

Mexican unions to cut wages

Mexican wages are being pushed down so plants are competitive with China.

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MEXICO CITY -- Mexican auto unions are taking a cue from U.S. labor leaders by offering two-tier hiring schemes and salary cuts that bring already low wages down to near-Chinese levels.

As more automakers turn to Mexico, a big argument for the North American Free Trade Agreement in 1993 - that Mexico's low wage rates would slowly rise to close the gap with U.S. wages - seems to have been thrown in reverse.

"The pressure has not been to raise the Mexican wages up, it's been to push the U.S. wages down," said Ben Davis, the director of the AFL-CIO Solidarity office in Mexico City.

And now Mexican wages are being pushed down even more.

Wage concessions were apparently key to convincing Ford Motor Co. to direct many of the 4,500 new jobs involved in building Fiestas to the Ford plant in Cuautitlan, on the outskirts of Mexico City. Union leaders at the plant told The Associated Press they had agreed to cut wages for new hires to about half the current wage of \$4.50 per hour.

"We agreed to it," said Ford union leader Juan Jose Sosa Arreola. "We need to be more competitive. That's the truth. That's a reality."

The United Auto Workers union had hoped to preserve American jobs by offering a two-tier wage system last fall, cutting starting wages for new U.S. workers by half to about \$14.20 an hour. But it hasn't worked - the jobs are flowing to Mexico, where starting wages at some plants also have been two-tiered, to as little as \$1.50 per hour with a lot less of the related pension and health care costs of U.S. workers.

With labor costs like these, Mexico is staying competitive with China, where an average worker at a foreign-owned factory or joint venture can make \$2 to \$6 per hour. While Mexican benefit costs run higher, Mexico may have already won the low-wage race.

Mexico also now has the advantage of a massive auto production platform based on experience with export plants and proximity to major markets that can't yet be beat in China, whose factories still produce mainly for its own domestic market.

Ford spokeswoman Alejandra Acevedo said she did not know what starting wages for new hires at Cuautitlan would be, but she acknowledged that to win the jobs, the plant had to compete against other Ford facilities worldwide.

"It makes business sense that labor costs are much lower here, and also it's much cheaper here to grow the local supplier network," said Acevedo, noting Mexico's free trade deals help slash the cost of importing parts and exporting cars, Acevedo said.

Other U.S. automakers also are squeezing wages. General Motors said it will stop using relatively high-wage workers to assemble slow-selling pickups at its plant in the central city of Toluca. A labor leader there said the union had gotten the message, and would offer to work for less to keep the plant alive.

"I think we are going to have to sacrifice something in order to continue to be competitive," said Edgar Arroyo, a union leader at the Toluca General Motors plant, where he estimated some workers earn about \$6 per hour, an extremely high rate by Mexican auto industry standards.

Nothing in NAFTA stops this drive to the wage floor. The treaty only requires countries to enforce their own minimum wage laws, which in Mexico means about \$5 per day.

Foreign investment in Mexico's auto industry is soaring, averaging about \$2 billion per year since the 1990s. Ford's \$3 billion investment in the Fiesta project may accelerate that trend.

Auto exports grew by almost 68 percent between 2004 and 2007 to 1.6 million units. Most went to the U.S., but also to European and other Latin American markets.

But since NAFTA's approval in 1993, the gap in overall manufacturing wages between Mexico and the United States has widened slightly, according to government figures.

At Volkswagen's plant in the central city of Puebla, union spokesman Arturo Monter blames low wages on Mexico's antiquated system of labor laws that favor employers and discourage strikes and union organizing.

Unlike in the United States, where a single national union, the UAW, organizes most auto plants, in Mexico unions are deeply split and may only represent workers at one manufacturer, or even at a single plant.

Union leadership at Monter's plant agreed to cut starting wages to \$1.50 an hour from \$1.95 a few years ago. It can now take as long as seven years to work up to earning what was once the entry-level wage, Monter said.

Still, those lower labor costs helped win a contract for an as-yet unnamed Volkswagen model, known at the plant only as "Project Zero," that the automaker had been considering building in the United States, Monter said.

A VW spokesman declined to comment on production plans, saying only that nothing had yet been confirmed.

Mexico's abundant, youthful work force is still drawn to auto plants despite the low wages, union leaders say, because the firms offer stable employment, a rarity in Mexico's working world.

"Despite the fact that we're negotiating what you could call a cheaper contract, I guarantee you that if we advertise for 2,000 workers, 10,000 people are going to show up," said Sosa Arreola, whose plant sits on the outskirts of Mexico City.