

# Peru's president proposes minimum wage hike in bid to divert impeachment drive

Cesar Uco  
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Peru's discredited President Pedro Pablo Kuczynski (PPK) has issued an unexpected call to reconvene the National Labor Council—Consejo Nacional del Trabajo (CNT)—to push for an 8 percent increase in Peru's Remuneración Mínima Vital (RMV), or minimum wage. This desperate populist appeal comes as the chances of Kuczynski finishing his term appear to be dwindling, while his approval rating has fallen to 19 percent.

Beginning on February 20, the Technical Commission for Productivity and Minimum Wage of the CNT began an evaluation of country's economic conditions and is to issue its findings on March 6.

It is estimated that an increase in the minimum wage will affect only 2.8 percent of the Economically Active Population (EAP). One newspaper columnist dismissed the paltry measure as the president "playing to the public," as the threat of impeachment hangs over his head.

The average monthly wage of workers in the informal sector (the majority) is 976 soles (\$300) a month, that is, 126 soles or 14.8 percent above the current minimum wage (RMV) of 850 soles per month (\$262).

Workers in the formal sector, which is where an increase in the RMV would apply, make on average 2,415 soles per month (\$743), 2.84 times more than the RMV.

Current struggles by workers in the formal sector are directed at securing far greater increases than the miserable amount proposed by PPK for those eking out a living on the minimum wage. Health care workers, for example, are demanding a 26 percent pay hike.

Nevertheless, raising the issue of wages has political consequences extending beyond the mere 2.8 percent of the workforce that would reap any benefit. The public debate around the president's decision to touch on such

a delicate matter as wages has led to a series of declarations that shed light on the enormous contradictions wracking the Peruvian economy, in general, and its labor force, in particular.

The extreme right has expressed concern that PPK's call to raise the RMV is irresponsible.

Speaking for the wealthiest Peruvian capitalists, Roque Benavides, president of the National Confederation of Private Enterprises (Confied) and owner of Mina Buenaventura, which in the 1980s was one of the largest gold mines in the world, known for its contempt for labor rights and for contaminating the Cajamarca ecosystem, told the Peruvian media that the measure would create unemployment and stimulate growth of the informal sector.

The message from Peruvian capitalist class is clear: any bid to increase the minimum wage will be seized upon as a pretext for firing workers and imposing productivity increases upon those who remain.

Peru's minimum wage ranks eighth in the region, with Argentina, Uruguay and Chile being at the top, and Colombia's minimum wage on a par with Peru's.

PPK's call for an 8 percent hike has sparked demands for a far larger increase, raising the minimum wage to between 1,500 (\$462) and 1,700 soles (\$523), which would match the minimum wage prevailing in Argentina and Uruguay.

Between 2008 and 2013, Peru's GDP grew at 10.7 percent annually, while the RMV grew from 550 to 750 soles per month, an annual increase of just 6.4 percent. A section of the bourgeoisie became very rich, increasing the gap between a small number of wealthy people at the top and the growing ranks of Peruvians who struggle to make ends meet.

Left bourgeois politicians and trade union bureaucrats have supported the call for raising the RMV to between

1,500 and 1,700 soles.

Among these are Justiniano Apaza, congressman for Frente Amplio, César Bazán, president of Central Unitaria de Trabajadores del Perú (CUT) and Carmela Sifuentes, the vice-president of the Stalinist-controlled Confederación General de Trabajadores del Perú (CGTP). The role of these elements has always been to subordinate the workers' movement to the bourgeois state and prevent the organization of any genuinely independent struggle of Peruvian workers against the capitalist system.

In late December, Kuczynski was able to avoid impeachment when he secured votes in exchange for pardoning former president Alberto Fujimori, who was serving a 25-year sentence for crimes against humanity stemming from death squad massacres of workers and students. PPK took advantage of an internal struggle within the *fujimorista* Frente Popular between the dictatorial former president's two children: FP leader Keiko Fujimori and her younger brother Kenji, who since then has been expelled from the FP. Supporters of Kenji voted against impeachment.

However, there have since been new revelations presented to the ongoing congressional investigation into the president's ties to dirty deals made between his companies and the Peruvian state. In the 1990s, PPK purchased 25 percent of a construction company Cosapi, using money from his Latin American Enterprise fund. As part of the deal, he secured two seats on the board of directors.

During his years as minister of economy, finance minister and primer minister, he resigned his positions on the company's board, but continued owning a 25 percent share of Cosapi. It is against the law for public functionaries to own more than 5 percent of a company that does business with the state. It is estimated that Cosapi earned \$100 million from its multiple government contracts.

In addition, PPK lied when he said he never met with his partner, Chilean multimillionaire Geraldo Sepulveda, who had taken over the responsibilities of managing PPK's companies. It has come to light that the two met on at least three occasions while Kuczynski was serving as a government minister. Banco de Credito del Peru informed the Peruvian Lava Jato Commission, which is investigating bribes and corruption connected to government contracts with

Brazilian construction giant Odebrecht, that PPK's companies executed more than 140 transactions with the Peruvian government.

Facing a possible new vote for impeachment, the crisis of Kuczynski's administration has been further exacerbated by the deteriorating economic conditions in Peru.

The country's economy shrank in 2015 and 2016, and in 2017 GDP grew an anemic 2.5 percent. Industrial production, however, dropped by 3.5 percent in the last month of the year.

Meanwhile, the country confronts a growing fiscal deficit: state revenues from tax collections have declined from 17 percent of GDP in 2012 to 12 percent today.

The construction industry has diminished substantially over the last two years, partially affected by the paralysis of projects which involved Odebrecht bribes and payoffs. Multibillion-dollar investments in mining and infrastructure have also slowed due to the Odebrecht scandal.

Kuczynski's proposal for an insignificant 8 percent wage increase limited to 2.8 percent of the labor force will do nothing to reverse the decline in growth, the mounting fiscal deficit and the reality of a two-tier wage system—one formal, with better wages and higher productivity, and a much larger and growing informal sector with lower wages and productivity. Nor will it ameliorate the crisis of class rule, which involves not merely the impeachment of PPK, but the discrediting of all of the bourgeois parties, which like him are deeply implicated in crimes and corruption.



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