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RÉSUMÉ

Le paradigme de la « flexibilisation laborale » en question : les prescriptions néolibérales et l'expérience chilienne

Marcus Taylor

Cet article fait un examen critique du paradigme de la flexibilization du travail, dans ses aspects théoriques justifiant certaines positions normatives, ainsi que par rapport à l'expérience chilienne. Nous débutons par une analyse des théories néoclassiques du marché du travail, dans lesquelles la flexibilization fait figure de vertu. Nous proposons entre autres que l'utilisation du terme 'flexibilité du travail' est trompeuse. L'idée que cette expression cherche à exprimer est plutôt la flexibilité du capital: flexibilité d'absorber, utiliser, et rejeter au besoin les travailleurs du processus de production. En ce sens, le projet politique adjoint à la 'flexibilisation du travail' cherche à éliminer les formes institutionnelles qui ont été développé au cours de luttes historiques pour atténuer la tendance du capital à traiter les travailleurs comme une simple marchandise. Bien que la théorie néoclassique prétende qu'une subordination plus complète du travail aux lois du marché ne peut en fin de compte que bénéficier les travailleurs, l'expérience chilienne, telle que présentée ici, a tout pour nous convaincre du contraire.

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Interrogating the Paradigm of "Labour Flexibilization": Neoclassical Prescriptions and the Chilean Experience

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The constant restructuring of the relations between capital and labour is an essential characteristic of capitalist social relations, and one that is most brutally demonstrated during periodic episodes of crisis. As Latin America witnessed during the turbulent period of the 1980s and 1990s, the restructuring of capital according to dictates of profitability necessarily incorporated a comprehensive decomposition and recomposition of labour with manifold social consequences. The transformations witnessed in Latin America ranged from the reorganization of labour markets to reconstituted patterns of industrial relations and new ways of organizing internal labour processes. In this current era, a growing body of empirical studies suggest that such changes represent a refashioning of the relationship between capital and labour into a more "flexible" form, although there are marked divisions as to what this term means and as to whether it presents us with a desirable outcome: Proponents tend to present flexibilization as the route towards a universally prosperous future of increased employment and economic growth, while opponents deride it as a political strategy to heighten exploitation and abolish essential worker rights.[1]

[1] See, for example, Arzuaga and Senen; de la Garza Toledo and Bouzas; Standing; Weeks; Bagchi; Wang. A specific Latin American focus is provided by de la Garza Toledo, 2000.

The Chilean case presents a notable microcosm of such arguments. Within the Latin American context, Chile is the country that has witnessed the most profound reforms intended to flexibilize labour markets and employer-worker relations by removing regulatory restrictions. As an article in *The Financial Times* recently stated, Chile enjoys Latin America's most modern labour code, owing to the "high level of flexibility achieved".[2] Accolades of this nature, however, tend to occlude the status of labour flexibility as one of the most controversial issues in post-dictatorship Chile. Indeed, the *Financial Times* did not attempt to reconcile its praise for contemporary Chilean labour institutions with the simultaneous eruption of Chile's first general strike in the post-dictatorship period. The latter specifically targeted labour flexibility as a major cause of wage suppression, growing income polarization, and continuous infringements on worker rights. As in other parts of the global South, labour flexibility is a subject of extreme contention.

In order to contribute to this debate, this article examines the paradigm of labour flexibilization by first scrutinizing the analytical principles upon which various normative positions rest and second by providing an appraisal of the Chilean experience which will concretise these theoretical concerns. It begins by engaging in a brief deconstruction of neoclassical theories of the labour market within which the virtues of flexibilization are extolled. In critiquing these theories, the paper emphasizes that the term "labour flexibility" is a misnomer. What is at stake in labour flexibilization is the relative flexibility of capital to absorb, utilize, and eject labour from the production process. In this respect, the strategy of labour flexibilization represents an attempt to remove the historically developed institutional forms that mediate the treatment of labour-power as a commodity. Although neoclassical theory claims that the more complete subsumption of labour-power under market forces will actually benefit the working class as a whole, evidence from the Chilean experience, as detailed in the second half of the paper, contradicts this assertion.

[2] *Financial Times*, "Chile Prepares for General Strike", 12 August 2003, London.

Neoclassicism and Labour Flexibility

Within neoclassical economic theory, which provides the primary analytical rationalization of the political project of labour flexibilization, the labour market is conceptualized as a market like any other. It is thereby assumed to operate according to the laws of supply and demand and to tend towards equilibrium. As the theory proposes, allowing wages to coalesce upon market-determined rates provides the conditions for a process of labour market clearing that, in theory, should result in minimal unemployment with wages set in accordance with the productive input of the particular worker as determined by human capital endowments. While labour market clearing might be a protracted process because workers may have to relocate or retrain to meet demand, such factors do not change the overall dynamics of the market.

Labour market clearing, therefore, represents a socially optimal occurrence in which labour has been efficiently distributed between the different sectors of production at the correct market price. On this basis, non-market factors that interrupt or distort the market-driven dynamic of the labour market toward equilibrium are understood to be rigidities that prohibit the optimal distribution of labour with negative consequences for overall economic efficiency and welfare outcomes. Rigidities that interfere with this state of market harmony are multiple, but three specific areas of major concern within the neoclassical paradigm are: 1) regulations regarding wage levels; 2) restrictions on hiring and firing practices; and 3) the existence of supra-wage benefits (cf. Regini, and de la Garza Toledo). From this perspective, rigidities such as unionization or state regulation risk obstructing the virtuous circle of mutually reinforcing positive tendencies predicted by neoclassical models in which the liberalization of trade added to labour market flexibility should increase employment, in which general deregulation should foster growth, and in which faster growth should lead to higher wages (Weeks: 152).

Moreover, as neoclassical analysts are keen to emphasize, those that suffer most from monopolies that distort the price of labour-power are the underprivileged sections of the working class, specifically those in non-unionized or informal sectors. This is because, as explained by John Pencavel in a recent World Bank sponsored publication, raising wages above their “natural” rate in the formal sector dissuades capital from contracting wage-labour, thereby compelling workers to move into the low-paying informal or "competitive wage" sector. As such, collective bargaining is seen "not as a struggle between labour and capital for the division of national income" but as a "competition between different groups of workers and between workers as a whole and the population receiving income in the form of transfers through the state" (Pencavel: 45).

Notably, notwithstanding this argument that collective organization presents primarily a danger to the working class itself, the predominant concern of Pencavel's subsequent analysis is precisely with the distribution of resources between labour and capital and its effect upon the expanded reproduction of capital. This is because, rhetoric aside, the primary aim of flexibilization strategies is precisely to refashion the relationship between capital and labour within a national state formation. As Paul Schultz aptly characterizes, although the perceived gains of flexibilization are suggested to fall to underprivileged sections of the working class, the substantive changes nonetheless occur in the relationship between capital-in-general and labour-in-general: "Flexibility is most concretely defined as the ability to hire and fire without excessive costs" (Schultz: 300). From the neoclassical perspective, therefore, labour flexibilization is a manner of avoiding "misallocations of workers and human capital investments in the economy that seriously retard development" (Schultz: 295). The theoretical basis of this assertion is the theory of factors of production and the assumption of a single, unified labour market that is able, if public and private distortions are removed, to coalesce at an optimum level where supply and demand are equal and efficiency maximized.

There are many ways, however, in which this perspective is thoroughly misleading. First and foremost, labour markets are not markets like any other. Employers do not merely adjust wages and employment levels according to changing supply and demand for labour on a national basis. Rather, they make decisions based on a complex series of relations that transcend the domestic labour market. On the one hand, employers rarely adjust wages according to market changes within the short term, owing to the disruptive effects that such changes have upon the internal structure of the firm. Of more importance for the profitability of the enterprise is the maintenance of an integrated and cohesive productive force that is hierarchically structured according to productivity requirements (Clarke). The very nature of capitalist production relations within the firm is therefore likely to produce a pronounced segmentation of labour markets and this suggests the fallacy of understanding labour markets in terms of a simple exchange of commodities according to market prices.

On the other hand, capitalism inherently generates internal dynamics that necessarily result in the continual ejection and re-absorption of labour from the production process. In times of crisis, capital repeatedly ejects labour from the production process, thereby swelling the ranks of the reserve labour-army until such time as capital can once again profitably incorporate labour. On this basis, Ben Fine evaluates the neoclassical comprehension of labour markets in terms of an equilibrium around natural rates of employment as equivalent to trying to understand the nature of the ocean in terms of the average sea level rather than its ebb and flow (Fine, 2003: 89). The major dynamics behind relative employment patterns are not to be found in national labour market rigidities but in the uneven trajectory of global capitalist accumulation predicated on an international division of labour. As Simon Clarke neatly summarizes: "The labour market is not primarily the arena within which the interaction of supply and demand determines the level of the wage and the number of jobs available, but is the sphere within which people are allocated to jobs, the number, terms and conditions of which are determined elsewhere" (Clarke: 11). Thus, to comprehend labour markets necessitates an attempt to understand the global social relations that underscore capital accumulation and which cannot be reduced to simple notions of equilibrating supply and demand.

Finally, there is little compulsion to accept the neoclassical understanding of the relationship between capital and labour as the harmonious interaction of individuals who own different factors of production. Owing to its focus on free exchange in the market, neoclassical approaches exclude a direct relationship between profits and wages as each is derived from the 'natural laws' governing the price of commodities. However, this simplification abstracts from the relations between capital and labour within the sphere of production. As captured in the Marxist notion of labour-power as the *capacity to labour*, the wage relationship does not conclude the association between employer and worker, but rather initiates a new relationship over the manner by which labour is performed. For example, it is in the direct interests of the employer to increase the length and intensity of labour undertaken by the workforce in order to improve productivity, market-share and profits. While the neoclassical perspective suggests that the equilibration of supply and demand will, in the long run, raise wage levels to reflect productivity, this is a speculative assumption based on the questionable presuppositions raised above. In contrast, for workers the only adequate manner for directly confronting the power asymmetries in their relationship with capital is through collective organization. However, neoclassicism's reliance on methodological individualism facilitates the portrayal of collective organization as a distortion-inducing attempt by workers to exact rents through a monopoly.

The consequences of this critique for the analysis of labour flexibilization strategies are significant. Even within neoclassical theoretization, it is clear that the so-called "flexibilization of labour" denotes a series of changes to labour institutions that enhances the flexibility of capital by removing the historically forged institutional restrictions upon the treatment of labour-power as a commodity. By refashioning the relationship between employer and employee into an increasingly individualized relationship, one that is relatively free from collective control manifested either through state provision or bodies of organized labour, the power of capital over the tenure, remuneration and conditions of work can be amplified. Flexible labour relations therefore involve a profoundly reduced influence on the part of the state and unions over hiring and firing practices, the content of contracts, conditions and intensity of work, and supra-wage social benefits. However, while flexibilization indeed aids the ability of capital to restructure according to profit maximization, this can occur without a socially optimal equilibrium between supply and demand for labour, as such outcomes are not intrinsic to the labour market itself but depend on the wider trajectory of capital accumulation at a global level. In this respect, claims that flexibility will necessarily provide generalized beneficial effects for the workforce at large are profoundly questionable.

At this point, it is necessary to concretise these analytical issues through an examination of labour flexibilization within the historical context of social restructuring in Chile during the last thirty years. Given that, along with liberalization, flexibilization processes have been undertaken to a greater extent in Chile as compared to other Latin American countries, Chile represents an important case study that expresses the strict limits of labour flexibilization to realize the promises offered by neoclassical theory.

Flexibilization in Chile, 1973-1989

The bloody overthrow of Salvador Allende's ill-fated government of 1970-73 is rightly regarded as marking a turning point in Chilean history. It brought to a close almost half a century of national-developmentalism during which the Chilean state had gradually _ if unevenly _ extended its role in mediating social relations. The development of an interventionist state had accompanied changes in the trajectory of accumulation following the nitrate crisis and the Great Depression of the 1920s and 1930s. By organizing and subsidizing the formation of domestic industries the state helped to nurture a domestic industrial bourgeoisie and urban middle class. However, the expansion of the industrial sector resulted in the correlate growth and consolidation of an urban working class. In response to intensifying social struggles, the Chilean state attempted to mediate the relations between capital and labour through the incremental construction of a regulatory labour code supplemented with interventionist methods in the realm of distribution.

From this perspective, the narrow election of Allende's Socialist party in the 1970 election represented a further development, rather than a break, with the trajectory of capital accumulation up to that historical juncture. In the late 1960s, the emergent global slowdown manifested itself in the stagnation of Chilean import substitution industrialization (ISI) and increased pressures on the interventionist state. In circumstances of extreme social polarization, Allende pledged to deepen state intervention and augment institutionalized forms of redistribution. However, his party's program of nationalization and increasing state intervention in distributional issues proved unable to overcome the growing crisis. While Allende's government acted under the banner of moving towards socialism, the restructuring initially served to deepen the state's economic role and to expand the redistributionist aspects within capitalist social relations. The upshot of these actions was an undermining of the social basis for capital accumulation and the unleashing of even greater crisis tendencies, including the increasingly combative mobilization of worker and peasant groups. Although the Allende government prepared to moderate some of its reforms, other elements of the state-system began to mobilize in a contrary fashion. They sought to return the state to within the limits of its capitalist form and thereby reaffirm the basis for expanded capital accumulation.

With the crisis of accumulation deepening and the U.S. government openly supporting the growing anti-Allende forces, the military emerged from the barracks on 11 September 1973 and unleashed a bloody and successful coup. As a result of the overthrow of the Allende government, of the violent repression of its actual and suspected supporters, and of the banning of labour unions and opposition parties, the authoritarian regime physically removed the immediate political dimension of the crisis. Nonetheless, political repression alone could not solve the deep social and economic crisis that the regime presided over. The depth of the crisis pressured the regime towards increasingly radical solutions that eventually entailed a profound transformation of the relations between state, labour and capital.

These forms of restructuring, which would later earn the "neoliberal" tag, are not merely economic in nature but comprise a wider societal transformation that necessarily encompasses economic, political and ideological dimensions. The novelty of the process was specifically recognized by the Pinochet regime, which announced that it wanted to give Chile "a new institutional basis... to rebuild the country morally, institutionally and materially" (in Taylor: 39). Chilean neoliberalism, therefore, was not selected as an economic doctrine according to the rational principles of state managers, but emerged in an uneven fashion as a drastic response to the social crisis that had reached a pinnacle in the Allende years. Withdrawing the state from historically developed roles _ such as price controls, wage agreements, welfare policies, industrial policy _ and reinserting the primacy of the market not only seemed to offer a possible solution to the economic manifestation of the crisis by controlling inflation and restructuring the productive apparatus; it also presented a mechanism of societal depoliticization by obliterating the circumstances in which politics had become a means for attaining social and economic ends and the state had become the primary locus for social struggle.

A key aspect of the neoliberal strategy was a substantial alteration in the manner of articulation between domestic accumulation and global capital that foreshadowed the global trend towards export-oriented development strategies. The previous structuralist doctrine of import-substitution industrialization and national-developmentalism sanctified a form of development in which the weaknesses of domestic production were to be overcome through state mechanisms. These sought both to protect domestically located productive capitals by means of tariff barriers and to take a leading role in stimulating investment through a variety of measures, ranging from tax relief to direct ownership. The neoliberal alternative was sweeping in its objectives. Neoclassical analyses of the stagnation of the Chilean economy focused on the rigidities that had developed owing to the limited mobility of capital. They connected this problem to the stasis of capital in relatively ossified productive forms that entailed not only sizeable outlays on fixed capital but also an inflexible relation with the labour force governed by the historically developed mediation of the state. Consequently, the essence of the neoliberal solution was a shift in state policy in order to prioritize capital in its money-form rather than capital as production. An emphasis on liquidity was expected to enable capital to overcome the barriers to valorization by escaping currently unprofitable engagements and concentrating on those sectors that offered more lucrative returns. Capital in mobile money-form would be able to seek a new relationship with labour, freed from established spatial and political constraints. However, to achieve this, it would be necessary to overcome the institutionalized forms of regulating capital-labour relations that limited capital's freedom of movement and that represented significant barriers to the recomposition of capital.

At the level of macro-economic policy, the prioritization of capital in money-form was fashioned through a profound deregulation of finance and trade. Barriers to the free movement of capital, both internally and externally, were largely removed as were the tariff barriers imposed during the ISI period. High-interest rates were intended to attract foreign capital into sectors of the Chilean economy that could flourish in the open environment. Concurrently, those industries that were inefficient in comparison to global competition would face extinction. When combined with a drastic reduction of state social expenditure, the shock therapy program precipitated an acute contraction of demand culminating in a profound contraction in the Chilean economy. This sounded the death-knell for much industry oriented towards domestic consumption in conditions of a deep recession between 1974 and 1975 with per capita GDP contracting by a staggering 14.4 per cent. Unemployment climbed above 15 per cent and real wages collapsed, with the share of wages in the national product declining from 62.8 per cent in 1972 to 41.1 per cent in 1976, a move from being one of the highest in Latin America to one of the lowest (Petras and Leiva: 26). These dramatic increases in the reserve labour army and the rate of exploitation constituted fundamental pillars in the long-term recovery of Chilean capitalism. They also weakened the organizational strength of the union movement, which had already suffered from overt political repression. As such, although the austerity package did not restore an immediate macro-economic equilibrium as intended (cf. Fortín) it nonetheless laid the basis for the greater transformation of Chilean society along the lines of the emerging neoliberal consensus within the military regime.

Reform to the institutional forms of labour relations was also central to this recomposition. To this effect, in 1979 the regime unveiled a new labour code that was modified consistently until the mid-1980s in an attempt to counter unanticipated implications and worker strategies that restricted the operation of the code as envisaged. Following six years of generalized labour repression that left the previous mode of politically structured industrial relations in a state of limbo, the new code represented a defining moment in the institutionalization of a new "flexibilized" relationship between state, capital and labour. It occupied a key place in the dictatorship's strategy of institutionalizing the new balance of class forces within Chilean society, and therein attempting to obliterate the established pattern of capital-labour relations forged since before the post-war period. Not only would the code remain the touchtone of industrial relations for the rest of the dictatorship but it would also become the site of major struggle in the post-dictatorship period as various working class movements challenged the regressive aspects of this institutionalized form of labour relations.

The labour code presented a consolidation of the newly forged subservience of labour to capital by providing a legal framework that complemented the political decapitation of the labour movement and the material destruction of its primary bases through deindustrialization. Collective bargaining was re-established for plant-level unions, although within narrowly defined limits that severely constrained the power that labour is normally able to derive from interrupting the production process. Firstly, collective bargaining was restricted to solely the wage question and was not allowed to impinge on the conditions of work. This served to consolidate authoritarianism within the workplace. Secondly, collective bargaining could only happen twice per year and at times set by the regime. The regime curbed the right to strike by confining all strikes to a maximum limit of sixty days. For the duration of a strike, firms were entitled to hire replacement, non-unionized labour to cover the lost labour-power, and all striking workers were entitled to return to work on an individual basis under the conditions of the last offer made by employers after thirty days of a strike. If an agreement had not been reached within sixty days, workers were expected to accept the last offer made by employers or be considered as resigned from employment. Finally, dismissal without reason was established in order to allow the firm flexibility over the size of its labour force in reaction to changing market conditions, but also to root out suspected subversive individuals if needed. One month's pay for each year of service was the stipulated compensation, although the regime imposed a maximum recognition of five years' service, therein greatly increasing the insecurity of workers in the absence of any generalized unemployment insurance.

The new labour code was an integral aspect of the dictatorship's strategy of frustrating collective resistance to the power of capital and therein more sharply imposing the disciplinary power of money and market forces. By stripping labour of the ability to intervene collectively with any degree of effectiveness in the wage struggle, the state sought to remove collectively imposed restrictions upon the treatment of labour-power as a commodity. On the one hand, the regime established the basis upon which struggles over wages would be decisively stacked in the favour of capital. On the other hand, the new code also weakened the power of labour to impose regulations concerning the uses of labour power within the firm. Factors ranging from the length and intensity of the working day to the various tasks required of workers were extricated from collective bargaining. In this manner, the importance of the authoritarian state in fostering the political conditions for an intensified exploitation of labour cannot be understated.

Concurrently, the imposition of strict fiscal discipline included a substantial reduction in social expenditures. Alongside a quantitative retrenchment, the regime sought to introduce a fundamental remodelling of the entire gamut of welfare institutions and practices that could serve to promote and consolidate the new relationship between capital and labour as well as open further opportunities for profitable enterprise. For example, by breaking up the former social security system founded upon respective contributions from state, employer and employee, and replacing it with a new relationship between individual and private pension company, the reform aimed to free firms from the burden of social security provision and, simultaneously, increase the flexibility of the labour market. Accordingly, pension reform was viewed as one further step towards an unfettered labour market that would operate without political restrictions on the purchase and release of the commodity labour-power (cf. Taylor, 2003).

The prioritization of capital in money-form and the flexibilization of labour, however, also proved to be a significant cause of the succeeding crisis. Far from freeing capital to establish the exploitation of Chilean labour on a new and profitable footing, many capitalists took advantage of the deregulations to avoid any relationship with labour at all. In contrast to the neoclassical assertion that the flexibilization of labour would stimulate productive investment and labour market clearing, capitalists were reluctant to make the investments that would have substantially increased employment. In contrast, much of the investment associated with a late-1970s boom was ploughed into unproductive and short-term ventures consistent with high-interest rates. A speculative bubble had quickly built up around sectors such as real estate while the traditional productive sectors remained stagnant. To compound matters, the late 1970s and early 1980s witnessed a drop in commodity prices on the world market and a significant hike in international interest rates. Under these conditions the Chilean economy plunged into deep recession, short-term foreign investments in Chile were rapidly liquidated, and the debts of Chilean capitals soon became unmanageable.

The new crisis precipitated a further restructuring of the relationship between capital and labour, one that was facilitated by the complete deregulation of hiring and firing processes. Production fell by 16.7 per cent, investment by over 40 per cent, official unemployment topped 26 per cent, and the economy was propped up only by sustained state intervention. This took three immediate forms: the takeover of collapsing firms by the state, the socialization of $7.7 billion of private external debt incurred by Chilean capitals, and the introduction of large-scale emergency work programs that offered less-than subsistence wages to masses of unemployed workers. Conversely, industrial production underwent a second period of capitalist rationalization and concentration, with serious consequences for a significant portion of the labour force that was ejected from these capital circuits. The crisis of accumulation that resulted therein necessarily created a severe crisis of the reproduction of the working class. This occurred in two main manners. Firstly, faced with a collapse in profits, capital repeatedly sought to reduce the price of labour power by forcing down wages. At the level of the individual capital, this offered a means of reducing the cost price of production, and therein potentially attaining a greater market share by undercutting competitors. At the level of social capital, this process involved an increase in the rate of exploitation by increasing absolute surplus value extraction. For the working class, however, such processes threatened to reduce wages below subsistence levels.

Secondly, accompanying the processes of capital concentration and rationalization through which social capital responded to crisis, a significant proportion of the labour force found itself ejected from the production process and unable to sell its labour-power. As a result, such workers encountered a situation in which capital's inability to absorb living labour negated their need to acquire a portion of the social product necessary for self-reproduction. Devoid of other means of self-reproduction, a significant section of the working class faced a brutal process of immiseration. The bulk of the immiseration process fell most heavily on the industrial working class. Poverty among households whose primary wage earner worked in industry and construction rose from 8 per cent in 1971 to 47 per cent by 1987 (León and Martínez: 301). Thus, poverty ceased to be a status prevalent only in the rural and urban marginal sections, becoming instead a universalized phenomenon among the working class. Whereas employment in industry or construction had previously offered formalized and secure work conditions and relatively high wages, crisis and restructuring obliterated these circumstances. Notably, economic recovery in the latter half of the decade did not translate into rising wages but, on the contrary, a continued suppression of the price of labour-power marked the entire decade. In 1987 real wages remained at only 86 per cent of their 1970 level (Coloma and Rojas).

This second dramatic crisis in 1982-83 prompted a further recomposition of capital in Chile that entailed heavy centralization and a growing prominence of accumulation processes that were integrated within global capital circuits. The recomposition involved not only a re-emphasis on copper exports but also the development of new primary exports, such as lumber, fruit and fish products. The majority of economic expansion occurring in the 1984-89 period was precisely in these new "dynamic poles" of Chilean production. While in the 1960s the value of exports amounted to 13 per cent of the GDP, it had risen to 20.7 per cent in the 1974-81 period and took a further large jump to 29.6 per cent in the 1985-89 period (Stallings, 2001). The bulk of this expansion was performed under the aegis of large economic groups who expanded their domination of the new-export sectors. These groups had a substantial footing in the financial sector and used their access to cheap international credit to buy up industries in the new export sectors and also to purchase state industries that the regime was privatizing at greatly subsidized prices (cf. Fortín; Petras and Leiva; Martínez and Díaz, 1996). When placed alongside the re-entry of foreign firms into the mining sector, this concentration of capital led to the domination of all key sectors of the Chilean economy by a handful of domestic economic groups and multinationals.

Labour Flexibilization, 1990-2002

When the dictatorship finally ended in 1989, voted out of office in a plebiscite intended to shore up its legitimacy, there existed much uncertainty concerning the future of Chilean politics. The incoming government, elected in 1990, was a coalition comprised of the Christian Democrat and ("renovated") Socialist parties. The social basis of this new "Concertación" regime was the popular mobilization that had emerged to combat the dictatorship. Nevertheless, several factors would decisively condition the Concertación's possibilities of action. First, the authoritarian regime's strong influence on the nature of the transition to electoral democracy had resulted in many "authoritarian enclaves" being established within the institutional structures of the Chilean state (cf. Portales). This was particularly the case with the consolidation of a powerful conservative influence in key institutions such as the senate and judiciary. Second, the balance of social forces within the Chilean social formation was, and remains, extremely uneven. Given the political weakness of organized labour and other social movements, which suffered almost two decades of systematic repression, the Concertación has been able to adopt a heavily elitist ("*copular*") style of politics that has served to insulate its political cadre from more radical voices within the grassroots of the coalition parties (cf. Taylor, 1998). On the other hand, organized business — represented by the Confederación de Producción y Commercio (Confederation of Production and Commerce, CPC) — emerged strengthened from the authoritarian epoch, and has proved well organized, highly mobilized, and presciently aware of the political strength stemming from its concentrated ownership of the means of production. Finally, there is a strong material basis to the Concertación's dedication to the neoliberal project. Following two decades of liberalization in which the internationalization of the circuits of capital created a substantial dependence of Chilean accumulation upon the global movement of money and commodities, the political project of neoliberalism aims to uphold the viability of Chilean capitalist accumulation through the subordination of both state and society to the discipline of capital as a global social relation.

Within these parameters, the three successive Concertación governments have remained remarkably faithful to the neoliberal project of the authoritarian era (Taylor, 2002). Export-promotion, free-trade pacts, fiscal discipline, and further privatization of state industries and services have all been central pivots of the Concertación's attempts to further capital accumulation in Chile. Another essentially important pillar in this strategy, however, has been the preservation with only minor modifications of the legal codes governing capital-labour relations established under the dictatorship. Unquestionably, substantial political pressure was placed upon the Concertación to make profound alterations to the 1979 Labour Code. At the same time as initial negotiations over the labour code reform were occurring in the first two years of the democratic regime, growing antagonism between government and the labour movement became marked with the outbreak of strikes in copper, steel, coal, public health and state education sectors. Although these industrial actions were manifested primarily within the state sector, framed within a paradigm of grievances accumulated from the dictatorship period, and relatively long-lasting, the state remained firmly opposed to the strikes and they attained few of their material demands. To justify their rejection, the Aylwin regime (1990-1994) claimed that, first and foremost, accession to the strikers' demands would affect its ability to maintain control over inflation (Epstein: 60). Subservience to the discipline of "sound money" and the refusal to set a precedent of acquiescence to the direct demands of labour were clearly determining priorities for the new Concertación regime and the defeat of the labour movement in these strikes did not bode well for the substantive content of the labour reform.

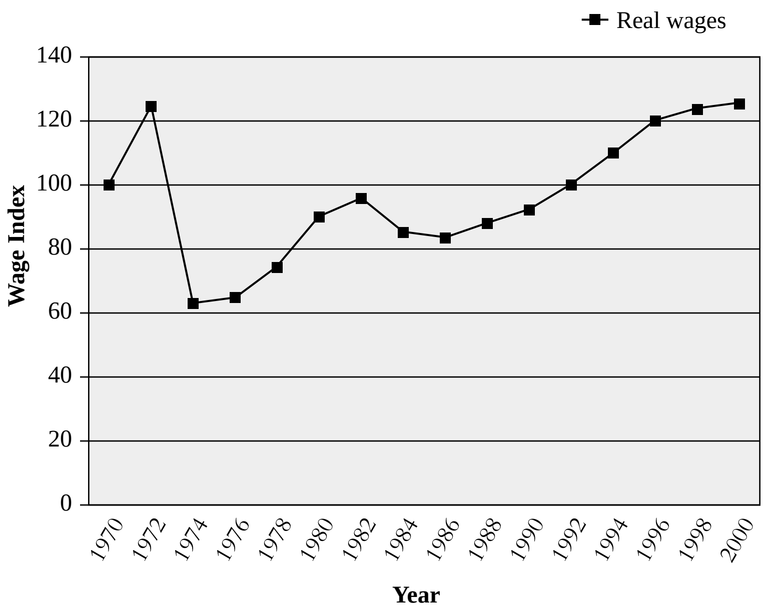
Thus, while several changes have been made during the 1990s, the new amendments are primarily of a defensive nature, operating on an individualistic and juridical framework that accepts the thrust of the flexibilization process rather than the supporting collective action (Taylor, 2004). The reformed labour code offers better access to protective mechanisms when worker rights are abused but does not provide the legal basis for organized labour to become a serious counterweight to the power of employers either at the level of the firm or in the national political ambit. Bargaining is still decentralized to the level of the individual firm and, although striking has been re-allowed, firms may still hire replacement labour for the duration of industrial action. Concurrently, under this system, national-level labour federations serve merely as pressure groups, and are acknowledged to have relatively little weight. By maintaining the extreme flexibility of Chilean labour and the suppressed role of the labour movement, the Concertación has responded to the demands of the business sector and played a role in keeping wage rises below productivity increases, thereby stunting the recovering trend in real wages (Fazio: 226). The reaction within the organized labour movement was a combative shift in the national directorate from leaders drawn from the Concertación parties towards those coming from the Communist party. However, operating within the legacy of structural weaknesses resulting from the Pinochet period, the union movement struggled to make a significant impact on national politics.

Between the late 1980s and mid-1990s, various moments of neoliberal restructuring served to promote a raw materials export boom. Predicated on huge inflows of foreign capital, high world market prices for copper and other key exports, a suppression of real wages over two decades, and the creation of a huge reserve labour army that was ready to enter the labour force under flexibilized conditions, the Chilean economy expanded rapidly. Moreover, despite approximately half of these new jobs being temporary contracts that were on average paid 59 per cent lower than open-ended contracts (UNDP: 95), the re-absorption of the reserve labour army nonetheless pushed wages upwards in the 1990s. Official unemployment levels fell from a peak of almost 30 per cent in the early 1980s down to an average of 7.6 per cent over the 1990-2000 period (Stallings : 51). In 1992, real wages recovered to their pre-debt crisis level and then rose consistently in the boom years of the mid 1990s, slowing only with the global crisis of 1997-1998. (See Chart 1, next page.)

The growth of real wages coincided with the escalating global overproduction of the key exports that underscored the Chilean boom of 1990-96. Consistently declining copper prices are in part related to the sustained levels of investment in the Chilean copper industry during the 1990s that have served to increase exponentially production through the expansion of mines and technological enhancement. Concurrently, other key export industries such as salmon, cellulose, and wine have been marked by decreasing rates of profit through a combination of Chilean overproduction and the arrival of new competitors.[3] On the one hand, the success of the dynamic export poles attracted both domestic and foreign capital, resulting in new ventures, increased production and intense competition. On the other, the global propagation of export-oriented development strategies has simultaneously increased the number of firms in different countries that are aiming at similar western consumption markets.

[3] *La Otra Economía,* Santiago de Chile, April 2002.

Chart 1 ***Real Wage Change (1970=100)***



Source: Fazio

It is perhaps no surprise, therefore, that further flexibilization practices have been a common strategy within many industries in order to compensate for the rising price of labour-power and a less favourable global environment. This trend has been particularly explicit in the key export sectors, where subcontracting strategies have been pervasively adopted in order to maximize exploitation and to maintain the rationalization of enterprises. The forestry sector is archetypal in this respect where subcontracting practices have become widespread. By facilitating larger economic units to contract out tasks to small firms, sometimes organized at the level of the family, larger firms are able to reduce labour costs, thus avoiding many regulatory aspects of formal sector employment and avoiding dealing with organized labour and, hence, skirting the responsibilities that they would have to assume were the employees hired directly by the company. Concurrently, subcontracting also permits an easy shedding of unusable labour in times of economic slowdown. As a consequence, the Chilean forestry sector has become characterized by levelled practices of subcontracting whereby the first level of subcontracted firms continue to pass specialized tasks out to their own subcontractors (Escobar and López: 102). In this fashion, pyramids of hierarchicalized subcontracting practices, resting on relations of dependency running from the central contractor down each level, form an "economic mattress" that cushions the central levels from adverse shocks by allowing them to transfer costs further down the structure. Precarious forms of employment have created a situation in which the reserve army in the forestry sector is both sizeable and in a state of constant flux. Notably, the provinces where the forestry sector is most present have some of the highest levels of underemployment and poverty (Escobar, 1999).

Similar trends are also prevalent in the agro-export sector, one of the much-championed "dynamic poles" of the new economy, where employment is both highly precarious and poorly remunerated. Close to 40 per cent of the largely female rural labour force work is typically categorized by temporary contracts often paid per piece (Cid: 11). These labour practices enable agro-industries to absorb large quantities of labour-power in the summer and autumn picking seasons and to eject it during the winter and spring. Concurrent with flexibilization, there is little labour regulation in terms of working conditions and levels of pay, and there are no social security contributions by employers (cf. Fazio and Riesco). Furthermore, with the impermanent and mobile nature of the work, the collective organization of the workforce has faced significant challenges, a situation reinforced by the Concertación's reluctance throughout the 1990s to undertake legal initiatives, such as permitting unionization of temporary workers, that might endanger the continuing growth of agro-forestry exports (Gwynne and Kay: 9). After a decade of bitter grassroots struggles aimed at both informal organization techniques among the workforce and campaigns directed at the government, the labour legislation enacted by the Lagos administration in 2001 finally has provided seasonal workers with the legal right to form unions. Despite this victory, structural impediments still mean that union activity in such sectors presently remains low.[4]

[4] Interview with agrarian union directorship, Santiago, April 2002.

The mining sector, an area of considerable union activity that even the Pinochet regime could not repress, has seen a different flexibilization strategy attempted by capitals. In this sector flexibilization has involved the shedding of labour employed by the main mining enterprise and its replacement with subcontracted labour. The percentage of subcontracted employees in the mining industry rose dramatically from 4.6 per cent to 40 per cent between 1985 and 1996 (Chile). Agacino, González and Rojas, in their seminal study of the Chilean mining industry in the post-authoritarian period, demonstrate that this subcontracting practice has resulted in "extended working days, illegal introduction of continuous work systems, higher vulnerability of the worker, lack of legal protection, temporality of work and income, etc." (Agacino et al.: 216). Such a strategy has been complemented by the transnational relocation of labour-intensive stages of the production process with an increasing amount of ores extracted in raw form in Chile and transported to South East Asia for refining. The change is the result of a process sanctioned by the Chilean government, which has preferred to keep the sector vastly unregulated rather than risk losing investment (Lagos: 31). As such, the increasing capital-intensive nature of mining, alongside the migration of labour-intensive processes to other parts of the international division of labour, has caused a substantial ejection of living-labour from the production process. Despite huge foreign investment and the opening of new "mega-projects," the number of jobs in the Chilean copper industry during the 1990s declined from 104,000 to 92,000 (Agacino et al.: 215). Ironically, owing to these processes, poverty has also risen among those working in the mining sector. Whereas the mining sector still offers some of the highest wages among the skilled working class, subcontracting and the emergence of a reserve mining labour force ejected from the transnational sector, yet able to use its skills to mine small, low quality ores, has led to a situation in which, between 1990 and 1995, the number of miners whose households were below the poverty line rose from none to 16 per cent (León and Martínez: 301).

Although the above paragraphs have concentrated on flexibilization processes in key export sectors, these transformations are not exclusive to those areas. For example, the above-cited government of Chile report notes the prevalence of practices undertaken by such firms as water-treatment giant Essel which, following privatization in 1999, took advantage of the laxities of the labour code to sack a substantial number of employees only for the new owners to rehire them as subcontractors under markedly worse conditions (Chile : 4). Concurrently, Wormald and Ruiz-Tagle (67) highlight that for important tasks within the construction sector _ which accounted for the third largest increase in employment between 1990 and 1998 (Escobar: 25) _ the majority of labour is now performed via subcontracting practices to micro-firms, creating a growing tendency toward precarious labour in this key employment sector. Indeed, contrary to the suggestion that labour flexibilization would provide the conditions under which labour market segmentation that precluded workers from stable work would dissipate; flexibilization has permitted capital to expand the precarious character of Chilean employment. ILO estimates suggest that workers without contracts or with temporary contracts account between them for about 35 per cent of all wage-paying jobs, an interpretation born out by the 2000 national census (UNDP).

The political reaction to the flexibilization of labour has gathered pace in the new millennium. The precarious nature of employment across most sectors of the economy, added to the limited extent to which the benefits of economic expansion have trickled down to a majority of the population, has been reflected in a rising popular awareness of the limits to the present development trajectory. During the later 1990s, growing political pressures — particularly from an increasingly radicalized union movement — were placed upon the Concertación to implement a thorough reform of the institutional forms of labour regulation, and these tensions resulted in two rounds of distinctly moderate amendments (cf. Taylor, 2004). Although Labour Minister Ricardo Solari claimed that: “at the end of this process we will have a code that will close the discussion and enjoy legitimacy,”[5] the deliberate boycott of both labour and business leaders from the ceremony marking the passing of the new laws suggests that the issue is far from resolved.

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[5] El Mostrador, “Gobierno presentó 15 indicaciones a la reforma laboral”, 5 September 2001, Santiago de Chile.

At the turn of the millennium, industrial action has gathered pace, with the workers in the telecommunications sector employed by Telefónica CTC Chile holding a widely supported strike to protest layoffs and flexibilization processes.[6] Similarly, militancy within the main national labour federation (the Central Unitario de Trabajadores, CUT) has continued to gain strength, culminating in the successful undertaking of Chile's first mass workers' protest in seventeen years on 13 August 2003. The action took the form of a general strike in the public sector, with teachers, health workers and transport workers being the largest groups to participate. Specifically aimed at protesting the flexibilized conditions and low wages throughout the public sector and highlighting the continuing abuses of worker rights under what *The Financial Times* labelled as Latin America's "most modern labour code," the CUT claimed that 80 per cent of business activity had been stopped in the capital.[7] Although the Lagos administration declared that the strike was an unproductive anachronism, many within the Socialist party expressed sympathy toward the strike, suggesting that the growing social tensions are being reflected within the increasingly tenuous Concertación coalition.

The Legacy of Flexibilization

To conclude this examination of labour flexibility and capital restructuring in Chile, it is useful to return to the notion of the benefits of flexibilization as suggested by neoclassical theory: namely, less income stratification, lower unemployment and higher economic growth. Based on neoclassical theory, Chile should represent an excellent case of the benefits of flexibilization in these respects given that the processes of liberalization and flexibilization have proceeded further there than in any other Latin American country. While the existence of a minimum wage could be interpreted as distorting the labour market, it has been maintained at below subsistence levels and cannot be considered a significant influence on labour market trends (Fazio : 221).

One of the most politically sensitive features of post-authoritarian Chile has been the continued and growing polarization of

[6] El Mostrador, "Huelga en CTC: ?Flexibilidad laboral o despidos masivos?", 22 July 2002, Santiago de Chile.
[7] *Financial Times*, "Chile Prepares for General Strike", 12 August 2003, London.

income distribution. Between 1990 and 1997, it has occurred alongside the positive effects of economic growth in terms of rising aggregate real wages and the re-incorporation of the unemployed masses into the Chilean workforce (Table 1).

Table 1 ***Distribution of income by decile, 1990-2000***

Decile	1990	1992	1994	1996	1998	2000
I	1.4	1.5	1.3	1.3	1.2	1.1
II	2.7	2.8	2.7	2.6	2.5	2.6
III	3.6	3.7	3.5	3.5	3.5	3.7
IV	4.5	4.6	4.6	4.5	4.5	4.5
V	5.4	5.6	5.5	5.4	5.3	5.7
VI	6.9	6.6	6.4	6.3	6.4	6.5
VII	7.8	8.1	8.1	8.2	8.3	7.9
VIII	10.3	10.4	10.6	11.1	11.0	10.5
IX	15.2	14.8	15.4	15.5	16.0	15.2
X	42.2	41.9	41.9	41.6	41.3	42.3

Source: MIDEPLAN: 23

It is common for advocates of the Chilean model to present the figures for rising real wages and the reduction in the percentage of the population living in poverty as proof of the virtues of the development strategy, including labour flexibilization. However, presenting merely the aggregated trends of real wage changes in an undifferentiated fashion clouds the asymmetrical composition of changing wage levels among the working class. Over the boom period, the highest increases in wages went to professionals and technicians, with the majority of unskilled workers receiving below average wage increases (Escobar : 43-44). Wage differentials served to increase the stratification of the working class — with considerable divergence in wages related to both the branch of production and position within the vertical division of labour — leading to a consolidation and deepening of income inequality within Chile. National income distribution remains highly polarized, even by the unenviable standards of Latin America. As such, and notwithstanding the Concertación's repeated motif of "growth with equity", the outcome of the export-led boom was growth coupled with growing income inequality. The negative trend in income distribution is testimony to the pervasiveness of the new degree of social polarization forged within the medium-term restructuring project and provides little credence for the neoclassical assertion that labour flexibilization reduces wage inequalities within the working class by removing wage monopolies.

Concurrent to the re-absorption of labour after the debacle of the 1980s, official poverty levels have declined from the 1990 level of 38.6 per cent to just over 20.3 per cent in 2000, with extreme poverty declining from 12.9 per cent to 5.7 per cent over the same period. This seemingly dramatic reduction, however, represents a return to levels consistent with the long-term trend of absolute poverty reduction in Chile over the second half of the twentieth century (Raczynski). In this respect, poverty reduction during the 1990s represents a success story only in respect to the drastically increased levels of poverty induced by the restructuring process implemented between 1975 and 1985. Moreover, statistics drawn from the National Statistics Institute by Patricio Escobar (2003: 75) also indicate that, in 1996 at the height of the economic boom, some 57 per cent of the working population earned less than the equivalent of two minimum wages. This means that, in addition to the 23 per cent of the population living in poverty conditions, the next 30 per cent of the population are in a precarious position just above the nominal poverty line. Such figures help to explain the dependence of the majority of the Chilean working class on low-remunerated employment in the context of a juridical system that structures power relations strongly in favour of capital.

Finally, the claims that reducing non-market influences on wage rates would lead to optimal employment levels are also tenuous. The influx of capital that fuelled the economic boom of the early and mid-1990s indeed led to a substantial re-incorporation of the reserve labour army into the working population and the reduction of unemployment from the drastic levels of one-third of the population in the early 1980s to around 6 per cent in the mid-1990s. However, the ending of the boom in the late 1990s catapulted unemployment levels back to above 10 per cent in spite of flexibilized labour markets. For the capital region of Santiago, for example, unemployment has remained at over 13 per cent of the economically active population for over four years.[8] Thus, the Chilean case highlights the major discrepancies between neoclassical models of equilibrating flexibilized labour markets and the experience of the Chilean labouring population. What an examination of the Chilean experience helps to elaborate, therefore, is that labour markets are complex social institutions stratified by asymmetrical power relations and that they do not operate according to the simple diagnostics of supply and demand. In this respect, there is a clear necessity to deepen our critiques of neoclassical visions of the labour market in order to oppose more strongly the political project of flexibilization.

Conclusion

This article has argued that labour flexibilization represents an attempt to eradicate "non-market" influences upon labour markets and to remove institutional restrictions upon the usage of the labour-power commodity once it has been purchased. In short, flexibilization is an attack on the structures that constrain capital's freedom of manoeuvre and necessarily involves a political assault on the institutional forms regulating capital-labour relations. This helps explain why flexibility can aid in the suppression of wages and increase the hours and intensity of work by minimizing collective bargaining, all trends that have been witnessed in Latin America over the last two decades (Weeks). Moreover, flexibility concurrently augments the ability of capitals rapidly to downscale assets or switch investments to maximize profit-making opportunities owing to reduced job security. At a social level, therefore, flexibilization facilitates the shifting of labour between different branches of production, and this has significant implications for the global movement of capital and the ongoing recomposition of the international division of labour. In this manner, the flexible exploitation of labour within a national social formation can constitute an integral element of competitive advantage strategies in the world market, although the costs for the working population are manifest in a pervasive insecurity clearly visible in the Chilean experience.

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[8] Figures from Banco Central de Chile, available online (accessed February 5, 2004): http://www.bcentral.cl/esp/infoeconomica/seriesindicadores/pdf/empleo_desocupacion_UCH.pdf.

In contrast to its presentation within the neoclassical paradigm, labour flexibilization is not simply a technical or economic feat but necessarily constitutes an historical process that involves concrete struggles over existing and often institutionalized forms of state-capital-labour relations. At base, flexibilization represents one further aspect of the neoliberal project to subordinate further all aspects of social life to the appropriation of profit and, ultimately the accumulation of capital. Neoliberalism, resting on the theories of neoclassical economics, presents the accumulation of capital as the only viable route to a prosperous and harmonious future. However, the stubborn refusal of society to conform to the equilibrium models of neoclassical economics, the daily experiences of continued polarization, underemployment and poverty at a global level, and the pervasiveness of resistance to these outcomes, all indicate the inherent limits to this project and the urgent need to continue seeking alternatives.

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