LABOR MARKET REGULATION, WAGES AND WORKERS' BEHAVIOR - LATIN AMERICA IN THE 1990s*

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The objective of this paper is to analyze the role and interaction of economic processes and labor institutions in shaping labor market outcomes. The well-known neoliberal economic reforms undertaken in the 1990s in many Latin American countries provide an illustrative case for comparative study, in particular to examine how consequential have been the changes in labor laws. To facilitate comparative analysis I selected three countries - Argentina, Mexico and Peru - whose economic policies shared many traits triggering similar changes in economic operation in the 1990s, and as we will see were to have comparable labor market effects. Further, in these countries little was done via social policy instruments (social security, social expenditure), to check the growth of the labor surplus and moderate labor market competition. By contrast, they differed in terms of labor institutions such as nature of state-union relations, degree of trade union power, labor laws, and whether or not they were transformed following economic reforms (table 1).

First, in the period under analysis trade unions have been autonomous vis-à-vis the state in Peru, while the cases of Argentina and Mexico were distinct examples of prevalence of either intermediate or strong trade union subordination, under different types of corporatist pacts. Historically, the main trade unions' position in relation to the state has fluctuated in Argentina between confrontation and "moderate" subordination, depending on the party - and regime - in government and its supporting political alliances; in Mexico, continuity of the same party in government was matched by persistence of the social pact, although under somewhat changed forms (Zapata, 1998). In Peru, the "clasismo", which emphasized trade union autonomy, dominated trade union orientation since the 1960s (Yépez, 1988). Second, the degree of union strength differed among the three countries. In Peru - and this despite the formerly high unionization rates and permissive union rights (Marshall, 1999a) - trade unions' influence seem to have eroded considerably more than in Argentina and Mexico. Third, prior to the 1990s, labor laws had been dissimilar, since employment protection regulations had been much more restrictive in Peru and Mexico than in Argentina, and bargaining structures were diverse: decentralized bargaining had been already prevalent in Peru, but in Argentina industry wide negotiation was dominant, while in Mexico the situation had been more mixed. Finally, in Peru and Argentina state labor regulation experienced major changes in the 1990s, probably the most dramatic within the Latin American region, whereas in Mexico labor laws were not reformed.

It is argued in this paper that in the three countries the new economic rules restructured the economy; this, sometimes reinforced by social and labor policies, changed employment patterns and expanded the labor supply, exacerbating in this way labor market competition and weakening unions'...
bargaining power. These new labor market configurations, interacting with other factors, in turn influenced wage and inequality trends, as well as labor discipline, in the direction expected according to the Classical economic tradition: real wages either declined or stagnated, and wage increases lagged well behind productivity growth; pay disparities advanced; and workers became more disciplined, individually and collectively. These similar global effects are apparent in the three countries in spite of their distinctive labor institutions, although institutional diversity contributed to shape outcomes somewhat differently in each one of them.

The paper is organized in three main sections. The analytical framework is presented first. Then, the empirical analysis is divided into two stages. The first examines labor market trends, highlighting the consequences of state intervention on employment, the labor supply, the labor surplus, labor market competition, and trade unions and worker rights. In the second I discuss how labor market trends and state intervention might have influenced wages, inequality, and individual and collective labor discipline.

ANALYTICAL FRAMEWORK

The labor market is regulated by a configuration of economic and institutional variables, among which the labor surplus, trade unions, and the state. The main guiding hypothesis of the present analysis is that labor market outcomes, in this case wage behavior, wage inequality patterns, and labor discipline, are crucially influenced by the extent of the labor surplus and degree of labor market competition, and trade union strength. These latter are in turn molded by state economic and social intervention. Besides, the state may regulate wages and labor discipline directly. The determinants of wages, inequality and labor discipline are intertwined because not only state policy affects the labor market and unions, but also the latter two influence the orientation and implementation of state policy.

Traditionally, from Smith, Ricardo and Marx, to the "Phillips curve" so profusely discussed in the 1950s and 1960s, and later studies of the "reserve army effect" (e.g. Marshall, 1980; Tsuru, 1991; Weisskopf, 1987), excess labor (level and trends) has been viewed as a central determinant of wage change, directly or via its influence on trade union's bargaining power: the larger the labor surplus, the more negative the evolution of wages. Because its pressure is not uniform, surplus labor is expected to affect also wage differentials; these would tend to widen with the growth of excess labor as the latter’s pressure is felt more strongly in those activities and occupations where labor is more easily substitutable and trade unions are weaker (OECD, 1966). From Marx to contemporary writings (Weisskopf, 1987; Green and Weisskopf, 1990; Rebitzer, 1987; Green and McIntosh, 1998), the magnitude of the labor surplus has been considered to influence also labor discipline and individual worker productivity, high or growing unemployment contributing to elicit a greater work effort and to moderate labor demands and conflict.

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3 For a discussion of labor market regulation see Cortés and Marshall (1993).
4 One outstanding example is Sylos Labini's (1974) model of determination of wage growth.
Given the level of excess labor, its impact on labor outcomes may be moderated/exacerbated by institutions that reduce/enhance labor market competition, depending on their strength and orientation: trade unions, labor protective laws, state active and passive labor market programs and other social policy instruments such as social security and social expenditure. Labor organizations may regulate the labor supply, wages and working conditions, and affect state policy, conflict and discipline. But trade union strength and intervention themselves are influenced by the level of surplus labor and degree of labor market competition, as well as by state policies including those directly addressed to unions (union formation, membership, collective rights). Trade union orientation is important at least in two respects: the degree of union autonomy vis-à-vis the state may affect labor conflict (e.g. pro government unions may try to reduce conflict), and whether trade union orientation is solidaristic or not shapes labor inequality patterns (Rowthorn, 1992).\(^5\) State intervention, that varies according to the orientation of policy, contributes to regulate labor demand and the supply of labor, and thus the level of the labor surplus; it has an incidence on competition (e.g. through labor laws), and regulates directly or indirectly all other labor outcomes. For instance, the state may abstain from intervening in wage determination; permit, stimulate, eliminate, suspend or limit collective bargaining over wages; fix wage increases in absolute or percentage terms, either similar or diverse according to industry; orient collective bargaining by stipulating either similar or variable limitations; set minimum wages (Marshall, 1999a). By imposing limitations or fixing uniform wage rises, the state tends to moderate the progress of pay inequality,\(^6\) and given that the degree of bargaining centralization is associated with pay inequality,\(^7\) state promoted changes in bargaining structure may influence trends in wage dispersion.

The effects of institutions may be ambiguous. This is particularly true of state regulation, that may have contradictory effects, so that the actual policy consequences may differ from the originally intended impact. For example, regulations stipulating that terms agreed through collective bargaining are extensive to all workers, regardless of whether they are union members or not (erga omnes), may have been intended to widen the scope of labor protection, but may turn to be a dis-incentive to join unions, undermining the latter's labor protective influence. Similarly, active labor market policies (employment and training programs) may play a double role: on the one hand they help reducing in the short term the number of unemployed seeking work, and by providing "... the unemployed workers with a more favorable alternative than open unemployment ...", undermine competition and wage moderation (Calmfors and Forslund, 1991:1146);\(^8\) on the other, they may increase employability, therefore enhancing "... the competitiveness of unemployed outsiders ..." (Calmfors and Lang, 1995:601).

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5 This latter aspect will not be examined in this paper.
6 During the periods of state wage control some kind of parallel negotiation always takes place at the level of the firm, fostering wage heterogeneity, and partially counteracting the homogenizing influence of state wage administration (Marshall, 1999a).
7 See Marshall (1999a) and literature therein cited.
8 Some caveats apply (Calmfors and Forslund, 1991).
LABOR SURPLUS, LABOR MARKET COMPETITION AND TRADE UNIONS

Even though with some variation in features and degree and rhythm of implementation, the economic strategies applied during the 1990s in Argentina, Mexico and Peru (in fact, throughout the Latin American region), shared the same principles: liberalization of international trade and financial flows to deepen integration into the world order, state transformation and reduction of its role as employer through privatization, fiscal discipline and price stabilization. They were accompanied by either abrupt or gradual domestic currency appreciation that, combined with the opening up to imports, forced economic restructuring. This was enhanced in manufacturing which, having enjoyed tariff protection for so long, had to find rapid ways to adapt to the renewed emphasis on manufacturing exports and to import competition. Actually, in Mexico the process had started much earlier, from 1984, and was deepened through successive stages, whereas in Argentina and Peru intense reforms were applied in a shorter time span, but in the 1990s there was little difference among the three countries in measures implemented and economic outcomes, and the Mexican crisis of 1994 had strong repercussions in Argentina, although a much weaker effect in Peru.9

In what follows I discuss trends in the labor market and labor institutions during the 1990s, and how they were molded by state policy. We will see that in all three countries pro market economic strategies had an impact on the labor surplus by influencing both employment and the labor supply, and that state labor market "active" and "passive" intervention did not, by omission or weakness, restrain competition. In addition, in Argentina and Peru labor policy was directed at curtailing trade union power and intensifying competition through employment protection reforms.10

Employment

Public policy influence on labor demand is evident. Employment generation is determined by particular combinations, in each country, of several policy factors: pace of implementation of trade liberalization (once and for all in Argentina and Peru; more gradual and extended over time in Mexico),11 type of foreign exchange policy (persistent overvaluation of domestic currency in...

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9 Foreign capital inflows to Peru were scarcely affected by the Mexican crisis; even if growth decelerated in 1996 this was part of an agreement with the IMF intended to decrease the balance-of-payment current account's deficit and check inflation (CEPAL, Estudio ... 1995-1996).

10 'Employment protection' refers to the legal framework that regulates contracts and dismissals.

11 In Argentina, the liberalization process had started in 1988 (with a very short-lived precedent in 1979-80), but it was in 1991 that drastic changes were implemented (further details in CEPAL, Estudio... 1993), and the MERCOSUR treaty accelerated the opening up of the economy. Nonetheless, some restrictions were introduced later, among which those of 1995 to protect specific sectors (CEPAL, Estudio... 1995-96). In Mexico, a number of measures to liberalize international trade were taken in the 1980s starting in 1983, most of them in 1985-87; the NAFTA treaty ratified in 1993 deepened the process. By 1990, in comparison with other Latin American countries, the Mexican economy was one of the most open, as only eight percent of imports required permits, and the average tariff was 12% (Alarcón and McKinley, 1998); in 1995, with the crisis, tariffs for certain products from non NAFTA countries were increased (CEPAL, Estudio... 1995-96). In Peru, the trade opening process was initiated in 1991; it rapidly led to the reduction of the average tariff level, from 66% to 17%, and all quantitative restrictions on external trade were removed.
Argentina; gradual appreciation in Mexico, followed by the sharp devaluation of the end of 1994; fluctuations in Peru,\(^\text{12}\) and its impact on production via the inflow of competing imported goods, and on capital investment (e.g. overvaluation added to the factors stimulating labor substitution in Argentina); nature and scope of regional integration treaties such as MERCOSUR and NAFTA, and their implications for manufacturing dynamism and its capacity to place exports in the international market; rhythm, forms and reach of state reform and the chronology of privatizations (they took place somewhat later in Peru);\(^\text{13}\) fiscal policy in general, and housing and public works policies in particular; financial and credit policies, globally and with reference to small enterprises.\(^\text{14}\) But obviously labor demand depends also on how employers react to government stimuli, which are their subsequent cost reducing strategies, and how these affect the progress of concentration and the incorporation of labor saving technology (stimulated in the 1990s by not only domestic currency overvaluation but also widespread transnationalization of ownership) and thereby productivity growth rates and the extent of labor expulsion. On the other hand, employment performance is influenced by the degree of "sensitivity" of informal, low productivity activities, generally localized in small firms, to the pressure of surplus labor, i.e. how elastic are the activities where excess workers may "create their own demand". Historical, cultural and social factors possibly would help explain why informal activities showed differential elasticities across countries in response to growing excess labor, thus affecting open unemployment levels.

Manufacturing reconversion and the emphasis on fiscal control imposed severe constraints on the pace of employment creation during the 1990s. In addition, the restructuring of employment patterns (the relative employment losses of the public sector and manufacturing, and expansion of financial services) were direct reflections of the measures applied: state reforms and privatization, opening up and domestic currency appreciation, and the privileged role assigned to capital markets. Whereas the recomposition of employment in favor of the service sector was not a new development - rather, previous trends were exacerbated -, the relative retrogression of state employment during the 1990s marked a clear inflexion.\(^\text{15}\) In Argentina and Mexico state employment contraction (highest in the former) led to the decrease of the overall urban wage employment rate (less in the latter) but this did not happen in Peru where, thanks to small firms, wage employment in the private sector increased sufficiently to counteract public sector losses (table 2). In Argentina and Mexico the

\(^{12}\) In the Peru appreciation of domestic currency was checked, for instance in 1993, through mini-devaluations, and foreign exchange policy was unstable (CEPAL, Estudio... 1993). By 1997, the evolution of exchange rate paralleled that of the inflation rate (CEPAL, Estudio... 1996-97).

\(^{13}\) The differential evolution of the annual income originating in privatizations show how the latter proceeded in each country (data in CEPAL, Estudio ... 1997-1998).

\(^{14}\) Programs and agencies were often created with the purpose of improving conditions for small firms. Several institutions operated in Mexico, but did not produce tangible results (de la Cruz (1997). In Argentina, in spite of government rhetoric in favor of the smaller firms, credit policy regarding small enterprises tended to be tight.

\(^{15}\) These trends took place throughout Latin America. Among the countries for which information is available, Chile (where public employment had been reduced earlier) and Paraguay were the sole exceptions to the downsizing of state employment.
expansion of small firm employment (together with that of self employment)\textsuperscript{16} was the obverse of state employment downsizing, and not of job reductions in medium/large firms, that seem to have retained some dynamism; in fact, the urban employment share of medium/large firms diminished only in Peru (table 2).

In the context of the foregoing common trends, in the 1990s Argentina, Mexico and Peru represented three distinct situations as regards employment performance, this latter assessed on the basis of employment output elasticities\textsuperscript{17} combined with changes in the employment share of formal, medium/large firms (tables 2 and 3); this combination gives some indication on the employment role of low productivity activities, that was to affect the form taken by the labor surplus in the three countries (see below). Peru showed an intermediate employment output elasticity but at the expense of the important role played by informal employment, that absorbed labor expelled from the public sector and/or manufacturing; the employment share of medium/large firms diminished. In Mexico employment performance was better, as the employment output elasticity was comparatively high, and even if this was partly due to informal activity, there was no loss in the employment share of medium/large firms. But in Argentina employment performance was poor (low employment output elasticity), although with no loss in the employment share of medium/large private firms; the number of manufacturing jobs fell, and the expansion of employment in the informal sector, even if quite substantial, proved to be insufficient to absorb excess labor.

On the other hand, in the 1990s precarious wage employment became more extensive, and economic reforms contributed to this process. Unprotected employment, as well as the either legal or fraudulent use of "flexible" contracts, had become increasingly frequent already in the 1980s; its further expansion during the 1990s is only partly explained by the increasing utilization of subcontracting, notoriously in Argentina.\textsuperscript{18} The decreasing employment shares of manufacturing and, particularly, of the public sector, automatically implied an employment shift in favor of those sectors - retail trade, transport and personal services - most prone to unstable and precarious employment relations, generally in small firms. This shift, together with its increasing utilization within each sector, was reflected by the rise of "non registered",\textsuperscript{19} unprotected wage employment in Argentina, from some 30\% of urban wage earners in 1991 to 36\% in 1997,\textsuperscript{20} and by the rising wage employment share of unprotected work in Peru, from 32\% to 40\%; the fact that in Peru its share of private sector wage employment also rose, from 43\% to 46\%,\textsuperscript{21} shows that this was not exclusively due to state

\textsuperscript{16} Excluding professionals, technicians and administrative workers, and including non remunerated family workers (OIT, 1998).
\textsuperscript{17} Employment output elasticities provide an estimate of how much employment changes following a given change in output.
\textsuperscript{18} In Mexico subcontracting via temporary labor agencies has been increasing (de la Cruz, 1997), although the level of subcontracting in Mexican manufacturing is low (de la Garza, 1999).
\textsuperscript{19} "Non registered" means that the employment relationship evaded compliance with legal regulations such as payroll taxes.
\textsuperscript{20} Data from household surveys.
\textsuperscript{21} Based on data for Metropolitan Lima in Saavedra (1998).
employment contraction. Probably because legal and illegal flexible employment forms are each one utilized preferentially by a distinct economic segment, in both countries precarious employment expanded despite the growing employers' interest in the new legal lower-cost temporary contractual modalities examined below, and in Argentina in spite of the substantial rebate on non-wage labor costs (Marshall, 1998b).\(^{22}\) The fact that precarious employment became more widespread contributed to the loss of influence of labor organizations, which in turn facilitated the expansion of loose contractual practices.

**Labor supply**

Labor force participation rates increased quite sharply in the three countries during the 1990s (table 2), mainly because the long period rising trend in women's participation, stimulated by socio-cultural modernization and subsequent decline in fertility and household responsibilities, was bolstered by the adjustment policies of the 1980s followed by pro-market reforms in the 1990s. To counter their effects - less employment opportunities for adult males and lower real wages - more household members (adult women and young members, some of whom left the educational system)\(^{23}\) entered the labor market.\(^{24}\) In this sense, economic policy regulated the supply of labor, fostering total household's work effort (i.e. the proportion of economically active household members increased),\(^{25}\) and accordingly the sex and age structures of the labor force changed somewhat.

Social policy, sometimes by omission, in other cases due to the measures implemented, did not alter the impact of economic policies. There were no tax and social security dis-incentives to discourage labor force participation (e.g. of married women), no subsidies to retain the youth in the educational system, and no extensive provision of unemployment benefits that could have provided supplemental household income; as is described below, unemployment insurance schemes either did not exist or were of a very narrow scope.\(^{26}\) Quite on the contrary, the reforms and partial privatization of the retirement schemes of Argentina and Peru in the early 1990s led to a raise of the minimum

\(^{22}\) Saavedra (1998) holds that in Peru certain components of non-wage labor costs increased.

\(^{23}\) The increase of labor force participation was not confined to women: in Mexico's main cities male's participation increased from 71% to 75% between 1987 and 1994; with the 1995 crisis it declined slightly but among women it continued to augment (cited by López, 1999); in Peru labor force participation increased among women from 1993, and more slightly among men from 1991 (Saavedra, 1999a).

\(^{24}\) According to Saavedra (1999a), this had not happened in Peru during the crisis of the 1980s.

\(^{25}\) In Mexico, between 1984 and 1994, the percent of households with two or more members employed increased from 39% to 46%, and this was mainly due to households in the intermediate income strata (cited by López, 1999). In Argentina (Buenos Aires), between 1991 and 1995 the average number of active members increased, although only in households of the low income strata (Suárez, 1998).

\(^{26}\) This contrasts with policies in several OECD countries. Esping-Andersen (1996) argues that the action taken to combat unemployment in "continental Europe" (as opposed to Scandinavian countries where the response was to stimulate growth of state employment) was to "induce labor force exit", which led to increased dependency ratios. Measures included re-export of immigrant workers, but mainly incentives to early retirement (disability pensions among them) and to discourage female participation, often combined with hour reductions.
In Argentina, where the retirement scheme has private and state components, the number of years of social security contributions required to be entitled to the state component's benefit were also extended (Feletti and Lozano, 1996). \(^{27}\) Besides, the low level of the benefit received by a large fraction of the retired in Argentina could have stimulated the labor market participation of older persons. \(^{28}\) The few attempts intended to reduce the labor supply included the timid measures taken in Argentina to control immigration from neighboring countries (whose contribution to the labor force had anyway been minor; Marshall, 1997b), and two social programs with distributional objectives devised (1988, 1993) in Mexico in support of rural producers, that were expected to check emigration out of rural areas thus easing the labor market situation in the cities. \(^{29}\) In fact, to limit the supply of labor the Mexican government has been relying tacitly on continuing emigration to the U.S. (some 8% of the Mexican population, renewed by regular outflows, lives outside Mexico, a figure that approximately doubles in relation to the labor force).

### Labor surplus and labor market competition

In spite of the decelerating growth rate of the population of working age (Weller, 1998), the increase of labor force participation, together with an employment growth rate that proved to be insufficient to absorb the labor supply, enlarged the labor surplus. In part, employment growth itself masks the expansion of the labor surplus, as evidenced by the rising urban employment share (highest in Peru) of small firms in the three countries between 1990 and 1997 and of the self employed in Argentina and more slightly in Mexico (table 2) which, even if partially accounted for by increasing outsourcing and subcontracting in former state enterprises and other formal firms, also implied expansion of low productivity, low income activities that hide some form of underemployment.

In Mexico and Peru total employment rose at a pace somewhat slower than, but close to, that of the labor supply (table 3), partly due to informal employment, whereas in Argentina there was a striking increase of overt unemployment, that was in fact a singular development within the Latin American region: out of nine countries only in Argentina unemployment was much higher, on average (i.e. not counting cyclical fluctuations), in the 1990s as compared with the 1980s (Marshall, 1999b). The difference between the growth rates of the labor supply and employment was comparable in Mexico and Peru although open unemployment was higher in the latter; it is chronically underestimated in Mexico where, even if it increased, still remained at a low level (table 2). \(^{30}\) Small firm employment growth helped cushioning the impact of excess labor on employed wage earners, and in this sense effective labor market competition probably became much more intense in Argentina (where, besides, such a high unemployment level was unprecedented) than in Mexico or Peru.

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\(^{27}\) In Argentina, where the retirement scheme has private and state components, the number of years of social security contributions required to be entitled to the state component's benefit were also extended (Feletti and Lozano, 1996).

\(^{28}\) This had occurred in the period 1988-1993 (before the raise of retirement age) \(v\text{is}-\text{à}-\text{vís}\) earlier years (Marshall, 1998a).

\(^{29}\) On these programs and the criticism they received, see Pastor and Wise (1997). The labor supply reduction would obviously be limited to urban areas.

\(^{30}\) On underestimation of unemployment in Mexico see e.g. Fleck and Sorrentino (1994).
In Argentina growing labor market competition was only minimally mitigated by government employment and training programs and unemployment subsidies. Neither of the above mentioned potential roles of active programs was significant. The programs' scope and impact were minor: at their peak in 1997, coverage of all the national employment programs together (including state direct employment creation and subsidized employment in the private sector) were equivalent to some 7% of the urban unemployed (Cortés and Marshall, 1999). Training programs created in Mexico did not have much practical repercussion either (de la Cruz, 1997). State promoted training programs for young workers in Peru seem to have had a somewhat wider reach, as 1.2% of all wage earners in the private sector, and a substantially higher proportion of the young workers, were in 1997 under such programs (Saavedra, 1999a). But, on the other hand, the substantial rebate on the cost of overtime work (from 50% over normal pay to 25%), legislated in this country in 1996 (Aparicio and Bernedo, 1997) and intended to facilitate use of overtime, may have discouraged new recruitment thus being adverse to relieving unemployment.

Passive programs (namely, unemployment insurance schemes) did not help either to attenuate the effects of unemployment. Unemployment insurance did not exist in Mexico (de la Cruz, 1997) and Peru. In the latter, private sector wage earners working at least four hours daily had access to compensation out of individual capitalization funds if the employment relationship were to cease due to resignation or dismissal. This system, that was improved after 1991 (Aparicio and Bernedo, 1997), does not provide unemployment benefits strictu sensu and, being based on seniority, the amount of compensation is of some importance only for workers that had been employed for long; in this sense, it is comparable to the length-of-service dismissal compensation that existed also in Argentina and Mexico. In Argentina, even if an unemployment insurance scheme was created in 1991, it covered only less than 10% of the unemployed (Marshall, 1997a).

**Employment protection reforms**

Not only did active and passive labor market programs not help moderate labor market competition, but in Argentina and Peru labor policy was geared to facilitate it through reforms of legal employment protection rules. By contrast, in Mexico, where employment regulation was highly

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31 A temporary emergency employment program was started in 1995 (Pastor and Wise, 1997), but no information on its impact is readily available.
32 These refer to temporary employment modalities in private firms (enabled to employ up to 40% of the workforce under these on-the-job training arrangement) that did not imply a wage employment status (see Bernedo, 1999).
33 Individual capitalization funds, such as the Peruvian, are financed out of mandatory contributions, and workers may have access to the accumulated fund in the individual account at termination of the employment relationship, regardless of the reason for termination. Length-of-service dismissal compensation is provided by employers in the event of unfair or collective lay-offs.
34 This contrasts with the notoriously higher coverage rates in OECD countries: e.g. average coverage for 12 European countries: 38% of the unemployed males, and 33% of unemployed women; in eight of these countries, above 60% of the unemployed males are covered, and in seven, above 40% of the unemployed women, 1994 (Grimshaw et al., 1996).
On reform projects and negotiated reforms see *inter alia* de la Garza (1999) and de la Garza and Bouzas (1999).

Besides, the *maquiladora* industry, that had been established much earlier, by 1993 employed one fifth of the manufacturing labor force (Rendón and Salas, 1996) under less protective conditions as, even if employment and labor relations in the *maquilas* are regulated by the general labor code, compliance is undermined by very limited trade union influence (Bayón and Bensusán, 1996).

Given the scope and depth of the changes undertaken, Argentina and Peru stand out among those Latin American countries that reformed labor laws following the labor policy model attached to economic liberalization, that was fostered by multilateral financial institutions and conspicuous international experts, and generally strongly endorsed by employers, and whose recommendations included flexibilization of constraints on employer decisions on labor and curtailment of trade union power in the determination of wages and working conditions. The rhetoric behind this model was that labor reforms would reduce costs and thereby improve external competitiveness and employment.

In both countries there was an intense regulatory activity in the labor area, and successive steps showed linear progression towards reducing workers’ rights. But whereas in Argentina the process was marked by fluctuations and occasional setbacks originated in the importance that trade unions’ political support still had for the government (Cortés and Marshall, 1999), in Peru, within a more authoritarian context and with weak unions, it did not meet severe obstacles.

Constraints on contracts and dismissal were relaxed in Argentina and Peru. In Argentina multiple "promoted" temporary contracts were added (1991, 1995) to those already existing, with special benefits for small firms; as from 1995 small enterprises were permitted modification of dismissal rules through collective agreements and were favored by a shorter advance notice period. Even though most of the promoted temporary contracts were eliminated by a new reform in 1998, the latter at the same time considerably reduced lay-off compensation, particularly for workers with short tenure, for whom the cut exceeded 50%. In Peru a wide variety of flexible contracts that do not require prior authorization, new forms of subcontracting, and *maquilas* and free zones were introduced progressively (1991, 1995, 1996), and the pre-existing strong protection against dismissal.

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35 On reform projects and negotiated reforms see *inter alia* de la Garza (1999) and de la Garza and Bouzas (1999).

36 Labor reforms were implemented under different modalities and with variable intensity. The nature and depth of reform were influenced by the importance assigned by governments to labor cost cuts in general, and to flexibilization of employment regulations in particular, as mechanisms to adjust to the new international positioning, the extent to which trade union and political opposition was effective, the intensity of employer pressure in favor of the proposed changes, and the type and degree of protection guaranteed to workers by pre-existing laws (Marshall, 1999b).

37 Lay-off compensation in Argentina had been raised in 1989, and reduced again, but only slightly, in 1991.

38 In free zones and *maquilas* labor rules were to be much more flexible; all contracts were to be temporary and indefinitely renewable, wages and working conditions were open to negotiation without limitations, and there was no employment stability.
was gradually weakened: among others, new causes were admitted for fair and collective dismissal, and the procedure for the latter facilitated; the right to worker reinstatement, that had earlier defined Peru's labor law as very restrictive of the managerial prerogative, was first limited and finally suppressed (1995).\textsuperscript{39}

The most evident effect of these labor law reforms was employment restructuring in favor of flexible contracts; this in turn had an impact on labor turnover and the employment structure in terms of seniority. In Argentina and Peru use of these contracts expanded visibly after the legislative changes, but departing from very different levels.\textsuperscript{40} In Peru, where due to the very strong restrictions on dismissal until the mid 1990s flexible contracts had already been widespread (Marshall, 1992; Verdera, 1992), there was a notorious increase: from representing less than 40\% of wage employment before 1991, by 1996 flexible contracts were clearly predominant (54\%; Bernedo, 1999).\textsuperscript{41} In Argentina, with intermediate employment protection within Latin America, the use of temporary contracts, below 10\% of wage employment, had been much less common than in Peru (Marshall, 1994). Utilization of the contracts introduced in 1991 had been modest, as the law imposed some limitations, such as the need for trade union consent, that deterred employers from using them, but the modalities created in 1995 were rapidly adopted, in particular the trial contract; from accounting for 7\% of employment in early 1996 they represented over 13\% by mid 1998,\textsuperscript{42} before their elimination by the new reform. Their share in new recruitment expanded swiftly, reaching some 70\% of the new employees in 1998. These temporary workers had high turnover rates, not linked to changes in the level of economic activity, and although temporary workers are transitorily out of the counts of the unemployed, instability and fast turnover contribute to activate labor market competition.

**Trade union bargaining power**

In Mexico laws on collective rights were not reformed; nonetheless, the stronger role assigned to decisions from the federal and local *Junta de Conciliación y Arbitraje* was used to counter trade union pressures in conspicuous collective negotiations (Zapata, 1998). In contrast, in Argentina and Peru far reaching changes were implemented also in the area of worker collective rights. Several decrees fostered bargaining decentralization in the two countries; this had a more substantial impact in Argentina where industry wide negotiation had been hegemonic, and where subsequently the share of

\textsuperscript{39} More details in Aparicio and Bernedo (1997) and Saavedra (1999b).

\textsuperscript{40} In Mexico use of temporary contracts was not extensive (some 10\% in 1990) despite restrictive dismissal protection, partly because regulations on temporary contracts were also restrictive (Marshall, 1994), and at least in manufacturing use of temporary workers was minor in the early 1990s (de la Garza, 1999).

\textsuperscript{41} These flexible contracts were operationally defined as being the obverse of ‘stable’ employment as declared by workers (household survey).

\textsuperscript{42} Data refer to establishments with ten or more workers in Greater Buenos Aires (Ministerio de Trabajo y Seguridad Social [MTSS]) and come from firm surveys; they show a much higher rate of temporary employment than those from the household survey.
firm in total agreements increased from 19% in 1991 to 80% in 1997. But even in Peru, where decentralized agreements had already been prevalent, industry wide agreement practically disappeared in a five year period (Rueda-Catry et al., 1998). In addition, the validity of the agreements over time was limited in both countries: in Peru (1993) they were to cease at the expiration of the agreed term, and in Argentina (1998) agreements signed before 1988 were to expire two years after employers or unions demanded it. Moreover, in Peru the relaxation of requirements to create trade unions (1993), by weakening single unions, undermined their bargaining power; the fact that the union with a membership equal to the majority of the workers in the firm was to represent in collective negotiation also those workers who were not union members discouraged affiliation (Saavedra, 1999b); procedures for conflict resolution in case of disagreement became more unfavorable to workers; the right to strike was regulated in 1993, stipulating among others that striking workers are not entitled to wages (this was already the case in Argentina), but also that - to the benefit of workers - substitution of strikers is prohibited. The right to strike in essential services was also regulated in Peru, and it was limited in Argentina.

All these regulatory changes enacted in the 1990s aimed at curbing trade union power. Besides, employment losses in sectors where union density traditionally had been high, such as the public sector and manufacturing, employment shifts away from large firms, and employment restructuring in favor of legal and illegal flexible forms, together with faster turnover, contributed to reduce unionization rates and trade union influence. The same factors could have been conducive a diminished coverage of collective bargaining in Peru (Rueda-Catry et al., 1998).

However, whether union density did decline in the three countries or, at least, the magnitude of the fall, is still controversial. According to some, unionization rates among waged workers plummeted in Argentina from 67% to 39% between mid 1980s and mid 1990s, in Mexico from 60% to 43% in 1989-1991 (OIT, 1997a), and in Peru from 18% in 1991 to some 5% in 1997 (Saavedra, 1999a). The fall would be even steeper if union density were to be calculated against the labor force as a whole instead of wage earners exclusively.

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43 Data from MTSS.
44 It was argued that this clause is against worker interests, as it permits, combined with the legally established minimum duration of only one year, year to year modifications that may be unfavorable to workers (Saavedra, 1999b).
45 Apparently this rule was never implemented as it is again one core component of the labor reform project sent to Congress by the newly elected Executive, in office from the year 2000. Those pre 1988 agreements in fact date from 1975, the latest year with collective bargaining before the military regime of 1976-1983; collective bargaining over wages was reinstated only in 1988.
46 For more details on changes in state's role in conflict resolution in Peru, see Bernedo (1999).
47 Besides, the decline of union density is not incompatible with preservation of existing trade union power in specific sectors where workers would be better protected from increased labor market competition; this requires more investigation.
48 In Peru, unionization would have diminished from 11% to 3% in the private sector, and from 42% to 15% in the public sector (Saavedra, 1999a).
But these figures for Argentina and Mexico are uncertain, as others estimated that in Argentina union density actually increased during the 1980s and again between 1991 and 1994,\(^{49}\) and it was noted that in Mexico its drop has not yet been estimated quantitatively (Bayón and Bensusán, 1996). Anyway, regardless of unionization trends, it is clear that in Argentina and Mexico, at the time with governing parties based on alliances including unions, labor organizations maintained substantial political power, and exerted this power, to a lesser or greater degree, in the negotiation around labor law reforms (Cortés and Marshall, 1999; Murillo, 1999).

In Peru, unionization rates of those workers entitled to become union members (i.e. those employed in firms with 20 workers or over) went down much less noticeably (from some 60% in 1987 to 49% in 1995),\(^{50}\) but the sharp decrease of the number of collective agreements signed during the 1990s\(^{51}\) also indicates loss of trade union bargaining power (Aparicio and Bernedo, 1997; Rueda-Catry et al., 1998). The decrease is attributed by Aparicio and Bernedo (1997) to the reduction of the number of unions (owing to canceled registrations provoked by loss of representation, disappearance of many small unions, and enterprise merges);\(^{52}\) less claims submitted, sometimes due to the fact that the agreement's validity had been extended;\(^{53}\) and increased delays in signing agreements.

## WAGES, INEQUALITY AND WORKERS' BEHAVIOR

It was argued above that economic restructuring led to increased labor market competition, and that the latter (intensified or not by labor law reforms) influenced wage trends and workers’ individual and collective behavior. Its consequences interacted with direct state wage and conflict administration. To explore potential effects I examine wage tendencies, wage inequality patterns, individual work intensity and collective discipline. The analysis is tentative due not only to scanty information but also to the complex interaction among multiple determinants.

### Wages

Apart from the regulatory changes addressed to employment protection, collective bargaining, conflict and unions, governments repeatedly administered wages directly, via minimum wage regulation and control of wage increases. The minimum wage was government-administered in the three countries (in Argentina and Mexico formally in the context of tripartite bodies). Given state

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\(^{50}\) Based on data in Yépez (1988) and Aparicio and Bernedo (1997).

\(^{51}\) Note that this assessment is pertinent only if the composition of agreements in terms of bargaining level did not change.

\(^{52}\) However, the 1992 law that ended with monopoly of representation, as it permitted more than one union in each enterprise (Saavedra, 1999b), might have increased the number of unions.

\(^{53}\) Prolonging terms agreed earlier is not necessarily unfavorable to workers: in Argentina the lack of renewal of agreements has been behind government attempts at enforcing new negotiations, to lead presumably to worse terms for labor, in sectors still ruled by pre 1988 agreements.
readjustments, over the 1990s its real value tended to rise in Argentina; it declined in Mexico where it was not adjusted to inflation (de la Cruz, 1997), and in Peru it first fell (having been frozen between 1992 and 1994) but increased afterwards with the 1996 raise that contributed to check the decline in real wages (Bernedo, 1999). Minimum wage regulations are likely to have had less influence on sectoral wages in Argentina and Mexico than in Peru (Marshall, 1999a).

Wage control was present in the three countries. In the early 1990s limitations on wage growth were imposed by the governments of Argentina and Peru: in both, money wage indexation was prohibited, and it was stipulated that wage increases were to be backed by productivity growth. In Peru, the state directly fixed wage increases in certain years, for instance granting in 1990-mid 1992 generalized wage increases (Bernedo, 1999). Repeated restrictions on wage increases were introduced in Mexico during 1982-1994, while the continuity of corporatist pacts along the 1987-1997 period contributed to moderate wage increases in accordance with macroeconomic goals. On the other hand, with the signing of the Acuerdo Nacional para la Elevación de la Productividad y la Calidad in 1992, the Mexican government stimulated the use of productivity bonuses during 1992-1994 to permit wage recovery ("productivity agreements", of federal jurisdiction), but this mechanism was eroded as from 1995.

In the 1980s real wages had dropped in the three countries in the context of economic stagnation, or slow growth, and "austerity" policies (table A, Appendix). In the following decade, real manufacturing wages lagged behind productivity growth in manufacturing (that rose considerably, with the fastest rate in Peru) and, on average for the 1992-97 period, also money wages lagged slightly behind the consumer price index. The real wage level of 1990 was well below the 1980 figure in the three countries, and in 1997 real manufacturing wages were at their 1990 level in

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54 Data on minimum wages in CEPAL, Estudio ... 1997-1998.
55 This depends on the relationship between minimum and average wages, and on how large is the proportion of workers whose earnings are close to the minimum wage.
56 According to Bernedo (1999), the Peruvian government had a dual wage policy: on the one hand the state did not intervene in favor of workers not entitled to collective bargaining, whose wages were left to "market forces" and new employment regulations; on the other, it created negative conditions for wage determination in those sectors entitled to collective negotiation.
58 GDP per capita decreased during 1981-90 at the annual rates of -2.1%, -0.2%, and -3.3%, in Argentina, Mexico an Peru respectively, and rose, respectively, at the rates of 4.2%, 1.0%, and 3.7% in 1991-97 (CEPAL, Estudio ... 1997-1998).
59 Argentina and Mexico: manufacturing wages; Peru: private sector wage earners, Lima, a proxy for manufacturing wages.
60 Ideally, the analysis should be based on manufacturing wages deflated by manufacturing prices, or on the wage share of manufacturing added value, not readily available. Due to the chaotic hyper-inflationary behavior of 1990 in Argentina and Peru, it is best to start the period of analysis with the wage increase of 1992/1 (estimates with and without 1991/0 are in table 4). The estimate of manufacturing productivity growth in Mexico might be somewhat distorted by the fact that it is based on output and employment annual average rates of change, and 'employment' excludes maquiladora manufacturing.
Argentina, below it in Mexico, and even if somewhat above it in Peru, they were very far from having attained their 1980 level (table A, Appendix). These shared negative trends are not surprising in the context of mounting labor market competition and declining trade union bargaining power. However, the patterns are not the same, and their possible explanatory factors diverge, if we consider two separate subperiods: before and after the 1995 crisis originating in Mexico which, as we have seen, had adverse effects also on the Argentine economy.\(^{61}\)

First, we observe that the evolution of inflation itself, the control of which was much more successful in Argentina, contributes to explain real manufacturing wage trends. In Argentina, rapid stabilization, as well as a somewhat more favorable labor market situation at the beginning of the period, made possible first the rise and then the stagnation of real wages. Indexation was prohibited. After the recession, and with practically zero inflation, wages barely declined even though unemployment was increasing rapidly, as money wages tend to be inflexible downwards (anyway, money wages did contract in more vulnerable sectors such as the construction industry). In Mexico and Peru real wages first rose (see wage policy measures above), but the initial favorable impact was rapidly eroded after 1995, particularly in Mexico where the rate of inflation was faster. In Peru, under a somewhat different economic setting (with decelerating growth in 1996) including the fact that inflation did not subside initially as much as it did in Argentina and Mexico, wages would be reflecting mainly government wage readjustments and the prohibition of indexation, in the context of powerless unions.

On the other hand, before the crisis wages had risen somewhat faster than productivity in Mexico. The extent up to which this could be attributed to the government promoted productivity agreements at the enterprise level requires more investigation.\(^{62}\) It may be conjectured that the positive relationship between wages and productivity before the crisis evidences some success of the renewed social pact. In Argentina and Peru, with the same policy objectives, such association is not apparent at the macro level, but might be found at more disaggregated levels. Even if unions may on the whole be stronger in Argentina than in the other two countries, the increase of open unemployment could have sufficed to check wage growth, and to frustrate the objective of linking wage progress to productivity gains.

In other words, the interaction between different institutional arrangements and economic mechanisms produced similar longer term (decade) outcomes. These not necessarily meant deviation from historical patterns.\(^{63}\)

**Inequality of labor earnings**

\(^{61}\) Peru cannot be compared in this case, since 1991-97 was a period of uninterrupted growth. Data for each subperiod in Peru are shown anyway in table 4.

\(^{62}\) Productivity based wage increases were small sized (de la Garza, 1999).

\(^{63}\) In Argentina, for instance, also in the past (1950s throughout the early 1970s), wages had remained constant in the long period while productivity increased regularly (Marshall, 1980).
Inequality in the distribution of wage income and pay disparities increased in all three countries in the 1990s, but considerably less in Argentina. In the latter, the Gini coefficient for wage income tended first to decline and then to increase again from 1994 but only slightly (0.381 in 1991, 0.376 in 1994, 0.397 in 1997), while the Gini for total income increased, with some oscillations, from 0.398 in 1991 to 0.433 in 1997.\textsuperscript{64} Wage differentials according to education experienced little change (Altimir and Beccaria, 1999).\textsuperscript{65} Whereas in Mexico the distribution of wage income became more unequal (the Gini coefficient increased from 0.40 to 0.47 between 1987 and 1996; cited by López, 1999),\textsuperscript{66} and more polarized, due mainly to the rising earnings of persons in supervisory and professional positions (Alarcón and McKinley, 1998). Consistently, the gap between the minimum wage and average manufacturing wages (at least until the 1995 crisis; López, 1999), and between unskilled workers and direct and professional positions, enlarged considerably; earnings of directive and professional personnel had been 5.6 times those of unskilled workers in 1989, and were 8.4 times in 1994.\textsuperscript{67} In Peru too there was an increase in the wage differential between white collar and blue collar workers in formal enterprises, and between educational levels (Saavedra, 1999a).

Within manufacturing (table 5), the increase of wage dispersion across industries was most flagrant in Mexico. Wage dispersion augmented in Peru between 1992 and 1994 (although it had been higher in 1990-1991, possibly owing to hectic re-adaptations to high inflation),\textsuperscript{68} and also, but much more modestly and only after the 1995 crisis, in Argentina (where it had been higher in 1990, a year with high inflation). Saavedra (1999a) argues that the widening of wage differentials in Peru was associated with productivity growth differentials across sectors, but in relation to Argentina, Altimir and Beccaria (1999), who found no changes in wage differentials by industry, suggest that there was no association with specific characteristics of industries such as prices and productivity. Wage differentials between firms could have increased more substantially, but data are not available; increased wage drift in 1992-96 \textit{vis-à-vis} the preceding period (Perelman, n.d.) could be one consequence of such process.

Four factors may have fostered wage inequality. First, growth of the labor surplus, that tends to widen wage differentials to the detriment of unskilled workers and of low wage, less dynamic sectors. Second, increased bargaining decentralization, that aimed not only at dismantling trade union power but also at linking wage changes to the unequal economic situations and capacity to pay of firms. Third, productivity growth differentials across manufacturing industries may have widened. Finally, the fact that economic liberalization led to rapid restructuring of labor requirements, producing mismatches between supplied and demanded skills.

\textsuperscript{64} Data in Grandes and Gerchunoff (1998) for Buenos Aires.

\textsuperscript{65} According to Frenkel and González Rozada (1999), who focus on hourly wages of full time workers, wage differentials between workers with higher education and those with only elementary education increased (but not within manufacturing), whereas the wage gap between workers with elementary and those with secondary education remained stable (1991-98).

\textsuperscript{66} The Gini coefficient for non agricultural wage income increased from 0.47 in 1989 to 0.53 in 1994 (Alarcón and McKinley, 1998).

\textsuperscript{67} More details in Alarcón and McKinley (1998); the analysis refers to wage earners excluding agriculture.

\textsuperscript{68} Manufacturing wage data for Peru are not available for 1995, and from 1996 are not comparable.
The more moderate increase of wage inequality in Argentina could partly be attributed to market forces; the rising educational level of Argentina's population helped provide the kind of labor skills that matched those demanded after economic restructuring (Altimir and Beccaria, 1999; Frenkel and González Rozada, 1999). As a result, there were no supply bottlenecks that would have induced faster wage growth in jobs with new skill and educational requirements. But the more modest increase of wage inequality could also be associated to other factors: one, that, despite collective bargaining reforms, trade unions still maintained in Argentina the capacity to protect less skilled workers in each industry, and those employed in lower wage sectors; two, that a considerable proportion (about one third) of the collective agreements applicable in 1999 had been signed prior to 1988, and these, with terms more favorable to workers, had not been renewed or renegotiated yet in the late 1990s.69

Even if unions were unable to obtain for workers a share of productivity gains, in Argentina they seem to have succeeded in protecting in the same degree unskilled and skilled workers within each sector, and in blocking at the political level the implementation of the legislated mandatory renewal of the agreements predating 1988. This added to an apparently more balanced supply/demand situation in relation to "new" skills than in the other two countries. Such “downward” generalization of union's protection seems to be less discernible in Peru, where unions are more fragile and bargaining much more decentralized. If we compare Argentina and Peru, where similar labor reforms were implemented, the differences in unions' influence could have led to a more unbridled impact of market forces on wage inequality in the latter. On the other hand, we observe that in Mexico wage inequality advanced sharply even though collective negotiation was not reformed, seemingly as a result of market forces.70 Bargaining reforms per se do not suffice to explain trends in wage inequality, and union power and orientation, as well as market forces, are likely to have had a decisive influence.

**Individual labor discipline and the work effort**

Changes in hours worked and absenteeism provide indications of changes in individual discipline and work effort.71 But data on the latter do not exist, and those on hours worked by wage earners are scanty.72 The number of hours per worker in manufacturing industry apparently did not change in Peru and Mexico (table B, Appendix),73 but it did rise in Argentina (Marshall, 1998b). Legal regulations on hours place a strong constraint on the possibility of lengthening the working week, but changes in work organization and methods and in technology often require deployment of higher labor intensity, and

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69 According to very preliminary estimates based on MTSS data.
70 In this connection, the orientation of Mexican trade unions need also to be explored.
71 Usually productivity trends have been used as an indication of the work effort after controlling for the impact of technological changes leading to labor substitution, but this was not possible in this exploratory analysis (see DeFreitas and Marshall, 1998, and literature cited therein).
72 Besides, variations in hours express factors other than changes in individual consent to work beyond the normal working day or week.
73 The impact of the rebate on the cost of overtime in Peru cannot be appraised as data for later years are not available.
even given the number of working hours, it still has been possible to increase effective working time by reducing lost time. Besides, there were modifications via collective agreements, establishing a maximum annual working time, and considering the possibility of compensating daily overtime hours with rest periods within longer time span, such as the year.

It is not clear as yet how generalized has been the introduction of work intensification arrangements via collective agreements in the countries examined in this paper, but a process in this direction seems to be underway. In the 1990s, several collective agreements signed in Mexico included new arrangements to flexibilize working hours, cut down paid holidays, flexibilize shift work, and reduce rest periods during working hours (Zapata, 1998), although de la Garza and Bouzas (1999), based on a representative survey of one thousand collective agreements, conclude that the flexibilizing changes that took place in the 1990s were localized in a minority of firms, mainly the largest, that had been privatized. In Argentina, nearly one half of the "productivity agreements" negotiated industry wide between 1991 and 1995 included clauses intended to increase effective working time or optimize the use of existing capacity, and several agreements in privatized enterprises included arrangements to flexibilize working time (Novick et al., 1996); an annual working time was fixed by collective agreements at enterprise level in the automobile industry (Novick and Catalano, 1996). Still little, if anything, is known about the actual impact of these clauses.

In brief, hours worked by employee did increase in Argentinean manufacturing, and in both Argentina and Mexico many collective agreements included clauses that were expected to lead to higher work intensity. But how important in actual practice the ongoing transformations have been requires more investigation.

Collective labor discipline: labor conflict

Labor conflict usually is considered being an indication of the extent of collective discipline, and is estimated in terms of actual strike activity. As the latter tended to fall during the 1990s in Argentina, Mexico and Peru (table 6), as it also did in other Latin American countries, this would be a symptom of increased collective discipline. Some caveats may apply to the case of Mexico, where the number of both strikes and strikers decreased in 1990-1996, but the number of claims increased and of calls to strikes remained at a persistently high level (de la Garza and Bouzas, 1999).\(^{74}\)

Several factors may have moderated conflict in these countries. Spaltemberg (1995), with reference to the Argentine case, suggests an inverse correlation between unemployment and labor conflict. Political change, namely the shift (from the Radical to the Justicialista party) to a government with strong support from important trade unions who were able to discipline the workforce despite

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\(^{74}\) Data are for both federal and local jurisdictions. Besides, the rather constant number (after a singular peak in 1991) of registered conflicts not leading to strikes (de la Garza and Bouzas, 1999) might have been a sign of intense trade union activity in relation to issues not entitled to generate, or which are very difficult to be negotiated through, strikes; in support of this view is the fact that such registered conflicts not leading to strikes were triggered more often by the most conflict prone unions (Bizberg, 1998).
conditions prone to aggravating labor conflict, could have contributed in the case of Argentina. Similarly, the establishment or renewal of "social pacts" helped reduce strike activity in Mexico (Zapata, 1998). New legal regulations deterred conflict in Peru: as we have seen, the 1993 law on collective labor relations established that strikers were not entitled to pay, and this, according to Saavedra (1999b), was an important factor explaining the decline in hours lost due to strikes. In other words, the disciplining effect of pro government unions in Argentina, renewed corporatism in Mexico, and new regulations in Peru could have produced the same falling trend in labor conflict, in the three cases in the same context of labor surplus (more marked in Argentina with the jump in open unemployment) and debilitated unions (most particularly in Peru),

**FINAL CONSIDERATIONS**

From the foregoing discussion two conclusions may be drawn; these interpretations are only tentative owing to lack or insufficiency of adequate information and the impediments this poses for a more rigorous study, and the fact that the potential influence of some factors was not exhaustively analyzed in this paper and needs to be explored further.

First, that different institutional arrangements in each country, and their interaction with economic policy outcomes delivered similar overall labor market effects (wage trends, advance of wage inequality, greater individual and collective labor discipline), and that to use cross-national comparative analysis to attribute outcomes to particular labor institutions or institutional changes may be misleading or wrongful. This confirms Freeman's (1998) warnings about using cross-country comparison to reach conclusions on institutional outcomes, and the relevance of his emphasis on the need to look at institutional configurations and entire models and not just at particular factors.

Second, that economic regulations and their labor market, including institutional, impacts (in particular, intensification of labor market competition) were more consequential than changes in legal labor regulation *per se*. Even where laws on employment protection, bargaining structures, or union rights had not been transformed, labor market outcomes tended on the whole to be similar. This notwithstanding, the change of legal rules was not without influence, and reinforced the labor market effects of economic reforms. Further, given the global similarity of labor market outcomes, there were still differences across countries, and in this connection the intervention of unions, their strength and objectives, relation with the state and political leverage, left their imprint on the labor market; they seem to have affected for instance the progress of wage inequality, and even how successful were the policy attempts at tying wages to productivity, a topic that requires more thorough investigation.

The legal reform of labor regulation prescribed by the labor policy model prevailing in the 1990s does not seem to have been "necessary" for the success of economic reforms. Why then, given that similar labor outcomes obtained with no need to reform labor laws, some governments and employer organizations pushed so strongly for the reforms? It is difficult to believe that there was a genuine faith in their employment creation capacity. Labor law reforms seem to have responded to employer pressure, but primarily to IMF conditionality (apart from the occasional use of labor law reforms, or lack thereof, to negotiate union political support, as in Argentina), and to have been important to
advertise governments' ideological commitment to the new economic and social model. The reforms, in any case, helped consolidate an already weakened labor's position, and the new restrictions might become instrumental to government policy and employers in case that labor markets were to tighten in the future strengthening unions once again.
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Table 1. Labor institutions

<table>
<thead>
<tr>
<th></th>
<th>Argentina</th>
<th>Mexico</th>
<th>Peru</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>corporatist relations</strong></td>
<td>x</td>
<td>x</td>
<td>-</td>
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<tr>
<td><strong>trade union strength</strong></td>
<td>&gt;</td>
<td>&gt;</td>
<td>&lt;</td>
</tr>
<tr>
<td><strong>bargaining structure</strong>*</td>
<td>IW</td>
<td>M</td>
<td>D</td>
</tr>
<tr>
<td><strong>employment protection</strong></td>
<td>I</td>
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<td>R</td>
</tr>
<tr>
<td><strong>labor law reform</strong></td>
<td>x</td>
<td>-</td>
<td>x</td>
</tr>
</tbody>
</table>

* IW, M, D: degree of centralization (industry wide dominant, mixed, decentralized dominant, respectively)
** I, R: Intermediate and restrictive of employers’ prerogative, respectively


Table 2. Labor market characteristics

Urban areas

<table>
<thead>
<tr>
<th></th>
<th>Argentina</th>
<th>Mexico</th>
<th>Peru*</th>
</tr>
</thead>
<tbody>
<tr>
<td>% labor force participationb</td>
<td>39.0</td>
<td>42.2</td>
<td>51.8</td>
</tr>
<tr>
<td>% unemployment</td>
<td>7.5</td>
<td>14.9</td>
<td>2.8</td>
</tr>
<tr>
<td>% self employment</td>
<td>24.7</td>
<td>26.5</td>
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</tr>
<tr>
<td>% small firm*</td>
<td>14.9</td>
<td>19.2</td>
<td>19.6</td>
</tr>
<tr>
<td>% public sector*</td>
<td>19.3</td>
<td>12.7</td>
<td>25.0</td>
</tr>
<tr>
<td>% medium/large firms*</td>
<td>33.2</td>
<td>33.5</td>
<td>19.6</td>
</tr>
<tr>
<td>% wage employment*</td>
<td>67.4</td>
<td>65.4</td>
<td>64.2</td>
</tr>
<tr>
<td>% private wage employment*</td>
<td>48.1</td>
<td>52.7</td>
<td>39.2</td>
</tr>
</tbody>
</table>

* In relation to total urban employment. Size of firms are not comparable across countries.

a Unemployment and labor force participation: 1990, Metropolitan Lima; 1997, urban areas; rest of characteristics, Metropolitan Lima

* Labor force participation rates are not comparable across countries.

Source: OIT (1998); INDEC, household survey (labor force participation, Argentina).
Table 3. Output, productivity and employment, 1990-1997
Annual average rates of change

<table>
<thead>
<tr>
<th></th>
<th>GDP</th>
<th>E-LS&lt;sup&gt;a&lt;/sup&gt;</th>
<th>EOE&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Productivity</th>
<th>informal empl. growth&lt;sup&gt;c&lt;/sup&gt;</th>
<th>mfg employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>5.5</td>
<td>-1.2</td>
<td>0.33</td>
<td>3.6</td>
<td>6</td>
<td>-1.3</td>
</tr>
<tr>
<td>Mexico</td>
<td>2.8</td>
<td>-0.2</td>
<td>1.32</td>
<td>-0.9</td>
<td>4</td>
<td>5.1</td>
</tr>
<tr>
<td>Peru</td>
<td>5.5</td>
<td>-0.3</td>
<td>0.58</td>
<td>2.2</td>
<td>7</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

<sup>a</sup> Difference between annual average rates of change of employment and the labor supply
<sup>b</sup> Employment output elasticities
<sup>c</sup> Difference (percent points) between initial and last years in the urban employment share of the informal sector (defined as self employment, plus small firms and domestic service; OIT, 1998).


Table 4. Manufacturing performance and real wages, 1990-1997
Average annual rates of change

<table>
<thead>
<tr>
<th></th>
<th>output</th>
<th>employment</th>
<th>productivity</th>
<th>consumer price index</th>
<th>real wages</th>
</tr>
</thead>
<tbody>
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<td>Argentina</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991-97</td>
<td>--</td>
<td>-2.2</td>
<td>--</td>
<td>--</td>
<td>0</td>
</tr>
<tr>
<td>1992-97</td>
<td>4.0</td>
<td>-1.9</td>
<td>5.9</td>
<td>5.1</td>
<td>-0.2</td>
</tr>
<tr>
<td>1991-94</td>
<td>--</td>
<td>-2.2</td>
<td>--</td>
<td>--</td>
<td>0.5</td>
</tr>
<tr>
<td>1992-94</td>
<td>5.3</td>
<td>-1.5</td>
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<td>-4.6</td>
</tr>
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</table>

<sup>a</sup> Employment: manufacturing exclusive of maquiladoras
<sup>b</sup> Wages: workers of private sector in Metropolitan Lima; employment: manufacturing; establishments with 100 or more workers in Lima

Source: CEPAL, Estudio..., several years.
### Table 5. Wage dispersion in manufacturing, 1990-97

Coefficients of variation

<table>
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<tr>
<th></th>
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<th>Mexico</th>
<th>Peru</th>
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<tbody>
<tr>
<td>1990</td>
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<td>0.37</td>
</tr>
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<td>1993</td>
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<td>0.33</td>
<td>0.42</td>
</tr>
<tr>
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<td>0.45</td>
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<td>0.35</td>
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</tr>
<tr>
<td>1996</td>
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</tr>
<tr>
<td>1997</td>
<td>--</td>
<td>0.43</td>
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Source: own estimates on the basis of ILO, *Yearbook of Labour Statistics*, several years.

### Table 6. Labor conflict

<table>
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<th></th>
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<tbody>
<tr>
<td>Argentina*</td>
<td>464*</td>
<td>670</td>
<td>376</td>
<td>270</td>
<td>259</td>
<td>343</td>
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<tr>
<td>Mexico **</td>
<td>43</td>
<td>334</td>
<td>1599</td>
<td>1620</td>
<td>1602</td>
<td>1843</td>
<td>1370</td>
<td>1304</td>
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<tr>
<td>Mexico ***</td>
<td></td>
<td></td>
<td>829</td>
<td>--</td>
<td>--</td>
<td>629</td>
<td>588</td>
<td>577</td>
<td>461</td>
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<tr>
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<td></td>
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<td>0.9</td>
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<td>1529</td>
<td>1883</td>
<td>1110</td>
<td>290</td>
<td>271</td>
<td>242</td>
<td>131</td>
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</table>

* Number of labor conflicts; includes strikes and other forms of conflict, as well as lock-outs; excludes general strikes (more details in Spaltemberg, 1995)

** Number of working days lost due to strikes and lock-outs (OIT, 1997a)

*** Strikes including those of local jurisdiction (INEGI, cited by de la Garza, 1999) which, according to de la Garza (1999), account for the majority.

# Number of hours lost due to strikes, by workers, per year (OIT, 1997b)

* Average 1984-1989, according to data in Spaltemberg (1995)

* Strikes only, and exclusive of those of local jurisdiction (OIT, 1997a)

* From 1994, only strikes in the private sector

Sources: Spaltemberg (1995); OIT (1997a) and (1997b); de la Garza (1999).
APPENDIX

Table A. Consumer price index (CPI) and real wages (RW)

<table>
<thead>
<tr>
<th>Year</th>
<th>Argentina</th>
<th></th>
<th>México</th>
<th></th>
<th>Peru</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>CPI % ch.</td>
<td>RW 1990=100</td>
<td>CPI % ch.</td>
<td>RW 1990=100</td>
<td>CPI % ch.</td>
<td>RW 1990=100</td>
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<td>1980</td>
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<td>--</td>
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<td>309.3</td>
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<tr>
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<td>--</td>
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<td>--</td>
<td>100.0</td>
<td>--</td>
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<tr>
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<td>18.8</td>
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<td>8.0</td>
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<td>15.4</td>
<td>127.4</td>
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<td>98.2</td>
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<td>110.3</td>
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Table B. Hours worked
(weekly average)
Wage earners

<table>
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<tr>
<th>Year</th>
<th>Peru(^a)</th>
<th>México (^c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru(^a) mfg</td>
<td>47.1(^b)</td>
<td>44.1</td>
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<tr>
<td>Mexico mfg</td>
<td>45.4(^c)</td>
<td>45.1</td>
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</tbody>
</table>

\(^a\) Lima  
\(^b\) 1983-90  
\(^c\) 1985-90 (ILO's Yearbooks of different years show non coincident figures); 1988-90: 44.6  
\(^d\) Doubtful

Source: ILO, *Yearbook of Labour Statistics*, several years.