Labor Policy and Employment Quality in Mexico City: Taking the Low Road

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Overview

How the Mexico City local government uses, or not, its financial and human resources to have a positive impact on job quality.

• Missed opportunities
• Case Study: Janitorial Industry
• Why? Clientelistic practices lead to favoring Social Policy vs. Labor Policy
Mexico City:
Dynamic, opportunities for growth

- 20 million people in the Greater Metropolitan Area
- A Left-wing Administration since 1997 - PRD
- A Global City (Sassen) – GDP$411 billion, one of the world richest metro areas
- A Thriving Service Sector
  - High Wage: financial, business (47% GDP)
  - Low Wage: retail, tourism, property services
  - Services are local jurisdiction
Mexico City: Missed Opportunities

• The Public Problem: Poor job quality in the service sector in Mexico City
  o High levels of informality in the city
    • 50.7% informal
    • 10.4% in critical conditions
  o Informality in formal settings, 44% are “informalized from above” (INEGI 2012; Theron 2010)

• Results:
  o Poverty and income insecurity
  o Drag on growth and economic development (OECD)
Therefore, look at the role of local government

• As a regulator
  o Enforcing labor law and employment standards in the private and public sectors

• As an employer, or client
  o Using public resources to promote quality employment: in hiring, contracting services, use of subsidies, etc
Mexico City: Missed Opportunities

One cause (of many): Lack of a policy ensure decent work when employment is generated in the service sector.

The research question: Why, under a left-wing administration (PRD), is this the case in Mexico City?

Theoretical Framework: “The political game” (Scartascini, IDB): Policy Quality/Credibility depends upon the policy-making process, which in turn depends upon Actors – preferences, incentives, resources Arenas/Settings Rules of the game – laws, institutions, practices
Mexico City: Missed Opportunities

Key variables in the policy-making process for labor and employment policy:
1) Union Presence (independent, democratic)
2) Presence of private interests and
3) The rules of the game (formality - or informality- of policy- making arenas)

The PRD’s system of internal corrientes and reliance upon clientelistic practices skew the rules of the game -

• Impedes employment policy reforms and reforms related to first two variables (unions and private interests)
• Dependence on Social Policy over Labor Policy
Case Study:

Employment Quality for Janitors in Mexico City

• Approximately 500,000 cleaners in formally registered companies.
• Subcontracted, working for cleaning contractors who are hired by clients in the public or private sector.
• 33% in public sector buildings, where the client is the government (of this, about 10% in city buildings)
• Wages and working conditions of cleaners across the city do not meet the criteria of decent employment.
• Job quality is measurably worse in the segment of the market in worksites with city government as client.
Case Study:

Employment Quality for Janitors in Mexico City

2009 survey with over 550 janitors in the private sector (high-end office space) revealed:

- Only 8% of cleaning companies consistently comply with Federal Labor Law (Ley Federal del Trajobo, LFT)
- 97% of contractors do not register all of their employees with the national health and benefits system (IMSS).
- Wages between $1300 and $1400 pesos (US$100 -108) per fortnight
  - Workers frequently required to work hours longer than their established shift, or to work an additional full shift without extra pay, while others report short paychecks.
  - As a result, it is possible for some workers to not earn the minimum wage of $67.29 pesos (US$5.19)/day.
Case Study:
Employment Quality for Janitors in Mexico City

2011 survey with 232 janitors in 41 agencies of the city government, working for 27 cleaning companies.

- 62.5% of the employees were not registered in the IMSS health and benefits system (another 19% were unsure, while only 18% were certain that they were enrolled)
- In the Metro and Metrobus system alone, the number of workers affiliated to IMSS falls to 9.9%, with 81.7% not affiliated.
- Common practice: two days pay withheld for each day missed due to illness.
- Wages averaging $1120 pesos (US$86.46) per fortnight
  - Contracts for cleaning services in Mexico City change often, common practice for the outgoing contractor to skip the last paycheck and dissolve the company, leaving workers to start as new employees with the new contractor.
- Many elderly workers, appearing to be well past retirement age. One worker interviewed was 88 years old.
## ILO Decent Work Indicators for public and private sector janitors in Mexico City

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<thead>
<tr>
<th>Indicator</th>
<th>Private Sector</th>
<th>Public Sector</th>
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<tbody>
<tr>
<td>Adequate earnings</td>
<td><strong>Low:</strong> range of $1300-1400 pesos/fortnight. Many years without salary increases.</td>
<td><strong>Very Low:</strong> range of $876-1300 pesos/fortnight; frequent cases of late or missing paychecks, especially when contractors turnover. Many years without salary increases.</td>
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<tr>
<td>Combining work, family and personal life</td>
<td><strong>Poor:</strong> Pattern of obligatory, unexpected and unpaid overtime, including double shifts.</td>
<td><strong>Very Poor:</strong> High number of elderly workers past retirement age, working during the years they should be with family. Lack of sick days, holidays, vacations. Reprisals for any missed days of work.</td>
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<tr>
<td>Decent working time</td>
<td><strong>Poor:</strong> Pattern of obligatory and unpaid overtime, including double shifts.</td>
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</tr>
<tr>
<td>Stability and security of work</td>
<td><strong>Unstable and insecure:</strong> High rates of worker turnover; clients may change contractors with little notice.</td>
<td><strong>Very unstable and insecure:</strong> High rates of worker turnover; contractors frequently change their legal registration; GDF agencies frequently change contractors.</td>
</tr>
<tr>
<td>Equal opportunity and treatment in employment</td>
<td><strong>Poor:</strong> cases of sexual harassment; discrimination based on gender or appearance, poor and degrading treatment in general</td>
<td><strong>Very Poor:</strong> cases of sexual harassment; poor and degrading treatment of a workforce with a high percentage of elderly workers.</td>
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<tr>
<td>Safe work environment</td>
<td><strong>Poor:</strong> lack of protective gear and training, hazardous substances and accidents.</td>
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<tr>
<td>Social security</td>
<td><strong>Poor:</strong> many workers not enrolled in IMSS or are enrolled incorrectly or irregularly.</td>
<td><strong>Very Poor:</strong> an estimated 62.5% of employees report that they are not registered in the national health and social security system (IMSS). High contractor turnover impedes access to IMSS.</td>
</tr>
<tr>
<td>Social dialogue, employers’ and workers’ representation</td>
<td><strong>Poor:</strong> Unions in the janitorial industry are employer protection contract unions, virtually unknown to workers.</td>
<td><strong>Very poor:</strong> Unions in the janitorial industry are employer protection contract unions, virtually unknown to workers; Employers are likely to be fly-by-night companies which frequently change legal registrations to evade fiscal and legal obligations.</td>
</tr>
</tbody>
</table>

Source: Own elaboration based upon (Lekuona 2010) (PODER 2011) and planning documents from FUPES.
Case Study:

Employment Quality for Janitors in Mexico City

Source: Data from surveys applied by the Fundación en Pro de la Educación Sindical A.C. as well as data from recent cases documented in city government buildings.
Abuse of sub-contracting and outsourcing in the city government => widespread informality in formal settings:
• No requirements or verification that service contractors obey labor laws; legal and fiscal obligations
  o Contractors hired to provide services often have a record of past evasions of responsibilities, or very short record of legal registration in order to hide these shortcomings.
• Vague terms like “lowest solvent bid”
  o Contractors encouraged to submit the lowest bids possible, city officials allow contractors to obtain city contracts without establishing that their bid will cover all legal labor and fiscal obligations.
• Exclusive emphasis on lowest bid shuts out responsible contractors
  o ISS – bidding forms have no place to include IMSS payments, city officials told them to leave it out

Case Study:
Employment Quality for Janitors in Mexico City

Abuse of sub-contracting and outsourcing in the city government => widespread informality in formal settings:
Mexico City: Missed Opportunities

Things could be better: Best Practices in other Local Governments

- Basic transparency and improved labor law enforcement
- Responsible Contractor Policies (Pais Vasco, others)
- Project Labor Agreements (NY, LA, others)
- Living Wage ordinance (LA, DC, others)
Clientelism: PRD factions rely on electoral benefit of social programs, rather than address poor job quality - in the janitorial industry and across the service sector.

Ex, in 2007, faced with growing poverty among elderly, began the Food Pension for the Elderly (Pensión Alimentaria para Adultos Mayores). Very popular program.

    rather than address poor employment conditions or the evasion of payments into health and retirement pension programs.

Ex, programs to support vulnerable and precarious workers.

    rather than improve labor law enforcement in the private sector OR within city contracts.
Mexico City: Social Policy over Labor Policy

Actors, Resources for Labor Policy:
- Labor Secretary’s budget is 1.6% of the 2014 city budget.
  Of that,
  - 63% goes to unemployment program
  - .25% goes to labor inspections
  - Patricia Mercado – progressive, not from the PRD

Actors, Resources for Social Policy:
- Secretary of Social Development’s budget is 15% of the 2014 city budget (largest program after public safety).
  - pensions for the elderly
  - food security
  - health care access for vulnerable populations
  - Rosa Icela Rodriguez Velazquez – longtime militant of key PRD faction
Conclusions:

• Lack of policy to promote quality employment in a thriving, dynamic service sector economy – as a regulator (labor law enforcement) or as a consumer of services => informality, poor job quality

• Due to how the “political game” is played in Mexico City
  o The incentives and resources of the players = PRD factions and clientilism mean the left-wing administration prefers social policy and social programs over labor policy