Partisan Loyalty and Union Competition: Macroeconomic Adjustment and Industrial Restructuring in Mexico

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Mexico shares with other countries studied in this volume a post-colonial heritage, although like the rest of Latin America, early decolonization mitigated the effects of colonialization. Like other late industrializers, Mexico pursued state-led development strategies and, like many other followers of state development, it succumbed to globalization under the pressure of fiscal collapses. The trigger was the 1982 debt crisis, which brought President De La Madrid towards fiscal restraint and trade liberalization seeking macroeconomic stability. His successor Carlos Salinas, inaugurated in December 1988, was a more dramatic market reformer. Like De La Madrid, Salinas belonged to the Institutional Revolutionary Party (PRI), which had been in power since the aftermath of the Mexican Revolution. The PRI had a strong labor component and had championed state intervention and protectionism during the post-war period. Salinas continued and accelerated market reforms and committed himself to a process of economic integration with the United States, which resulted in the signing of the North American Free Trade Agreement (NAFTA).

Globalization and fiscal collapse pushed Mexico toward economic integration, trade liberalization, and privatization, and triggered a process of industrial restructuring, which was especially dramatic in the protected tradable sectors and in the public sector where unionization was the highest.

49 Nationalized companies were generally organized as large state-owned companies that permitted the organization of nationwide industrial unions (e.g. railroad, oil, and telecommunications). Moreover, unionization is higher in the public sector where unions had a privileged relationship with politically appointed managers. This relationship resulted in union management prerogatives and special benefits for the workers of these sectors. See Graciela Bensusán, ‘Los determinantes institucionales de la flexibilización laboral’, Revista Mexicana de Sociología 1 (1994), 53. In 1979, the Mexican Workers’ Confederation (CTM) recognized its affinity with state intervention and designed an economic proposal that called for the expansion of state and workers and union property at the expense of private property. See Ignacio Marbrán, ‘La dificultad del cambio (1968–1990)’, in El Partido en el Poder (Mexico City: IEPES, 1990); and Alberto Aziz Nassif, El Estado Mexicano y la CTM (Mexico City: Ed. La Casa Chata, 1989), 215.

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impact of globalization for workers in these sectors was dramatic and created a tremendous challenge for unions. Moreover, the policy turnaround of PRI challenged the political influence of unions which had traditionally been compensated for their industrial weakness. Therefore, while globalization created an economic challenge for unions, the policy shift reduced their political influence to compensate for it.

Despite the tremendous challenge, Salinas did not confront important organized labor opposition to his reforms, nor to most processes of industrial restructuring. This development is remarkable considering that he was elected in a contested election where Cuauhtémoc Cárdenas, an opposition candidate with a more populist and protectionist program, almost beat him. Cárdenas, the son of the most populist president in Mexican history, Lázaro Cárdenas, split from the PRI in opposition with market-oriented reforms. Lázaro Cárdenas had included labor into the party structure, nationalized oil, and implemented a sweeping land reform and many social policies to protect the poor. Although the Mexican Workers’ Confederation (CTM) resented the policies implemented by Salinas and even supported another candidate for the PRI nominee in the 1988 elections, it did not actively organize to oppose his reforms. Partisan loyalty is not a sufficient explanation for labor quiescence because in other countries where labor-based parties implemented neoliberal reforms, such as Venezuela, Argentina, and Spain, organized labor was not as compliant despite its alliance with governing parties. Moreover, while a minority of unions associated with opposition parties actively protested the reforms, a minority of PRI-associated unions rejected pro-market policies or only accepted them after obtaining compensation or achieving policy input. For instance, the National Union of Education Workers (SNTE) could make the government include its demands on the design of education decentralization, and the Mexican Union of Electricity Workers (SME) averted the privatization or liquidation of its company and gained participation in the management of it.

50 In the past, unions counted on their political influence to obtain favorable arbitration from a highly interventionist state and from state institutions which included union participation like Arbitration and Conciliation Boards that were in charge of approving collective bargaining contracts and resolving industrial disputes.

51 Cuauhtémoc Cárdenas claimed that Salinas rigged the 1988 elections. Although the fraud was never proven, the number of votes obtained by the PRI (50.36%) was historically low. See Jorge I. Domínguez and James A. McCann, ‘Whither the PRI? Explaining Voter Defection in the 1988 Mexican Presidential Elections’, Electoral Studies, 11: 3 (Sept. 1992), 207. In 1989, the front organized to support Cárdenas’ candidacy (Front for a Democratic Revolution, or FRD) gave birth to a new party, the Party of the Democratic Revolution, or PRD.
Union responses had important policy implications. The restraint of the main national labor confederation, the CTM, was instrumental in the acceleration of market-oriented reforms under a climate of labor peace. CTM unions, however, obtained few policy concessions and centered their demands on political resources. Political resources had previously served the CTM well by compensating the industrial weakness of its mostly local and small unions. However, CTM preference for political resources tied it up even more to the governing PRI and further alienated it from other political parties which could have become partners at a time when political liberalization was increasing party pluralism in the electoral arena to the point that the PRI lost the presidency in 2000. Instead, the unions of teachers, electricity workers, and telephone workers studied gave priority to industrial over political identities and attempted to develop alternative strategies to face the effects of political liberalization and state withdrawal.

This chapter examines the responses of Mexican labor organization to a common challenge illuminating the different national trends in the convergent path toward a globalized world economy. It shows the influence of institutional legacies on the demands and strategies of Mexican unions regarding policies that accelerated the impact of globalization on their constituencies and organizations. In particular, it focuses on the effect of partisan loyalties, leadership competition, and organizational fragmentation on the articulation of union demands and strategies highlighting the diversity in the response of national labor confederation and industry-specific unions. The case studies include the PRI-affiliated Mexican Workers’ Confederation (CTM), as well as individual unions in the automobile, electricity, education, oil, and telecommunication sectors, each of which were sharply affected by trade liberalization and state reform.

The chapter is organized in five sections. The first section describes alternative explanations for the diversity in union responses under the Salinas administration. The second section focuses on the structure of union organization in Mexico. The third analyzes the macroeconomic reforms of the Salinas administration as well as union responses to such reforms. The fourth describes industrial restructuring and union responses in the education, electricity, telecommunication, automobile, and oil sectors. The last section summarizes the consequences of union responses and provides some concluding remarks.

**Alternative Explanations of Union Reactions to Salinas Reforms**

The acquiescence of the CTM did not surprise the many students of Mexican labor who argued that the non-democratic characteristics of the Mexican political regime and the high degree of state control over industrial relations
explains the subordination of the CTM. However, the mechanisms of state control had traditionally been compensated with state concessions for workers and unions. According to Zapata, this corporatist exchange had guaranteed labor peace in Mexico during the post-war era. The subordination of CTM unions during the Salinas administration, however, accompanied reforms which eroded the concessions obtained during the post-war era through that corporatist exchange.

Neocorporatist theories hold that labor tends to be restrained when affiliated labor-based parties are in power, especially when the union movement is centralized and can control the kind of free-riding behavior that brings about militancy. In addition, although the PRI controlled most of the Mexican unions, the fragmentation of the Mexican union movement into several PRI-related national union confederations that compete for the affiliation of more than fifteen thousand individual unions should have hindered the conditions for labor restraint.

The problems of regime-defined and neocorporatist theories to explain both the subordination of CTM unions and the variation in union response within the Mexican labor arena highlight the limitations of national level


55 The Mexican unionization rate was 18.9% of the economically active population or 30.3% of the salary-earning population in 1974. See Felipe Leal, ‘Las estructuras sindicales’, in Pablo González Casanova (ed.), *Organización y Sindicalismo* (Mexico City: Ed. Siglo XXI, 1986), 19. There was a wide variation in union density across sectors, from almost 100% in the public administration to 2.9% in the primary sector (27). In addition, the union movement was fragmented into more than 15,000 unions with a predominance of firm and craft unions over activity or nationwide industrial unions, which organized mostly state-owned enterprises. See Cesar Zazueta and Ricardo de la Peña, *Estructura Dual y Piramidal del Sindicalismo Mexicano* (Mexico City: Secretaria del Trabajo y Previsión Social, Centro Nacional de Informacion y Estadisticas del Trabajo (1981), 761–75.
theories. They cannot account for subnational variation. Interest-driven theories derive the policy preference of different actors from their economic interests, explaining policies as a result of these demands. Some of them study the effect of globalization and market-oriented reforms on the economic interest of diverse sectors, such as those exposed and protected or public and private. These theories account for the origin of union preferences by focusing on their interests with regard to economic liberalization and other market reforms. Some authors explain this variation by pointing to the different impact of the same policy in diverse sectors. However, the case studies show that political factors can overcome economic conditions, such as when the CTM violently imposed the subordination of Ford Motors' workers at the Cuatitlán plant to the industrial restructuring they had previously resisted.

Unlike the mentioned literature, my hypothesis seeks to explain union behavior both at the level of national confederations and industry-specific unions. Although my theory implies a simplification of the Mexican reality, it provides a guide to understand union dynamics to which the complexities of specific cases can be added. I argue that union leaders, as political entrepreneurs, want to avoid being replaced as head of their unions, either for ideological or material reasons associated with their leadership positions. Thus, they have to consider workers' preferences to avoid their replacement by election, rebellion, or government selection if they prove unable to control their followers. In addition, union leaders also want to prevent the exit of workers to alternative unions, who compete for the membership of the same workers, because it would hurt their bargaining power. The larger their share of the workers in the involved sector, the larger the value of their restraint. Hence, union leaders fear internal replacement (leadership competition) and external rivals (union competition).


58 Union leaders aim at obtaining material incentives, ranging from their salary to pay-offs, or they could be ideologically motivated.
The cost of organizing unions and even competing for leadership, as well as ideological convictions, had driven Latin American labor leaders to associate with political parties. In many countries, party activists organized the first labor unions. In others, such as Mexico, allied parties in government provided political influence to compensate for their weakness in the industrial arena thus creating a dependence on state resources. Politicians and labor leaders have been long-term allies making partisan loyalty an important consideration in the attitudes of labor unions. Partisan loyalty reduces their incentives for militancy and facilitates their cooperation with incumbent political parties. As a result, not only do labor leaders prefer to have their partisan allies in power, but also incumbent politicians favor their labor associates controlling trade unions because they are more likely to cooperate. In contrast, union leaders associated with the opposition are less likely to cooperate.

Assuming that union leaders are affiliated with the governing labor-based party, two types of competition affect the challenge created by internal or external rivals for labor leaders. Leadership competition influences the possibility of their replacement, thus creating incentives for allied labor leaders to become more demanding or militant to avoid being perceived as having 'sold out' and substituted by new leaders. Union fragmentation within the same sector creates union competition that fosters coordination problems. Union competition is likely to provoke free-riding behavior to attract members from competing unions breaking coordination efforts for the whole group and weakening union bargaining power.

The combination of union and partisan competition introduces incentives for militancy for those union leaders associated with opposition parties. These leaders are also more likely to break coordination efforts involving loyal unions. When competing unions are each allied with the incumbent party, government officials can manipulate competition for state resources allowing one of the allied unions to cut a different deal. This undermines coordination efforts and weakens collective bargaining power. Hence, organizational fragmentation weakens union bargaining power combined with either partisan competition or partisan monopoly.

In short, partisan loyalty facilitates labor cooperation with the government and the restraint of militancy. Leadership competition, however, makes allied union leaders more prone to be demanding and even militant to show that they are better agents of workers than their competitors. Union competition, though, affects their bargaining power and capacity to obtain concessions from the government, either if they exercise restrain, due to their shared partisan loyalty, or if they are militant, probably due to their association with opposition parties. In the next section, I show how institutional legacies affect the existence of partisan attachments, leadership competition, and organizational fragmentation in Mexico. In the third section, I describe how these variables influenced union demands and strategies vis-à-vis the challenges created by globalization.
Institutional Legacies, Partisan Loyalty, and Union Organization

The Mexican labor relations system was strongly influenced by the political developments that followed the Mexican Revolution (1910–17). After the Revolution, a one-party dominant system emerged in the 1930s.59 The PRI embodied the leadership that emerged from the Revolution, and it has been in power since its foundation. President Plutarco E. Calles originally founded it in 1929 as the National Revolutionary Party (PNR). In 1938, President Lázaro Cárdenas reorganized it as the Party of the Mexican Revolution (PRM) with a corporatist organization based on four functional sectors—workers, peasants, the middle class, and the military.60

In the 1930s, President Cárdenas institutionalized the alliance between the Mexican unions and the revolutionary party. During his administration, the expansion of the public sector enhanced the power of unions because nationalized companies in monopolistic sectors were generally organized as large state-owned companies that permitted the organization of nationwide industrial unions (e.g., railroad, oil, and telecommunications). In addition, he granted the public sector with monopolies of representation and unions in state-owned companies and the public administration had a privileged relationship with politically appointed managers because they served as tools for policy implementation. This relationship resulted in union management prerogatives and special benefits for the workers in these sectors.61 Moreover, the expansion of the state to provide social services and regulate industrial relations included union representation within tripartite regulatory bodies, such as the Conciliation and Arbitration Boards which regulate collective bargaining, the 1942-founded Social Security Institute (IMSS), and the 1970-founded Institute of the National Housing Fund (INFONAVIT). These institutions strengthened the authority of labor confederations in charge of their administration while politicizing labor relations by expanding the role of the state in the resolution of collective bargaining. In return for these benefits unions controlled labor militancy. In 1948, after abolishing the military sector, the party was finally renamed the Institutional Revolutionary Party (PRI).

This inclusive authoritarianism combined strong presidentialism, mass mobilization, and electoral manipulation. PRI-related organizations canalized the mobilization of workers and others. Executive discretion overrode...
legal boundaries. And a history of fraudulent electoral practices limited party pluralism. In return for political support, workers and unions obtained benefits including a labor legislation that protected workers' acquired rights and a high degree of subsidies for union organization. In addition, unions were included into the corporatist structure of the party. Due to the ‘incorporation’ of labor by the PRI and the limits to electoral competition, almost all labor unions are affiliated with the party. PRI governments also resorted to repression to meet the challenges to its control of labor, especially in the 1950s. Labor alliance with the PRI provided labor peace and facilitated the development of a strategy of high growth and low inflation labeled as ‘stabilizing development’ that characterized Mexico during the 1950s and 1960s. ‘Stabilizing development’ consisted of import substitution industrialization, state intervention, high public investment, and conservative fiscal and monetary policies.

The institutional legacies of the original alliance created an almost partisan monopoly of Mexican unions. There has been little competition from union leaders affiliated with other political parties. Limited leadership competition provided the PRI with a near monopoly over the affiliation of union leaders with the exception of the small movement of ‘independent’ unions. Only a minority of ‘independent’ unions that were not controlled by the PRI rejected corporatist participation in state institutions of tripartite representation which they associated with state control over their autonomy. Some of these ‘independent’ unions supported opposition parties, such as the Party of the Democratic Revolution (PRD), whereas others remained autonomous from political parties.

Despite PRI predominance, the Mexican union movement was very fragmented at the confederal level. There were six labor confederations associated with the PRI, in addition to the Mexican Workers’ Confederation (CTM). These were the CROC (Revolutionary Confederation of Workers and Peasants), CROM (Mexican Regional Labor Confederation), CRT (Revolutionary Workers’ Confederation), COR (Revolutionary Labor Confederation), CGT (General Confederation of Labor), and the FSTSE (Federation of Independent Unions). 

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62 For example, monopolies of representation within the bargaining unit, the right to strike and to strike in solidarity, the obligation to negotiate with existing unions, the permission for closed-shop arrangements and for automatic check-off at source, and union participation in the several institutions of labor market regulation and social welfare. See Ley Federal del Trabajo (Mexico City: Colección Jurídica Esfinge, 1993); Francisco Zapata, El Conflicto Sindical en América Latina (Mexico City: El Colegio de México, 1986); Bensusán, ‘Los determinantes institucionales de la flexibilización laboral’; and Ruth Berins Collier and David Collier, ‘Inducement versus Constraints: Dissagregating ‘Corporatism’ ”, American Political Science Review 73 (1979), 967–86.

of Public Service Workers' Unions). The latter was the only union allowed to organize public administration employees by the Mexican Constitution (art. 123, clause B). According to Middlebrook, with the exception of the FSTSE, the other national labor confederations registered affiliates in a broad range of economic activities, and the largest confederations—CTM, CROC, and CROM—maintained national presence with important numbers of affiliates registered in every major region. Each of these national labor confederations were effectively competing for the same constituencies despite their common party affiliation. Union competition within the monopolistic party introduced the threat of members' exit to other organizations for union leaders without risking the party control of any of these unions. Union competition among PRI-related national confederations challenged the CTM leadership with the possibility of CTM members exiting to other PRI-affiliated national labor confederations. Such movement, though, did not represent a challenge to the incumbent PRI because all confederations were linked to the party. Thus, while partisan loyalty sustained their cooperation, union competition historically weakened national labor confederations. This institutional context framed the union responses to the challenge of globalization triggered in Mexico by the policy reforms subsequent to the debt crisis.

From Populism to Neoliberalism: The 1982 Economic Crisis

The economic crisis of 1982 marked a turning point in the traditional alliance between the PRI and its affiliated unions. With the oil boom in the 1970s, Mexico increased both its oil production and its external borrowing. The capital inflows combined with exchange rate stability produced a real appreciation of the currency that hurt exporters, induced devaluation expectations, and capital flight. A rise in the US interest rate, along with a deterioration of the terms of trade in Mexican products—especially the decline in the price of oil—triggered the crisis. In 1982, the Mexican government could not service the external debt and asked for a three-month moratorium, devalued the peso, suspended convertibility of dollar deposits, imposed exchange rate controls, and nationalized the banking system thereby alienating the business sector.

With this crisis as a background, President Miguel De La Madrid was inaugurated in December 1982. The fiscal deficit, together with the fall in revenues and rising inflation, highlighted the limits of import substitution industrialization and state intervention. From 1982 to 1985, the government tried to recover business confidence and to control macroeconomic variables with an

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adjustment program based on fiscal and monetary retrenchment and wage restraint. After 1985, the government also moved toward trade liberalization to control the prices of the tradeable goods and to increase the competitiveness of domestic production. Inbound production (maquiladora) expanded enormously during this period while real wages dropped dramatically.

The government also reduced its deficit by starting to sell state-owned enterprises of minor importance. However, the De La Madrid administration compensated organized labor with welfare concessions administered by unions. These concessions not only eased the impact of the crisis on workers, but also endowed the unions with an intermediary role in the distribution of resources that reinforced their authority.

The orthodox adjustment program could not control the crisis and, in 1987, the fall of the stock market crash started a process of capital flight and high inflation. After the peso was devalued on 15 December 1982, the President, together with business, labor, and peasant leaders, signed the Pact of Economic Solidarity (PSE). The pact, whose architect was Social Planning Secretary Carlos Salinas, established an adjustment plan through income policies based on expected rather than past inflation, price agreements on inputs, and a fixed exchange rate. It also committed the state to restrictive monetary policy, fiscal discipline, including a realignment of public sector


67 According to Middlebrook (1995), the hike in the minimum salary ceased to be a reference point for collective bargaining wages and instead became a ceiling. Between 1982 and 1988, the real value of minimum wages dropped by 48.3% and that of contractual wages by 47.6% (Aspe, 1993, 26). The decrease of real minimum wages and real manufacturing wages (ibid. graph 1) was accompanied by a drop in the labor share of the GDP from 35.2% in 1982 to 26.8% in 1988. See Mario Zepeda, ‘El Pronasol, la política y la pobreza’, Memoria, 36 (1990), 6–7. Wage restraint was also enforced by exemplary strikes which were lost by the workers, and which in some cases led to the bankruptcy of state-owned companies (Zamora, ‘La política laboral del estado mexicano, 1982–88’, 24–48).


69 The PRI introduced a constitutional reform for social housing, controls on the cost of rents, transportation and basic staples, and increased the share profits for workers from 8 to 10%. See Zamora, ‘La política laboral del estado mexicano, 1982–88’, 133, and Aziz Nassiff, El Estado Mexicano y la CTM, 279–81. The CTM also obtained the extension of the ‘social sector’ (union and worker property) that reached, in 1984, 400 production firms for basic goods that were distributed in 142 CTM-run shops. See Javier Aguilar García and Lorenzo Arrieta, ‘En la fase más aguda de la crisis y en el inicio de la reestructuración o modernización’, in Javier Aguilar García (ed.), Historia de la CTM: 1936–1990, 2 (Mexico City: Instituto de Investigaciones Sociales, UNAM, 1990), 698–9.

70 Examples of these policies were a program of incentives to production, distribution, and consumption of basic staples in 1982, a more active role to the National Commission of Minimum Salaries where unions were represented (CNSM), a subsidy to the union-controlled Workers’ Bank in order to foster union stores as well as an increase in the funding for tripartite institutions like the INFONAVIT and National Fund for Workers’ Consumption Goods (FONACOT) in 1985 (Zamora, ‘La política laboral del estado mexicano, 1982–88’, and Aziz Nassiff, El Estado Mexicano y la CTM ).
prices, a retrenchment in and privatization of the public sector, and a larger trade opening that would control the price of tradeable goods. Thus, the PSE marked the beginning of a new strategy of macroeconomic stabilization that was accompanied by an acceleration of the process of structural reforms aimed at reshaping the role of the state as well as the competitiveness of the Mexican economy. These reforms, however, not only challenged the institutions and practices that had previously regulated the relationship between the state and the union movement, but also triggered a process of industrial restructuring in both the private and the public sector.

Labor Response to the De La Madrid Administration

In January 1983, President De La Madrid relaxed a price settlement established the previous month despite wage controls. The CTM threatened a general strike demanding wage-indexation and more frequent minimum wage negotiations. Moreover, it accepted, for the first time, that ‘independent’ unions join the May Day parade of the ‘official’ union movement. This timid signal of partisan tolerance challenged the incumbent PRI, afraid of the influence of other parties in the union movement. In addition, CTM affiliates showed their discontent by increasing their share of total strikes between 1983 and 1986. In contrast, the share of strikes involving unions affiliated with the CROC and the CROM dropped after 1983 (Secretary of Labor and Social Welfare 1989), accompanying their increasing support for the austerity policies of the De la Madrid administration.

The De La Madrid administration took advantage of the competition between labor confederations associated with the PRI. Secretary of Labor and Social Welfare, Arsenio Farrell, rewarded the supportive national union confederations that boycotted CTM wage demands in the Congress of Labor. Farrell’s policies ranged from speeding the registration procedures of unions affiliated with compliant national labor confederations, to publicly acknowledging their support as a sign of modernization. This competition with other PRI-related national union confederations made it costly for the CTM to maintain its disagreement in terms of state resources to the point that in

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73 Secretary of Labor and Social Welfare, Annual Reports (Mexico City, 1997).
74 For instance, in June 1983, the CROC, CROM, CRT, and FTSTE, formed a pro-government bloc opposing the CTM. This bloc signed a National Solidarity Pact, together with government and business, aimed at moderating wage and price hikes. The CTM did not sign the pact and demanded a 50% hike in the minimum wage (Zamora, ‘La política laboral del estado mexicano, 1982–88’, 135). See also María Xelhuantzi López, ‘Reforma del Estado Mexicano y sindicalismo’, MA thesis (Mexico City: UNAM, 1992), 253.
1987 it signed the PSE. Salinas would reinforce this manipulation of union competition to control the CTM and to avert opposition to his sweeping reform program.

The Salinas Administration (1988–94)

President Salinas signed, with business, peasants, and labor representatives, a series of pacts that would seek consensus for his policies during his administration. These pacts continued with price negotiation, income policies, increasing deregulation, and fiscal deficit reduction. He accelerated privatization in path and scope, industrial restructuring, and trade liberalization. He championed and signed the North American Free Trade Agreement (NAFTA), reformed part of the social security system, and partially changed the structure of the party as described below.

Stabilization

The stabilization program defined in the annual corporatist pacts of the Salinas administration attacked the fiscal deficit and inflation. It continued with price negotiation and income policies defining a wage ceiling equal to the approved hikes on the minimum wage while promising a restrictive monetary policy and faster trade liberalization to control prices. The government realigned public sector prices, approved a tax reform, and cut subsidies to reduce the fiscal deficit. Meanwhile, the exchange rate served as an anchor against inflation—fixed in 1988 and with a limited crawling peg since 1989. As a result, the reduction of the fiscal deficit was accompanied by a revaluation of the Mexican peso.

The impact of stabilization on the CTM and its constituencies was mixed. The reduction of inflation benefited wage earners that were more hurt by inflation than asset-holders. However, real minimum wages maintained a declining trend and, although the real trend of manufacturing real earnings (considering wages, salaries, and benefits) turned upward, they never recovered their pre-1982 value. Even in the maquiladora firms, salaries dropped

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76 See Aziz Nassiff, El Estado Mexicano y la CTM; and Middlebrook, The Paradox of Revolution.
77 President Carlos Salinas had a six-year term, from December 1988 to December 1994. As with previous PRI presidential nominees, he was elected among other PRI candidates by the governing PRI president in a ritual called ‘destape’ (unveiling). The analysis of Salinas’ reforms and union responses to these reforms is based on field research done in Mexico in 1993 and 1995. The interviewees (45) included actors of the period and key informants. The three sets of actors were policymakers, managers, politicians, and union leaders, from both the PRI and dissidents within the unions analyzed. Key informants were students of the analyzed sectors. The interviews were supplemented by documents, collective bargaining contracts, a press chronology (elaborated by my research assistant, Antonieta Mercado, based on the archives of Entorno Laboral), and secondary sources.
78 See Aziz Nassiff, El Estado Mexicano y la CTM; and Middlebrook, The Paradox of Revolution.
between 1989 and 1992. Open unemployment and underemployment remained stable and had their lowest value between 1990 and 1992 (Table 2.1), but economic growth was modest, especially if compared with the almost 2% average annual rate of population growth in Mexico during the Salinas administration. The low rate of economic growth, together with the limited compensations offered to wage earners and the absence of unemployment insurance, affected the CTM and its constituencies despite the recovery of purchasing power granted by the success of macroeconomic stabilization. In addition, wage ceilings limited the capacity of unions’ bargaining power.

Table 2.1. Mexico: Selected Macroeconomic Indicators (1980–94)

<table>
<thead>
<tr>
<th>Year</th>
<th>Real GDP growth (%)</th>
<th>Open unemployment</th>
<th>Under-employment</th>
<th>Minimum real salary</th>
<th>Inflation (% CPI)b</th>
<th>Fiscal balance (% of GDP)</th>
<th>Current account balance (US$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>−1.9</td>
<td>4.3</td>
<td>n.d.</td>
<td>104.7</td>
<td>58.92</td>
<td>−11.98</td>
<td>−5,889</td>
</tr>
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<td>1983</td>
<td>−4.2</td>
<td>5.3</td>
<td>n.d.</td>
<td>84.8</td>
<td>101.76</td>
<td>−8.15</td>
<td>5,886</td>
</tr>
<tr>
<td>1984</td>
<td>3.5</td>
<td>5.7</td>
<td>n.d.</td>
<td>71.8</td>
<td>65.54</td>
<td>−7.25</td>
<td>4,183</td>
</tr>
<tr>
<td>1985</td>
<td>2.5</td>
<td>3.7</td>
<td>n.d.</td>
<td>70.9</td>
<td>57.75</td>
<td>−7.59</td>
<td>800</td>
</tr>
<tr>
<td>1986</td>
<td>−3.6</td>
<td>4.4</td>
<td>n.d.</td>
<td>63.2</td>
<td>86.23</td>
<td>−13.3</td>
<td>−1,377</td>
</tr>
<tr>
<td>1987</td>
<td>1.8</td>
<td>3.9</td>
<td>4.0</td>
<td>60.3</td>
<td>131.83</td>
<td>−14.22</td>
<td>4,247</td>
</tr>
<tr>
<td>1988</td>
<td>1.3</td>
<td>3.6</td>
<td>3.9</td>
<td>67.4</td>
<td>114.16</td>
<td>−9.61</td>
<td>−2,374</td>
</tr>
<tr>
<td>1989</td>
<td>3.3</td>
<td>3.0</td>
<td>3.8</td>
<td>73.6</td>
<td>20.01</td>
<td>−4.99</td>
<td>−5,825</td>
</tr>
<tr>
<td>1990</td>
<td>4.5</td>
<td>2.8</td>
<td>3.3</td>
<td>75.1</td>
<td>26.65</td>
<td>−2.8</td>
<td>−7,451</td>
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<tr>
<td>1991</td>
<td>3.6</td>
<td>2.6</td>
<td>3.5</td>
<td>80.1</td>
<td>22.66</td>
<td>−0.23</td>
<td>−14,888</td>
</tr>
<tr>
<td>1992</td>
<td>2.8</td>
<td>2.8</td>
<td>3.7</td>
<td>87.8</td>
<td>15.51</td>
<td>1.54</td>
<td>−24,442</td>
</tr>
<tr>
<td>1993</td>
<td>0.7</td>
<td>3.4</td>
<td>4.3</td>
<td>94.6</td>
<td>9.75</td>
<td>0.36</td>
<td>−23,400</td>
</tr>
<tr>
<td>1994</td>
<td>3.3</td>
<td>3.6</td>
<td>4.4</td>
<td>98.0</td>
<td>6.97</td>
<td>−0.78</td>
<td>−29,418</td>
</tr>
</tbody>
</table>

Notes:

- a Real minimum salary is measured with a base of 100 for 1980 and was taken from the Mexican Indicators of ECLAC for 1995.
- b CPI.

The CTM signed all the corporatist pacts of Salinas' administration, preaching their beneficial impact on real salaries, but rejected wage ceilings and demanded higher hikes for the minimum wage from 1988 to 1992. The CTM even denounced wage ceilings in the courts in 1992. In contrast, the CROM, the CROC, and the FTSTE supported the stabilizing pacts without expressing public wage demands. After 1993, CTM wage demands receded and the number of strikes of its affiliates dropped as a proportion of total strikes of PRI-affiliated labor confederations, but the government granted no concessions.

Privatization of State-Owned Enterprises

President Salinas privatized very important economic assets, such as the national telephone company, the formerly nationalized commercial banking system, state-owned airlines, steel mills, copper mines, and part of the petrochemical industry. The privatization of state-owned enterprises, according to former Secretary of the Economy Pedro Aspe, sought to balance the fiscal budget and to reshape the state thereby complementing stabilization efforts. The privatization of state-owned enterprises had a tremendous impact on employment and work conditions. Industrial restructuring and labor flexibility in firms designated to be privatized was drastic. According to a high-ranking policymaker, the administration threatened union leaders with firm bankruptcy and the extinction of collective bargaining clauses to persuade them of the need to introduce labor flexibility and to restructure work conditions in the firms designated for privatization.

The privatization program concentrated its impact on the affected workers hurting especially nationwide industrial unions that organized workers in large state-owned enterprises and whose collective bargaining contracts were

81 CTM, ‘Memorias de la CXVI Asamblea Ordinaria de la CTM’, Annual report (Mexico City, 1994).
83 Uno Más Uno (Mexico City, 15 December 1992).
84 Press chronology and interviews with Hector Miranda, secretary of National Relations of the FTSTE (14 February 1995), Cuahutémoc Paleta, secretary general of the CROM (1 March 1995), and Mario Martínez Dector, leader of the CROC in the state of Mexico (3 March 1995).
85 President De La Madrid had affected minor privatizations that represented less than 0.20% of the annual GDP and less than 1% of the annual public sector income. President Salinas' privatization program was both rapid and financially important. For instance, in 1991, privatization income was 3.83% of GDP and accounted for 14.4% of public sector income (Aspe, El Camino Mexicano de la Transformación Económica, 185).
86 Aspe (1993, 37).
87 See Miguel Ramírez, ‘The Political Economy of Privatization in Mexico, 1983–92’, Occasional Paper 1, Latin American Studies Consortium of New England (1993), 20. For example, the state-owned oil company (Pemex) was decentralized in four units while the collective bargaining contract was drastically changed and personnel cut sharply. Rafael Loyola and Lilián Martínez, ‘Petróleos Mexicanos: la búsqueda de un nuevo modelo empresarial’, Estudios Sindicistas, 12 (1994).
generous in fringe benefits and union privileges. Despite the conflict in preferences that this policy could have created among different constituencies, the predominance of a coalition of regional unions within the CTM silenced the demands of unions in the state-owned enterprises and forced them into the political logic of subordination, which governed CTM-government interactions.

**Trade Liberalization**

Trade liberalization reduced tariffs from an average of 34% in 1988 to 4% in 1993.89 Trade liberalization and Mexican integration into NAFTA were aimed at both controlling the price of tradeable products and making the Mexican economy more competitive and integrated into world markets. In addition, trade liberalization and integration promoted the development of the *maquiladora* where employment rose sharply. The export sector benefited from this reform despite the revaluation of the Mexican peso.90 Trade liberalization thus affected mainly the protected and domestically oriented sectors while benefiting the competitive and export-oriented sectors, particularly those integrated into the US market, such as the *maquiladora*. However, the CTM—as well as the CROC and the CROM—affiliated unions in most sectors and regions, gathering both the losers and winners of this process since their regional union leaders even competed for the potential new recruitment in *maquiladora*.91 As with privatization, the predominance of regional federations that organized both the winners and losers of trade liberalization and integration averted conflicts of interests within the CTM submerged its policy response within the general dynamics of CTM-government relations and unified CTM response to trade liberalization and integration. Bensusán and García (1993), stressing the unique case of negotiation between the CTM and the government, argues that the CTM, along with the rest of the PRI-related confederations, actively supported NAFTA in exchange for the maintenance of the Federal Labor Law that regulated labor organization.92 Moreover, the CTM preference for NAFTA was also based on its expectation for increased employment despite the opposition of its American counterparts.93

The System of Retirement Savings

In 1992, with the aim of increasing domestic savings, Congress approved a bill to reform social security by creating a complementary retirement fund under private administration. The System of Savings for Retirement (SAR) was a privately administered pension system of individual capitalization, based on an employer tax of 2% of salary. The SAR complemented the public pay-as-you-go system that was administered by the tripartite Mexican Institute of Social Security (IMSS). This reform of the state system of social security did not affect the public structure of the IMSS, however. None the less, it created a parallel private system without including union representation in management. It was designed as a transitional stage to a future privatization of the public pension system through retirement funds, which would take place during the following administration.

Although the SAR created a complementary benefit paid with employers' taxes, the CTM opposed the SAR. The CTM considered it a first stage in the privatization of social security and demanded that the Workers Bank administers the funds for productive goals or that an unemployment insurance be created using these individual accounts.\textsuperscript{94} To the contrary, other PRI labor allies, such as the CROC, the CROM, and some of the new Federation of Goods and Services (FESEBeS) unions, supported the creation of the SAR. The government did not grant CTM demands and only included the CTM, which participated in the administration of the IMSS, in a symbolic advisory committee.

The Reform of the Institute for Housing Funds (INFONAVIT)

The reform of the Institute for Housing Funds (INFONAVIT) was based on a 5% payroll tax from workers earning less than ten times the minimum salary, although the houses built with these funds were intended for workers earning less than five times the minimum salary, with the highest priority to those earning less than two times the minimum salary.\textsuperscript{95} The Institute intervened in financing, planning, contracting, building, and distributing housing, and had a tripartite management although unions increasingly dominated it. Indeed, union competition replaced efficiency and solidarity principles in the distribution of housing, and the INFONAVIT became an important source of union financial resources and patronage.\textsuperscript{96}

President Salinas designated the SAR to also administer INFONAVIT funds, thereby excluding unions from the administration of funds, the intermediation for housing construction, and the assignation of housing credits

\textsuperscript{94} Julián Bertranú, ‘La política de la reforma a la seguridad social en México’. Unpublished MS (Flacso-Sede México, Mexico City, 1994), 20.


\textsuperscript{96} Ibid. 157.
that had previously been distributed among PRI-related labor confederations. Therefore, this reform to the corporatist structure of welfare had an impact upon the authority structure of unions and affected their capacity to resort to patronage and to create selective incentives. The CTM rejected the reform and proposed, instead, to increase and oversee employer contributions, and to administer funds better. In contrast to the CTM, the CROC, CROM, COR, and even some FESEBeS unions supported the reform. The government disregarded CTM's demands and implemented the reform giving the CTM only small concessions. The INFONAVIT's administrative council restored the old system of union intermediation in credit assignment as a supplement to the new private system in October 1993.

**Labor Flexibility**

Despite the rigidity of the Mexican Labor Code (the Federal Labor Law or LFT), labor flexibility in collective bargaining advanced under the discretion of the Secretary of Labor and Social Welfare (STPS) and the Conciliation and Arbitration Boards. They approved collective bargaining contracts which, contrary to the spirit of the law, reduced fringe benefits and union prerogatives, and increased the flexibility of work conditions. This de facto flexibility reduced union influence and transformed the work conditions of union constituencies across sectors. Moreover, in 1992, Salinas signed with business and labor representatives the National Agreement for the Promotion of Quality and Productivity (ANECP), aimed at increasing Mexican productivity and international competitiveness at the micro level. During his administration, labor productivity grew more rapidly in manufacturing than during the previous administration. Yet, because of the revaluation of the exchange rate, the unitary labor cost sharply increased during this period, although was still lower than the US labor cost.

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98 Bertranú, ‘La política de la reforma a la seguridad social en México’, 22.
100 Interviews with Hector Miranda, Secretary of National Relations of the FTSTE (14 February 1995), Cuahutémoc Paleta, Secretary-General of the CROM (1 March 1995), Joel López Mayrán, Secretary-General of the COR (29 March 1995), Francisco Hernández Juárez, Secretary-General of the FESEBeS (19 April 1995).
101 Bertranú, ‘La política de la reforma a la seguridad social en México’, 27.
103 See Enrique de la Garza, *Restructuración Productiva y Respuesta Sindical en México* and Middlebrook, *The Paradox of Revolution*. This de facto labor flexibility resulted from the governmental attempt to divide the reform of work conditions from the reform of labor organization conditions, both of which were regulated by the Federal Labor Law. It was allowed by the discretionary power of the Mexican Executive, which created juridical insecurity in industrial relations.
De facto labor flexibility affected CTM unions and constituencies across sectors and regions. Between 1988 and 1993, the CTM complained about de facto labor flexibility in collective bargaining and in 1982 threatened solidarity strikes against flexibility in the textile industry. In contrast, the CROC and the new Federation of Goods and Services Unions (FESEBeS) were more favorable to labor flexibility and competitive concerns (although the FESEBeS stressed union participation in these changes).

**Labor Organization Regulations**

The Employers Confederation of Mexico (COPARMEX) proposed a reform of labor legislation in 1991. The COPARMEX demanded the abolition of closed shops, limits to strike activity, the individualization of wage bargaining, and a reduction of union influence in work organization. Their aim was to obtain juridical security and to curb union power by attacking the subsidies for labor organization, such as monopolies of representation, collective wage negotiation, and closed shops.

In 1966, the national labor confederations associated with the PRI had formed the Congress of Labor (CT), an umbrella organization to coordinate their participation in the corporatist institutions of the state and the party. The CTM affiliated 63.9% of CT union members in 1979. However, the CTM could not impose this majority in the CT due to the requirement of unanimous decision-making. Yet, on the issue of labor law reform, the CTM could obtain the unanimous support of CT members, in contrast to what happened with its other attempts to demand policy changes. The CTM could organize a common front against the COPARMEX initiative because all national confederations and PRI-unions also rejected the proposal as being pro-business. The unification of union opposition resulted in the government dropping the reform.

**Reform of the Corporatist Structure of the PRI**

President Salinas aggressively pursued political reforms within the party as a response to the dismal 1988 electoral results. The PRI had been based on group membership and divided into three functional sectors. Yet, in 1990, the XIVth Assembly of the PRI introduced individual affiliation and established equal representation for the functional sectors and the new territorial structure. The XVth Assembly of the PRI united the peasant and labor sectors of the party in a Worker-Peasant Pact, and created a Territorial Popular Movement and a National

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106 Zazueta and de la Peña *Estructura Dual y Piramidal del Sindicalismo Mexicano*, 810.
108 León, ‘Del partido de partido al partido de sectores’.
Citizens Front.\textsuperscript{109} The CTM resented these reforms because they attacked their quota in the structure of functional representation, which had traditionally nourished its influence within the party.\textsuperscript{110} As a result of this internal conflict within the PRI, the number of labor candidacies for deputies in the PRI slates dropped from 21.4% in 1988 to 15% in 1991, or from 30% to 20% including civil service unions that also belonged to the Congress of Labor (Table 2.2), although this decline ended in 1994.\textsuperscript{111}

Table 2.2. Mexico: Labor Candidacies in the Institutional Revolutionary Party (PRI) Slates (1979–94)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of labor candidacies (% of PRI)</th>
<th>No. of candidates from popular sector belonging to the CT (% of PRI)</th>
<th>No. of CTM candidacies (% of total labor)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>70 (23.3%)</td>
<td>24 (8%)</td>
<td>45 (64%)</td>
</tr>
<tr>
<td>1982</td>
<td>74 (24.6%)</td>
<td>23 (7.7%)</td>
<td>50 (67%)</td>
</tr>
<tr>
<td>1984</td>
<td>72 (24%)</td>
<td>24 (8%)</td>
<td>51 (71%)</td>
</tr>
<tr>
<td>1988</td>
<td>75 (21.4%)</td>
<td>26 (9%)</td>
<td>51 (68%)</td>
</tr>
<tr>
<td>1991</td>
<td>57 (15%)</td>
<td>17 (5.1%)\textsuperscript{a}</td>
<td>44 (76%)</td>
</tr>
<tr>
<td>1994</td>
<td>56 (15%)</td>
<td>19 (5.4%)\textsuperscript{a}</td>
<td>45 (76%)</td>
</tr>
</tbody>
</table>

\textsuperscript{a} The 1991 and 1994 figures for the popular sector correspond only to the SNTE and FSTSE.

Notes: The figures correspond to the Chamber of Representatives and are derived from an interview with Jesús Reyes del Campillo, an expert on Mexican elections, by the author in Mexico City in 1990 and 1991. Since 1988, the total candidacies increased from 300 to 350.

This decline in the political influence of labor until 1993 deepened the competition among labor confederations for the fewer spaces assigned to it within the party and elective bodies. Since the CTM controlled most of the labor sector of the party, the CROC, CROM, COR, FESEBeS, and the FSTSE tried to take advantage of the reforms to improve their relative position at the expenses of the CTM.\textsuperscript{112} Their support thus again weakened CTM demands against the changes in the corporatist structure of the PRI implemented from 1990 to 1992. However, after its effective subordination to Salinas' reforms in

\textsuperscript{109} Luis Méndez Berrueta and José Quiroz Trejo, \textit{Modernización Estatal y Respuesta Obrera: Historia de una Derrada} (Mexico City: Universidad Autónoma Metropolitana, 1994).

\textsuperscript{110} CTM, \textit{Memorias de la CXII Asamblea}.

\textsuperscript{111} However, because of the longer terms, the number of senators and governors from the labor sector did not experience this decline (Zapata, ‘Crisis en el sindicalismo en México?’). The CTM still held majorities in the IMSS, the INFONAVIT, the FONACOT, and the CNSM, according to Fidel Velásquez (\textit{La Jornada}, 12 April 1992). See Domínguez (1995) and Francisco Zapata, ‘Crisis en el sindicalismo en México?’ \textit{Revista Mexicana de Sociología}, 1 (1994), 79–88.

\textsuperscript{112} See note 52.
1993, the CTM recovered institutional space within the party in an alliance with other groups within the party who also felt challenged by the changes in the party structure. These allies took advantage of the upcoming Presidential elections when the reformers would need their support to obtain a return to the corporatist structure of representation for the National Executive Committee of the party. As a result, the XVIth Assembly of the PRI returned the functional representation structure to the National Executive Committee in 1993.113

Labor Responses to Salinas' Policies

Although the CTM had supported Alfredo Del Mazo rather than Salinas for the PRI nomination, it did not organize protests against Salinas' reforms and even campaigned in favor of the NAFTA. Government manipulation of union competition, thanks to the party monopoly over labor loyalties, explains the CTM behavior. The Salinas administration manipulated union competition for resources and members taking advantage of the party monopoly, which guaranteed its control over the majority of member unions even if they moved from one national confederation to another. When the CTM expressed its disagreement with government policies, the government used executive discretion to give more resources to the other PRI labor confederations which accepted these policies to make them more attractive for union members and to punish the CTM. To avoid losing resources and member, the CTM subordinated itself to the government and silenced its demands.

President Salinas not only took advantage of the competition among PRI-related national union confederations to control the behavior of the CTM, but also used repression to maintain the party monopoly in the unions. After the Party of the Democratic Revolution (PRD), which emerged from a splinter of the PRI, almost won the 1988 elections, Salinas punished some PRI union leaders who supported the PRD candidate in the elections.114 He also retained Arsenio Farrell as his Secretary of Labor. The latter continued to reward compliant national union confederations, like the CROC and the CROM, which confronted CTM demands.115 Simultaneously, Salinas advocated the emergence of a ‘new unionism’ concerned with work productivity and based on his personal relations with the union leaders who organized the FESEBeS.116 The FESEBeS obtained its official registration in 1992 against CTM complaints, thus increasing union competition and the number of serious

113 Marbrán, ‘La dificultad del cambio (1968–1990).’
114 For example, Salinas orchestrated the imprisonment, on murder charges, of the powerful state oil workers' traditional leader, Joaquin Hernández Galicia (La Quina), who backed Cárdenas.
115 Domínguez (personal interviews, 1995).
116 Ruth Berins Collier and James Samstad, 'Mexican Labor and Structural Reform: New Unionism or Old Stalemate?', in Riordan Roett (ed.), The Challenge of Institutional Reform in Mexico (Boulder: Lynne Rienner, 1995).
challengers to the CTM. In December 1992, the CROC and FESEBeS launched a common front in the Congress of Labor that appeared to be an alternative to the CTM.\textsuperscript{117} In addition, in February 1993, a government agency incorporated them into a program for the modernization of unionism, which had been rejected by the CTM.\textsuperscript{118} The CROC and the CROM boycotted CTM wage demands in the Congress of Labor, thus hindering the unanimity necessary to have a common front, like the one that rejected the reform of the labor law. In addition, CTM-affiliated unions exited to other national union confederations, especially to the CROC and, to a lesser degree, to the CROM, because they received better treatment from the government.\textsuperscript{119} By contrast, the CROC increased its membership and the FESEBeS obtained its registration (despite the complaints of the CTM) while its affiliated unions received industry-specific concessions.

As shown in Table 2.3, although the CTM accepted most of Salinas' reforms due to government manipulation of union competition, the reform of labor regulation was an exception because the common front of all PRI-affiliated labor confederations reduced union competition. Since the CTM built a common front in the Congress of Labor, it avoided the effects of union competition and strengthened union bargaining power \textit{vis-à-vis} the government. As a result, unions obtained the maintenance of the law in return for their active support in favor of the NAFTA.\textsuperscript{120} This exceptional case of union

Table 2.3. The Mexican Workers' Confederation (CTM) Responses to Market-Oriented Reforms

<table>
<thead>
<tr>
<th>Reform</th>
<th>CTM position</th>
<th>Competing</th>
<th>Concessions to the CTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stabilization</td>
<td>Rejection of wage caps</td>
<td>Support for austerity</td>
<td>No concessions</td>
</tr>
<tr>
<td>Privatization</td>
<td>Rejection</td>
<td>Support</td>
<td>No concessions</td>
</tr>
<tr>
<td>Trade liberalization</td>
<td>Support</td>
<td>Support</td>
<td>Exchange for Federal Labor Law</td>
</tr>
<tr>
<td>SAR</td>
<td>Rejection</td>
<td>Support</td>
<td>No concessions</td>
</tr>
<tr>
<td>INFONAVIT</td>
<td>Rejection</td>
<td>Support</td>
<td>Minor concessions after 1993</td>
</tr>
<tr>
<td>Labor flexibility</td>
<td>Rejection</td>
<td>Support</td>
<td>No concessions</td>
</tr>
<tr>
<td>Federal Labor Law reform</td>
<td>Rejection</td>
<td>Rejection</td>
<td>Reversal</td>
</tr>
<tr>
<td>PRI reform</td>
<td>Rejection</td>
<td>Support</td>
<td>Reversal after 1993</td>
</tr>
</tbody>
</table>

\textsuperscript{117} UnomásUno (Mexico City, 16 Dec. 1992).
\textsuperscript{118} El Financiero (Mexico City, 24 Feb. 1993).
\textsuperscript{119} The exit of CTM-affiliated unions was reported by several newspapers and collected in my press chronology.
\textsuperscript{120} Bensusán, \textit{Opiniones Sindicales Sobre la Reforma Laboral}.
unity further reinforces my theory, since the absence of union competition strengthened union bargaining power.

The subordination of the CTM combined with its centralized control over affiliate unions facilitated the implementation of Salinas' policies. CTM centralized authority derived from the 1947 CTM constitution—which required CTM affiliates to seek the approval of the National Committee for strike actions—as well as from the informal role played by the CTM in collective bargaining. The CTM participated as an informal intermediary in important negotiations with management and the Secretary of Labor and Social Welfare (STPS), and had a majority of labor representatives in both Local and Federal Conciliation and Arbitration Boards (JLCA and JFCA)—which regulated collective bargaining, union registration, and strike approval—as well as in the National Commission for the Minimum Salary (CNSM), which set minimum wages. Its representation in other state institutions, such as the social security and housing institutes, also provided the CTM with selective incentives and other sources of patronage. Moreover, the CTM could not make a credible threat to exit to another political party due to its long partisan loyalty reinforced by Salinas' exemplary punishments to defectors.

The CTM subordinated itself to Salinas' reforms to preclude the loss of further resources that the administration shifted towards rival confederations as well as the exit of more CTM members towards competing confederations. The CTM reflected the fragmentation of the Mexican union movement. Local unions included in regional federations predominated over nationwide industrial unions. As a result, political rather than industrial preferences prevailed in the organization. Political resources were easier to deliver on regional basis and have historically compensated for the industrial weakness of small local unions.

122 On the development of such institutions and the influence of the CTM within them see Middlebrook, The Paradox of Revolution, 56–70; and Bensusán, ‘Institucionalización laboral en México’, ch. 6. On the political resources and the authority of the CTM see, among others, Middlebrook The Paradox of Revolution; Bizberg, Estado y Sindicalismo en México; and Assiz Nassiff, El Estado Mexicano y la CTM.
123 Moreover, since the PRI was never in opposition, the CTM never had the opportunity to prove its industrial muscle against a non-affiliated incumbent party like other Latin American union movements did (Zapata, El Conflicto Sindical en América Latina).
124 On the predominance of regional federations over nationwide industrial unions see Zazueta and de la Peña, Estructura Dual y Piramidal del Sindicalismo Mexicano, 811–14; and Aguilar, En la fase más aguda de la crisis y en el inicio de la reestructuración o modernización, 134. This predominance prevented the CTM from clustering their local industrial unions into nationwide industrial unions to avert a repetition of the 1940s and 1950s when nationwide industrial unions challenged Fidel Velázquez, the CTM perennial leader who was supported by a coalition of regional federations (Camacho, El Futuro Inmediato, 112). In the early post-war period, the combination of Communist influence and increased militancy of the nationwide industrial unions also presented a threat to the CTM leadership that was repressed by the incumbent PRI. See Jorge Basurto, Del Avilacamachismo al Alemanismo (1940–1952) (Mexico City: Siglo Veintiuno Editores, 1984), 124–32; and Assiz Nassiff, El Estado Mexicano y la CTM, 98–104.
In short, the government subordinated the CTM by manipulating union competition, restricted within the boundaries of the PRI, which reduced the bargaining power of the CTM and forced its subordination. Only in the case of the attempted reform of the Federal Labor Law a common front of all PRI-related labor confederations reduced union competition and strengthened labor bargaining power averting the reform proposed by the government.

Sector-Specific Reforms and Union Reactions

Trade liberalization and integration into world markets triggered industrial restructuring in the automobile, oil, electricity, and telecommunications. While the first two were tradeable goods, the last two sectors provided key infrastructure service for the production of goods and services. In addition, the oil, electricity, and telecommunications sectors were state-owned monopolies until Salinas privatized telecommunications and opened oil to private investment. State reform also affected education where Salinas started a process of decentralization to improve the efficiency of public education thus seeking to build human capital. The following sections describe both the attempts at reforming these industries and the response of unions.

Decentralization of Education: Union Monopoly in a Reformed Reform

Although the Mexican Constitution put primary education under the jurisdiction of municipalities and secondary education and teacher training under the jurisdiction of the states, the Public Education Secretary has expanded and centralized the education system at every level since 1921. While centralization and politicization were blamed on the inefficiency of the system, at the beginning of the Salinas administration, teachers' demands for higher wages and greater democracy within the unions had already generated large protests from regionally based dissidents who forced a change in the union leadership. In 1992, Salinas proposed a decentralization of education that would transfer all schools to the jurisdiction of states. This reform particularly affected the national leadership of the National Union of Education Workers (SNTE) which would lose power to state leaders. Thus, the national leadership unanimously rejected decentralization, afraid of its impact on the authority structure of the union if it were divided into thirty-two units.

125 In 1928, the SEP only controlled 20% of the students and the federal government paid only for 6.1% of education expenditures. By 1991–2, however, the SEP controlled 65% of students and the federal government paid for 80% of education expenditures. See Carlos Ornelas, *El Sistema Educativo Mexicano* (Mexico City: Fondo de Cultura Económica, 1995).

126 A former policymaker admitted in a confidential interview that the division of the nationwide union into 32 state unions was one of the unachieved objectives of the reform. This objective was perceived by PRI and non-PRI union leaders as well. See José Antonio Rodríguez, advisor to former Secretary-General of the SNTE Elba Esther Gordillo, interview by author (Mexico City, 4 April 1995); Jesús Martín Del Campo, PRD official and SNTE leader, interview by author (Mexico City, 12 April 1995).
To obtain the support of the union for the transfer of more than 500,000 teachers and 100,000 employees to state jurisdiction in 1992, and for the subsequent General Education Law of 1993, the government granted important concessions to the union. These concessions included the centralization of evaluation, curriculum, and funding for training by the federal government, salary hikes above national wage ceilings, new pension benefits, and pay incentives. In addition, the education budget of states was to be earmarked by the federal government instead of decentralizing financial decisions on education expenditures. This last concession guaranteed new uniform requirements and promotion conditions covering teachers originally under state and federal jurisdiction. In addition, teachers who were formerly under state and federal jurisdictions were included in the same unified districts increasing the influence of the national leadership over the teachers previously under state jurisdiction. These concessions facilitated the decentralization process although substantially modifying its original design. Why was the teachers' union able to extract these concessions from the government?

Teachers' Union: The Emergence of Leadership Competition in a Monopolistic Union

The National Union of Education Workers (SNTE) was a monopolistic union founded in 1943, under the auspices of the PRI-controlled Secretariat of Public Education with the aim of restraining Communist influence and inter-union conflicts in the education sector (Arnaud 1993). Since then, the PRI controlled the union that served as a political machine and as tool for the expansion and centralization of education. In return, union leaders received candidacies in PRI slates and management positions in the Secretariat of Public Education, while centralization strengthened the national leadership of the union, sustained mainly by members under federal jurisdiction. The resulting politicization of the Secretariat of Public Education had several consequences. It elicited the loyalty of administrators to the union rather than to the Secretariat of Public Education (SEP), and allowed union leadership to control its members by providing them with power over the specific work conditions of each teacher. See Susan Street, *Maestros en Movimiento: Transformaciones en la Burecracia Estatal (1978–1982)* (Mexico City: Ediciones de la Casa Chata, 1992), 116; and Maria Lorena Cook, *Organizing Disent* (University Park, PA: Pennsylvania State University Press, 1996), 79. In addition, centralization was statutory imposed. According to Cook, the SNTE increasing control over supervisory appointments coincided with increased restrictions on the internal life of the union. Delegation-level assemblies needed approval from local executive committees and were rarely convened while the national executive committee controlled local electoral processes and the local distribution of finances, and had powers of intervention at the local and delegation assemblies (Cook, *Organizing Disent*, 80).
Education made the control of education performance increasingly inefficient because supervisors knew that they owed their position to their union careers.129

In the 1980s, tighter budget constraints and inflation eroded teachers' real salaries and induced a shift in the expansion of personnel toward management positions granted to union leaders who controlled teachers' discontent with salary deterioration.130 This situation fueled a regionally—and politically—based dissident movement that toppled the national leadership of the union in 1989.131 Cook points out that the new PRI leader, Elba Esther Gordillo, had a weak political base and, thus, was forced to include the internal opposition within the national leadership—through mechanisms of proportional representation—to avoid losing control of the union. Moreover, the automatic affiliation to the PRI was abolished, permitting party competition within the monopolistic union.

As a result, non-PRI union leaders, who were regionally based and whose influence grew as a result of the previous process of regional deconcentration, rejected decentralization after obtaining the opportunity to compete for the control of the union and were included into its national leadership.132 Simultaneously, internal partisan competition increased the incentives for union militancy and the 'price' that the government was willing to pay to retain the union within the PRI ranks.

Leadership competition combined with political monopoly induced the PRI government to reinforce the position of its affiliated leaders within the union by granting them concessions aimed at averting their replacement by non-PRI-affiliated union leaders. Moreover, the new PRI leadership promoted the development of new union services to legitimize its authority.

129 Alberto Arnaud, ‘La evolución de los grupos hegemónicos e el SNTE’, Working paper 3, Estudios Políticos (CIDE, Mexico City, 1992); and Cook, Organizing Dissent, 85.

130 Although in the 1980s teachers salaries fell in real and relative terms, administrative expenditures rose to 16% of education spending by 1984. See Ornelas, El Sistema Educativo Mexicano.

131 See Del Campo (personal interview, 1995). According to Cook, Organizing Dissent, 270, ‘teachers from throughout the country engaged in work stoppages, marches, hunger strikes, and plantones in Mexico City and regional capitals from February to May 1989’. Indeed, the largest demonstration of teachers' dissent in SNTE's history occurred in 1989, with more than 500,000 union members joining the work stoppages scheduled in April, more than half of the country's largest union (p. 269).

132 The new statutes proclaimed proportional representation (SNTE 1992). Dissident ‘members enjoyed full participation in the union's first congress after the 1989 mobilization . . . [many of their positions] . . . were incorporated into the documents and resolution of the 1990 congress. It was also important for Gordillo that the SNTE be able to demonstrate to the Salinas government that it could generate new ideas, 'modernize' itself, and do so while incorporating the strongest elements of the opposition’ (Cook, Organizing Dissent, 279).

133 Arnaud, La federalización de la educación básica y normal (1978–94), and Del Campo (personal interview, 1995).
These services included a housing fund, a retailing system for consumer durables, training and research institutes, and a political forum to different parties—part of a new strategy of supporting SNTE candidates in every party to promote sectoral interests.\(^\text{134}\) This investment in organizational and industrial resources characterized the ‘new unionism’ attempt to be prepared for a loss in the efficiency of political resources due to the PRI policy shift and the increasing electoral contestation.\(^\text{135}\)

**Restructuring of Electricity: Economic vs. Political Efficiency**

President Salinas’ National Program for the Modernization of Energy Industries attempted to raise productivity and quality, improve the efficiency in the use of energy, diversify energy sources, and increase energy investment. As a result, he raised electricity fees and opened energy investment to foreign capital.\(^\text{136}\) This program affected the two state-owned enterprises in the electricity sector: the Light and Power Company (CFLC) and the Federal Electricity Commission (CFE). However, the challenge for the CFLC was greater because it had been in a liquidation status for many years and was deprived of public investment, while it subsidized the CFE by buying overpriced electricity. By 1988, the CFLC produced only 5% of its distributed electricity and had accumulated large debts.\(^\text{137}\) Moreover, the inefficiency of the CFLC was coupled with a very generous collective bargaining contract that reduced management discretion with a very detailed specification of industrial relations.

While the private sector demanded the privatization of the CFLC, the government introduced a bill to liquidate the CFLC and replace it with a decentralized entity depending on the CFE. There was no mention of the continuity of the collective bargaining contract, or of the Mexican Union of Electricity Workers (SME) monopoly of representation in the firm.\(^\text{138}\) The liquidation and merger put at risk both the stability of workers’ jobs and the continuity of the union because the monopoly of representation of the CFE was held by a larger union, the United Union of Electricity Workers (SUTERM), which was affiliated with the CTM and very hostile to the SME.

This grim perspective improved when the government agreed to bail out the debts of the firm and to buy a small portion of shares still in private ownership.

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\(^{134}\) Rodríguez (personal interview, 1995).

\(^{135}\) Although the SNTE attempted to join the FESEBeS, which organized other expressions of the ‘new unionism’, it was forbidden by the legal obligation of public administration unions to affiliate with the FTSTE. See María Xelhuantzi López, advisor to the Secretary-General of the STRM, Francisco Hernández Juarez, interview by author (Mexico City, 5 April 1995).


\(^{138}\) Ibid. 165.
in order to create a state-owned company different from the CFE in 1989. The SME was promised the monopoly of representation, the continuity of collective bargaining conditions, job stability for workers, and coordination with management for industrial restructuring. The new collective bargaining contract introduced two management-union commissions in charge of increasing productivity and achieving financial viability. These commissions provided the union with information and management rights. Moreover, workers obtained new fringe benefits, such as early retirement for hazardous jobs, and bonuses to pay for housing, education, and household expenses. What conditions explain the bargaining strength of this union in a bankrupt firm?

Electricity Workers: Union Monopoly, Party Competition, and the Emergence of a Political Ally

Internal leadership competition in the SME promoted contestation among different factions regardless of their party affiliation. SME statutes enhanced such competition by introducing a secret and universal vote and a system of first-past-the-post for each leadership position. Additionally, half of the executive committee was replaced every year, thus increasing the opportunities for leadership competition. This electoral structure increased the opportunities of competition for the replacement of leaders. As a result, the union monopoly provided by the closed-shop arrangement was coupled with leadership competition—although without explicit party banners—extended to the workplace where committees with minority representation controlled the implementation of the collective bargaining contract. This competition faced union leaders with the threat of being replaced by discontented constituencies every two years.

In 1987, a combative leadership organized a strike—the first since 1936—and a massive demonstration against the PRI government. The government repressed the strike and took over the company. The SME secretary-general who had led the strike lost the following elections to a more pragmatic leader, Jorge Sánchez. Sánchez bargained with PRI Presidential nominee, Carlos Salinas who preferred granting concessions to this pragmatic leader rather than having the combative leadership winning elections again. In February 1988, Sánchez obtained the endorsement of the SME for Carlos Salinas—despite SME historic independence from the PRI. In return, Salinas granted him with the survival of the company instead of its liquidation, the maintenance of the union monopoly of representation, and new industrial concessions and

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140 SME, 1992, preface, art. 23-I-f; art. 34-II.

141 Melgoza, ‘El SME y la productividad’, 159.

142 Melgoza, ‘Avances e incertidumbres en la modernización del sector eléctrico’, 175.
benefits for members, which built upon the traditional SME culture of productivity.\textsuperscript{143}

The threat of leadership competition, which could turn the union into militancy again and disrupt the electricity service in the capital city, enhanced union bargaining power. President Salinas supported this sympathetic union leader in order to prevent more militant leaders associated with the opposition parties from extending their industrial influence in the SME.\textsuperscript{144} Like the teachers, the electricity workers of SME took advantage of leadership competition to obtain concessions that influenced policy design. In addition, the investment in organizational or industrial resources was, in both cases, a strategy to survive a future of dwindling political resources.

\section*{Negotiating Privatization and Restructuring in Telecommunications}

President Salinas announced the privatization of the state-owned telephone company, Telmex, in September 1989. The announcement followed concessions to the union including respect for their previous collective bargaining rights, job stability, and worker participation in the privatization process.\textsuperscript{145} The union had been supportive of privatization as an instrument to attract investment to make the company efficient and it had favored the inclusion of new technologies and labor flexibility.\textsuperscript{146} Although in 1989, collective bargaining suspended a commission where the union had supervised technological innovations, the commission was reinstalled with more responsibilities which included the design, implementation, and coordination of new programs of quality and productivity in 1990. In addition, the union obtained the permanent hiring of 4,636 workers previously under fixed-term contracts, as well as 467 new workers, generous funds for union social action, investment in training, a 15% hike in wages and a 16% hike in benefits, and an increase from 3% to 4.4% of capital for worker shares.\textsuperscript{147}

\begin{footnotesize}
\begin{enumerate}
  \item The sources for this account are Gabriel Pérez, ‘El SME ante el reto de la modernización del sector eléctrico’, \textit{El Cotidiano}, 58 (Mexico City, Oct.–Nov. 1993), 4–6; Sanchez (1995); and a confidential interview with a high-ranking government official of the Salinas administration (1995). Regarding the SME culture of participation in the industrial organization of the company since 1966, see Melgoza, ‘Avances e incertidumbres en la modernización del sector eléctrico’, 80, and Horacio Romo, Secretary of External Relations of the SME, interview by author (Mexico City, 7 April 1995).
  \item In fact, Sánchez lost his position to a more combative union leader who strained SME relations with the government at the end of the Salinas administration.
  \item Mateo Lejarza, advisor to the Secretary-General of STRM, interview by author (Mexico City, 1995) and Javier Elguea, director of Intelmex, training institute of Telmex, interview by author (Mexico City, 1995).
  \item See Oscar Vázquez Rubio, ‘Los telefonistas cruzaron el pantano: concertaron con Telmex’, \textit{El Cotidiano}, 21, September–October, 1989; De la Garza, ‘Quién ganó en Telmex?’; Francisco Hernández Juarez, Secretary-General of the STRM, interview by author (Mexico City, 19 April 1995); and Aspe, \textit{El Camino Mexicano de la Transformación Económica}, 178.
\end{enumerate}
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Moreover, the union organized a trust fund that obtained a soft credit from a public bank to buy the stocks that would be paid with the dividends.\footnote{See Mateo Lejarza, advisor to the Secretary-General of the STRM, interviews by author (Mexico City, 27 Feb. and 28 March 1995).}

The union also participated in industrial restructuring (e.g., in programs for quality, productivity, and training) in return for generous benefits for its members, such as new programs of social welfare for workers.\footnote{Lejarza (personal interview, 1995) and Pilar Marmolejo, training manager at Inttelmex/Telmex, interview by author (Mexico City, 1995).} In addition, taking advantage of workers' stock in Telmex, the union organized, with half of workers' stocks, a savings fund to provide soft credits for housing and consumer durables. Union concessions, therefore, not only protected job stability and increased workers' benefits, but also provided the union with a new role in industrial organization and in provision of services to workers. What conditions explained union cooperation and success in obtaining concessions?

**Telephone Workers: Leadership Monopoly and the Incentives for Cooperation**

The Mexican Union of Telephone Workers (STRM) emerged in 1956 after the unification of the private telephone companies Ericsson and Mexicana.\footnote{María Xelhuantzi López, *Sindicato de Telefonistas de la República Mexicana. 12 años: 1976 – 1988* (Mexico City: Mexican Union of Telephone Workers, 1989), 11.} It was a monopolistic union controlled by a traditional PRI leader until 1976 when a rank-and-file rebellion replaced him with a younger leader, Francisco Hernández Juarez. Despite its affiliation with the PRI, Hernández Juarez reformed the union statutes to increase democratic participation, introducing vote procedures for the approval of collective bargaining contracts and strike actions, and forbidding re-election.\footnote{Ibid. 33–50.} However, successive changes of statutes had permitted Hernández Juarez to be re-elected three times while he used closed shops to control opposition in extreme cases and maintained an executive group of ‘*comisionados*’ controlling many of the technical decisions of the union.\footnote{Lejarza (personal interview, 1995); Xelhuantzi López, *Sindicato de Telefonistas de la República Mexicana*, 53; and Judith Catherine Clifton, ‘The Politics of Privatization in Mexico: Telecommunications and State-Labour Relations (1988–1994),’ *Papeles de Trabajo de América Latina Contemporánea* 0397 (Instituto Universitario Ortega y Gasset, Madrid, 1997), 23.} Although dissidents denounced the centralization of resources and the manipulation of unity lists in assemblies as mechanisms to limit leadership competition, they agreed on the responsiveness of the leadership to rank-and-file demands.\footnote{Rosario Ortiz, dissident union leader in the STRM, interview by author. Mexico City, 18 April 1995.}

Within this context of leadership and union monopoly, Hernández Juarez developed a personal relationship with President Salinas that promoted his union as an example of ‘modern’ unionism.\footnote{Hernández Juarez (personal interview, 1995) and Collier and Samstad ‘Mexican Labor and Structural Reform: New Unionism or Old Stalemate?’} Salinas rewarded the support
of the union for privatization and its control of labor unrest with important concessions, including an expensive employee-owned stock program. Hence, the loyalty of the union leader to the President, along with the absence of leadership competition and a monopoly of representation, enhanced the bargaining power of the union and facilitated its restraint and cooperation with the process of privatization and industrial restructuring. These concessions, in turn, provided Hernández Juarez with benefits for its constituencies. In addition, like the SME and the SNTE, this non-CTM union invested the concessions obtained in the political arena in organizational and industrial resources. The following two case studies, however, show a much less successful pattern than the previous three.

**Ford Motors: Industrial Restructuring Under Economic Liberalization**

During the period of import substitution industrialization, the automobile industry had both a 60% quota on domestic manufactures and regulated prices. The Salinas administration suppressed the quota and deregulated prices while providing fiscal incentives and promoting labor flexibility to increase international competitiveness. Mexican integration into North American markets and the labor flexibility of the new export-oriented plants of northern Mexico promoted the growth of exports. Therefore, industrial restructuring centered on the old plants of central Mexico—established during the period of import substitution industrialization—which had more rigid collective bargaining conditions, better wages, and more union prerogatives than those in the north.

Following these trends, Ford Motors closed two of its three domestically oriented plants in central Mexico and opened two export-oriented plants in the north during the 1980s. Collective bargaining in the three plants was decentralized, although in all cases it was negotiated with the national union.

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155 During the Zedillo administration, Hernández Juarez led the organization of an alternative union group, which included ‘independent’ unions opposed to the PRI. See Lejarza (personal interview, 1995).


159 Ibid. 381.
and the CTM. However, the remaining plant in central Mexico—situated in Cuautitlán—had higher labor costs and more rigid work conditions than the new ones. The company wanted to change this disparity which reduced productivity and could promote labor unrest in the northern plants.

In 1987, Ford Motors fired all Cuautitlán workers and rehired them under a more flexible collective bargaining contract. This also increased the authority of the national leadership of the union in collective bargaining at the expenses of the local executive committee in Cuautitlán. The 1989 and 1991 contracts increased labor flexibility. This process of industrial restructuring provoked high labor unrest—including work stoppages and violent incidents—from 1989 to 1992 until the intervention of the CTM imposed the subordination of the local union. What conditions explain this shift in union response?

Ford Motors Workers: Partisan Competition, Militancy, and Imposed Subordination

The transformation of the automobile industry in the 1980s extended the influence of the CTM at the expense of non-PRI unions that had been more influential in the 1970s. The CTM controlled only six of the eleven unionized plants in 1976 and eighteen of the twenty-one unionized plants in 1987, including all the unionized plants of the National Union of Ford Motors Company Workers. In addition, 85.5% of CTM members were in export-oriented plants, like Ford's two northern plants in Hermosillo and Chihuahua.

In 1987, the leveling of Cuautitlán work conditions to equal those of the northern plants created a conflict of interest between the Cuautitlán plant and those in the north, and between the Cuautitlán local executive committee and the national leadership of the union. As a result, in 1988, the discontented Cuautitlán workers elected a new local executive committee associated with left-wing parties and hostile to the national leadership. In 1989 and 1990,
following this increase in leadership competition, the Cuautitlán plant militantly opposed the policies of the company as well as the national leadership of the union threatening to leave the CTM.\textsuperscript{168}

The demand of the local executive committee to exit the CTM introduced the threat of member withdrawal together with leadership competition for the CTM national leaders. This threat—along with its interest in a transformation of the industry which had extended its industrial influence—prompted the CTM to serve as an intermediary in the exchange between the local workers and the company by displacing Ford Motors' union leaders.\textsuperscript{169} CTM's intervention was violently imposed upon the local union shifted the union to the national context of CTM competition with other national union confederations. In order to avert the exit of these members, the CTM forced union subordination to industrial restructuring. In return, the government allowed a public ballot procedure supervised by company personnel to decide union affiliation. Such procedures intimidated workers and resulted in a close victory of the CTM. In addition, the government backed a CTM violent internal intervention in the union to limit leadership competition after another non-PRI local executive committee was elected in 1992.\textsuperscript{170}

In short, the coincidence between the workers affected by industrial restructuring and a decision-making unit within the union—the Cuautitlán plant—resulted in the election of a non-PRI local executive committee with the consequent rise in leadership competition and opposition to industrial restructuring. However, the CTM and the Mexican government imposed their power over the Cuautitlán workers and forced them into subordination.

\section*{Pemex: Industrial Restructuring in the State-Owned Oil Company}

The Salinas administration reformed the oil industry which was monopolized by the state-owned oil company Pemex. It opened part of the industry to private investment and replaced political criteria with efficiency criteria for management in order to increase productivity, established public bidding for

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\textsuperscript{168} See also Von Bulow (1995) and the personal interview with Paul Bernardo Díaz (1995), a former local union leader in the Ford plant at Cuautitlán, interview by author (Mexico City, 28 Feb. 1995).

\textsuperscript{169} Ford Motors preferred to negotiate with the CTM (von Bulow, 'Reestructuración', 1995, 14–15). This support coincides with Middlebrook's (\textit{The Paradox of Revolution}, 281–90) claim that labor flexibility was easier to achieve in CTM-affiliated than in 'independent' unions and explains the increase in CTM influence in the automotive industry signaled by Carrillo, \textit{La Ford en México}.

\textsuperscript{170} Reference to Paul Bernardo Díaz, former union leader in the local executive committee of the Ford Motors Workers Union, interview by author (Mexico City, 1995). A man died and several were hurt as a result of CTM-directed violence. Furthermore, the company contributed to the restriction on leadership competition by dismissing non-PRI union leaders after the 1992 election. Thus, both the PRI government and the company were interested in restricting party competition. Moreover, this case contradicts Golden's assumption that unions start strikes to defend their activists at the plant level. See Miriam Golden, \textit{Heroic Defeats: The Politics of Job Loss} (New York: Cambridge University Press, 1995).
contracts with Pemex, and restructured work organization through collective bargaining in 1989, 1991, and 1993.\textsuperscript{171} These collective bargaining contracts introduced internal and external flexibility, reduced fringe benefits, and curtailed union prerogatives over hiring and promotion as well as its representation in management. Meanwhile, management cut employment from 210,000 to 106,939.\textsuperscript{172} Moreover, in 1993, the government decentralized Pemex into four divisions: refining, exploration and production, gas and basic petrochemicals, and non-basic petrochemicals. These sections did not coincide with those of the union.\textsuperscript{173}

Industrial restructuring deeply affected the union. Lay-offs and the shift of workers to managerial categories, which could not be unionized, reduced union membership. The loss of hiring and managerial prerogatives and of the 2% union fee for social welfare applied to suppliers' contracts reduced union industrial and organizational resources. Finally, labor flexibility and the fall in fringe benefits affected union constituencies.\textsuperscript{174} None the less, while in 1984 and 1988 the union had expressed strong demands against government attempts to reform the industry, after 1989 the union subordinated itself to government initiatives.\textsuperscript{175} What conditions explain the sudden subordination of the oil workers' union?

The Oil Workers' Union: From Partisan Competition to Subordination

In the 1930s, the Cárdenas administration had promoted the unification of all oil workers' unions into the Mexican Union of Oil Workers (STPRM). He had taken advantage of a conflict between the STPRM and the private companies as a legal pretext to expropriate the industry in 1938.\textsuperscript{176} This unification created a monopolistic union in the prosperous oil industry. As a result, closed shops arrangements, both for hiring and exclusion, restricted party or

\textsuperscript{171} See Fabio Barbosa, ‘La reestructuración de Pemex’, \textit{El Cotidiano}, 46 (Mexico City, 1992), March–April, 21; Pérez, ‘El SME ante el reto de la modernización del sector eléctrico’; and Rafael Loyola and Liliana Martínez, ‘Petróleos Mexicanos: la búsqueda de un nuevo modelo empresarial’ \textit{Estudios Sociológicos}, XII (Mexico City, 1994), 287.

\textsuperscript{172} On personnel reducton, see Fabio Barbosa, ‘Los trabajadores petroleros hoy’, \textit{Trabajo y democracia hoy}, 23 (Mexico City, 1995), 12–13; on other modifications through collective bargaining see Barbosa, ‘La reestructuración de Pemex’, 23, and Loyola and Martínez, ‘Petróleos Mexicanos: la búsqueda de un nuevo modelo empresarial’, 288; on the loss of union prerogatives, see ibid. 299–301.

\textsuperscript{173} Ibid. 310.


\textsuperscript{176} Bizberg, \textit{Estado y Sindicalismo en México}, 39.
leadership competition in a union that became increasingly prosperous. The original structure of the union was based on the compromise of leadership rotation among the northern, central, and southern regions. However, Joaquín Hernández Galicia (La Quina), from the northern region, eventually dominated the union. He also consolidated the union’s autonomy from the CTM, based on large financial resources, and subsequent contributions to the CTM, derived from the union’s share of supplier contracts with Pemex, and the 2% union fee for welfare action over any supplier contract. As a result, the autonomy from the CTM, together with the absence of union or leadership competition, provided the union with strong bargaining capacity. Why did the union lose this bargaining power?

During the De La Madrid administration the government introduced a public bidding system for public sector contracts that explicitly excluded unions, but the STPRM negotiated an exception with the government due to its strong bargaining power as a monopolistic union controlled by the PRI in a strategic sector. However, as union companies were less efficient than their private counterparts and the union contracts were reduced, Hernández Galicia demanded a larger investment in the maintenance of Pemex infrastructure to be supplied by the union. In addition, he challenged Salinas by supporting Cuauhtémoc Cárdenas in the 1988 elections. Such partisan challenge could not be tolerated. After the election, Hernández Galicia threatened to protest against the opening of the basic petrochemical industry to private investment with a general strike in Pemex. Salinas responded by putting Hernández Galicia in prison in January 1989 under fabricated murder charges. Furthermore, the secretary of labor refused to recognize the transitory leadership elected by the union to replace him. Instead, the government imposed a new secretary-general controlled by the CTM, Sebastián Guzmán.

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179 See also Miguel Angel Cruz Bencomo, STPRM union leader, interview by author (Mexico City, 1995); and Aldana, ‘La renta petrolera y el ascenso del quinismo’. Under the leadership of Hernández Galicia, the union also used those resources in shops, farms, and companies to supply Pemex which used the employment of transitory workers who wanted to obtain a permanent position in Pemex (Novelo, ‘Las fuentes de poder de la dirigencia sindical en Pemex’, 17).
180 Ibid. 16.
181 In 1985, Hernandez Galicia allowed union leaders affiliated with the Socialist Workers Party (PST) to hold leadership positions in certain sections (Cruz Bencomo, ‘El quinismo’, 27). In 1988, he supported Cuauhtémoc Cárdenas against Carlos Salinas for the presidency and in most electoral districts dominated by oil workers. Salinas lost the presidential election while PRI–union candidates for representatives and senators were elected. See Cruz Bencomo, ‘El quinismo’; Jesús Reyes del Campillo, ‘El movimiento obrero en la Cámara de Diputados (1979–1988)’, Revista Mexicana de Sociología, LII: 3, (July–Sept. 1990), 139–60; and Hebraicas Vazquez, leader of the dissident faction in the STPRM, interview by author (Mexico City, 1996).
Cabrera, who subordinated the union to the government. In this case, as in the Ford Motors' local union, the PRI and the CTM did not tolerate partisan challenges, showing the limits to the partisan plurality within the CTM in accordance to its historic alliance with a party that had relied on electoral fraud in addition to the inclusion of social demands to stay in power for seventy years.

Union Response and Policy Consequences

The CTM competition with other PRI-related national labor confederations for the representation of workers increased government capacity to control each one. The government responded to CTM demands by manipulating union competition for material and symbolic resources. Fearing the loss of resources and a subsequent drain in membership, the CTM subordinated to the government. The subordination of the CTM contributed to the governability of the Salinas administration and to the implementation of his reforms. The preferences of the CTM and its affiliated unions were shaped by the predominance of a cross-regional coalition of regional federations—political preferences encompassing all its members—over nationwide industrial unions with industry-specific preferences, like the unions of oil workers and Ford Motors workers.

The non-CTM unions studied responded to the challenge created by globalization according to their own dynamics. Although these unions were atypical, their responses were important due to their strategic position and to the political example they set for other unions. Leadership competition influenced the teachers' militant opposition while union monopoly strengthened their bargaining power to restrict the policy change attempted by the government. The monopolistic character of the union and the permanent threat of leadership competition among SME electricity workers, resulting in militancy when the leader was not an ally of the governing party, increased the responsiveness of Salinas to their demands. This situation allowed the SME to avoid the liquidation of the Company of Light and Power, which would have threatened union survival. In telecommunications, leadership monopoly and union monopoly favored negotiation of the privatization and restructuring of Telmex between the union and the government and resulted in favorable concessions for the union.

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182 See Cruz Bencomo (1995) and Vázquez (1995) on the role of Guzmán Cabrera in the subordination of the union. For example, in a General Assembly of 14 July 1992, the new Secretary General Sebastián Guzmán Cabrera, defended the restructuring plan implemented by Pemex while acknowledging the job losses implied in the plan. Simultaneously, one of his union allies proposed to apply the closed-shop separation clause to 'professional agitators' who opposed restructuring (La Jornada, 23 July 1992, quoted in Melgoza, ‘Avances e incertidumbres en la modernización del sector eléctrico’, 184).
Although the capacity of the government to control the CTM reduced the cost of labor peace in terms of concessions, it was a double-edged sword because it did not induce any modernization in CTM union strategies in order to adapt to the more global environment. Concessions to the three non-CTM individual unions in the study were more costly for the government, but they were invested in industrial and organizational resources as an alternative to the dependence on political resources, which had characterized Mexican organized labor. The STRM, SNTE, and SME reinforced their industrial identities by developing industrial and organizational resources that could compensate for a future of dwindling political resources and increasing political pluralism in the electoral arena. The industry-specific constituencies of these unions facilitated their development of strong industrial identities. In contrast, the CTM, because of its cross-sectoral constituencies and a history of successful use of the political resources derived from its alliance with the PRI, was afraid of investing in alternative resources. This preference for political resources was reinforced by the predominant coalition of cross-sectoral regional federations, formed by local unions, within the CTM. Furthermore, the CTM had no experience of using industrial resources to compensate for political resources because the PRI had always been in power. As a result, the alliance of CTM union leaders with the PRI limited the CTM's capacity to bargain with other political parties or to allow partisan competition within its ranks, leaving the organization in a difficult position to deal with increasing political liberalization.

My institutional hypothesis does not contradict the neocorporatist hypothesis of union quiescence with their affiliated parties. However, it explains the variation in union response despite a common party affiliation, a phenomenon that neocorporatist theories cannot account for. It also clarifies the mechanisms that induced union quiescence within a governing labor-based party despite union fragmentation. In addition, my argument does not ignore the authoritarian characteristics of this regime and the high degree of state control existing in Mexico that was pointed out both by students of economic liberalization and by Mexican scholars. In fact, regime characteristics are crucial to understanding the capacity of the executive to manipulate union competition among PRI-related national labor confederations, the CTM preference for political influence, and the reactions of the CTM and the government.
to partisan competition in Pemex and Ford Motors. Although international pressures on competitiveness could explain the initial reaction in protected sectors like automobile and oil, where workers and union leaders resisted industrial restructuring, they do not explain their subsequent subordination, imposed by the CTM and the government. However, my hypothesis also accounts for the variation in union responses across Mexican unions that regime theories are not able to explain, such as the better deals obtained by teachers, electricity workers, and telephone workers.

**Concluding Remarks**

In sum, this chapter shows how the historical legacies on union structure influenced the diversity in union responses to a common challenge triggered by an international shock and by the process of international economic integration. Union responses were not unified even within the same country. The combination of diverse organizational legacies shaped the responses of Mexican unions to a common challenge, while the predominance of industrial over political identities—related to the sectoral composition of union constituencies—enhanced the adoption of innovative resources related to the implementation of these reforms. Thus, distinct historical legacies and institutional mechanisms are crucial in the articulation of union demands and strategies towards industrial restructuring and market-oriented reforms, which are sweeping the world as a result of economic integration and globalization.

The findings of this chapter reinforce the theme of this book concerning the importance of historical legacies, union organization, and political dynamics in shaping union responses to market-oriented reforms and industrial restructuring. My hypothesis explains why the Mexican CTM responded differently from other national confederations facing the common threat of globalization and the policy shift of allied labor-based parties implementing neoliberal policies. The combination of partisan monopoly and union competition explains the subordination of the CTM to Salinas. This hypothesis is also useful for understanding the variation across Mexican unions in their strategies for confronting this common challenge. Leadership competition was a key variable for understanding the attitudes of unions while organizational fragmentation influenced their bargaining power as shown in the cases of teachers, electricity workers, and telecommunication workers. Although these variables explain the initial reaction of oil and Ford Motors workers, other institutional variables related to the characteristics of the Mexican regime should be added to understand their subsequent subordination.

Among the institutional variables important for study, this chapter highlights the influence of organizational legacies in the opportunity for both leadership competition and organizational fragmentation to emerge.
Historical legacies related to the previous use of political resources are also important for understanding the choices of union leaders. The CTM leaders—with sunk costs in political resources—reinforced their partisan identities following a strategy that had been successful since the origins of the organization. In contrast, non-CTM unions attempted to develop alternative strategies that reinforced their industrial identities based on their sector-specific constituencies and their autonomy from the CTM to bargain with the government. These sector-specific strategies were aimed at compensating for possible losses in political resources after the Salinas administration. Each of these different strategies emerged from a previous history of interaction between the respective union and the governing PRI, as well as from the diverse internal composition of these unions. The consequences were remarkable because the non-CTM unions led a process of union renovation that would take place during the following administration when fourteen unions organized the Union Forum, which later evolved into a new central organization, the National Union of Workers (UTN) that broke with the ‘official’ labor movement and joined other ‘independent’ unions.

Finally, the costs of bargaining proved to have positive side effects. Although the exchange was particularly affected by the bargaining capacity of the union, the process of bargaining itself influenced the attitudes of union leaders towards union modernization. The restraint of the CTM was not very costly for the government in terms of concessions because the CTM was forced to close a ‘bad deal’. However, it did not provoke innovations within the organization like those experienced by non-CTM unions which were in a stronger bargaining position than the CTM. These developments show the importance of bargaining itself in the process of union reform as a learning process that changes the attitudes of the involved parties. In sum, this chapter highlights not only the importance of incentives on union leaders and the weight of historical legacies in their responses to industrial restructuring and market reforms, but also in the resolution of the tension between industrial and partisan identities and their ability to renovate union strategies in order to adapt to globalization.