Mexican unionism and the international outsourcing model

The mechanisms that formerly strengthened Mexican unions’ control and legitimacy have been transferred to the employers

The main characteristic of the Mexican unions from the end of the Revolution in the 1930s up to the ‘lost decade’ of the 1980s, was its close and subordinate relation with the Mexican State. The main Mexican confederations have always had close links to the government of the Partido Revolucionario Institucional / Institutional Revolutionary Party (PRI). That meant many significant things: on the one hand, that the working class interests of the Mexican workers where subordinated to the nationalistic/developmentist project of the Mexican State. It also permitted the PRI regime to maintain itself in power for more than 70 years, based upon the diffuse support of the Mexican population and the active support of the organised masses that voted for the party, voluntarily or forced by their leaders.

This modernisation pact, that also comprised the peasants (that had been benefited by the land reform) and diverse other popular groups, permitted the Mexican State to implement a system of control that gave huge margins of discretion to the government, and that has worked against the unions and the workers since the 1980s, when the economic model changed. This system of control rests (as it is still in place in spite of the reform of the labour law of 2012) on the capacity of the government to decide whether a union should or should not be registered and allocated the legal power to represent the workers, the same for any change in leadership and the legality or illegality of the strikes. This faculty is complemented by a double closed shop – entry and exit – which means that a worker has to belong to the union in order to be admitted for the job, and that if they are expelled from the union, they lose their job. On the other hand, there can only be one union per enterprise (and collective negotiation is done at the plant level), and unions can be imposed on any enterprise with 20 or more workers: this did not mean that the union was active, but that it existed formally. This latter principle, made the two closed shop measures all the more powerful to control workers, and especially to prevent dissidence.

State corporatism was accepted by both the unions and the workers. In the first place, because it meant an exchange relationship: the leaders got economic and political benefits, while the workers had social and economic benefits (especially those situated in the large state-owned companies). This exchange relationship was a way for both unions and the government to earn legitimacy among workers: the benefits that the union secured (in terms of employment, social protection and wages) provided the support of labour for the government. In the third place, this system was functional for the project of industrialisation, as corporatism implied a form (in terms of Foucault) of disciplining the workers: labour discipline resulted in productivity increases and economic growth, which led to an increase in labour demand, higher wages and social protection. This last capability of corporatism was essential in order to convert a rural population into an urban/industrial one.

This system functioned as long as the economy grew and produced benefits for the workers that were unionised, and until other political parties became strong enough to demand more transparent elections and question the role of the ‘official’ Confederación de Trabajadores de México / Confederation of Mexican Workers (CTM) unions in controlling the vote of the workers. This happened as a result of the crisis that exploded in 1982, when both oil prices fell and interest rates of the huge Mexican debt went up. Mexico suspended payments and had to turn to the IMF, which imposed draconian measures on the country. The financial catastrophe and the recipes of the international financial institution resulted in the abandoning of import substitution and the orientation of the Mexican economy towards the external market. The new export-led growth model led to an exceptional expansion of the assembly maquiladora industry. It also led to the orientation of other exporting industries to the same outsourcing mode once the government gave up all industrial policies to enhance the integration of local production to the export sectors.

Since the abandoning of the import substitution economic model, corporatism started to transform, and the export-led economic model, based on an outsourcing platform for international capital, demanded low salaries and low social security costs. Secondly, the crisis and the new model did not engender the virtuous circle between worker discipline, productivity increase and mounting wages and benefits for the workers of the most strategic unions and some trickle down for the other workers, that was based on a protected and closed economy. Finally, with the electoral democratisation, that accompanied the liberalisation of the economy, corporatism was increasingly incapable of ensuring the votes and the legitimacy of the authoritarian regime.

On the other hand, one might have expected that with democratisation, a new unionism would appear, like in Brazil, where unions were taken over by a younger and more democratic generation of leaders, who better represented the workers. However, this did not happen in Mexico. The first non-PRI president – from the right-centre Partido Acción Nacional / National Action Party (PAN) – elected in 2000, did not fulfil his campaign promise of ‘liberating’ the unions from the control of the old confederations, nor did the government support new unions to arise. The
control exerted by the Ministry of Labour through its administrative capacity to decide which unions and leaders get the legal status has kept the old unions and leaders in place. The government was more preoccupied in maintaining social peace than in democratising the union scenario.

Because of the consequences of the new economic model and neo-liberalism, the Mexican government did not need to crush the stronger unions as Thatcher did in the UK. The retreat of the State and the liberalisation of the economy had as its result the deregulation of the labour market and the flexibilisation of the labour conditions inside the enterprises; which, in its turn, entailed the weakening of the labour unions. In addition, the crisis and the new economic model signified the increase of the informal economy, the growth of the tertiary sector of the economy and the reduction of public sector employees, all of which significantly reduced the weight of the unionised workers in the economy. This situation was aggravated by the incapacity of the labour movement to compensate the influence lost amid the formal workers with a greater presence among the sectors that increased in these last decades: informal workers, commerce, services. Thus, the rate of unionisation, of strikes and strikers (which was already low in Mexico) both plummeted.

In fact, the mechanisms that strengthened the unions’ capacity of control and legitimacy (from the thirties to the eighties) have been, in a sense, transferred to the employers in many of the enterprises that have been created during the years nineties and 2000. This is because, since then the government, with the complicity of the ‘official’ CTM unions, have registered thousands of unions that exist only on paper (some researchers have estimated that 90 percent of the unions that have been created since, are of this type). These ‘protection’ unions are set up by employer’s lawyers, in order to serve as a means to impede the autonomous organisation of the workers, due to the fact (as mentioned above) that only one union per company is permitted.

In contrast to other countries in Latin America, where deregulation of the industrial relations was achieved thorough a change in legislation, in Mexico the existing labour law was very functional; it needed merely to be circumvented. This required the ‘official’ CTM leaders to allow the power of unions to be diminished in exchange for maintaining their control over the confederations and the economic and political privileges they entailed. They thus allowed the government and the private and public enterprises to do the contrary of what they had done before: instead of bettering the conditions of workers and increasing the control of the unions in the interior of the enterprises, in the 1990s this situation totally reversed. Internal relations of the enterprises were radically flexibilised; while in the past, contracting a worker was achieved through the union, now it is rather the employers who have this right, mostly without any negotiation. The changes in the productive process and the organisation of labour are now decided almost exclusively by the employers. While some of the workers in the most strategic and dynamic sectors (oil, education, health, telephone, automobile) still have the protection of unions, in the vast majority of the workplaces (maquiladora industries, construction, commerce, services, small and medium enterprises, the spare part auto-industry) there are no unions or they are protection unions.

The fact that the legislation had not changed until 2012, was a constant complaint on the part of the business sector, which was fearful of the consequences of a change of the conditions if a leftist party came into power. Although, this situation has allowed the technocratic PRI and panista governments (since 2000) to continue imposing State control over unions through a series of mechanisms, the labour law was finally changed at the end of 2012. Although there were legal reform projects in Congress that both accepted the flexibilisation of the labour market and democratisation of the unions, the law that was finally passed by all parties, including the leftist ones, excluded democratisation. It modified the internal relations in the enterprises – concerning outsourcing, employment rules, possibility of dismissal, etc. – but did not eliminate the closed shop, the necessity to register the unions on the part of the government, allow several unions in the same enterprise, or impose secret ballots in union elections and decisions (now it is done through raised hand procedure).

Some of the results of this weakening of labour and unions – which serves a function for the economic model grounded on international outsourcing based on low wages – is the impressive degradation of Mexican salaries, especially the minimum wage which is one third in real value from what it was in the mid-1980s. On the other hand, we have witnessed a continuous growth of the poor population and even of poor workers. In response, there has been a clear intention to dismantle the corporatist welfare system that favours the formal workers in order to channel the resources to the poor, through cash transfer assistance programs. The government transformed the ‘pay as you go’ pension system of the private sector workers into an individual capitalisation system in 1995 and that of the public sector workers in 2007, without any opposition form the unions. Finally, whereas in other countries in Latin America there has been an important attempt to formalise informal workers through inspection and collective negotiations, in Mexico no advances in this respect are noticeable.

The weakness of the Mexican unions has had evident effects on workers’ conditions but it has also reinforced an economic model with a very low capacity of integration of new technology and low productivity growth as it is basically (with some exceptions) based on manufacturing segments with a high concentration of labour, which in turn is based on low salaries. This is one of the reasons why the Mexican economy grows so little and creates so few of the jobs needed, and why although the relative number of poor population has been reduced, it has grown in absolute numbers.