The explosion of the Mexican auto industry and the decoupling of industry/firm growth and workers compensation.

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Agenda

• I. The boom
• II. The decoupling
• III. The explanations.
Three arguments


- Covarrubias/Bensusan/Carrillo
Path dependency and political legacies.

The boom
The China of Occident
México the “China of Occident”

Mexico has turned into one of the hottest spots of the auto industry worldwide. Next to China and India

- 7th worldwide producer; 4th exporter; 1st to the American market
- 5th components & accessories global producer & exporter
- 9th IED destiny –next to US, China, Brazil, Canada, India, Australia, Germany & UK). 7ª by 2015: UNCTAD.
- 1th employer in manufacturing and 1th foreign currency producer.
- 30 regional engineering centers
- 4 Large Regional Clusters
GDP: 2000-2014 Average growth rate

Total economy, industry, manufacturing sector and transportation equipment manufacturing (%)
- In 2014 auto output reached 3.2 million units, 76 percent up from 2001. This year it could reach 3.5 million as production has been increasing at a 9% rate in the last few years.

- At this pace at the end of the decade the country could well reach the frontier of 5 million units, quickly approaching one third of the total NAFTA output.
Mexico: the New Detroits

Ceteris paribus, one could imagine that Mexico will approach the U.S. auto output in the medium to long run.
The Decoupling
Decoupling industry & firm growth/workplace
CBA and increasing the wage/productivity GAP

Growth rates 2007-2014:

- Output: 45% total.
- Added value: 39% total
- Productivity: 4% annual
- 28% Wage Drop from 2007-2014
The share of workers’ compensation in the total added value has been descending from 30% in 2005 to 23.3%
Table 1. Wages in the AI per Factory. 2014.

<table>
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<tr>
<th></th>
<th>Wages/Average per day (Mexican Pesos)</th>
<th>Per hour (Mexican Pesos)</th>
<th>Per hour (US Dollars, 13.15)</th>
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Source: Author’s elaboration based on fieldwork and collective bargaining agreements 2012-2014.
The explanations
The Neo-liberal broken promises and auctions

Conventional wisdom:
• The effects of globalization will privilege high-skilled and wages over the low-skilled.

• There is a decoupling between job quality and business cycle.

• Mexico as the most dramatic case of market failure:
In the sense that the forces of supply and demand jointly determine price (in this case the wage rate)
Three arguments


- Covarrubias/Bensusan/Carrillo
  Path dependency and political legacies.


• The expansion and transferability of skills.
• Education and skills are no longer a way out to the intensifying economic globalization.
• Emergent Cs expand labor market supply not only in low-skilled but also in the middle segment where skills are more portable.
• Transferability means that workers can be replaced more easily. This is a “digital Taylorism”: Knowledge management, tech skills and professional expertise are being captured in software packages, templates and transcripts that can be transferred everywhere.
• There is a new wage competition between white-collar/high skills from DCs and that from LDCs.
Negotiations, Contracting & Collective Bargaining Agreements (CBA) take place along three times

T1
Political level/ CBA-When a firm is arriving
- Choosing location
- Choosing Union
- Choosing CB scope

T2
Macro-PE level/ Yearly wage negotiations
- Defining Wage limit & constraints

T3
Micro-WP level/ Contracting
- Defining secondary rules & job design
- Handling individual job conflicts
There is no pattern bargaining other than restrain wages at inflation levels and ease management’s displays/deployments.

Contracting –not negotiations– take place mostly at the plant level.

There are multiple power centers (PCs) at the regional and local levels

Yet there are a couple of national largest PCs

CTM remains the dominant organization; followed by CROM.
Outcomes

Decoupling negotiations & contracting

Highly fragmented unionism

Decoupling CBA & developments at the macro-industrial & WP levels.
Consequences

Decoupling-s
- Rising the prod/income
- Gap Development & CBA
- Negotiations & contracting

Outcomes
- Regressive value and wealth redistribution
- Low wages and income

Overall
- Limited living standards & domestic market

- ME: Shared moral notions and beliefs about justice that form the repertoire for people’s thinking and mentalité (Thompson, 1991)

- Popular views agree with in-egalitarian principles: income differentiation based on merit (incomes should be distributed according to people’s efforts). Yet, income disparities between poor and rich foster injustice and threaten the social order as people judge just disparities as crucial form of social integration.

- Actor’s beliefs about economic disparities are based on: a) rational-action considerations; b) a moral economy; a collective shared understanding of what constitutes a fair and desirable distribution of social benefits and burdens; c) a complex mix of social adscription and individual achievements.

• There is a relationship between the public’ normative ideas and the existing institutional framework. So the following are determinants factors:
  The institutional arrangements related to welfare state
  The political actors’ organizations –from parties to labor unions.

• People accepts income disparities in general terms but rejects they extreme manifestations –i.e., poverty and excessive wealth.
  Poverty: there is minimum income level below which no one should fall
  Wealth: It is accepted while it is rooted in individual effort and rejected when it is associated with privileges

• In Mexico there is a widespread ambivalence and contradiction in people’s attitudes.
• Ambivalence makes acquiescence to existing societal arrangements more likely (Hochschild, 1979).