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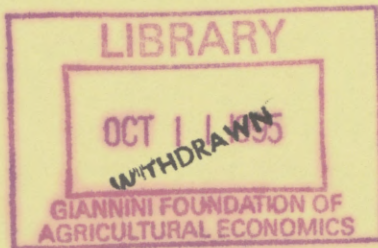
INTERDEPARTMENTAL PROJECT  
ON STRUCTURAL ADJUSTMENT

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Occasional Paper 10

Roger Plant

**Labour standards and  
structural adjustment  
in Mexico**





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## Interdepartmental Project on Structural Adjustment

The aim of the Interdepartmental Project on Structural Adjustment is to strengthen ILO policy advice in relation to structural adjustment policies in order to make those policies more consistent with ILO principles and objectives.

The project investigates various options to give a different focus to adjustment policies, emphasising major objectives as equitable growth, improved human resource development and social acceptability and it tries to establish how various ILO policies and policy instruments can contribute to such a different focus of adjustment policies.

The range of policy instruments encompasses labour market regulation, social security, wages policies, training policies, industrial relations as well as the employment and income effects of monetary, fiscal and price policies. Greater involvement of the ILO in the area of structural adjustment needs therefore to reflect the interdisciplinary nature of the adjustment problem by combining activities from different departments in the ILO.

During the 1992-93 biennium, the project concentrates on developing policies for the following five main areas:

- the role of the public and private institutions in structural adjustment;
- the role of fiscal policy in generating employment and favouring equitable growth in a process of adjustment;
- the role and function of compensatory programmes and social safety nets during adjustment;
- public sector adjustment, including issues pertaining to privatization;
- the role and function of the social partners in the adjustment process.

Further information can be obtained from the Project Manager (Rolph van der Hoeven) or the Project Officer (Andrés Marinakis).

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# **Labour standards and structural adjustment in Mexico**

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## 1. Introduction<sup>1</sup>

In Mexico a study of the linkages between labour standards and the process of structural adjustment is of particular interest, for a number of separate reasons.

First, Mexico has had a long history of protective labour legislation, the underlying principles of which have much in common with the ILO's overall social philosophy, and which influenced constitutional and labour law throughout Latin America. In consequence Mexico has registered a high level of ratifications of ILO Conventions, no less than 74 in all by 1992.

Second, there has been intensive debate within Mexico as to whether or not the labour legislation should now be substantially reformed in the interests of economic efficiency. While the recent impetus for such reforms has come from employer organizations, some of whom have made specific proposals to this effect, the need for certain reforms has also been expressed by some worker organizations who feel that their activities are at present excessively regulated by law.

Third, since the process of economic adjustment got under way in the early 1980s, the Government of Mexico has attached considerable importance to tripartite procedures of social concertation in its attempt to achieve consensus among the social partners. An assessment of this concertation model, and of the extent to which it has achieved real consensus among the social partners for austerity measures within the adjustment programme, is an issue of obvious importance.

Fourth, the adjustment process in Mexico must be seen together with the present initiatives to establish a free trade agreement, the North American Free Trade Agreement (NAFTA) with the United States and Canada. While there are no provisions in NAFTA dealing specifically with labour standards, the harmonization of labour standards and their application between the three countries has nevertheless been identified as an important issue in the

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<sup>1</sup> This case study was prepared as part of a more comprehensive global study on International Labour Standards and Structural Adjustment, carried out within the framework of the ILO's Interdepartmental Project on Structural Adjustment. Particular thanks are due to the Project Manager, Rolph van der Hoeven, who provided valuable assistance and advice throughout. Useful comments were also received from other officials at ILO Headquarters in Geneva, particularly Hector Bartolomei, Jean-Paul Arles and Loretta de Luca.

An earlier draft of this study was submitted in advance to the Government of Mexico, through the Secretariat of Labour and Social Welfare. Senior government officials - in particular, Norma Samaniego, Under-Secretary of Labour, and Augustin Ibarra, Director of the General Employment Directorate - gave generously of their time to discuss the draft with the Director of the ILO's Mexico office, and also submitted extensive written comments. Every attempt has been made to incorporate these comments, though the final version remains the responsibility of the author.

I would like to thank the many other individuals in Mexico who provided helpful collaboration, including: Eric de Vries and Camilo Vasquez (Director and Deputy Director of the ILO's Mexico office); Carlos Reynoso, Basilio Guzman and Carlos Soto Perez (Government of Mexico); Eugene McCarthy (World Bank); Carlos Garcia (Friedrich Ebert Stiftung); Nestor de Buen Lozano and Arturo Alcalde (labour lawyers); and the many representatives of employers' and workers' organizations who provided materials and assistance.



ongoing negotiations. The potential role of international labour standards within NAFTA is a matter of considerable relevance for the future.

Fifth, the past year has seen significant reforms to the Mexican Constitution, enacted with a view to enhancing the productivity of the rural sector. The reforms repealed a longstanding provision of the Constitution, which had previously placed restrictions on the rights of communal farmers to alienate or lease their lands. While the reforms have been welcomed in entrepreneurial and investor circles, concerns have been expressed that they will prejudice land security for traditional indigenous and peasant farmers, and their likely impact on both rural and urban employment trends is now a matter of intensive debate. These reforms must be seen as an integral part of the structural adjustment process, in that they eradicate constraints to the freer operation of market forces in the countryside. In view of the large number of persons potentially involved, it is important to examine their provisions and implications from the perspective of ratified international labour standards.

## **2. Structural adjustment in Mexico: An overview**

### **2.1 Economic trends prior to adjustment**

Between 1950 and the mid 1970s Mexico had enjoyed a long period of macroeconomic stability, with consistently high rates of growth, low inflation and only moderate accumulation of external debt. In the early 1970s the government of President Echevarria pursued policies of expenditure-led growth, significantly increasing public and social spending, and strengthening government control over the economy by increasing the number of public enterprises. A first economic crisis broke out in 1976 when, following significant flight of private capital, the Mexican peso was devalued by almost 40 per cent against the US dollar, and inflation accelerated rapidly. The government turned to the IMF for the first time in two decades, signing an extended fund facility in late 1976.

The 1976 economic crisis proved to be of brief duration, largely because of significant oil discoveries in 1977. The Government of President Lopez Portillo between 1977-82, while initially pursuing austerity measures of economic stabilization, later embarked on deficit spending and monetary expansion, assisted by foreign bank credits at low or negative real interest rates. A more severe and longer term crisis erupted in 1982, when falling international oil prices, rising world international interest rates and mass capital flight led to a refusal by foreign creditors to reschedule the Mexican debt. In August that year, Mexico announced its inability to meet the amortization payments due on its foreign debt.

### **2.2 Stabilization after 1982: Initial failures**

Following the 1982 crisis Mexico entered a period of falling Gross Domestic Product (GDP), affecting almost all sectors of the economy. It was only in 1987, after years of severe economic crisis, that the 1981 GDP level could again be attained in real terms.

In December 1982 the incoming Government of President Miguel de la Madrid undertook the first stabilization programme, the Programme of Immediate Economic Reorganization (PIRE). The PIRE covered the period between 1983 and 1985, supported by an IMF extended fund facility of US\$ 3.7 billion. Its basic objective was to create the conditions for price and financial stability by correcting fiscal imbalances. Agreements were reached through tripartite negotiations to prevent inflationary increases in labour costs, with the minimum wage tied to targeted rather than historical inflation.



The first stabilization programme failed to meet its overall objectives, leading to a further balance of payments crisis in mid-1985, when the IMF also suspended its financing on the grounds that Mexico had not complied with its targets. While tight financial policies placed special emphasis on fiscal adjustment, the efforts were offset by high inflation and interest rates. As to why the targets of the Government and the IMF proved unrealistic, there is no real consensus. In the words of one analyst,<sup>2</sup> "Several reasons have been advanced. Some authors emphasize that the policies followed to combat inflation and reduce the disequilibrium in the balance of payments were inadequate. Others, while not disagreeing with this interpretation, stress that the program also failed in part because fundamental reforms, such as trade liberalization and privatization, were absent". This author observes furthermore that the first adjustment programme failed despite the downward flexibility of real wages, which declined by over 30 per cent between 1983 and 1985.

In the Mexican context, moreover, during this period of falling GDP, it appears that the main concern of organized labour was with the preservation of existing levels of employment rather than with workers' incomes levels. To this effect trade unions were generally supportive of policies aiming to diminish inflation, accepting the decline in real wage levels as a necessary sacrifice.

### 2.3 The Baker Plan and the Bretton Woods Institutions

The balance of payments situation was worsened by a further collapse in international oil prices in 1986. Following brief rumours that Mexico would declare a moratorium on its international debt, new financial assistance was provided under the so-called "Baker Plan" of the United States government. As the OECD describes this,<sup>3</sup> "The Baker Plan, with the participation of private banks, widened the focus of debt negotiations from simply assuring debt servicing and repayment to also creating conditions for sustainable growth in the debtor countries, as a means of improving prospects for ultimate debt repayment. Mexico became the "pilot case" among the fifteen countries targeted by the Baker initiative, and successful negotiations in 1986 accorded a total of \$12 billion (partly contingent on future external conditions) in new financing to Mexico, in addition to a renewed rescheduling and a reduction in contractual interest rates". An important role was played by the Bretton Woods institutions. In September 1986, a new standby agreement for US\$1.7 billion was signed with the IMF. And the World Bank made the first of its structural and sectoral adjustment loans, committing a total of US\$2.3 billion for the 1986-87 period.

Government policies after the mid-1980s also sought to stimulate private-sector growth and investment, with a corresponding reduction of State enterprise. After 1985, the Government announced a programme of disengagement and restructuring of the state's economic activities, and a significant number of privatizations took place in 1986 and 1987.<sup>4</sup> New international credits now provided support for government policies of consolidating public finances, liberalizing international trade, and keeping inflation under control. While growth resumed in 1987, there was less success in combating inflation. As the OECD observes, "...high inflation, inflation expectations and nominal depreciation were obviously feeding on each other, which was, however, only possible with a monetary regime which allowed

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<sup>2</sup> See Lustig (1992).

<sup>3</sup> See OECD (1991/2).

<sup>4</sup> See Ros (1991).

inflation to be accommodated".<sup>5</sup> A run on the Mexican peso and triple-digit inflation in late 1987 led the Government to give renewed attention to the fight against inflation. A major policy instrument was the Economic Solidarity Pact (PSE), announced in December 1987, which aimed to reduce monthly inflation to approximately 2 per cent by the end of the following year.

## 2.4 Combating inflation: The role of social concertation

The PSE was a tripartite agreement between the Government, business and labour sectors. Its major components were further reductions in the fiscal deficit, tighter monetary policy, trade liberalization and other structural reforms, and a comprehensive incomes policy. The minimum wage, together with the controlled exchange rate and public sector prices and tariffs, was frozen throughout 1988 after an initial adjustment period. The PSE was revised on five occasions altogether between December 1987 and October 1988.

When President Carlos Salinas de Gortari assumed office in December 1988, the PSE was replaced by a renamed Pact for Stability and Economic Growth (PECE), essentially designed along the same lines as the earlier tripartite agreement. It again adjusted minimum wages and public sector prices and tariffs, and specified that the valuation of the peso was to be determined by a fixed schedule of depreciation against the US dollar. It has since been revised on six occasions and remains in force. The most recent version of the PECE was approved in October 1992, to remain in force until December 1993.

The earlier Pacts, in force between December 1987 and the end of 1988, laid their emphasis on solidarity between the social partners. The later Pacts gradually shifted their focus towards combatting inflation together with economic recovery and growth policies, controlling minimum wages through voluntary mechanisms established by the National Commission for Minimum Wages, while leaving the fixing of other wages to collective bargaining processes. The latest Pact, signed in October 1992, involved a radical shift of emphasis towards the promotion of competitiveness and employment, though with recommendations for average sectoral wage increases.

A more recent voluntary and tripartite agreement has aimed to stimulate productivity levels. This is the National Accord for Raising Productivity and Quality (ANEPyC), signed in May 1992 by government, employers and the largest of the trade union confederations, among others. Government and employers pledged to invest more in the upgrading of labour skills, while employers pledged to reward workers for productivity increases. The labour unions agreed to negotiate workplace understandings with management on improving productivity.

The negotiation of this productivity pact proved to be a lengthy and difficult process. For more than a year, the unions refused to sign an initial version, arguing that it would provide insufficient benefits to workers and would undermine certain established worker rights. After certain amendments were made, the ANEPyC was finally signed by all social sectors, including farmer organizations. Nevertheless, some trade union leaders continued to question its capacity to provide benefits to workers in the short-term.

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<sup>5</sup> OECD (1991/92), Op. cit., page 32.

The tripartite agreements played a major role in achieving macroeconomic stability, containing inflation and re-establishing economic growth. Annual inflation fell to 19.7 per cent in 1989, and then to 18.8 per cent in 1991, while GDP grew consistently at over 3 per cent (and in certain years more) throughout this period.

## **2.5 The 1989 Brady Plan and new capital inflows**

The policies have paved the way for, and been assisted by, a marked increase in both public and private capital inflows since 1989, in particular. One important factor was the so-called Brady Plan of the US Government, under which Mexico became the first country to sign a debt agreement with commercial banks. An agreement concluded in March 1990 consisted of the restructuring of US\$48 billion of Mexico's public sector debt. As OECD estimates, the immediate effect of the restructuring in terms of cash-flow saving totalled US\$3.8 billion per year between 1990 and 1994. And the agreement naturally led to greater investor confidence in the Mexican economy, reflected in greater domestic and foreign investment, capital repatriation, and renewed Mexican access to international capital markets. Private capital inflows increased from US\$3 billion in 1989 to over US\$20 billion in 1991.

An important role was again played by the Bretton Woods institutions. In May 1989, the IMF approved a three-year extended arrangement (subsequently extended to a fourth year) for US\$ 3.6 billion, of which approximately one billion dollars were earmarked for the support of debt and debt service reduction operations. In June 1989 the World Bank approved sectoral loans amounting to almost US\$2 billion, and agreed to provide additional loans averaging US\$2 billion during the subsequent three years. And in January 1990 the World Bank approved an additional US\$1.3 billion to support debt and debt service reduction operations. With the help of this international support, Mexico's total external debt declined from 57 per cent of GDP in 1988 to an estimated 39 per cent in 1991, and public sector external debt declined from 49 per cent of GDP to 31 per cent during the same period.<sup>6</sup>

## **3. International labour standards and Mexico**

Mexico has ratified a large number of ILO Conventions, 74 altogether of which 67 remain in force after seven denunciations.

These ratifications cover some of the most fundamental instruments addressing minimum wages, freedom of association, employment services and infrastructure, social security, and occupational safety and health. Mexico has also ratified a number of important ILO instruments relating to occupational sectors, including rural workers' organizations, and indigenous and tribal peoples.

### **3.1 Ratified Conventions**

Among the ratified Conventions which might be considered most pertinent to the policy issues arising from structural adjustment in their different fields are: the Minimum Wage-Fixing Machinery Convention, No. 26 of 1928; the Freedom of Association and Protection of the Right to Organise Convention, No. 87 of 1948; the Night Work of Young Persons (Industry) Convention, No. 90 of 1948; the Protection of Wages Convention, No. 95 of 1949; the Fee-Charging Employment Agencies Convention, No. 96 of 1949; the Minimum

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<sup>6</sup> Data taken from IMF Survey, 14 December 1992.

Wage Fixing Machinery (Agriculture) Convention, No. 99 of 1951; the Social Security (Minimum Standards) Convention, No. 102 of 1952; the Plantations Convention, No. 110 of 1958; the Minimum Age (Underground Work) Convention, No. 123 of 1965; the Minimum Wage Fixing Convention, No. 131 of 1970; the Rural Workers' Organisations Convention, No. 141 of 1975; the Human Resources Development Convention, No. 142 of 1975; the Labour Administration Convention, No. 150 of 1978; the Occupational Safety and Health Convention, No. 155 of 1981; the Occupational Health Services Convention, No. 161 of 1985; and the Indigenous and Tribal Peoples Convention, No. 169 of 1989.

### 3.2 Non-ratified Conventions

Some other important ILO instruments have not been ratified. These include for example: the Unemployment Convention (No. 2 of 1919); the Labour Inspection Convention (No. 81 of 1947); the Employment Service Convention (No. 88 of 1948); the Right to Organise and Collective Bargaining Convention (No. 98 of 1949); the Social Policy (Basic Aims and Standards) Convention (No. 117 of 1962); the Employment Policy Convention (No. 122 of 1964); the Labour Inspection (Agriculture) Convention (No. 129 of 1969); the Collective Bargaining Convention (No. 154 of 1981); the Termination of Employment Convention (No. 158 of 1982); and the recently adopted Employment Promotion and Protection against Unemployment Convention (No. 168 of 1988).

From this reading, the major gaps in ratification are the key instruments concerned with unemployment protection and the promotion of employment, and some of the key instruments concerned with freedom of association and collective bargaining. Apart from this - as will be seen below - the main principles of the International Labour Code are amply reflected in Mexico's national labour legislation.

### 3.3 Government reports and the ILO Committee of Experts

Over the past few years, the comments of the ILO Committee of Experts under ratified Conventions have not made any specific reference to problems arising from the structural adjustment process. From the perspective of the Committee of Experts, the only serious problems in the application of Conventions have concerned Convention No. 87, in that certain provisions of the 1963 Federal Act on State Employees are not in conformity with this instrument. The Committee of Experts has expressed its concerns on repeated occasions, expressing hopes that the Government will re-examine its legislation in the light of the principles set out in the Convention.<sup>7</sup> In its recent reports on other ratified Conventions, the Committee has tended only to acknowledge the receipt of the information provided in Government reports, and at times to request further information on specific points.

The Government has at times referred to the difficulties confronting the Mexican economy, notably in its reports under the Minimum Wage Fixing Convention, No. 131 of 1970. In its 1992 report under this Convention, the Government refers to the difficult economic conditions which led to a decline in the real purchasing power of incomes, to the financial and exchange-rate shocks which intensified inflation, and to the process of social concertation which was adopted in consequence. It describes at length the tripartite negotiations under the Pact for Stability and Economic Growth (PECE) for the four year

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<sup>7</sup> See, for example, *Report of the Committee of Experts on the Application of Conventions and Recommendations*, Report III, Part 4A, International Labour Conference, 78th Session, 1991. Under Convention No. 87, the observations concerning Mexico are contained on pages 189-192.



period between 1989-1992, and the overall trends in minimum wages. As the Government observes, the fiscal and anti-inflationary discipline achieved through this process of social concertation has paved the way for the gradual recovery of workers' salaries.

No comments concerning the impact of structural adjustment on the application of ratified Conventions have been furnished by either employers' or workers' organizations.

## 4. Mexican labour law: An overview

### 4.1 General principles

The legal framework of Mexican labour law has its origins in the revolutionary Constitution of 1917, in particular its Article 123 covering labour and social security. The Article is still in effect today, though it has been amended no less than eighteen times. The first Federal Labour Law took effect in 1931. It was superseded by the Federal Labour Law (FLL) of May 1970, the substance of which remains intact today, despite a number of minor modifications.

Two Mexican labour specialists have identified the eleven most relevant principles, excluding principles of procedural labour rights, of the Mexican labour system.<sup>8</sup> They are respectively that: (i) Labour standards provide a balance and social justice in the relations between employers and employees; (ii) Work is a right and a social duty, implying a right to employment security, except in cases of illegal conduct, physical disability, or economic grounds; (iii) Work is not an article of commerce, meaning that salaries must take into account not only the value of the service performed, but also the personal and family needs of the employee; (iv) Work must be performed under a system of freedom and dignity for the persons providing it; (v) Work must guarantee life, health, and a decent economic level of living for employees and their families; (vi) There may not be differences among employees on the basis of race, sex, age, religious or political beliefs, or social standing; (vii) There is freedom to work in legal activities; (viii) Labour standards are mandatory in nature and workers' rights are irrevocable, meaning that labour standards may not be superseded by agreement between management and labour; (ix) The scope of a labour standard is construed in favour of the employee when there is doubt; (x) It is presumed that a work relationship exists between a person providing a personal service and the person receiving it; and (xi) There is no time limit on the length of the work relationship, unless it is specifically defined as being for a set time or for a specific job.

A general feature of Mexican labour law, as in most of Latin America, has been the detailed regulation of the industrial relations system, including the recognition of trade unions, the right to industrial action and wage determination. Some observers have argued that this facilitates a high degree of governmental control over trade union activities, with the Government deciding how much economic and social power conventional worker organizations can wield.<sup>9</sup> However, other observers consider that important changes have taken place in Mexican labour relations in recent years, in particular since President Salinas took office at the end of 1988. Labour relations now tend to be more attuned to the competitive requirements of a free market economy. The changes in union leadership and

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<sup>8</sup> See de Buen Lozano and Buen Unna (1991).

<sup>9</sup> See, for example, Bartlow (1990).

policies, the appearance of new unions with a different orientation, and the signing of the 1992 Productivity Pact, are all signs of this new climate of labour relations.

Some particular provisions of Mexican labour law, as relevant to issues that tend to arise under structural adjustment programmes, can now be reviewed in more detail.

## **4.2 Minimum wages**

Minimum wages, related extra-salary benefits including bonuses and profit-sharing, and the procedures for minimum wage fixing, are spelled out in considerable detail in the FLL. General minimum wages and minimum professional salaries are established in each of the three geographic zones of the country. The minimum wage is set by the tripartite National Commission for Minimum Wages, taking into account the indispensable budget for the satisfaction of specified material, social and cultural needs. The minimum wage is fixed annually, though under special circumstances it may be modified during the year at the request of one of the parties if it is deemed by the National Commission that the economic circumstances warrant this. In the case of insolvency of a business, wages earned over the last year of operation and the compensation due to employees have priority over any other credit, including those backed by real estate, tax liabilities, amounts owed the Mexican Institute of Social Security, and especially the assets of the employer.

Employees are entitled to a share of the profits of each enterprise, of which the applicable share is to be determined by the National Commission for Employee Profit Sharing in Enterprises. The Commission convenes every ten years, undertaking the necessary studies to assess the general conditions of the economy, and taking into consideration the need to encourage national industrial development and to ensure a reasonable return on capital. The Commission's 1985 resolution, currently applicable, established employees' share of profits at ten per cent of the pre-tax profit of enterprises.

## **4.3 Employment security**

The duration of a work relationship is considered to be indefinite, the exceptions being contracts for a specific job or time period. The FLL establishes the right to mandatory reinstatement in cases of dismissal (with certain exceptions, including workers employed for less than a year, employees "in positions of trust", household employees and temporary workers). Dismissal cannot take place except for specific causes contemplated by law, which are spelled out in considerable detail. A dismissed worker has the right either to claim compensation equivalent to three months' salary, or to demand reinstatement. Dismissed workers are also entitled to severance pay in accordance with seniority, equivalent to twelve days salary for each year of service.

The law also provides for collective termination of employment, for reasons including bankruptcy, the shut down of operations under orders of competent authorities at the request of creditors, or lack of profitability of the operation. In such cases, the Conciliation and Arbitration Board must approve or disapprove of such terminations. Collectively dismissed workers have the right to be compensated with three months' wages plus the seniority premium.

#### 4.4 Freedom of association and collective bargaining

The law recognises the rights of both workers and employers to organize for the defence of their professional interests, of workers to strike, and of employers to engage in lockouts. Prior authorization is not required for the establishment of a labour union. However, to gain official recognition, unions must register with the Secretariat of Labour and Social Welfare in cases where the Federal Government has jurisdiction, and with the local Conciliation and Arbitration Board in cases of local jurisdiction. A trade union cannot be dissolved or suspended, or its registration cancelled, by administrative decision.

The FLL provides for both collective bargaining agreements (CBAs) and Law Contracts (LCs).

The CBA is defined generally as the "agreement executed between one or more workers' unions and one or more employers or employers' associations, for the purpose of establishing the conditions under which work is to be performed in one or more enterprises or establishments". On the workers' side, the CBA can only be signed by a trade union. The CBA can be established for a definite or indefinite time period, or for a specific job. It is subject to revision every two years with regard to overall working conditions, and annually with regard to wages. It can be terminated by mutual consent, upon the conclusion of the job for which it was agreed, or by the close of the enterprise or establishment provided that it applied only to the establishment which was closed down. CBA provisions cover all employees, whether or not they are trade union members, though it may exclude employees "in positions of trust". An important element of any CBA is the wage scale, and any CBA which does not contain a wage scale is considered to be invalid.

An LC is an agreement to establish working conditions in a particular industrial activity, declared binding in one or more Federated Entities, in one or several economic regions covering one or more such entities, or throughout the country. It is mandatory for the whole industry covered, including enterprises and establishments that have not entered into it. The request for an LC may be made by the unions representing at least two-thirds of the unionised workers in an industrial activity in the given area. It must be approved by the trade unions representing two-thirds of the unionized workers who have requested the LC, and by the employers who employ the majority of workers. Administration of the LC in each enterprise is the responsibility of the union representing the majority of the workers.

The FLL provides for the collective modification, suspension or termination of the system of labour relations established by a CBA or LC, upon the initiative of either workers or employers. Either party may request the Conciliation and Arbitration Board to alter the working conditions in a CBA or LC, for reasons including the financial state of the enterprise, and real wage losses due to cost-of-living increases. Temporary collective suspension of a CBA or LC can also take place, for reasons including excess production, temporary and evident lack of profitability, or the inability to obtain working capital needed for normal operations. In such cases a hearing must be held by the Conciliation and Arbitration Board, prior to suspension.

Strikes are permitted by law, though the objectives of lawful strikes and the procedures for undertaking them are carefully specified. The union must file a petition with the Conciliation and Arbitration Board, expressing the reason for the strike and the time when it will commence. A hearing must subsequently be held at the Board to seek a settlement of

the proposed strike. After the outbreak of a strike, any interested party may challenge it before the Board within a 72-hour period. If the strike is declared null and void, workers must return to their normal work schedule within a 24-hour period, failing which their employment may be terminated. And if a strike is declared illegal, for reasons including violence against property or strikes against government establishments or services, employers may again terminate the striking workers.

#### **4.5 Vocational training**

Under the Constitution and FLL, workers are entitled to employer-provided training and instruction, in accordance with plans and programmes developed by mutual agreement, and as approved by the Secretariat of Labour and Social Welfare. The purpose of training is defined in the FLL as: to update and improve workers' skills and abilities in their employment; to capacitate them for the application of new technology in their work; to prepare the employee to fill a vacancy or new position; to prevent occupational hazards; to increase productivity; and generally to increase the skills of employees. Upon the requests of unions or employees, training should become a component of CBAs after approval by the Secretariat of Labour and Social Welfare.

#### **4.6 Social security**

Social security is compulsory for all workers. It is financed from government, employer and worker contributions, based on salary levels. Workers earning the minimum salary are exempt from contributions. It provides protection with regard to: occupational accidents and illnesses; maternity; sickness; incapacitation; old age, retirement and survivor pensions; and day care for children of insured workers. There are no provisions for unemployment benefits. The main administering agency is the Mexican Institute for Social Security (IMSS), under tripartite management.

### **5. Adjustment, the labour market and social protection: Trends and policy issues**

Before turning specifically to labour standards, and the role that they may have played in the adjustment process, it is necessary to provide some contextual background. As seen above, a major concern of the Government throughout the adjustment era has been with incomes and wage policies. It has been determined to restrict the minimum wage, as an integral part of its efforts to control inflation. But it is important to examine the impact on other issues relating to the labour market, social protection and industrial relations; and also to address the extent to which these issues may have been addressed in government policy.

#### **5.1 Employment and unemployment**

Any discussion of employment and unemployment trends during the adjustment period must bear two basic facts in mind. First, there is no unemployment insurance whatsoever, and those without incomes have no alternative but to seek other survival strategies. Second, official statistical measurements have had limited coverage outside the major urban areas. While quarterly employment surveys currently cover almost all the population in localities with a population of 100,000 inhabitants and over, for localities with less than 100,000



inhabitants, statistics are only provided once every two or three years.<sup>10</sup> In accordance with ILO criteria, official statistics also consider as employed any individual who works for at least one hour per week.

Official estimates of the unemployment rate in Mexico were 2.8 per cent in the final quarter of 1992, measured as the weighted average for unemployment rates in the country's 34 principal towns. While this is a low unemployment rate in comparison with those of more industrialized countries, the statistical limitations mentioned above must be taken into account. Nevertheless, a number of measures have now been taken by the Government to shed more light on the national employment and unemployment situation. In particular, mention should be made of the complementary indicators developed by the National Institute of Statistics, Geography and Information (INEGI). One such indicator is the Alternative Unemployment Rate (TDAA) which considers not only the openly unemployed, but also those who have suspended their search for employment while being available for work. This rate was estimated at 4.4 per cent for the final quarter of 1992. In addition, a Partial Employment and Unemployment Rate (TOPDI) has estimated at 6.6 per cent the proportion of the economically active population which is either unemployed or employed for less than 15 hours per week. A further relevant indicator is the Critical Conditions of Employment Rate (TCCO), referring to the proportion of the employed population which is working for less than 35 hours per week for labour market regions, or which is working for more than 48 hours per week but earning less than the equivalent of two minimum salaries, or which is working for over 35 hours per week for a monthly income less than the minimum wage. For the last quarter of 1992, the TCCO rate was measured at 13.3 per cent.<sup>11</sup>

OECD, using official statistics, finds that there has been limited change in the employment situation throughout the adjustment period. Labour markets, it observes, proved to be extremely flexible during the stabilization period and accommodated required adjustments with relatively minor costs in incremental employment losses. Following the debt crisis, the official unemployment rate rose from 4.6 to 5.3 per cent between 1982 and 1983. It started declining again after that, dropping below 3 per cent in 1989, although the labour force grew significantly during the 1980's as a result of the rapid population growth during the 1960s and 1970s. The smallness of the initial increase in the unemployment rate in both 1983 and 1986 in response to major shocks is attributed by OECD to the strong and rapid real wage adjustment and the absence of unemployment insurance. Informal sector activities, accounting for approximately one-third of total employment, absorbed much of the increase in the labour force. Most officially recorded unemployment reflected frictional unemployment, as over 70 per cent of the registered unemployed found a new job within eight weeks.<sup>12</sup>

Many analyses argue that the adjustment process during the 1980s took place with little impact on overall employment levels. Official statistics indicate that average unemployment rates did not exceed 6.1 per cent, even during the most severe period of adjustment, and the open unemployment rate is currently measured at 2.8 per cent. There are concerns however that unemployment will now increase significantly, noticeably as a result of the current

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<sup>10</sup> 35 towns are now regularly included in the sample National Survey of Urban Employment, produced on a quarterly basis. After an additional town was covered in the first quarterly survey for 1993, it was officially estimated that the surveys covered 95 per cent of localities with 100,000 inhabitants and over.

<sup>11</sup> Data provided by the General Directorate of Employment, Ministry of Labour and Social Welfare, written communication of 21 April 1993.

<sup>12</sup> Data taken from OECD (1991/92), Op. cit.

policies for agricultural privatization, expected to stimulate rural-urban migration as labour is released from the protected "ejidal" sector of agriculture (see below).

In recent years considerable attention has been paid to informal sector employment, using methodologies developed by the ILO, and with ILO technical assistance. A comprehensive report was issued by the Secretariat of Labour and Social Welfare in 1992, as part of a joint project with the United States Department of Labour.<sup>13</sup> It appraised different criteria for measuring informal sector employment, based on special tabulations from the 1988 National Employment Survey. Depending on the criteria used, the estimates of informal sector employment ranged from 26.1 per cent to 38.5 per cent in 1988.<sup>14</sup> A special definition elaborated in the above report calculated informal sector employment at 37.9 per cent of the total. The study finds that the rate of growth of informal employment reached a peak in the 1980s, because of the stagnation and decline of formal sector employment, and the rise in the incorporation of family members into the informal sector to raise family incomes. ILO/PREALC estimates for 1990 give a similar figure of 36 per cent of non-agricultural employment. Overall estimates based on the latter rates are that the informal sector employs some ten million persons altogether.

As recent ILO research has observed however,<sup>15</sup> the changing nature of informal sector employment is a cause for serious concern. Informal employment is likely to become synonymous with underemployment, as whole families become dependent on informal employment. Teenagers have increasingly had to participate in the labour force, in order to supplement family incomes.

## 5.2 Privatization and employment

Economic restructuring has involved the widespread privatization of state enterprises since 1982. The number of state-owned enterprises decreased from 1,155 in 1982 to 223 by August 1992, 87 of which were then in the process of being privatized. However, it is only during the present Salinas administration that major enterprises have been sold off. Between 1983-85 small and unviable enterprises were liquidated or merged, and small and medium enterprises were then sold during the 1986-88 period. The larger privatizations since 1989 have affected, among others, the telephone company TELMEX, the airlines companies Aeromexico and Mexicana, and large steel and copper enterprises.

For these reasons, it is as yet too early to calculate the impact of privatization on employment. A study commissioned by the Ministry of Finance in 1988 included a survey of 26 enterprises privatized during the earlier period. It found that approximately 5 per cent of workers had been laid off, mainly white collar executives.

Moreover, there have been very significant job losses in certain enterprises remaining under public ownership. The most important example is the national oil company PEMEX, where between 80-100,000 workers lost their jobs between 1989 and mid-1992.

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<sup>13</sup> See Secretariat of Labour and Social Welfare/United States Department of Labour (1992).

<sup>14</sup> Under the first of these criteria (considering as informal sector employment, the work performed by unpaid, self-employed or domestic workers, except for those engaged in activities considered as informal and professional), the informal sector accounted for some 26 per cent of all employment in 1988. A second criterion, including all workers earning less than the minimum wage, gave a higher rate of over 33 per cent. A third criterion, considering as informal all those workers employed by establishments with less than five workers, gave a yet higher figure of 38.5 per cent of all employment.

<sup>15</sup> See Roberts (1991).

### 5.3 Employment programmes and services

The Government has undertaken different programmes since 1983, to facilitate labour mobility and labour market adjustment. They are executed mainly through the National Employment Service, and by a network of State Employment Services established in coordination with State governments. Their activities include registration of jobseekers and vacancies, career counselling, referral and placement in jobs or training.

One initiative targeted specifically at unemployed and displaced workers is the Labour Retraining Programme, PROBECAT (*Programa de Becas de Capacitacion para Trabajadores*). It was commenced in 1984, with the objective of alleviating the social costs of major economic restructuring and rising unemployment during the period of macroeconomic stabilization. In 1987 PROBECAT was incorporated into a larger Manpower Training Project supported by the World Bank, and it had provided vocational training for approximately 250,000 unemployed persons by mid-1992.

A recent World Bank evaluation has aimed to assess the impact of the PROBECAT programme on employment and wages, and to assess whether the monetary benefits of the training outweigh the costs involved.<sup>16</sup> The labour market experience of trainees was compared with that of a control group, and the main findings were positive. It found that the trainees were, on average, more likely to find jobs than the control group, finding jobs more quickly. The monetary benefits were found generally to outweigh the costs. However, the benefits varied significantly by type of trainee, and for young trainees without prior work experience the costs exceeded the benefits of programme participation. Though PROBECAT was initially envisaged as a transitional measure, consideration is now being given to its extension over a longer time period, notably in the light of the expected impact of NAFTA on migration and employment.

### 5.4 Wages and incomes

Minimum wages and real wages have both fallen sharply over the past decade. While this can be explained in part by the significant decline in GDP until 1987, the share of wages in GDP has also fallen. Between January 1983 and July 1992 the minimum wage declined by 54 per cent in real terms. Between 1979 and 1987 real wages are estimated to have declined by approximately 40 per cent, the sharpest falls being registered in the two years of 1983 and 1986 when the economic contraction was most severe. The OECD estimates that the minimum wage, federal government salaries and wages in commerce, hotels and restaurants fell by approximately 50 per cent during this period. Remuneration in manufacturing, financial services, transport and communications and public enterprises fell by a smaller level of between 30-35 per cent in real terms.

In more recent years average wages have tended to recover, though the minimum wage has continued to contract in real terms. In manufacturing and financial services, for example, real wages rose by an annual average of 5.1 and 6.7 per cent respectively between 1988 and 1990. The average minimum wage in 1990 was nevertheless 9.1 per cent lower in real terms than in 1989, and since 1985 had declined by 30 per cent.<sup>17</sup> In 1991, despite a 13 per cent increase in the minimum wage, minimum wages continued to run slightly behind inflation.

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<sup>16</sup> See Revenga, Riboud and Tan (1992).

<sup>17</sup> Data taken from Economist Intelligence Unit (1991-2).

As Government officials have insisted, the minimum wage itself is becoming increasingly less important as a benchmark for the determination of average salaries. The average wage is now three times the minimum wage. However minimum wage rules are not implemented in the informal sector where, as indicated above, a substantial number of workers receives less than the legal minimum wage. The minimum wage has importance for the economy as a whole, not only because it acts as a reference point for other wages, but also because many non-wage items are indexed to it. Examples are pensions and employer contributions to the social security system. And the minimum wage is of obvious importance for wage determination in non-union industries including the *maquiladora* or "in-bond" assembly industry. By 1991 there were close to 2,000 *maquiladora* plants, employing almost half a million workers. Most non-union entry-level *maquiladora* workers are said to earn the minimum wage, supplemented by certain benefits including free lunches and transportation.<sup>18</sup> Recent figures indicate that total remuneration for *maquiladora* workers in real terms increased by 4.9 per cent in 1991 and 11.8 per cent between February 1991 and February 1992.<sup>19</sup> Moreover, a survey undertaken by the Secretariat of Labour in the northern zone of the country in 1992 found that wages in *maquiladora* plants were now substantially above the legal minimum.

Some analysts have assessed the extent to which non-wage incomes compensated for the sharp decline in average wages. Nora Lustig<sup>20</sup> suggests that it was possible to inflict wage cuts without provoking widespread political or social unrest, because the cuts did not affect household incomes to the same extent. While real wage income dropped by 41.5 per cent between 1983 and 1988, private consumption per capita declined cumulatively by just over 11 per cent. She estimates for example that the bottom 10 per cent of Mexican households derive one third of their income from wages.

## 5.5 Social security

The two public agencies responsible for social security administration are the Mexican Institute for Social Security (IMSS) and the Institute of Social Security and Services for State Workers (ISSSTE). The Armed Forces and the national petroleum company PEMEX have their own social security schemes. Approximately 12 million workers, or close to 56 million family members out of a total population of some 84 million, are registered in these social security systems.<sup>21</sup> And between March 1991 and March 1992 there was an increase of over 5 per cent in the workers registered with IMSS. The social security system covers pensions, maternity, old age and other benefits relating to work accidents and injuries. And the agencies also play an important role in providing primary health care, notably in the rural areas to which the social security scheme has been progressively extended in recent years.

Certain reforms have been undertaken since the late 1980's to increase the level of regular benefits, and also to improve the financial viability of the system. After March 1989 for example, the contributions for sickness and maternity benefits were increased from 9 per cent

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<sup>18</sup> See United States Department of Labour (1992).

<sup>19</sup> Cited in *Mexico Economic Trends Report*, August 1992, American Embassy, Mexico.

<sup>20</sup> See Lustig, *Op. cit.*, pages 71-74.

<sup>21</sup> Approximately 38 million persons are covered by IMSS, between eight and nine million by ISSSTE, and close to one million by the Armed Forces or PEMEX social security systems. In addition, during the Salinas administration, the Government's IMSS-Solidaridad programme has been extending social security coverage to approximately nine million persons in rural and poverty-stricken areas.



to 12 per cent of the basic salary (70 per cent to be paid by employers, 25 per cent by workers and 5 per cent by the State). And the pension index was progressively increased from 70 per cent to 90 per cent of the minimum wage. A more comprehensive reform in 1992 aimed to create a private pension system, funded by a tax deductible two per cent employer contribution.

IMSS and ISSSTE, as noted, have played a major role in providing general health care for the population. The OECD estimates that the two social security agencies were absorbing nearly 90 per cent of government health expenditure in the early 1980s, while covering only 46 per cent of the population. The standards in terms of beds, doctors and nurses were significantly higher for the insured person than for the non-insured population. The unequal distribution of resources and the narrow insurance coverage implied that the majority of the population in some states had little access to medical care. During the 1982-88 period, moreover, public spending on health care was reduced in real terms while the number of insured persons continued to rise.

Policies and programme to increase health care and social security coverage under the present administration are reviewed further below.

## **5.6 Social policies and poverty alleviation after 1988**

Since December 1988, the Government of President Salinas has committed itself to a major programme of poverty alleviation, targeted at those most vulnerable to the adjustment process. While the programme cannot be reviewed at length here, some of the main elements are described briefly below. The initiatives are coordinated by the National Solidarity Programme (PRONASOL), initiated early in the Salinas administration.

As described by the IMF, PRONASOL is the second part of the Government's incomes policy, complementing the tripartite economic solidarity pact. It emphasises programmes to expand and strengthen programmes in education, nutrition and health, as well as those related to the provision of drinking water, sewage and electricity. In order to control costs, it seeks to avoid the use of broad subsidies; its programmes are targeted specifically to help those Mexicans living in extreme poverty. The various programmes are decentralized, with considerable input received from the affected local communities.<sup>22</sup>

PRONASOL activities can be divided into four major headings. First, there are food support programmes, which can comprise general subsidies, targeted coverage for the urban or rural poor, and targeted coverage for vulnerable groups. Second, there are productive programmes, through which PRONASOL seeks directly to increase the earnings potential of the poor. This can involve credit, or the allocation of resources to targeted social groups including indigenous peoples or women's organizations. Third, there are social services programmes, consisting of support to health and education. Fourth there are infrastructure programmes, involving support for the development of infrastructure in poor communities.

The resources channelled through PRONASOL have been very substantial. In 1989 alone, of the almost US\$ 2 billion allocated for rural development and social investment programmes, approximately \$600 million was spent on poverty-related objectives through PRONASOL. The IMF observes that social expenditure increased from 36 per cent of total

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<sup>22</sup> See IMF (1992).

non-interest expenditure in 1989 (2.1 per cent within PRONASOL) to 46 per cent in 1991 (3.5 per cent with PRONASOL). For the 1992 budget programmed social expenditure was 51 per cent of total non-interest expenditure. Social expenditure increased in real terms by 16 per cent in 1990, and an equivalent increase was estimated in 1991. With such resources, PRONASOL has been able to achieve significant results in statistical terms during the Salinas administration. As OECD observes, newly built or renovated schools have created capacity for 2 and 8 million children respectively; milk has been distributed to 7 million children through PRONASOL outlets; 6 million children now have access to medical services in newly-built or renovated installations; 11 million inhabitants have been given access to electricity and 8 million to safe water.

### 5.7 Agricultural policies and land tenure reforms

An integral part of the adjustment programme has been agricultural and land tenure policy reforms in the interests of greater productivity. Reforms enacted to the Mexican Constitution in late 1991 allow for the conversion of Mexico's traditional *ejido* system of communal land tenure into private ownership, though only on a voluntary basis and with the express agreement of the traditional *ejido* authorities. The reforms are premised on the need to increase productivity, mainly by clarifying ownership rights and thereby stimulating more private investment. Their long-term effects are a matter of considerable speculation at the present time. Some Government analysts insist that the proportion of the labour force engaged in agriculture must be greatly reduced in the medium term if the sector is to become more efficient. Critics of the reforms argue that they will stimulate significant migration from rural to urban areas, where the scope for additional employment creation is very limited, and thus have an adverse effect on incomes and livelihood for the more vulnerable sectors. There is general consensus that the reforms need to be accompanied by positive programmes of employment creation.

By the late 1980s there were almost 30,000 *ejido* and indigenous communities in Mexico, comprising over 3 million farm households, occupying almost half the national territory and over 60 per cent of cropland. Under the post-revolutionary land reform laws of the early twentieth century (which remained in force until the recent reforms), *ejido* members held usufruct rights over the land but were prevented by law from selling, renting or mortgaging it to outsiders. And there were severe restrictions on the manner in which *ejido* lands could be operated. *Ejido* farmers had to carry out agricultural work themselves, neither using share-cropping nor hiring labour, and under law risked losing their land if they pursued other activities. Agrarian reform legislation, as amended up to 1981, also placed restrictions on the size of private landholdings, and empowered the Government to seize underutilized land and redistribute it to landless peasants. By the late 1980s, over 50,000 petitions for land distribution had been lodged with the federal or state governments, the petitioners often claiming that their traditional lands had been unlawfully encroached by private landowners. Since the late 1970s however, the Government position had generally been that there was no further land to distribute, and policy emphasis shifted away from redistribution towards ensuring that landholders held adequate title.

The reforms to Article 27 of the Constitution, enacted by Congress in February 1992, effectively eliminated the scope for further land redistribution. *Ejido* owners are now given the choice of becoming full owners or remaining within the *ejido* system. They are empowered to rent land and hire labour, to undertake contracts or joint venture agreements

with domestic and also foreign partners. Corporate entities, both domestic and foreign, are also permitted to own and operate the land within constitutionally established limits.

The land tenure and agricultural reforms are an integral aspect of the profound structural reforms undertaken since the early 1980's, to modernize the country in the interests of higher competitiveness. The NAFTA agreement can be seen as one important element of this policy, in that it would contribute to the liberalization of land markets in the participating countries. The Mexican grain market would thus be opened to competition, in exchange for liberalization of North American fruit and vegetable markets. One study estimates that as many as 700,000 Mexican farmers could lose their livelihood through Mexican maize market liberalization, adding to the flow of up to 400,000 persons migrating annually to urban areas. As OECD observes, "...there is little doubt that successful agricultural development will eventually greatly reduce the current 23 per cent share of agriculture in total employment. Whether this will entail massive rural-urban migration will depend on the success of efforts to decentralize economic activity and the creation of non-agricultural employment activities outside the major population centres. Where this development process creates transitory hardship, temporary targeted poverty alleviation measures may be appropriate. The government has tried to identify the potential areas where such intervention might be required".<sup>23</sup>

Other observers are more pessimistic as to the social impact, fearing that the reforms will end the land security that has been such an important feature of Mexican society.

## **5.8 Industrial relations: Adjustment and the social partners**

The impact of structural adjustment on the industrial relations system and practices is an immense topic, which can only be addressed briefly in the following comments. One difficulty lies in assessing which of the emerging trends can be attributed specifically to the issues arising from economic and industrial restructuring, which are due rather to political transformations independent of the adjustment process, and the extent to which the two issues are related.

### **5.8.1 Employer organizations**

The identity, role and attitudes of employer organizations have evolved considerably since the early 1980s, while their number and membership have also increased. They represent the interests of different industrial sectors. And the opening of the Mexican economy to significant foreign investment inevitably means that some of the confederations or commercial chambers are concerned to represent the interests of overseas investors, and to seek an industrial relations system more conducive to foreign investment.

The main employer organizations include the Confederation of Industrial Chambers of the United Mexican States (CONCAMIN), the Employers' Confederation of the Mexican Republic (COPARMEX), the National Chamber of the Manufacturing Industry (CANACINTRA) and the Confederation of National Chambers of Commerce (CONCANACO). Mention should also be made of the American Chamber of Commerce of Mexico (AMCHAM), in view of its growing importance in the light of NAFTA. AMCHAM is the largest American Chamber of Commerce outside the United States, with a membership

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<sup>23</sup> See OECD, *Op. cit.*, page 169.

including some 85 per cent of United States companies operating in Mexico, and which has committees dealing with *maquiladoras* and labour affairs. As will be seen further below, these employer organizations have been demanding more flexibility of labour standards in the interests of greater productivity. Specific proposals have been made during the Salinas administration, including proposals for the comprehensive reform of the FLL. While the proposals receive fairly uniform support from employers, leadership has apparently been taken by COPARMEX representing the interests of small and medium enterprises.

### 5.8.2 Worker organizations

Of the trade union organizations, a distinction has to be drawn between the large and longstanding confederations which have traditionally cooperated closely with the PRI ruling party, and the federations which have sought to maintain political independence. The umbrella organization is the Congress of Labour (CT), which was established in the mid-1960s and is estimated to represent as many as 85 per cent of Mexico's union members. Its membership includes all the major PRI-affiliated trade union confederations, as well as certain smaller independent but nevertheless PRI-affiliated unions. The Confederation of Mexican Workers (CTM) is by far the largest of the separate confederations, claiming a membership of approximately 5 million workers. Other large confederations at the national level include the Confederation of Revolutionary Workers and Peasants (CROC), with a membership loosely estimated at between 600,000 and one million, and the Mexican Regional Workers Confederation (CROM), with a membership estimated at around 250,000.

Outside the more official structure, a significant development was the creation in 1990 of the independent Federation of Businesses Providing Goods and Services (FESEBES), dominated by the Telephone Workers' Union (STRM), but also comprising other individual CT unions including electricians and airline workers. The Federation has been participating actively in the above-mentioned social pacts on stability and productivity. As described in one source, FESEBES is "a new force in the labor movement, embodying much of the new thinking and challenging the entrenched labor establishment", which has "cooperated to a great extent with the opening of the Mexican economy and the need to become more competitive".<sup>24</sup>

Certain analysts stress that incomes policies under the social concertation programmes since the early 1980s were greatly facilitated by the traditional close relationship between the ruling political party and the official trade union movement. In Nora Lustig's words, for example, "The lack of resistance to wage cuts can also be explained by the government's longstanding control of the labor movement, exercised through a remarkable combination of coercion and cooptation ever since the 1930s".<sup>25</sup> As another analyst observes moreover, ".. recently workers have begun to attack the undemocratic elements which exist within their unions. Some of the official unions, which historically have allied themselves with the government, are now becoming more outspoken, and independent unions which are not associated with the party are gaining widespread popularity".<sup>26</sup>

Mention has already been made above of some important changes now initiated within the trade union movement, perhaps most particularly under the Salinas administration. Examples

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<sup>24</sup> See United States Department of Labour (1992), Op. cit.

<sup>25</sup> See Lustig, Op. cit., page 71.

<sup>26</sup> See Goldin (1990).



of these changes have included the growth of independent unions, the democratization process initiated in others, and to some extent a depoliticization of the movement. Some PRI-affiliated unions have tended of late to adopt a more independent profile, for example with respect to the productivity pact, wage policies in general and in the minimum wage policy in particular, and in their attitudes towards labour law reform.

With regard to labour standards and legislation, the trade union stance has nevertheless been a largely defensive one, resisting any flexibility or any reforms which might undercut its privileged position within the trade union structure. In the words of one assessment, "The powerful mainstream trade union movement (CT), which dominates the industrial, mining, public and in some areas commercial economy, faced significant pressures to change as the Mexican economy continued to open to global competition. Employers, including public sector company managers, began applying strong pressures in 1991-1992 to make legal and other changes to provide competitive work rules and improve productivity. Collective bargaining is gradually changing from an often government-dominated process to one dictated more by competitive forces....The latter part of 1991 and first half of 1992 were notable for the intense efforts of employers to obtain, and organized labour to resist, a revision of the FLL".<sup>27</sup>

Strike activities have been relatively limited. In 1991 for example, over 7,000 notices of intent to strike were registered with the Conciliation and Arbitration Board. A significant number of the notices were subsequently withdrawn, after settlements were made at the enterprise level. In many other cases, the Board effected conciliation or arbitration through its normal procedures, while only a limited number of 136 strikes were actually carried out in the course of 1991. The strikes, moreover, were often concerned with representativeness within the trade union structure. A notable example was a strike at the Ford motor company plant near Mexico City, where dissident trade unionists claimed that they had been fraudulently prevented from ousting the official CTM union leadership.

### 5.8.3 Different pressures for labour law reform

The different pressures for labour law reform have to be understood in this context. On the one hand, employers seek more flexibility to eliminate the provisions which they see as unduly rigid and constituting obstacles to productive efficiency. On the other hand, worker organizations outside the official trade union structure often seek reforms to democratize the trade unions, and to allow a revised approach to freedom of association and collective bargaining at the plant level in particular. There are concerns that the traditional alliance between government and labour is breaking down, as Government policies are increasingly influenced by the interests of the private sector. Dissident unionists are therefore seeking repeal of the provisions of labour law, which are seen to permit excessive governmental control over trade union activities. These are very different, but nevertheless related, aspects of economic and political adjustment.

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<sup>27</sup> See United States Department of Labor, *Op. cit.*

## 6. Labour standards and structural adjustment: National perspectives

In this and the following sections, we can now consider more specifically the role of labour standards in the process of structural adjustment. We begin with national labour standards. What are the respective positions of the Government, employer and worker organizations? Which issues have been given most prominence?

### 6.1 Government perspectives

During his electoral campaign, President Salinas had indicated that a comprehensive review of the FLL would be considered during his term of office. Though a Commission was set up to this effect after 1989, no specific proposals have subsequently been made following resistance from the labour movement. As a senior official affirmed, it was considered dangerous to undertake significant labour law reform during a period of salary adjustment. However, there is a concern to stimulate new approaches to collective bargaining, first at the branch level and then down to the plant level, without Government intervention.

Instead the main thrust of the Government's approach, as seen above, has been to promote the negotiation and establishment of voluntary tripartite agreements for regulating labour relations and practices.

Labour standards have arisen in connection with NAFTA. In May 1991 the Mexican Secretary of Labour and Social Welfare signed a Memorandum of Understanding with the United States Secretary of Labour, both countries undertaking to learn about each other's systems with a view to improving them. As specified in the Memorandum, the Parties "share a concern for promoting the rights and interests of workers in the two countries, including the raising of their standard of living, a safe and healthy workplace, with adequate social security medical and financial benefits, all within the democratic framework that is an essential condition for both countries". And the Parties expressed a "desire to promote appropriate cooperation in areas of mutual interest strictly respecting the sovereignty and legal system of each country, through common efforts, and to share and exchange information on the effectiveness of their programs and services".

It was agreed that the areas of cooperation should include: health and safety measures; general work conditions, including labour standards and their enforcement; procedures for resolution of labour conflicts; collective bargaining agreements for improvement of work conditions; social security systems; credit institutions for workers to purchase consumer durables and housing; labour statistics; quality and productivity; and "other areas that may be mutually agreed upon".

While a number of research papers have been prepared under the joint programme,<sup>28</sup> it is as yet too early to assess its impact on labour standards in either of the two countries. However, there are reported plans to establish joint US and Mexican targets for setting new employee health and safety standards in each country according to its own system but aimed at comparable results in both.

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<sup>28</sup> Overview papers published in 1992 included a comparison of occupational safety and health programmes in the United States and Mexico, and a general comparison of labour law in the United States and Mexico. A study on the informal sector in Mexico was also prepared under the auspices of the programme.

## 6.2 Employer perspectives

Specific proposals for labour law reform were issued by employer organizations during the first months of the Salinas administration. A document outlining the framework for reforms was published by COPARMEX in June 1989,<sup>29</sup> the main content of which can be summarized as follows.

First, there should be more flexibility in the standards governing individual labour relations, including the assignation of tasks, hours of work, rest periods and the duration of contracts. The mechanisms for labour relations and the termination of employment should also be "modernised". The principle of employment stability should be "flexibilized", with simplification of layoff procedures, and revised provisions for compensation.

Second, the law should stimulate employment creation in small and medium enterprises, modifying both compensation payments and the modalities for social security coverage in accordance with the capacity of the enterprise.

Third, the importance of "quality" and "productivity" should be reflected in labour agreements, implying shared responsibility between employers and workers for training arrangements. The existing system of automatic promotion or *escalafon ciego* should be eradicated, allowing for promotion on the basis of capacity and aptitude. Committees should be established in the areas of productivity, safety and health, and skills training, to stimulate productivity at all levels of the enterprise. As regards the living standards of the workforce, there should be general principles relating remuneration to productivity, with wages based on the work effectively carried out. Regulations should clearly establish a uniform minimum salary, amending the concept of professional minimum salaries and thus stimulating collective bargaining. Profit sharing should be determined on the basis of individual productivity.

Fourth, labour law and its application should be decentralized, subject to local and only exceptionally to federal jurisdiction. The implementation of labour justice should be simplified, by shortening conciliation and arbitration procedures and imposing penalties in the case of unlawful strikes or stoppages. There should also be substantial amendments to the legal framework for collective labour relations, including more decentralization of collective bargaining to the enterprise level, flexibility in procedures for resolving strikes, voluntary union affiliation, and the end of closed shop provisions.

Finally, labour relations should be based on dialogue and cooperation at all levels, reflecting the principles of tripartism and social concertation.

While the above listed proposals are those formulated specifically by COPARMEX, they would appear to be largely representative of employer organizations as a whole. A CONCAMIN document of the same year<sup>30</sup> appears to make basically similar recommendations. It again advocates streamlining of judicial procedures, less administrative regulation of training, less public holidays, eradication of the *escalafon ciego*, flexible workdays and hour-based payments, an end to solidarity strikes and more control over strike activity. It proposes furthermore that the concept of the Law Contract should disappear, given the significant differences in the size and capacity of different employers. The emphasis

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<sup>29</sup> See COPARMEX (1989).

<sup>30</sup> See CONCAMIN (1989).

should be on improved productivity, and low productivity levels should be considered as adequate grounds for dismissal. As summarized in a CONCAMIN analysis of the concertation process,<sup>31</sup> "Parallel to the reduced protection of national industry in the face of external competition, there should also be reduced protection of labour. The sense should be the elimination of paternalism, and the adoption of systems of labour relations which reward responsibility and penalise inefficiency. Above all, attention should be focused on critical areas, such as the rigidities which place obstacles in the way of redefining functions, reallocating personal and providing for continuity of work, as well as on practices which impede worker creativity and, through the *escalafón ciego*, instead promote inefficiency.... In no way does CONCAMIN propose to eliminate fundamental workers' rights (maximum work hours, minimum salaries, compulsory paid leave, holidays, trade union organization, security and social benefits, and housing). The aim is only to modify the conditions of contracting, permanency in employment, and training, which impede the improvement in workers' conditions through productivity increases by the enterprise".

Wage levels, it may be noted, are no longer identified among the major constraints. This should not be surprising, as average wages fell so rapidly in the early stages of the adjustment process and are now experiencing increases in the industrial, commercial and manufacturing sectors. The overriding concerns are that employers should have greater flexibility to recruit, use, allocate, train and dismiss their work force in accordance with their own criteria; that regulations should be limited to the greatest extent possible; and that collective bargaining should take place wherever possible at the enterprise level, with corresponding reduction of the powers of national trade unions to influence the plant-level bargaining process.

While the above mentioned proposals have been widely distributed by employers' organizations, they have never been discussed formally in tripartite fora and have not as yet resulted in any specific labour law reforms.

### 6.3 Trade union perspectives

For the reasons mentioned above, it is impossible to detect anything resembling a united union approach to labour law reform. While the CTM for example initially advocated reforms to the FLL at the beginning of the Salinas administration, to strengthen certain provisions, it subsequently adopted a defensive position in the light of the employers' offensive.

Among many unionists, there is an apparent consensus that elements of the FLL are outdated, and constitute a genuine obstacle to productivity. These relate for example to the *escalafón ciego* providing for promotion by seniority alone, and to restrictions on reallocating workers even with their immediate workplace. But there are understandable concerns that, in the present economic and political climate, any reformist initiative will open the door to radical reforms that undercut the basic provisions of worker protection as enshrined in the Mexican constitution.

An obvious and often cited example is employment stability. In the words of one trade union lawyer, "Employment stability has an intimate relationship with social cushions or guarantees for the unemployed. It is not the same thing in a country which has

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<sup>31</sup> See CONCAMIN (1991).

unemployment insurance, and in another where loss of employment is almost loss of the right to livelihood".<sup>32</sup>

Analysis of recent events and a reading of recent trade union literature often points to a sense of impasse, as trade unionists try to determine an adequate response - from a position of apparent weakness - towards the rapid economic changes. As one writer comments critically of the trade union movement, "The trade union sector has only known how to respond defensively, trying to save whatever possible from the gains it has made over time. Trade unionism is trying to prevent enterprises from reducing their presence within the factory: it tries to prevent any modification of collective contracts, it aims to maintain the industrial status quo, without realising that the state of the Mexican economy has changed radically. This completely defensive attitude is destined to fail.... the defensive attitude adopted by trade unions has not averted changes in collective contracts, but has prevented the unions from having the capacity to negotiate these modifications in exchange for compensation, at the moment when they bear fruit in terms of productivity increases".<sup>33</sup>

## **7. International labour standards and structural adjustment in Mexico: Their role and relevance**

In this section, we consider what role if any the ILO's standards have played in Mexican adjustment, and what role they might conceivably play in the future.

In practice, the role of the ILO standards themselves, and of the ILO supervisory machinery for the application of standards, appears to have been negligible. As already observed the number of ratifications is high, involving certain instruments of potential relevance to the adjustment process. Yet the Government's reports under these Conventions have made no reference to issues arising from structural adjustment; nor has the ILO's supervisory Committee of Experts on the Application of Conventions and Recommendations seen fit to make any comments; nor have there been any substantive discussions during the ILO's Conference Committee on the Application of Conventions and Recommendations.

In the course of discussions conducted under the present study, Government officials confirmed that ILO standards have not been used as a reference point in the design or implementation of structural adjustment programmes. Extensive reference has however been made in the course of NAFTA negotiations. The high level of ratifications is frequently cited as evidence of Mexico's commitment to internationally recognised labour standards, and is compared favourably with the low level of ratifications in the United States for example.

Thus ILO standards would appear generally to have a low profile in Mexico. Persons who had attended the social concertation meetings under the PSE and PECE, when asked whether ILO standards had ever been referred to in the course of negotiations, replied in the negative. As was stressed, the FLL is a highly detailed instrument, and all ratified ILO Conventions are automatically incorporated within national labour law. Thus domestic legislation was seen as providing an adequate framework for policy determination, and no real advantage could be detected from referring to the provisions of an international instrument. As regards application, some trade unionists in particular expressed the view that the provisions of

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<sup>32</sup> See Alcalde (1990).

<sup>33</sup> See Bizberg (1990).



certain ratified Conventions, notably No. 87 relating to freedom of association, were regularly infringed in practice. In this respect, a limited number of cases have been filed with the ILO's Committee on Freedom of Association in recent years.

Thus the discussion in this section must be largely speculative. Some questions can be asked retroactively. Have structural adjustment policies and programmes to date been consistent with the provisions or principles of ratified Conventions? If not, might a strict attention to ratified Conventions have led to a different approach? Would this have entailed costs, thus causing difficulties for the structural adjustment programme in itself? We can then adopt a more forward-looking approach, examining the potential relevance of both ratified and unratified ILO standards for future policy and programme determination.

## **7.1 Ratified ILO Conventions: Past experience**

### **7.1.1 Minimum wage fixing machinery**

The most pertinent instrument is the Minimum Wage Fixing Convention, No. 131, ratified by Mexico in 1973. The procedures established by the Convention are clearly in force. There is a system of minimum wages covering all groups of appropriate wage earners. Minimum wages have force of law, and are not subject to abatement. The machinery for the fixing and periodic adjustment of minimum wages is the National Committee on Minimum Wages, a tripartite body comprised of nine employer and nine worker members, and one Government representative. In principle this Committee takes its decisions by majority vote, though in practice its decisions have always been unanimous. This mechanism meets the requirements of the ILO's Convention No. 131 (Articles 1, 2 and 4). The major question mark concerns Article 3 of the Convention, reading textually that: "The elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include - (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups; (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment".

The language of this article is itself highly flexible. It has most recently been interpreted by the ILO Committee of Experts, in its 1992 General Survey on Minimum Wages<sup>34</sup> with the comments that: "The Committee wishes to recall once again that the fundamental and ultimate objective of the instruments in question is to ensure to workers a minimum wage that will provide a satisfactory standard of living for themselves and their families. It is however necessary to note that this objective is not always attained and that in some countries, allowing for the erosion of the value of money caused by inflation, minimum wages represent only a percentage of what workers really need. This fundamental objective of the minimum wage system should constantly be borne in mind when, in certain countries, structural adjustment programmes are being applied or where, in other countries, the transition is under way to a market economy".

The rapid erosion of minimum wages was arguably a necessary measure, to tackle rampant inflation in the early days of adjustment. But even in 1992 the minimum wage was still falling in real terms, when the economy was experiencing growth and average wages

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<sup>34</sup> See ILO (1992).

were rising. It can be argued that recent minimum wage policies have excessively penalised the poorest sectors of the population, after anti-inflationary objectives were largely attained. And minimum wage policies were certainly being used as tools of macroeconomic adjustment, rather than pursuing their fundamental objectives as defined by the ILO Committee of Experts.

### 7.1.2 Human resources development

Of the promotional Conventions covering social, employment and training policies, only one has been ratified. The Human Resources Development Convention, No. 142, was ratified in 1978. Its basic requirement is that ratifying States shall adopt and develop comprehensive and coordinated policies and programmes of vocational guidance and training, closely linked with employment, in particular through public employment services. Government policy would appear to be fully in line with this Convention, in particular since its National Programme for Training and Productivity has been supported by the World Bank through a financial and technical support project. Improved worker training has been identified as a central objective, in line with the Government's overall objectives of increasing labour productivity.

### 7.1.3 Land security: Rural workers and indigenous peoples

Of the ratified Conventions, perhaps the most difficult issues relate to rural workers, and in particular to indigenous peoples. Mexico has ratified two pertinent instruments. The Rural Workers' Convention, No. 141, was ratified in 1978; and the Indigenous and Tribal Peoples' Convention, No. 169, was recently ratified in 1991. The first of these is perhaps less problematic, in that it calls only for general measures of support to rural workers' organizations. It shall be "an objective of national policy concerning rural development to facilitate the establishment and growth, on a voluntary basis, of strong and independent organizations of rural workers as an effective means of ensuring the participation of rural workers...in economic and social development and in the benefits resulting therefrom". In mitigating the social costs of adjustment, the Government has certainly undertaken infrastructural programmes in consultation with local communities.

Convention No. 169 raises more complex issues. It provides *inter alia* that indigenous and tribal peoples shall have "the right to decide their own priorities for the process of development as it affects their lives, beliefs, institutions and spiritual well-being and the lands they occupy or otherwise use, and to exercise control, to the extent possible, over their own economic, social and cultural development". Moreover the Convention deals at length with indigenous rights to land and resources, recognising the special importance for these peoples of their relationship with the lands or territories they occupy, and in particular the collective aspects of this relationship. It recognises the rights of ownership and possession of indigenous and tribal peoples over the lands which they traditionally occupy, and provides that their rights to natural resources pertaining to these lands shall be specially safeguarded. Adequate procedures are also to be established within the national legal system, to resolve land claims by the peoples concerned.

At the time of writing the implications of the reforms to Article 27 of the Constitution, in particular as they related to indigenous forms of land ownership and resource management, were far from clear. Concerns have been expressed that the reforms may prejudice indigenous land security, and eventually pave the way for increased dispossession. As noted above however, the law provides that the *ejidos* shall continue to take their own voluntary

decisions, through community vote, on land use or land sales. The reformed Article 27 of the Constitution provides generally for the protection of the "integrity of the lands of indigenous groups". In their capacity as agrarian units, however, the *ejidos* and communities of indigenous groups are to be regulated by the normal provisions of the new agrarian law. In their capacity as cultural units, the rules for the protection of indigenous lands are to be established by a special regulation, which has not as yet been adopted.

It is no easy task to reconcile the principles of Convention No. 169 with Mexico's agricultural sector reforms. While the reforms emphasise the liberalisation of rural land markets, the Convention calls for the special protection of indigenous lands. The Government thus took a bold step, in being the first country to ratify the ILO's 1989 Indigenous and Tribal Peoples' Convention at precisely the time when it was embarking on these ambitious structural reforms. A well-funded Agrarian Attorney's office (*Procuraduria Agraria*) has been established pursuant to the Constitutional reforms, mandated among other things to deal with outstanding land claims. Together with the National Indigenous Institute (INI), it has responsibility for preparing the draft of a regulation governing the new Article 4 of the revised Mexican Constitution, that deals with indigenous rights. The indications are that both organizations have paid careful attention to the ILO's Convention No. 169, in the preparation of this draft.

## 7.2 Future perspectives

### 7.2.1 General considerations

In the economic literature, Mexico is portrayed almost without exception as a successful case of structural adjustment. It has brought inflation under control, achieved acceptable growth rates since the late 1980's, encouraged significant foreign investment, pursued policies of privatization and trade liberalisation, and been able to include a free trade agreement with its economically powerful northern neighbours.

The last of these factors entails a certain paradox. For years, Mexico has been under pressure from the international financial system to achieve macroeconomic stabilization through austerity policies involving reduced wages and worker protection. But the conclusion of NAFTA has brought a new kind of pressure from organized labour in the United States and Canada. Concerns are now expressed that low labour costs will give Mexico an unfair trading advantage, and that labour standards in NAFTA countries must be harmonised to the extent possible. Though Mexico's labour standards are generally perceived as high, the extent of application is under close scrutiny. The international spotlight is on labour conditions, including the incidence of child labour, labour conditions in the *maquiladoras*, safety and health, and also environmental standards.

There are thus contradictory pressures coming from different domestic and overseas constituencies. Private employers, as also potential overseas investors, demand maximum flexibility of standards in the interests of greater productivity. Trade union lobbies in all the NAFTA countries demand high standards. The international financial institutions would now appear to have less interest or leverage, although their development orthodoxies were certainly instrumental in the low-wage incomes policies of the main adjustment era. The World Bank has moved on from adjustment lending *per se* towards sectoral lending with a substantial focus on employment services, training and labour market analysis.

At the national level, there is now a very vigorous and serious debate as to what the basic principles of labour law and social policy should be. We have tried to capture some elements of this debate in the previous section, but it would again be useful to summarise some of the issues here. The pressures to revise the Federal Labour Law remain strong, and they are not likely to disappear from the political agenda. Moreover, while the process of adjustment lending *per se* is effectively over, the impact of ongoing adjustment on employment and livelihoods has as yet to be fully realised. There will be significant re-allocation of labour, most particularly from the rural sector as a result of land tenure reform and privatization. Employment policy, to provide alternative sources of income and livelihood, will become an important factor. While the present Government has committed itself to very significant social expenditure, the role and responsibilities of the State in ensuring adequate levels of social protection remain a matter of intensive debate. The potential role of international labour standards, in providing a law and policy framework, can now be reviewed.

### 7.2.2 Employment policy

Ratification of the Employment Policy Convention, No. 122, would be a step of obvious value. The Convention itself is a flexible and promotional instrument, under which ratifying States pledge to pursue policies and programmes aimed at full, productive and freely chosen employment. It is supplemented by two Employment Policy Recommendations, No. 122 of 1964 and No. 169 of 1984, which have useful guidelines on issues including the promotion of rural employment. Surveys on the rural labour market were admittedly undertaken in 1988 and 1991, after which technical assistance was requested from the ILO itself for a comprehensive survey on rural employment trends and conditions. But careful attention to the Employment Policy Convention could affect the sequencing of reforms, and the preliminary measures to be taken before the adoption of far-reaching adjustment reforms such as those in the agricultural sector.

There are also strong arguments for now devising a system of unemployment benefit, partly in view of the ongoing privatization process and its anticipated impact on formal sector employment. Up to now the emphasis has been on labour market retraining, with mixed results. Officially provided unemployment benefits for retrenched workers, complementing the retraining programmes, would doubtless facilitate the industrial restructuring and perhaps permit a more flexible approach towards employment security. In the absence of such protection, worker organizations will quite naturally resist any employer demands for the flexibilization of labour law in this area.

### 7.2.3 Labour law and industrial relations

International labour standards are a reference point of obvious importance, whenever significant reforms to national labour law are envisaged. While the existing FLL enshrines certain principles covered in some of the most important ILO Conventions, other FLL provisions are more unique to the Mexican national situation. Some of the reforms proposed by employers' organizations would have no impact on the application of ratified ILO Conventions, and appear not to be covered by other unratified instruments. Examples are the restrictions on the reallocation of labour within the workplace, or the provisions for automatic seniority promotion. Others, which affect the minimum wage structure or collective bargaining procedures, touch upon issues covered by the most important ILO instruments.

In this area the ILO itself has a role to play, by providing technical assistance, and stimulating constructive debate on the major principles which should underlie labour law reform in accordance with the provisions of the International Labour Code. This is unlikely to lead to full consensus. But it would serve to identify at least the minimum standards that should underlie any reformist initiative.

## 8. Conclusions

There have been different concerns relating to labour standards, at different stages of the stabilization and structural adjustment process in Mexico.

The 1980's saw a lengthy period of macroeconomic stabilization, in the context of a massive external debt and continuing high levels of inflation. The Government's overriding concern was to reduce inflation, and to secure the support of the influential trade union movement for its low wage policies. Mexico's system of labour relations, generally characterised by the strong relationship between the ruling PRI party and the official trade union movement, has been an important if not the only factor facilitating a process of social concertation through the successive pacts. Other historical factors also played a role, while social concertation could not be limited to the official unions but had to be extended also to include the more independent unions. At least in the early 1980's, there was limited concern to reform or "flexibilize" labour standards as part of overall economic restructuring. As the larger State enterprises were not then earmarked for privatization, the number of workers affected was relatively few. A serious social concern was the rapid growth and changing nature of the informal sector, in which workers were low paid, less organized, and less likely to be covered by the highly protective national labour laws.

Since the late 1980's, a new range of issues has arisen. While macroeconomic stabilization together with low annual inflation has been achieved, and specifically structural adjustment lending from the Bretton Woods institutions has ceased, significant restructuring is now taking place in the urban and rural sectors alike. The industrial and agricultural restructuring forms an integral part of the overall restructuring process and is thus linked also to NAFTA, as the Government aims to improve the climate and incentives for foreign investment. Agricultural sector reforms are already far advanced, removing past restrictions on land alienation and mortgaging, and, to the extent agreed to by the *ejidos* themselves, privatizing the land market in accordance with prevailing economic orthodoxies. In the industrial sector there are growing pressures to reform those provisions of national labour law which provide strong employment protection, or which closely regulate the terms and conditions of employment.

The stage may be set for quite radical reforms, lessening the degree of State intervention in industrial relations, but also undermining traditional concepts of employment and land security. There are dangerous implications, when - as is the case in so many developing countries - such a large proportion of the population is already unprotected. In Mexico as elsewhere in the Third World, labour standards can only be poorly if at all enforced in the rural and urban informal sectors where the greatest poverty is to be found. Despite recent efforts by the Government, social security provisions are thus still minimal in these sectors. But the informal sector should not be confused with the wealthier "underground" sector which should be incorporated fully within the formal sector of the economy, and where labour legislation should be fully applied.

In view of the high level of ratification of ILO Conventions, it is perhaps surprising that the ILO standards themselves have played so little part in the adjustment process in Mexico. In the view of many Government and employer representatives this is because national standards are at least as high as those of the ILO, if not higher, and thus provide the more appropriate frame of reference for national deliberations. In the view of many worker representatives, and of some prominent labour lawyers, this is also because ILO standards are poorly known at the national level and little effort is made to supervise the degree of their application.

The time is now ripe for the ILO to make a concerted promotional effort in Mexico, demonstrating the relevance of its standards to contemporary debates on the reform of national labour law. The emphasis should not be on ratified Conventions alone, but also on non-ratified Conventions in areas including employment policy and unemployment benefit, where the needs appear to be particularly great at the present time.



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