
The USMCA and the Mexican automobile industry: towards a new labour model?

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Abstract: The USMCA has created a new environment for the North American automobile industry. It places higher and additional rules related to regional content and labour provisions supported by a new generation of strongly binding mechanisms. In Mexico, there is a new labour law and a wage policy meant to support a new labour relations model. This paper investigates the extent of the progress in such model by assessing the way in which unions are responding to its demands. Based on primary evidence of union leaders, and drawing future sceneries, the paper contends that the adaptive capacity of corporatist unions will prevent the new labour model from succeeding.

Keywords: automobile industry; USMCA; NAFTA; labour relations; new model; rules of origin; labour provisions; future sceneries.

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1 Introduction

The automotive industry (AI) has a new operational environment in North America. The current moment is bound up with the implementation of the US-Mexico-Canada Free Trade Agreement (USMCA henceforth), with higher and additional trade barriers related to regional content and an unprecedented chapter addressing labour provisions, including a new generation of strongly binding monitoring mechanisms (Covarrubias Valdenebro, 2021).¹

Meanwhile, the global outlook for the AI is defined by the disruptive effects of the COVID-19 pandemic on demand and global supply chains. This intersects with a recessionary phase for the industry, apparent since 2018, and with the current transition reshaping its technological, organisational, labour, and trade frontiers. This is a transition towards a socio-technical paradigm with new forms of transport, based on Industry 4.0 type connectivities and non-fossil energies (Attias, 2017; Covarrubias Valdenebro and Ramírez, 2020; Covarrubias Valdenebro, 2018). These scenarios could be incentivised by the US Government headed by Joe Biden, who has announced an ambitious plan to relaunch the country's industrial leadership, with a focus on clean energy and electric vehicles, economy recovery, and higher wages.²

The new trade and labour regulations introduced by the USMCA are particularly aimed at the Mexican automotive industry (MAI), insofar as they became the main factor introducing trade inequalities between the USA and Mexico, being the primary recipient of investment and jobs, which was stimulated – among other factors – by the country's low wages. They aim to create new balances in the labour and commodity markets across the regional AI, supported by a new labour model in Mexico which could eventually take low wages out of the competitive equation.

In Mexico, President Andrés M. López Obrador (AMLO) spearheaded reforms to the Federal Labor Law (FLL), following on from the 2017 constitutional reform.³ Under AMLO's administration wages have increased by 16%, 20%, and 15% in 2018, 2019, and 2020, respectively. All this supports the idea that the country has transitioned to a new labour relations model (Bensusán, 2020).

The US' TPA 105-003 report released by the International Trade Commission identifies the sectoral provisions related to the AI as one of the two measures which will have major effects on the economy, with net gains for the USA. One of the aims of this study has been to analyse whether these objectives could be achieved by entering into a new stage of regional integration in which the industry could overcome the logic of localisation factors – downplaying labour.

We investigate the extent of the progress represented by the new labour model in Mexico, taking into consideration, the way in which the unions in the sector are responding to its demands. In particular, we assess whether its eventual consolidation will take place in due form and time to guarantee the progress of workers' rights and wages in the MAI, disincentivising the transfer of jobs and investment as a result of labour costs. Our hypothesis is that the adaptive capacity and simulation practices of the corporatist unions in the face of the proverbial fragmentation, weakness, and fractiousness of the independent unions could act against hopes for a democratisation of the world of work.

1.1 Two moderating factors in play

A key moderating factor in the above likely scenarios will be whether the new rules of origin will achieve their objective of raising a protective barrier around the North American industry to protect it from competitors from other continents. The rules of origin raise regional content to 75% – from the current 62.5% – in particular for essential components such as engines and transmission, with producers having the option to pay a tariff of 2.5% if they fail to meet the criterion.

It seems that some part-strategic components manufacturers might choose to pay the 2.5% premium rather than to relocate. Yet, in the case of those auto producers who have a market position in North America to defend, their only option will be to locate or relocate a greater number of facilities in the region. On the other hand, the history of NAFTA suggests that the final result could be the opposite of the desired outcome. When the rules of origin were introduced in 1994 with a regional content of 62.5%, it was believed that a sufficiently high barrier had been put in place to curb the expansion of European and Asian companies in the region. Yet, they increased their presence in the MAI, and expanded to win the greater market share.⁴

So that, as occurred in that period, we hypothesise that competitors will circumvent the entry barriers established by the USMCA to locate themselves en masse in Mexico. We call this the boomerang effect scenery. One where – against the new rules of origin and labour provisions – jobs and investment would continue to gravitate towards the MAI. In such a situation, Mexican labour union would get a leverage to negotiate better wages and working conditions.

Still, another moderating factor would run in the opposite direction. This would be the progress of Industry 4.0 or the robotisation of the industry. In this scenario, the MAI would be challenged by the advances in the technologies of automation (robots-artificial intelligence-Industry 4.0) and the emerging digital economy (Frey and Osborne, 2017; Schwab, 2016; McGinnis, 2018; Goldfarb and Tucker, 2019; UNCTAD, 2019; OECD, 2019; World Bank, 2019; WEF, 2018; McKinsey Global Institute, 2018). These technological advances pose a particular challenge for countries like Mexico that have based their competitiveness on cheap labour. Additionally, they have industries such as the MAI with jobs organised around highly repetitive and predictable tasks, which will be the most affected due to their ease of replacement (Ekkehard et al., 2019). The crossroads facing the MAI will be reached when robotic machines have fallen in cost sufficiently to intersect with the upward curve of labour costs; a time line expected by around 2030 (Ekkehard et al., 2019).

Therefore, the robotics and automation scenery would exert downward pressure on wages and unions might have to moderate demands to secure jobs and maintain the Mexico's low 'labour cost advantage'.

This study is based on primary evidence gathered from interviews conducted with the main union leaders operating in the MAI. We included eight leaders from the main traditional corporatist organisations – i.e., CTM (7) and CROC (1), as well as four independent unions: AUDI-UNT, Seglo-UNT and General Tire-FESIIAAN.⁵ Leaders at a state level, company and industry level were included, along with members of the national executive committees of the CTM and the UNT (Table 1).⁶ Geographically, the four MAI clusters were covered: North, Bajío, Center, and Center-West. The study was supported by research using primary documents from the leading organisations in the MAI – AMIA, INA – US Auto Alliance and OICA (2021)⁷ – as well as a range of statistics and documents from governments and AI agencies.

Table 1 Labour union leaders interviewed

<i>Name/position</i>	<i>Trade union</i>	<i>Relevant data</i>
Tereso Medina Ramírez General Secretary CTM The strongest union footprint in the auto sector. Mostly across the Northern Mexican Border and the Bajío Region	Federación de Trabajadores de la CTM Sindicato Nacional de Trabajadores de la Industria Metal-Mecánica, Sidero-Metalúrgica, Automotriz y proveedores de autopartes en general, de la energía, sus derivados y similares de la República Mexicana “Miguel Trujillo López”	GM Silao GM Ramos Arizpe His networks extends to ten states Includes automobile and auto parts, mining, aeronautic, maquila, electronics, glass, cement, plastic and power activities
Neftali Ortiz V. General Director of Deputy Secretary-General	CTM Steering Committee	CTM National Committee
Jaime Lira Morales Deputy Secretary-General and of Federación de Trabajadores del Estado de Querétaro, FTEQ CTM	Sindicato Nacional de Trabajadores de la Industria Arnesera, Eléctrica, Automotriz y Aeronáutica de la República Mexicana Jesus Llamas FTEQ General Secretary.	FTEQ: 150 union sections; 65,000 members. Includes 58 sections of the union Most of them are in the aeronautic industry Their influence extend to Querétaro, Guanajuato, Puebla y Zacatecas.
Juan Villafuerte Morales General Secretary CTM	Sindicato de Jornaleros y Obreros Industriales y de La Industria Maquiladora The strongest union footprint at Matamoros, Tamaulipas	It extends acrosss 80 maquiladoras. 20 in the auto sector.
Alejandro Rangel Segovia General Secretary One of the strongest presence at Guanajuato, SLP, Querétaro, & Puebla.	Sindicato de Trabajadores de la Industria Metal Mecánica, Automotriz, Similares y Conexos de la República Mexicana, SITIMM	Presence at Honda Celaya, Toyota, Mazda & Honda, + a number of auto parts & electronics facilities. Extends to 152 firms & collective bargaining agreements. 55,000 union members

Table 1 Labour union leaders interviewed (continued)

<i>Name/position</i>	<i>Trade union</i>	<i>Relevant data</i>
Javier Villarreal Gámez General Secretary CTM Sonora & General Secretary Sindicato Nacional de Trabajadores de la Industria Minero Metalúrgica	CTM Sonora Federation CTM footprint in the mining sector	Includes automobile & auto parts, mining, aeronautic, maquila, electronics, glass, cement, & services activities 130,000 union members.
Justino Parra Education Secretary Education CTM Queretaro & General Secretary Dana México	CTM Queretaro Federation	36,000 union members. Includes automobile & auto parts, mining, aeronautic, maquila, electronics, glass, cement, & services activities
Pedro Antonio Luevano Pinal General Secretary FAT	Sindicato de Trabajadores de la Industria, Metálica, Acero, Hierro, Conexos y Similares (STIMAHCS) FAT	Presence at CDMX, Edo Mx, Aguascalientes y Morelos. 1, 300 union members at the auto sector & metallurgic
Juan Pabo Hernández Lara General Secretary	Sindicato Nacional de Trabajadores General Tire de México S.A. de C.V Independent union FESIIAAN affiliated	1,040 union members In San Luis Potosi
César Orta Briones General Secretary UNT	Sindicato Independiente de Trabajadores de Audi Separated from SITIAVW in 2019	3,642 Union members San José Chiapa, Puebla.
Aarón Espinoza López UNT	Sindicato de Trabajadores Seglo Logistic Independent union	3,000 union members At Puebla & Mexicali
Eduardo Miranda Ibarra General Secreta CROC	Sindicato Nacional de Trabajadores en la industria ensambladora, automotriz, Faurecia Sistemas Automotrices de México, S.A. de C.V. & Servicios corporativos de personal especializado, s.a. de c.v. – Division FIS accesories	Four Faurecia Plants at Puebla 4, 000 union members at Puebla, Tlaxcala & Cohauila

The paper is organised into four sections. The first outlines the evolution of the AI in the NAFTA period and analyses the USMCA's new rules of origin and labour regulations affecting the industry. The second section presents the evidence gathered from interviews with union leaders. The third section offers hypotheses on the future of the industry and employment in the region and then –in the fourth section-- move to present conclusions.

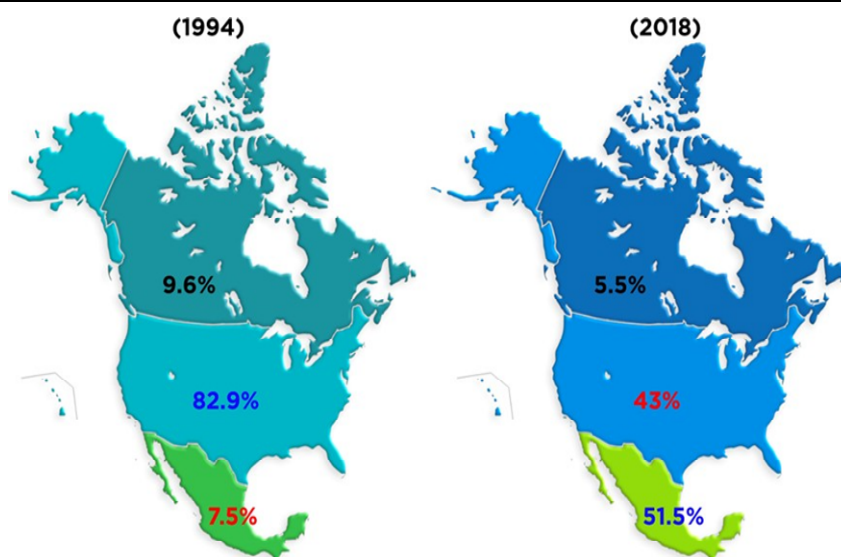
2 From NAFTA to USMCA to the new labour regulations

24 years after the implementation of NAFTA, auto production in the region had increased by 12%. In the case of Mexico, the increase was 400%, as the country went from

manufacturing 0.8 to 4 million vehicles a year. With NAFTA, trade between both countries increased more than five times and the US trade balance went from a surplus of \$1,600 million to a deficit of \$64,300 million (AMIA et al., 2018; UNIFOR, 2017). The trade in vehicles accounted for two thirds of the deficit and the remaining third came from auto parts. This single factor explains the prominence of the AI in the negotiations around the USMCA. Jobs in the MAI in 1994 only reached 108,000. By 2018, they had increased to 1.2 million, overtaking employment levels in the United States, which fell by 20% in this period. In Canada, employment levels were just about maintained during the period. In this way, NAFTA structured a new geography of labour markets in the North American industry (Figure 1).

Figure 1 Jobs in the NAFTA period: evolution (see online version for colours)

Year/country	USA	Canada	Mexico	Total
1994	1,200,000	140,000	108,000	1,448,000
2018	999,000	129,000	1,200,000	2,328,000



Source: Own elaboration based on Bureau of Labor Statistics, INEGI (1994–2019)

In relation to wages, in 1994 workers in the MAI received \$1.9 per hour, while in 2019 they received \$2.9 per hour. That means that after two and a half decades of NAFTA being in place Mexican workers had increased their wages by less than half a dollar, which is the equivalent of 1.7 cents per year. This explains why the problem of low wages in Mexico and the lack of enforcement of labour laws took central stage.

In July 2020, the USMCA came into force; this took place in the middle of the COVID pandemic whose effects on the AI have been significant. In the North America region output swung back and forth over recent years, with more pronounced effects in Canada, and to a lesser extent in Mexico.

2.1 *The new industry regulations; The USMCA*

The USMCA comprises 36 chapters, of which the ones which impact most on the industry are Chapter 4 – regulating rules of origin – Chapter 5 – origin procedures – and 23 – covering labour. There is also a labour value content rule (LVC) mandating vehicle manufacturers (Chapter 4, Article 7) to certify that a minimum 40% (passenger cars) and 45% (trucks) of vehicles' value are produced by workers who earn \$16 an hour or more in order for a vehicle to cross borders without tariffs. The regulations also include requirements of a 70% regional content of steel and aluminium.

While Chapter 23 covers labour provisions covers collective rights. It stipulates that the ILO's fundamental conventions (1998–2008) should be met. It commits the signing parties to recognise the role of workers' organisations, respect for freedom of association, the right to strike, and the right to collective bargaining. It imposes the commitment to trade only in goods which have been manufactured respecting these rights. Additionally, it establishes the mandate that Mexico should reform its FLL, a goal which was achieved in May 2019. As Bensusán and Covarrubias (2016) posited, the labour reform was achieved as a result of external pressures overcoming internal resistance.

2.2 *The domestic labour reform*

The most important aspects of the FLL reform are as follows⁸:

- *Strengthening of the principles of freedom of association and collective bargaining*: the principles contained in ILO conventions 87 and 98 on freedom of association and collective bargaining are incorporated into various articles (357, 357 bis, 358 FLL).⁹
- *The democratic rights of union members are guaranteed (Art. 358 FLL and 371)*: freedom of affiliation or disaffiliation; union participation and the exercise of individual, free, direct, and secret votes; gender equality regulations, including proportional gender representation.

In terms of closed shop, it was ruled a right not to be forced to join a union (Article 358, section I FLL), but a pre-entry closed shop – under which employer agrees to hire union members only – remained as a possibility (Article 395). It was also ruled that unions' disciplinary sanctions on workers may not affect her/his job.

- *Autonomy in relation to government*:
 - a New procedure to register unions and committees was established (364 bis) under the principles of autonomy, equity, democracy, legality, transparency, certainty, immediacy, impartiality, and respect for union freedoms and their guarantees.
 - b The Federal Centre for Conciliation and Labor Registry was created – decentralised from the executive branch, eliminating the division between federal and local jurisdictions.
- *Democratic guarantees*: It includes worker consultation procedures for the approval of collective agreements, which opens the possibility of ending employer protection contracts.

- *Accountability and transparency*: it includes rules giving workers access to information about the management of union assets.
- *Certificate of representativeness and legitimization of collective agreements*: requirements to obtain certificate of representativeness (support of 30% of the workers covered) for the purposes of requesting the negotiation of a collective agreement, as well as its approval by a majority vote. A process of validation of the will of the majority to legitimate the already-existing collective agreements is included, which should take place a maximum of four years from the implementation of reform.

The Tripartite Conciliation and Arbitration Councils are eliminated and replaced by Independent Centres for Conciliation and Labor Tribunals.

2.3 *Monitoring compliance*

The main rupture of the USMCA with its predecessor NAFTA lies in the monitoring mechanisms and the resolution of complaints to enforce compliance with the FLL. They are the most rigorous and binding mechanisms that have been included in trade agreements in the Americas:

First: the introduction of a complaint mechanism and the rapid resolution of labour disputes for Mexico and the USA and for Mexico and Canada. This distinction is designed to monitor Mexico. Its aim is to guarantee rapid reparations in the case of a violation of labour rights.

The procedure is peremptory, and if a complaint is made that a Mexican plant is breaching a labour regulation (without any requirement to prove that violation), Mexican authorities have 45 days within which to respond. If there has been a violation, they have 10 days to resolve it. If the Mexican authorities find no violation has occurred, the complainant party can convoke a verification panel comprising panellists from each country. Mexico will then have 7 days to accept the panel and 30 further days to conduct a review. The panel of experts are given 80 to 120 days to arrive at a determination; however, the USA can request a determination within 30 days.¹⁰ Their determinations are binding. The USA and Canada can suspend the preferential tariff arrangements, and/or block the entry of goods from plants which fail to comply with the labour regulations.¹¹

Second: in the Bill to Implement (the USMCA) various committees are established, made up of representatives of US Government agencies, as well as committees of experts and five labour attachés in the embassy of this country that will monitor compliance with the labour commitments contracted by Mexico.¹² Further, the USA has dedicated \$240 million to monitoring compliance with the labour provisions of the USMCA.¹³

All in all, it could be said that the USMCA will not only be one of the FTAs most regulated in labour matters but, perhaps, one of the most closely watched in the history of international trade.

3 **Union responses in the MAI: the new model put to the test**

Now we turn to the question of how the unions in the MAI are responding to the demands of this institutional change. This question is related to the possibility of constructing a favourable scenario in which to reverse the negative tendencies exercising downward

pressure on wages. The USMCA opens the possibility of restoring the link between wages and productivity in the MAI, as was the case until 1976 (Palma, 2011).

The timeframe established for the unions to legitimate their collective agreements ends on the 1 May 2023. Therefore, we should explore how to measure the success of the reforms in a process that is still underway.

Our argument is that the union organisations in the MAI confront these challenges in a diversity of ways, beyond the simple taxonomy of corporatist vs. independent. We start from the fact that the deficiencies in the representation provided by hegemonic unions in the MAI under NAFTA, derived from the old labour model and the inability to prevent social dumping, enabled firms to make the biggest gains. Taking into consideration that this was the most successful and highly unionised sector in the NAFTA period, with increases in employment and productivity, the negative tendency of wages must be explained by the domination of an inverted union representation, under CTM-like control. That is, a ‘simulated representation’ in which union leaders conveyed the voice of the employers and the government to the workers, annulling one of the unions’ main dimensions: substantive representation. In this way, most of the unions blocked the circuit of workers’ interests, obstructing the emergence of independent unions and redistributive conflicts.¹⁴

3.1 Union structure

Although only 4.5 million of the 22 million formal workers registered with the Mexican Institute of Social Security (IMSS) were union members in 2018, in assembly plants there is 100% union density. In the auto part industry, the rate of union density is around 20%, twice the average across the whole economy.

In assembly plants, company or plant-level unions predominate, of which 17 out of 23 are affiliated with the CTM, resulting in a highly fragmented structure. However, some are national unions in a process of expansion across various federal states with the support of local governments and companies. Others are part of statewide union federations. In both cases, they represent tens of thousands of workers, meaning they enjoy access to a wide range of resources and influence. A single auto company may have various collective agreements across different plants and be located in different federal states, such as in the case of Ford (Hermosillo and Cuautitlán); GM (Silao, Toluca, San Luis Potosí, and Ramos Arizpe), Honda (El Salto y Celaya), and the auto part company Faurecia, under the control of CROC. Only three assembly plant unions are independent, with two of those belonging to the UNT (VWM and Audi). These, similarly to independent auto part unions (such as the *Seglo Independent Workers’ Union* or the *General Tire union*), have a much lower number of members, which means they have fewer resources of power, although they do have greater opportunities for closer relationships between leaders and rank and file. In all these cases, and unlike the corporatist unions, they have internal democratic regulations and practices.¹⁵

3.2 Union response to labour reform

To what extent can processes of adaptation or transformation be observed in the unions? By adaptation we understand the assimilation of the reforms’ demands to preserve formal workers’ representation, without proposing to modify the structure, internal dynamics, leadership style, bargaining strategies, or the relations with other unions in the sector. On

the other hand, transformation would involve complying with the new regulations and making progress with democratisation to achieve organisational revitalisation through a greater rank and file participation, constructing new alliances, and a greater bargaining power, joining forces in a sectoral organisation.

We found only scant indications of interest in following this route, while adaptive responses predominated, so no breaks or drastic changes in the previous trajectories of corporate unionism may be expected. In the case of independent unionism, political and institutional conditions for its expansion are favourable as never before. Yet, there remain restrictions that can spoil the opportunities offered by those conditions.

3.3 Corporate unionism's adaptation processes: opportunities and limits

Corporate unionism wants no risk of losing control of its long domain in the MAI. Although there could be some differences in the way each leader pursues this purpose, their strategy tends to be adaptive. Some think that it would be desirable to take on the challenge of a true transformation; still, they see it as practically impossible. They take for granted that their interlocutors share their risk aversion of any independent unions to emerge. They are confident that they will be able to weather the moment by holding the same strategy that have allowed them to dominate the MAI.

One of our interviewees commented that they, above all after having lost court cases challenging the unconstitutionality of the new regulations¹⁶, are taking the reform very seriously and had formed a CTM's committee to provide support to unions in the processes of union democracy. It would try to assure its rule in the IA while taking advantage of CTM's broad portfolio of resources, such as economic ones, local authorities support, positions in tripartite bodies, and the like.

All our interviewees expressed that they had no issues with confronting the challenges posed, and gave evidence of advances that have already been achieved, especially the swift reform of union statutes (fast-tracked through the addenda of agreements on future changes endorsed by assemblies). Some were able to hold elections-supposedly with all the democratic guarantees required by the reform- and validate a – very small – portion of the collective agreements with approval rates of over 90%. However, while some of our interviewees perceive opportunities in these demands to forge a closer relationship with the rank and file, others simply view it in a mechanical way. This is possible because they know quite well how to simulate that they have high levels of support from the rank and file, assisted by employers.

What our interviewees acknowledged is that the moment of truth has arrived for the unions and admit that many leaders will not pass the test of the ballot and collective agreements legitimation. One leader stated that he identifies three different situations in the CTM: those that have a democratic tradition for years (the less); those than have wanted to do so, without knowing how; and those that have been simulating the act of representation.

An adaptive strategy goes hand in hand with the prevalent socio-political arrangement in both the MAI and the CTM. We observe that in this sector a model akin to micro-corporatism has been consolidated, based on strong alliances between real leaders (more politicians than trade unionists), well-rooted in their localities and companies, with weak relationships with the union federation and scant interest in the rank and file. In this context, contrary to the need to construct new alliances between organisations, these leaders exhibit traits of chieftainship, and admitting that jealousy and mistrust is rife

between them. In their own words, the leaders “are afraid that someone will do things better and that they will be replaced”.

Another obstacle to transformation arises from the leadership of the CTM, which internally imposes certain rules of the game – “nobody disputes another’s ownership of collective agreements” – and which demands loyalty to the PRI. One of the leaders commented that he had not observed the slightest intention to initiate a transformation of his organisation. Even when criticisms of the behaviour of the unions over the last few decades are shared, and the neoliberal past is subjected to criticism, they excuse themselves as a part of the problem. Paradoxically, in one case the role played by the CTM in wage control is defended, with the argument that part of the success of the MAI in increasing the level of employment was thanks to the forging of a ‘responsible’ unionism at a national level. The argument goes that this type of unionism should become the model of organisation in the new context. Even in the MAI, where the post-pandemic recovery could arrive earlier, the CTM continues to cleave to old principles of obligatory unity and conciliation without attempting to impose serious negotiations on employers.

As a whole, the leaders expect that the environment created by USMCA and the labour reform will oblige employers to take the unions and workers’ interests into account. They anticipate that a new structure of economic and political opportunities will expand the space for collective action and improve the quality of representation as a result of winning democratic legitimacy, without having to undertake a process of genuine transformation.

Some leaders aim to push beyond the boundaries of the typical relationship with employers to play a role in workers’ education – even creating universities – or by campaigning for improvements in social policies to benefit not only workers but their families as well. This would expand their role as service unions, creating opportunities through alliances with other sectors around specific objectives. However, it is a political strategy to gain legitimacy among unions, without changing the nature of their relationship with employers and workers.

Some leaders have shown keen interest in international alliances, and even working with independent unions. However, they continue to bank on their projection that external pressures for compliance with the requirements of USMCA and wage increases will enable them to achieve better negotiating terms with employers. Therefore, while in the 1970s the CTM relied on political negotiations to maintain in the MAI the link between wages and productivity through presidential intervention, now they hope again that the national increase of the minimum wage and external pressure, including alliances with unions abroad, will become factors which improve negotiating terms with employers.

One factor which could lead to new opportunities for transformation, as occurred in the ‘90s in the AFLCIO, would be a change of leadership in the CTM, expected for generational reasons. In relation to this process, there are differences between the possible replacements of the old-guard leadership. Among these it is possible to identify, on the one hand, those who present themselves as modern, responsible, or expert negotiators and strategic management allies, and, on the other, those who are working more closely with the rank and file, with a strong presence on the shop floor and greater capacity to deepen the incipient democracy they have been implementing in their unions.

The hypothesis that CTM-like unions are deploying an adaptive strategy was confirmed in our interviews. The outcomes during the two first years of this process of labour law and institutional reform lend support to the effectiveness of such a strategy.¹⁷

In this regard, what happened in the failed process of legitimization of the GM Silao collective contract anticipates the limits this traditional unionism may face, since the irregularities were revealed and led to the suspension of the process – as noted. Dissident workers from the CTM union have been backed by organisations such as FESIIAAN, which brings together MAI's independent unions, as well as AFL-CIO, UAW and other international unions.

Opportunities and obstacles for the transformation of independent trade unionism.

Although unions like VWM and Audi have democratic trajectories that force them to be closer to the rank and file, they have often traded off labour rights for keeping jobs. While in some cases they have achieved better wages than CTM-like unions, they have not had enough power resources to counter management pressures for concessionary bargaining. Immersed in the daily struggle to preserve jobs, they have no resources to successfully contest the loyalty of workers to CTM-like unions.

Thus, paradoxical though it may seem, the independent unions have made less progress in the process of legitimating collective agreements. This can be explained by the fact that, for workers accustomed to participating in union life, the risk of an adverse vote can seem that much greater. As a union leader commented, no worker likes current wages and working conditions in the MAI, so there is fear of a massive contrary vote against their collective agreements.

One of our interviewees commented that pressure from assembly plant companies to reduce costs is high. On two separate occasions, the workers even had to accept having their contracts ended and being rehired, without loss of income, in order to eliminate their seniority, since without this the company would have lost its manufacturing contracts. This situation confirms that even for independent unions the preservation of jobs is often achieved at the cost of sacrificing rights.

The conditions in which democratic processes develop were also complicated in the case of an independent union for a German manufacturer. In this case, pressure from this manufacturer's home country, was crucial to achieving democratic committee elections, since the company located in Mexico had been interfering to support one of the competing slates of candidates. The lesson, according to the union leader we interviewed, was that union participation in broader organisational bodies, and union solidarity, is essential in hostile scenarios. However, we were given examples of situations in which these bodies have not acted appropriately, as in the case of FESSIAN, above all because the organisations they are composed of are subject to everyday pressures. Despite this, they view the formation of union federations – for example between the VWM and Audi unions – as an opportunity to construct greater negotiating power with which to confront employers.

In Audi, the achievements obtained in spite of the intense competitive pressures confronting the company are striking – i.e., improving wages above inflation, an adjustment clause in case it exceeds some percentage, and a host of benefits (food vouchers, increased rest days, vacations and Christmas bonuses) in exchange for a multi-year contract (2020–2022). Although its almost four thousand workers were not previously consulted about this negotiation, it was approved by the majority.¹⁸ Likewise, given that the manufacturers have had to make technical stoppages for production reasons and, during the last year, due to the pandemic, their counterparts recognise that the unions have played a crucial part in achieving fair agreements for their workers.¹⁹

It is important to recognise the progress made by independent unions with a history of independent struggle, as in the case of General Tire and the Seglo union. This union won

the inclusion of a clause in their contract, which commits the company to negotiate with the union across all the companies or plants that it could have in the future.

On the other hand, the independent unions identify a general passivity among workers, which undermines any attempt to mobilise activism, although they recognise that this is due in part to lack of awareness about the new regulations and their implications. The workers' fear of being blacklisted if they attempt to construct or join an independent union is an obstacle for these unions, which need to grow in order to increase their resources of power.

4 By way of conclusion

From the above evidence, we can outline two opposite --potential-- future scenarios --i.e., the optimistic and the pessimistic.

4.1 *The optimistic: the third generation of trade agreements takes effect and a new labour model prevails*

The changes currently underway in the sphere of labour could impact upon this panorama. The chapter of the USMCA dedicated to labour, the resources dedicated to achieving an effective enforcement of the new regulations and the modification of the FLL in Mexico, along with the interest in raising wages and promoting genuine union democracy and collective agreements, are all factors which contribute to this scenario, consolidating a new labour relations model.

Joe Biden will be an asset in this project, given that the interlocutory power of the AFL-CIO will increase in view of the communication it shares with the new President. Therefore, the thesis that in Mexico the changes to the labour model must be activated by external pressures would be confirmed.

The boomerang effect would favour this optimistic scenery since investment and jobs would continue soaring in the MAI, circumventing the new and highest barriers of entry provided by the USMCA, including the rules of origin and the LCV ones. In this case, Mexican labour unions would have a greater leverage to negotiate better wages and working conditions.

Yet the condition to accomplish all the above would be that independent unions progresses to the point of displacing CTM-like unions facility after facility. Otherwise, corporatist-adaptative unions could jeopardise the whole process leading towards ...

4.2 *The pessimistic scenery: The transition to a new labour model dies in the attempt*

In this scenario, the new labour model fails, and the corporatist unions survive, adapting and continuing to fake their representation. Collective agreements are unamended and wages remain depressed. Despite the fact this scenery would be under growing external and internal pressures, it will mean the continuation of the deterritorialisation process of the US AI. Therefore, once the industry's cyclical crisis and the COVID-19 pandemic come to an end, we would witness the hollowing out of the AI in the US and Canada as it relocates to Mexico, activating a dynamic of explosive growth of the MAI.

The eventual-progressive robotisation of the MAI would end spoiling any opportunities of transforming the labour model. This would be the case as long as unions would have to restrain labour demands or watch robots to displace workers in one shop floor after another. Furthermore, the robotisation of the industry would put a premium in the perennial adaptative capacity of CTM-like unions limiting further the opportunities for independent unions to grow and a new labour model to flourish.

A third scenery could emerge in between the two previous.

4.3 The realistic: towards gradual and limited progress

It can be expected that workers' wages in the MAI will rise as a result of the more symmetrical labour relations fostered by the new labour institutions in the country, but wage increases will be gradual and modest. This scenario arises from the behaviour of wages in the MAI under AMLO and the last year of the previous government. Covarrubias Valdenebro (2021) has shown that in August 2019 the average wages in the terminal industry were \$2.6 per hour, and that level held into 2020 (due to the impacts of COVID-19). As our interviewees commented, the unions have accepted barely above-inflation pay rises, far below the increases to the minimum wage. As a consequence, assuming that wages in the MAI began to increase in 2018 from a base level of \$2.3, over the last three years they have risen 13%, or 4.3% annually. It should be noted that the minimum wage during the first three years of AMLO's mandate has increased by an average of 17% annually.

Let us assume that the average annual increase is maintained and is constant in real terms vis-à-vis the workers' counterparts in North America (in other words, accounting for inflation and salary movements between countries). In this scenario, it would take workers in the MAI 21 years to catch up with the wages of their counterparts in the AI in the USA and Canada (given the differential of over 90% between real wages across the borders).

By then the AI as we know it will no longer exist, the digital revolution will have transformed it, and robotics will have overtaken any advantages of localisation factors based on labour costs.

In sum, in this scenario, the localisation tendencies would not be significantly altered, as a result of that wage gap. The consequence would be that investment flight and the relocation of jobs would continue, but only to the point where robotisation of the industry will reach its zenith since in that point the Mexican's labour competitive advantage would simply vanish.

In concluding:

Our study has weighed up a series of possibilities in the regional evolution of the AI and employment relations on the basis of the consolidation of a new labour model in Mexico fostered by the USMCA. A new labour model in Mexico is in the best interests of all three countries and the USMCA contributes regulations and mechanisms which are unprecedented in their binding powers and contribution to an effective implementation of the labour reform. Yet, the final outcome is still an open question.

It is probable that in the short term a confrontation will play out between the forces that want to keep Mexico as a platform for cheap manufacturing, and those who want to change this destiny for the benefit of labour and the market. But the power to create a tipping point will come down to the internal forces, putting to the test their capacity to

defeat the groups that have benefited from keeping the country under a regime of relations in which laws and institutions are ineffective.

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Notes

- 1 The labour provisions introduced in the USMCA constitute a third generation of labour regulations agreed on by the US through their free trade agreements with Latin American countries. It is the most complete and binding generation as it combines a range of mechanisms to ensure compliance in Mexico.
- 2 According to his administration, it will be the largest plan implemented since World War II; a trillionaire package amounting to a New Deal-like economic agenda aimed at creating better-paying jobs, relieving poverty, combating the climate crisis, and advancing racial equality.
- 3 On the negotiating process with the United States that led to both reforms (see Bensusán and Middlebrook, 2020).
- 4 Whereas in 1994 the Detroit three produced more than two thirds of the MAI products. 23 years later that had decreased to 22%.
- 5 Confederation of Mexican Workers (CTM); Revolutionary Federation of Workers and Peasants (CROC); Authentic Workers' Front (FAT); National Workers' Union (UNT); Federation of Independent Unions in the Automotive, Auto parts, Aerospace, and Tire Industries (FESIAAAN).
- 6 A complete breakdown of the interviews – conducted between October 2020 and February 2021 – can be found in Table 1. All interviews were conducted via digital platforms, due to the social distancing measures mandated during the COVID-19 pandemic. Access to the transcripts is available through the authors.

- 7 Mexican Association of the Automotive Industry (AMIA); National Auto parts Industry (INA); Alliance of Automobile Manufacturers (Auto Alliance. <https://autoalliance.org/>); International Organization of Motor Vehicle Manufacturers (OICA).
- 8 What follows is a condensed form of the description provided in Bensusán (2020).
- 9 Convention 98 was ratified by Mexico in September 2018 and deposited on the 23rd November 2018, coming into effect in November 2019, 12 months after the ratification instrument was registered.
- 10 One of the first complaints filled by the Biden administration relates to GM Silao (Guanajuato) ‘serious violations of workers’ rights to free association associated with an April 2021 vote on a collective bargaining agreement. It used the new ‘rapid response mechanism’. The Mexican government rapidly accepted the complaint and agreed on a remediation plan to protect workers’ rights in a new vote to be held by August 2021. The union ant the contract belongs to Tereso Medina, a powerful CTM leader.
- 11 Bensusán (2020) describes how the introduction of these mechanisms was agreed at the end of 2018, as the USA demanded additional guarantees to ensure the implementation of the reform. A protocol was agreed upon which includes said mechanisms for the formation of panels. These can conduct ‘in situ’ inspections and, if three or more of these cases are confirmed, a trade blockade can be imposed. Furthermore, the burden of proof is inverted, i.e., the accused party must prove its innocence.
- 12 H.R. 5430 A Bill to Implement the Agreement between the USA, the United Mexican States, and Canada attached to the Protocol Replacing NAFTA. Cited by Camarillo (2020), TradeTankMX, in <https://tradetankmx.com/mexico-frente-al-mecanismo-laboral-de-respuesta-rapida/> (accessed 30 June 2020).
- 13 EL Economista (June 21, 2020).
- 14 This explains why the transition from an authoritarian union regime to one based on democracy lagged at least 20 years behind the political transition in Mexico (Bensusán and Subiñas, 2017).
- 15 For VWM and AUDI (see González Velasco, 2021).
- 16 On these court cases see Bensusán (2020).
- 17 According to the CFCyR (Gobierno de México, CFCyR, https://legitimacion.centrolaboral.gob.mx/Listado_Legitimaciones.aspx), from August 2019 to March 2021 there have been 86 legitimating collective agreement processes in the MAI – i.e., 10% of the total. All but two cases were approved by the vote of the majority.
- 18 Martínez, 15 Abril 2019, <https://www.ornoticias.com.mx/en-sigilo-audi-y-sitaudi-pactan-alza-salarial-para-2020-2021-y-2022/>.
- 19 As to the agreements related to factories shutdown due to COVID-19 in 2020, see <https://www.masreformasmejortrabajo.mx/index.php/entorno-laboral/sindicatos/item/1870-en-el-resto-de-la-cuarentena-audi-pagara-60-de-salario-a-3-mil-800-sindicalizados-sitaudi>.