

LABOR MARKETS AND ECONOMIC REFORM
IN LATIN AMERICA:
A Review of Recent Research*

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- CHILE: CRECIMIENTO, EMPLEO Y EL DESAFIO DE LA JUSTICIA SOCIAL.* By the Oficina Internacional del Trabajo. (Santiago, Chile: Oficina Internacional del Trabajo, 1998. Pp. 388.)
- EMPLEO Y DISTRIBUCION DEL INGRESO EN AMERICA LATINA ¿HEMOS AVANZADO?* Edited by Mauricio Cárdenas S. (Santafé de Bogotá, Colombia: Tercer Mundo, 1997. Pp. 433.)
- GLOBAL RESTRUCTURING, EMPLOYMENT, AND SOCIAL INEQUALITY IN URBAN LATIN AMERICA.* Edited by Richard Tardanico and Rafael Menjívar Larín. (Coral Gables, Fla.: North-South Center Press, University of Miami, 1997. Pp. 295. \$24.95 paper.)
- HUMAN RESOURCES IN LATIN AMERICA AND THE CARIBBEAN.* By Jere R. Behrman. (Washington, D.C., and Baltimore, Md.: Inter-American Development Bank, distributed by Johns Hopkins University Press, 1996. Pp. 215. \$16.95 paper.)
- LABOR MARKETS IN LATIN AMERICA: COMBINING SOCIAL PROTECTION WITH MARKET FLEXIBILITY.* Edited by Sebastian Edwards and Nora Claudia Lustig. (Washington, D.C.: Brookings Institution, 1997. Pp. 334. \$19.95 paper.)
- NEOLIBERALISM AND CLASS CONFLICT IN LATIN AMERICA: A COMPARATIVE PERSPECTIVE ON THE POLITICAL ECONOMY OF STRUCTURAL ADJUSTMENT.* By Henry Veltmeyer, James Petras, and Steve Vieux. (New York: St. Martin's, 1997. Pp. 258. \$49.95 cloth.)
- NORTH AMERICAN LABOR MARKETS: A COMPARATIVE PROFILE.* By the Commission for Labor Cooperation, North American Agreement on Labor Cooperation. (Dallas, Tex.: Secretariat of the Commission for Labor Cooperation, 1997. Pp. 137. \$35.00 paper.)
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Over the course of the 1980s and 1990s, governments introduced significant reforms throughout Latin America. Following the emergence of the debt crisis in 1982, policy makers reduced trade barriers, privatized state-owned enterprises, eliminated subsidies, and implemented deregulation (IDB 1997). By the end of the 1980s, structural adjustment had evolved into a long-term project of economic liberalization. In comparative terms, economic reform in Latin America has been both extensive and sustained.

Although the process of structural reform has been widely studied, less attention has been given to trends in labor markets. As one step in filling this gap in the literature, recent scholarship has sought to understand the effects of economic liberalization on workers and unions. For example, has liberalization led to more stable or more precarious employment relationships? Similarly, have workers experienced an improvement in their standard of living? How has the process of reform affected women workers? At the same time, some researchers have examined the relationship between labor institutions and economic performance under liberalization. These analysts want to know whether labor codes are creating barriers to adjustment and restructuring in Latin America's liberalizing economies.

In this review essay, I will examine recent literature on labor markets and economic reform in Latin America. The first part of the essay will discuss trends in labor-market conditions and human resources since the early 1980s. The second part will focus on the debate over labor law reform in Latin America. In the conclusion, I will offer some suggestions for future studies of Latin American labor markets.

Labor-Market Trends in Latin America

In recent years, more analysts have devoted attention to changes in conditions in the labor market. In *Global Restructuring, Employment, and Social Inequality in Urban Latin America*, edited by Richard Tardanico and Rafael Menjívar Larín, the contributors examine patterns of inequality and employment in urban labor markets since the 1980s. They focus on Argentina, Chile, Costa Rica, the Dominican Republic, Guatemala, Mexico, and Venezuela. The editors chose to emphasize urban labor markets because large cities were the primary beneficiaries of import-substitution industrialization (ISI). As a result, recent reforms intended to dismantle ISI should have had a strong impact on urban workers. Therefore, a study of urban labor markets in Latin America is potentially revealing about the effects of neoliberalism more generally.

One of the central findings of *Global Restructuring* is that the extent of reform in public-sector employment has been uneven across Latin America. While many governments have emphasized the necessity of reducing the size of the public sector, the available data suggest significant variation in levels of government employment. In a study of Mexico, for example,

Orlandina de Oliveira and Brígida García show that the share of public employment in total employment remained fairly constant between 1982 and 1992 and actually increased slightly during the Miguel de la Madrid *sexenio*. Job losses increased only during the midpoint of Carlos Salinas de Gortari's administration (1988–1994), when privatization and decentralization policies dramatically reduced government employment. Similarly, Víctor Fajardo Cortez and Miguel Lacabana document an increase in the absolute number of public employees in Venezuela, while showing a slight reduction in the share of public jobs in total employment between 1986 and 1992. As they note, organized labor's rejection of the Carlos Andrés Pérez administration's reform may have limited cuts in government jobs.

The reduction in the public sector has been more dramatic in some of the other countries. Rosalía Cortés's study of Argentina indicates that a reduction in defense personnel employment during Raúl Alfonsín's administration (1984–1989) led to a contraction in public-sector employment. Although President Carlos Menem accelerated job reductions in the central government in the early 1990s, provincial and municipal governments registered modest job growth as services were decentralized to the provinces.¹ Alvaro Díaz finds that public employment in Chile fell under the dictatorship of Augusto Pinochet, when the regime moved to decentralize or eliminate many government offices. Despite the transition to democracy, the Chilean military has been able to guarantee its prerogatives and funding. As a result, a large share of government employment (and funding) continues to be located in the defense sector.²

The studies in *Global Restructuring* also point to changes in patterns of private-sector employment. First, employment in services has continued to grow faster than in primary products and manufacturing. The exceptions to this trend are Chile and Costa Rica. What accounts for the different trajectories in these two cases? Díaz argues that Chile saw growth in primary and manufacturing employment as a result of early liberalization but also because of reforms that dismantled labor rights and protections. With a more flexible labor force, firms were able to create a niche for exporting refined primary products and medium-priced consumer goods. In contrast, Tardanico and Mario Lungo argue that Costa Rica experienced growth in manufacturing employment because it enjoyed political stability

1. For a somewhat similar assessment of Argentina, compare the essay by Donald Robbins, Martín González Rozada, and Alicia Menéndez in the volume edited by Mauricio Cárdenas, *Empleo y distribución del ingreso en América Latina*.

2. In Costa Rica, Guatemala, and the Dominican Republic, the pattern is less clear. According to José Itzigsohn, the proportion of the Dominican labor force employed in government jobs fell between 1980 and 1991. Richard Tardanico and Mario Lungo find that in Costa Rica, employment in the private sector registered stronger growth between 1980 and 1991 than in the public sector, although growth in both sectors was positive. Trends in Guatemala mirror those in Costa Rica, according to Juan Pablo Pérez Sáinz.

and a well-educated workforce. Costa Rica was therefore positioned well to exploit the benefits of the Caribbean Basin Initiative.

Second, while export-oriented production in the private sector has increased, significant variation has occurred across cases. In the smaller economies, employment in the export sector has risen. The essays by Juan Pablo Pérez Sáinz, Tardanico and Lungo, and José Itzigsohn all find that the share of export-related jobs in total manufacturing employment has risen in Guatemala, Costa Rica, and the Dominican Republic. More variation has occurred in the larger economies. Oliveira and García document strong growth in Mexico's export production and note that export plants are increasingly located in northern Mexico, the new center of industrialization. But Rosalía Cortés as well as Víctor Fajardo Cortez and Miguel Lacabana show that exports have failed to take off in Argentina and Venezuela.

Finally, throughout the private sector, a rise in "precarious employment" has concentrated primarily among women workers.³ Despite some variation, all the case studies point to losses in real wages, rising levels of unemployment, less employment security, and fewer government protections of labor rights and standards. When one considers the fact that several of these countries (Mexico, Guatemala, and the Dominican Republic) were already experiencing high rates of poverty and unemployment prior to restructuring, the growth in precarious employment has created serious implications for government policy.

Although a solid study of labor-market conditions in Latin America, Tardanico and Menjívar Larín's *Global Restructuring* could have been improved in various ways. The editors did not really address the issue of case selection in a satisfactory way. Why not include Brazil or other important cases? Would the inclusion of other cases change the results of the analysis? In addition, while the book offers strong empirical findings, little attempt was made to link findings from the case studies to broader theoretical issues posed in the literature. Despite these problems, *Global Restructuring* makes an important contribution to the literature. The comparative analysis of trends among women workers and in the informal sector is excellent. Overall, the volume will prove useful to specialists and to students engaged in research on economic reform in Latin America.

Continuities and Changes in North American Labor Markets

With the implementation of NAFTA, scholars and policy makers have also become interested in the effects of regional integration on labor

3. Tardanico defines "precarious employment" as jobs that are "less stable, less remunerative, less regulated by government, and in other ways less amenable to collective and individual control by workers" (p. 9). The rise in precarious employment has not been confined to the so-called informal sector but has also taken place in manufacturing and services, where labor degradation has occurred.

markets in North America. Prepared by the staff of the Secretariat of the Commission for Labor Cooperation, *North American Labor Markets: A Comparative Profile* provides a comparative analysis of recent trends in labor-market conditions in Mexico, Canada, and the United States. The time frame for the study, 1984 to 1995, covers a critical period when economic restructuring and trade liberalization generated changes in employment, wages, and productivity.

The report highlights significant differences in the characteristics of the labor force of Mexico, Canada, and the United States. The Mexican workforce is much younger than those of the United States and Canada, with 29 percent of the Mexican workforce between the ages of fifteen and twenty-four. Important differences also emerge in the participation of women in the labor force. From 1984 to 1995, women's participation in the labor force grew fastest in Mexico, followed by Canada, and then the United States. At the same time, the proportion of women in the labor force in Mexico remains below those in the United States and Canada. As in other parts of the world, employment in North America is shifting away from the primary and manufacturing sectors toward service industries. Although Mexico is still industrializing, growth in Mexican employment in the service sector far exceeded growth in employment in manufacturing and agriculture.

North American Labor Markets also suggests that employment insecurity is mounting in North America. During the period in question, approximately one-fifth of jobs in North America lasted less than a year, indicating a high level of employment instability when compared with other industrialized countries. Average unemployment was highest in Canada and the United States, followed by Mexico.⁴ Unemployment varied according to age and gender. In 1995 women workers under the age of twenty-five in Mexico had the highest rate of unemployment. But unemployment rates among young men were relatively higher in Canada and the United States. Mexican workers are also more likely to end up with precarious forms of employment in the informal sector. While employment insecurity is growing, government responses to unemployment in the three countries differ in major ways. Canada and the United States provide public insurance for unemployed workers. In Mexico, however, workers who are laid off are entitled only to severance payments, and no more than a third of the workforce is eligible for such payments.

Despite growth in labor productivity in all three countries, wages and compensation did not improve over this period. Real average weekly earnings registered virtually no growth in Canada and declined moder-

4. Nevertheless, as the report notes, Mexican officials use a different methodology to measure unemployment. If the methodological techniques used to measure U.S. unemployment are applied to the Mexican data, then the Mexican unemployment rate is slightly higher (p. 69).

ately in the United States. In Mexico, real average weekly earnings fell sharply between 1985 and 1992. Although they improved somewhat in 1993–1994, real earnings in Mexico plummeted again during the 1995 peso devaluation crisis. The report shows that after adjusting for transfers and taxes, the distribution of household income in Mexico became more unequal, with the top fifth gaining at the expense of every other income group. Patterns of income inequality also intensified in the United States. In Canada the distribution did not change much due to government transfers of income.

Although *North American Labor Markets* analyzes trends only through 1995, it is a useful reference work for specialists researching the effects of regional integration. The book provides a wealth of data on labor market and social conditions in North America. In addition, the report elaborates on problems in comparability of government data from all three countries. For this reason alone, *North American Labor Markets* will be useful to researchers and students interested in the subject.

Trends in Policies on Human Resources

In the early stages of reform, governments focused on reducing public spending and privatizing. In emphasizing the priority of these structural reforms, many analysts and policy makers ignored the importance of human resources or viewed government-provided health services and education as less efficient than private services. In recent years, however, an emerging body of scholarship has recognized the potential value of government investments in health and education. Jere Behrman's *Human Resources in Latin America and the Caribbean* exemplifies such thinking. His study analyzes changes that have occurred in health, education, and nutrition throughout Latin America.

The opening chapters explore the extant literature on human resources and outline several key findings of the current research. Behrman then examines case studies and comparative data on trends in health, education, and nutrition. While recognizing the paucity of the data and problems with official sources of statistics, he suggests that overall levels of human resources in Latin America and the Caribbean did not fall dramatically in the 1980s. After controlling for per capita income, Behrman found that aggregate indicators in the region show a good performance relative to international indicators for the same period.⁵ Still, the region lags behind in

5. Yet the favorable performance may reflect "the persistence of human resource stocks in a period in which real per capita incomes declined substantially. Had income growth been better in the past decade, the relative human resource conditions might have appeared less satisfactory, controlling for (higher) income, even by the crude indices for which data are available" (p. 104).

some areas, such as secondary education. Moreover, education, health, and nutrition policies tend to favor urban areas, the wealthy, and individuals of European ancestry. Perhaps most important, Behrman notes that investment in human resources has declined and that current levels of investment may be insufficient to generate long-term economic growth.

Behrman suggests in *Human Resources in Latin America* that targeted investments in human resources, coupled with minor reform, can make a substantial contribution to economic development. Nevertheless, policy on human resources should be consistent with the general framework of neoliberal economic reforms. To justify government funding, policy makers must first demonstrate that the social returns from public investment exceed those of private investment. Investments must also aim at increasing productivity. Behrman is the first to admit that formulating such policies is no easy task. In the area of public education, for example, he advocates subsidizing school materials (books and writing materials) along with creating market incentives for improving school performance.⁶ Similarly, governments might invest in disease prevention, while the delivery of health care and nutrition programs are privatized (or subcontracted) to increase efficiency. Behrman also concludes that public training programs are worthwhile, provided that the private sector participates and the programs create skills useful to a wide range of employers. Labor policies, in his view, should be reformed to allow labor markets to adjust more efficiently. Governments might achieve this goal by providing unemployment insurance and job-placement assistance for displaced workers, while eliminating severance payments and wage indexing.

A key assumption underlying Behrman's argument is that minor reforms can make markets function well in allocating health services, education, and training. This assumption is questionable. Behrman does not address the possibility that markets may fail because of a serious lack of competition in some service sectors (like health care) or because of inadequate information about prices and the quality of service. Even if reform promotes competition in some markets for health care and education, it remains unclear whether most families will be able to afford to pay for private services. In view of the trends in wages and income documented throughout this essay, this issue must be taken seriously. Still, Behrman is to be commended for providing a clear explanation of the limitations of official statistics and for writing a concise yet well-documented analysis of human-resource policies in Latin America.

6. The incentives would include wider use of merit-based compensation for teachers, dissemination of information regarding the performance of schools, and the removal of barriers to private education as well as government vouchers to allow parents to pay for tuition in private schools (pp. 179–82).

The case for reform / The shift toward liberalization and economic restructuring in Latin America has provoked debate about reforming labor laws. The debate has raised a number of intriguing questions. Do current labor laws and institutions create obstacles to structural adjustment? If reforms are necessary, what kinds of changes should governments adopt? What role should unions play in a liberalized economic environment?

A forerunner in this debate was *Reforming the Labor Market in a Liberalized Economy*, edited by Gustavo Márquez. Its central message is that many labor laws in Latin America undermine the capacity of firms to adjust to changing market conditions. While intended to provide job security and limit competition, labor regulations impose costly restrictions on hiring and firing, sanction practices that result in low productivity, and create incentive structures that result in high job turnover. The contributors argue that collective bargaining should be decentralized to permit more flexibility in work rules at the plant level and that severance payments should be replaced with unemployment insurance that features strong incentives for finding reemployment. In addition, the government's role in bargaining should be limited to enforcing labor contracts, and labor agreements should encourage work rules that improve efficiency. At the same time, labor laws should aim to reduce strikes and conflict and establish minimum standards for remuneration and occupational safety. Several of the contributors to Mauricio Cárdenas's *Empleo y distribución del ingreso en América Latina ¿Hemos avanzado?* echo the concern raised by analysts in the Márquez volume. The essay by Eduardo Lora and Carmen Pagés and that by Erich Gundlach and Peter Nunnenkamp both conclude that labor codes have potentially undermined the performance of firms experiencing adjustment.

Writing from a similar perspective, the contributors to *Labor Markets in Latin America: Combining Social Protection with Market Flexibility* assess the impact of labor regulations on economic performance in the region. Focusing on Argentina, Brazil, Chile, Colombia, and Mexico, this book edited by Sebastian Edwards and Nora Lustig examines labor laws and markets in Latin America and offers suggestions for policy reform.

Essays in the first part of the book provide an overview of labor institutions in developing areas. Using the tools of microeconomic theory, John Pencavel examines unions and labor movements in Latin America and developing countries generally. He suggests that although unions can help to promote democratization and raise productivity, they often increase members' wages at the expense of earnings and employment for unskilled workers. Gains made in the present by unions may also reduce investment, leading to less economic growth and lower employment in the future. From

Pencavel's perspective, unions should focus on real wage flexibility, while cooperating with management to raise productivity. Nora Lustig and Darryl McLeod look at the relationship between minimum-wage policies and poverty. Using a regression analysis of twenty-two developing countries, they conclude that an increase in the real minimum wage had a statistically significant effect in reducing poverty. They also find that minimum-wage legislation may reduce competitiveness, but an increase in the minimum wage does not lead to higher unemployment. Hugo Hopenhayn and Juan Pablo Nicolini apply modern contract theory in analyzing Argentina's unemployment insurance program, which was introduced in 1992. They hypothesize that the program may create disincentives for workers to seek reemployment in the early stages of unemployment because it provides excessive payments during the early period of unemployment and no insurance once workers exhaust their eligibility. In the authors' model, government unemployment insurance could be improved with an "optimal contract" where benefits are steadily reduced over time and a reemployment tax is assessed that increases with the period of unemployment.

In the second part of *Labor Markets in Latin America*, analysts discuss the status of labor-law reform and trends in labor markets throughout the region. Alejandra Cox Edwards examines policies concerning wage determination, dispute resolution, employee contributions, and training programs. In her view, many of these policies hurt productivity and may actually worsen poverty. She suggests a number of reforms, including replacing severance payments with an unemployment fund financed by workers. In addition, she proposes that providing subsidies for training directly to workers would be better than financing public training institutes. Such a "demand-side" training program could encourage a market for training and competition among private institutes, resulting in better skills and learning outcomes for workers.

Of the case studies dealing with labor-market conditions in selected countries, the three on Chile, Argentina, and Brazil stand out. René Cortázar surveys changes in Chile since 1973.⁷ Between 1973 and 1979, the military regime prohibited collective bargaining and intervened selectively to control the growth rate in wages. The regime also tended to underestimate the growth in consumer prices in order to justify smaller cost-of-living adjustments. Following a major reform in 1981, private firms started managing the social security system. Under the new system, workers are compelled to deposit 10 percent of their monthly earnings in privately managed accounts. While unions continued to face a hostile environment in the 1980s, the transition to democracy has resulted in some strengthen-

7. For a survey of labor-market conditions in Chile written from a similar theoretical perspective, see the essay by Joaquín Vial in *Empleo y distribución del ingreso en América Latina*.

ing in labor standards. A new labor law permitted the formation of union confederations and lifted restrictions on multi-employer union representation. These changes have made it somewhat easier to form unions. Most bargaining continues to be decentralized, however.

Carola Pessino notes that despite structural reforms adopted in Argentina, employment growth has been slow while unemployment and wage differentials have grown. A number of factors may have led to high unemployment, but she believes that labor regulations also played some role. Relatively high payroll taxes, expensive severance payments, and rigid collective bargaining agreements have reduced demand for labor and also created obstacles to labor mobility and wage flexibility in Argentina. Edward Amadeo and José Márcio Camargo show nevertheless that despite excessive labor regulations, Brazilian workers produce at internationally competitive levels, and the labor market is flexible. The reasons for this outcome are not clear. The authors suggest that labor regulations may not be enforced or that regulations motivate workers to provoke their own dismissal.⁸

The essays in these three volumes do a good job of clarifying the debate over labor-law reform in Latin America. While advancing understanding of changing labor-market conditions, none of them present strong evidence that labor laws have undermined the capacity of firms to restructure or adjust to liberalization. Most contributors focus on the macroeconomy and ignore developments in industrial relations in specific sectors. Moreover, the evidence from comparative studies indicates that flexibility and decentralized bargaining have been introduced in some sectors in various countries, regardless of whether governments have liberalized their labor laws.

In Mexico, for example, legislators failed to reform the labor law throughout the 1980s and 1990s. Yet in the automotive and telecommunications industries, unions and managers have negotiated changes in work rules that have facilitated adjustment and also led to higher productivity (Zapata 1995; Carrillo 1995; Covarrubias 1997; Tuman 1998, 1999). Similarly, while Brazil has failed to dismantle protections in its labor code, automotive unions have negotiated the introduction of more flexible wage and employment rules and have decentralized bargaining (Arbix and Rodrigues 1998). Although the evidence gleaned from sectoral studies is not conclusive, it suggests that the contributors have presented an oversimplified account of labor relations as practiced in Latin America.

Some of the arguments made with regard to labor codes and employment are not persuasive either. The contributors to the Márquez and Edwards and Lustig volumes often fail to specify which job protections are

8. According to Amadeo and Camargo, labor regulations may encourage workers to provoke their own dismissal but accept reemployment under an informal contract. In this way, workers can receive both unemployment insurance and wage income.

more likely to raise unemployment. Moreover, the relationship between job protections and employment is unclear at best. The evidence suggests that in Chile, legislation that raised severance payments in the 1990s had no noticeable effect on employment or unemployment. A comparative examination of countries that diminished job protections (severance payments and the like) during this period indicates that many experienced both rising and declining unemployment (de la Garza Toledo 1996, t. 4; Cook 1998, tt. 1–2). More systematic empirical research is clearly needed to demonstrate the hypothesized relationship between changes in labor codes and employment.

The lessons of Chile / Because Chile's labor laws and institutions were transformed during the period of military rule, they often figure prominently in discussions about the impact of labor reform in Latin America (Lear and Collins 1995, 10). Advocates of reform suggest that changes in the labor code were partly responsible for Chile's favorable economic performance after 1973. But other analysts dispute the link between the country's development and the liberalization of its labor standards.

Prepared by a research team affiliated with the International Labour Office, *Chile: Crecimiento, empleo y el desafío de la justicia social* helps to sort out the effects of Chile's labor-market reforms. The report documents Chile's strong economic performance. Between 1986 and 1996, growth rates remained high, inflation was brought under control, and the external debt was more than halved. During the same period, the structure of exports became more diverse as Chile began exporting to a growing number of markets. The proportion of the population living in poverty fell after 1987 in both rural and urban areas and in every single province in the country.⁹ Real wages and salaries have also increased since 1985, outpacing the growth in labor productivity.

Although the unemployment rate has fallen in Chile, the quality of employment relationships has varied sharply. Women and young workers are less likely to find stable employment and remain at significant risk of unemployment. In addition, many workers have not received adequate training. The report also suggests that relatively more employees are working longer weeks (forty-eight hours) than in 1986.

An important part of *Chile: Crecimiento, empleo y el desafío de la justicia social* addresses the effects of reforms in labor-market institutions. Unions have generally fared better since the resumption of democracy, although collective bargaining remains decentralized and the rate of unionization fell between 1991 and 1996. The government, however, has taken steps to promote "a social dialogue" between employers and unions, and these discussions have resulted in important policy changes. In the early

9. But relatively more women, children younger than fifteen, and rural residents are poor and indigent compared with other groups in Chile.

1990s, national agreements were reached over minimum wages, unionization, training, health, and safety as well as measures to reduce poverty and inequality. With the consolidation of democracy, social actors have been more willing to adopt strong bargaining positions, which have led to a lack of consensus on important issues since 1995.

The authors of the report cast doubt on the claim that strong labor standards have affected employment negatively. While labor-law reforms in the early 1990s increased employer severance payments for layoffs, job creation remained strong throughout the decade. The authors argue that macroeconomic stability has been far more important in job creation than institutional factors. They suggest that permitting employers more flexibility in hiring and firing decisions may actually reduce the competitiveness of industry. As the report notes, while labor markets were deregulated in the 1980s, subcontracting among firms increased. But many of the subcontracting jobs were precarious, offering workers low compensation and little training. As a result, productivity and product quality tended to lag during this period. If anything, Chile's experience suggests that deregulation undermined the capacity of firms to produce at globally competitive levels.

This report offers comprehensive analysis of trends in labor policies and economic and social conditions in Chile. Each section is carefully researched and well documented. *Chile: Crecimiento, empleo y el desafío de la justicia social* provides much new data and information not widely available in the literature. Scholars and research students will therefore find the book required reading for gaining an understanding of Chile's recent experiences.

The Political Consequences of Neoliberal Reform

Since the early 1980s, labor-market conditions have worsened throughout most of Latin America. In *Neoliberalism and Class Conflict in Latin America: A Comparative Perspective on the Political Economy of Structural Adjustment*, Henry Veltmeyer, James Petras, and Steve Vieux examine how workers have reacted to these changes. Utilizing a class-analytical perspective, the authors contend that neoliberal policies are generating widespread social dislocations and class conflict. From their perspective, the neoliberal model of development is neither desirable nor sustainable.

In explaining the spread of adjustment programs throughout Latin America, Veltmeyer, Petras, and Vieux focus on the International Monetary Fund and other international organizations linked to the U.S. government. They suggest that the United States pursued structural adjustment because these policies guaranteed U.S. companies greater opportunities (and profits) in Latin America, while debt-service payment helped shore up a weak U.S. economy. Far from providing a critique of the political economy of ad-

justment, economists and political scientists often offered ideological justification for economic liberalization, regardless of the social costs.

A major portion of *Neoliberalism and Class Conflict* examines the political turmoil generated by deteriorating social conditions. In the study of Bolivia, for example, Veltmeyer, Petras, and Vieux suggest that non-governmental organizations (NGOs) have created obstacles to popular mobilization. By delivering minimal levels of poverty relief, NGOs have undermined the appeal of traditional grassroots organizations, thus furthering the political isolation of the poor. At the same time, NGOs have shown little interest in helping organize popular organizations to challenge neoliberal policies. Veltmeyer, Petras, and Vieux find more potential in the diverse movement of rural workers in Brazil, which has made some progress in securing land reform for some members.

The case study dealing with Chiapas claims to offer the strongest evidence that workers and peasants are prepared to engage in violence to defeat neoliberal policies. The authors suggest that neoliberal policies have resulted in the withdrawal of many subsidies to farmers, while the ruling Partido Revolucionario Institucional (PRI) has tolerated land takeovers by ranchers. As a result, the countryside has become polarized, creating the structural conditions for widespread rebellion. Nor is Chiapas an isolated event that reflects regional issues. Instead, "the uprising is a response to the process of accumulation that is marginalizing the vast majority of Mexicans. . . . Chiapas is in this sense symbolic of the average Mexican experience with SAP [structural adjustment programs]" (p. 201). The authors find evidence of mounting political protest against neoliberalism throughout Latin America, and they argue that resistance to neoliberalism is likely to be found in multiple arenas.

Veltmeyer, Petras, and Vieux's analysis of the political responses to neoliberal reform is unsatisfactory on several different levels. Although the authors document various cases of protest, they fail to note that the impact and strength of political movements against neoliberalism plainly vary from country to country. Little evidence supports their assertion that widespread protest against liberalization is spreading throughout Latin America. Regrettably, the authors also fail to pay much attention to organized labor's activities during the last two decades. Had they included more information on labor movements, they might have noted that some unions have supported reform in exchange for certain wage and employment concessions. Finally, some readers may take exception with the authors' interpretation of the conflict in Chiapas. While the origins of the conflict are rooted in economic structures, ethnicity in its varied and changing forms may have also played a role in this movement (Nash 1995, 36). The strength of *Neoliberalism and Class Conflict in Latin America* is that it reminds policy analysts that governments may find it difficult to sustain neoliberal poli-

cies in the context of worsening social conditions. After nearly two decades of structural adjustment, policy makers appear to be taking note of that message.

Conclusion

Nearly all the studies reviewed in this essay point to serious challenges in the areas of employment and remuneration in Latin America. A broad consensus holds that in many countries, employment conditions have become more precarious while real wages have fallen. One finds less agreement, however, about the causes of these changing labor-market conditions. The studies by Tardanico and Menjívar and by Veltmeyer, Petras, and Vieux suggest that economic reform is responsible for the contraction of employment opportunities and incomes. By contrast, the contributors to the Edwards and Lustig volume and the Márquez collection argue that the failure of most governments to change labor laws has resulted in the poor performance of labor markets.

Analysts also disagree about the prospects for improvements in labor-market conditions. As has been discussed, many authors have argued that conditions are unlikely to improve while neoliberal policies are in place. The studies in the Márquez and the Edwards and Lustig volumes, however, remain cautiously optimistic about the future. These contributors are convinced that conditions will improve dramatically if labor laws are liberalized.¹⁰

The eight studies reviewed here have contributed to general understanding of the changes in Latin American labor markets. Future studies might benefit nevertheless from more systematic comparative analyses of different countries. Much of the extant literature has focused on single cases, ignoring the contrasts between and among countries in Latin America. Future studies should also compare the performance of similar sectors in different countries. In many cases, the sectoral data are high in quality, making it easier for analysts to assess the effects of labor regulations on performance. Finally, more research is needed to assess the impact of economic liberalization on employment opportunities and incomes for women workers (see González de la Rocha 1995; Safa 1995). Although some studies have made progress in this area, a serious gap remains in the literature.

10. For some tentative hypotheses about the politics of labor-law reform in Latin America, see Cook (1998).

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