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Beyond “contratos de protección”:  
Strong and weak unionism in Mexican retail enterprises

by

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***DRAFT—COMMENTS WELCOME***

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## **Introduction: Mexican unionism, *contratos de protección*, and the retail sector**

Corporatism can be a source of strength or weakness for a union movement. Researchers agree that over the last several decades, corporatism in Mexico shifted from a source of strength (if also a significant constraint, above all on democracy) to a source of weakness for Mexico's "*oficialista*" unions. This changing balance intensified as Mexico moved from import substitution to export orientation and embraced neoliberalism, dismantling many elements of the developmental state. The presidential victory of the National Action Party's (PAN) Vicente Fox in 2000, ending the Institutional Revolutionary Party's (PRI) seventy-one year monopoly of political power, also accelerated the process, since historically the *oficialista* unions' corporatist ties to the state had been indistinguishable from their ties to the PRI (Aguilar 2001, de la Garza 2001, Paredes 2001). On May Day of 2007, current President Felipe Calderón (also of the PAN) signaled an effective end to corporatist labor relations by declining for the first time to extend the traditional presidential greeting to the official union parade, claiming that he didn't want to steal the spotlight from the unions.

In these changed circumstances, Mexican official unions are pursuing a variety of institutional survival strategies. One strategy, deplored by many observers, is signing "*contratos de protección*", or "protection contracts"<sup>1</sup> (Bouzas 2001, 2007, Bouzas and Gaitán 2001). A protection contract is one "signed by an employer with a union, or more properly with a person who controls a union registration and who guarantees that the employer can run the business without union opposition or worker demands, in exchange for remunerating the 'union' that offers these services with unions dues, at the least" (Bouzas and Gaitán 2001, p.52). Such contracts, in many cases signed without the assent or even knowledge of workers, specify only minimum protections (sometimes just those specified by national labor law). Arturo Alcalde (1999) estimates that "more than 90% of collective contracts (CC) are employer protection contracts" (p.73). Other estimates are similar (Caulfield 2004, O'Boyle 2002). However, statistical evidence on the effects of unionization casts some doubt on this estimate: Marco Tulio and Javier Melgoza (2006) find a positive average effect of unions on wages (one that persists across almost all major industries and occupations), and David Fairris (2003, 2006, 2007), looking only at manufacturing, reports an equalizing effect on wage dispersion and a positive effect on the value of fringe benefits and the amount of job training.

Retail is often pointed out as the site of particularly widespread protection contracts. "Who knows of a single democratic union of restaurants, janitors, offices, or retail stores?" Alcalde asked rhetorically (1999, p.73). Alfonso Bouzas and co-authors have highlighted Mexican retail chains Gigante (recently purchased by Soriana) and Wal-Mart de México, two of the four largest chains in Mexico, as examples of protection contracts (Bouzas and Vega 1999, Bouzas and Reyes 2007). In both cases, Bouzas and co-authors rely on collective contracts from Mexico City to document their claims. The statistical evidence also suggests that unions have weaker wage effects in commerce than in many other sectors: Tulio and Melgoza (2006) report that non-unionized workers in wholesale and retail earn 95% at the mean and 85% at the median as much as unionized ones, a narrower mean gap than all but two of eight major sectors and a narrower median gap than all seven other sectors.

I have echoed the claim that collective contracts in Mexican retail are protection contracts in my own work (Tilly 2005, Tilly 2006, Tilly and Álvarez 2006a). In a particularly extensive review of varied data

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<sup>1</sup> I am choosing to use the more literal translation of "protection contracts" rather than the more idiomatically accurate U.S. usage "sweetheart contract".

(Tilly and Álvarez 2006a), José Luis Álvarez and I described union fragmentation (with separate contracts at each store of a given retail chain, many different unions at a given retailer in different cities, at different retailers in the same city, and in some cases at the same retailer in the same city), a result also reported by Bouzas and Vega 1999 and Bouzas and Reyes 2007. We reported that in cases where we were able to interview workers and managers at unionized stores, most workers and even quite a few managers were unaware of union representation. We even quoted managers who fairly explicitly described their union contracts as protection contracts, such as this former executive of a major chain:

*In Mexico you can have a union which is a paper union. It's really not anything. But you'd rather have it because if you don't have it, then you get another union coming in and when you get two unions fighting, then you're in trouble.... So you do have a union but in the past as I'm sure today, whenever we have problems in a store, we notify the six or ten individuals who are starting to really try to make a union, we'll just get rid of them. I guess that's the procedure. But yes, you do have legally a document whereby you say that your union is such and such and really it's a white paper type of deal. It's not only in retailing, but in retailing it's particularly the way.*

In short, there is strong evidence for the prevalence of protection contracts in Mexican retail. Still, moving from a repeated observation to a universal generalization is a risky maneuver in social science. In this paper, I draw on retail collective contracts from three Mexican states and the Federal District (Mexico City) to evaluate the evidence for the universality of protection contracts. This sample is not as complete for specific companies in specific regions as are the samples studied by Bouzas and colleagues, but it captures more variation in company, region, and time period. I am guided by three propositions:

1. Fringe benefits offered under protection contracts should differ little from those required by law.
2. Wages and fringe benefits under protection contracts should not differ greatly by company (within a given state, and holding the job constant).
3. Under protection contracts, we would not expect to see contractual terms (other than the wage) change over time, and especially not to improve.

To my surprise, I find that a close examination of the data refutes all three of these propositions! Fringe benefits frequently exceed the requirements of Mexican law, wages and fringe benefits vary significantly across companies, and I found a number of instances of change over time, including one case in which contractual terms improved (only to stall and regress somewhat at a later point). These counter-examples to the propositions predominantly consist of official unions, not the independent unions that are generally viewed as the best hope for active unionism in Mexico (Greer, Stevens, and Stephens 2007, Hathaway 2002, Kohout 2008).

These findings suggest that even in Mexican retail stores, which I and others have characterized as a wasteland for genuine union representation, there are stronger and weaker versions of unionism. As I will point out, the possibilities for union strategy also depend on the company's labor relations stance. These findings point to a limited optimism about possibilities for stronger unionism in Mexico.

In the remainder of this paper, I describe my research methods, lay out findings, and draw conclusions speaking to such optimism...and its limits.

## **Methods**

This research is based on a set of union contracts collected by Chris Tilly in the Local Labor Relations Commissions (*Juntas Locales de Conciliación y Arbitraje*) in the Federal District (i.e., Mexico City), Guadalajara, and León, Guanajuato (the first, second, and fifth-largest cities in Mexico) in 2004, and Tlaxcala (a small state capital) in 2007. Contracts are archived separately by federal entity (the 32 states and the Federal District). I requested every current or recent contract for large retailers, especially the four companies of *autoservicios* (hypermarkets) that dominated Mexican retail in that period: Wal-Mart, Gigante, Comercial Mexicana, and Soriana (again, Soriana subsequently acquired Gigante). I did not receive a complete set of contracts, but the resulting sample can be considered more or less representative of existing contracts. I received contracts for a total of 41 retail companies: 11 in the Federal District, 8 in Guadalajara, 9 in León, and 13 in Tlaxcala. In all cities except Guadalajara, I obtained multiple contracts over time for some companies as follows.

- In the Federal District: Gigante (1996-2000), Little People (2002-2004), Suburbia (1993-2003), Zara (1992-2003)
- In León: Bara (1998-2003), Comercial Mexicana (1998-2002), Farmacia Guadalajara (1996-2003), Liverpool (1996-2003), Oxxo (1988-2003), Soriana (1993-2003)
- In Tlaxcala: Almacenes 5-10-15 (1990-1994), Almacenes García (2000-2003), Almacenes Rodríguez (1990-2000), Farmacia Guadalajara (2001-2006), Gigante (1988-2006), Soriana (1998-2007)

I have reported some findings from the Federal District, Guadalajara, and León in earlier work; this is my first analysis that includes the Tlaxcala data.

Because the case of Gigante in Tlaxcala proved exceptional, I also conducted an interview of Eligio Chamorro Vázquez, the Substitute General Secretary of the Federation of Workers of the State of Tlaxcala, which represents Gigante employees, in May 2007. This union is affiliated with the Confederation of Mexican Workers (CTM), the largest federation of officialist unions .

## **Findings**

### *Union fragmentation*

Incorporating the Tlaxcala contracts into my analysis largely replicates the finding of union fragmentation that Álvarez and I reported earlier (2006a). I compared contracts for 11 major national retail chains, for which I was able to obtain contracts for an average of 5.75 chains per city. The basic findings on fragmentation are:

- It is rare for a union to represent workers at more than one chain. There was only one case of a single union representing stores at more than one chain (one CTM union represents some stores at Wal-Mart and at Suburbia, which is owned by Wal-Mart, in the Federal District).
- Conversely, it is relatively common for multiple unions to represent stores from the same chain in the same city. There were four such cases (including Wal-Mart and Suburbia in the Federal District)
- Previous to adding Tlaxcala to the sample, no union made an appearance in more than one city. But in Tlaxcala, three chains share a union with their affiliates in either Mexico City or León.
- For some companies, (notably convenience store chain Oxxo), stores are grouped together in contracts. But in other cases, (notably Wal-Mart and its subsidiaries) there are separate contracts for each branch of a chain in a given city.

In short, union contracts are quite splintered across companies and cities, a finding that suggests weakness.

*Cross-sectional variation in benefits and wages*

What can we learn about the three propositions? The first two propositions suggest that fringe benefits should not vary greatly, and should not differ much from the levels required by law. For the most part, this is true. But consider vacation benefits (Table 1).

**Table 1: Vacation benefits required by law, and found in retail union contracts**

<i>Years of service</i>	<i>Required by law</i>	<i>Minimum found</i>	<i>Maximum found</i>
1	6	6	6
2	8	8	8
3	10	10	10
4	12	12	12
5	12	12	14
6	12	12	16
7	12	12	16
8	12	12	16
9	14	14	16
10	14	14	16
11	14	14	18
12	14	14	18
13	14	14	18
14	16	16	18
15	16	16	18
16	16	16	20
17	16	16	20
18	16	16	20
19	16	16	20
20	18	18	20

*Source:* Retail union contracts from four cities, 2004 except for 2007 in Tlaxcala

Mexico’s Federal Employment Law specifies a minimum number of vacation days required for each number of years of service. And indeed, many companies follow this formula to the letter. But in the contracts I reviewed, from 50% (León) to 85% (Tlaxcala) of the companies offered more vacation days than the legal minimum. Department store chain Liverpool in Mexico City had the fastest rate of vacation accumulation (shown in the final column of Table 1), offering four days above the minimum in most years from the sixth year on. A number of other companies had similar formulas. This is a small difference, but a difference nonetheless.

A more striking divergence from the legal minimum is found in the *prima vacacional*, the rate of vacation pay. The law requires that companies pay 25 percent of the normal salary per day for vacation. But again Liverpool aims higher: Mexico City’s Liverpool stores pay 125 percent beginning in the second year, and Fábricas de Francia (Liverpool’s brand name outside the Federal District) in Guadalajara jumps up to 150 percent in year 2 and peaks at 230 percent in year 21 (for those retail employees who last that long). While Liverpool claims the prize, quite a few companies offer a *prima vacacional* of between 27 and 50 percent, with Coppel, another department store chain, going as high as

100 percent. In total, the share of companies offering vacation pay above the minimum spanned from 15 percent in Tlaxcala to 50 percent in León. It is important to keep in mind that this *prima* only applies to a small number of days per year: thus, the difference between 25 and 50 percent on a base of 8 vacation days (typical in year 2) only amounts to two added days' worth of pay per year. On the other hand, combining Fábricas de Francia's greater number of vacation days with its higher rate of vacation pay yields 15 days of vacation pay in year 2, compared to the legal minimum of 2 days.

Another area of difference is the *aguinaldo*, the annual Christmas bonus. Mexican law requires a two-week bonus. But larger bonuses are common in retail, with the percentage of companies offering more than the minimum ranging from 46 percent in Tlaxcala to 75 percent in Guadalajara. Four-fifths of those companies provide an *aguinaldo* of a month or more. Once more, Fábricas de Francia offers the cream of the contracts: 4 weeks of pay plus 4 weeks of the average commission over the last 12 months for salespeople, and 40 days of pay for others.

Table 2 summarizes variation in these three benefits. Solid majorities of companies provide "extra" benefits in the case of vacation days and *aguinaldo*. Substantial minorities exceed the minimum for the other two benefits.

**Table 2: Percentage of companies offering more than the minimum benefit required by law**

<i>Benefit</i>	<i>Federal District</i>	<i>Guadalajara</i>	<i>León</i>	<i>Tlaxcala</i>	<i>Total</i>
Vacation days	73%	63%	44%	85%	68%
Vacation pay	27%	25%	44%	15%	27%
Xmas bonus	64%	75%	67%	46%	61%
Xmas bonus of one month or more	55%	63%	67%	23%	49%

*Source:* Retail union contracts from four cities, 2004 except for 2007 in Tlaxcala

There are variations in other fringe benefits as well. For example, varied contracts specify from 1 to 3 days' leave for a death in the family, from 3 to 8 days' leave for marriage, and so on. Some companies also offer bonuses for productivity, good attendance, and the like.

And wages vary widely as well. I looked at the daily wage for a basic sales category and for cashiers (one or both are available from the majority of contracts). Results are summarized in Table 3. For basic sales, the highest wage was roughly three times the lowest one. The range for cashiers was even greater, nearly 8 to 1. The low observations are quite old (from 1998 and 1994, respectively, though I have converted them to 2008 pesos), but if we limit our attention to observations from 2002 or later, the bottom wages are 44 (sales) and 42 (cashier), still roughly a factor of three different from the high values. The standard deviations reveal quite a bit of variation around the mean.

**Table 3: Summary statistics on daily wage for basic sales and cashier, 2008 pesos**

	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. deviation</i>
Sales wage	37	119	74	18
Cashier wage	16	126	78	31

*Source:* Retail union contracts from four cities, 2004 except for 2007 in Tlaxcala (year wages were reported ranges from 1994 to 2007; all converted to 2008 pesos). There are roughly 10 pesos to a U.S. dollar.



Certainly such differences in pay seem large enough to demand explanation. What of the benefits differences? Bouzas and Vega (1997) dismiss Gigante's offerings in excess of the legal minimum with a shrug, arguing that they are small and make little difference in total compensation. But the cumulative findings reported here cannot be so easily dismissed, for three reasons. First, at the high end, the difference between a bonus of 40 days offered by Fábricas de Francia and the legal minimum of 14 days is nearly a month of pay, which is a significant amount.

Second, we can calculate the average value of these differences from the required minima. To simplify things, let us assume that non-union retail employers simply offer the legal minimum benefits, an assumption that is surely not far from the truth (and is probably an over-estimate if we include the hundreds of thousands of corner groceries and market stands that do not pay any benefits at all to employees). If we then calculate the added value of the vacation and holiday bonus for companies that differ from the minimum on at least one of the benefits, the average<sup>2</sup> payoff is 3.4% of added annual compensation. If instead we average together all the unionized companies, the average gain is 2.2%. These numbers are not large, but nor are they trivial. Fairris (2006) found that (in manufacturing), the benefits share of total compensation was, on average, 3.4% higher in unionized businesses. Thus, simply by looking at three benefits, we have uncovered a union difference two-thirds as great as the total advantage Fairris reports, and when we limit our attention to companies that do something extra we find an advantage slightly greater than what he found.

Third, if we suppose that all retail contracts are *contratos de protección*, as I suggested in Proposition 1, we would not necessarily expect to find *any* deviations from the legal requirements. Thus, we must explain what causes these differences.

Active unions are not the only possible explanation for above-baseline benefits or variations in pay. One possible explanation is that retailers that offer more are seeking to attract and retain more skilled workers, or provide an incentive for higher levels of effort and service. The fact that Liverpool (and its subsidiary Fábricas de Francia) occupies the top position for all three benefits is suggestive. As a department store, Liverpool has salespeople who actually engage with and serve customers, and has far more valuable merchandise at risk of employee malfeasance than does a supermarket. But scanning the list of companies that offer extra benefits, we find not only department stores but hypermarkets, warehouse stores, convenience stores, small supermarkets, small-format clothing and furniture stores, and a bulk textiles store. And though the highest sales salary is paid by Zara, a chic apparel store, the highest cashier wage is offered by hypermarket Gigante, exceeding the amounts paid by Zara and Liverpool. Furthermore, although Liverpool and Fábricas de Francia offer the highest benefits in Mexico City and Guadalajara, Liverpool in León only provides the minimum! Finally, as it happens, I spent six months shopping at five of the retailers in the Tlaxcala sample—two with high benefits, one providing mid-level benefits, and two offering only the legal minimum. Only one of the five had a level of service that was distinguishably higher than the others: it was the mid-level one, the bulk textile shop referred to above.

Another possible account of wage and benefit variation is that the high-benefits employers offset the added expense with lower wages. I calculated correlation coefficients between the value (in added days of pay) of the three benefits on the one hand, and the salesperson and cashier wages, on the other. The

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<sup>2</sup> In these calculations I counted contracts for multiple locations of a company (unlike Table 2), using this as a crude way of “weighting” companies with multiple branches. This actually only adds five observations.

correlation coefficients are *positive* (0.29 for the sales wage, .07 for the cashier wage), indicating that if anything higher wages and higher benefits are likely to occur together, though only the correlation with the sales wage comes at all close to standard levels of statistical significance (the p-values are 0.15 and 0.70, respectively). In short, there is absolutely no evidence for a tradeoff between wages and benefits, and some weak evidence that wages and benefits move together.

A final alternative to an explanation based on union power, consistent with covariation in wages and benefits, is that companies may simply follow different policies that may be tied to strategic goals, managerial beliefs, or some other company-level motivator. There is *some* evidence to support this hypothesis, in terms of both benefits and wages.

- Benefits: Although, as I pointed out above, Liverpool offers different benefits in different cities, that is unusual. Within each of Wal-Mart, Soriana, Gigante, and Comercial Mexicana, there is no difference in vacation and holiday bonus across the cities where I was able to obtain contracts (all four cities for Wal-Mart, two cities for each of the others), despite different unions in almost all cases. Similarly, Wal-Mart and its subsidiaries (Suburbia, Sam's Club) all offer the same benefit package. Oxxo and Bara, both subsidiaries of the Femsas Group, likewise provide the same package (though in this case, the two chains are also represented by the same union).
- Wages: Sam's Club in Mexico City and Wal-Marts in Guadalajara and León all paid the same wage for the basic sales job in 2003-04, a relatively high 82 2008 pesos daily, despite having different unions.

But in terms of wages there are many more counter-examples: Suburbia, also a Wal-Mart subsidiary, paid a different amount than Wal-Mart and Sam's in the same cities; two Suburbia stores in the Federal District with different unions offered distinct wage levels (though the difference was about 3 pesos per day). A cashier's daily pay at Gigante was 127 2008 pesos in Guadalajara, a stunning 74 pesos more than in León; the analogous gap for Comercial Mexicana was 88 vs. 58 pesos. Differences in cost of living (Guadalajara is more expensive than León) cannot explain gaps of this size.

Moreover, there are other isomorphisms that look like union effects, not company effects. For example, in León, where Liverpool offers a poorer benefit package, both the store and the warehouse are represented by the same union, and the benefit packages at the two sites are identical. Grupo Comercial Difer and Bodegas Huitron in Tlaxcala, two distinct small retailers, are represented by the same union, and the 1999 contracts are identical.

Given the mixed evidence from cross-sectional variation, it is instructive to look at how benefit and wage offerings change over time, examining the third proposition.

#### *Change in benefits and wages over time*

I start by focusing on changes in benefits because such changes are unambiguous, whereas changes in wages are expected and can only be evaluated relative to a hypothetical counterfactual. I reviewed benefit changes for all cases for which I had a run of contracts for more than five years. The results are summarized in Table 4, except for the case of the Gigante hypermarket in Tlaxcala, where so many changes took place that I have summarized them separately in Table 5.

#### **Table 4: Benefit changes for contract runs of six years or more, except Gigante in Tlaxcala**

<i>City and company</i>	<i>Years</i>	<i>Changes in benefits</i>
<i>Federal District</i>		
Suburbia (dept. store)	1993-2003	<ul style="list-style-type: none"> <li>In 1993, vacation days were better than the maximum in Table 1. As of 1995, changed to the legal minimum.</li> <li>Annual fee to union was 16 months of area minimum wage; in 2001 changed to 13 months.</li> </ul>
Zara (apparel)	1992-2003	<ul style="list-style-type: none"> <li>Evening shift was 7.5 hours for full pay until 2000; after that, 8 hours</li> </ul>
<i>León</i>		
Farmacia Guadalajara (pharmacy)	1996-2003	<ul style="list-style-type: none"> <li>Starting 1998: Employees must arrive on time with no grace period</li> </ul>
Liverpool (dept. store)	1996-2003	No changes noted
Oxxo (convenience store)	1988, 1996-2003	<ul style="list-style-type: none"> <li>Holiday bonus 18 days in 1988, 30 days 1996 forward</li> <li>Vacation time accumulation accelerated in 2002</li> <li>Vacation pay rate raised from 25% to 40% in 1996, to 50% in 2002</li> <li>1996-2001 only: employer will print contracts in sufficient numbers to give to all workers</li> <li>1988 only: bonuses but no leave for marriage, paternity, death. 1996-97 only: no leave or bonus for these events</li> </ul>
Soriana (hypermarket)	1993 & 2003	<ul style="list-style-type: none"> <li>Added paid leave and/or bonus for marriage, birth to wife, death in family (not sure which year)</li> </ul>
<i>Tlaxcala</i>		
Almacenes Rodríguez (apparel)	1990-2000	<ul style="list-style-type: none"> <li>Holiday bonus 15 days in 1990, 20 after 2 years in 1991, 1992-97 graduated based on start date (topping out at 25 for people who started before 1987), 1998 onward 15 days</li> <li>1992-94 only: bonuses in the form of store certificates</li> <li>Vacation days set at minimum till 1996; thereafter slightly accelerated</li> </ul>
Soriana (hypermarket)	1998-2007	<ul style="list-style-type: none"> <li>Starting 2001, paid marriage, paternity, death leaves. Starting 2007, paid plus bonus for marriage and death.</li> <li>Starting 2001, biweekly attendance bonus of 10 pesos in store certificate (increased to 30 pesos in 2005, 50 for those with a year of seniority in 2007)</li> </ul>

*Source:* Retail union contracts from four cities, 2004 except for 2007 in Tlaxcala

We can note several regularities in this set of changes. First of all, Proposition 3 is not borne out: there is a *lot* of change in contractual terms other than pay. Only Liverpool saw no changes. Second, the changes are significant, though not enormous. Third, though improvements are more common than givebacks, contractual change can move in both directions. For example, Suburbia workers saw vacation benefits permanently worsen in 1995 (as the Mexican economy struggled in a deep recession, and as Wal-Mart tightened its grip on Suburbia). At Oxxo, marriage and paternity policies got less generous between 1988 and 1996, then got more generous again. In the largest group of cases (Suburbia, Farmacia Guadalajara, Liverpool, Gigante), the union is affiliated with the Confederation of Mexican Workers, the largest Mexican union federation and one that is often charged with being corporatist and complacent. However, Almacenes Rodríguez (Mexican Union of Workers), Oxxo (National Federation of Progressive Unionists), Soriana (National Federation of Independent Unions),

and Zara (Regional Mexican Workers Confederation) are affiliated with smaller federations, some grouping independent unions.

**Table 5: Benefit changes: Gigante in Tlaxcala**

Company	Years	Change in benefits
Gigante (hypermarket) in Tlaxcala	1988-2006	<ul style="list-style-type: none"> <li>• Holiday bonus: 1988-90 = 15 days, 1991 = 25 days, 1992-2003 = 30 days, 2004+ = 30 after 1 year</li> <li>• Vacation pay rate: 1988-90 = 25%, 1991-97 = 40%, 1998-2003 = 45%, 2004+ = 45% after 1 year</li> <li>• Death leave added 1991, marriage and paternity leaves in 1992</li> <li>• 25% premium for Sunday work added 1992, increased to 30% in 1994</li> <li>• Bonuses for attendance, punctuality, and productivity added in 1992, dropped in 1996, resumed in new form in 1998</li> <li>• Discount for purchases in Gigante initiated in 1992, starting at 12.5%. In 1996 switched to discount equal to 6% of salary, up to 9% in 1998 and 10% in 2000</li> <li>• 1991: Life insurance policy added. 1992: Initiated supplementary social insurance plan including retirement, life and disability insurance, major medical insurance, and a matched savings plan, all with employer and employee contributions</li> <li>• Starting 1992, leave with pay for 2 members of the Delegates' Committee when requested by the Central Executive Committee</li> </ul>

Source: Retail union contracts obtained in 2007

Note: Contracts for Gigante in the neighboring city of Apizaco are available for 1998-2006. Same benefits, except that the Sunday premium and vacation pay rates are somewhat less, and the incentive plan was not added until 2004.

The most remarkable cases are Oxxo in León and Gigante in Tlaxcala. Here we see improvements in varied benefits—vacation pay, *aguinaldo*, family leave, and others—over sustained periods: 1996-2002 in the case of Oxxo, 1991-2000 at Gigante. Particularly interesting is the appearance in the contracts of clauses that suggest active unions: printing copies of the contract for all workers at Oxxo, paid leave for store-based delegates to attend to union business at Gigante. These do not appear to be *contratos de protección!*

We can learn more by comparing the Tlaxcala Gigante contract with contracts at other Gigante stores. (Unfortunately, I was only able to obtain Oxxo contracts in León.) In the neighboring city of Apizaco, where Gigante workers are represented by the same union, the contract terms are similar but lag somewhat behind Tlaxcala. In Mexico City, with another union, benefits in 1999 were identical to Tlaxcala except that the vacation pay rate was only 35% rather than 45%. In Guadalajara in 2002, with yet another union, Gigante offered *more* generous vacation pay (50%), faster vacation accumulation, and a larger discount for shopping at Gigante (plus a far higher pay rate, as I noted earlier), but no paternity leave. This pattern is consistent with a company that is willing to negotiate with unions, but negotiates somewhat different deals with different unions.

It is also important to bring pay into the picture. As Figure 1 shows, the severe recessions of 1994 and 2001 took a toll on wages at the Tlaxcala Gigante, as they did on retail wages nationwide (Álvarez and Tilly 2006b). Harder to explain is the fact that even as the Mexican economy and average retail wages recovered beginning in 2003, real wages at this Gigante continued to slide. This is particularly noteworthy given that there was also a slight retrenchment of vacation and bonus benefits from 2002 to 2004.

**Figure 1: Tlaxcala Gigante cashier pay, daily, in 2008 pesos, 1992-2006**



Source: Retail union contracts obtained in 2007

#### *A union spokesman's perspective*

To follow up on the story of Gigante in Tlaxcala, in 2007 I interviewed Eligio Chamorro Vázquez, the Substitute Secretary General of the Federation of Workers of the State of Tlaxcala, which represents workers at the store. Mr. Chamorro described an active union organization in Gigante:

*In each store, the Executive Committee names a Section Committee that deals with problems. When the problems are bigger, we intervene directly. When we're in negotiations, we also name a Review Committee from among the workers in the business. It's about twelve people who represent the different departments.... According to the Federal Labor Law, we must review the pay scale every year, and the benefits every two years. So every two years, the workers go on strike—virtually—to petition the authorities. They don't actually leave the store. We reach an agreement and end the strike.*

When I noted that Gigante offered benefits superior to those at competitors such as Wal-Mart in Tlaxcala, he replied:

*They're well above Wal-Mart. The benefits, the wages, and especially the treatment of workers. Wal-Mart doesn't have a union. Or, it has one supposedly—it's what we call "contratos de protección." Workers don't know they have a union. Management says, "Here's a raise, take it or leave it."*

Mr. Chamorro explained the improvements over the 1990s as due to a combination of union efforts and a willing employer. He attributed some of his union's strength to the fact that it belongs to the Mexican

Confederation of Workers (CTM), the country's largest union federation—but also one that is often viewed as corporatist and in many cases complacent. He argued that the unions representing workers at Soriana and Comercial Mexicana, a union from the Revolutionary Workers and Peasants Confederation (CROC) federation and an independent union, respectively, don't have the same clout. I pointed out that Wal-Mart in Tlaxcala also has a CTM union, and he admitted, "*Some CTM unions are not good, they don't pay attention to people. But,*" he added, "*in general, this is the style of the CTM, with some variation.*" He added that this is particularly true in the state of Tlaxcala "*because of its industrial history,*" with a strong textile industry that spawned its own union movement.

When I asked about the prospects of organizing a genuine union at the Tlaxcala Aurrera (Wal-Mart) store, Mr. Chamorro replied, "*We tried. But we ran into economic considerations. When we tried, Wal-Mart fired all the workers!*"

Finally, I asked why the advance in benefits (and even in nominal wages, not shown in Figure 1) had stopped in the 2000s. His answer was:

*Negotiations have gotten more difficult, due to the profit margin of the stores. With less profit margin, there is less to give.... Wal-Mart puts stores next to Gigante all over the country. Last year Gigante shut over 20 stores. And they link pay more to the profits of the individual store. When they put the [Tlaxcala] Aurrera in, there was a big decrease in sales, so there is less margin for negotiation.*

Indeed, Wal-Mart opened its Tlaxcala store in 2002 (Wal-Mart de México 2003), and that is precisely when Gigante in Tlaxcala began to limit benefits and to freeze nominal wages, even though the national economy was resuming growth. Several months after I spoke to Mr. Chamorro, Gigante went out of business, selling its stores to Soriana (Cardoso 2007).

## **Conclusion**

These findings cast severe doubt on the notion that union contracts in the Mexican retail sector are uniformly *contratos de protección*. The fringe benefits specified in retail union contracts vary significantly, often exceeding the minimum required by law. Wages and fringe benefits differ significantly by company, in ways that point to company and union effects on top of other economic differences. Fringe benefits do change over time, in many cases improving. And both contract language facilitating union action and my interview with a union official offer evidence that some retail unions bargain and fight for their members, and that some companies are (or were) willing to accommodate active unions.

The optimistic side of these findings, then, is that there are signs of life among retail unions. The two cases with the strongest evidence for union stirrings, Gigante and Oxxo, have or had a CTM union and an independent union, respectively, suggesting that unions of various types can potentially take an active role in retail.

But there are severe limits to this good news. Of the nine sets of contracts with series spanning more than five years, only these two showed significant improvements, suggesting that this is a relatively rare event. In the case of Gigante, first progress stopped in the face of price competition from Wal-Mart, then several years later the company went out of business altogether. At the former Gigante in Tlaxcala,

employees report that new owner Soriana has been firing groups of workers (Laura Collin Harguindeguy, personal communication, June 1, 2009). Unless stronger unions can be built within market leaders Wal-Mart and Soriana, it will be difficult to sustain union advances elsewhere in the sector. And as Eligio Chamorro's account indicated, Wal-Mart is not as tolerant of active unions as was Gigante. Still, in confronting the task of building union organization in the retail industry, it is important to rediscover, recognize, and learn from what has already been accomplished.

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