

# Statement on the 2013 Employment Formalization Program by the President of Mexico, Enrique Peña Nieto<sup>1</sup>

July 22, 2013

Ladies and gentlemen: A very good afternoon to everyone.

I would like to recognize the President of the National Conference of Governors, and to thank him for his participation.

Welcome to the Head of Government of the Federal District.

Welcome to all the governors, whose presence is appreciated and above all the great commitment that they have made to be able to, finally, set forward the objectives of this Employment Formalization Program.

I want to recognize the involvement of union leaders from many organizations representing workers in our country.

To all our distinguished guests, we appreciate and acknowledge your participation in this ceremony.

At the same time, I welcome the leaders of the many business organizations, whose views we have listened to, and acknowledge their contribution and commitment to achieving these objectives.

So many business organizations and banking enterprises.

To all of you, I thank you for your presence here, and especially your involvement in achieving the program that brings us together today.

I also want to thank those public servants of all levels of government who will be responsible for implementing the program that we are establishing today.

Ladies and gentleman.

Article 123 of our Constitution states that every person has the right to work that has dignity and is socially useful.

However, we are forced to admit that for millions of Mexicans the enjoyment of this fundamental right has not been a reality.

Because of slow economic growth and the great population increase of the past three decades we find today that 59 per cent of our working population is in informal employment,

In other words, more than 28 million workers in Mexico have no legal status and no access to social security. Moreover, most of these workers are employed by companies that, on average,

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<sup>1</sup> This English translation of the Spanish document *Programa para la Formalización del Empleo 2013* was done by WIEGO in August 2013. *Programa para la Formalización del Empleo 2013* is available at <http://www.presidencia.gob.mx/articulos-prensa/programa-para-la-formalizacion-del-empleo-2013-2/>.

are 50 per cent less productive than those in formal employment, which translates into lower salaries.

Informal employment affects us all as a society; it deprives workers of their personal rights and limits the real economic potential of our country.

Informal employment holds back greater value added activities. It makes no investment in developing worker's skills, and it prevents informal businesses from adopting new technologies and introducing complex processes that lead to better incomes.

At the same time, it does not have access to bank credit and financing that is necessary to expand and increase profitability.

Most important and of greatest concern is the fact that informal employment adversely affects workers and their families.

Informal employment limits opportunities for professional development and blocks the path to better salaries.

We must be very clear on this point. Informal employment is the enemy of the workers. It leaves them without access to basic rights and benefits, such as health care plans, consumer credit and savings for their retirement.

For our society, Informal employment is a false solution.

Certainly, informal employment relieves the pressure for jobs in the very short term but it creates enormous social costs over the long term.

To change this situation and build the prosperous and inclusive Mexico that we all desire, it is essential that all parts of our government redesign our public policies, starting with a basic premise: to create more formal and more productive jobs.

Every Mexican deserves the opportunity to have a formal job with all the rights associated with that.

We must leave behind the vicious circle of informal employment, low productivity and low economic growth and embrace the virtuous path of formal employment, greater productivity and increased economic growth.

I am convinced that we now have in Mexico new strategic conditions to succeed and I want to share them with you.

First, today we realize the true magnitude of informal employment in our country.

New, more accurate methods introduced by the National Institute of Statistics and Geography (INEGI) have made it clear that six out of every 10 jobs is in the informal economy, and not three out of 10 as was previously considered.

Second, through labour reform we have introduced new legislation to make the labour market more efficient and competitive, and to make it easier for women and young people to find jobs.

Third, as another measure of labour reform, Mexico now has a recently established National Committee on Productivity that includes governments, workers, business and academic leaders.

One of the first priorities of this committee will be to propose policies and strategies for increasing the number of men and women who find jobs in formal employment.

Fourth, as part of the agreements of the Pact for Mexico (*Pacto por México*), the Congress is already analyzing financial reforms that, when they are adopted, will provide access to more credit, and cheaper credit, for small and medium sized formal businesses. This will represent another benefit of opting for formal employment.

Fifth, Mexico today has been repositioned as one of the 10 most attractive places for direct foreign investment, which means that in the coming years Mexico will receive more productive capital that will produce more formal jobs.

To make best use of these strategic conditions, our government has decided to use all the public policies and instruments at our disposal to promote formal employment.

Today, the governments of the states and the federal district join with the national government of the Republic to pledge our commitment to this 2013 program to formalize employment.

This program is an instrument to expand formal employment throughout all of the national territory of Mexico. Our objective is to facilitate the transition of Mexican workers who are in precarious and uncertain working conditions into jobs that have dignity and are socially useful, as provided for in our Constitution.

The Mexican Institute for Social Security will be responsible for meeting the government's obligations under this program and will work to simplify the regulations covering the services it offers to make them more accessible, more appropriate and more transparent.

At the same time, the Secretary of Labour and Social Security will establish full coordination with the governments of all member states of the federation, with full respect for their sovereignty, and will provide the technical support necessary to ensure efficient operation of this program.

In addition, we will be taking all necessary steps to ensure that this policy applies to all contractors and service providers who work with the federal public administration.

We call on all parties to join in making the transition to formal employment. This is not just for those who work in the public sector.

Again, we recognize the role of the business community, the employer's chambers, and we call on your members and to new entrepreneurs, to make a decisive contribution to formalizing the labour market.

Let us recognize that the benefits of formal employment are far greater than the illusory advantages of informal employment.

If companies really want to grow and prosper, formal employment is the one, sure pathway to success. We also urge all workers to join in this movement for prosperity by demanding that their jobs respect what is set out in the law.

Ladies and gentlemen—

Promoting and providing formal, more productive jobs is one of the priority objectives of the government of the Republic. The 2013 formal employment program that we have announced today is a significant first step; but given the magnitude of informal employment in our country, we must recognize that it is just the first step.

The only way to solve structural problems is through structural reforms. Therefore, in September we will be introducing a plan of financial reforms with the central objective of strengthening the formal economy.

At the same time, we will be laying the basis for creating a system of universal social security that will provide all Mexicans with access to health care services, benefits for temporary loss of employment and a basic pension at retirement.

We are also working to re-design our social programs so that more Mexicans can be included in the formal sector of the economy.

These three measures provide fundamental solutions to cast aside informal employment and to generate a virtuous cycle of formal employment, productivity, greater economic growth and sustainability.

Mexico is now moving in that direction with these innovative public policies and transforming legislative reforms.

With the commitment and participation of the productive sectors and government authorities gathered here today we are going to move Mexico toward a better quality of life for all our workers and their families.

Let us be very clear that the objective of this program and the other measures that I have shared with you, and the actions which the mayor will be announcing in support of these measures, is to ensure a better life for all Mexican families.

That is the guiding motive that inspires our actions. With the enthusiastic commitment and participation of the different sectors of public authority, with all levels of government and the productive sectors of our country, we go forward today with this program that will bring social security to workers and their families in every part of our country.

On behalf of the government of the Republic, I extend sincere thanks to all of you for your commitment to join with us to play your part in the program we are announcing today.

You have my appreciation and support because of your real contribution to this program.

Sincere thanks to you all.