

## **ABSTRACT**

The CTM (Mexican Workers' Confederation) has been the main labor ally of the perennially incumbent PRI (Institutional Revolutionary Party) in Mexico. Its response to the 1982 policy shift of the PRI, modifying their traditional alliance, was mainly shaped by two factors: a) the influence of organizational structure and historical experience on the preferences of the CTM, and b) the effect of competition among different PRI-related national union centrals on the strategic capacity of the CTM. The mainly territorial organization of the CTM accounts for the diversity of its membership and influences its historical preference for concessions in the political arena, illustrated by its defense of labor legislation and party structure during this period. The CTM's competition with other PRI-related national union centrals allowed the government to grant resources to these competitors when the CTM increased its demands without risking the CTM's loyalty to the PRI. Since the CTM could not threaten to "exit" to another party, it had to reduce its demands in order to avoid the loss of resources.

## **Introduction**

This paper focuses on the responses of the Mexican Workers' Confederation (CTM) to a policy shift by the Institutional Revolutionary Party (PRI) after 1982. Since its organization in 1936, the CTM has served as one of the foundations of the PRI and has been the main labor representative in corporatist state institutions.<sup>1</sup> In 1982 the PRI shifted its traditionally interventionist policy approach toward market-oriented reforms. This shift strained its alliance with the CTM but did not break it. This paper explores the conditions that made the CTM more compliant with this policy shift than its counterparts in other countries where labor-based parties made similar policy shifts. I argue that the union's response was mainly shaped by two factors: a) the influence of organizational structure and historical experience on the preferences of the CTM, and b) the effect of competition among PRI-related centrals on the relation between the CTM and the incumbent PRI.

### *a) The Preferences of the CTM*

The CTM has an "encompassing"<sup>2</sup> structure; it unites regional federations that aggregate small local unions and national industrial unions. Its perennial leader, Fidel Velásquez, based his authority on the support of the regional federations rather than on the national industrial unions (Camacho, 1980). To build broad policy preferences acceptable to a heterogeneous and fragmented membership, Velásquez preferred to bargain in the political rather than the industrial arena. The industrially diverse membership was unified by the "encompassing" effects of nation-wide laws and regulations governing work conditions, welfare benefits, and even purchasing power.

The Mexican union movement has maintained close relations with the PRI since before the party was organized. During the Mexican Revolution, the leader of the Regional Confederation of Mexican Workers (CROM), Luis Morones, established alliances with presidents Alvaro Obregón

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<sup>1</sup>By corporatist state institutions, I refer to those that are managed by labor, business and state representatives.

<sup>2</sup>"Encompassing organizations" are those that "encompass a substantial portion of the societies of which they are part" (Olson, 1982:47). Here the term refers to cross-sectoral national organizations.

and Plutarco Elías Calles. His idea was that political resources should compensate for the industrial weakness of most Mexican unions. This weakness was encouraged by the fragmentation of labor organization at the national level until the 1930s (Middlebrook, 1995). In the 1930s President Cárdenas organized a political party with a corporatist structure that relied heavily on organized labor to subdue regional leaderships (León, 1990). The CTM, organized under the auspices of Cárdenas, had a prominent role in that sectoral structure, enhancing labor's political influence.

The alliance between Mexican corporatist unions and the party was sustained by an unequal political exchange in which unions provided industrial peace and an electoral machine to the PRI and were granted political privileges and labor-based welfare. They also agreed to PRI policies of import-substitution industrialization, nationalization, and state intervention in the economy,<sup>3</sup> all of which increased the leverage of PRI-affiliated union leaders in collective bargaining, job creation, and the strengthening of labor organization. This alliance promised organizational strength for the unions and welfare for their members. It increased unions' industrial leverage with political resources -- e.g., through indirect wages -- and subsidized labor organization.<sup>4</sup>

#### *b) Competition Among Different PRI-Related Centrals*

Labor's alliance with the PRI did not result in a centralization of the diverse national union centrals. On the contrary, new centrals were created and all of them competed for the membership of the same unions. Nonetheless, the CTM held a leading position (Leal, 1986). In 1967 the CROM, CTM, and other PRI-related centrals gathered under an umbrella organization, the Congress of Labor (CT); but because of its lack of authority over its members, the CT could not

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<sup>3</sup>Indeed, during the administration of López Portillo, the CTM designed an economic proposal that provided for the expansion of state and social property (workers' and union-owned property) at the expense of private property (Marbrán, 1990). By 1982, as a result of public sector expansion during the 1970s, there were 1155 public firms that accounted for 18.6% of GDP and 10% of employment (Aspe, 1993).

<sup>4</sup>For example, through the implicit centralization of collective bargaining produced by nationalizations, through permission to establish "closed shop" clauses and through concessions of administrative roles in labor-based welfare -- e.g. in the National Institute of the National Fund for Workers' Housing (INFONAVIT), the Mexican Institute of Social Security (IMSS) and union stores of subsidized consumer goods.

centralize labor organization and competition among PRI-related centrals persisted.<sup>5</sup>

Since this competition was contained within the boundaries of the PRI, it posed no risk to party loyalty. There was no competition from other parties for the support of these national union centrals. Moreover, the government (i.e., the Secretary of Labor) retained the power to distribute resources among these centrals. The incumbent PRI could thus reward compliant national union centrals and punish rebellious ones, inducing restraint among the latter by holding out the promise that they might earn or recover these resources at the discretion of the government (e.g. through registration for member unions).

### **The Turning Point**

The economic crisis of 1982 marked a turning point in the traditional alliance between the PRI and its affiliated unions. Since the administration of López Portillo, both oil production and borrowing had increased because Mexico had compensated for the initial rise of international interest rates with a simultaneous hike of oil prices in 1979. Yet the maturity of its debt shortened, while capital inflows combined with the government's commitment to exchange-rate stability to produce a real appreciation of the currency that hurt exporters and induced devaluation expectations.

The crisis began in response to a combination of rising US interest rates, a deterioration of the terms of trade (especially the decline in the price of oil), and a decrease in tourism. Devaluation expectations and capital flight continued until the Mexican government could not service its external debt. In 1982 the government asked for a three-month moratorium, devalued the peso, suspended convertibility of dollar deposits, imposed exchange-rate controls and nationalized the banking system -- alienating the business sector (Tello, 1984).

### **The De la Madrid Administration: a Break with the Past**

Against the background of this crisis, President Miguel de la Madrid was inaugurated in

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<sup>5</sup>The CT is a consensual organization in which all votes count equally and there is no sanction power to control the members' behavior.

December 1982. The fiscal deficit, together with falling revenues and rising inflation, highlighted the limits of import-substitution industrialization and government intervention. From 1982 to 1985 the government tried to recover business confidence and control the macroeconomic variables with an adjustment program based on fiscal and monetary retrenchment. After 1985 the government also moved toward trade liberalization and structural reforms (Heredia, 1994). The trade opening was expected to control the prices of tradable goods and increase the competitiveness of domestic production. In-bond production (*maquila*) expanded enormously during this period while real wages dropped dramatically. The government also reduced its deficit by selling state-owned enterprises (Vega López, 1995).

According to Aspe (1993), the fall of the stock market in 1987 started a process of capital flight and high inflation. After the peso was devalued on December 15, the President, together with business, labor and peasant leaders, signed the Pact of Economic Solidarity (PSE). The pact was a corporatist agreement meant to control inflation 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 a restrictive monetary policy, fiscal discipline (including a realignment of public sector prices), a retrenchment of the public sector (including privatizations) and a larger trade opening that would control the price of tradable goods (Aspe, 1993, Lustig, 1995).

The de la Madrid administration employed wage restraint in order to control inflation and increase labor competitiveness internationally. According to Middlebrook (1995), the official hike in the minimum wage 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). The decrease in real minimum wages and in real manufacturing wages (graph 2) was accompanied by a drop in the labor share of GDP from 35.2% in 1982 to 26.8% in 1988 (Zepeda, 1990). Wage restraint was also enforced by the failure of a number of strikes, which in some cases led to the bankruptcy of state-owned companies (Zamora, 1990).

In the public and private sectors, collective bargaining contracts became more flexible by reducing fringe benefits as well as union influence and privileges (Middlebrook, 1995). These

changes took place despite the fact that Mexican labor law prohibited collective bargaining contracts which would result in worse conditions than those previously negotiated (art. 394). This *de facto* flexibility increased the heterogeneity of work conditions across sectors and firms represented by CTM unions. Moreover, trade liberalization introduced a trade-off between employment in the *maquila* and export-oriented sector and the previously protected sectors, reflected by the increase in employment in the *maquila* while overall industrial employment decreased (graph 1).

During this administration, and especially before the signing of the PSE, the government granted some social welfare measures proposed by the CT that not only eased the impact of the crisis on workers but also gave the unions an intermediary role in the distribution of resources. Examples include a program of incentives to production, distribution and consumption of basic staples (1982); a more active role for the National Commission of Minimum Salaries (CNSM), where unions were represented; a subsidy to the union-controlled Workers' Bank in order to foster union stores; and an increase in funding for the INFONAVIT and the National Fund for Workers' Consumption Goods (FONACOT), in which management unions participated (1985) (Zamora, 1990, Aziz Nassif, 1989).

This compensation for industrial weakening with organizational resources ended with the Solidarity Pact. Afterwards, the concessions granted to workers were more consumer- than labor-based, e.g. tax relief for the poorest. Hence, although the impact on the unions' industrial strength was sharp, especially through increased heterogeneity across the membership of unions, the organizational and political effects (see table 1) were not so sharp until 1987.

### **Union Responses to the Policy Shift**

Despite the price and wage settlement of December 1982, the government unilaterally relaxed prices in January 1983. Labor unrest increased. In 1983 the number of strikes rose and, although irregular, did not recede until 1987 (table 3).

There were differences among union centrals. In 1983 the CTM threatened a general strike, demanding wage-indexation, more frequent minimum-wage negotiations, and a formal pact increasing labor participation in policy-making. In the same year the CTM agreed for the first time

that non-PRI related unions could join the annual May Day parade (Middlebrook, 1995). However, the threat of the general strike was never realized; and though a wave of strike petitions occurred among CTM-affiliated unions, most of these unions reached agreements before their strike deadlines by negotiating quick settlements with modest wage increases (Middlebrook, 1995). Threats of a general strike reappeared in 1985 and again in 1987, while the percentage of strikes by unions of the CTM increased from 1983 until 1986 and remained constant until 1988 (STPS, 1989).

At the same time, the number of strikes called by the Revolutionary Confederation of Workers and Peasants (CROC) and the CROM dropped after 1983, as did their share of the total number of strikes (STPS, 1989). While the CTM expressed some opposition to economic policy-making at the beginning of the de la Madrid administration, the CROC and CROM unconditionally supported the austerity policies.

This difference in behavior across centrals was encouraged by the Secretary of Labor, Arsenio Farrell, who rewarded national union centrals that boycotted the CTM's resistance to the government's economic program. His policies ranged from speeding registration procedures for unions affiliated with the compliant national union centrals to recognizing their support of public policies as a sign of modernization. For example, Farrell praised the CROC, the main competitor of the CTM during this period, as the "vanguard of the organized labor movement" (Campuzano Montoya, 1990). Moreover, union registration was faster for CROC than for CTM unions, according to Middlebrook (1995).

The competition of other PRI-related national union centrals made it costly for the CTM to maintain its opposition. By the end of the de la Madrid administration, the CTM had learned the cost of complaining. The government ignored the CTM's main policy suggestions (Aziz Nassif, 1989) and succeeded in taming the CTM's limited opposition. Political influence within the party was still available, however, and the CTM used it to support the presidential aspirations of Interior (Gobernación) Minister Alfredo Del Mazo in an attempt to defeat the technocrats within the PRI.

### **The Salinas Administration: Completing the Turnaround**

In spite of the CTM's support for Del Mazo, Carlos Salinas was selected as the PRI nominee and elected president. The Salinas administration continued and deepened the structural reforms of the Mexican economy begun by the previous administration. The culmination of the trade-opening process was Mexican integration into the North American Free Trade Agreement (NAFTA).

In December 1988 President Salinas signed with business, peasant and labor representatives the first of a series of pacts by which he sought consensus on his policies for the duration of his administration. These pacts were extended to price negotiations, public-sector price realignment, income policies, increasing deregulation, VAT reduction, tax credits, and a crawling-peg exchange rate. In 1992 Salinas also signed the National Agreement for the Promotion of Quality and Productivity (ANECP), a statement of intention with business and labor representatives aimed at increasing Mexican productivity and international competitiveness at the micro-level. The following year, productivity agreements without ceilings were included in collective bargaining.

The Salinas administration also privatized important economic assets, such as the national telephone company, the nationalized banking system, the state-owned airlines, steel-mills and mines, and part of the petrochemical industry. These privatizations sought a balanced fiscal budget and a structural reform of the state (Aspe, 1993).

President Salinas also committed himself to a reform of the social security and housing systems. In 1992, with the aim of increasing domestic savings, the Congress approved the System of Savings for Retirement (SAR). The SAR was a privately-administered pension system based on individual capitalization that complemented the public pension system. It accounted for two percent of individual salaries and was financed by employers' contributions. The SAR was also designated to collect the funds of the labor-based INFONAVIT, thereby excluding unions from a role in housing distribution (*El Economista*, February 10, 1992). This last reform profoundly affected one of the traditional sources of union patronage and organizational strength, moving the challenge to the CTM beyond the industrial arena.

Trade liberalization and integration into NAFTA were part of an attempt to restructure the Mexican economy and integrate it into world markets. These developments increased the

differences between export-oriented and domestic-oriented firms and sectors, thus augmenting the heterogeneity of work conditions among the CTM membership (and that of other centrals as well).

The Employers Confederation of Mexico (COPARMEX) pressed for a reform of labor law. In 1991 COPARMEX demanded new legislation to abolish closed shops, limit strike activity, individualize wages, and reduce union influence in work organization (Bensusán 1994). But President Salinas reversed his initial commitment to such a reform under pressure from the CTM. Instead, collective contracts that resulted in changes in work conditions, fringe benefits and union prerogatives continued to be accepted, though such changes violated the spirit of the labor law (De la Garza, 1993). The flexibility of collective bargaining contracts was drastic in some state-owned firms that were going to be privatized or restructured.<sup>6</sup> *De facto* flexibility resulted, in most cases, in sharp reductions of union influence within the firms and further diversified the work conditions of union constituencies.<sup>7</sup>

Real minimum wages continued to decline while real earnings in manufacturing (including wages, salaries, and benefits) turned upward (graph 2). Open unemployment and underemployment remained stable and reached their lowest point between 1990 and 1992 (table 3). Manufacturing employment declined slightly while employment in the *maquila* rose sharply (graph 1).<sup>8</sup> Labor productivity increased more rapidly in manufacturing than during the previous administration (table 3). At the same time, the unit cost of labor -- although still lower than in the United States -- increased sharply during this period despite the increase in labor productivity due to the revaluation of the exchange rate (table 3).<sup>9</sup>

President Salinas aggressively pursued political reforms within the party in response to the dismal electoral results of 1988. The CTM resented these reforms because they were directed at the corporatist structure that traditionally nourished its influence within the party (CTM, 1991). The

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<sup>6</sup>According to a high government official, the threat of bankruptcy was used to persuade unions of the need to change collective bargaining clauses when necessary.

<sup>7</sup>For example, the state-owned oil company (Pemex) was drastically restructured in its organization, collective-bargaining contract and personnel (Loyola and Martínez, 1995).

<sup>8</sup>The decline in employment is very important because the Mexican population grew quickly.

<sup>9</sup>The unitary labor cost increased from 65.3 dollars in 1985 to 102.4 dollars in 1993 (Salinas, 1994) while in the United States it decreased from 107.5 dollars in 1985 and 105.9 dollars in 1993 (Salinas, 1994).

fourteenth Assembly of the PRI, presided over by Luís Donaldo Colosio, discussed the possibility of an increasing territorialization of the PRI at the expense of its corporatist structure.<sup>10</sup> In the fifteenth Assembly, its president, Genaro Borrego Estrada, proposed the "re-foundation" of the party and a modification of its corporatist structure. This resulted in a Worker-Peasant Pact (uniting both the peasant and the labor sectors), a Territorial Popular Movement and a National Citizens Front (Mendez Berrueta and Quiroz Trejo, 1994). In 1993, however, (the year the PRI nominee would be chosen), the sixteenth Assembly returned to the corporatist structure of the National Executive Committee.

This contest for influence within the party resulted in fewer labor candidacies for deputy on PRI slates. In 1991 the proportion of labor candidacies dropped from 21.4% to 15%, or from 30% to 20% including civil service unions (which are also in the CT). However, the number of senators and governors from the labor sector did not experience this decline (Zapata, 1994, José Domínguez, CTM advisor, personal interview).

Although the CTM's candidacies dropped from 51 to 44, it was proportionally less hurt than other centrals (its share increased from 68% to 76%). In addition, the CTM still held majorities in the IMSS, the INFONAVIT, the FONACOT, and the CNSM, according to Fidel Velásquez (*La Jornada*, April 12, 1992). Moreover, this decline of labor representation in party candidacies halted in 1994.

Table 1: Labor Candidacies in PRI Slates

Year	Number of labor candidacies (% of PRI)	Number of candidacies from popular sector belonging to the CT (% of PRI)	Number of CTM candidacies (% of labor total)
1979	70 (23.3%)	24 (8%)	45 (64%)
1982	74 (24.6%)	23 (7.7%)	50 (67%)
1984	72 (24%)	24 (8%)	51 (71%)
1988	75 (21.4%)	26 (9%)	51 (68%)

<sup>10</sup>Mexican corporatism combines functional and territorial patterns of representation. Labor organization followed the corporatist patterns of restricted competition (through closed shops clauses) and state control (through registration procedures). However, functional representation of labor (and other sectors) was reproduced at different territorial levels where the distribution of spaces in the party was implemented. The territorial structure of the CTM (e.g. state federations) better suited this system than a structure based exclusively on national industrial unions. The party reforms threatened the CTM because they sought individual representation at the different territorial levels to reduce the influence of functional organizations like the CTM.

1991	57 (15%)	17 (5.1%)*	44 (76%)
1994	56 (15%)	19 (5.4%)*	45 (76%)

*The figures are for the Chamber of Deputies and have been extracted from Reyes del Campillo (1990, 1991 and personal communication). Since 1988 the total of candidacies increased from 300 to 350. \* The 1991 and 1994 figures for the popular sector apply only to the SNTE (teachers union) and the FSTSE.*

The government continued to encourage competition among the PRI-related centrals. Arsenio Farrell, still Secretary of Labor, backed CROC's challenges to the CTM in exchange for its support for the government's program. In addition, President Salinas supported a group of unions that shared his concern with productivity and united into a new federation, also attempting to challenge the CTM's role as privileged interlocutor with the government: the Federation of Goods and Service Unions (FESEBeS).

In short, the Salinas administration challenged the traditional influence of the CTM more broadly than the previous administration. Trade liberalization, privatizations, and labor flexibility reduced the unions' industrial influence and increased the heterogeneity of CTM constituencies, threatening the "encompassing" nature of the organization. The SAR further challenged the organizational resources of the CTM by eroding a source of patronage and administrative influence. The reform of the party and the drop in the number of labor deputies challenged the political influence of the CTM, which had traditionally compensated it for industrial restraint.

Moreover, both the Secretary of Labor and the President himself took advantage of the competition among PRI-related national union centrals to restrain the demands of the CTM. The next section analyzes the responses of the CTM to the challenges posed by these reforms and the impact of the CTM's competition with other PRI-related national union centrals on its relationship with the government.

### **Union Responses to Salinas' Challenges**

Despite its opposition to Salinas's nomination, the CTM signed all the corporatist pacts of his administration, preaching their beneficial impact on real salaries (CTM, 1994; *El Sol de México*, June 7, 1990). The CTM also defended Arsenio Farrell when "independent" unions organized a campaign demanding his resignation as Secretary of Labor (*El Sol de México*, August 10, 1990,

*Uno más Uno*, August 16, 1990).<sup>11</sup> Yet the CTM accepted *de facto* flexibility in order to avoid a reform of the labor legislation proposed by the business sector, which would have institutionalized long-term reductions in the CTM's political and organizational resources.<sup>12</sup>

The corporatist arrangement of price control in exchange for self-restraint seems to have worked. The number of strikes during this period was stable, even declining slightly (graph 3). The CTM, as a cross-sectoral organization with a leader supported by heterogeneous local unions gathered into regional federations, embraced "encompassing" objectives. For instance, the CTM was committed to income policies because price stability benefited all its members and it had the authority to control the behavior of local unions (e.g. statutory sanction prerogatives and *de facto* repression capacity).

However, the CTM expressed its disagreement with other policies. First, from 1988 to 1992, the CTM opposed the ceilings on wage hikes, denouncing them in the courts in 1992 while demanding increases in the minimum wage (CTM, 1990, 1991, *Uno más Uno*, December 15, 1992). After 1993, though, these wage demands receded.

Second, the privatization process decreased the political leverage of public sector unions in collective bargaining and contradicted the 1970s CTM proposal to expand public and social (union or workers' ownership) property. Although not publicly expressed, CTM resistance to privatizations (at least in the so-called "non-strategic" sector) was sustained only until 1993. Nonetheless, while the privatizations allowed non-CTM unions to negotiate firm-specific privileges, CTM unions did not obtain such concessions. In most cases, these firm-specific preferences were diluted in the aggregation of heterogeneous preferences, clustered mainly on a regional basis, within the CTM.

Third, despite the pressures of their U.S. counterparts and the potential for increased internal stress between export- and domestic-oriented sectors, the CTM and the other PRI-related national union centrals supported NAFTA (Góngora and Vázquez, 1991, Bensusán and García,

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<sup>11</sup>"Independent" unions are those that are not related to the PRI and refused to participate in the corporatist system of representation.

<sup>12</sup>José Domínguez, a CTM advisor, described the sharp *de facto* flexibility in the automobile, sugar, textile, and rubber industries as opposed to both the spirit of the labor law and sector collective contracts and detrimental to minimum uniform work conditions. Yet flexibility was preferred to reform of the labor law (personal interview).

1993). The CTM based its support on NAFTA's potential effect on investment and employment (CTM, 1990, 1991, 1993, 1994) support for higher employment reflected both PRI concerns about governability and the CTM's concern for union density.<sup>13</sup>

Fourth, despite its acceptance of *de facto* flexibility in collective bargaining contracts, the CTM successfully defended existing labor legislation. This legislation established minimum work conditions and allowed the unions to negotiate 'closed shop' clauses. The CTM adamantly opposed changes in labor legislation when the COPARMEX initiated a campaign for reform of the labor law at the beginning of the Salinas administration (Bensusán, 1994, CTM, 1993). Indeed, in 1991, Fidel Velásquez announced a common front of the CT and "independent" unions to stop the initiative. Subsequently, the Secretary of Labor announced that the government had no intention of reforming the labor law.

Fifth, despite the effect of the SAR in reducing its role in the administration of welfare programs, the CTM did not openly resist this policy reform. According to Bertranú (1994), the CTM feared the SAR would erode the corporatist alliance between labor and the state and would be a first stage in the privatization of social security. Moreover, the CTM unsuccessfully attempted to reorganize the funds for unemployment insurance to obtain the administration of individual funds for the Workers' Bank; and also to make unions the prime managers of the funds created to promote productivity gains. The government defused the CTM's opposition to these reforms by rewarding the support of the CROC and threatening to reform labor legislation.

Finally, despite the attempts to reduce its influence within the party structure, the CTM electorally endorsed the PRI (CTM, 1990, 1991, 1993, 1994). However, the CTM opposed the reforms that reduced corporatist representation within the party at the fourteenth and fifteenth PRI assemblies and caused the drop in labor candidacies in 1991. For instance, in September 1992, the CTM presented a critical document to President Salinas during the CTM General Assembly and threatened strikes in solidarity with textile workers. In 1993 the corporatist structure was reintroduced in the Executive Committee and CTM strikes decreased accordingly (STPS, 1995).

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<sup>13</sup>Organizing the export sector was a concern of all the centrals. In Tijuana, for example, the competition between CTM, CROC, COR, and CROM in the *maquila* resulted in the predominance of the latter, according to Quinteros (1990).

That was the year before a presidential election, when the political machine of CTM become more important for the PRI.

In short, the CTM gave in to industrial and even organizational assaults, but resisted in the political arena, in matters of party structure and labor legislation. This preference was shaped by a history of political bargaining and was reinforced by the "encompassing" nature of the organization, which made political rather than industrial preferences easier to aggregate. Moreover, the Salinas administration took advantage of the competition among PRI-related national union centrals to enhance the compliance of the CTM with its policies in the industrial and organizational arenas.

"Independent" unions and dissidents within the CT resisted such policies. "Independent" unions opposed NAFTA, privatizations, and the corporatist pacts. Some of them combined their democratization struggles with conflicts over industrial restructuring, like the workers of the Ford Motor Company in Cuahtitlán and Volkswagen in Puebla. In other cases democratization was the main goal, as when the National Tendency of Education Workers (CNTE) within the Teachers' Union (SNTE) forced a democratization process directed by the government. Furthermore, CT unions not subordinated to a national union central and faced with internal political dissent had more leverage to negotiate union-specific concessions with an incumbent party that wanted to maintain their loyalty (e.g. SNTE).

Salinas, however, was harsher than his predecessor in his relations with the traditional union leaders opposing him. In addition to the competition among centrals, he employed exemplary punishments with some dissenting leaders.<sup>14</sup> At the same time, Salinas advocated the emergence of a "new unionism" concerned with increasing work productivity (Collier and Samstad, 1994). This "new unionism" was best expressed by the FESEBeS, to which official registration was granted, despite the opposition of the CTM, in 1992. Its two main unions, the telephone workers (STRM) and the electrical workers (SME), obtained concessions during the privatization and restructuring of their firms. Since these were firm-specific unions and had a homogeneous membership with sector-

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<sup>14</sup>Salinas orchestrated the imprisonment, on murder charges, of the powerful state-oil workers leader, Joaquín Hernández Galicia ("La Quina"), who had opposed his candidacy. He also forced the resignation of the teachers' union leader, Carlos Jongitud Barrios, who had attempted to impose his views on education appointments and whose intransigence was an obstacle to the resolution of an important teachers' dispute.

specific preferences, they did not need to consider the preferences of other sectors. This made it easier to find common ground between the union and the firm. Furthermore, unlike the CTM, these unions had supported Salinas during his campaign.

The CTM was also affected by its competition with other PRI-related centrals. All the CTM wage demands were opposed by the CROC and the CROM on the ground that they contradicted the commitment assumed in the pacts. In 1992 the COPARMEX praised the CROC's support for the official policies as an expression of its modernization (*El Financiero*, April 22, 1992). This competition, promoted by the Secretary of Labor, not only deprived the CTM of the consensus needed for its initiatives in the CT, but also resulted in the movement of unions across centrals. Unions moved from the CTM to the CROC and, to a lesser degree, from the CROC to the CROM, according to the press, and from the CROC to the CTM, according to the CTM (CTM, 1993).

Secretary of Labor Arsenio Farrell encouraged competition among centrals by responding to CTM wage demands with accusations that the central did not represent a majority of Mexican workers and could not be considered their spokesman. At the same time, the position of the CTM within the CT was weakened by the opposition of the CROC and the CROM to many of its initiatives and by an agreement between the CROC and FESEBeS to coordinate their actions within the CT in December 1992 (*Uno más Uno*, December 16, 1992). Furthermore, in February 1993 a government agency signed agreements with FESEBeS and the CROC to incorporate them into a program for the modernization of unionism. This program was rejected by the CTM (*El Financiero*, February 24, 1993), but modernizing agreements were also signed by the COR in April 1993 and the FSTSE in June 1993.

Thus the CTM was weakened by favoritism toward the CROC and FESEBeS. The CROC's support for the administration resulted in an increase in its membership and in governmental recognition. The "new unionism" of the FESEBeS also generated benefits. Its unions gained firm-specific privileges (e.g. union participation in industrial restructuring) and, despite the CTM's opposition, the federation obtained official registration.

In short, the Salinas administration took advantage of the institutional context of competition among PRI-related centrals to restrain the CTM, at least until 1993, when the CTM reduced its

demands and was granted political concessions as a result. The success of the CTM in influencing reforms in the political rather than in the industrial or organizational arenas reinforced its historical preference for political rather than industrial concessions, a preference grounded in its organizational diversity as well as its historic alliance with the PRI.

### **The Zedillo Administration: Managing the Crisis**

The first year of the Zedillo administration was marked by a deep economic crisis, beginning in December 1994. The crisis was triggered by a devaluation of the Mexican peso, which set off a financial panic. According to Lustig (1995), the combination of political events (the assassinations of PRI presidential nominee Luis Donaldo Colosio and PRI secretary-general Francisco Ruiz Massieu), current account deficits, a dollar-denominated public debt, a drop in reserves not accompanied by restraint in monetary policy, and capital flight forced the government towards a floating exchange rate. This unexpected shift in exchange-rate policy drove financial capital away from the country. The impact spread quickly because the exchange rate had been used as an anchor for macroeconomic stability. The peso lost half its value in less than one month.

In January 1995 the government signed a new pact with labor and business representatives: the Unitary Agreement to Overcome the Economic Emergency (AUSE). This pact increased minimum wages by 7% and granted tax credits to the poor while promising to accelerate privatizations, reduce public expenditure, and increase productivity incentives. Although the salary increase was less than projected inflation, union leaders gained the exclusion of social security from privatization schemes.

Every member of the CT, with the exception of the SME, signed the agreement (MNR, January 19, 1995). However, since the pact failed to halt inflation and peso devaluation, the government decided in March to impose a severe adjustment program unilaterally. It increased the VAT rate from 10% to 15%,<sup>15</sup> augmented public-sector prices and promised to cut public expenditures. It also gave tax credits to those earning up to four times the minimum wage and

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<sup>15</sup>Despite the initial disagreement of labor representatives and the impact of a VAT increase on the consumption of workers in a recessionary context, all PRI labor representatives ratified the VAT rate increase in Congress (MNR, April 20, 1995).

extended unemployment benefits from two to six months. The government removed ceilings on collective bargaining, and productivity bonuses were encouraged as a mechanism to link wage hikes to productivity. According to Santiago Oñate, then Secretary of Labor and Social Welfare, this policy increased salary differentials (*La Jornada*, April 3, 1995). It therefore augmented heterogeneity among CTM constituencies.

This program was not negotiated with labor. As a result, for the first time since the foundation of the CTM, the official union movement did not parade on May Day, leaving the Zócalo in Mexico City empty for an opposition demonstration organized by "independent" unions. In July, with unemployment double the December figures as a result of the recession,<sup>16</sup> employers' associations again demanded a reform of labor legislation. They targeted the rigidities of the labor market, which they blamed for unemployment. CTM opposition induced employers and the government to abandon reform attempts (MNR, July 20, 1995).

In September 1995 the government increased the price of *tortillas*, the most basic staple. Consequently, Fidel Velásquez threatened to abandon the pact. Nonetheless, he made it clear that in order to avoid instability the CTM would not organize workers' protests. He demanded a wage hike and a return to indexation. These demands were supported by the secretary general of the PRI and the former CTM secretary of education, Juan Millán, but were opposed by the CROC (*La Jornada*, September 26, 1995 and September 27, 1995).

In the end, the CTM did not leave the pact but asked for a renegotiation that occurred at the end of October. The main incentive for unions to support it was the effort to increase employment, which had been drastically affected by the recession and not fully restored by the increase in maquila employment during 1995, according to union sources. A new pact was signed: the Agreement for Economic Recovery (APRE).

The APRE scheduled two minimum wage increases, raised public sector prices, maintained the floating exchange rate and promised to attack unemployment with transitory public employment schemes, training programs, and fiscal incentives for investment and employment creation. It also proposed a reform of the pension system, including individual capitalization combined with

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<sup>16</sup>In the second quarter of 1995, GNP decreased by 10.5%.

universal state contributions and private administration of the funds in order to increase savings and solve the crisis of the IMSS. Although business and the CT agreed on this reform, it was modified to placate the IMSS workers and their allies. The APRE still had to battle against pressures on the exchange rate while wage increases were deemed insufficient to keep up with the 30% decline in real wages claimed by the CT (*La Jornada*, October 30, 1995). The resulting inflation and unemployment can be observed in the following table:

Table 2: Open Unemployment and Inflation During the First Year of the Zedillo Administration

	1994	1995												1996
	Dec	Jan	Fe	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
UE%	3.2	4.5	5.3	5.7	6.3	6.6	6.6	7.3	7.6	7.3	6.7	5.8	5.5	6.4
IPC%		3.8	4.2	5.9	8	4.2	3.17	2.04	1.66	2.07	2.06	2.47	3.26	3.59

UE% are the national unemployment weighted averages with a 1990 base of population of 12 years and over of each urban area considered in the "National Urban Employment Survey" according to the INEGI; IPC% is the monthly variation of the National Index of Consumer Prices according to the Banco de Mexico.

Inflation and unemployment had a sharp effect on the CTM membership. However, the TM was compensated with political influence. In August the PRI was restructured and the Secretary of Labor, Santiago Oñate, was designated president of the party, while CTM secretary of education, Juan Millán, was designated as secretary general of the party. This change was caused by the increasing need of the PRI for the CTM electoral machine due to electoral advances by the National Action Party (PAN). The CTM had no "exit" option to another party. The Democratic Revolution Party (PRD) sympathized with the "independent" unions and the dissident activists in the PRI-related unions, while the PAN was more congenial to business.

Like its predecessor, the Zedillo administration maintained corporatist pacts to sustain economic adjustment but was hindered by the impact of an economic crisis that deeply affected both real wages and employment, inducing the government to apply a unilateral austerity program. As with de la Madrid, the main challenges for the CTM during this administration were in the industrial arena, while the party became more congenial with the appointment of a CTM leader as its secretary general. Together with the common search for employment targets by the government and

the CTM, this change in the party, combined with its electoral defeats, induced the CTM to close ranks with the government.

### **Closing Ranks with the PRI**

During the first year of the Zedillo administration, the number of accumulated strikes did not increase (STPS, 1995). Nor did the CTM resist Zedillo's labor policies with workers' mobilization, as the "independent" unions had done. The CTM did not even, as in 1983 and 1987, threaten a general strike. Instead, as a response to the unilateral austerity program and despite the opposition of other centrals (like the CROC, the CROM and the FESEBeS) and some internal dissent in its regional federations, the CTM led the CT to suspend the annual May Day parade. In September the CTM expressed its opposition to the decline in real wages and employment by threatening to abandon the pact. But, the threat remained unfulfilled and the CTM not only signed the new pact but also accepted a lower wage hike than it had requested, agreeing to a social security reform that introduced individual capitalization combined with universal state contributions.

The CTM maintained its preference for "encompassing" objectives, such as the reduction of unemployment, and for political concessions, like party representation and labor legislation. Such legislation guaranteed the authority patterns of CTM unions and their collective bargaining prerogatives (e.g. closed shops). In addition, since the CTM had no relations with other parties, it supported the government in order to enhance its electoral chances and retain political influence.

Nonetheless, opposition came from "independent" unions, for they were subject to repression. For example, members of the "independent" union of workers in the public transportation system of Mexico City (SUTAUR) were punished when they protested the forced bankruptcy of their firm, which rescinded their collective bargaining contract.<sup>17</sup> The new contract was given to the CROC even before the severance paid to the dismissed workers allowed for the termination of the previous contract (*La Jornada*, September 5, 1995). The Secretary of Labor also supported the official leadership of the CROC against CROC dissidents in Quintana Roo. In

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<sup>17</sup>Union leaders were accused of funding the Zapatista rebellion in Chiapas and the political activities of Manuel Camacho, a PRI-dissident and former mayor of Mexico City.

exchange, the CROC continued to endorse official policies.

"Independent" unions organized a massive demonstration on May Day. Although the core of the demonstration consisted of "independent" unions, social movements and opposition parties, there were also dissidents from CT unions (e.g. SNTE, SME, CROC of Quintana Roo). Moreover, "independent" unions, together with the FESEBeS and the SNTE, joined the workers of the IMSS in their protest against social security reform. They organized a demonstration on December 1 to oppose the agreement that had been accepted by the CTM and the CROC among other centrals. The original program was modified by the PRI in approximately sixty of its articles.

The new project returned the collection of quotas to the IMSS and ordered that retirement funds (*afores*) administering the quotas could be public, private, or social (union- or worker-owned). Moreover, the setting of quotas would be overseen by the IMSS and approved by the workers or their union, guaranteeing the same conditions for every worker within the same firm. These concessions satisfied IMSS workers, who were concerned about their work benefits and job security, as well as the more autonomous unions within the CT (FESEBeS and SNTE) that had attempted to challenge the CTM during the Salinas administration.<sup>18</sup>

The availability of party alternatives is important for understanding union choices. The PAN refused to have any formal relations with unions. Instead, it rejected corporatism and only admitted electoral representation as legitimate (Felipe Calderón, secretary general of PAN, personal interview). The PRD sympathized with "independent" unions because of its distrust of PRI corporatism, although it maintained good relations with some groups in the FESEBeS unions and in the SNTE (Jesús Martín del Campo, PRD official and SNTE union leader, personal interview).

The FESEBeS unions and the SNTE are rather special in the Mexican context. Although part of the CT, they accept dissent within the union (internal competition), and hold monopolies of

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<sup>18</sup>FESEBeS unions and the SNTE were activity-specific or large-firm-specific unions and no central had real authority over them. Their leaders expressed their preference for a reform of IMSS and attempted to develop health and pension systems specific to their workers. Their support of this movement was a political move to challenge the CTM and an attempt to involve their unions in the pension funds. For participating in the pension reform they could take advantage of the need for worker or union authorization for the reversal of quotas as well as of their experience administering services for their members. A similar tactic was followed by industry-specific Argentinean unions when social security was privatized in that country.

representation (no external competition).<sup>19</sup> Instead of opposing the government, their leaders play the card of internal dissent, hoping to make the incumbent party more accommodating in order to avert a growth of dissent within the union that would benefit competing parties.

In short, the CTM kept giving priority to political concessions within the PRI, since it had no other party option. Its "encompassing" character encouraged its preference for policies with a broad impact, such as employment growth and social security reform. The return of the CTM to the party leadership, however, had varying effects on its main challengers within the official union movement. The CROC, depending on the government to solve its internal conflicts, continued to support official policies. FESEBeS and the SNTE increased their autonomy within the limits of official unionism, taking advantage of internal competition and the more homogeneous preferences of their sector-specific members. Finally, "independent" unions, because of their political competition with the official union movement and the incumbent party, continued to oppose PRI administrations.

### **Understanding Labor: Organizational Features and Institutional Legacies**

The comparative quiescence of the CTM and its affiliated members contrasts with the behavior of unions in countries that have experienced a similar set of economic reforms also implemented by previously populist and interventionist parties. Mexican unions have been more acquiescent than their counterparts in, for example, Argentina and Venezuela. The moderation of CTM resistance to reforms at odds with its previous economic program is the result of a combination of factors specific to the Mexican political scene which affected both its policy preferences and its strategic capacity.

#### *a) Organizational Characteristics and Historical Experience*

The CTM is an encompassing organization that includes both industrial unions and regional federations. Historically, Fidel Velásquez used the larger number of votes in the small unions

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<sup>19</sup>The SNTE held a legal monopoly of representation, while the FESEBeS unions were activity or large-firm unions with closed shops that precluded the "exit" of their members to other unions in the same sector.

gathered in regional federations to counterbalance the power of the CTM's large industrial unions (Camacho, 1980). The aggregation of small unions from different sectors into one cross-sectoral national organization with authority to control its members<sup>20</sup> generated "encompassing" preferences in order to avoid internal conflicts within the organization. Therefore, the CTM preferred the state to the market, unifying legislation and corporatist agreements to collective bargaining at the industrial level.

Furthermore, the legacy of CTM-PRI relations also molded the preferences of the central. The PRI has been the governing party since the foundation of the CTM, and as a result the CTM has traditionally been able to use political resources with greater ease than industrial resources. Since the PRI never was in opposition, the CTM never had occasion to use industrial action for electoral purposes against a non-affiliated incumbent party, as other Latin American union movements have (Zapata, 1986).

This preference for political concessions explains the priorities of the CTM during this period. The CTM gave priority to the defense of labor legislation and party representation. Labor legislation provided political guarantees for the CTM since it defined the role of unions in collective bargaining (permitting closed shops, automatic dues collection at source, and other guarantees for labor organization) and established minimum uniform conditions for workers regardless of their sectoral situation.<sup>21</sup> Representation within the party was used by the CTM to obtain either industrial benefits for its members or organizational benefits for itself (e.g. an administrative role in labor-based welfare programs).

The CTM concentrated on the political arena, especially when the Salinas administration began to implement changes that affected it in industrial, organizational, and political terms. Moreover, in exchange for these concessions to their political and general objectives, the CTM could offer support for "encompassing" objectives, such as income policies that contributed to price stability or NAFTA for its potential impact on employment. In contrast, a firm-specific privatization

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<sup>20</sup>This authority rested on its statutory power to sanction members, a degree of financial independence derived from its firms in the social sector firms, and the power granted by its mediation role in state institutions (e.g. Federal Conciliation and Arbitration Board).

<sup>21</sup>Although the *de facto* flexibility accepted by the CTM reduced the scope of its power to enforce uniform work conditions.

or productivity agreement was too narrow and therefore less important for an "encompassing" organization like the CTM.

Unions in privatized or restructured firms had narrower concerns than the CTM's, even if they were members of a national union central. The "encompassing" nature of the CTM dilutes the firm-specific interests of these unions and decreases their capacity to obtain union-specific benefits. By avoiding the mediation of a national union central and the aggregation of union-specific preferences into general ones, activity- or firm-specific unions (e.g. the SME, the STRM, or the SNTE) were able to obtain more union-specific concessions than unions belonging to the CTM (e.g. the oil-workers union).<sup>22</sup> These unions obtained organizational and industrial benefits for their members (e.g. employment stability, employee stock ownership, productivity bonuses) because they did not need to consider the preferences of other sectors.<sup>23</sup> Hence, organizational structure and institutional legacies played a fundamental role in shaping union preferences.

#### *b) Union Competition and Strategic Capacity*

The capacity of the CTM to pursue its preferences was also shaped by its competition with other PRI-related national union centrals. The CTM was not monopolistic; it competed with other centrals for members. Labor law established monopolies of representation only in the public sector. Although in other countries the diversity of centrals was accompanied by a diversity of party loyalties, in Mexico this competition was mainly bounded within the limits of the official party (PRI). This competition among national union centrals all affiliated with the same party increased the capacity of the government to control each one. Every time the CTM attempted to oppose some policy, the government could shift resources towards an alternative central. The potential (or actual)

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<sup>22</sup>These unions resemble industrial unions in that their main concerns are sector-specific. To pursue these narrower preferences, however, they need not be under the authority of a more "encompassing" central that mitigates their sector-specific preferences to respond to preferences that would be acceptable to a more diverse membership. The FESEBeS does not have authority to sanction its members. It is more a consensus of unions, like the CT, than a central. The SNTE belonged to the FSTSE, but because of its size it had acquired a *de facto* autonomy in exchange for not exercising excessive influence within the federation. These unions do not have to surrender their sector-specific concerns to those of a central.

<sup>23</sup>A similar situation occurred with Argentinean privatizations because the only central lacked enough authority to impose "encompassing" objectives. Therefore, industry-specific unions were able to negotiate benefits for their workers and organizations without regard to other sectors.

loss of resources induced the CTM to comply even with undesirable policies in order to recover these resources (e.g. the return of the corporatist structure of the party in exchange for an end to CTM opposition to Salinas in 1993).

The leverage of the governing party was increased by the fact that the CTM could not make a credible threat of "exiting" to another party. For this reason the CTM developed a legacy of party discipline, embodied in the leadership of Fidel Velásquez, who had participated in the original organization of the CTM and the foundational alliance with the PRI. This history made the CTM especially vulnerable to the competition of other PRI-related centrals.

The CTM has not developed links with the opposition or alternative resources to compensate for a drastic loss of political influence. This political strategy could prove disastrous if the PRI ever lost a national election. Aware of this risk, the CTM closed ranks behind Zedillo when the party's electoral light started to dim. FESEBeS and the SNTE took advantage of their comparative freedom of action to avert a loss of governmental resources, exploiting the government's concern with avoiding the growth of dissent in order to obtain activity-specific or firm-specific concessions.

In sum, since 1982 the competition among PRI centrals has increased as a result of government actions aimed at reducing organized labor's capacity to resist policy shifts. In 1995 the government reduced the incentives for such competition, but electoral threats to the PRI induced the politically-oriented CTM to close ranks with the government.

This situation is different from the experience of national union centrals in other countries where incumbent labor-based parties have attempted economic adjustments and structural reforms. In Argentina, for instance, the absence of competition between centrals during most of the first administration of President Menem gave leverage to the national union central in negotiations over government initiatives with which it disagreed. The decentralized character of this union central also permitted many union-specific negotiations. In Venezuela the national union central faced party competition within the organization despite its majority Democratic Action (AD) leadership. During the administration of President Pérez, the existence of alternative party options increased the incentives for Adecó union leaders to oppose the government, since they feared a loss of

constituencies to other parties. At the same time, this decreased the ability of the party in government (AD) to control the central, since it feared encouraging loyalties to other parties. Clearly, the context of party and union competition affects the strategic capacity of labor organizations to bargain with labor-based governments.

## **Conclusion**

Despite the policy shifts of 1982, the CTM has remained the key voice of organized labor in Mexico. Yet its capacity to bargain with the government has been curtailed by organizational competition among PRI-related national union centrals, during both the de la Madrid and Salinas administrations. Salinas mounted a broader challenge to the CTM, not only attempting reforms that were contrary to CTM tenets in the economic arena but also threatening the CTM with changes in the organizational and political realms. Attempts to reform the party structure and the political guarantees of the labor law were especially challenging for the CTM and induced the central to concentrate its resources on reversing these efforts. The Zedillo administration reduced the scope of the government's challenge to the CTM and, at the same time, diminished the incentives for inter-central competition. However, electoral and governability threats to the PRI permitted the CTM to recover political influence and also increased its support for public policies.

The CTM did not change its preference for the maintenance of political guarantees and party structures during this period. During the Salinas administration it focused on the party structure and labor legislation. During the Zedillo administration its acquiescence to the government was driven by its concern with rising unemployment and its efforts to reverse the party's electoral losses. In short, this analysis of the CTM shows the importance of organizational features, institutional legacies and patterns of industrial competition for a deeper understanding of the behavior of activity unions and national union centrals.

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Table 3: Mexican Economic Indicators, 1982-94

Year	Open unemployment % EAP	Underemployment % EAP	Strike petitions	Strikes	Productivity in manufacturing 1980=100	Unitary labor cost in manuf. 1980=100
1982	4.3		16,030	675	100.9	
1983	5.3		13,536	234	100.1	
1984	5.7		9,052	221	103	
1985	3.7		8,754	125	105.9	65.3
1986	4.4		11,579	312	102.3	49.4
1987	3.9	7.9	16,142	174	104.3	49.8
1988	3.6	7.5	7,730	132	107.5	60.3
1989	3.0	6.8	6,806	118	112.4	67.7
1990	2.8	6.1	6,395	150	118.4	72.8
1991	2.6	6.1	7,006	136	123.8	83.2
1992	2.8	6.5	6,814	156	129.2	96.05
1993	3.4	7.7	7,531	155		102.14
1994 (*)	3.6	8.0	7,490	116		

Source: Open unemployment and underemployment (open unemployment plus people that work less than 15 hours per week) are rates of the EAP and have been taken from Salinas (1992) for 1982 to 1986 and from Salinas (1994) for 1987 to 1994. There is some minor disagreement between the two series for the values of 1987 to 1990, and the values of the second series were used for those years. Strike and strike petitions are from STPS (1995, 1994, 1989). Productivity in manufacturing and unitary labor cost are from Salinas (1994).

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