Centre for Development Policy & Research

CDPR Discussion Paper 1199

Have Workers in Latin America Gained from Liberalisation and Regional Integration?

By

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1999

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Introduction[1]

The political economy of Latin America in the 1990s was dramatically different from two decades before. Prior to the debt crisis,[2] most governments in the region pursued economic policies that were essentially *national*, rather than derivative from international markets. This was possible because of a range of controls over capital flows and regulations that affected imports and exports.[3] Through the 1980s and 1990s, virtually every government (with the exception of Cuba) reduced both trade regulations and capital controls.[4] Closely associated with this process of deregulation has been regional integration, most notably the North American Free Trade Agreement, which in 1994 added Mexico as its third member. In a parallel development, the governments of Argentina, Brazil, Paraguay and Uruguay formed the Common Market of the South (*Mercado Comun del Sur*, MERCOSUR), with Chile and Bolivia as associate members.

The purpose of this article is to consider what has occurred in labour markets during the twin processes of economic liberalization and regional integration. The two are closely related, because they both, potentially for the latter and most certainly for the former, reduce the scope of national policy making. The integration schemes were part of a wider process of policy change towards export-oriented economies, associated with accession to the WTO,[5] and characterized by an alteration in the form of state intervention. Thus, the economic and social trends coincident with liberalization and hemispheric integration arise from a range of factors, that include: 1) recovery from the debt disaster of the 1980s and its associated polices of demand compression (De Pinies 1989); 2) a shift in economic ideology from active fiscal policy to the predominance of monetary instruments;[6] and 3) a rise in the economic power of capital relatively to labour, in part the result of changes in national legislation.

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[1] Forthcoming in the *International Labour Review*

[2] I date this from mid-1982, when Mexico announced the possibility of a moratorium on its debt payments.

[3] I am careful not to use the much-abused term, 'import substitution', which is, almost invariably, employed loosely to describe an alleged similarity of policy regimes throughout the region. Import substitution proper is an *industrial* policy, which includes far more than merely import restrictions. As Liang (1992) has demonstrated, import restrictions are quite consistent with discouraging import substitution, for they can occur in a context in which the prevailing incentive is for production of non-traded commodities.

[4] This deregulation was associated with conditionalities by the IMF and the World Bank, derivative form the so-called Washington Consensus (Weeks 1989, Weeks 1995a and 1995b).

[5] For a brief presentation of the implication of the WTO for developing countries as a whole, see ODI (1995).

[6] At the end of the 1990s, the neoliberal ideology added active monetary policy to its hit-list. An extreme implementation of the 'new' monetary policy was in Argentina, which adopted a 'currency board'. Under this arrangement, the domestic money supply is linked to central bank holdings of reserve currencies (e.g., dollars). In practice, this makes monetary policy non-discretionary, since the money supply is required to rise and fall with holdings of foreign exchange. For over a decade it has

We first review labour market conditions in Latin America. The review assesses whether wage employees have gained or lost during the major changes in economic policy over the last two decades. Neoclassical economic theory predicts that labour would gain: that trade liberalisation and labour market "flexibility" should increase employment, general deregulation should foster growth, and faster growth should lead to higher wages (see Horton 199; Hortonn, Kanbur & Mazumdar 1994). To the extent that countries are labour abundant, wages should rise and profits should fall (the Stolper-Samuelson Theorem). Were this the case, arguments for legislation to protect workers, indeed, arguments for the basic right to organize, would be weakened. We find that quite to the contrary of the neoclassical prediction, the outcome for labour over the last twenty years has been extremely mixed. Even more damaging for this position labour's gains in the 1990s, when economic growth quickened, have been meagre, even negative in some countries.

Review of Labour Market Conditions, 1983-1996

At the end of the twentieth century Latin America was overwhelmingly urban; only three of the nineteen Latin language countries had a majority of the population in rural areas.[7] While rural employment remained important in most countries,[8] for the region[9] as a whole close to eighty percent of the work force was urban. The majority of workers in a majority of the countries were employees, not self-employed. These characteristics differentiate Latin America from other underdeveloped regions, with the exception of North Africa and the Middle East, and a few countries of East Asia.[10] In Africa south of the Sahara, South Asia, and Southeast Asia, the labour forces are predominantly rural. In contrast, Latin American has passed through the process in which countries become overwhelmingly urban.

Table 1 provides the basic data on the distribution of the labour force in Latin America. It confirms the importance of wage employment, public and private, in six of the eighteen countries of the region (including the four with the largest populations). In 1992 wage employment was, at the least, more than sixty percent of the non-agricultural labour force in each country, and almost seventy percent for the region. However,

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not been strictly correction to refer to the neoliberals as 'monetarists'; with their endorsement of currency boards the term becomes even more inaccurate.

[7] All were in Central America: El Salvador, Guatemala, and Honduras, and for all three the urban population was greater than forty percent of the total.

[8] But not for all. Rural employment accounted for fifteen percent or less of total employment in Argentina, Chile, Uruguay, and Venezuela.

[9] Throughout the text, 'region' will refer to the eighteen Latin language countries (excluding Cuba) or some sub-set thereof.

[10] The countries of Central and Eastern Europe are also predominantly urban, but their transitional status place them in a category of their own which is obscured if they a included in the general term 'less developed'.

compared to 1980, the share of wage employment *declined*, by six percentage points for the region, which Thomas (1996) interprets as a process of 'informalisation' associated with liberalization of labour markets.[11] This notable shift may indicate an increase in 'hidden' unemployment; with 'self-employment' including people suffering form various degrees of short-time work. The greatest increase in self-employment occurred in Mexico, so large (from eighteen to thirty percent) that it suggests a change in definition or measurement error. The possibility that the increase in self-employment in the region, substantial for Argentina and Costa Rica (Gindling & Berry 1994) as well as Mexico, implies an increase in unemployment is supported by our review of unemployment trends. In the review officially reported unemployment rates and real wages are used.[12] The former cannot be taken as an accurate measure of *levels*, in part due to conceptual problems, in part as the result of method of collection, and, in some countries, a possible downward bias for political reasons.

Table 1: Distribution of the Labour Force in Latin America, 1980 and 1992

	1980:	Non-agric employment		1992:	Non-agric employment	
Country	Percent of labour force non-agric	Wage employment (publ&priv)	Self-employed	Percent of labour force non-agric	Wage employment (publ&priv)	Self-employed
Argentina	87.0	73.7	20.4	92.4	66.3	25.9
Brazil	68.8	76.0	22.9	75.1	68.3	22.5
Chile	83.6	63.9	27.8	86.9	69.4	23.0
Colombia	65.8	54.2	25.3	71.8	68.5	25.4
Costa Rica	69.3	77.6	16.3	75.5	73.3	20.9
Mexico	63.5	75.6	18.0	71.0	64.0	30.5
Venezuela	79.2	74.2	21.2	90.5	72.7	23.6
Latin America	68.2	74.4	19.2	73.4	68.2	22.5

Note: Non-agricultural labour force percentage from Food and Agricultural Organization, AGROSTAT. Division of non-agricultural employment from Thomas (1996, p. 88), based on ILO data. The residual is given as 'domestic service' in the original source.

The basic statistics for the urban labour market review are provided in Tables 3-5, with an overall summary in Table 6. We begin the labour market assessment by reference to Table 2, which covers the entire time period, 1974-1997, for the two major indicators, unemployment and real wages. For the fifteen countries (only thirteen have wage data), in only two was there a long-term improvement in both unemployment and real wages (Brazil and Chile). For seven countries, there was an unambiguous deterioration. In four of the seven, Argentina, Panama,[13] Peru, and Venezuela, wage labour received a double

[11] See also Arturo & Avila (1989).

[12] The unemployment and real wage statistics are from CEPAL (1986, pp. 24-34) for 1971-1982); CEPAL (1992, pp. 78, 81) for 1983-1990; and CEPAL (1995, pp. 50-51), CEPAL (1996, pp. 14-15), CEPAL (1997, p. 27), CEPAL (1998, p. 52) for 1991-1997.

[13] For a study of poverty and unemployment in Panama, see Calmanzon, Garcia-Huidobro & Morgado (1989).

blow: over time more workers were unemployed, and those employed received lower real wages. This result is quite striking: despite major changes in policy regimes (dramatic in Argentina, Bolivia and Peru), *the deterioration in labour market conditions was secular, not merely cyclical*. In three other countries, Bolivia, Guatemala, and Uruguay, unemployment showed no trend (i.e., it moved cyclically), and real wages fell. In the remaining six countries there was no trend in unemployment, rising wages in one (Costa Rica), and falling wages in one (Mexico).

Thus, the long run patterns indicate that wage labour in Latin America enjoyed rising real wages in only four of thirteen countries for which there are data; and in only three of fifteen countries was unemployment lower. Further, for the thirteen countries with wage data, in only one, Chile, was the long-term trend in wages above the trend in per capita income.[14] In other words, labour's relative position in the income distribution declined in every country but one.[15]

An inspection of sub-periods (last row of Table 8) shows that only during 1974-1981 did unemployment fall in as many countries as it rose. Indeed, in the 'recovery' decade of the 1990s, unemployment rose in six countries, while falling in only three. Not withstanding the tendency *for unemployment to rise* during this decade, *wages also rose* in nine countries, while falling in none. If neoclassical labour market 'flexibility' means a tendency for labour markets to 'clear' through real wage adjustment to surpluses and shortages, then one should find rising wages associated with falling unemployment and vice-versa. Yet, when one looks across countries and time periods for this inverse relationship, it occurs with a frequency that is no more than random. This suggests fragmentation of labour markets, which is not the result of government regulation.[16] In virtually all of the countries labour market 'reforms' were introduced in the 1980s to create greater 'flexibility' (see below). The aggregate evidence suggests that there was no more flexibility in the 1990s than in the 1980s or 1970s.

In most countries the lack of 'flexibility' cannot be attributed to government-created 'distortions' of the labour market.[17] In the 1990s in Brazil, Chile, Colombia, Costa Rica, Paraguay and Uruguay, real wages rose without a decline in unemployment (indeed, with an increase in the last country), yet labour institutions and regulations varied greatly among these five. The variations in institutions and regulations were, if anything, greater among the three countries in which we find the predicted combination

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[14] This is also the conclusion of UNCTAD: '…[T]here was a wide-spread fall in the average share of wages [in manufacturing] between 1980-85 and 1985-1992'(UNCTAD 1997, p. 138).

[15] And in Chile, labour's share towards the end of the 1990s was considerably below what it had been at the end of the 1960s.

[16] Case study evidence for labour market fragmentation or segmentation is found in Jatoba (1989, pp. 50-51).

[17] In Argentina, Chile, and Uruguay, perhaps the three most developed countries of the region, there has been considerable reduction of worker protection (Marshall 1997). This has also been the case for Mexico (Moreno-Fontes 1996). See Plant (1994, pp. 84-90, & Chapter 6) for a review of labour market policy in Latin America in the context of structural adjustment.

of rising wages and falling unemployment (Bolivia, Guatemala, and Panama). The mix of trends and non-trends suggests that characteristics of the private sector may have affected outcomes. One possibility is that wages rose in export sectors, while remaining stagnant in others (see Alarcon & McKinley 1997), but the disaggregated data to test this hypothesis is lacking. Overall, one must conclude that labour market outcomes in the 1990s involved processes considerably more complex than output growth leading to falling unemployment, which in turn, generated upward wage pressure.

The simple neoclassical view that unemployment is the result of wages being too high does not stand inspection. The empirical evidence shows that in *deregulated* labour markets wages behaved in the manner, which neoliberals would associate only with regulated markets dominated by strong unions. An as will be discussed below, the strength of organized labour declined in the 1980s and 1990s.

Table 2: Urban Unemployment Rates in the MEROSUR and Andean Pact Countries, 1973-1998

	MERCOSUR					Andean Pact				
Years	Argen	Brazil	Chile	Parag	Urug	Bolivia	Colom	Ecuador	Peru	Venez
1973	na	na	$\boxed{3.9}$	na	na	na	na	na	na	na
1974	4.2	na	8.2	na	na	na	12.7	na	na	7.6
1975	$\boxed{3.7}$	na	13.7	na	na	na	11.0	na	na	8.3
1976	4.9	5.5	14.2	6.7	12.7	5.1	10.6	na	$\boxed{5.0}$	6.8
1977	3.3	6.0	11.1	5.4	11.8	5.2	9.0	na	5.6	5.5
1978	3.3	6.8	11.8	4.1	10.1	3.0	9.0	na	6.1	$\boxed{5.1}$
1979	2.5	6.4	11.5	5.9	$\boxed{8.3}$	5.0	8.9	na	6.6	5.8
1980	2.6	6.2	10.0	$\boxed{3.9}$	7.4	5.0	9.7	na	6.4	6.6
1981	4.7	7.9	9.4	2.2	6.7	6.4	$\boxed{8.2}$	na	6.1	6.8
1982	5.3	6.3	18.7	5.6	11.9	6.2	9.3	na	6.3	7.8
1983	4.6	6.7	18.9	8.4	15.5	8.5	11.8	6.7	9.0	11.2
1984	4.6	7.1	18.5	7.4	14.0	6.9	13.5	10.6	8.9	14.3
1985	6.1	5.3	17.2	5.2	13.1	5.8	14.1	10.4	10.1	14.3
1986	5.2	3.6	13.1	6.1	10.7	7.0	13.8	10.7	5.4	12.1
1987	5.9	3.7	11.9	5.5	9.3	7.2	11.8	7.2	4.8	9.9
1988	6.3	3.8	10.2	4.7	9.1	11.6	11.2	7.4	6.0	7.9
1989	7.8	$\boxed{3.3}$	7.2	6.1	8.6	10.2	9.9	7.9	7.9	9.7
1990	7.5	4.5	6.5	6.6	9.3	9.5	10.3	$\boxed{6.1}$	8.3	11.0
1991	6.5	4.8	9.3	5.1	8.9	8.1	10.2	8.5	5.9	10.1
1992	7.0	5.8	7.0	5.3	9.0	5.4	10.2	8.9	9.4	8.1
1993	9.6	5.4	6.2	5.1	8.4	5.8	8.6	8.9	9.9	6.8
1994	11.5	5.1	8.3	4.4	9.2	3.1	8.9	7.8	8.8	8.9
1995	17.5	4.6	7.4	5.3	10.8	3.6	8.9	7.7	8.8	10.9
1996	17.2	5.7	6.4	8.2	12.6	3.5	11.4	10.4	8.7	11.9
1997	14.9	5.9	6.1	7.1	12.6	4.4	12.7	9.3	9.1	12.4
1998	12.9	7.8	6.1	na	11.1	na	15.1	na	9.0	12.2

Note: Figure in borders is lowest value.

Source: For the unemployment & real wage tables, the source is CEPAL (1986, 1992, 1996, & 1998).

Table 3: Index of Real Wage Rates in the MEROSUR
and Andean Pact Countries, 1971-1998

	MERCOSUR					Andean Pact				
Years	Argen	Brazil	Chile	Parag	Urug	Bolivia	Colom	Ecuador	Peru	Venez
1971	100	61	123	113	173	na	100	na	160	na
1972	95	67	111	108	142	na	84	na	157	na
1973	101	67	73	104	138	na	90	na	155	na
1974	114	69	67	100	140	na	85	na	153	na
1975	107	75	64	99	127	na	83	na	130	na
1976	72	78	65	105	120	na	85	na	141	105
1977	71	79	73	100	106	na	80	na	118	97
1978	70	83	78	104	102	na	90	na	103	91
1979	80	85	84	97	94	na	96	na	96	81
1980	72	86	92	97	93	na	96	na	108	133
1981	100	91	100	103	100	na	97	na	99	115
1982	100	100	100	100	100	100	100	na	100	100
1983	93	91	89	93	79	103	105	na	94	98
1984	118	91	89	90	68	86	113	na	87	94
1985	100	96	86	88	63	46	109	na	78	84
1986	101	104	88	84	67	32	115	na	98	85
1987	95	91	87	94	70	38	114	100.0	101	75
1988	87	89	93	101	71	39	112	86.5	76	66
1989	77	88	95	107	71	41	114	76.5	42	48
1990	73	75	96	101	66	42	111	63.0	37	46
1991	76	75	101	99	68	39	107	53.1	39	42
1992	77	76	106	98	70	41	109	44.6	38	23.1
1993	76	82	109	98	73	43	114	38.3	38	20.3
1994	76	83	115	100	74	47	115	33.1	44	17.8
1995	75	87	119	108	72	48	116	32.2	40	na
1996	75	101	124	111	72	48	119	30.9	38	na
1997	73	102	127	109	72	na	122	23.8	38	na
1998	72	102	131	108	73	na	120	na	37	na

Note: Figure in borders is highest value.

Table 4: Urban Unemployment Rates in Central America & Mexico Countries, 1973-1998

Years	Costa Rica	Guatemala	Honduras	Nicaragua	Panama	Mexico
1973	na	na	na	na	na	7.5
1974	na	na	na	na	7.5	7.4
1975	na	na	na	na	8.6	7.2
1976	5.4	na	5.0	na	9.0	6.8
1977	5.1	na	5.6	na	9.2	8.3
1978	5.8	3.6	5.9	na	9.6	6.9
1979	5.3	4.5	6.1	na	11.6	5.7
1980	6.0	6.4	6.3	5.0	9.8	4.5
1981	9.1	8.5	7.6	5.9	11.8	4.2
1982	9.9	9.0	8.8	6.2	10.3	4.1
1983	8.5	10.0	9.5	3.6	11.7	6.8
1984	6.6	9.1	10.8	2.3	12.4	5.7
1985	6.7	12.1	10.7	3.2	15.6	4.4
1986	6.7	14.0	11.7	4.7	12.6	4.3
1987	5.9	11.4	12.1	5.8	14.1	3.9
1988	6.3	8.8	11.4	6.0	21.1	3.5
1989	3.7	6.2	8.7	8.4	20.4	2.9
1990	5.4	6.5	7.2	11.1	20.0	2.8
1991	6.0	6.4	6.9	14.2	19.3	3.0
1992	4.3	5.7	7.6	17.8	17.5	2.8
1993	4.0	5.5	7.0	21.8	15.6	3.4
1994	4.3	5.2	4.0	20.7	16.0	3.7
1995	5.7	4.3	5.6	16.2	16.2	6.3
1996	6.6	4.9	6.5	14.8	16.4	5.7
1997	6.1	6.2	6.4	13.2	15.5	4.1
1998	5.6	7.1	5.8		15.6	3.7

Note: Figure in borders is lowest value.

Table 5: Urban Real Wages in Central America, Dominican Republic and Mexico, 1971-1998
(1982 = 100, except El Salvador)

Years	Costa Rica	Guate-mala	El Salvador	Hon-duras	Nica-ragua	Panama	Dom Repub	Mexico
1971	115	124	na	na	na	na	na	88
1972	112	124	na	na	na	na	na	89
1973	109	109	na	na	na	na	na	89
1974	103	95	na	na	na	na	na	92
1975	99	87	na	na	na	na	na	97
1976	112	85	na	na	na	145	na	105
1977	123	80	na	na	na	139	na	107
1978	134	85	na	na	na	133	na	104
1979	140	85	na	na	na	131	na	103
1980	141	85	na	na	na	115	118	98
1981	124	94	na	na	na	119	110	99
1982	100	100	na	100	100	100	100	100
1983	111	93	na	92	98	101	95	74
1984	120	84	na	88	92	105	97	69
1985	130	73	na	85	65	106	94	70
1986	138	59	na	82	23	108	101	66
1987	126	64	100	80	16	110	99	66
1988	120	67	100	80	6	101	105	66
1989	121	70	85	68	11	109	89	69
1990	123	58	80	64	17	102	86	72
1991	117	55	78	63	18	101	82	77
1992	122	63	81	64	21	101	100	82
1993	135	67	78	63	20	105	95	89
1994	140	68	80	64	21	110	102	93
1995	137	76	80	64	21	110	108	80
1996	136	84	73	58	21	na	103	71
1997	137	na	70	56	21	na	114	70
1998	na	na	na	na	na	na	na	71

Notes: A figure in borders notes highest value.

Table 6: Summary of Labour Market Trends for Fifteen Countries, 1971-1998

Country	1971-1981	1981-1990	1990-1998	Entire period
1. Argentina (1971-97 & 1974-97)	unemp nsgn wages nsgn	unemp rising wages falling (- 3.4)	unemp rising wages nsgn	unemp rising, wages falling (- 0.9), **deterioration**
2. Bolivia (1976-97 & 1982-96)	unemp nsgn wages ND	unemp rising wages falling (- 13.4)	unemp falling wages rising (+3.2)	unemp nsgn, wages falling (- 4.4), **deterioration**
3. Brazil (1976-97 & 1971-97)	unemp rising wages rising (+3.5)	unemp falling wages falling (- 1.6)	unemp rising wages rising (+4.8)	unemp falling, wages rising (+0.5), **improvement**
4. Chile (1973-97 & 1974-97)	unemp nsgn wages rising (+6.6)	unemp nsgn wages nsgn	unemp nsgn wages rising (+4.0)	unemp falling, wages rising (+2.4), **improvement***
5. Colombia (1974-97 & 1971-97)	unemp falling wages rising (+2.4)	unemp nsgn wages rising (+1.6)	unemp nsgn wages rising (+1.6)	unemp nsgn, wages rising (+1.6), **mixed**
6. Costa Rica (1976-97 & 1971-97)	unemp rising wages rising (+4.6)	unemp falling wages nsgn	unemp rising wages rising (+2.2)	unemp nsgn, wages rising (+0.8), **mixed**
7. Ecuador (1980-97 & no data)	unemp ND wages ND	unemp nsgn wages ND	unemp rising wages falling (-12.7)	unemp rising, wages ND, falling (90-97) **deterioration**
8. Guatemala (1978-96 & 1971-95)	unemp ND wages nsgn	unemp nsgn wages falling (- 5.8)	unemp falling wages rising (+5.9)	unemp nsgn, wages falling (- 2.0), **deterioration**
9. Honduras (1976-97 & no data)	unemp rising wages ND	unemp rising wages ND	unemp nsgn wages ND	unemp nsgn, wages ND, **ambiguous**
10. Mexico (1973-97 & 1971-97)	unemp falling wages nsgn	unemp falling wages falling (- 3.8)	unemp falling wages nsgn	unemp falling, wages falling (- 1.5), **mixed**
11. Panama (1974-97 & 1976-95)	unemp rising wages falling (- 4.5)	unemp rising wages nsgn	unemp falling wages rising (+2.0)	unemp rising, wages falling (-1.3), **deterioration**
12. Paraguay (1976-97 & 1971-97)	unemp falling wages nsgn	unemp nsgn wages nsgn	unemp nsgn wages rising (+1.7)	unemp rising, wages nsgn **deterioration**
13. Peru (1976-97 & 1971-97)	unemp rising wages falling (- 6.2)	unemp nsgn wages falling (- 9.4)	unemp nsgn wages nsgn	unemp rising, wages falling (- 6.6), **deterioration**
14. Uruguay (1976-97 & 1971-97)	unemp falling wages falling (- 5.5)	unemp nsgn wages falling (- 3.9)	unemp rising wages rising (+1.2)	unemp nsgn, wages falling (- 2.7) **deterioration**
15. Venezuela (1974-97 & 1976-91)	unemp nsgn wages nsgn	unemp nsgn wages falling (- 9.7)	unemp nsgn wages falling (-26.4)	unemp rising, wages falling (-9.2), **deterioration**
Summary (Numbers: falling, nsgn, rising)	unemp: 4, 4, 5 (2 no data) wages: 3, 5, 4 (3 no data)	unemp: 3, 8, 4 wages: 8, 4, 1 (2 no data)	unemp: 3, 6, 6 wages: 2, 3, 9 (1 no data)	improvement: 2 mixed: 3 deterioration: 9 ambiguous: 1

Note: In the first column, the name of the country is followed by the dates for which data are available, with unemployment first, followed by real wages.

The rather disparate labor market outcomes call for a more rigorous analysis of the relationship among the variables, growth, employment and real wages. To do this, we specify the rate of change of the unemployment rate as the ratio of an equilibrium rate ($U_{(t)}$*) in the current period and the unemployment rate in the previous period ($U_{(t-1)}$). To allow for the likelihood that the unemployment rate in any period does not completely adjust to its equilibrium value, we introduce an 'adjustment coefficient'.

$$u_{(t)} = [U_{(t)}^{*}/U_{(t-1)}]^{\phi}$$

Where ϕ is the adjustment coefficient, greater than zero and less than one. If the unemployment rate is always in equilibrium, then ϕ equals unity. The level of real wages and level of output determine the equilibrium rate of unemployment. Both variables require brief elaboration. The wage mechanism is based on the assumption that all firms operate with fixed coefficients (there is no capital-labour substitution). In each sector there are firms with different shares of wages in value added, because of different vintages of technologies being used. When wages rise, other things equal, firms that use relatively more labour suffer profit declines relatively to firms that use less labour. As a result, some firms are driven from the market, and employment falls. In the case of output, xxx

$$U_{(t)}^{*} = U(W_{(t)}, GDPT_{(t)})$$

$$U_{(t)}^{*} = [W_{(t)}]^{\beta_1}[GDPT_{(t)}]^{\beta_2}$$

Where β_1 is positive and β_2 is negative.

$$u_{(t)} = \left[\{[W_{(t)}]^{\beta_1}[GDPT_{(t)}]^{\beta_2}\}/U_{(t-1)}\right]^{\phi}$$

$$\ln[u_{(t)}] = \phi\beta_1 \ln[W_{(t)}] + \phi\beta_2[\ln GDPT_{(t)}] - \phi[\ln[U_{(t-1)}]$$

The model is estimated as:

$$\ln[u_{(t)}] = \alpha_0 + \alpha_1 \ln[W_{(t)}] + \alpha_2[\ln GDPT_{(t)}] + \alpha_3[\ln[U_{(t-1)}] + \alpha_4 D90 + \varepsilon$$

With the predictions that $\alpha_1 > 0$, $\alpha_2 < 0$, and $0 < \alpha_3 < 1$, while the sign of α_4 is not predicted.

The simple neoliberal labour market hypothesis maintains that if wages are flexible, the labour market should clear; and that rising wages will result from economic growth, as a consequence of a reduction in the excess supply of labour. To achieve this end, governments have instituted a number of 'reforms'. The evidence suggests that the hypothesis is wrong. In Latin America after 1982, even more after 1989, demand conditions in the labour market contributed very little to the explanation of real wage movements, despite increased 'flexibility'. A possible explanation is that greater 'flexibility', rather than fostering employment growth, facilitated the 'shedding' of labour in the private and public sectors. One should not be surprised to discover that making it easier to fire workers ('flexibility') resulted in less employment, not more.

Table 7: Ordinary Least Squares Model of Unemployment Determination. Across 15 Latin American Countries, 1971-1998

Variable	Coefficient	T-statistic	Significance
Constant	.121	4.05	**.000**
DevTrdGDP(t)	-1.897	-9.76	**.000**
RealWage(t)	.031	.79	.429
Unemp(t-1)	-.966	-2.87	**.004**
D90s	.054	2.23	**.027**
R^2(adj) = .282 F stat = 28.08 Sign of F = .000 DF = 272			

The evidence also casts doubt upon the hypothesis that an export-orientated policy is brings benefits to workers through real wage increases that are larger than would be the case within other policy strategies. In the *World Development Report of 1995*, it is asserted,

> ...[D]uring the past two decades real wages rose at an average annual rate of 3 percent in developing countries where the growth of trade (exports as a share of GNP) was above average, but stagnated in countries where trade expanded least. World Bank 1995, p. 10)

When we tested this hypothesis for the countries listed in Table 2, by including exports as a portion of GDP as a variable in the real wage equation for 1985-1996 (equation 6), the coefficient proves to be non-significant.[18] In an alternative specification, using the rate of growth of the volume of exports, the coefficient is also non-significant. One cannot exclude the possibility that under alternative specifications of the wage relationship, some measure of trade orientation might prove significant; but this remains to be established. On the basis of the measure proposed by the World Bank, we can reject the hypothesis that trade brings greater real wage gains than would otherwise be the case.

[18] This is to be expected on analytical grounds. The proposed explanatory variable, exports as a share of GDP, can vary across countries for many reasons, such as the well-documented relationship that this ratio is inversely correlated with measures of the size of economies. At the least, it would be necessary to control this and other factors to rigorously test the hypothesis. In the *World Development Report 1995*, a scatter diagram is proved with the export-GDP ratio on one axis and manufacturing real wage changes on the other. A line with a positive slope is drawn in the diagram, but no regression statistics are provided. From visual inspect of the scatter of points it is not obvious that the slope of the line would be statistically significant.

Economic growth alone is an extremely blunt and limited instrument by which to improve the conditions of labour.[19] This is especially the case because growth in Latin America has not been rapid.[20] While by definition growth is a pre-condition for a general improvement of living standards, how the aggregate improvement is distributed among the classes in society is determined by relative bargaining power and influence on policy decisions. If workers will reap benefits from freer trade and capital flows, purposeful action is required to strike the appropriate balance between the power of capital and labour.

> This view, that growth is not sufficient to improve living standards of workers and, thus, the vast majority of the Latin American population, has been forcefully stated in a report for the President of the Inter-American Development Bank:
> It remains a source of amazement to observe. So little being learned form experience....[E]xperience should have taught us long ago that high rates of economic growth are a necessary but insufficient condition for achieving social objectives such as the creation of higher rates of productive employment, poverty reduction, the provision of high quality education and health services, the maintenance of the quality of life in urban centres, and so on... (IDB 1994, p. 1)

The authors could have added, economic growth will not provide workers with basic rights and rising incomes.

Workers' Rights in Latin America

The review of labour market conditions in the 1980s and 1990s in Latin America shows that gains from growth were not passed to workers. In order for this to occur, workers require effective bargaining power. The labour market is a complex institution, in part ruled by economic forces, and in part by power relationships. The role of trade unions is to redress the power balance between labour and capital. The neoliberal literature, be it in the context of global integration or regional groupings, has a clear anti-trade union bias. One of the clearest examples of this is from the *World Development Report 1995*, where the following question is posed:

> How can policymakers create an environment that minimizes the negative effects of trade unions, while encouraging them to contribute to economic growth and equity? (World Bank 1995, p. 20

The phrasing of this question betrays an implicit presumption that in the absence of an appropriate regulatory environment, the effect of trade unions is negative. One suspect that the same question would not be found in a World Bank report, were

[19] For a similar conclusion, see Berry, Mendez and Tenjo (1997).
[20] A recent UNCTAD report points this out: 'Slow output growth [in the 1990s] has translated into growing unemployment and falling or stagnant real wages' (UNCTAD 1997, p. 13).

'business enterprises' substituted for 'trade unions'. Yet the negative effects of private sector profit-seeking are well-known and documented: environmental degradation when social costs do not coincide with private costs; repression of workers' rights if protective legislation is not effective; use of child and forced labour; and discriminatory pricing if market power allows. If the labour market is to have a 'level playing field', then protection of the rights of labour must be equivalent to the protection of the rights of capital.

The current bias against trade unions in Latin America reflects the political changes over the last two decades. Throughout Latin America, and in some of the developed countries, the strength of trade unions has dramatically declined. Neoliberal commentators tend to view this as a positive development, as a result of their perspective on the collective action of workers. This predisposition against collective action by workers derives from an individualistic view of economic agents. In this, the orthodox approach, all agents are seen as utility maximizers, they are all consumers. The desire of agents to improve the conditions of consumption is a *general interest* of society. On the other hand, as producers, agents work in different sectors and occupations, and their desire to improve their conditions of work is a *special interest*. The economic policy debate is presented as a tension between the general interest of society as consumer and the special interest of producers. It is on the basis of this interpretation of society that free trade is viewed as beneficial to all, and any restraint on private trading, domestic or international, as a manifestation of anti-social special interests. In the context, it can be asserted that 'international trade brings immediate gains through cheaper imports' (World Bank 1995, p. 10).

The functioning of society is considerably more complex than this. The neoliberal ideology ignores that unequal bargaining power among people as producers reduces the incomes of some and increases the incomes of others; by comparison, gains from consumption (lower prices) are usually trivial. Once income gains and losses are included, trade unions become a vehicle by which workers as producers improve their incomes, to take advantage of the *potential* benefits of lower prices. Treating all agents primarily as consumers also ignores the welfare effect of working conditions. In the short run, the 'working conditions of capital' are improved by a deterioration of the working conditions of labour, because longer hours, more intense work, and reduction of workplace safety and hygiene tend, in general, to reduce operating costs.[21]

Along with the ideological emphasis on people as consumers rather than producers goes the closely related allegation that collective pressure for higher wages and better working conditions is not, in fact, in the interest of workers. This rather startling conclusion is based on two arguments: 1) if such pressure raises costs and prices, workers lose as consumers; and 2) greater labour costs decrease the growth of employment. These arguments imply that in the absence of 'distortions' from collective

[21] But not necessarily in the long run. Standing presents empirical evidence that suggests that trade unions can be a source of productivity increase and lower costs, through pressure for improved working conditions (Standing 1990).

action, competition among firms and between firms and workers will produce the optimal level of working conditions, wages, and prices. This is an argument suffers from several analytical flaws. First, it should be obvious that in any sector of the economy, whether gains from lower prices will convey a net benefit to workers depends on the simultaneous behaviour of wages in that sector. Second, it *cannot* be demonstrated theoretically that lower wage costs will in general result in greater employment and faster growth of employment.[22] Third, and most relevant, the free market argument ignores the power relationships between labour and capital.

Thus, workers rights and the exercise of those rights is key to a more equitable distribution of the gains form growth in Latin America. The neoliberal literature tends, consciously or unconsciously, to misrepresent the extent of trade union rights and bargaining power in Latin America. In its 1995 review of the Latin American labour market, the World Bank suggested that trade union power in the region is considerable; indeed, that the legal rights granted trade unions are disproportionate to those granted capital within the collective bargaining process:

> Most labour legislation in Latin America predates the region's recent market-oriented reforms...[C]ollective bargaining is too cut off from market forces...Unions propose a collective contract, and employers must respond. The state is a part of the negotiations form the start, and the final agreement applies to all workers represented...
> In most Latin American case...the costs to employees of striking are low compared with those incurred by employers...
> [I]n some countries legislation requires that workers be paid even when they are on strike - a clear disincentive to compromise. (World Bank 1995, pp. 19, 20, 21]

This description would seem to suggest that unions have the upper hand in negotiations, initiating bargaining with the support of the state, and receiving wages while on strike. A review of trade union membership and labour legislation in the region suggests quite the contrary.[23] In the 1990s there was no country in Latin America in which as much as thirty-five percent of the non-agricultural labour force was in trade unions, and only two in which union members were more than forty percent of the wage labour force (see Table 7).[24] The average proportion across countries for the non-agricultural labour force was less than fifteen percent. If one uses the percentage of wage labour in non-agricultural labour from Table 1, it implies that across all countries the

[22] For a detailed discussion see Weeks (1989, chap. 10) and Weeks (1991).
[23] Indeed, on the issue of payment during strikes, a table in the World Bank document reports that this was the case in only two of ten countries (World Bank 1995, p. 21), and in one of the two (Nicaragua) the law is not enforced. Beyond this, collective bargaining itself 'is…in limited use as an instrument of social regulation' (ILO 1997b, p. 161). Table 5 shows statistics on trade union membership in Latin America, demonstrating the low, and in most countries declining, share of the non-agricultural and wage labor forces.
[24] There are data for only six countries for the latter percentage, but the percentages for the non-agricultural labour force in the other countries imply our conclusion on the wage labour force.

share of union members in wage labour was about twenty percent. In several countries, union membership was extremely low in the 1990s, less than ten percent of the non-agricultural labour force in seven. Further, active membership was typically lower than recorded numbers, and in many cases employer controlled unions ('sweetheart unions').[25] While trade unions play an important role in labour markets throughout Latin America, the low degree of unionisation indicates the need for increased protection for the right to organize and bargain collectively.

[25] An ICFTU report writes:

> Because Mexican labour law makes little provision for the rights of individual union members, workers can be denied access to their own collective agreements…and have few remedies…[S]uch abuses lead to employer-dominated trade unions… (ICFTU 1997e, p. 3)

Table 5:
Trade Union Membership in Latin America, Percentages, 1985 and 1995

Country	1985: Non-agricultural labour force	1985: Wage labour force	1995: Non-agricultural labour force	1995: Wage labour force	% change (number of members)
Argentina	48.7	67.4	25.4	38.7	- 1.9
Bolivia		29.1	16.4		
Brazil			32.1	43.5	
Chile	11.6		15.9		89.6
Colombia	11.2		7.0		- 4.2
Costa Rica	22.9		13.1	16.6	0.0
Dom Rep	18.9		17.3		25.0
Ecuador			9.8		
El Salvador	7.9	8.3	7.2		30.6
Guatemala	8.1	8.2	4.4		35.9
Honduras			4.5		
Mexico	54.1	59.6	31.0	42.8	- 26.3
Nicaragua			23.4		
Panama			14.2	20.1	
Paraguay			9.3		
Peru			7.5		
Uruguay	19.9		11.6		- 31.9
Venezuela	25.9	29.8	14.9	17.1	- 32.2
Average	na	na	14.7	na	na
	(22.9)	(52.3)	(14.8)	(32.9)	

Note: For earlier year: Argentina, 1986, Dominican Republic & Mexico, 1989; Uruguay 1990; and Venezuela 1988. For later year: Bolivia, 1994; Brazil, Mexico, & Panama, 1991; Chile & Uruguay, 1993; and Guatemala & Honduras, 1994. The numbers in parenthesis are averages for those countries that have data for both periods.
Source: ILO 1996, pp. 235, 237.

The low level of organization of labour in Latin America is both cause and effect of widespread violation of workers' rights. The box below provides a summary of abridgements and violation of workers' rights in Latin America in 1996. In Colombia the violation of basic human rights of the entire population, but especially of trade unionists, has been particularly endemic. According to statistics from non-governmental organizations, during 1993-1995 an annual average of over two hundred trade unionists were murdered, the majority of which, according to the Office of the Public Prosecutor, could be attributed to the police, the army and security forces[26] (ICFTU/IAROW nd, pp. 2-3). The main victims of the violence against unionists have been workers in the banana and palm products sectors, along with schoolteachers. The regional organization of trade unions (IAROW, ORIT in Spanish) concludes that, in effect, trade union activities have been criminalized in the country, since a wide range of work stoppages are legally defined

[26] 'Security forces' refers to the Departamento Administrativo de Seguridad (DAS).

as 'terrorism'[27] or 'sabotage'[28], and make participants liable for prosecution. While Colombia is the most extreme case of violation of workers' rights in the hemisphere, similar repression occurs in other countries.

The circumstances in which Latin American workers seek to exercise their rights would seem quite different from the impression given by the World Bank. Even in countries lauded for their democratic institutions, such as Chile, restrictions on trade unions are substantial.[29] In addition, the growth of employment in 'free trade zones', which has been important in the Central American countries, has been associated with limits on worker protection and basic rights (ILO 1996). While the repression of the rights of workers should not be exaggerated, it would be accurate to say that in most countries the right to strike is restricted through legislation, especially in the public sector, but also in the private. When work stoppages occur, strikers can anticipate violent confrontation, either with hired agents of employers or agents of the state. Being a member of trade union invites discrimination and, in many circumstances, dismissal. Further, organizing a new union in many countries is extremely difficult, if not dangerous.

[27] Decree 180 of 1987 defines terrorism as 'Whosoever causes or maintains a state of tension or terror among the populace or a sector, by means of any act endangering the lives, physical integrity or freedom of persons, property, the media or means of transport...' (ICFTU/IAROW nd., p. 7).

[28] Sabotage is defined as follows: 'Any person who, *for the purpose of suspending or paralysing work*, destroys, renders unusable, cause to disappear or, *in any other manner, damages tools, installations, equipment or raw materials...*' (emphasis added, ICFTU/IAROW nd., p. 7).

[29] Chile has not ratified ILO Convention No. 87 (Freedom of Association…), and trade union membership in the public sector is banned (ICFTU 1997d).

Table 8: Repression of Trade Union Rights in Latin America 1996

Country	Violence against trade unionists	Legislation & Union rights
Argentina	37 trade unionists arrested on 8 August, including general secretary of transport union	Presidential decree changing labour laws, restricting bargaining to firm level, allowing elimination of paid holidays & longer hours, reduced severance pay
Bolivia	Major strikes broken up by police Members of rural workers' union arrested on 14 April 78 union members (teachers and civil servants) arrested 2 April 20 trade unionists arrested in October	Labour code prohibits civil service workers from joining unions Agricultural workers excluded from labour protection, no legal protection of trade unionists against employer discrimination
Brazil	22 rural workers killed by military police on 17 April union leader assassinated on 18 Sept	Reform of labour law planned, to introduce 'labour flexibility', would make strike criminal offences in certain sectors
Chile	demonstration called by national union central broken up by police	
Colombia	80 trade unionist killed during the year	Legislation proposed to repeal & amend provisions of Labour Code, breaking 1994 'Social Pact'
Costa Rica		Strikes banned in 'public interest' in parts of manufacturing and service sectors Government failed to keep promise to ratify eight ILO Conventions Unions in effect prohibited in Export Free Zones (EFZ)
Dominican Republic		Pressure from US government brought improvement in enforcement of labour legislation in EFZs (only four collective agreements in EFZ, which has 500 enterprises and 114 unions)
Ecuador	Army used to break up strikes	Civil servants & other public sector workers in specific sectors cannot form unions
El Salvador	Army used to enforce employer lockout	Strikes prohibited in public sector; Law passed guaranteeing severance pay in EFZs
Guatemala	Violent repression of unions in EFZs Trade unionists abducted & killed	Level of effective unionisation extremely low State workers banned from striking
Honduras	Trade unionists abducted	Government signed agreement with US to improve trade union rights for 75,000 workers in EFZs (end of 1995)
Mexico		Anti-union drive by employers in 'maquiladora' sector
Nicaragua		New Labour Code introduced, judged an improvement by organized labour No unions in EFZs
Panama	17 trade unionists arrested	Right to strike limited by legislation Employers in EFZs given three year exemption from collective bargaining
Paraguay	Ministry of Justice and Labour accused of violence against trade unionists; Police used to disrupt general strike on 2-3 May	Public servants cannot form or join unions
Peru		Protection against arbitrary dismissal eliminated, legislation eliminated guarantee of paid holidays, unions banned from political activity, strikes including general economic social issues banned

Source: ICFTU (1997a, p. 38-63; 1997d; 1997e; 1997f; International Metalworkers' Federation 1994)

Pro-Capital Bias in Integration Agreements

While workers do not face violence in all countries, the incidence of repression of basic rights is sufficiently general, even endemic, that measures are required to create a 'level playing field' for collective bargaining. This is all the more important because, in the absence of specific and effective guarantees of workers' rights, the integration schemes in the Americas, inspired by neoliberal ideology, tend to have a strong bias in favour of capital. At the most general level, the pro-capital bias in integration schemes is demonstrated by the extensive consultation between governments and business interest, in contrast to relatively little consultation with the representative of labour.[30]

The existing integration schemes in the Americas do not provide workers with guarantees parallel to those of capital. For example, NAFTA rules allow investors to challenge government measures by appealing to a NAFTA-level dispute tribunal, as well as to raise such challenges in the domestic courts of each country member. However, for individual workers and trade unions there is no equivalent process. There is a North American Agreement on Labour Cooperation, but its role is only consultative. What are called 'Group I rights', to organize, bargain collectively, and strike, are issues for discussion, with no penalties for violations by either governments or employers. Violation of 'Group II' rights, minimum employment standards, discrimination, gender pay equality, and protection of migrant workers, also carries no penalty under NAFTA rules. Only a narrow range of rights, in Group III, has penalties for transgression: workplace safety and health, protection of children and youth, and minimum wages. Even for these, the dispute settlement procedure is lengthy, over two years, and the penalties are relatively small compared to profits of capital.[31]

In MERCOSUR there are no formal guarantees for labour. 'Subgroup 11', created as a result of pressure from national union centrals,[32] is no more than a forum for

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[30] The ICFTU points this out with regard to proposals for a hemispheric trade agreement:

> In the context of the new processes of integration in the region, the government of the United States has announced the Initiative for the Americas...[I]t is cause for concern that the proposal of the US administration has not been the subject of consultation either with trade union representatives or other social and political actors. Given the...exclusion of trade unions, the Initiative could constitute a significant step backwards for social policy and trade unions...affecting the productive base and worsening the level of unemployment and working conditions. (ICFTU 1991, p. 4)

[31] The labour provisions in NAFTA are also limited in that they deal only with enforcement of existing national labour laws; i.e., there is no provision for harmonisation of labour laws, nor with the problem of non-enforcement. Campbell points out,

> Neither the National Administrative Organizations housed in each country's labour department, nor the NAALC Council of [Labour] Ministers, nor the NAALC Secretariat, were given independence or investigatory power to function effectively. Campbell (1997, pp. 6-7).

[32] An International Metalworkers Report comments:

> The [labour subgroup] has been set up thanks to mobilisation of central organisations, notably in Argentina and Brazil who put pressure on their governments to have labour issues included

discussion. Its recommendations are not supported by any implementation mechanism. For example, the subgroup recommended that MERCOSUR governments ratify thirty-three of the basic ILO Conventions (if not already ratified), and compliance would be based on goodwill alone.[33]

The weakness of Subgroup 11 and the NAALC is in contrast to measures taken in the region to foster the interests of capital, both within integration schemes and by multilateral development banks. In MERCOSUR, the guaranteed and enforceable rights of capital are in contrast to the absence of the same for labour (IDB 1996, pp. 35-40, Ermida Uriate 1997, & Daza Perez 1997). To take but one example of action by multilateral lenders, in 1993 the Inter-American Development Bank created the Multilateral Investment Fund, in part to promote private sector investment. There was no equivalent regional or subregional fund to promote the interest of labour.

In addition to the formal guarantees, there are a number of implicit benefits to capital of integration schemes for which there is no equivalent for workers. Perhaps foremost, integration agreements facilitate the cross-border moment of productive capital.[34] All would agree that the capital-labour relation, with or without trade unions, contains within it conflicts of interest. Indeed, collective bargaining, when it operates constructively, is the process by which a synthesis of common interest is achieved out of the antagonisms of the two parties. Free movement of capital provides employers with a powerful weapon by which to change the balance of power within the bargaining process, or, in some cases to by-pass it. With no legal restrictions on capital movements, employers can use the threat of relocation to extract concessions from labour which otherwise would not be possible. A study by Bronfenbrenner verifies the potency of such threats. In a survey of five hundred union organizing campaigns and over 100 first contract negotiations in the United States, she found that union success was significantly lower for cases in which employers threatened closure of plants (Bronfenbrenner 1996).

In as far as the free movement of productive capital is motivated by a firm's desire to escape to a location with lower wage costs, the functional equivalent or threat for labour, though not the counter-response,[35] is strike action. Employers create a work stoppage by closing a plant, temporarily or permanently. Workers create a work stoppage

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> in the organisational structure. Without that union pressure, the social dimension would have been totally ignored whilst it is plain that Mercosur will have adverse effects on employment, working conditions and labour legislation in the various countries. (International Metalworkers Federation 1994 p. 14)

[33] Changes in national labour legislation in the 1990s have occurred with little or no reference to Subgroup 11, despite the need for policy harmonisation across countries (International Metalworkers Federation 1994, p. 39; and Mizala & Romaguera nd, pp. 4-10).
[34] We shall not deal with portfolio capital, for this would require a review of the debate over its possible destabilising role. This is treated thoroughly in Larudee (1997), where a persuasive argument is made that capital market deregulation was a major cause of the 'pesos crisis'.
[35] A strike in response to a closure threat might prompt capital to relocate more quickly. Measures to counter relocation threats are considered below.

by going on strike. For symmetry of rights, the free movement of capital would be matched by an equivalent right to strike, restricted only, as for capital movements, for genuine concerns of national security (such as in the army and police). Yet in no Latin American country is the right to strike guaranteed to this extent. A further right of capital enshrined in international and regional trade agreements is the protection of property, against unfair seizure by governments, abridgement of copyrights, and uncompensated use of intellectual property.[36] No similar enforcement procedures exist for the rights of labour, which could be interpreted as a clear bias in freer trade agreements in favour of the rights of capital.

Conclusion

Workers in Latin America have not shared in the benefits of growth, either in terms of reduced unemployment or rising real wages. At the same time, their basic rights as workers have been progressively eroded. There is urgent need for a Social Charter for the Americas, which would eliminate the grossest abuses suffered by workers.[37] The charter would guarantee freedom of association: to organize trade unions, to be free of intimidation if one joins a union, to select representatives by democratic process, for those representatives to bargain with employers (public and private), and for employers to enter into the bargaining process in 'good faith'.[38] These basic rights are not guaranteed in a most of Latin American countries;[39] effective multilateral guarantees are required. The issue is one of symmetry between capital and labour. Throughout Latin America, capital is free to organize itself into associations, to employ its resources to influence government policy, and through ownership of the media to present its views to the public. Extra-legal repression of workers' rights is endemic across the continent.

Beyond these core labour rights, which are essentially the civil and human rights that democracies should guarantee their citizens, measures are required to establish minimum standards in the workplace. The purpose of such standards is two-fold. First, since the goal of freer trade is to increase the welfare of the population of countries as a whole, regional trading systems should put in place rules that discourage a competitive process by which social standards are reduced to the level of the least regulated country.[40]

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[36] Campbell concludes as follows on the protection of the rights of capital:

> [NAFTA] entrenches a set of rules protecting private property rights of investors...Virtually all types of ownership interests, financial or non-financial, direct or indirect, actual or potential, are covered... (Campbell 1997, p. 5).

[37] The term 'Social Charter' comes from the European Union ('Social Chapter'). For more detail, see (ICFTU 1997b & ICFTU 1997c).

[38] In addition to ILO Conventions, these elements were codified in the US National Labor Relations Act of 1936.

[39] In a meeting in December 1994, Subgroup 11 of MERCOSUR noted that the right to form unions was not universal within the trading bloc (Mizala & Romaguera nd, p. 11)

[40] Campbell argues that current NAFTA rules encourage a socially destructive process of competition among governments:

> NAFTA ...intensifies pressure on...national and sub national governments to compete with each other by raising subsidies (most of which remain legal under NAFTA and lowering

Second, improved workplace conditions have a social benefit not captured by the enterprise through the market. By reducing accidents and illness, workplace standards increase the productivity of workers, and reduce the health costs of society.

Increased economic integration of the countries of the hemisphere has to date been a reactionary process based upon the repression of workers rights, and facilitating the concentration of wealth and power in the hands of capital. If this is to change in the future, it requires a growing labour movement to counter the strength of capital. A famous slogan of the labour movement states, 'the cause of labour is the hope of the world'. Never has that been as true as it is in Latin America today.

> regulations and standards to attract transnational investment. There are no common rules governing acceptable and unacceptable subsidies or limiting subsidy wars among governments [to attract investment], and only ineffective protections limiting competitive bidding down of labour and environmental regulations...Thus, the need to attract investment creates dual stresses: downward pressure on regulations and standards and increases fiscal pressure. (Campbell 1997, p. 14)

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