

## **Labor Deregulation and the 'official' labor movement in Mexico and Argentina**

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## *Introduction*

Since the mid-1990s there has been an increasing preoccupation among key financial institutions regarding the impact of structural programs on poverty and income distribution. More precisely, organizations like the World Bank and the IMF have seen fit to propose that new policies are required in order to address some of the problems that the reforms implemented since the 1980s left unresolved. Accordingly, a second generation or stage of reforms organized around the notion of institution building is the new order of the day to overcome the more than obvious predicaments of growing inequality and poverty.<sup>1</sup>

Second stage reforms are intended as measures to redress the failure of the market to provide a level playing field for all social actors to benefit from the new opportunities that, according to the dominant discourse, are inherent in the new economy. These include reforms in the financial system, the strengthening of good governance, further fiscal adjustment and the deepening of structural reforms. It is in this last set of proposed reforms that the deregulation of labor markets is conceived as a fundamental transformation to ensure that the new prospects for economic growth derived from more open, market-based economies can translate into higher rates of employment creation.

However, the pressure to modify existing legal frameworks regulating labor relations is not new. Mexico and Argentina have debated labor legislation reform along the lines proposed by the World Bank and IMF during the last decade. The experience of these countries shows that labor legislation did not present an insurmountable obstacle for the emergence of flexible forms of employment, nor did deregulation actually translate into higher levels of employment. The debates and events surrounding labor legislation reform are also relevant because they rendered transparent its political significance for the parties that in Mexico and Argentina undertook radical neoliberal reforms in the 1990s. In fact, labor legislation has played a fundamental role in delineating the relationship between the parties in power during the 1990s--the Institutional Revolutionary Party (PRI) in Mexico and the *Justicialista* Party (PJ) in Argentina-- and the most powerful labor organizations in these countries. Because historically the existence of these labor organizations acted as an effective alternative to control working class demands, their allegiance remained an important variable during a process of rapid change, particularly so--one is tempted to argue--during a period of deteriorating conditions for most workers.

Of course, the new realities faced by the working class acted as very powerful disciplining mechanisms, and thus it is not surprising that as conditions deteriorated resistance to the changes imposed by restructuring also became weaker. Nonetheless, judging from the experience surrounding labor legislation reform, there was an interest in avoiding the complete undermining of labor organizations that were long-standing political allies. Thus, what for lack of a better concept I will describe as corporatism in state-labor relations, survived the deep transformations of the 1990s in Mexico and Argentina.

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<sup>1</sup> Michael Camdessus, "Second Generation Reforms: Reflections and New Challenges," Opening remarks to IMG Conference on Second Generation Reforms, Washington D.C. November 8, 1999. See also Burki, Shahid Javed and Guillermo E. Perry, *Beyond the Washington consensus : institutions matter*. (Washington, D.C. : World Bank, 1998).

Nonetheless, the conditions created by neoliberal policies posed some serious challenges to the position of the official labor movement. Equally important, the official labor movement has been weakened by its own political decisions, taken in function of the benefits it could derive from supporting the economic policies implemented throughout the 1990s. The political conditions in a post-PRI Mexico and the end of Peronist rule in Argentina have added one more layer of difficulties to the dilemmas faced by the official labor movements in these countries.

In this paper, I will examine the political prospects that exist today for the official labor movement in Mexico and Argentina. I will argue that while they were successful in retaining some of the privileges derived from their close relationship with the state, the cost of this association was high in terms of their claim of legitimacy as representative of working class interests. The emergence and growing significance of alternative working class organizations has the potential also to accelerate the rate of decomposition of the traditional labor movement. Nonetheless, although challenged by the prospect of political isolation and by new social actors, official labor might still retain some of its capacity to present an effective opposition to government policy.

The comparison between Argentina and Mexico is relevant for a number of reasons. They both have well organized labor movements that have grown in association with the political party in power during the 1990s. In the case of Argentina, the CGT (Confederación General del Trabajo) has been since the late 1940s very closely associated with the Peronist movement. While this relation seriously limited its autonomy, its Peronist identity afforded it a degree of political unity and power that allowed it to become a very effective social actor. In the case of Mexico, the CTM<sup>2</sup> (Confederación del Trabajo de Mexico) also achieved important levels of organization. As in the case of Argentina, its strong identification with the dominant political force (the PRI) provided it with an identity and coherence that buttressed its political power. Much more clearly than in the case of Argentina, its close relationship with a party that never faced electoral defeat until 2000, also guaranteed access to power and to the economic and political benefits that derived from it. Restructuring since the 1980s changed the dynamics of the relationship between the PRI and the official labor movement in important ways. Nonetheless, it did not completely eliminate the institutional weight of the CTM. Neither did the CGT lose all its political significance, regardless of the clearer attempt of the last Peronist administration to formalize changes in labor legislation.<sup>3</sup> Thus, while both organizations have suffered in terms of their legitimacy, they still retain an important part of their organizational power and, with it, the capacity to act as opposition forces to the policies of the new administrations.

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<sup>2</sup> I will consider the case of the CTM because it is the largest and most influential of the labor confederations associated with the PRI. Since 1966 these organizations have been grouped under the Labor Congress (CT).

<sup>3</sup> It is clear, though, that accommodation to government policy during the process of neoliberal restructuring has undermined labor leadership's claim to representation and thus facilitated its own fragmentation. See Philip Oxhorn, "Is the Century of Corporatism Over? Neoliberalism and the Rise of Neopluralism," in Philip D. Oxhorn and Graciela Ducatenzeiler, eds., *What Kind of Democracy? What Kind of Market?* (University Park: Pennsylvania State University Press, 1998), 195-217.

*The state and the official labor movements in Mexico and Argentina*

In very general terms, to think of a role as opposition for the official labor movements in Mexico and Argentina implies thinking of their capacity to mobilize against those policies with negative consequences for their membership, in particular the level of wages and employment and working conditions. Quite obviously, though, this is far from being all that there is at stake for the CGT and CTM. In fact, a fundamental part of the institutional history of both organizations has also been the protection of their own corporate interests. However, these could not exist in complete isolation from their role as unions, that is, their capacity to provide some response to the demands of and pressure from their grassroots.

To analyze the relationship between organized labor and the state, I have suggested above that corporatism might be a useful theoretical concept. It is clearly not free from problems, in particular its implicit emphasis on the power of the state in the articulation and control of the relationship with labor.<sup>4</sup> Nonetheless, as a conceptual category, it has the potential of explaining the particular nature of the relationship with the state that gave predominance to some working class organizations. Briefly, corporatism in state-labor relations implies a system of social control in which the state facilitates the organization of the labor sector both through the promulgation of legal instruments that guarantee monopoly of representation to certain organizations, and by extending to them the legal, material and political resources that are necessary to sustain their privileged position as labor organizations.<sup>5</sup> In Mexico and Argentina, corporatism was consolidated during the administrations of Lázaro Cárdenas (1934-1940) and Juan Domingo Perón (1946-1955) respectively, that is, under populist experiments. However, corporatism was also compatible with a number of different political regimes.

The case can be more clearly illustrated through the example of Argentina. After 1955, a crucial component of the political imaginary of the most conservative forces was the return to the conditions that had prevailed in Argentina prior to Peronism, particularly the curtailment of the power acquired by unions. However, not even under military regimes with a clear anti-labor discourse was the power of union bureaucracies the object of a frontal attack. In fact, faced with their enormous organizational weight within Peronism, their power as key social actors and their capacity to exercise control over the rank and file, most post-populist regimes, at least until 1976, agreed on conditions that increased unions' power.<sup>6</sup> Labor bureaucracies were further strengthened with the support of legislation that stood at the core of its corporatist power, in particular compulsory affiliation, the principle of a single union for each trade and monopoly of representation for the CGT. Moreover, it was under the military regime in the late 1960s that the financial power of unions was entrenched through the institutionalization of their right to control

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<sup>4</sup> Kevin Middlebrook, *The Paradox of Revolution. Labour, the State and Authoritarianism in Mexico* (Baltimore: Johns Hopkins University Press, 1995), 341-42, note 82.

<sup>5</sup> David Collier and Ruth Berins Collier, "Who Does What, to Whom, and How: Toward a Comparative Analysis of Latin America Corporatism," in James Malloy, ed., *Authoritarianism and Corporatism in Latin America* (Pittsburgh: University of Pittsburgh Press, 1977), 493.

<sup>6</sup> See for example Marcelo Cavarozzi, *Sindicatos y política en Argentina* (Buenos Aires: CEDES, 1984).

and administer health care services (*obras sociales*) for their members.<sup>7</sup> In the case of Mexico, the response of the state to labor's demands was quite diverse among post-Cardenas administrations. Nonetheless, even during the most conservative manifestations of the PRI's rule, official labor was capable of finding effective means of accommodation with government policies.

The essence of corporatist state-labor relations was far from being a simple transaction between capacity to control working class demands and political and economic privileges for the leadership. Or more clearly, the power of unions to actually control their grassroots without recourse to open coercion on the part of the state—and the potential of corporatism to make such coercion as unnecessary as possible was one of its most appealing features--was a function of the leadership's power to deliver some tangible benefits to their rank and file. Most of the time they were obtained precisely because of the close relationship with the state, but this was not always the case. In Argentina, for instance, direct confrontation was a common instrument in obtaining wage increases, even under Peronist administrations.<sup>8</sup>

At the basis of the corporatist relationship between state and organized labor stood the limits that the leaderships imposed on democratic participation within unions. Labor organizations became increasingly authoritarian and hierarchical institutions, whose main function was always understood to be their intervention and negotiation within the upper echelons. Limits to internal democratic participation were guaranteed through a number of mechanisms, for instance lack of secret ballots, fraudulent electoral practices, and sometimes simply open intimidation. Legal provisions like the exclusion clauses under Mexico's labor legislation made the emergence of alternative organizations extremely difficult. When challenges emerged nonetheless, as for instance the case with railway workers in the late 1950s in their struggle over union representation, the CTM supported the state's repression of the dissenting leadership.<sup>9</sup> In the case of Argentina, the most extreme expression of labor leadership's low degree of tolerance for dissent was the violent persecution of left-wing supporters, both real and imagined, in the years immediately preceding the collapse of Isabel Peron's administration in 1976. This period in

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<sup>7</sup> Omar Moreno, "La última oportunidad del sindicalismo argentino," in Holm-Detlv Kohler and Mandred Wannoffel, eds., *Modelo Neoliberal y Sindicatos en América Latina* (Mexico: Fundación Friedrich Ebert, 1993), 53-56.

<sup>8</sup> Probably the most dramatic example in this respect was the relationship between Isabel Peron and the CGT since early in 1975. As the economy faltered, the increasing mobilization for wage increases produced the recurring failure of the stabilization programs with which the government attempted to respond to growing inflation and generalized economic crisis. The conflict between the Peronist administration and the CGT was at the core of the crisis which unfolded within the Peronist party and engulfed society as a whole [Tulio Halperin-Donghi, "The Peronist Revolution and Its Ambiguous Legacy," *Occasional Papers Series No. 17*, (London: Institute of Latin American Studies, University of London, 1998), 25-6].

<sup>9</sup> It is important to note, though, that part of the CTM response to this challenge was also its own mobilization for the response to some of the most pressing demands raised by workers, in particular a rise in wages and profit sharing. See Maximo Ortega Aguirre and Javier Soriano Plaza, "En un período de insurgencia obrera, 1958-1964," in Javier Aguilar Garcia ed., *Historia de la CTM 1936-1990*. Mexico: UNAM, 1990. For an insightful discussion on the various labor conflicts that emerged during this period in Mexico see Viviane Brachet-Marquez, *El Pacto de dominación. Estado, clase y reforma social en México (1910-1995)*, México: El Colegio de México, 1996, pp. 142-149.

the history of the Peronist labor movement was the culmination of a long process, interrupted only for a few years after the downfall of Peron in 1955, through which undemocratic, bureaucratic and openly coercive methods became ever more entrenched within unions.<sup>10</sup>

As I have suggested, the cases of Argentina and Mexico show that the corporatist power of unions survived under a variety of political regimes. It is important to note, though, that all these regimes shared a basic orientation in their economic policies, in particular their emphasis on industrialization, the centrality of the domestic market and a prominent role for the state in the regulation of the economy. In the context created by protected markets, the resistance to wage increases on the part of capital was tempered by the possibility of translating higher wage costs into price increases. Thus, inflation was also one of the characteristics of industrialization, particularly in the case of Argentina.<sup>11</sup> In fact, import substitution industrialization was framed within the ‘anti-subversive’ discourse of the military regime that took power in 1976 as the system that had allowed for the inordinate, distorting and destructive power of labor unions in the country. Interestingly, besides repression, the military also sought to control labor’s capacity to push for higher wages by actually forcing capital to accommodate to the new conditions created by trade liberalization, thus reducing the viability of the previous pattern of accommodation to labor demands.<sup>12</sup>

The changes introduced by the process of restructuring in Mexico and Argentina since the 1980s altered the context within which corporatism had existed in fundamental ways. In particular, official labor organizations were incapable of preventing a fall in living standards for most workers, including the dramatic decline in real wages and the escalation of ever more precarious working conditions. In this sense it seems accurate to suggest that labor market deregulation advanced resolutely during the 1990s, and that not much remains to be done in terms of imposing higher levels of flexibility on labor. However, in the case of Mexico, this was achieved without altering labor legislation. In the case of Argentina there were important changes to key areas of legislation protecting workers, nonetheless the core of the legal framework securing the power of the CGT was not modified. Thus, while there are some clear tensions between the conditions imposed by neoliberal restructuring and the existence of corporatism, it is also possible to identify a number of variables that made it still a viable political alternative during the 1990s. In order to illustrate this point I will like now to turn to an examination of the issues surrounding labor legislation reform in Mexico and Argentina during the 1990s.

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<sup>10</sup> One of the best accounts of the nature of union struggles during this critical period is offered by Daniel James, *Resistance and Integration. Peronism and the Argentine Working Class, 1946-1976*. (Cambridge: Cambridge University Press, 1988)

<sup>11</sup> In the case of Mexico, inflation accompanied the early stages of industrialization but between 1955 and 1970, that is during the period known as ‘Stabilizing Growth’, high rates of economic growth were achieved in combination with low inflation. This was certainly a good evidence of the centrality of the relationship between state and labor unions in controlling wage demands.

<sup>12</sup> Rodolfo Canitrot, “Teoría y práctica del liberalismo. Política inflacionaria y apertura económica en la Argentina, 1976-1981,” *Desarrollo Económico*, Vol 21 No. 83, 133.

*The limits to labor reform in Mexico*

With the debt crisis in 1982, Mexico underwent a process of change that was radical by most accounts. The economic transformation was profound, following more clearly from the mid-1980s the pattern that was to become widespread in the region as a whole: trade liberalization, privatization and economic deregulation. The cost of the economic reforms fell disproportionately on Mexican workers, due to both the critical decline in real wages and the reduction of state subsidies on basic goods and services.<sup>13</sup> But shrinking real incomes measure only part of the problem faced by the working class. Equally negative was the growth of unemployment and the increasingly precarious conditions faced by those who could find work.

To understand all this we need to consider not only the economic scenario faced by workers' organizations--certainly not conducive to the presentation of an effective opposition--but also the much more hostile political environment encountered by even the official labor unions. The tension was uneven as political necessities modified the distance that the state was willing to establish, and capable of establishing, with the official labor leadership. Nonetheless, from the anti-populist discourse of Miguel de la Madrid (1982-1988), the questioning of the position of labor within the PRI, and the attempt to displace traditional corporatist allies within the labor movement under Carlos Salinas (1988-1994), to the unambiguously more open attitude of Ernesto Zedillo (1994-2000) to the option of labor legislation reform, the main labor organizations confronted a mounting number of limitations to their powers.

There is no doubt that the official labor movement suffered a major setback in its capacity to secure the state's protection of salaries, as well as the resources for patronage and political recognition. Nonetheless, after more than 15 years of losses, key organizations within the official labor movement, most particularly the CTM, retained their formal position in the country's political hierarchy. There were difficult moments--for instance, Salinas' decisive attack on dissenting union leaders--and important labor conflicts that escaped the CTM's control, but overall the PRI maintained its close relationship with organized labor.

The enduring bonds between party and official labor movement is a complex phenomenon involving political, ideological and institutional aspects difficult to disentangle. Nonetheless, these ties provided an adequate medium for the preservation of the union leadership's privileged position to control labor disputes, harsh economic and political changes notwithstanding. This has been facilitated partly by the ineffectiveness of the challenges emerging from other sectors within the working class to dispute the role of

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<sup>13</sup> Real wages started to decline from the end of the 1970s. Minimum real wages fell by more than 60 per cent between 1980 and 1992, and they affected wages in all sectors. Although the decline was different in the various economic sectors (for instance industrial wages fell by 30 per cent for the same period), the downward trend affected most of the working population in Mexico. See Francisco Zapata, *El sindicalismo mexicano frente a la restructuración* (Mexico: El Colegio de Mexico, 1995), 80.

the CTM. But the political decision on the part of the PRI to avoid the dismantling of labor legislation at the core of the corporatist power of the CTM has also played a part. I will like then to elaborate on this point.

As part of the changes that the private sector considered necessary for the modernization of Mexico, reforms to labor legislation figured prominently. The reform sought was clearly aimed at reducing labor costs and, even more importantly, increasing the flexibility of the labor force. As restructuring in Mexico continued to generate only partial and temporary relief to major economic problems, the private sector stepped up its demands for a major overhaul of the system of labor regulation upon which the corporatist power of the official labor movement rested. As we have seen, though, besides the demands for a formal abandonment of labor legislation, the economic crisis imposed a new discipline on the working class for which neither the official labor leadership nor the existing labor legislation was a match.<sup>14</sup>

In 1989, Coparmex (Mexican Employers' Confederation) formulated a proposal to formalize and legalize the transition to a new labor order that would more faithfully reflect the labor practices already in place.<sup>15</sup> Nonetheless, the proposal put forth by employers reflected also their ambivalence regarding the "leap in the dark" implied in undermining the role played by the state in the regulation of labor conflicts. Moreover, the PRI's crisis of legitimacy, so blatantly revealed in the events surrounding the 1988 presidential election, gave the private sector very good reason to delay pushing for reforms that, in weakening the tutelary role of the state and the official union movement in labor matters, could strengthen political and organizational alternatives independent of both.

Although the order of the day for Salinas was to reconstitute political support for his administration, he did not shy away from some major confrontations with the official labor movement, including his provision of open support for the private sector's call for reforms to labor legislation. His offensive involved proposals for changes that were at the heart of organized labor's sources of power, for example, the attempt to reorganize the PRI in order to eliminate collective membership, official labor's most direct avenue to political influence. Salinas also sought new relationships with unions that resembled more closely what he considered to be a "modernizing unionism", most notably the Federación de Sindicatos de Bienes y Servicios (FESEBES).<sup>16</sup>

Nevertheless, Salinas encountered strong reasons to postpone a final conflict with official unions, particularly with the CTM. One was the negotiation of the North American

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<sup>14</sup> See Arturo Alcalde, "Contra el corporativismo, por la libertad sindical," in F. Mora and V. M. Reynoso, eds., *Modernización y legislación laboral en el noroeste de México* (Hermosillo, Mexico: Universidad de Sonora, 1990), 39-53.

<sup>15</sup> Graciela Bensusán, "Los sindicatos mexicanos y la legalidad laboral," *Revista Mexicana de Sociología* 56 (1994), 58-60.

<sup>16</sup> Luis Méndez and José Othón Quiroz, "Respuesta obrera: los sindicatos frente a la reestructuración productiva (1983-1992)," *El Cotidiano*, 50, (1992), 167-68.

Free Trade Agreement (NAFTA), where the CTM proved to be a valuable ally.<sup>17</sup> The close relationship between the state and the official labor movement was also essential in increasing the effectiveness of the several social pacts that, from 1987, restrained the growth of wages. Changes in the labor legislation that would undermine the power of the official leadership by restricting the legal instruments at their disposal to contain opposition from their rank-and-file could have in fact jeopardized these social pacts. The presidential elections in 1994 raised again the specter of real political contestation, thus creating another incentive to avoid undermining the position of the PRI's traditional allies in the labor movement.<sup>18</sup> In this way, the essence of Salinas' labor policy rested on his ability to transform collective agreements into vehicles for the introduction of key changes in labor relations.<sup>19</sup> However, labor legislation remained unmodified.

Early in his administration, President Zedillo indicated his commitment to change labor legislation as an attempt to improve employment levels in Mexico. In 1995, the CTM negotiated an alternative deal with the private sector that counted, of course, on the PRI's blessings. Under the name "New Labor Culture" (NLC), the agreement consisted of a ratification of labor practices that became the norm under neoliberalism, in particular the productivity agreements that had been in place since 1994. As de la Garza argues,<sup>20</sup> this new strategy implied, in its conception, the search for a new way of maintaining essential elements of corporatism. In fact, insofar as it would not alter the relationship between state and labor unions, neither did it modify the institutional role of the labor sector in the negotiation of economic pacts through which the PRI attempted to control inflation.<sup>21</sup> The novelty in the propositions for an NLC was that while the state retained an important role as overseer of the relationship, it was now the firm, through its particular agreement with labor unions, that would secure the extension of material incentives to workers. The exchange would be accomplished through productivity bonuses expected to replace wage negotiations in due course. The ceiling of this alternative, though, was reached quite quickly. Given the structural weakness of labor in general and unions in particular, it is not surprising that bonuses did not play any significant role in improving wages. Equally important, union participation in the decisions pertaining to growing productivity was and continues to be quite irrelevant in the context of the concrete power of firms to impose by themselves working conditions more akin to their needs.

The commitment of the CTM to respect the discipline that the private sector considered fundamental to protect competitiveness was rewarded with an agreement not to

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<sup>17</sup> Graciela Bensusán and Carlos García, *Opiniones sindicales sobre la reforma laboral* (Mexico: Fundación Friedrich Ebert, 1993), 16-17.

<sup>18</sup> Luis Méndez and José Othón Quiroz, "Productividad, respuesta obrera y sucesión presidencial," *El Cotidiano* 58 (1993):75-77.

<sup>19</sup> Luis Méndez and José Othón Quiroz, "Productividad, respuesta obrera y sucesión presidencial," *El Cotidiano* 58 (1993):75-77.

<sup>20</sup> Enrique de la Garza, "El sindicalismo mexicano frente a la transición política," *Trabajo y Democracia* No. 58, nov-dic 2000: 3-4.

<sup>21</sup> The NCL did not touch the issues of union democracy or any other aspect that could have offended the sensitivities of the CTM. See Arturo Alcalde Justiniani, "Hacia una concertación laboral transparente y responsable," in José Alfonso Bouzas Ortiz y Ruth Mendoza Mondragón ed., *Libertad Sindical* (México: UNAM, 1999), 76-7.

raise the issue of changes to the federal labor law until both parties could agree on the terms. Two changes in the second half of the 1990s further complicated the position of the CTM and the official labor sector. First, the Congressional elections of 1997 broke the PRI's uninterrupted control of the legislative body, as the two main opposition parties, the conservative National Action Party (PAN) and the more progressive Party of the Democratic Revolution (PRD), together managed to obtain a majority. These parties repeatedly raised the issue of labor reform and in 1998 pushed for a formal discussion of it in Congress. Second, the death of Fidel Velázquez--the CTM leader for over 50 years and a formidable adversary to any of the proposed changes to labor legislation--in June of that year opened the door for a new leadership much more amenable to reform. Finally, the CTM faced increasing challenges from some sectors within the union movement, particularly since 1995 when the economic crisis did away with any expectations regarding the translation of economic growth into improving conditions for the working class.

The organization of the Foro (*Foro: El Sindicalismo Ante la Nación* – Forum: Unions Facing the Nation) in this year represented an important innovation for Mexican unionism. Besides the economic crisis, privatization provided another target for Foro's activities. The main unions in it represented workers in the service sector, for example Mexico City's electrical workers' federation, telephone workers, Social Security employees and teachers. In November of 1997 the Foro was reorganized as the National Workers Union (UNT). The UNT, brought together dissimilar forces within labor, ranging from organizations close to the PRI but opposed to the corporatist prerogatives of the CTM and the CT, to the Authentic Labor Front (FAT), an organization with a long history within the independent labor movement in Mexico.<sup>22</sup> A more radical alternative was represented by the *Coordinadora Primero de Mayo*, which emerged in 1995 and gathered under its direction sectors within the political left. Internal conflicts have been paralyzing for the *coordinadora* and thus it was unable to configure itself as a force with the capacity to articulate an alternative within the labor sector.

The combination of these new conditions explains the different attitude of the CTM toward the negotiation of new labor legislation that heated up in 1998. The terms for the CTM's conceivable acceptance were not difficult to understand: it would agree to some of the changes demanded by the organizations of the private sector in return for the protection of its corporatist privileges. What is surprising is that, notwithstanding a changing political environment that made reform much more viable, once again the rather agitated debate in 1998 led nowhere. Thus, labor legislation continued to stand in Mexico as one of the very few areas untouched by the neoliberal reformist thrust.

Whereas there were points of real tension between the state and the official labor movement, corporatism in Mexico outlasted more than 15 years of economic liberalization under the rule of the PRI. Be it the official union leadership's concurrence with the premise that there was very little choice regarding the direction of reforms, or a perception of its own limited potential as an independent political actor, the fact is that this leadership was instrumental in reducing the danger of social upheaval. Consequently, the ruling party considered it unnecessary to undermine the formal position of union leaders, and thus labor

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<sup>22</sup> Dale Hathaway, *Allies Across the Borders*. (MA: South End Press, 2000), 204-7.

legislation, the basis of official labor's power over its rank-and-file and its dependence on the state, was not changed under the rule of the PRI. This was no small feat considering the weakened position of official labor and the increased power of the private sector in determining public policy in Mexico. Wherein lay the secret of labor's success? Part of the answer might be that this has been a rather empty victory. Labor legislation that could have undermined the power of the CTM was not changed simply because the existence of laws protecting key labor rights were not obstacles to their infringement, and in this the complicity of official unions was indispensable.<sup>23</sup> But there was a price to pay, and the loss of a claim to legitimacy on the part of labor organizations connected to the PRI has been the most prominent.

It is precisely this change in the position of official labor leadership vis-a-vis its own rank and file that alternative labor organizations have tried to capitalize on in order to assert their position as viable options for a new unionism in Mexico. The defeat of the PRI in the presidential elections of July 2000 undoubtedly provided renewed opportunities to further isolate the union structure connected to this party. Aware of this scenario, the CTM lost no time in trying to mend fences with the newly elected PAN government. Thus, its threat of a national strike in the days prior to the elections if an opposition party were to win the ballot, became its tamed public letter recognizing Vicente Fox's victory. There was a lot at stake for the CT and CTM in the transition away from the PRI since Fox's labor policies, as expressed during his campaign, place great emphasis on the introduction of new labor legislation that would guarantee an end to corporatism. Nonetheless, it did not escape the CT that in the states controlled by the PAN there had been ample room for accommodation with official labor unions.

In the early months of 2001, Fox took a very cautious position with respect to the CTM. Moreover, the selection of Carlos Maria Abascal as Secretary of Labor, while received with preoccupation in labor circles, nonetheless created some expectation within the official labor movement. After all, it had been Abascal who, as head of Coparmex, became one of the architects of the NCL. In this sense, the presence of Abascal in the government might signal the affinity among some sectors within the PAN with the idea of preserving some form of modified corporatism.<sup>24</sup> Fox's endorsement of the CTM during the long conflict in the maquiladora plant Duro and of electoral results granting victory to representatives of official unions in highly irregular processes was also interpreted as his attempt to maintain an open line of communication with the most conservative unionism in Mexico.<sup>25</sup> Under this scenario, or so it appeared in early 2001, the CTM and the CT could have found a new lease on life. But Fox's strategy toward the official labor movement also involved the attempt to increase his options by displacing the CT from its privileged position as interlocutor with the state. Thus, in announcing the creation of a new tripartite body to replace the institutional setting where social pacts were previously negotiated—

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<sup>23</sup> Graciela Bensusán, "Entre la tradición y el cambio: el corporativismo sindical en México," in Maria Silvia Portella de Castro y Achim Wachendorfer, eds., *Sindicalismo Latinoamericano: entre la renovación y la resignación* (Caracas: Nueva Sociedad, 1995), 77.

<sup>24</sup> Enrique de la Garza Toledo, "El sindicalismo mexicano frente a la transición política", 8.

<sup>25</sup> I am referring to the election of Rafael Ochoa as secretary general of the SNTE (*Sindicato Nacional de Trabajadores de la Educación*) and the re-election of Joel Ayala as secretary general of FSTSE (Federación de Trabajadores al Servicio del Estado).

*Consejo para el Dialogo, Crecimiento con Calidad y Desarrollo Social*—the new government included the UNT as part of the labor sector representation.<sup>26</sup> Moreover, some unions within the CTM had threatened to abandon the organization in favor of their association with the UNT.

Once again, the main area of dispute between the government and the CTM and CT is the issue of the pending reforms to labor legislation. The main issues in the agenda for reform are the public registry of unions, the autonomy of the Labor Conciliation and Arbitration Boards (*Juntas de Conciliación y Arbitraje*), freedom of association, the length of the working day, the ability to hire workers by the hour, and probationary contracts. While the Secretary of Labor has made much of building consensus among interested parties on the nature and scope of the reform, the first major change in the existing legislation came in the form of a resolution of the Supreme Court of Justice in mid-April that declared unconstitutional the exclusion clauses (articles 395 and 413 of the Federal Labor Law). Although the decision represents a serious challenge to the CTM and other corporatist unions, it is clear that all unions will be affected. Thus, while the UNT has long supported this change, it has shown ambivalence about its potential use for the creation of company unions and the reduction in union membership.<sup>27</sup> An important point in the concern expressed by independent unions over the decision is the lack of further changes in labor legislation, for example the transparency in the registry of collective agreements and changes in electoral procedures within union. It is the lack of this new framework to ensure democratic practices in labor organizations that limits the potentially progressive meaning of the elimination of exclusion clauses. Thus, it will be the actions of the Fox administration with respect to its proposal for labor legislation reform that will grant definite meaning to the new situation. The expectation is that reforms to the labor legislation will be compatible with long standing demands for greater union democracy. It remains to be seen whether the private sector is actually committed to facilitating this kind of unionism and whether the reforms sought by institutions like the World Bank within their understanding of necessary labor deregulation will also push reforms in this direction.

#### *The end of an era? The CGT since the 1990s*

The return of democracy in Argentina presented the Peronist labor movement with some critical challenges. The economic crisis was not only serious, but it also proceeded in tandem with a major structural transformation--deindustrialization, and with it unemployment and growing heterogeneity in labor markets--that altered the context in which the labor movement traditionally framed its struggles. But much more imperiling for organized labor was the fact that the *Justicialista* Party (PJ) did not win the elections that returned Argentina to democracy in 1983. This was a major historical defeat for the PJ but it was even more critical for the CGT, since Peronist labour leaders had been central figures in the reorganization of the party.

To add to the tribulations of the CGT's leadership, President Raúl Alfonsín (1983-1989) moved quickly and boldly in an area particularly sensitive to unions: his first act of

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<sup>26</sup> La Jornada, February 2, 2001.

<sup>27</sup> La Jornada, April 20, 2001.

government was to send to Congress a draft bill delineating a proposal for the restructuring of unions (*Ley de Reordenamiento Sindical*). Some of the main objectives of the proposed reform included the promotion of more democratic elections at all levels of union structure, guarantees for minority representation in the leadership and a ban on political activities by unions.<sup>28</sup>

The struggle against the government's attempt to restructure labor unions was eventually successful, but it meant very little in terms of protecting labor's key economic interests: fundamentally, the level of real wages and of employment. Nonetheless, the final legislation adopted in 1988 reflected the important political influence still in the hands of the labor movement. Moreover, from 1984 elections to reconstitute the normal functioning of labor unions showed that Peronism continued to be their hegemonic force.<sup>29</sup> However, this only partially solved the political dilemma faced by the Peronist labor leadership: Peronism itself was undergoing a critical transformation, with particular implications for organized labor.

Discredited by its part in the 1983 electoral defeat, the labor leadership's political clout in the party was further reduced by the growing influence of a more "political" faction, known as the Renewal current, which became the PJ's hegemonic force by the mid-1980s. In fact, the successful bid of the Renewal faction to introduce some fundamental changes in the party--particularly that of democratizing its internal structures--had as one of its main implications the displacement of the traditional union leadership from the influential position it had historically occupied.<sup>30</sup>

The impasse between the "trade unionist" and "political" currents within Peronism was resolved by yet a new turn in the internal party contest. It was Carlos Menem who would effectively bring the party together behind his candidacy, giving new life to the populist elements that had formed the core of Peronism's political appeal. While this facilitated Menem's ability to attract labor to his side, it did not automatically eliminate all obstacles.

Menem's victory in May 1989 initiated a process of rapid and thorough change in Argentina that took most observers by surprise. The dramatic collapse of Alfonsín's last stabilization program, the profound economic crisis it unleashed and the growing consensus about the supposedly inescapable steps required to reverse the long cycle of economic decline, established the context for Menem's reform program. While the whole

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<sup>28</sup> Paul G. Buchanan, *State, Labour, Capital: Democratizing Class Relations in the Southern Cone* (Pittsburgh, University of Pittsburgh Press, 1995), 136-37, and Andrés Thompson, "De la primavera populista al invierno conservador: El sindicalismo peronista entre 1973 y 1989," in Moreno, ed., *Desafíos para el sindicalismo en la Argentina*, 87.

<sup>29</sup> Julio Godio and Héctor Palomino "El movimiento sindical argentino hoy: historia, organización y nuevo desafíos programáticos," in Julio Godio, et al, eds., *El movimiento sindical argentino (1880-1987)* (Buenos Aires: Puntosur, 1988), 94.

<sup>30</sup> Vicente Palermo and Marcos Novaro, *Política y poder en el gobierno de Menem* (Buenos Aires: Norma, 1996), 193-94.

package of reforms introduced by the new Peronist administration rested on potentially very risky measures, the deregulation of labor markets was without question the most daring initiative.

The labor reforms proposed by Menem were aimed at achieving the deregulation that, according to the private sector, was necessary to modernize labor relations in the country. But, equally important, a central thrust of the labor laws introduced by Menem from early in his mandate was to undermine the power of unions, on the understanding that this was an essential first step in order to move swiftly in other areas of economic reform. By 1996, Menem had successfully introduced a number of laws and executive decrees that radically changed social and labor rights in the country. Thus the right to strike was curtailed (Decree 2184), salaries in the public sector were reduced (Decree 435 and 612), a number of precarious forms of employment were legalized (Laws 24,013 and 24,467), salary increases were negotiated according to increments in productivity (Decree 470), and the liabilities for work-related accidents were restricted (Law 24,028).

Menem's strategy toward the labor movement was successful in the sense that the CGT was incapable of generating an effective response or counter-offensive. Moreover, the disagreement over the appropriate response to the economic program of the PJ was substantial enough to prompt a split in the CGT--the first time that the confederation actually divided under a Peronist administration. When the confederation reunited in 1992, important sectors remained outside, constituting themselves in an alternative confederation: the Congress of Argentinean Workers (CTA). The CTA brought together important unions within the public sector (ATE) and teachers (CTERA). It was officially recognized by the Peronist government in 1997, thus breaking the monopoly of representation that the CGT had enjoyed until then<sup>31</sup>. In 1994 another important faction emerged within the CGT, the Movement of Argentinean Workers (MTA), which while remaining within the main confederation, maintained a dissident position.

The splits within the Peronist labor movement were indicative of the deep crisis that the course followed by the PJ had produced among the leadership. The inability of the labour movement to propose an alternative to the economic policies pursued by the government undoubtedly facilitated their political displacement. But the problem was also related to the strong appeal that, until at least 1997, Menem was able to generate personally, leading to his re-election as president in 1995. Thus, while a number of legislative measures undermined important rights and privileges for workers, Menem's popularity remained quite high both within the party and within society at large.

Nonetheless, Menem did not always obtain exactly what he sought. On several occasions the party's majority in Congress was insufficient to guarantee the approval of legislation; on others, the government was open to negotiations with the CGT in order to smooth over particularly thorny points.<sup>32</sup> Overall, though, the CGT was not an obstacle in the implementation of those measures that the government considered fundamental to

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<sup>31</sup> The CTA was granted legal status as a confederation but it does not have '*personeria gremial*'

<sup>32</sup> See Sebastián Etchemendy, "¿Límites al decisionismo?" (Mimeo, Instituto Gino Germani, Facultad de Ciencias Sociales, Universidad de Buenos Aires, 1994).

reducing labor costs, although from 1996 it did call for several general strikes. For its part, the government did not push for reforms that were not essential in order to achieve its objectives. Regardless of his assault on labor rights and his at times less than cordial relationship with the CGT, Menem invested considerable political effort in avoiding a final breakdown in the relationship between government and the labor sector within the party. This certainly included maintaining some of the corporatist prerogatives so central to the labor leadership. Equally important, the debate over labor reform was tarnished by the more-than-obvious failure of labor flexibilization to increase the pace of employment creation, contrary to official claims.<sup>33</sup>

Pragmatic political calculations also played an important part in Menem's position toward labor. The negative outcome of the Congressional elections in October 1997 and the specter of electoral defeat in the presidential elections in October 1999 that this raised, prompted discernible government attempts to reduce conflict with the CGT. This seems to have been the principle that the government followed in the negotiation of a new set of labor laws passed by Congress in September 1998. The drafting of the bill was the result of extensive consultations with the CGT, and its final approval created no small friction with the powerful Industrial Union of Argentina (UIA), which expected to see further reductions in severance payments and the promotion of collective agreements at the plant level. On the contrary, the CGT was able to extract from the government the commitment to safeguard some pillars of union power, particularly the reaffirmation of industry-wide collective agreements and the protection of union health care programs from private competition.<sup>34</sup> Support from the CGT was counterposed by the negative reaction of the opposition forces within labor, particularly of the CTA and the MTA, which pointed at the new burdens imposed on the working class by the legalization of precarious employment.<sup>35</sup>

Continuing to mend fences with the labor sector was a key task during the last year of Menem's presidency. However, there were several other problems that undermined the prospect of another Peronist victory in the following presidential elections. As happened in the congressional elections of 1997, the two major opposition parties--the Radical Party and FREPASO (Front for a Nation in Solidarity)--ran together again under the Alliance ticket. Moreover, the PJ suffered from the negative implications of the very public conflict between its presidential candidate--Eduardo Duhalde--and Menem. The victory of Fernando de la Rúa for the Alliance in October 1999 was, in many ways, a predictable outcome, regardless of the economic achievement Menem claimed for his administration. The Peronist defeat could hardly have taken the labor leadership by surprise. In fact, during the last years of the Menem administration, the CGT confronted a mounting rebellion from within its own ranks. At the core of the conflict was a re-definition of the role the CGT should play within the party and, of course, of the possible terms for both negotiation and conflict with a non-Peronist government.

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<sup>33</sup> When economic activity accelerated between 1991 and mid-1994, unemployment grew from 6.5 per cent to 12 per cent. In 1995, already into a recession, unemployment reached 18.6 per cent. See Mario Damill, et al., "De México a México: el desempeño de América Latina en los noventa," *Desarrollo Económico* 36 (1996), 51-85. The growth of unemployment and the slow generation of employment, even during periods of economic growth, are closely connected to the exchange regime imposed in Argentina from 1992.

<sup>34</sup> *Clarín* (Buenos Aires), April 28, 1998.

<sup>35</sup> *Página 12* (Buenos Aires), September 3, 1998.

In fact, this particular issue became the source of a new split within the CGT as President de la Rúa pushed firmly for a new labor law: an ‘official’ fraction led by Rodolfo Daer and a dissent CGT (*CGT Rebelde*) led by Hugo Moyano. The government was successful in obtaining Congressional sanctioning for the law in April 2000, but allegations of the bribing of Senators to secure their vote in favor of the government bill transformed the achievement into a major political crisis. Nonetheless, the new labor law introduced the changes that the Peronist labor leadership had fought against during the 1990s, particularly the legalization of collective agreements at the plant level. By the end of 2000, de la Rúa also succeeded in introducing a decree opening competition to private firms in the provision of health care services, until then controlled by unions. While the CGT divided over the most effective tactic to respond to the initiatives of the Alliance government, the leadership of the CGT’s two factions called a general strike—along with other labor associations--as early as June 2000. A general strike in December of the same year was another major show of force against the government. While de la Rúa insisted that union leaders lacked moral and political standing—pointing, in particular, to the CGT’s only tepid opposition to Menem’s reforms-- the truth is that their capacity to mobilize opposition to the government’s economic and political programs has been a constant reminder that labor continues to be a political actor capable of a much more combative and autonomous stance.

Nonetheless, the position of the official CGT is not only threatened by the government’s direct attack on some of the sources of its traditional power, for instance the legislated deregulation of the health care system, but also by the growth in the organizational capacity of an alternative labor movement. The situation is not really new, since the CGT has faced similar conditions before, in particular internal divisions and the emergence of more radical alternative challenging its legitimacy. But the conditions under which the CGT must respond to these challenges are now radically different. First, the high incidence of unemployment and underemployment, and the growing weight of precarious and informal forms of employment have affected the power of unions in critical ways, particularly those in the industrial sector. Second, its weaker position within the Peronist party has also left a political vacuum within the union leadership that still needs to be resolved. Under these circumstances, Daer’s CGT has found it increasingly difficult to adjust to the new wave of labor militancy that has characterized Argentina, particularly over the last year.

A critical factor in this latest wave of labor unrest has been the growing participation of marginalized sectors within the structures of the CTA. While this alternative is far from being hegemonic within the sectors that have suffered the most under neoliberal reforms, there are signs of its growing capability to mobilize them. The CTA constitutes also a novel alternative to the corporatist traditions within labor unions in Argentina. Its commitment to retain its autonomy from the state and political parties has worked as a unifying principle among the various unions and sectors encompassed in the labor central. Equally important, it has experimented with new forms of organization that so far have resulted in important rates of growth. The decision to use direct forms of affiliation, for instance, has allowed the CTA to organize the unemployed, those working

under precarious labor conditions, or the self-employed, that is, those who cannot be members of a traditional union. Changing strategies regarding affiliation have also resulted in new forms of struggles, the most notorious being the roadblocks, or *piquetes*.

Quite clearly, novel methods in unionism are far from being a synonym for viable alternatives. But this should not obscure the fact that one of the most interesting aspects in the experience of the CTA has been precisely that it can construct itself before large sectors of the population as an option in the search for an alternative to the corporatist practices so prevalent in the history of unionism in Argentina. It is the concrete capacity of such alternative, independent labor organizations as the CTA that will affect not only the fate of the official labor movement in Argentina, but also its role as an opposition force.

## **Conclusion**

A key motivation in the preservation of some of the capabilities in the hands of the labor movements associated with the parties in power in Mexico and Argentina during the 1990s was their historical capacity to act as effective instruments in the control of labor sector demands. In the case of Argentina this meant that while the government thought it imperative to reduce the capacity of the Peronist labor leadership to generate a unified response, it still avoided the complete undermining of unions' corporatist power. As in Mexico, the political and economic uncertainties of the process were too great for Menem to risk the support of labour for his government beyond what was strictly necessary. As the presidential elections approached, there were new incentives for the Peronist administration to rebuild some of the bridges with its historical labour allies. A similar pattern was also manifested in Mexico prior to the PRI's eventual electoral defeat in July 2000. Although the sectors mobilized by organized labour might have become less important electorally during the 1990s,<sup>49</sup> stiff competition increased the value of their political support.

The electoral defeat of the PRI in Mexico creates radically different conditions for the CTM and the rest of the labor sector associated with this party. It is still too early to evaluate accurately the pattern that the CTM's actions might take. While the CTM is in a situation of crisis, the experience of Argentina shows that corporatism and lack of political autonomy do not necessarily devoid a labor organization of its capacity to act as a powerful social actor. As the economic conditions in Mexico deteriorate with the slowdown of the American economy, Mexico could face some difficult times that might also weaken the capacity of Fox to confront official labor, or even reduce the desirability of such an alternative. But the relationship between Fox and the CTM will also be determined by the role of alternative labor organizations, particularly the UNT. The issue will be whether the UNT can become the force to question not only the CTM and its corporatist and authoritarian practices, but also the problem of its own relationship with political parties and the state. Because of the trajectory of some of the sectors represented within it, the possibility of co-optation is always present. Thus, the problem of UNT's political autonomy might also become the main arena of contention within its leadership.

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<sup>49</sup>. Edward L. Gibson, "The Populist Road to Market Reform: Policy and Electoral Coalitions in Mexico and Argentina," *World Politics* 49 (1997), 339-70.

Ultimately, its capacity to become an alternative in the construction of a response to neoliberalism in Mexico will depend largely on how this problem is resolved.

While the CGT has an important trajectory as an oppositional force when compared to the CTM, this by itself is no guarantee that it can overcome its present crisis. However, the existence of factions within it with a more combative stance might provide the means to salvage some of its capacity to influence workers' response to the current process of economic and political crisis in Argentina. In this respect, for the CGT the problem of unity is central. Moreover, the development of alternatives like the CTA will certainly affect the nature and pace of the reconstitution of a unified CGT. While the strategy of the CTA has been effective in transcending the isolation into which more progressive forces within society in general and labor in particular have been reduced since the mid-1970s in Argentina, the alternative is not free from problems. In particular, its own strategy toward the CGT, particularly the forces represented by Moyano, is not clear and it is this form of unionism that might present the most serious challenge to the program of a more democratic and responsive labor movement in Argentina.

Finally, the survival of corporatist practices within labor unions in Mexico and Argentina also indicates that, democratic discourse notwithstanding, in the area of labor relations there is still a deficit that needs to be addressed. The question is, of course, whether the conditions under which further labor legislation reform might take place are conducive to such a change. But the issue is also whether the current pattern of change in Mexico and Argentina has created the context for a truly democratic transformation of society in general and labor in particular.