

Mexico Labor Bill Would Loosen Hiring, Union Grip

MARK STEVENSON, Associated Press



MEXICO CITY (AP) — Mexico's main political parties agree that the country's dysfunctional labor laws need to be retooled. What they don't agree on is how, with a new proposal to loosen hiring and increase union democracy threatening to unleash a wave of labor unrest.

Advocates say the reform, which will allow part-time work, hourly wages and outsourcing, will help Mexico create the million new jobs per year it needs for young people and migrants returning from the United States. It is backed by both President Felipe Calderon, who submitted it to Congress this month, and President-elect Enrique Pena Nieto.

Opponents say Mexico's low wages in several industries already make its labor force more attractive than increasingly affluent countries like China and the last thing its workers need is a reform that would pare the meager benefits and job security they currently enjoy.

"Yes, we need a reform that allows labor productivity to increase, but not at the cost of workers' rights," said Jesus Zambrano, leader of the leftist Democratic Revolution

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party, which has vowed to oppose the bill, in the streets if necessary.

The problem is pressing: The country's 5.4 percent unemployment rate is probably a huge understatement, given the lack of unemployment insurance and the fact that jobless workers quickly slip into Mexico's vast, unregistered army of street vendors and day laborers. Officials say the lack of jobs is one reason why so many youths are drawn to Mexico's violent drug cartels.

Under Mexico's 1970's-era labor laws, workers earn as little as 60 pesos (\$5) per day but still pay dues to pro-company "paper" unions they never see. About one-fifth of salaried workers in Mexico are unionized.

Bosses, meanwhile, complain that expensive severance and benefits packages, along with strict work and seniority rules, make it hard to create new jobs.

Added to that is a lengthy and arcane dispute resolution process that can hold up back-pay or severance cases for a decade.

Experts say loosening work and seniority rules to let employees perform different tasks and gain promotion based on ability would increase productivity.

In August, OECD Secretary General Angel Gurría said that labor reform, together with tax and other changes, could boost Mexico's GDP growth by 1 percentage point per year.

Everybody, even Zambrano, agrees that the proposal has some good points, such as secret ballots and external audits for notoriously corrupt and autocratic unions.

But given the odd alliances prevailing in Mexican politics, many fear the new proposal will actually decrease democracy in its unions.

Pena Nieto, who is scheduled to take office Dec. 1, said recently at a meeting of business leaders in Chile that the reform will "allow Mexico to have greater flexibility in its labor market, make hiring easier, without this necessarily meaning a step backward in labor rights."

But Pena Nieto's Institutional Revolutionary Party, or PRI, which constitutes the largest voting bloc in Congress, has for decades been supported by and protected the most antiquated, old-guard union groups in a system known as "corporativism."

Mexican unions are, at present, so undemocratic that, when opening new plants, employers will sometimes select a docile union for the new facility, and the first workers will enter with a labor contract already signed behind their backs.

While supporting the proposal, Pena Nieto seems loath to anger key supporters by approving the union transparency rules.

"I'm afraid that the PRI is going to defend the corporatist unions," said Carlos de Buen, a prominent labor lawyer.

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And perversely, the new framework would actually make it much harder for upstart, democratic unions to challenge the old-guard "paper" unions. New rules would require such challenger unions to report the names of at least one-third of workers at a plant who support it — names that would be seen by the employer's representative on local labor boards.

"This has the effect of closing the door to legal recognition" for upstart unions, said Arturo Alcalde, a Mexico City labor lawyer. "Now it's going to be impossible for there to be a democratic union."

All the talk about union democracy raises some distrust in labor circles, in part because Calderon's conservative National Action Party has never been known as a friend of labor, and in part because business groups support the proposal so strongly.

"They're only talking about the nicest part" of the law, those concerning union democracy, said Jaime Moreno, 42, a secretary at a Mexico City high school and part of the National University Workers Union. "But they don't say anything about the total transformation of labor relations."

Francisco Lopez, 50, an out-of-work computer programmer, says he's already seen what temp agencies and outsourcing means: Foreign "consulting" firms that hire programmers like himself, charge the employer twice what the worker actually gets, and quickly dump the employee when a job is finished.

"It's like human trafficking," Lopez said. "I'm a victim of the foreign outsourcing firms."

But business groups say the reform is necessary.

"A flexible labor market, that gives legal certainty to employers and employees, is indispensable if we want our economy to grow," said Alberto Espinosa, leader of the Mexican Employers Federation.

Calderon said the new law, by providing training, probationary and part-time work, could especially help create jobs for those who currently have the hardest time entering the labor market: women and young people.

But critics say Mexico's ongoing wave of drug violence, extortion and robbery of freight shipments play a greater role than labor rules in limiting investment here.

"Businessmen don't avoid hiring people in Mexico because it's expensive," Alcalde notes, "because they earn so much less."

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