others, unfortunately, losers.

I think that the great challenge faced by each seminar, including this one, is to ensure that, regardless of the diverse occupations of speakers and panelists, their personal and political interests and language differences, all the various positions are heard. The challenge that faces us is to arrive with solid ideas and leave with renewed ones.

In this spirit, the seminars began in February 1997, in Dallas. Here, general topics were outlined to demonstrate the evolution of productivity and income in the three countries. The first theme was

“Salaries, Productivity and Competitiveness in the NAFTA Markets.”<sup>1</sup> According to the speakers, the most important conclusions were as follows: (a) in Canada and Mexico, considerable productivity increases were observed which were not noted in the United States; (b) while employment did not grow satisfactorily in Canada and Mexico, this was not the case in the United States; (c) real salaries did not rise in accordance with growing productivity in any of the countries; and (d) competitiveness sometimes reduced employment while increasing productivity and leaving salaries unchanged.

Regarding the second theme, “Changing Labor Relations in an Open Economy,” the most noteworthy conclusions were that (a) a greater adaptation to economic liberalization was noted in companies that were more competitive before liberalization commenced; and (b) companies engaged in exports showed a greater capacity for adaptation than those focusing on the domestic market.

A general conclusion of the 1997 seminar was that the effect of trade liberalization was not homogeneous in all industrial sectors; thus, speakers highlighted the need to analyze the effects of NAFTA in specific sectors in each of the three countries. This, therefore, was the theme of the second seminar.

Held in February 1998, the second seminar focused on the effects of NAFTA as regards productivity and income in specific sectors. The first part of the seminar, entitled “Macroeconomics: A Multi-Sectorial Analysis of Productivity and Income,” produced the following conclusions.

- (a) During the 1980s, the competition of the United States manufacturing industry with developing countries reduced total business productivity growth, since there was less incentive for innovation; nevertheless, competition with developed countries was associated with higher labor productivity levels owing to increased investment.
- (b) In Canada, greater trade liberalization led to the possible deterioration of employment characteristics in sectors open to competition; generally speaking, liberalization has brought about less employment stability.

- (c) In the case of Mexico, liberalization generated heterogeneous results in the manufacturing industry because some sectors have not managed to successfully adapt to the export dynamic; despite trade liberalization, and in conjunction with the 1995 crisis, the manufacturing industry has not been able to absorb enough workers, and the effect on salaries has been almost zero.

During the second part of the seminar, a specific analysis was made of the automotive industry (“Microeconomics: Productivity and Income in the Automotive Industry of North America”). The general results were as follows.

- (a) Although the automotive industry has been successfully integrated in all three countries, considerable differences still exist in remuneration, since Mexico is clearly far behind the United States and Canada.
- (b) Payments within the industry itself vary greatly, especially in Mexico, and auto parts workers earn less than those employed in the assembly sector.
- (c) There is greater salary dispersion in Mexico than in the other countries; among other factors, this is largely attributable to the fact that salary negotiations are carried out at each particular plant rather than at the industry level, as is the case in the United States and Canada.
- (d) In Mexico, productivity growth has not been reflected by an increase in real salaries.
- (e) And in Canada, companies using the just-in-time approach are clearly more efficient than those that have not incorporated it and are therefore more profitable.

After these two seminars, not all the questions posed have received satisfactory answers. We will never have all the answers when economies, technologies and institutions are constantly changing. On the contrary, new questions are always emerging. Are we really improving the overall standard of living of North America? Are there more winners than losers? Are the gaps separating the standards of living of the three countries becoming greater or less? What kinds of institution should we create or modify to improve net benefits?

There is little doubt that the topics of globalization, in general terms, and trade liberalization, in more specific ones, will continue to be debated at all levels. We will surely witness new demonstrations against or in favor of these phenomena on our streets and in our forums. Let us hope that, through objective and serious research, these seminars will help demonstrators make greater use of words and knowledge than of sticks and stones. Otherwise, the discussion of globalization will be just the same as it was when it first began hundreds of years ago.

## **Note**

<sup>1</sup> Norma Samaniego. "Opening Remarks: Overview of the Seminar on Incomes and Productivity in North America." In *Incomes and Productivity in North America: Papers from the 1998 Seminar*. Commission for Labor Cooperation, 1999.





# **The Importance of the Programs Linked to Mexico's Labor Market**

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Globalization, liberalization and open markets, among other factors, have introduced particular characteristics to Mexico's present economic framework. Likewise, these elements have generated a series of conditions that have had a marked effect on our country's productivity, while also bringing about changes within traditional domestic production, altering the price of goods and services and, therefore, affecting workers' salaries. Hence, through a series of structural measures, the Mexican government has sought to turn the advantages of economic growth into benefits that respond to the demands of all sectors of society.

Regardless of the macroeconomic and sectorial differences characterizing the economies of North America, it has been noted that the North American Free Trade Agreement (NAFTA) has allowed the broadening of commercial exchange activities, which in turn have led to substantial increases in various sectors, although this growth has not been generalized. Consequently we believe that more solid structural bases now exist to sustain Mexico's growth in the medium and

long terms. In this regard, it is perhaps pertinent to mention that these seminars have served to increase the number of studies and research projects focusing on the costs and benefits derived from the changes that have taken place during NAFTA's first five years, and that this work has increasingly been done under the auspices of the Commission for Labor Cooperation.

The entry of the Mexican economy into the international market has had an impact on existing imbalances and has led to the implementation of structural reforms. However, as a result of the measures carried out by the Mexican government, we have observed an improvement of economic conditions and greater stabilization of relations within our country's industrial structure. A gross domestic product (GDP) growth rate of 3.7 percent was reported in 1999 and, during the present administration and under the terms of NAFTA, Mexico's GDP has registered an average annual growth rate of 5.1 percent.

Together with the development of the export sector, the increasing flow of investment to our country has generated a multiplier effect as regards employment creation. The most noteworthy effect has been observed in the final product and raw materials markets where formal employment has risen by 5.9 percent, a figure that surpasses the average annual growth rate of the gross domestic product.

In his recent study for the Economic Commission for Latin America and the Caribbean (ECLAC), Julio López commented that the exacerbated structural imbalance of the labor market had three consequences: "it tended to reduce real salaries, especially for the least qualified workers," "it increased the participation levels of working age sectors of the population," and finally, it increased "employment in the informal sector of the economy." Nevertheless, it is perhaps worth analyzing to what degree the growing informal economy and its participation have stemmed from the crisis of the preceding decade, rather than from economic liberalization.

He also notes that, in 1999, the number of workers permanently insured by the Instituto Mexicano del Seguro Social (Mexican Social Security Institute, IMSS) rose considerably and, therefore, formal

employment registered an annual growth rate of 5.7 percent over the figure reported in 1998; this meant the addition of more than 645,000 jobs over the course of the year.

The challenge posed by the macroeconomic context to the conditions prevailing in the Mexican labor market has brought about changes in the structure of employment and the labor force and has also affected employment quality.

In response to the economic crisis, the present Mexican government established policies to promote micro-, small, and medium-sized companies. Likewise, it has favored and sought consensus with regard to productivity and competitiveness by supporting continuous improvement programs and implementing economic deregulation programs to facilitate the development of companies and industries. Thus, industrial policy has attempted to respond to regional needs and structural change, while also enhancing the competitiveness of the industrial plant.

The federal government has therefore focused on creating a suitable environment for business activities by means of regulatory improvement programs, measures to protect Mexico's productive plant from unfair competition, international commercial negotiations and export support programs. These measures also encompass the establishment of the Sistema de Información Empresarial Mexicano (Mexican Business Information System, SIEM); the Programa del Comité Nacional de Productividad e Innovación Tecnológica (Program of the National Productivity and Technological Innovation Committee, COMPITE); the Red de Centros Regionales para la Competitividad Empresarial (Network of Regional Business Competitiveness Centers, CETRO-CRECE); the Programa de Apoyo a la Certificación ISO 9000 (Support Program for ISO 9000 Certification), which is promoted by the Secretaría de Comercio y Fomento Industrial (Secretariat of Commerce and Industrial Development, SECOFI); and the technological promotion programs administered by the Consejo Nacional de Ciencia y Tecnología (National Council for Science and Technology, CONACYT).

Within this overall context, the phenomena of liberalization and globalization characterizing our markets have had a decisive impact on the formal sectors of the economy; furthermore, their participation in employment creation has brought pressure to bear on labor markets.

Since 1996, the labor policy of the Mexican government has sought to refocus its efforts toward the requirements of a more dynamic and changing labor market, which in turn is the result of the productive restructuring that has occurred throughout the country, and of the formality and informality factors characterizing the labor force. Together with the low productivity and competitiveness levels of companies oriented toward the domestic market, dispersion and inequality have had a different impact from the effect they would have had if economic growth were balanced and sustainable.

Thus, labor strategies should be oriented toward reducing the inequality of opportunity facing the labor force by taking fuller advantage of the labor market in order to increase workers' well-being, promote labor activity in formal sectors of the economy, and harmonize labor demand with supply. Likewise, labor policy should help to facilitate the strengthening and growth of micro-, small, and medium-sized businesses to allow them to generate an increasing level of employment.

On the other hand, concerted measures have been implemented in Mexico to strengthen social structures by constantly giving priority to dialogue among worker, peasant and business representatives and those of the federal and state governments. In this way, joint attention may be given to the priority demands of different sectors and to the distribution of national income, thereby favoring the development of "key" areas in each region of the country.

State labor policy objectives strive to facilitate the conditions of labor market stakeholders, the sustained increase in productivity, the improvement of remuneration, safety and health conditions, and the procurement and administration of justice in the area of labor issues.

The strategy adopted by the current administration has given priority to cooperative labor sector measures through tripartite agree-

ments with workers' representatives and business leaders. These agreements are based on the dialogue and consensus embodied by what is now known as the "New Labor Culture." This trend strikes a sharp contrast with the stability pacts used to help control inflationary pressure during the 1980s and up until 1994. The present agreement between the productive sectors now has its own momentum, and its meetings essentially focus on economic and labor issues.

Likewise, with the establishment of the Consejo Mexicano de Productividad y Competitividad (Mexican Council for Productivity and Competitiveness, COMEPROC) in 1995, the Consejos Estatales de Productividad y Competitividad (State Productivity and Competitiveness Councils, CEPROC) emerged in each Mexican state. These councils are engaged in activities intended to define the programs and actions required in each state to promote productivity and quality in every region of the country. Thus, their main objective involves eliminating obstacles and structural and bureaucratic inefficiencies through a more decentralized decision-making process as regards labor-related issues.

Furthermore, the worker-business dialogue inherent in the New Labor Culture commenced in 1995 with the creation of the Central Commission, which is presided over by the head of the Secretaría de Trabajo y Previsión Social (Secretariat of Labor and Social Welfare, STPS) and has encouraged open dialogue between these sectors. Its Technical Committee represents all the main Mexican workers' and employers' organizations and, building on the consensus derived from the document entitled "Principles of a New Labor Culture," meets weekly to advance toward the creation of a draft proposal for a Labor Procedures Code. This ordinance seeks to provide a legal expression for accepted principles, to facilitate the eventual reform of legal provisions that seek to make labor procedures more efficient and flexible.

Together with a growing consensus as regards salary and contract revisions, the foregoing measures have led to an atmosphere of greater stability and gradual improvement for the Mexican labor sector. This is demonstrated by the fact that, considering the important informal

market, in recent years, the open unemployment rate has improved substantially, falling from 4.7 percent in 1995, to 2.3 percent in 1999.

It is also worth noting that, during the present administration, a considerable and consistent reduction of labor conflict has been observed. Thus, in 1999, companies under federal jurisdiction presented only 32 strike notices, the fewest since 1972.

The Mexican government has always been conscious of the need for training as a labor strategy that favors the improvement of productivity and competitiveness, while also aiding employment conservation and growth. It is believed that government measures should be oriented toward an authentic articulation of the link between training and productivity, especially in micro-, small, and medium-sized businesses.

In this sense, and considering the present macroeconomic context, labor policy has been adjusted to promote an active relationship among the labor market, occupational training, and continuous improvement as the basis for productivity and competitiveness guidelines.

The active policies applied by the Mexican government to attend to the problems of unemployment and underemployment have sought to promote productive employment by implementing the following strategies: strengthening the skills profile of the labor supply; increasing employment demand; and improving the operation of labor relations mechanisms.

Thus, the development of human resources, competitiveness and job placement have become the axes of the labor strategy of the present administration. The Servicio Nacional de Empleo (National Employment Service, SNE) was therefore created under the auspices of STPS. It embodies the State Employment Services, which depend on the respective state governments, and operates the Programa de Becas de Capacitación para Desempleados (Training Scholarship Program for Unemployed Workers, PROBECAT) in a decentralized manner. Furthermore, and in order to provide economic support and technical consultation facilities for micro-, small, and medium-sized businesses and allow them to train their human resources, STPS has

also implemented the Programa de Calidad Integral y Modernización (Integral Quality and Modernization Program, CIMO).

It should be noted that the main training and labor market liaison measures are carried out with joint financing from the federal and state governments and the private sector and are partially supported by credits from international organizations.

The SNE seeks to support and improve the functioning of labor markets in Mexico by: promoting cooperation between the players involved in the supply and demand sides of employment; orienting employment seekers with respect to labor market conditions and helping them improve their qualifications; and aiding business leaders in their search for suitable candidates to fill vacancies. The SNE has therefore implemented worker placement services and stages employment fairs throughout the country.

In recent years, its actions have increased considerably in terms of infrastructure growth, the consolidation of publicity work, information management and personnel training. The SNE currently operates throughout Mexico from 139 offices that serve more than 4,000 communities.

The PROBECAT, which initially formed part of the emergency employment protection programs, was consolidated during the present administration by incorporating job seekers into a training system with scholarship support, to enhance their employment prospects and strengthen the productive capacities of participants.

In view of the diversity of the Mexican labor market, varying training modules have been developed, having a duration of up to three months. These consist of the School Program, which takes place at educational facilities; the Mixed Program, which is given by companies that then undertake to hire at least 70 percent of students passing the course; the Self-Employment Program, which consists of unemployed people interested in working for themselves; and the Local Employment Initiatives, which deal with people forming part of productive projects.

In recent years, PROBECAT has reported substantial growth in the number of people benefiting from its services; this figure has risen

from an annual total of 84,000 during the 1991–1994 period to more than 500,000 during the 1995–1998 period. In 1999, more than 550,000 training scholarships were awarded.

One of the most important indicators for measuring the effectiveness of PROBECAT focuses on the placement of former scholarship holders. In the traditional mixed system, three months after having finished the course an average of 86 percent of all trainees have succeeded in obtaining employment. Likewise, in the micro and small business category, a total of 70 percent of trainees find work.

The CIMO has focused its efforts on protecting and broadening employment and productive occupation by promoting the development of active human resources in micro, small and medium-sized companies, and by using this type of support to increase quality, productivity and competitiveness levels. Thus, the program provides orientation and free technical assistance, supplementary financial support for training programs and continuous improvement, while also serving as a point of contact for other support institutions.

The CIMO Program is currently enhanced by the participation of approximately 650 business chambers and associations at the national and local levels. It also coordinates its efforts with those of other institutions lending support to micro, small, and medium-sized firms to consolidate a new training and consultation option to respond to specific worker and company needs. In order to fulfill its objectives, the program operates Unidades Promotoras de la Capacitación (Training Promotion Units, UPC) in Mexico's 31 states and the Federal District; it covers up to 70 percent of training costs, and the remaining 30 percent is financed by the beneficiary companies.

The target population of this program is composed of micro, small, and medium-sized companies, workers employed by these firms, rural and handicraft producers, young entrepreneurs, and handicapped people who are employed by companies or who present productive projects.

In recent years, the actions of the CIMO program have been widely promoted; between 1991 and 1994, the average annual number of

beneficiaries stood at just under 100,000 workers. Between 1995 and 1998, this figure rose to more than 500,000 workers. In 1999, over 78,000 training events assisted more than 740,000 workers, with the participation of almost 77,000 companies.

As a result of changes in the educational system, training has been promoted in conjunction with the Secretaría de Educación Pública (Secretariat of Public Education, SEP) through the Technical Labor Competition Standards—which, once concluded, will allow workers to opt for the certification of their labor qualifications and obtain an additional element to facilitate their entry into the labor market. Through this approach, the beneficiaries of the CIMO and PROBECAT programs may certify their labor skills, increase their employment prospects, and upgrade their knowledge and abilities.

The employment measures implemented by the federal government through STPS have facilitated the liaison between market players and the selection of training options. Likewise, companies have defined their personnel requirements with increasing precision, and workers possess additional skills to enhance their employment prospects and meet the profiles and qualifications demanded for specific positions.

Mexico's long-term labor policy should orient its activities toward the following:

- Broadening and improving the employment opportunities open to the population;
- Promoting economic stability as a means of increasing required investment flows;
- Modifying and updating the labor legal framework to which economic agents will have to adapt; and
- Making labor markets more efficient through increased information, liaison measures, and attention to phenomena associated with the social changes generated by labor migration throughout the country.

To consolidate this policy, the determined participation of productive sectors and representatives of trade union and social organ-

izations is crucial. It is therefore necessary to strengthen the policy of cooperation to establish the bases for four main strategies: (a) the promotion of the New Labor Culture, which seeks to generate increased interest in training, adaptation to new technologies and labor environments, and the certification of knowledge and skills; (b) the promotion of productivity as a fundamental precondition for the development and improvement of income through the incorporation of productivity pacts and agreements between workers and companies under the terms of their labor contracts; (c) the modernization and improvement of the administration of labor law; and (d) the continuation of the growing trend toward high-yield labor systems.

In summary, considering Mexico's economic and social conditions, the programs promoted by the Mexican Government through STPS should uphold the trend toward lending support to worker training, continuous company improvement and, consequently, the improvement of labor markets. We should therefore seek to boost productivity in a coordinated manner through systems that focus on production in terms of quantity, while also giving top priority to quality.

These tasks require the determined participation of social stakeholders, and the challenges they imply must be assumed with full awareness, so as to allow the government and society to face them with complete responsibility.

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