GLOBALISATION AND JOB LOSS:
INSIGHTS FROM THE STUDY OF CHINA, FRANCE, AND MEXICO

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ABSTRACT
This paper concerns the choice for enhanced participation in the world economy made by three quite disparate countries—China, Mexico, and France—all at about the same historical juncture, the year 1980. These states vary considerably in their models of political economy, in their levels of development, and in their regime type, as well as in their motives for joining. And yet these states do share a few traits that justify grouping them together for purposes of analysis: For one thing, in each of them, persistent memories of a distant revolution, executed at least in part on behalf of the underclasses, had taken on mythic proportions over time—of commitments, promises, and supposed (but never fully realized) obligations on the part of the regime, along with concomitant expectations and a sense of entitlement among the workers. At the same time, more recent episodes of mass protest in each (all in the late 1960s) conjured up in the minds of the political elite frightening visions of chaos and disorder, fears still instilling anxieties in these leaders years later about adopting policies that could provoke confrontation with the working class. In each, in recent decades, the spectre of the enraged proletarian mob disposed politicians to improve wage levels and/or workers' welfare situations at times when the grievances of labour were especially raw. I concentrate on the interplay between state and worker that ensued in these places, once these governments connected more deeply with markets abroad. At the outset and through a considerable interlude, it would appear that the state, allied with its international partners and its domestic business, held the upper hand against the workers, as one would suspect. But the reading at this writing leaves the longer term upshot in abeyance, as both China and France have responded to workers' protests in ways that may lend hope for both the state and the proletariat in the age of globalization.

1. INTRODUCTION

The concept of “globalisation”—with its whirls of productive factors (capital, tradables, funds, and stocks) circling the planet—conjures up images of abstract financial and material flows and motion. And just as surely, there is a correlative human element, similarly in the throes of mobility, tossed about by the pressures and lures of money changing hands. The very notion of rapid and relatively unobstructed movement, as in the constant propulsion of both property and people, suggests freedom, a liberty to be on the loose.

But just what kind of license is this? As assets are switched about, with investors shifting their holdings and assets from one site to the next, why is it so often the case that persons are not also able to transpose one work post into another? Must it just be the owners and purveyors of lucre who are able to relocate their gear without at once losing it, while labourers—those who once manipulated and manufactured the forms of that loot—must be forced to relinquish their places, not easily to gain a new one later? Freedom and liberty are goods, but goods, it appears, granted just to the possessors of the principal and the portfolio. As these values soar for the proprietor, their antithesis—security—slips away and collapses for
the subordinate. In the process, the conversion of capital is often matched by the transfiguration of the salaried, stable producer into a displaced, disenfranchised, roaming rustler, at best a transient factory hand or a menial service-provider, at worst, an out-of-work wanderer. This is the usual tale.

And where is the state situated in this upheaval? I maintain that it has mutated from a sovereign into a broker, subject at once to the vagaries of the world market, as conveyed by its own corporate class and as determined by the codes decreed by the supranational confederations, clubs, consortia of which it is a member, on the one side, and by the occasional outrage visited upon it by the subservient portion of its own populace, on the other. The stakes are certainly not evenly balanced. But the outcome is not so clear as was one time imagined. For even as the state has frequently seemed powerless against the pushes from the international economy, or coerced into arbitration and negotiation by its capitalists in competitive efforts to outdo rivals abroad, still, disorders delivered by those typically thought of as its own underdogs need not always be entirely without punch.

In what follows, I lay out such a story. It concerns the choice for enhanced participation in the world economy made by three quite disparate countries—China, Mexico, and France—all at about the same historical juncture, the year 1980. These states vary considerably in their models of political economy, in their levels of development, and in their regime type, as well as in their motives for joining: France is an advanced industrial capitalist democracy, Mexico was a middle-income, “semi-authoritarian” state when its critical moves were made, and China a post-totalitarian/authoritarian state, with a socialist-marketizing, still developing economy. Not only are their domestic institutions fundamentally non-comparable, but as a set they include one multi-party state, one monopoly-party one (up until the year 2000) and a single party state. Besides, the nature of their domestic groups’ connections with and access to central power structures varies widely.

This diversity may compensate for the tiny number of cases at hand. And yet these states do share a few traits that justify grouping them together for purposes of analysis: For one thing, in each of them, persistent memories of a distant revolution, executed at least in part on behalf of the underclasses, had taken on mythic proportions over time—of commitments, promises, and supposed (but never fully realized) obligations on the part of the regime, along with concomitant expectations and a sense of entitlement among the workers. At the same time, more recent episodes of mass protest in each (all in the late 1960s) conjured up in the minds of the political elite frightening visions of chaos and disorder, fears still instilling anxieties in these leaders years later about adopting policies that could provoke confrontation with the working class. In each, the spectre of the enraged proletarian mob disposed politicians to improve wage levels and/or workers’ welfare situations at times when the grievances of labour were especially raw.

Back to my story: It continues with an outline of the interplay between state and worker that ensued in these places, once these governments connected more deeply with markets abroad. At the outset and through a considerable interlude, it would appear that the state, allied with its international partners and its domestic business, held the upper hand against the workers, as one would suspect. But the reading at this writing leaves the longer term upshot in abeyance.

While the term “globalisation” encompasses manifold contents and meanings, a reasonable proxy for its effects can be found in the rules of supranational organizations whose manifestations and memberships mushroomed worldwide in the late twentieth century and beyond. For groupings such as the World Trade Organization (the WTO), the North American Free Trade Association (NAFTA), and the European Union (the EU) have, through the force of their frameworks, subject states to a litany of regulations that in many ways mimic the workings of the untrammeled free market.
For instance, the rules decreed by NAFTA and the WTO demand the reduction of tariffs. This opening, in turn, facilitated the inflow of cheaper and/or higher quality foreign products, and thereby intensified competition for domestic firms. Along a different route but with a similar outcome, the European Community’s early 1990’s order that states that wished to join the EU bring their domestic budget deficits under three per cent of gross domestic product, and that they keep inflation and debt levels low in line with “convergence criteria,” all led to firm failures and a consequent cut in jobs. In China’s agreement of accession to the WTO it pledged, moreover, to create an “improved investment climate” for foreign firms, which greatly eased the entry into the country of superior and less costly foreign products and native firm buyouts, again promoting the elimination of local jobs. As they worked to fulfil these commitments, France, Mexico, and China each saw abrupt floods of discharges from their factories in deciding to, preparing to, and then did acceding to—or, in the case of France, more fully merging its fortunes with—supranational economic organizations.

And it was not only direct obedience to the rules themselves that dictated the anti-labour actions of these states. The decision of Mexico’s leaders after the country’s severe debt crisis of 1982 to join the forerunner of the WTO, the General Agreement on Trade and Tariffs (GATT) (which Mexico did in 1986) was preceded by voluntary actions that aligned the government’s policies with those of the GATT. For France, the choice of Mitterrand and his advisors to line up their economy with France’s partners in the European Monetary System in 1983 required an immediate acquiescence to strictures set down in a 1979 inter-governmental agreement to form this system, which, again, was an early precursor to the EU of 1992. Here, France’s the choice to abide by these rules was less the result of inescapable external pressure than it was a belief among those close to the President that France’s best hope for international economic strength, power and economic success was through the channel of European integration. And for China, the submission to the rules of first the GATT and then of the WTO in advance of being invited to join—but in the hope of and preparation for that membership is yet one more case in point.

One might picture the three as standing at differing points along a continuum of compulsion: for Mexico, compliance appeared essential to the ongoing economic functioning of the country; in France, following a pattern out of sync with its trading partners would have meant continuing economic descent, while conformity seemed to promise heightened clout and vigor; and for China’s elite, membership spelt the solution to the nation’s century-plus drive for international inclusion and prominence. For each of these countries, observance of the rules of the bodies they joined imposed substantial alteration in the prior modus operandi of economic behavior and strategy. For each government had for decades before run economies that were relatively closed, at least somewhat protectionist, and descively pro-employment and pro-labour, at least in the cities.

Besides Mexico’s macroeconomic choices, granted, there were other causes for the late-century loss of jobs there: for one thing, the numbers of people in the labour force spurted upward from 32.3 million just before NAFTA was concluded to 40.2 million in 2002; for another, technological progress led to layoffs or reduced job creation during the 1990s. These factors operating together produced a substantial drop in the numbers of manufacturing jobs in the years 1988 to 1992, as compared with the period 1970 to 1981. In the earlier years, the average annual growth rate of jobs had been 3.6 percent, a rate 13 times higher than that in the later years; also, while employment grew at a rate of 4.9 percent per year between 1970 and 1981, that rate was more than cut in half during the period 1988 to 1996, when it fell to only two percent. Another way of putting this decline is to say that there was a fall in the percentage of workers employed in manufacturing between 1980 and 1989 from 46 down to just 37 percent; jobs in the state sector also dropped between 1988 and 1993 from 23.3 percent of all jobs down to a mere 10.8 percent.
The period directly leading up to Mexico’s entry into the trade agreement, 1990 to 1992, saw just 28 percent of the population that entered the economically active population finding work in a formal sector job.\textsuperscript{9} This was also a period when 100,000 jobs were lost, as some 10 percent of the country’s small and medium businesses went under with President Salinas’ aggressive reduction in tariffs, even before NAFTA required that that be done.\textsuperscript{10} Meanwhile, between 1988 and 1992, while one million new jobs were needed per year, a mere 583,000 were created.\textsuperscript{11} By 1994, the first year of NAFTA’s operation, Mexico was home to 2.3 million unemployed in a labour force of 35 million, with another seven to eight million estimated to inhabit the underground economy.\textsuperscript{12} These two groups, added together, amounted to 26 percent of the labour force.

Following Mexico’s accession to NAFTA in early 1994, the picture clearly became even more grim, though in 1994 and 1995 that can be blamed entirely on the peso crisis that erupted at the end of 1994. According to one count, the numbers of jobs in manufacturing declined continuously for 70 months between 1990 and 1996.\textsuperscript{13} In 1995,\textsuperscript{14} and where open unemployment had been cited as standing at 2.6 percent in 1988, it had risen to 3.7 percent by 1994, and then more than doubling, to 7.6 percent, in the year 1995.\textsuperscript{15} By 2003, after nearly a decade of NAFTA’s operation, a report from the Carnegie Endowment for International Peace drew up a balance sheet, according to which the 1.3 million jobs that had been created in non-maquiladora-manufacturing at the peak in 2000 (amounting to 100,000 less than the figure at the time when NAFTA came into being), neatly balanced against the 1.3 million jobs that had been lost in agriculture.\textsuperscript{16}

For France, the general consensus among a wide array of analysts is that—though other factors also played a role (such as structural change which resulted in a disjuncture between the skills on supply and the nature of demand: “Eurosclerosis,” a term charging that WURITY\textsuperscript{17} (KUNMING labour markets had dug their own ruts by overly generous wages and benefits; and the deepening internationalization of their economies, entailing competition and profit-seeking by mobile capital)—affirming and intensifying its commitment to Community requirements was the root of France’s exploding unemployment in the 1980s and 1990s. In a study of 12 nations in Western Europe during the 1980s and ’90s, France experienced “by far the sharpest drop in industrial employment.”\textsuperscript{18} There the unemployment figure had already surpassed 12 percent by 1994, and it remained as high as 12.5 percent at the end of 1996, amounting to over three million workers, and sticking at around 12 percent for some time thereafter.\textsuperscript{19}

Throughout Western Europe, high unemployment was both an outcome of the oil and exchange rate shocks of the 1970s and, with time, also the price of the demand restraint imposed throughout the Community after 1980 in an ongoing battle to keep inflation down.\textsuperscript{20} A leading analyst of Western European unemployment notes that joblessness within the European Union in the 1990s cannot not be understood apart from the rules of the European Monetary Union itself, which clearly served to aggravate it immensely.\textsuperscript{21} With special reference to France itself, this scholar has also written that, “France’s international economic and political context and policy choice was set by the exchange rate policy in Europe...above all French macroeconomic policy was constrained by its European Community membership.”\textsuperscript{22} That job loss was linked to Community rules seems to be supported by its much more pronounced occurrence within the Community nations than it was in other major industrialized nations elsewhere in Western Europe beginning from the late 1970s.\textsuperscript{23}

Left to its own devices France would probably have continued to shelter surplus labour rather than push for layoffs. Though it experienced a crisis in the steel industry in the second half of the 1970s, for the most part layoffs then were avoided by resort to early retirements and transfers.\textsuperscript{24} It was Mitterrand and his Socialist Party’s famous “U-turn” toward the policies of the rest of the Community in 1983 that led to the massive cutbacks of workers in the tens of
thousands—in steel, automobiles, ship-building, and textiles—and it was this move that ushered in the first notable burst of discharges in the country. During the years just leading up to and spanning that reversal, the numbers let go went from about two million in 1982, or 7.3 percent of the workforce to a total of 13.4 percent on a seasonally adjusted basis during the year 1984. Throughout the rest of the decade the rate continued to hover around ten percent, mitigated a bit by early retirements. By 1997, the total losses over the years since 1970 had amounted to a stunning 41.6 percent of the original labour force.

As Chinese leaders voluntarily chose to ingest capitalist modes of reasoning about economics and the values that were internationally au courant, the country’s linkage with the global market unfolded, over a span of some 20 years. As this took place, two related processes ran parallel: a slowly escalating crusade to transform customary notions about employment, accompanied by gradually more and more explicit and intentional moves to bring about the dismissal of millions of workers from their posts; and an intensifying campaign to become a member first of the General Agreement on Trade and Tariffs (GATT) and, after 1995, the World Trade Organization (WTO), entailing a total revamping of the Chinese foreign trade sector. The two processes were interconnected, and both were informed by economic norms that were by then orthodox globally.

As in the other two places, official choices about handling labour were not the only reason for a massive discharge of workers beginning in the mid-1990s, the employment problem had several roots. Decades of emphasis on full urban employment (or a practicable approximation thereof) had led to vast numbers of surplus labour. As early as the late 1980s, but continuing to be the case as of the year 2000, government proclamations set the excess labour in the cities as about one third of that on the job. Other difficulties arose as China began to modernize in earnest in and after the 1980s, as industry there became progressively more capital-intense, and as labour-saving technology started to replace workers. At the same time, the mismatch between the low-skill, undereducated workforce that a range of Maoist policies had fostered and the state-of-the-art aspirations of the regime eventuated in an inexorable process of structural unemployment. With these forces working to crowd out human labour, in the second half of the 1980s, a one per cent increase in the growth rate of GDP could yield 1.51 million jobs, but between 1991 and 1995 the yield was just half of that. In the 1980s the rate of employment growth was as high as nine per cent annually, but by the second half of the 1990s, during the Ninth Plan period, this had fallen to an average of just 0.9 per cent annually.

Even as demand-side factors were reducing the numbers on the job, official efforts—by pilot programs, pronouncements, temporary rulings, regulations and laws—to remake the labour regime channeled and speeded up their influence. The first experiments surrounding the labour system took place almost immediately after the Party’s official switch to a focus on rapid modernization in late 1978. With the initiation of industrial reforms early in the decade—with their message urging money-making and high productivity, and with their granting of new financial and decisional powers to localities, firms, and managers, workers’ security became ever less certain. Little by little management within the plants took advantage of their powers and their heightened autonomy sometimes to transfer workers, and occasionally to let them go, a license that was further enhanced when enterprise directors were allowed after 1986 to lease the firms that they had been running. By the last half of the decade more and more layoffs were taking place.

Meanwhile, both internal and external competition, added to the rising prices for industrial inputs that came with price reform, were undermining the business of the state sector, and massive losses climbed upward there. From the start of the 1990s state firm losses mounted rapidly. One calculation shows a startling increase from just six billion yuan in losses in 1987 to 83 billion a decade later.
Matching the intensifying drama of heightening losses went a progressive incline in the numbers suddenly thrown out of work. Making sense of Chinese unemployment statistics is notoriously difficult.\textsuperscript{38} But even the officially-admitted numbers “laid off” and those newly “unemployed” from the mid-1990s onward is arresting: An official “White Paper” acknowledged that between 1998 and 2001 over 25.5 million persons had been let go from state enterprises.\textsuperscript{39} Between the end of 1992 and the end of 1998, state and urban collective\textsuperscript{40} firms combined let go some 37 million workers, while the old public sector firms alone cut one third of their workforce in that period, an outcome that has been characterized as the result of specific official pressure placed upon the firms.\textsuperscript{41} The best evidence for this pressure is a quota system devised around 1997 to force factories to dispose of set percentages of their workforces. Upper-level authorities distributed quotas specifying the number to be laid off to the enterprises under their jurisdiction, and used the fulfilment thereof as one basis for evaluating their directors' work.\textsuperscript{42}

One observer’s estimate that 46.59 million state and urban collective firms’ workers had lost their posts as of 2001 rose to a staggering figure of 60 million by late 2004.\textsuperscript{43} Additionally, a study conducted by China’s official trade union at the end of the 1990s found that 48.7 percent of the “reemployed” laid-off people it counted were self-employed, while even of the other 51.3 percent who had been re-hired, well over half (59 percent) were engaged in informal work that was only temporary.\textsuperscript{44} The downgrading and displacement in the labour markets of all these countries was clearly colossal.

**UNIONS AND PROTEST**

And how did the displaced react?

To begin with, one would not have expected much sustained reaction under any of these regimes. None could boast a union system or a true labour movement worthy of the name. After the Communist victory in 1949, China’s workers were most of the time muzzled by the constraints of the Communist Party, only breaking free of that bond at a few crucial junctures, in each case to be disciplined and punished severely in the aftermath. The working class, moreover, had no means of access to state officials nor the right to make use of any formal channel of redress outside the aegis of the watchful official trade union, the All-China Federation of Trade Unions, which was itself accountable and submissive only to—and hamstrung by—the Communist Party.\textsuperscript{45}

And the power of the urban labour force was also lessened by a distinction between employees of larger and medium sized state-owned firms on the one hand and smaller, collectively operated ones, on the other. A strong case has been made that workers in the state enterprises—regardless of their lacking clout—were treated sufficiently well and entertained a sufficiently shared set of goals with management that, unless aroused by large, nationwide political movements, they generally tended to work peacefully, and to put trust in their superiors and their unions.\textsuperscript{46} Strikes were permitted under earlier versions of the state constitution during and just after the 1966 to 1976 Cultural Revolution, but were banned thereafter.\textsuperscript{47}

In France, the organizing of labour was rent through by a multitude of competing, sometimes warring, unions whose mutual distrust inhibited concerted action. And in any event, workers in all the unions were generally allegiant to the creed of the 1906 Charter of Amiens, which stressed a radical rejection of the parliamentarism of so-called “bourgeois politics.”\textsuperscript{48} This inclination disposed them to stay clear of government, as they yearned for a state ruled in accord with purely socialist values. Unions’ own anemic condition was compounded by their
not being legally allowed in the firms until after a massive social upheaval in 1968, while collective bargaining in the enterprise was not required by law until as late as 1982. Unions did go on strike with some regularity, but the episodes tended to be brief and dramatic rather than sustained, well organized, or purposive. The most radical of the unions—the Confederation Generale du Travail (CGT)—was also the most powerful among them, but its tight, unbending linkage with the Communist Party (which, in the postwar period, held power only briefly in coalition governments, once just after World War II and once from 1981 to 1984) pretty much nullified its political significance. Here too the labour force had more and less privileged sectors, in accord with the ownership of their firms and the thrust of state industrial policy at any point.

In Mexico too, despite the elevated position of the Confederation de Trabajadores Mexicanos (Confederation of Mexican Workers, the CTM) as a special sector within the ruling party, the Institutional Revolutionary Party (or the PRI), it is difficult to sustain an argument that it possessed power in its own right. Its affiliates could count on decent treatment and special advantages not so much because the PRI or the CTM represented their interests as because the PRI and the CTM leaderships were mutually linked in a pact bent on preserving their power and sustaining social order. Patronage that operated on a personal level could squeeze out benefits for well-connected individuals, but not for workers as a supplicating collectivity. And the CTM’s ability to serve the PRI’s purposes—for votes at elections and peace in the plants—hinged on resources the party disbursed to CTM bosses, which they in turn utilized to manipulate the workers.

Although the 1917 constitution authorized strikes, and though labour actions did occur, workers were kept on a tight leash by strict state regulations on union formation, union activities and strikes. Only very occasionally, as in 1968, an unusual surge of strike activity might prompt some reform. The duality of the labour market here was actualized in the dominant position of the CTM, along with two other large federations that the regime sometimes played off against it, and of the state-owned enterprises. Workers with these affiliations did substantially better than others.

Thus, in each of these countries, though an upper crust of the workforce managed to command a modicum of satisfactory treatment and benefits, this was in each case a function of largesse the state disbursed, for reasons of its own. In none of the three could the more privileged among the labour force thank some mediating body for agitating on its behalf, nor were they in the habit of turning hopefully to any such organ in times of stress or deprivation. Nonetheless, because of an age-old and well-ingrained ethos in each case, a code that became perhaps even more sacrosanct after disturbing events of the late 1960s in each case, at least the workers in the more favored sectors and/or ranks grew to expect and depend upon good handling at the hands of the state. Many of these dispositions have persisted into the present.

Unquestionably China’s workers became enormously more restive and demonstrative as the years of economic reform and marketization went forward, as compared with their relative state of quiescence for most of the time during the preceding decades. In part, this heightened level of activism came from newfound freedoms workers experienced in the wake of job loss: liberties, that is, from constant managerial oversight and enterprise schedules. With their dismissal too, it became pointless to worry that activism could endanger their old positions or their perquisites. The surge in the numbers has been cited in many places, showing that, nationwide, workers in one place or another who had lost their jobs or their welfare benefits were on the streets nearly daily. Beginning in the early 1990s, even the Chinese government acknowledged a sudden upswing, with the official China Daily announcing an increase by 50 percent in 1994 over the previous year; one researcher reported that the government had admitted that 1998’s 3.6
million workers who demonstrated amounted to three times the number of such protesters just three years earlier.56 Another refers to “incidents numbering in the tens of thousands each year.”57 The Ministry of Public Security recorded that the numbers “began a rise like a violent wind” from 1997, the year of the Fifteenth Party Congress which pressed for factory firing.58 By the end of the decade, 100,000 labour protests had taken place, according to the Center for Human Rights and Democracy, based in Hong Kong.59

Moreover, as strikes escalated in number, the official trade union became even weaker in the years since marketization than it had been before: where in the past it served as a model “transmission belt” association, relaying workers’ sentiments upwards to the leadership and then delivering official orders back down the line, once the state plan lost its hold on the economy and firms in the hundreds and thousands began to careen into the red and to fold completely, state leaders grew fearful of worker rage and aggrievement and the havoc they might wreak, and therefore frequently egged the union on simply to monitor and conciliate.60

The historical peak of French protest seems to have passed with the mid-1970s, after which labour’s clout declined progressively, especially after an alliance between the communists and the socialists fell apart.61 Following the U-turn of President Mitterrand after 1982, workers and unions were briefly reactive at first, but then became silent for most of the rest of the decade.62 There was an outbreak of work stoppages in a number of firms in the public sector in 1988. But these were organized by independent groups outside the sphere of the unions, so, while demonstrating the continuing obstreperousness of the labour force when challenged with the elimination of its work posts, they made no statement at all about the power of the unions.63

The major exception to the general timorousness of the trade unions was a 1995 six-week shutdown of the public sector launched in response to Prime Minister Juppe’s proposals to prune the welfare system, in an effort to diminish the public budgetary deficit in accord with the EU’s orders. The movement evinced a persisting vibrancy among the unions—as well as their sometime (if rarely achieved) potential to arouse the rest of France. More strikes in the spring of 2003—directed against a renewed attempt of the government to revamp its pension system—aroused the unions on a national scale in both public and private sectors, as well as triggering wildcat outbursts in several localities.

In Mexico, the government had never been shy about resorting to the use of the military when the top leaders believed this to be necessary.64 These techniques were sharpened in quelling the resistance mounted to Carlos Salinas’s bid for the Presidency in 1988, and assisted the state mightily in its determination to prevent labour discontent from interfering with its program of privatization, economic liberalization, and retrenchment in the 1980s.65 The kingpins in the collaboration between the PRI and the CTM were the “charrazos,” hand-picked, corrupt labour bosses who ran roughshod over the workforce in the name of fulfilling regime intentions and policies.66 These individuals were to ensure that workers’ demands were kept manageable; their behavior quiescent, in periods of economic stress, so as to hold off inflation; and their votes actively pro-PRI at election times.67 Though of somewhat waning effectiveness by the 1990s, “charrismo” persisted.68 Force, violence, bribery and a conditional refuge for the loyal and the compliant sustained the broad outlines of the Mexican labour regime and economic strategy historically and into the present.

Workers advantaged by this system developed a sense of deserts and expectations and depended on party bosses to supply the goods they counted upon. The legacy of favorable treatment they had experienced for dozens of years shored up their loyalty, and, at least initially, disposed them to stick with the PRI even as it reversed its connection with the workers after the early 1980s.69 And the CTM itself was not entirely sacrosanct. Its ultimate vulnerability lay in the PRI’s ability to play this confederation off against two rival ones—the CROC and the CROM70—when the Party leadership was displeased with some stand or other that the CTM took temporarily, or angry over its short-term failure to march in lockstep with every policy the PRI proposed. Accordingly, the CTM, in the final analysis heavily dependent upon staying in the good graces of the PRI,71 exercised a critical role in assisting the PRI to
suppress attempts at forming independent unions, entities that would have championed and fought for rights and benefits for groups beyond the selected elite. With the economic crises of the 1980s, labour unions had to choose but to accept what the government threw at them: falling real wages and insecure of employment.

The ongoing authoritarian power of the union bosses to intimidate the workforce in the state sector, and the unchanged chain binding bosses in the public firms to the state provides an important clue not just to the success of corporatist tactics in Mexico but also to the relatively scarce and remarkably impotent nature of labour protest in the country in the era of cutbacks after 1980. The typical pattern was for the unflinching surveillance of the state--operating through brutal bossism in the union--to nip any protest in the bud to the extent possible. Consequently, while strikes in Mexico were never plentiful, their numbers dropped by 80 percent in the decade following the accession to power of President de la Madrid (who initiated the austerity of the 1980s), as the regime became increasingly indiscriminate in its impulse to subvert and quash decisively worker opposition from any quarter at all, willing even to turn its back temporarily on its long-time ally, the CTM, rather than deal with its demands. And unlike in China, where protest leaders alone have been apprehended in demonstrations, even where violence and disruption takes place, in similar instances in Mexico even the ordinary followers stand in danger of forfeiting their jobs.

THE IMPACT: GOVERNMENT’S WELFARE EFFORTS

The next big question concerns these states’ response to the disruptions. Of the three, it would seem that China, where protests were the most numerous, widespread, and continuous, saw the most vigorous reaction from the central government. I have identified four features of the relationship between labour and its state in these countries that shed light on what became of state-supplied welfare after economic restructuring occurred, two pertaining to the state and two to society, here in the form of the workforce. These factors structured the changes, though the manner in which they were realized and the extent to which they operated varies among the countries. The first of these traits is centralization of power, which in all three cases permitted the top leadership to shift its support base with relative ease and autonomy (absent any influence from otherwise-inclined contending parties or constitutionally-empowered levels of government), and thereby to abandon labour and its legacy of state-supported welfare, when it so chose, if to differing degrees.

Second, a long-standing wariness of potential civil turbulence inclined the leadership in each place to placation, whenever possible. For, once the nation embarked upon economic liberalization and grew steadily more deeply involved in the world economy, especially in China and France, a profound unease among officialdom over the prospect of unrest and “social instability” undergirded a search for financial solutions and an effort at implementing them where they could be maximally effective from the perspective of the political elite. Indeed, at every step of the journey, imagined shadows of marching, perhaps marauding, workers danced before the eyes of the decision makers in China in particular, and they thus repeatedly and explicitly linked every speech they delivered on the subject of welfare and each new regulation with the imperative of preserving harmony, control, and “stability.” Third, turning to the side of society and workers, there is a shared inability—or (in Mexico’s case—because of the umbilicate nature of the leading party’s bond to the unions) unwillingness—of unions to arrest the process of decline in the arena of welfare or in any significant way to confront the regime by putting forward demands on the part of their putative constituency. This inaction, however, was variable, in the three cases, with Mexico and China much more similar to each other than either was to France). And fourth was the presence of a dual labour market, which, when combined with leaders’ fears, meant that
shortchanging the old workforce for all three regimes was paired with a strong state commitment to strive to retain the loyalty, and to achieve the quiescence of, an elite portion of labour. The existence of a long-standing tiered market in labour in all three countries allowed politicians preferentially to succor certain segments of the working class, a choice that saved on funding even as it demonstrated a measure of caring to the recipient—those workers who had enjoyed the highest level of prior protections (and so sustained the greatest expectations, carried over from the past)—who were also, the regime suspected, those not just most prone to but also most capable of inciting disorder. These features of impotent unions and regime-crafted segmentation among the workers allowed the leadership to fine-tune its benefits entirely according to its own lights—in the hope of preserving order while shoring up its own legitimacy.

In the course of China’s marketization, a sharp juncture in the path of policy occurred at the 1992 Fourteenth Party Congress, when the Party significantly deepened its ongoing program of marketization by redefining the nation’s once socialist, planned economy as being a “socialist market” one. A year later would see the birth of specific policies to restructure state enterprises, culminating at the subsequent Party Congress in 1997 in an official directive to “reduce the labour force to enhance efficiency.” True, by the mid-1990s this state mission had been gathering force for well over a decade. But it was not until 1997 that these reforms finally came to affect large numbers of workers in the state-owned plants.

There followed numerous examples that could bolster the point about the regime’s vigilance about instability. Just after the Party Congress called for cutting back the workforce, central-level authorities demanded that localities devise a “responsibility system” to pacify potential “social chaos” expected to issue from what was termed the “daily increasing army of the unemployed.” In May of 2000, an official research group published a piece in an internal journal entitled, “Establishing a social protection system is the key to our country’s social stability.” Another illustration is a volume on employment and social security published in 2000, which openly acknowledged that, “Growing out of our concern for social stability, we have made very great government expenditures in social security.”

Thus, because of the pronounced upsurge in urban poverty, inequality and joblessness that the post-1997 firings fostered, the political elite felt forced by a rising tide of progressively more frequent and ever-larger protests to unveil three brand-new programs to make up an embryonic welfare safety net. For decades, urban state workers had received work-unit insurance and cradle-to-grave welfare benefits. But the new Chinese programs were unprecedented in the PRC and had to be forged from scratch in the era of reform. Both in the interest of peace and order in the cities, and to allow the firms to have a greater chance of surviving on their own in the marketplace, the state has essayed for over two decades—though to date far from successfully—to establish a contributory social security system that is independent from the enterprises. Programs designed to fill the breach that resulted from smashing the former system—programs such as UI, basic living allowances for the laid-off, and a minimum livelihood guarantee for the newly impoverished—though instituted as early as the mid-1980s and into the early 1990s, were barely utilized before the late 1990s, when they were finally seriously and widely applied, in tandem with the upward spiral of job loss. The first of the new welfare programs to appear was the one for the unemployed. After four years of internal Party debate, the initial major step was taken on the road to putting to rest the strategic, socialist notion that each [urban] worker was to be granted a life-time tenured job. In 1986 the first Regulations on Unemployment Insurance appeared, designed to assist a new category of “contract labourers” when their terms were up, so long as they met the necessary conditions. In that same year a Regulation on Discharging Employees was announced as well. But none of these decrees had much if any impact at that time.

By 1993, to deal with the rising numbers of workers losing their jobs, revised provisions came out, specifying that benefits go only to state enterprise workers. Five years later, so-called
“laid-off workers”—a novel, exploding category for socialist China—soon became eligible for a sum higher than UI (meant for workers once employed at firms that had been dissolved), entitled the “basic living allowance,” [jiben shenghuofei or jiben shenghuo baozhang].92 The payoffs were part of a program designed and widely promoted in the second half of the 1990s devised in response to constantly rising numbers of layoffs, in the wake of an official credit squeeze, an accompanying nationwide recession, and, by 1997, an explicit governmental program to cut back the workforce. Labeled the “Reemployment Project,” this was a bureaucratically manipulated effort conceived as a temporary palliative to sustain workers furloughed by fortunate, mostly still functioning state firms.93 Its tasks included computerizing information on local job markets; providing job introduction organs; offering free training and jobs; and building new marketplaces where traders were to receive preferential policies in taxes and fees.

The project also called on each firm that had furloughed some or all of its workers to create a “reemployment service center,” to which its xiagang workers were to be entrusted for a period up to three years.94 The center was charged with contributing to the pension, medical, and social security funds on behalf of each laid-off worker entrusted to it.95 An unknown, but almost certainly relatively small, proportion of firms actually carried through on these obligations. A third program was born in response to a sudden upsurge in the numbers of the urban poor occurred after the mid-1990’s,96 at the same time that masses of state manufacturing workers began to suffer dismissal from their posts; indeed, there is a clear correlation between these two phenomena.97

As the numbers of people subsisting in straitened circumstances rose with the progression of the marketization, it became clear that a broad-based, inclusive system had to be designed for them. The idea behind the plan was twofold: to sever the bond between firms and their indigent staff and ex-staff, since often the very poorest people were attached to enterprises doing too poorly to help them; and to extend the scope of the eligible population. In 1994, the new system, named the “minimum livelihood guarantee” [zuidi shenghuo baozhang, colloquially, the dibao], began experimentally,98 and by September 1997, after spreading nationally, was formalized, with orders that localities must lodge this item in their budgets to be managed as a special account.99 In September two years later the State Council’s “Regulations for Safeguarding Urban Residents’ Subsistence Guarantees,” transformed the program into law.100

In spite of the minimalism that often marked the execution of welfare measures, and the motive of maintaining order that stood behind them, from the late 1990s there were many indications of the leadership’s firm commitment to pursuing them. Among them are its move to continue subsidizing loss making firms via having state banks distribute credit to them101; its inauguration of a National Social Security Fund in 2000, which operated to offer support to indebted provinces102; the passage of a labour Law in 1994 which, though rarely respected, at least symbolized the state’s concern for proper treatment of the workforce103; a periodic increase in the payouts to workers whose positions had been cancelled.104 Another way of pointing to the determination of the state to calm hard-off workers was through its constant infusion of funds for them. According to a governmental White Paper on Employment and Social Security from spring 2002, in 2001 the central treasury allocated 98.2 billion yuan for social security payments, a figure that amounted to 5.18 times that expended just three years before; during the same period, the treasury injected a total of 86.1 billion yuan in subsidies for pension insurance.105 Then-Premier Wen Jiabao announced in early 2004 that the central government had contributed 4.7 billion yuan of subsidies the previous year just for the purpose of job creation, while spending 70 billion for laid-off workers’ and poor people’s allowances, 20 percent more than it had paid in the previous year; of that amount the monies for the urban indigent doubled in the one year in question, from 4.6 billion to 9.2 billion in 2003.106
In France, the demonstrations of 1995 managed to force the state to call off entirely a few of its chief welfare reduction proposals and to decelerate its program of cutbacks.107 And later, in response to the strikes of 2003, which did produce some concessions (if minor ones),108 the larger message was that the French government would go only so far in offending its marginalized and benefit-deprived citizens. It chose instead to sustain an ongoing budget deficit, to the point of inviting censure from the European Union. Happily for France, however, the European Court of Justice capitulated in mid-2004 with a compromise on this.109

In Mexico, where unions still stood in the thrall to the state, and where, thus, labour actions were the most muted and small scale, the payback for worker discontent was certainly the most meager. While there had had been no place for independent unions during the harshest, most authoritarian stage of the rule of the PRI,110 with the partial breakdown of PRI power in the 1990s, such groups did emerge openly and freely--though usually not so successfully.111 In mid-1996, federal officials met with dissident members of a teachers' union following a sizable national strike,112 and in late 1997 a number of major unions broke from the official labour Congress,113 combining with several independent ones to form the National Workers' Union.114 There was more allying of this sort once Vicente Fox came to power in 2000.115

But overall, Mexican protest--especially since 1980--has been discreet, restrained in amount and in duration, and contained in scale. Its effectiveness has been limited to negligible. Insofar as there were any achievements at all--such as a 1987 Economic Solidarity Pact, in which income taxes were cut and inflation arrested, only the affiliates of the CTM received benefits, while workers as a group continued to suffer from the government's wage policy and its total program of retrenchment.116 Other outcomes issuing from protest in the main included nothing more than delays of unfavorable policies, with the CTM's greatest accomplishment being its prevention of the Salinas administration's rewriting of the federal labour code. Yet even in this instance, the government managed to implement labour policy as if the law had indeed been altered.117

CONCLUSION

So we are ready to return now to the query that opened this paper: what happens to workers when their states become more globally involved? I cannot claim to have answered this macro question in a general fashion. What I have done instead is to narrow the spotlight considerably, and to strive for specificity rather than be sweeping. I proposed a model of what has happened in three states, in all of which the leaders selected moves melding their economies with others abroad, three states where labor is reputed to be feeble and central power mighty. The outlook seemed gloomy.

But I found that after the governments in question became linked to leagues whose rules encouraged the discharge of workers, in a sense the story had just begun. Even in these places where power would seem to dictate a futile languishing of laid-off persons, we have seen that their protest, if possible, can better their lot. So my depiction--though surely not sanguine, turned out to be less dismal than anticipated. If other workers can stand and fight, one would hope their states too could find modes of accommodation.
Notes


Dussel Peters, op. cit., 79.

10Peter Morici, “Grasping the Benefits of NAFTA, Current History” (hereafter, CH), No. 2 (1993), 52. Manuel Pastor and Carol Wise, however, state that just 43,000 jobs were lost int he years 1988 to 1993 in Manuel and Carol Wise, “State Policy, Distribution and Neoliberal Reform in Mexico”, Journal of Latin American Studies 29, 2 (May 1997), 432.


14de Oliverira and García, op. cit., 212. Camp (1996), 219 estimates that as many as one million jobs might have been lost at that time.

15Dussel Peters, Polarizing, 162.


19Cameron, op. cit., 16 shows an average figure of 11.3 percent for the period 1991-96. But an earlier draft of this chapter contains the figures in my text; Vivien A. Schmidt, From State to Market? The transformation of French business and government (Cambridge: Cambridge University Press, 1996), 187.


21David Cameron, “Unemployment, Job Creation, and Economic and Monetary Union”, in Nancy Bermeo, ed., Unemployment in the New Europe (New York: Cambridge University Press, 2001), 11-12. See also Gruber, op. cit., 174, 177-78 for the background reasons for the agreement of the French government under President Giscard to participate in this plan at the time.

22Cameron, “From Barre”, 119 and 134. Andrea Boltho, “Has France Converged on Germany? Policies and Institutions since 1958”, in Suzanne Berger and Ronald Doré, eds., Regional Diversity and Global Capitalism (Ithaca: Cornell University Press, 1996), 102, agrees, in stating that the “constraints of the Common Market, EMS and EMU project were the essential ingredients” in the retreat from traditional policy tools, and targets European integration as “the driving force behind the changes in policies”.

23Jackman, op. cit., 60.


27Scharpf, op. cit., 108.

28Naughton, Growing and Lardy, op. cit. both trace the unfolding of both types of policies.


30Bhalla and Qiu, op. cit., 104.

31Rawski, “Recent Developments”, 7.


35Hu Angang, China’s Present Economic Situation, p. 10.


37Lardy, op. cit., 19. Put another way, the incidence of loss making had spread from affecting nearly one quarter of all enterprises in 1997, whereas just an eighth had been in deficit as of 1980 (Yuk-shing Cheng and C. Cho, “Research Report: Explaining the Financial Performance of China’s
Industrial Enterprises: Beyond the Competition-Ownership Controversy, China Quarterly, No. 170 (June 2002), 413.


These were enterprises usually comprised of pre-1949 private firms merged in the 1950s and run at the level of the “neighborhood,” under the urban district or ward.


Tian Binjing and Yuan Jianmin, “Shanghai xiagang renyuan de diaocha yanjiu” [Investigation research on Shanghai laid-off personnel], Shehuxue (Sociology) 2, 1997, 11.


Xue Zhaoyun, “Dui xiagang zhi gong zaijiuye xianzhu ang di diaocha, sikao yu jianyi” [Research, reflections, and suggestions about the reemployment situation of laid-off staff and workers], Gonghui gongzuo tongxun (Bulletin of trade union work), 7 (2000), 8).

Yongsun Cai, “Managed Participation in China,” Political Science Quarterly, 119,3 (2004), 425-51 makes a case for the ability of the aggrieved to turn to appeals offices throughout the political system and at all hierarchical levels, but a close reading of his evidence does not provide much room for optimism about their effectiveness for the ordinary person. Since 1990 it has been possible for citizens to sue the state, but here again large groups railing against state policy would have little or no hope of victory (see Minxin Pei, “Citizens v. Mandarins: Administrative Litigation in China”, China Quarterly, 152 (1997), 832-62).


The Constitutions of 1975 and 1979 allowed for strikes but this provision was erased in the constitution of 1982.


Howell, op. cit., 109; Chapter two.

Middlebrook, The Paradox, Chapter Two.

Haggard and Kaufman, op. cit., 284.


Gong’anbu dixi yanjiusuo “quntixing shijian yanjiu” ketsu [Ministry of Public Security Fourth Research Institute’s “mass incidents research” group], “Woguo fasheng quntixing shijian de diaocha yu sikao” [Investigation and reflections on our country’s mass incidents], Neibu canyue [Internal consultations] 31 (576) (8/10/2001), 18. Party General Secretary Jiang Zemin’s report to the congress is in Summary of World Broadcasts (hereafter SWB) FE/3023 (September 13, 1997), S1/1-S1/10.


63 Smith, “Unemployment and the Left”, 130.
65 Collier, op. cit., 137; Teichman, op. cit., 212; Middlebrook, The Paradox, 295, 300-01.
67 Middlebrook, The Paradox, 153-54; Roxborough, op. cit., 102.
69 Collier, op. cit., 110.
70 These initials stand for the Revolutionary Confederation of Workers and Peasants (CROC) and the Mexican Regional Labor Confederation (CROM). See Collier, op.cit., 83; Roxborough, op. cit., 104-05; Zachary Leeds, “Grass Growing Between the Cracks: Changing State-Labor Relations and the Emergence of Social movements in Mexico during the 1980s”, Ms., Berkeley, CA, 1999, 11; Middlebrook, “The CTM”, 294.
72 Leslie Sklair, Assembling for Development: The maquila Industry in Mexico and the United States (London: Unwin Hyman, 1989), 58, 61-62. On the other hand, those sectors that were most crucial to the overall economy, and which, accordingly, received the strongest state pressure for compliance, were also the ones displaying the boldest resistance to the state (Teichman, op. cit., 49).
74 Meyer, op. cit., 144.
75 Middlebrook, The Paradox, 219, 265.
76 Carr, op. cit., 222. Michelle Dion has made the interesting finding that in the late 1980s and 1990s, though strikes decreased in number, strike petitions rose, in “Mexico’s Welfare Regime before and after the Debt Crisis: Organized labor and the effects of Globalization”. Paper prepared for delivery at the 2002 Annual Meeting of the Southern Political Science Association, Savannah, GA, November 7-9, 2002, 20. This seems to suggest that aggrieved unions were willing to register a protest but dared not move to the streets.
78 Middlebrook, The Paradox, 69.
80 The concern at the top with regime credibility and legitimacy appeared in a year 2000 speech by then-Premier Zhu Rongji, in which he said that, “This year no matter how, we can’t again see new delays. We must definitely pay out the arrears of the past several months within this year and do it as fast as possible, in order to obtain the people’s confidence.” This is in n.a., “Zhu Rongji,” 6.
83 Guojia ji wei hongguan jingji yanjiuyuan ketizu [State Planning Commission, Macroeconomic Research Group], “Jianli shehui baohu tixi shi wo guo shehui wending de guanjian” [Establishing a social protection system is the key to our country’s social stability], Neibu canyue [Internal consultations] (hereafter NBCY), 511 (May 5, 2000), 8-14.
86. Welfare was granted at varying levels of service, with workers in the larger, favored state-owned firms in key industrial sectors faring best. For past good treatment of profitable enterprises, see Andrew G. Walder, “Property Rights and Stratification in Socialist Redistributive Economies”, *American Sociological Review*, 57 (August 1992), pp. 524-39.
88. For instance, Christine P.W. Wong, Christopher Heady, and Wing T. Woo, *Fiscal Management and Economic Reform in the People’s Republic of China* (Hong Kong: Oxford University Press, 1995), 14, commented that, “The draw on unemployment insurance funds has been small to date, because state-owned enterprises are under great pressure to hold on to their surplus workers, receiving tax exemptions and bank loans to do so when necessary”.
90. Lim and Sziraczki, pp. 51-52.
92. Hu Angang, “Creative Destruction of Restructuring: China’s Urban Unemployment and Social Security (1993-2000)”, n.p., n.d., pp. 16-17 notes that in 1999 the ratio of the average living allowance for laid-off workers was 18.5 percent of that of employed workers, while the UI received by the registered unemployed population only amounted to 14.1 percent of employed workers’ wages that year.
93. “Nationwide employment project to be launched”, FBIS, January 25, 1994, p. 69, from XH, January, 24, 1994; “Chengzhen qiye xiagang zhigong zaijiuye zhuanxiangtiao tongxi [Investigation of urban enterprises’ laid-off staff and workers’ reemployment situations’ project topic group], “Kunjing yu chuulu” [A difficult pass and the way out], from Shehuixue yanjiu [Sociology research] 6/97 (reprinted in Xinhua wengao, shehui [New China draft, society] 3/98, 21-28); and Ru Xin, Lu Xueyi, and Dan Tianlun, eds., 1998 nian: zhongguo shehui xingshi fenxi yu yuce [1998: Analysis and prediction of China’s social situation] (Beijing: shehui kexue wenxian chubanshe, 1998), p. 86. See also SWB FE/3231 (May 20, 1998), G/3, from XH, May 17, 1998 states that, “Because of the state’s fiscals resources and the enterprises’ capability, basic living needs can only be paid to regular workers who have yet to separate, as well as personnel who have been laid off because of their enterprises’ production or operation problems and who have yet to find a new job” [emphasis added].
94. Yang Shucheng, “Zaijiuye yao zou xiang shichanghua” [In reemployment we must go toward marketization] ZGJY, March, 1999, p. 19 calls the center a product of “a special historical stage, a transitional measure which can solve its special contradictions”.
95. Ibid., p. 30-31.
96. In 1955, 41 percent of urban households saw an income decline; the same year, to the State Statistical Bureau defined a family living in poverty as one with an income under 5,000 yuan per annum (Wong, p. 124). At this time per capita income was 6,392 yuan per year, which meant that the average household of just over three members must have had an average of nearly 20,000 yuan per year in 1998 (Chow and Xu, p. 1).
97. Cook, *Politics*, p. 5. Aside from job loss, other factors pushing people into penury also had to do with the market transition: state grain subsidies ceased in 1992, thereby sending up food prices; housing costs rose with the program to privatize apartments; and the charges for both public education and medical care climbed sharply and precipitously as their previous status as near gratuities was altered with the institution of sizable fees for service. There was also at this point a growing trend of indebted firms failing to pay wages or pensions, whether on time or else at all. See Song Xiaowu, Zhongguo shehui baozhang zhidu gaijie [The reform of China’s social security system] (Beijing:
Qinghua daxue chubanshe, 2001), 137-38, which reports that the new urban poor population is concentrated among these people: those who worked in state firms that are losing money, have ceased production, or went bankrupt; retired people’s families where the support coefficient is high; those who became poor when they fell ill, owing to the high costs of medical care; and those whose term of receiving UI has ended.

96Wong, 124.

99Song Xiaowu, p. 149-150.


104As in the summer of 1999, almost on the eve of the fiftieth anniversary of the establishment of the People’s Republic, very likely to stave off public demonstrations by the disadvantaged. See Wu Yan, “Laid-off workers to get extra pay”, China Daily (hereafter CD), August 31, 1999.


110Teichman, op. cit., 60; Middlebrook, “The CTM”, 299. James G. Samstad, “The Unanticipated persistence of labor power in Mexico: the transition to a more democratic corporatism.” Prepared for delivery at the 2002 annual meeting of the American Political Science Association, Boston, August 28-September 1, 2002 notes on p. 4 that the Labor Congress “included all but a fairly small number of unions, which were considered to be ‘independent’ in their exclusion to [sic] the corporatist system and in their usual political opposition to the PRI”.


112Rochlin, op. cit., 30.
This is a national-scale body established in 1966 to bring together and speak for the entire organized labor movement (Middlebrook, “The CTM”, 291).

The formal, Spanish name is the Union Nacional de Trabajadores, or UNT.

