

Labour in Neoliberal Latin America: An Introduction

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The path most Latin American countries have followed over the last two decades represents nothing short of a drastic social, political and economic transformation. The restructuring of the economy, the consolidation of a new pattern of accumulation, the changes in the institutional setting that made this possible, and the political transition that marked the contemporary history of most countries in the region did not leave labour and its organizations unaffected. On the contrary, this period of transition in Latin America brought about massive changes to the lives of workers in the region and most of them were certainly not positive.

Indeed, conditions in labour markets deteriorated consistently for the region as a whole, particularly over the 1990s. Overall, this negative transformation can be connected to the growth of unemployment, rising precariousness and informality in labour conditions, and stagnant or deteriorating real wages. These changes, needless to say, transcended individual realities to reflect on the capacity for collective action and political influence of labour unions. The forces at play were complex, but in general terms organized labour suffered a major setback throughout the region. Not that there were no attempts at contesting the new reality, but the emergence of alternatives has been circumscribed by the manifold set of pressures affecting collective responses from an increasingly heterogeneous working class. Moreover, there were also fundamental national variations connected to the pattern of relationship between labour and the state, approaches to union

organization, the particular impact of restructuring in national economic conditions, etc. The articles in this special issue address several of these variables as contained within specific national situations. Thus, it is one of the premises of the collection that while there were strong common variables involved, concrete national realities played a fundamental part in shaping the contours of change, continuity, and struggle.

In presenting this collection of works on the realities the labour movements in several countries in the region faced during the 1990s, we hope to contribute to broadening the scope of the ongoing debate regarding the future of labour as a key actor both in reasserting rights and in expanding the sphere for democratic contestation. While all of them set the struggles of the working class in the context of broad processes of change, their focus is the political and institutional transformation of mostly urban labour movements. Thus, there are a number of issues that lie beyond their scope. This is particularly the case with union organizing and representation among rural workers. Moreover, the papers do not deal directly with the implications of the growing significance of alternative actors within the working class, in particular non-governmental organizations and other non-traditional movements.

If political specificity delineated the boundaries of the arena within which working class organizations attempted to respond to the new conditions brought about by the transformation of the 1980s and 1990s, it also provided a particular connotation and impact to economic restructuring. Notwithstanding the actual nature economic reforms assumed in each case, the policies followed after the mid-1980s were overwhelmingly oriented to facilitating both the allegedly superior performance of markets in the allocation of resources and the participation of countries in the region in an increasingly integrated world economy.

The policies implemented to achieve these objectives included trade liberalization, capital market deregulation, privatization, and — through what has been called the ‘second generation reforms’ — a steady dismantling of labour regulations. Their appeal was closely connected to the growing influence of a body of ideas that since the 1970s came to question the principal tenets of development thinking as it had evolved in the post-World War II period, particularly the centrality that import-substitution industrialization had occupied as a strategy for growth (Gill, Bhagwati, Little, Lal).

This questioning of broadly accepted approaches to development coincided, and quite certainly was related to, rapid and profound changes in the international economy that together have come to be known as globalization. This transformation implied the emergence of global networks of production, finance, and trade that have deeply affected all countries in the international system (Castells; Arrighi; Brenner).

Although the epicentre of what some have described as the “counter-revolution” in development thinking was located outside Latin America, its impact was soon reflected in conservative responses to the grave political and economic crises that loomed in several countries of the region from the mid-1960s on. These conservative responses could first be seen in Brazil from 1964 and especially from 1969 when the dictatorship was reinforced by the drastic curtailment of political and civic rights, and in the repressive responses to the 1968 student and cultural upheavals in Mexico and other parts of Latin America. However, it was the military dictatorships in Chile and Uruguay from 1973 and Argentina from 1976 that most clearly based their economic policy on the need to create the conditions that would make possible the correction of inefficiencies deriving from high levels of state involvement in the economy and from the protectionism that had closed these countries to international competition (O’Donnell; Schamis; Canitrot). While these were key episodes in the expansion of a new consensus on development, its momentum came with the aftermath of the debt crisis in 1982. By this time, policies that underscored the efficiency of markets became much more clearly demarcated in the outlook of key international players, particularly financial institutions like the International Monetary Fund and the World Bank. By the end of the 1980s, this process had already generated fundamental social, political and economic changes in the region through the implementation of policies that have since been identified as neoliberalism.

Two characteristics of the transition are noteworthy. First, it did not take long to consolidate a very strong consensus around the necessity and direction of reform, a fact that might be accounted for by the scope of the crisis many countries in Latin America faced at that time and the power gained by international and domestic actors that saw in market reforms the answer to the region’s predicament. Second, although market reforms had been

identified with authoritarian regimes in the previous decade, in the 1980s restructuring was tackled by new democratic governments — with the important exception of Mexico which had to wait until 2000 to see its 70 year authoritarian one-party system be dismantled. However, rather than the re-emerging democracies affecting the nature of restructuring, it was economic reforms that conditioned emerging democracies and the qualities of citizenship in the post-authoritarian era, as the four case studies presented here demonstrate in relation to Chile (Taylor), Brasil (Cardoso), Argentina (Patroni) and Mexico (Roman and Velasco Arregui).

As the 1990s came to a close and countries in the region had experienced more than a decade of neoliberal restructuring, questions regarding the relationship between growth and equity in Latin America became louder. This questioning has been pivotal since it has been directed at identifying a major tension underlying neoliberalism: although the new policies fostered some economic growth, they have done so at the expense of deteriorating social conditions for large segments of the population. Moreover, not only did the consolidation of neoliberal reforms fail to address the remarkable high levels of inequality in the region (Latin America boasts the worst record in the world when it comes to inequality) but available data indicate that the situation has deteriorated even further.

A fundamental part of the problem is precisely the performance of labour markets under the new regime of accumulation. Contrary to the premises that afforded so much appeal to neoliberal policies, growth by itself did not provide the means to tackle poverty and, even less so, those problems connected to a poor distribution of income. More to the point, growth was either not strong enough to absorb the growing supply of labour in the region or only able do so in ways that did not lead to the creation of employment opportunities that could provide a way out of poverty and marginality for most Latin Americans. Low generation of employment in the 1990s, it has been argued, was related to the low labour-intensity of sectors and industries that performed well. This was the case, for instance, in extractive industries and other natural resource based exports. This fact is well analysed in this special issue, through the four case studies presented.

However, for the region as a whole it is not evident that economic growth was substantially different from previous

decades when considered from the perspective of employment creation (Weller: 36). If this was the case, then the inadequate levels of incorporation of a growing labour supply was directly related to the low levels of economic activity. It should be noted that not only was the new strategy being followed inadequate in terms of achieving high rates of economic growth — although as mentioned above, economic activity tended to improve in the 1990s — but that the reforms implemented also tended to increase the external vulnerability of the regional economies. In terms of employment, low levels of economic growth were reflected in rising rates of joblessness. While country performances differ considerably, an average urban unemployment rate of 11% for the region in 2003 provides an accurate depiction of the scope of the problem (ILO, 2003).

A crucial change during the 1990s, though, was the low generation of salaried employment, a fact that signals the diminishing weight of formal jobs out of total employment (Weller: 36-37). The International Labour Organization estimates that seven out of ten jobs created since 1990 came to augment the informal sector (ILO). Although the problem of informality in Latin America is certainly not new, the 1990s represents nonetheless a major shift in previous employment patterns. During the ISI period, formal employment in the region increased consistently, accounting for 60% of total employment generation for the period 1950-1980. Changes in the 1990s can be explained for the region as a whole by the fall in public employment and the very low generation of formal employment in the modern formal sector (Portes and Hoffman: 49). Moreover, the growth of informal employment, that is jobs with very low levels of productivity and wages, was closely related to the performance of the formal economy. In short, inadequate levels of employment generation in the more advanced sectors of the economy and the lack of any form of unemployment insurance in most countries forced a growing number of Latin American workers to seek refuge from open unemployment through self-employment or through employment in micro-enterprises or other low-productivity occupations. In Latin America, the participation of informal employment in total urban employment was close to 47% (OIT, 2001). In several countries the informal sector accounted for over half of the employment for the Economically Active Population (EAP). That was the case, for

example, in Colombia (55.1%), Honduras (60.7%), and Peru (59.2%) (Zapata: 12).

Increasingly over the 1990s, a number of jobs came also to be characterized by their precariousness. Changes in labour legislation made it possible for employers to hire workers within the formal economy but under conditions that mirrored those faced by workers in the informal economy. Thus, provisions that allowed for temporary contracts, reduced work days, wages below minimal levels and subcontracting introduced the flexibility that modern firms sought for their work forces (Zapata: 12). Moreover, even in those cases where labour legislation remained unchanged, deteriorating conditions in labour markets became the context for a de facto flexibilization in contractual relations. According to the ILO, only four out of ten employees in the formal sector enjoyed the benefits of social security and the number is only two out of ten in the informal economy (ILO, 2003).

Women were particularly affected by these trends in the transformation of working conditions in Latin America. This was all the more troubling given the massive incorporation of women into labour markets, a fact that became especially conspicuous in the service sector. Employment in this sector actually expanded over the 1990s at a higher rate than total employment, a manifestation of the growing tertiarization of regional economies. However, growing employment in the service sector was paralleled by its diminishing productivity levels. Women's participation in paid employment was concomitant with the increase in self-employment and non-remunerated activities, a fact that clearly points to the growing importance of informal activities and the central participation of women in them. Female employment was also crucial as a major component of the growth of maquila industries in Mexico and Central America.

As this discussion makes clear, the working class in Latin America not only bore the heaviest costs in the process of restructuring in the critical period of transition to a new pattern of accumulation in the 1980s, but the neoliberal promises of stronger economies and improvements in welfare have also simply not been realized. Moreover, the transformation undergone in labour markets and the structural changes in the economy have implied major setbacks in the capacity of unions to organize workers in defence of their rights.

The drop in formal employment has created a radically different situation for unions. Developing new strategies for organizing workers in the informal economy will require not only a new capacity to experiment beyond traditional practices, but also the overcoming of some very concrete barriers emerging from the growing disparities in working experiences. Worsening working conditions and the stagnation or decline of real average wages for the working class during the 1990s¹ indicates the growing difficulty in protecting acquired rights and benefits in the context of increasingly narrower opportunities in the labour market. In this sense, it is important to consider the disciplinary role of neoliberalism on the working class. High levels of unemployment and the reality of those who labour at the margins of the formal economy do not create a medium conducive to strengthening labour responses to protect, let alone advance, workers' demands. In this context, unions have faced a declining relevance as institutions capable of delivering on issues central to the quality of lives of their affiliates.

Unions have also faced growing difficulties in organizing workers in sectors where growth has been not negligible, for instance in the expanding maquiladora sector in Central American countries. Various factors account for this reality, in particular strong corporate strategies that tend precisely to diminish the relevance and appeal of unions for workers. Moreover, the expansive use of subcontracting has further imperilled attempts to organize the mostly female labour force (Frundt: 15). The increasing feminization of the working class has posed a problem on its own for unions since many of them have not been particularly successful in responding to gender-specific demands (Zapata:15). Yet, workers in the maquila sector – and those facing similar situations in the modern, export-oriented agricultural sector – have continued to press to secure collective representation. Quite often success has been connected to international solidarity campaigns organized by local unions and nongovernmental organizations and their counterparts in developed countries.²

¹ The only country that escaped this trend was Chile (Portes and Hoffman: 65).

² Frundt (2002) and Anner (2003) provide two excellent accounts of the dimensions of international solidarity movements and the close connection that exists between effective campaigns and local organizational capacities.

The hardships for the labour movement in Latin America were, however, not limited to the impact of economic structural changes. As we mentioned above, the changes in the previous pattern of accumulation were paralleled by an important political transition. In many countries this implied a return to democratic rule after long and violent dictatorships; in some others civil wars had also been the stage for political conflict. In all cases, though, democracy has proven to be an inadequate institutional setting to resist the exclusionary nature of the emerging pattern of development. While in many countries in the region unions had previously been powerful political actors, their capacity to affect the recent course of political transformation has been considerably more limited. Part of the explanation is the change that affected the relationship between political parties and the organized labour movement.

In several countries, for instance, the political viability of structural reforms was only achieved through the intervention of political parties or coalitions that provided a new way of envisaging their historic political and ideological roots with their mandate for change. The clearest example of this trend was the experience of labour-supported parties that in the 1990s carried out neoliberal reforms in Mexico, Venezuela and Argentina (Murillo, 2001). The close political connections between long-established labour movements and the party in power was certainly not sufficient to protect their rank-and-file from the negative consequences of restructuring. Equally important, the position of labour leaderships within the parties that have traditionally represented them became increasingly precarious. Nonetheless, during the 1990s corporatist state-labour relations continued to provide an alternative, albeit in an increasingly limited fashion, to curb the emergence and weight of more democratic and representative forms of unionism that could have posed a serious threat to economic restructuring (Patroni, 2001).

Despite these limits, labour remains a crucial political actor in most Latin American countries. It is therefore the historical and continuing crucial role of labour institutions in mediating the conditions and life of so many Latin Americans that led us to question the current conditions of labour, the challenges they face, and the role they could play in the future of four Latin American nations: Chile, Brazil, Argentina and Mexico. Is there room for unions in

the political and economic future of these countries? Are unions and other types of labour movements likely to positively influence the working conditions and living condition of the populations of these countries? Can they change the course of neoliberal restructuring? If so, under what conditions and with what strategic directions are they most likely to do so?

The first article discusses these issues with the case of Chile, which was the first country in Latin America to undergo neoliberal restructuring towards export led development and is perhaps the country that went furthest in shedding all remnants of the national-developmental state apparatus and in applying neo-classical teachings on the benefits of labour flexibility. In this sense, it provides a very relevant test to the neoclassical assertion that the flexibilization of labour markets is the best means of achieving increased employment and income. This is especially the case since the return to democratic rule has not yet led to a significant softening of the neoliberal/neoclassical mantra. One reason for this is that the labour movement which had undergone systematic repression during the dictatorship years, suffered in the post-Pinochet years from an unfavourable balance of social forces, preventing it from effectively fighting against the deterioration of working and living conditions of Chilean workers and the neoliberal policies that contributed to creating them. Only recently has an effective recomposition of the labour movement taken place, and there is now increased pressure on the state for social reform by a remobilised working class.

Argentina constitutes a noteworthy case in the context of Latin America. The speed neoliberal reforms acquired in this country during the 1990s, its devastating social consequences, and the response the process elicited from a broad range of social actors circumscribe the arena within which new forms of organization and protest emerged during this decade. While traditional labour unions suffered a major setback during the period, alternative forms of working class organizing found the medium to promote new and quite innovative forms of contestation. Although the experience resembles to some extent the options developed in Brazil since the 1980s, it has certainly not reached the same level of grassroots development. Nonetheless, when compared to countries like Mexico, more democratic and progressive forms of unionism in Argentina have managed to make valuable inroads in

challenging the role of traditional, party-controlled labour unions. Patroni's article captures in particular the experience of what might correctly be identified as "new unionism", a current seeking to explore alternatives to overcome the structural and political limitations that have so negatively affected unions and their national confederations in Argentina.

The scenario presented by Cardoso on Brasil is quite different from the Chilean and Argentine ones. Here, unions experienced unprecedented growth right after the end of the dictatorship, from the mid-1980s on, and then suffered considerable decline. The reasons for their success immediately after the end of the dictatorship can be found in the state corporatist union structures that were left largely intact by the military governments _ in sharp contrast to Chile and Argentina. Unions could then become a focal point of resistance to the dictatorship. This positioned the dictatorship in a situation where it was opposed, through strikes demanding indexation of salaries to the high rates of inflation for instance, both politically as well as economically. After the dictatorship, the rapidly deteriorating economic situation led, according to Cardoso, to "adversarial, all-or-nothing union strategies".

But these conditions, which gave strategic advantages to unions in the 1980s, also contributed to their demise in the 1990s, with the expansion of democratic practices and the delegitimization of purely confrontational practices. Also, the sudden freeing of unions from corporatist restrictions on the creation of new unions led to the sprouting of thousands of fragmented and largely powerless unions. Neoliberal policies, as in other places, have also led to the breaking of the "inclusionary promise" of participation in unions, which meant, under the corporatism of ISI, participation in the formal capitalist economy. In contrast to Chile, but similar to Mexico as the article by Roman and Velasco Arregui will make clear, recommodification of labour passed by the growth of illegal contracts rather than by the flexibilization of existing labour laws, thus leading to a judicialization of labour relations rather than their politicization: that is, illegal actions on the part of capital call for individual court actions, instead of union mobilization directed at changing state legislation, as in the case of Chile or Argentina. As a result, union density and strike activity declined in the 1990s, and overall, unions lost efficiency and efficacy, in the midst of increasing socio-economic insecurity.

In the case of Mexico, the specific political and economic conditions of working conditions and labour militancy cannot be dissociated from the legacy of the Revolution of 1910-1920, which, as Roman and Velasco Arregui remind us, has ushered in a state-led path to development which included not only state ownership of key sectors of the economy but also significant citizenship rights gained by the Mexican working class. The authors present the dislocating effects of rapid neoliberal restructuring and the accompanying economic crises on the Mexican form of developmentalism, including the rights of labour within an authoritarian form of corporatism. But they also point out that the relocalization of industry to the North of the country, that has accompanied the “second industrial revolution” brought about by globalization, has allowed the new “managerial autocracy” to bypass the labour laws that were the hallmark of the statist model, and which are officially still valid and used in the old industrial districts.

Also, the crisis of the new Mexican model of development, based on the export sector and continental integration (which largely means integration with the US economy, with the concomitant vulnerability to the whims of that economy) has already shown its limits in the crisis of the export sector, causing massive unemployment in the new Northern pole of Mexican development. Such unemployment has then led in some cases to reverse internal migration and almost always to individual and family based forms of survival, especially when joined with the continued attack on citizenship rights by the new dominant faction of Mexican and US capital represented by the new government. As a result, labour, both in its old official form as well as in the old rank and file networks of resistance, is in a very weak position to react to these new trends. These groups might however benefit from the lack of hegemonic appeal of the new regime, as well as from divisions within the ruling class. Roman and Velasco Arregui argue that in these conditions, “economistic” unionism must be shed for more political, more inclusive and transnational forms of unionism.

It is this last aspect of the new unionism in the Americas that Shaiken, Herrnstad and Worthman explore through a case of international networking, awareness and indeed serious analysis of the condition of workers abroad, and solidarity with working people outside of the functional and geographical boundaries of individ-

ual unions. The authors paint a vivid picture of the various meanings that came to colour this interaction for both American and Mexican workers and, with it, the potential for transformation this experience presents for union organizing. None of this is an attempt to obscure the very concrete obstacles that exist for international solidarity among unions, but the chapter successfully identifies the space within which seemingly incompatible interests have found a positive resolution via a better understanding and knowledge of local conditions. Quite certainly, to know more about conditions abroad has implied a privileged opportunity to reflect on local realities as well. It is here then that labour solidarity with workers beyond the national borders can have potentially powerful political implications, as the chapter makes clear.

The picture drawn by these five articles is one of tremendous challenges for labour in the coming years. But the general failure of neoliberalism in improving the lives of working people in the region augurs badly for a lasting bourgeois hegemonic social peace. Moreover, the recent rises in labour activism in Chile or Argentina presents us with a new picture of its potential for contestation, one that is not exempt from difficulties and obstacles, but still seems to demonstrate that the strategic restructuring of labour movements in the region might finally have started to pay off.

The most important test for labour in this context is to be able to transcend some of its historical limitations and see democratic renewal of its institutions and practices as a key variable in the strengthening of its social and political clout. Ultimately, it will be this capacity for democratic self-transformation that will allow labour to contribute positively to the mounting questions regarding the course of change in Latin America over the last two decades.

To conclude this Introduction, we would like to pay tribute in a very special way to the work and enthusiasm of all the contributors to this collection. As their articles clearly reflect, they have all been able to point our attention not only in the direction where essential questions might lie, but also where the elements for their answers contribute to an enriching perspective about the various meanings of participation and democracy in our current times. Our most sincere appreciation goes also to Annemarie Gallagher for her superb editorial contribution. Finally, we would like to

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