

UNIONS, CORPORATISM AND THE INDUSTRIAL RELATIONS SYSTEM IN MEXICO

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The crisis of the socioeconomic model of Import Substitution

Mexico has been one of the most politically stable countries in Latin American during this century. Mexico's current State was the product of a long social revolution and class war (1910-1920) in which large landholders were defeated and the modern bourgeoisie began its ascent. Mexico's socioeconomic model prior to 1980 is commonly referred to as Import Substitution. It was characterized by a strong, authoritarian State, which was the driving force behind the country's industrialization. The State protected industrialization from any outside competition and provided industrialists with low-cost loans and the advantage of price controls maintained on agricultural products. From an economic viewpoint, this model facilitated the transition from the light industrialization of the 1930s and 1940s to the heavy industry of the 1950s and 1960s. Nevertheless, the following decade brought economic and political turbulence which led to the disintegration of this model and its replacement by the current neoliberal system.

The expansion of the Import Substitution model in the 1960s was based on a productive re-structuring characterized by the introduction of the first level of automation in continuous flow processes such as petroleum production; of assembly lines and Taylorism in the automotive and metal products industries; and of Taylor-style services in banks and telecommunications. At the same time,

industrial relations were consolidated and characterized centrally by State corporatism. This corporatism implied that unions were conceived as public and political organisms which had co-responsibility for the State's stability and the continuity of the socioeconomic system. This function was placed into practice through informal and formal mechanisms, the most significant of which was the inclusion of unions as organizations within the structure of the governing party (PRI) and their consequent organic participation in the party system and in the handing out of governmental administrative positions and elected posts. Secondly, this model implied in general that the privileged area in which unions could negotiate was in the definition of government labor policies. In fact, labor relations were conceived to be State affairs and the negotiating of these relations was carried out at that level. During this system's golden years (1960s), unions managed to win benefits for workers in exchange for the political control of their organizations. Thus, these were unions welfare based in other words, concerned about job security, wages, benefits, and social security, but not concerned about the control over decisions in productive processes. Implied in this system was State control over the registration and legalization of unions, over strikes and collective contracts. Faced with this alliance between corporate union leadership circles and the State, opposition groups, often left-wing, found numerous legal and extra-legal obstacles to their prospering. This was not a peaceful system. Worker uprisings in search of more democratic unions took place periodically from the 1930s on. The State managed, however, to keep these uprisings limited to only small groups (Garza, 1988).

This long-standing predominance of State corporatism in Mexico (for 60 years) has in all likelihood contributed to the construction of a particular kind of union tradition which is characterized by patrimonial relationships, statism and the delegation of decision-making to union leadership circles (Garza, 1991).

It is important to mention here that the rate of unionization has never been especially high in Mexico. At its highest point in 1980, it was at a level of about 27% of the wage-earning population. In Mexico unions are concentrated in the economy's formal sector, particularly in large corporations. The highest-level body

within the structure of corporative unions is the Workers' Congress which brings together approximately eight million workers. This Congress is made up of a number of national confederations and unions for industrial sectors. The main labor associations are the Confederation of Mexican Workers with five million workers and the Federation of State Workers' Unions with two million workers. In addition there are small leftist unions which do not belong to the Workers' Congress. These are primarily in the education sector, and are especially found in public universities as well as in the transportation sector and the press. The third type of union, also only a small sector, is similar to what is called a "yellow union" in the United States. These unions are directly controlled by the management of Corporations. In Mexico there is a Labor Code for the entire country, but state workers in government offices fall under a special law which imposes serious limitations in negotiating collective contracts, in carrying out strikes and in union freedom (Garza, 1991a).

The 1982 Financial Crisis

1982 was a major turning point for Mexico's socioeconomic system and for changes in its industrial relations system, although the latter has been marked by waverings and shifts. It was in that year that contradictions which had been accumulating for more than ten years exploded in the form of a State financial crisis, specifically a crisis of foreign debt. Superficially, it was a matter of a fall in petroleum prices from the previous year (Mexico is a major exporter) which coincided with a rise in international interest rates. But basically it was the combination of several problems: the weakening of the agricultural sector which could no longer grow in the face of government price policies in favor of the industrial sector; the fiscal crisis of the State, which had subsidized industry for decades through deficit spending; and finally, the new policies of transnational corporations in Mexico to focus on the international market instead of the domestic market. Under these conditions a change toward neoliberalism was initiated by the State. This implied extensive privatization, the State's withdrawal from investment in the productive sector, deregulation, the opening of the market, the end of the policy for promoting industry, and the pre-eminence of the financial sector and the exchange rate as the anchors of the economy (Garza, 1992).

In response to this shift in the Mexican economy, we began to see initiatives for productive restructuring of businesses in order to confront a level of competition never before experienced under the previous system: in particular, an initiative to transform the industrial relations system toward more flexibility (Garza, 1990).

The change in Mexico's industrial relations system toward flexibility

The process of change in Mexico's industrial relations system can be divided into three periods: first, from 1984-1992 when efforts to make collective contracts more flexible began; second, from 1992-1994 when there was an attempt to restructure union corporatism; and third, the period of economic and political crisis around neoliberalism, which began in 1994 (Bensunsan and Garcia, 1990).

1984-1992 Savage Flexibility

The installation of various automobile plants in the northern part of the country at the beginning of the 1980s marked the onset of productive restructuring in Mexico. It also highlighted the characteristics of a new international division of labor which was supported by a reorientation of state policies that began in 1983. Since then, improvement in quality and productivity have become central objectives. As a result, large firms have embarked on processes of productive restructuring which include, among other things, changes in technology, workplace organization and labor relations (Arteaga, 1989).

During the last 16 years the notion of flexibility has perhaps been the common thread linking these various forms of restructuring in Mexico. Nonetheless, in a period as turbulent as this one, a wide range of differing and often contradictory conceptions have emerged. At least two such concepts

underlie the management strategies of the past decade: In the first case, management have created a “flexible corridor”, which above all implies attempts to increase production with fewer workers and/or a reduction in real wages. This is the savage flexibility that predominates today in most Mexican firms. A second conception differs to the degree that it considers elements such as persuasion, workers participation, or promotion of work initiatives as a means of increasing productivity (Toyota-style flexibility) (See OECD, 1988) .

Despite their differences, both savage and Toyota-style flexibility can take root unilaterally, without the intervention of labor unions, or through the principle of bilateral negotiation. Unilateral flexibility is not limited to cases where there is no union or where the latter is not involved in agreements. A worker-management pact that implies the exclusion of the union from decisions related to production should also be considered as unilateral (Bizberg, Garza and Montiel, 1992).

Conceptions regarding labor flexibility as employer strategies supported by the State became more widespread in Mexico from 1984 to 1992. During this period there was a tendency to identify flexibility with deregulation and exclusion of unions from decisions concerning in production methods changes. The consequences were the modifications of the collective contracts of large businesses, especially those belonging to the State and which were in the process of being privatized. This line of savage flexibility was accompanied by many confrontations with unions, including corporative ones which, in ideological terms, could not identify with the neoliberal doctrine (Garza, 1994).

Since this period labor flexibility in Mexico has meant the ability to rapidly adjust the number of workers, their activities in the working process, and, to a lesser degree, their wages to the needs of production and the market. To achieve flexibility, worker-employer relations have been combined with organizational policies, often under the label of *total quality management*.

However, companies vary greatly in the extent of labor flexibility they

have achieved. In the first place, one must recognize that only 27 percent of wage-earning workers over the age of fourteen are unionized in Mexico. Without a union, there is no collective contract in Mexico (Garza, 1993). Furthermore, employees in positions of management (such as supervisors and those working in planning, administration, and control) are legally prevented from joining blue-collar unions. Unionization among the different economic sectors is very unequal. It is almost non-existent in farming, trade, and traditional services. It is prevalent in the sectors of state employees, large industry, and modern services, and is particularly high in state-owned companies and large private companies. Unionization is modest in medium-sized businesses and virtually non-existent in small businesses. The factors that have influenced the degree of contract flexibility in Mexico include the geographical area, the previous nature of the contract, the kind of the union, government labor policy for particular sectors, management modernization strategies, and management and worker cultures.

In the following section we will summarize the degree to which and the ways in which flexibility has been increased in collective contracts and the corporate policies across different economic sectors since 1984.

a) In-bond processing (*maquiladoras*) on the northern border.

This sector has been the most dynamic in the Mexican economy over the past 16 years. It employs more than 800,000 workers and productive processes consist mainly of assembly lines. New organizational practices have spread faster in the *maquiladoras* than in any other sector in Mexico. Fifty percent of border establishments use a *just-in-time* system. Sixty percent of the personnel of these establishments are organized into work teams. Functional mobility exists among 40 percent of the workers and there is job rotation among 30 percent of the employees (Carrillo, 1989 ;Carrillo, 1991 ;Quintero and DE la O, 1992 ;Taddei, 1992).

There are two different situations with respect to collective bargaining

contracts (Quintero and De la O, 1992). Some provide management with unilateral flexibility. Others are agreed with the Confederation of Mexican Workers (CTM). These contracts are flexible, but contain a certain degree of bilateral negotiation. In some cases the contracts contain numerical rigidity which originate with the CTM's interest in maintaining its representational monopoly.

With some exceptions, the northern *maquiladoras* show a high level of labor deregulation which is in favor of, and at the demand of employees. In spite of the extensive use of new organizational and production policies, labor relations are very far from any sort of post-Fordist utopia (Taddei, 1992; Pozas, 1992; Carrillo, 1991).

b) Large State-owned enterprises, domestic capital companies, and transnationals

State-owned enterprises, both those remaining state-owned and those that have been privatized over the past 12 years, have probably shown the greatest degree of change to unilateral flexibility in their collective contracts between 1984 and 1992 (Bensusan and Garcia, 1990). In transnational companies there was also a clear tendency toward unilateral flexibility. Nevertheless, those plants that have opened since the 1980s (such as Ford in Hermosillo) were highly flexible at the start-up. Older plants owned by transnationals were generally still engaged in various stages of this process of change (Covarrubias, 1992).

Areas targeted for flexibilization by the management of large companies in Mexico are:

- 1). Freedom by management to employ temporary or subcontracted labor to perform tasks within the plant.
- 2). Freedom to employ new staff with a minimum of union involvement.
- 3). Fewer restrictions on management in the disciplining of workers.

- 4). The establishment of internal mobility across rank, occupation, departments, shifts, and workplaces.
- 5). Reduction of number of pay scale points.
- 6). Promotion by qualification instead of by seniority.
- 7). Reductions in the number of unionized workers through the transfer of workers to management grade.

The larger companies have introduced extensive aspects of TQM, such as quality circles, statistical control of process, and just-in-time systems. This is most evident in export companies and transnationals, followed by large domestic capital companies, and enterprises still owned by the state (Arteaga, 1989 ; Roman, 1992).

c) Contracts by industrial sector

In Mexico it is possible for one ("standard") contract to govern an entire industrial sector, whether or not this sector contains a variety of companies and unions. Sectors that have these contracts include rubber, radio and television, sugar, and textiles. The latter is divided into sub-sections of stiff fibers; cotton; wool; synthetic fibers and silk; knitwear; ribbons; elastics; and lace and tape. "Industrial contracts" are probably the most complex and rigid in the country. Formally, they have not changed much recent years, despite the pressures of employers that have generated prolonged strikes. Industrial contracts do not all have the same degree of rigidity. At the top of the scale (most rigid) are those for radio and television, rubber, and knitwear. The rest of the textile industry follows, while sugar is at the bottom of the scale.

The lack of change in industrial contracts is probably due to the strength of corporatist union control. In the face of these obstacles, management has opted for a "downside strategy" of flexibilization. This strategy includes the signing of single-company contracts that violate the industrial contracts, or the establishment of flexibility in practice (Mondragon, 1993; Roman, 1992).

d) Contracts in the "yellow unions"

In Mexico, "sham unions" are those that depend directly on employers, without state mediation. These unions do not belong to the Workers' Congress, nor are they connected to the independent left-wing unions. In sham unions the flexibility in contracts tends to be high. Subcontracting is permitted, as is temporary hiring, internal mobility, and cutbacks in order to modernize production. The work week is long (often forty-eight hours). Management is free to fill positions in the scale. Work hours can be changed to adapt to the company's production needs, and unions are committed to supporting production plans, with an explicit commitment to increases in productivity. In recent years the flexibility provisions in these contracts have not been significantly modified (Pozas, 1992).

e) Labor contracts in small and medium-sized businesses

Labor contracts in small and medium-sized businesses range from some that are very flexible and similar to the contracts in the northern *maquiladoras*, to contracts that are more similar to those found in larger companies. In general, however, prior to the wave of flexibilization, contracts in this sector were either highly or moderately flexible. Recent changes have been less drastic here than in the large companies.

f) Collective contracts in universities

There are sixty-five collective contracts in Mexican universities, and the unions are grouped into five large organizations. A distinction must be made between those contracts governing labor relations for academic staff and those applying to administration and service personnel. In the first case, the following significant changes were made in the 1980s: 1) union exclusion from the admission and promotion of academic personnel, and 2) the institution of productivity-related incentives plans for research and teaching which are not included within the collective contract.

By contrast, the contracts governing administration and service personnel have not changed. They continue to be extremely rigid. Unions recommend new employees and control temporary labor and management positions. The catalogue of positions is agreed upon bilaterally. Neither functional nor internal mobility are stipulated. The use of overtime is regulated, as are disciplinary procedures. There are joint commissions on hygiene, safety, and retraining. Promotion is based on seniority. In contrast to academic personnel, incentives for administration and service personnel have so far been negligible, being confined to punctuality and attendance bonuses. In these contracts, however, there is no room for union initiatives concerning new technology or organizational restructuring.

g) State personnel

State employees, not to be confused with those who work in state-owned enterprises, are governed by special legislation, and each government department has what are called general working conditions (CGTs, the acronym in Spanish). The CGTs establish the manner in which workers are expected to perform their tasks. The legislation prohibits collective contracts, and the CGTs are not legally binding. Instead, they are issued by the corresponding authority after taking into account the views of the union. The CGTs have changed in recent years but the legislation on State personnel has not (Tiburcio, 1992).

In summary, labor flexibility became an integral part of the new management ideology during this period. Large collective contracts were made more flexible, creating serious conflicts with the unions. In general the efforts by workers to resist changes in flexibility were defeated by joint actions taken by businesses and the State. This does not mean, however, that most collective contracts in Mexico were made more flexible, since a significant number of the contracts in small and medium-sized businesses were probably already flexible, and since technical and social conditions of production did not always lead to recommendations to businessmen to undertake this process. In terms of

relations between the State and unions, the latter lost some of its influence in state policies during this period. Corporatism, as an exchange system, was weakened, and there were no clear examples of projects to change unions.

The “new unionism”: 1992-1994

The history of Mexican unions largely account for their disinterest in addressing issues related to the control of the labor process. The great majority of Mexican labor organizations were established as State unions. This implies not only that these unions are subordinated to the State with respect to political decisions, but also that they share responsibility, however asymmetrical, in maintaining State order. The *historic alliance of unionism and the post-revolutionary State*, an expression that aptly synthesizes the statist nature of Mexican unionism, has left its mark in at least two respects: on the one hand, in the extent to which the principal focus of union negotiation was concentrated not on the workplace but rather on the determination of comprehensive State policies; and, on the other hand, in the politicization and involvement of the State in the definition of labor relations at the level of the workplace (Garza, 1988).

The nature of the relationship between the rank and file and the leadership is the second characteristic of Mexican unionism that leads to interest in production-related issues. In this respect, various authors agree that the collective bargaining advanced by most Mexican unions fostered a culture that nourished patrimonial practices within the workplace (Garza, 1991). From an economic perspective, the patrimonial relationship between the leadership and the rank and file engendered a series of obstacles to productivity increases and operational improvements. In the political sphere, it implied a peculiar kind of “clientelistic” relationship between the labor rank and file and mid-level union functionaries, based on the day-to-day administration of various rights instituted either by collective contracts or merely by tradition, convention or custom.

In the best of cases, Mexican unions have acted defensively in relation to production issues. They have intervened to avoid layoffs, internal mobility and multi-tasking; to defend a "blind" seniority system; to oppose the use of temporary workers or subcontractors; to defend union rights in grievance procedures against workers, etc. Thus, the Mexican experience highlights a type of unionism that has traditionally disdained active participation in processes of productive restructuring, except in the sense of preserving the terms of collective contracts. Its defensive character can be contrasted with a proactive union strategy capable of combining, on the one hand, the struggle for benefits and the protection of labor rights, and on the other hand, the fulfillment of union control over the labor process and decision-making in firms.

In Mexico, industrial democracy was never taken up by the social authoritarian State or by corporatist trade unions. There is no precedent and no history of labor demands unified around the notion of industrial democracy. The only exceptions would be a few, very short singular episodes that did not establish any traditions.

Mexican unions have been, above all, State unions either allied with, or against, the State. The State has provided their main arena of struggle and negotiation. Mexican unions have focused on protecting working conditions, on health issues and on preserving their monopoly on representation. In other words, unions have concerned themselves primarily with employment conditions (their demands center around the conditions under which the workforce is bought and sold, employment security issues, and working conditions). The fact that unions have been "patrimonialistic" is an important aspect of their domination of workers. In particular, this domination has manifested itself in the exchange of permits, certificates of leave, low workloads, and so on, in exchange for consensus granted to union leaders.

In its attempts to restructuring industry, the Salinas de Gortari administration (1988-1994) began its term by attacking the leadership of two particularly powerful unions: the petroleum workers union and the educational

workers union. It was the continuation of the policy to break the resistance of strong unions to flexibility. But, in May of 1990, the President outlined a vision of a new kind of Mexican unionism which would have the following features (Salinas de Gortari, 1990):

- greater representation and democracy;
- decentralization of decisions on labor relations to the level of enterprises;
- maintenance of the historic alliance between Mexican unionism and the State;
- an approach characterized by negotiation rather than confrontation vis a vis capital;
- the fostering of a new labor tradition among workers, that of productivity.

His speech coincided with the establishment of the Federation of Unions in Goods and Services Firms (FESEBES), led by the telephone workers union, which adopted a declaration of principles very similar to those proposed by the President.

After the presidential speech on the new unionism and the experience of the telephone workers union in negotiating labor relations in a context of productive restructuring of the firm, senior state officials presented the unions with a strategy of "industrial democracy." This was understood to mean, on the one hand, negotiation between companies and unions concerning management and organizational decisions, and on the hand, the possible acquisition by the unions of company shares.

Significant tensions between the CTM, FESEBES (cited by the government as an example of the new unionism) and the State emerged throughout 1992 and 1993. After considerable conflict, leaders of business, unions and the State signed the National Agreement of Growth in Productivity and Quality (ANEPC) in 1992. This accord was promoted primarily by the State, with the additional objective of modifying the structures and practices of traditional corporatist unionism.

The signing of the ANEPC constituted, in doctrinal terms, the culmination of the State project of union restructuring. It detailed the government proposal for a productivity coalition encompassing unions, business and the State. It is necessary to point out that this accord which was advocated by the State, signed by the leaders of unions and employers, and included provisions for tripartite national monitoring, constituted a continuation of the tradition of state corporatist pacts. Therefore, it does not point toward a withdrawal of the State from labor relations but rather toward these relations becoming embedded within the firms themselves. Nonetheless, in addition to adopting the most up-to-date concepts of productivity, the ANEPC clearly establishes a desirable cooperative framework linking business and unions through joint commissions. More than a specific accord concerning productivity, the ANEPC puts forth an entire model of industrialization rooted in cooperative accords.

However, given that the document was presented merely as a recommendation by the signatories, who may well not be representative of their constituencies, and in light of the differences in strategy, knowledge and entrepreneurial and labor traditions across companies, it was very likely that the accord would generate highly differentiated outcomes. The ANEPC aims toward a bilaterally-negotiated flexibility and, in general, toward labor relations characterized by significant doses of active cooperation. Yet the agreement of elite groups representing business, unions and the State to accept the document did not ensure that it would lead completely away from the direction of unilateral flexibility promoted by business leaders since the 1980s.

Around mid-1993, when negotiations for the Free Trade Agreement were about to end, the Mexican government -- in order to counteract criticism in the United States that the Agreement could encourage many businesses to move to Mexico to take advantage of low wages -- promised that wages would be indexed according to productivity. At the same time, during the second half of 1993, the impending presidential succession altered the context for union negotiation as the political debate took on renewed dynamism. This did not mean, however, that the issue of productivity was abandoned. The dispute

between FESEBES and the CTM, which had begun around 1992, seemed to resolve itself momentarily in CTM's favor based on the resolutions of its National Council (February) and the National Assembly of the PRI (March). Strengthened by its role as an instrument for the political and electoral objectives of the ruling party, the CTM made "producing" a primary objective. In June, it began negotiations with the key economic government ministries to reach agreement on specific productivity clauses to be integrated into collective contracts (Garza and Melgoza , 1994).

The Pact for Stability, Competitiveness and Employment (PECE), promoted by the State and signed in October of 1993 by the leaders of business and unions, incorporated the basic ideas of the CTM negotiators. In an unprecedented move, the pact changed the formula for calculating 1994 wage increases, making them equal to the anticipated annual rate of inflation plus the increase in productivity gained during 1993. With these conditions, the CTM instructed its member unions to include specific productivity clauses or agreements in future contractual negotiations. At the "First Seminar on Unions and Productivity" a model agreement was drafted and widely diffused by the CTM and the authorities in the Labor Ministry. Its most noteworthy provisions include:

- promotion of group bonuses over individual ones;
- formation of joint commissions for identifying obstacles to increasing productivity;
- union participation in productivity and quality programs;
- cooperative definition of evaluation criteria;
- participation of joint commissions in the determination of productivity incentives.

Beginning in January of 1994, by instructions from the Labor Ministry, businesses were pressured to sign collective contracts or revise wages for which productivity agreements are signed. In this way, the number of agreements reached during 1994 increased considerably. It appeared that a

new stage of labor relations in Mexico had begun: one of flexibility with bilateralism. Nevertheless, a concrete analysis of the productivity agreements signed presents a more complex panorama.

At the beginning of 1994 the Metropolitan Association of Industrial Relations Executives carried out a survey of productivity agreements, the most important findings of which were the following:

- pressured by the PECE, most large firms reached productivity accords in 1994;
- individual bonus payments predominated;
- of the firms that signed collective contracts early in 1994, 58% established productivity accords;
- most of these accords established a level of 2% of base wages to be paid in the form of bonuses, equal to that established by the PECE for minimum wages.

In summary, during 1994 there was a spectacular increase in the number of productivity agreements, and the PECE agreement of October of 1994 again contemplates an increase in the base wage in accordance with anticipated inflation plus an additional increment for productivity gains during 1994.

A comparison of the characteristics of some of the productivity accords signed by September 1994 reveals that in every case the accords use similar terms to express the commitment of both parties to confront the challenges of globalization, promote a new workplace culture and involve the union and workers in productive modernization. These accords also recognize the new dimensions of training and the need to move from confrontation and mistrust between capital and labor to a climate of negotiation and collaboration. They differ in their provisions for group, individual or mixed incentives, and while some contemplate the functioning of joint commissions, others make no mention of such bodies or assign their tasks to traditional labor unions. Some accords that include joint commissions assign them broad functions, similar to those we have categorized in terms of a proactive strategy. Methods for

measuring productivity and types of incentive payments vary greatly, with the latter including monthly, biannual and annual arrangements as well as a range of combinations. The ceilings on bonuses established in different accords also vary. In some cases they are tied to the achievement of pre-established goals, while in others they are linked to the achievement of increases over historic levels of one productivity index or another. The total resources devoted to bonuses can be set in advance, specifying a maximum level, or they may depend on actual results. Finally, in some cases companies offer productivity bonuses in exchange for flexibility in the collective contract, multi-tasking, or a simplification of the scale.

Proactive productivity accords involve only a minority of unions. These accords combine the objective of bilateral negotiation with a broader strategy that seeks to convert space for negotiation, which may increase the power of union negotiators.

In contrast, defensive productivity pacts limit union activity to the mere acceptance of entrepreneurial projects in exchange for the preservation of certain working conditions and, in particular, for the awarding of productivity incentives. In this case, the union does not participate in the design of productivity plans or in the determination of productivity indicators. This, then, is an instrumental pact which does not modify the relations of power between company and union. In short, it sanctions the freedom of management in exchange for supplemental income. From productivity pacts, many companies unilaterally implemented a wide range of modernization processes; some cases like those of public universities and Volkswagen of Mexico illustrate how unilateral measures have been introduced, with or without the ANPEC.

December of 1994 to 1997 : restructuring of corporatism

In December of 1994 the Mexican economy entered into a profound crisis. The Gross National Product declined by 6.2% in real terms in 1995. The index for

real average remunerations in the manufacturing sector dropped that year by 8%. In response to this enormous crisis, when inflation reached a level of 50%, productivity agreements only increased wages by 1.4%. In 1996, inflation was 25% and productivity bonuses provided a 2.2% increase. In other words, confronted by the serious crisis, the government and businesses opted to lower real wages and corporative unions accepted the situation. In terms of the strategy of productivity bonuses, the monetary macroeconomic policy was once again imposed in an attempt to control inflation by lowering real wages. Thus, the conversion of productivity agreements into the crux of the new system of labor and industrial relations -- in the best of cases -- has had to wait for better times.

In addition to this impasse, there are several unusual situations in the panorama for major negotiations and re-accommodations of the industrial relations system in Mexico. On the one hand, the primary workers' confederation in Mexico, the CTM, and an employers' organization, COPARMEX, began special negotiations in mid-1995 when the economic crisis was at its most critical point. This negotiation for a "new labor culture" ended a year later with the signing of a document through which the challenges of opening up the economy and the globalization of unions and owners were assumed. This took place under the principle that a business is a community of interests and the enemy is competition in the market. Thus, the conciliation of interests between capital and labor -- not including the class struggle -- would be imposed. This broke with the conception that had supported the discourse used by corporative unions in Mexico during this century -- unions which saw their interests as coinciding with those of the State but not necessarily with those of businesses. In other words, union corporatism has in the end tried to continue with its apparent reconstruction by burying its old discourse that spoke of social justice and contradicting interests between capital and labor. But, to the end of 1997, negotiation for a new labor culture remained only as a principles declaration between corporative unions and owners.

For its part the weak, left-wing independent unionism has been regrouped under the *Primero de Mayo* Inter-union Coordinating Body and has focused on making public denouncements of the bad working and living conditions of the working class. Doctrinary differences between these unions and predominance of old

leninist strategies avoid their higher impact in labor relations.

A segment of the official unions, now joined with independent moderates, have carried out three large forums of discussion on alternatives to the neoliberal economic model and new relations with the State. In January of 1997, these unions, headed up once again by telephone workers, electricians, educational workers and social security workers have proposed to create a new confederation. These unions are the ones that have best survived productive restructuring and flexibility, and, among the corporative unions, they are the ones with a more active, democratic, union life. Last August, some of these unions did the Proletarian National Conference and decided to create a new confederation at the end of 1997. At the same time, political system in Mexico is changing very fast, in July of this year the government ruling party lost elections, it lost majority in parliament and federal capital. In this conditions it is possible that a coalition of democratic forces could impulse juridic reforms in the way of union democracy and less State control of the unions.

Conclusions: Current tendencies in the industrial relations system

Mexico has experienced changes in industrial and labor relations towards flexibility, but these moves have not been in a 'straight line'.

Contractual flexibility had advanced, but basically in large businesses and in an uneven manner, depending on previous institutions, business and union policies, as well as union traditions of democracy and labor relations.

Until a few years ago, the symbiotic relationship prevailing between the Mexican State and trade unions gave them a common ideology (the "Mexican Revolution") which included a powerful body of ideas that contributed to Mexico's cultural identity and to State domination up to the beginning of the 1980s. On the one hand, the revolutionary ideology was linked to a concept of economic development involving the State and a mixed economy. However, production problems were not addressed directly by the ideology of the Mexican

revolution.

In 1982 there were a rupture began between State policies and the ideology of the Mexican revolution. This split did not occur overnight, nor was a new ideology generated instantaneously. The rupture began as an economic one with the State defining the economic crisis as a fiscal one. The split continued in the midst of the debate concerning State intervention in the economy. An alternative focus for State policies was developed over the period of a decade. The emphasis here involved an economic policy of privatization and deregulation and, in the social arena, the development of a National Solidarity Program (PRONASOL), a program of assistance for the poorest sectors of society.

In March of 1992, a new State ideology was baptized by President Salinas as "social liberalism." Economic development was left to the initiative of individual investors. The key aspect of the split between the ideology of the Mexican Revolution and social liberalism was the move away from the conception of the State as the center of the economic process, or as the party responsible for social justice.

Labor policy plays a subordinate role within this economic model. Labor markets, far from being liberalized, are controlled by the State more firmly than in any previous periods of corporatism. Nor has the political system -- in particular, the electoral process -- opened up to full democratic procedures.

The form of social liberalism introduced included corporative liberalism for trade unions, but authoritarianism remained in the political sphere (Garza, 1993). A new unionism consistent with social liberalism would have to be a State corporative type of unionism instead of a pluralistic one, so as to establish a corporatist link with employers, with a common concern for productivity (Schmitter might call this a combination of macro and micro-corporatism).

The new ideology renewed worker representation, without allowing

democracy to become an intrinsic value. It has been instrumental in achieving a consensus on productivity, eliminating confrontation with capital, and replacing it with agreement.

The system of labor relations has undergone significant change in the face of the restructuring of large companies and the process of State reform. Important matters have been settled without union involvement or settled with unions in a ritualistic manner. The State had two alternatives. One option was to abide by neoliberal premises upheld by large sectors of the business community stating that consensus should ultimately be left to the market. That is, it should not be necessary to resort to special mediators or representation of interests outside the processes of citizen democracy.

In response to a second option, the State made several initiatives to reconstruct corporatist relationships. While it is still an unfinished project, an attempt is being made to forge a neocorporatist discourse that will not come into conflict with neoliberal economic policies. To achieve this, the management doctrine of total quality has been incorporated into the corporatist relationship. In other words, by means of neoliberal corporatism, an attempt is being made to preserve a macro-level pact between the State, unions, and business organizations. This pact is partially macroeconomic (controlling the principal macro variables), but is also a productivity pact intended to increase business competitiveness in the context of a deregulated and globalized economy. A pact of this kind could not, like the previous one, be restricted to the State; it must include middle and micro-levels if it is to increase industrial competitiveness.

The purpose of the pact is to offer business a stable macroeconomic environment -- above all, low inflation and attractive exchange and interest rates. It promotes a culture where State and unions adjust their policies for the benefit of business productivity through reaching agreements instead of conflict, and a culture of labor that embraces total quality. It offers survival to unions (defying predictions that unions would be excluded from the highest level of State power), wage increases linked to productivity increases, job growth

generated by a growing economy spurred by the North American Free Trade Agreement, and "industrial democracy." The pact also offers unions participation in the plans being made for modernization, and in the processes of economic organization and management. Furthermore, unions are offered a stake in company ownership as part of a micro-level alliance never before seen in Mexico. The new "system of industrial relations," far from leaving all outcomes to market forces, has required that a coalition be forged at the level of the enterprise, and therefore, has been extended to middle and micro-levels through worker involvement. For the moment, the pact leaves aside social security, party politics, and union intervention in public administration. The market is being used to reward the most efficient players, including workers, even if to be more efficient, they have to become neocorporatist.

Nonetheless, not only is there a considerable distance between discourse and reality, but the principal players may not be fully convinced of the benefit of this new coalition. For the moment, the success of the corporatist pact and its extension to other levels appear to depend largely on the capacity of businesses to modernize. In fact, the productive apparatus has become polarized. On one side are a minority of companies that have modernized by becoming efficient exporters (these are mainly large industrial-financial groups). On the other side are the majority of medium-sized and small businesses that have not made significant changes. If these conditions persist, it is unlikely that the new corporatist pact will give equal treatment to either wage-earning employees or unionized workers.

In addition, the new pact has so far delivered little of substance in terms of material benefits to workers. Several neocorporatist agreements have been signed since 1987, but real wages have not recovered. Over the past ten years increases in real wages have not, in fact, kept pace with productivity increases, and collective contracts have undergone modifications that, apart from a few exceptions, show a strong tendency toward unilateral flexibilization. In practice it seems that employers continues to regard workers as undesirable players who must be excluded from issues of production. The dominant type of flexibility in

Mexico can be characterized as unilateral (understood as giving employers a free hand). This goes against the discourse of "industrial democracy".

After 1992, when the ANEPC was signed, the situation apparently changed, with the State pressing for company-by-company agreements. Nonetheless, two factors suggest that the unilateral increase in the flexibility of labor relations has not been reversed. With a few exceptions, single-company pacts provide that unions give their approval to the employers' production policies in return for negligible productivity bonuses. In these cases, the union is very far from becoming a real joint partner, even in companies espousing the doctrine of "industrial democracy."

Furthermore, since the signing of the ANEPC in May 1992, there have been several serious labor disputes, the settlements for which -- pushed by business and the State -- have gone in a direction opposite to that of "industrial democracy". One of these was the strike at Volkswagen in Puebla in 1992, which ended with the union being forced to submit to management through a belligerent intervention by the Labor Ministry. The contract was made significantly more flexible, and the local union was defeated and divided, while the FESEBES (the model industrial democracy union) gave its support to the process. The other telling conflicts concerned revisions to the standard contracts governing the cotton industry (in September 1992), and the rubber industry (at the beginning of 1992). In these cases the intentions of management were clear: to remove the legal standing of the standard contracts governing the respective industries in order to reduce union strength by negotiating single-company contracts. It was also quite clear that the sympathies of the Labor Ministry lay with the employers. Solutions that would have been in keeping with industrial democracy were never even considered.

Management-directed change has been reinforced by the total-quality programs found in many large Mexican companies that have often included just-in-time programs and statistical control of production. But the new organizational policies appears to delegate little power to work teams. They are

combined with Fordist production methods and function more as instruments providing self-regulation of work than intervention into production decisions. Total quality without industrial democracy is particularly evident in decision-making processes that completely ignored the unions.

Total quality efforts in Mexico are not being combined with better wages or job security. The design of total quality programs has little union involvement, and in the end, unions simply rubber-stamp company decisions. Mexican employers show little consistency with regard not only to the discourse of industrial democracy, but also to that of total quality.

In short, “industrial democracy” in Mexico only expresses certain aspects of the changing relationships between companies and unions. It conceals the fact that the modernization of the economic system has a polarizing effect and is limited to only a small number of firms. It is also characterized by low wages, heavy workloads, and a lack of job security. Up to now, the discourse has been promoted by the State hierarchy and is not linked to previous traditions in the system of industrial relations. The only continuity with the past is the strategic use of discourse by the “rulers” on the subject of the “ruled.”

State corporatism resists dying. It continues to be useful in controlling wages in accordance with inflation control policies. On various occasions, there have been attempts to assign it a new function, converting it into neoliberal corporatism responding to both the State and business. From its current function as the State’s control over workers, this would be a matter of converting it into a co-participant in the competitiveness of businesses. This would not come into conflict with the assignation of the market as long as no attempts would be made from above to promote policies of redistribution or social security policies. Rather, the focus would be on increasing flexibility and decentralizing union participation, with unions receiving productivity bonuses as their reward, not a general wage policy as before.

Despite neoliberal rhetoric on the withdrawal of the State from the market

to allow for spontaneous equilibrium, the truth is that strong intervention in collective negotiations, the use of strikes, and union freedom continues to be found in labor and industrial relations. However, the most significant changes in Mexico in recent years have not taken place in the area of union activity. Despite the deterioration in standards of living, there have not been major worker uprisings. Other social movements (indigenous, urban and political) are those which have challenged and wrested more democratic opportunities. In response to the current deterioration of neoliberalism in Mexico, it is more likely that instead of witnessing the consolidation of neoliberal corporatism, we will see turbulence in labor relations as a result of the loss of the governing party's political monopoly and with it, the monopoly enjoyed by its protected unions.

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