

INDUSTRIES

Commentary: Mexican Workers Deserve Better Than This

Mexico's workers are finally starting to see real wage improvement--something they've been waiting for since the 1994 peso devaluation. With the economy going strong, unionized workers at Ford Motor ([F](#)), General Motors ([GM](#)), and Nissan Motor ([NSANY](#)) plants in Mexico have extracted wage increases of 17% to 20% this year. So employees at Volkswagen's ([VLKAY](#)) Puebla factory, the only one in the world that manufactures the popular New Beetle, were dismayed when management offered only a 9.2% hike --in line with next year's projected inflation rate. They demanded 35%, and on Aug. 18, they went on strike. On Aug. 23, the government ruled that because the strike didn't start before the contract expired, it was illegal. (It began one minute after.)

The 12,600 workers reluctantly returned to the VW assembly line while the union and management tried to hammer out a compromise. But it is unlikely that VW will match the hikes in base salaries granted by other carmakers. And the workers' tough stance could prompt the company to look elsewhere to build a long-promised plant. In a statement issued mid-strike, VW warned that the labor conflict "puts at risk the confidence of Volkswagen's head office for future investment in its Puebla plant." The message: VW and the current government will play hardball when it comes to protecting Mexico's reputation as a strike-free, low-wage haven for manufacturers.

Mexico's downtrodden labor unions are desperately hoping that dramatic change is in store. They are buoyed by the results of the July 2 elections, which ended the Institutional Revolutionary Party's 70-year monopoly on the presidency. "The PRI's defeat created a completely new playing field for unionism in Mexico," says Enrique de la Garza, a labor specialist at the Autonomous Metropolitan University in Mexico City.

Will Vicente Fox, who will be sworn in as President on Dec. 1, disappoint workers by sticking with the status quo? That would be a shame. It's time for Mexico to rethink its labor practices. The country has decent labor laws, but there is too much room for arbitrary government interpretation of them. For example, the Labor Secretariat has broad discretionary powers to determine whether strikes are allowed. It also can prevent the formation of new unions by refusing to recognize them.

Meanwhile, in the vast *maquiladora* industry, which employs nearly 1.3 million Mexicans, the practice of letting companies choose submissive, government-affiliated unions for their plants is way too common. "Mexico is not only offering cheap labor but also a form of slave labor if it doesn't guarantee the right of workers to organize themselves and engage in free collective bargaining," says Berta Lujan, a labor organizer for the Authentic Workers' Front (FAT), a group that represents workers across a broad span of industries.

For years, officials have promoted Mexico as an ideal location for manufacturers, promising low wages, compliant unions, and labor peace. Delivering on that pledge was no problem: Most of Mexico's unions were tied to the ruling party. Union leaders readily backed government policy, including the use of wage caps in exchange for political and financial favors.

The PRI's defeat should change all that. Old-style labor bosses will fade as modern, politically independent unions gain clout. Fox, though he hails from the pro-business National Action Party, has invited a pair of outspoken labor leaders to join a new citizens' council that will recommend reforms to the labor code. They are the FAT's Lujan and congresswoman-elect Alejandra Barrales, the head of the flight attendants' union.

Fox has promised an overhaul of Mexico's institutions. But delivering better conditions for workers without compromising the country's competitiveness will be tricky. Fox's goal of 7% economic growth and 1.35 million new jobs annually hinges on his ability to draw more foreign direct investment. In fact, he has promised to double such investment, to \$20 billion a year, during his term. It's up to Fox to strike the right balance: satisfying the legitimate claims of workers while keeping capital flowing in. If he does, Mexico will be a more just and prosperous country.

By Geri Smith