

# Due diligence in the Mexican automotive industry.

The case of 5 German companies and their suppliers.

Full Survey

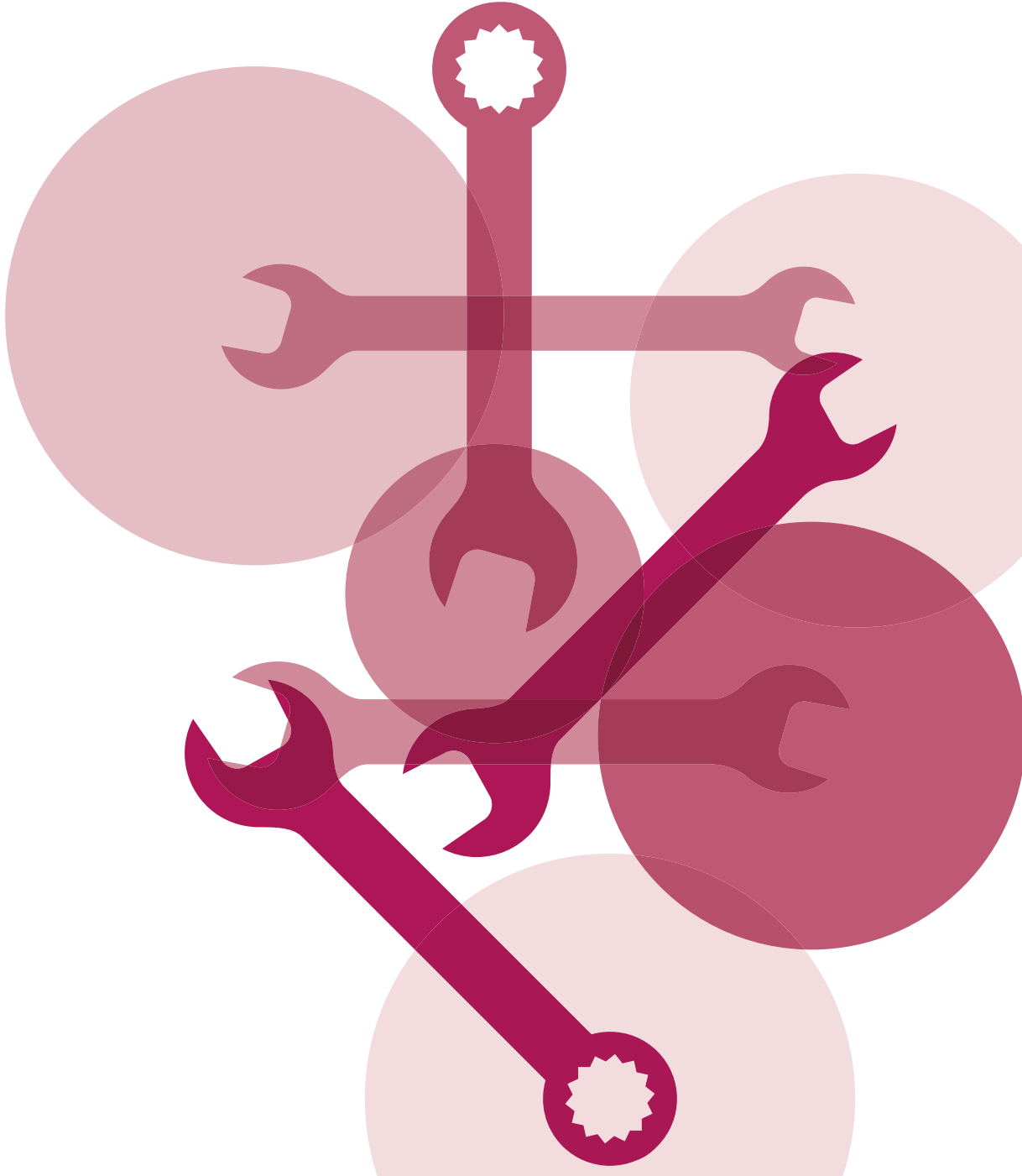
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# 1. Introduction



The purpose of this study, in accordance with the terms of reference approved by the Friedrich Ebert Foundation, was to diagnose the union situation and the prevailing labor conditions in the five selected German companies and their suppliers in Mexico, which translated into a total of 41 plants being analyzed. In addition, two other German assembly plants established in the country were also included, both of which are known for having independent and democratic trade unions as their counterparts. The diagnosis is set in the context of the Corporate Due Diligence Law to Prevent Human Rights Violations in Supply Chains [sic] (*Ley de Diligencia Debida en las empresas para prevenir las violaciones a los derechos humanos en las cadenas de suministro*) (2021) and the general situation of the automotive and auto parts industry in Mexico. Likewise, the institutional context derived from the 2017/2019 labor reforms and their articulation with the USMCA labor agenda will be considered.

The sources used to analyze the union situation and working conditions in the companies are those available on the website of the Federal Conciliation and Labor Registration Center (*Centro Federal de Conciliación y Registro Laboral*) (database of legitimized collective bargaining agreements and labor repository) as well as studies by specialists and hemerographic sources. For this reason, the study does neither reflect the actual dynamics of union activity or labor relations between the trade union, the workers, and the company, nor the level of compliance with the content of the collective bargaining agreements analyzed, which would require fieldwork at these companies and trade unions including interviews and observation of the ongoing union democracy processes.

One of the most important limitations regarding the sources used is that they did not allow the presentation of relevant information on gender issues. On the one hand, there are no such clauses in the CBAs we reviewed. On the other hand, the membership registers of the 26 trade unions studied – with a few exceptions (6)–do not allow gender identification of members. In addition, it is important to note that there might be contract reviews that could not be identified, because the repository was opened to the public on September 20th, 2023, by then the analysis of the CBAs had already been completed; however, the repository could be consulted in order to incorporate the most recent wage reviews. The methodology used to analyze the CBAs and wage

tabulators, as well as to assess the risks of facing disputes due to union representation, will be explained in the corresponding sections.

To comply with the purpose of this study and after this short introduction, this document is integrated as follows. Section 2 presents an analysis of the German Act on Due Diligence (DDA) and the resulting obligations for German companies which aim to identify possible risks and threats with regard to the compliance with fundamental labor rights and, in particular, those relating to freedom of association and collective bargaining. One of the most important risks refers to the existence of CBAs negotiated behind the backs of workers and wages not exceeding the minimum legal wage.

Section 3 outlines the new Mexican institutional context, including internal reforms, such as the USMCA requirements and particularly the lessons learned from the CBA legitimization processes, as well as from the 13 complaints for violations of freedom of association and collective bargaining filed by the United States under the Rapid-Response Labor Mechanism (RRM). These complaints provide an important precedent for the potential adoption of a similar mechanism known as “Intercompany Claim for the Automotive Industry [*Reclamación interempresarial para la industria automotriz* (sic)]” in Mexico. Section 4, in turn, refers to the labor situation of the automotive industry and the auto parts industry in Mexico, including the most important employment and wage indicators. Section 5 is about the union situation. The following sections analyze, firstly, collective bargaining at the selected assembly plants, plus two other contrast assembly plants, followed by Tier 1 suppliers, and finally Tier 2 suppliers (43 CBAs in total). In order to facilitate a comparison of the labor situation at companies, in the section 7, the relationship between the wages from the lowest and highest categories in the tabulators with the minimum wage and the IMSS contribution average wage will be analyzed. A risk matrix is also presented. It allows the classification of companies, tentatively, in three levels of risk according to the protection level of their CBAs: high, moderate, and low risks. Some brief conclusions are to follow. It is worth mentioning, as expressed in this text, that since this is a documentary study, the results obtained should be tested in the future by means of a field exam of the union and working situations of the selected companies.

## **2. Obligations of German Companies and Their Partners in Mexico**





## Institutional Framework

This study takes place within the context of the duties imposed on companies in Germany, under the "Corporate Due Diligence Law to Prevent Human Rights Violations in Supply Chains [sic] (*Ley de Diligencia Debida en las Empresas para prevenir las violaciones a los derechos humanos en las cadenas de suministro*)" (hereinafter DDA), approved on June 11th, 2021 in Germany. Based on this instrument, those companies must respect human and environmental rights along with their international supply chains, "from raw materials up to the finished product for sale." Thus, the DDA provides a fair institutional framework for international outsourcing processes in countries with low labor standards or wages (Grabosch, 2021, p. 8).

These obligations became enforceable from January 1st, 2023. Therefore, having one first diagnosis on the union and labor situation of companies established in Mexico selected in this study, and identifying potential risks and threats concerning the respect for such rights, both within those companies and their suppliers, can be a starting point. This can help reduce their most negative effects, both on the workers' welfare and the stability of the companies.

The new obligations established under the DDA refer to compliance with rules set forth in the UN Social and Civil Covenants and, most importantly, with respect to the matter at hand, with the labor rules set forth in the ILO fundamental Conventions. It is worth mentioning that these obligations are supervised by the German Federal Office of Economics and Export Control (BAFA, for its acronym in German). Some of the faculties of this instance are the investigation of alleged violations and the imposition of fines up to eight million euro or two percent of business annual volume (Grabosch, 2021).<sup>1</sup> Therefore, as indicated above, we will focus on the analysis of working conditions in selected companies and some of its tier 1 and 2 suppliers, in the light of rights and wages established in their collective bargaining agreements. Furthermore, we are interested in analyzing some of the characteristics of labor unions, since both aspects together explain to a certain extent the term and validity of freedom of association and collective bargaining principles recognized

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<sup>1</sup> Among the background to this legislation, which is binding in nature, it is worth mentioning that, according to a scientific assessment of compliance within the requirements of the UN Guiding Principles on Business and Human Rights, only 13 - 17% of large German companies were found to be complying. Hence, the decision to move from voluntary commitments to obligations established in legislation; in this case, promoted by the Federal Ministers for Economic Cooperation and Development and for Labor and Social Affairs of the Federal Republic of Germany (Grabosch, 2021, p. 3).

in ILO Convention Nos. 87 and 98, the former of which was ratified by Mexico in 1950 and the latter on September 2018.<sup>2</sup>

Companies having an obligation under the DDA are those from all sectors and of all legal forms, having their legal address, headquarters, or a subsidiary in Germany, with at least 3,000 employees working in that country, including staff of foreign subsidiaries working therein. For next year (2024), companies with one thousand employees will be included. This would represent a total of 2,900 German companies and 1,900 foreign companies with a subsidiary in Germany. This scope could be further extended, in case that the possibility to include companies with a lesser number of employees can be considered later on. These companies must take all preventive and corrective measures necessary to face risks set by the Act (Grabosch. 2021, p. 4).

Among the risks to the most relevant human rights for this study, there are those making reference to the eight ILO fundamental Conventions and, most particularly, the first two of these:

- a.** freedom of association (Convention No. 87) and effective recognition of the right to collective bargaining (Convention No. 98);
- b.** elimination of all forms of forced or compulsory labor (Conventions No. 29 and 105);
- c.** effective abolition of child labor (Conventions No. 138 and 182); and
- d.** elimination of discrimination in respect of employment and occupation (Conventions No. 100 and 111).

Among the risks to labor human rights expressly mentioned, there are, besides those laid down in the aforementioned conventions, the occupational safety standards in the workplace, as well as the payment of a proper wage. According to the circumstances, it should exceed the legal minimum at the place of employment (Article 2, Section 2 of the Act, cited by Grabosch (2021, p. 4). As we will see in the analysis of the CBAs tabulators of the selected companies, this provision is complied with in all cases.

Based upon its definition, “*any condition in which there is sufficient probability that a prohibition be violated because of the real circumstances*” is deemed a risk. It is also stated that companies must prioritize risks that are considered “probable, serious, and

2 Violations of freedom of association and, in particular, the existence of collective bargaining agreements to protect employers and acts of anti-union discrimination, gave rise in Mexico to complaints filed by IndustriALL before the ILO Committee on Freedom of Association, as in the case of 2694, 2009. The last resolution of this case was issued in 2018. [www.ilo.org/dyn/normlex/es/f?p=NORMLEXPUB:50002:0::NO::P50002\\_COMPLAINT\\_TEXT\\_ID:3964298](http://www.ilo.org/dyn/normlex/es/f?p=NORMLEXPUB:50002:0::NO::P50002_COMPLAINT_TEXT_ID:3964298)

easily influenced" (Article 5, section 2, *Ibid.*, p. 5) and that their obligation takes the form of "reasonable" efforts made to address such risks, but "not as duties of success". Furthermore, it is stated that due diligence applies to companies themselves and their direct suppliers, where the possibility of assertion of influence is greater, so that the requirement of "success" in ceasing an infringement would be limited to one's own business sphere [Art. 7, paragraph 1, phrase 3], (Grabosch, 2021, p. 5).

Coverage of the Act can be extended in some cases beyond direct suppliers. In principle, the established obligations include measures, such as the establishment of management and risk analysis systems, and the adoption of preventive measures in each entity's field of business. This entails the consideration of risks within recruitment strategies and the establishing of controls vis-à-vis direct suppliers, and adopting corrective measures when such risks are run, both at the company and their direct suppliers. However, it is established that "reasonable efforts are also to be made in order to remedy problems that could exist downstream in the supply chain" (Article 9, paragraph 3.) It is important to note that risk management is deemed "effective" if "it is appropriate to prevent or minimize infringements to the supply chain committed by the company or to which it has contributed" (Article 4, Section 2).

Grabosch (2021, p. 6), based on the statement of purpose of the above-mentioned Act, states that there may be a "*casual contribution to risk when a company operates through its supply chain in regions where human rights violations are evident*", citing the example of places where trade unions are banned. As we will see, the study carried out by Consultora Ergon (2023) warns that it is a well-known fact that a broad violation of the freedom of association and collective bargaining principles in Mexico, and that said situation prevails in the automotive industry, among other industries. This way, German companies established in Mexico are not only obliged to prevent said risk, but they are also obliged to correct it upon confirmation of infractions. For this reason, it is important to express in this study the working conditions in the selected companies and in some of their suppliers, as well as to indicate some possible risk indicators that should be considered.

6 To define the scope of due diligence, according to Grabosch, two definitions should be considered. On the one hand, there is the "business sphere". The business sphere

includes all activities around the world performed by a company in order to attain its corporate purpose. This includes the affiliates upon which the company exerts a given influence. In contrast, a supply chain “encompasses all products and services of a company, as well as all the measures, in the country and abroad, necessary for its production or supply, from raw material extraction to delivery to a final customer” (Grabosch, 2021, p. 6).

The scope of the obligation of periodically analyzing risks, as required under Article 5, Section 1 of the Act, is controversial. According to Grabosch, risk analysis should be limited to the “own business sphere and to direct suppliers; i.e., to entities with whom the company has a direct contract relation.” Indirect suppliers should only be monitored when they have “been unduly interposed, to avoid due diligence obligations,” as established under Article 5, Section 1, Phrase 2 (Ibid., p. 6. Note1). i.e., in the case of a pretended outsourcing.

Nevertheless, regarding the risk of pretended outsourcing, it is worth mentioning that in Mexico, since the reform made to the LFT in 2021, the use of the outsourcing figure is only permitted in the case of the performance of works or specialized services that are not the main activity of the beneficiary company. It was also set forth that companies performing specialized activities may only outsource if they are registered with the Ministry of Labor and Social Welfare (REPSE). Therefore, unlike other countries with flexible and permissible rules on labor outsourcing matters, the risk of this type of elusive practices would be partly reduced and controlled by the intervention of the authority with the further addition, in the case of German companies, of obligations derived from the DDA. As we will see in the analysis of the working conditions of the selected companies, in anticipating said reform, some companies have stopped pretension practices and made employer substitution agreements whereby they assume direct labor responsibility to workers as of that time, which reduced the level or risk in face of the obligations of the DDA.

In the face of other risks, the scope of the obligation of their analysis expands to the whole supply chain, among other cases, when there is a change or a risk broadening arising from the introduction of new products or business areas, or when the company “becomes aware of infractions with the support of evidence,” for instance, by means

of the filing of claims through the Complaint Intercompany Mechanism; trade union, non-governmental organizations, and competent authority reports.

It is important to mention that in the case of Mexico, because of an important constitutional (2017) and legal (LFT, 2019) reform, there are new mechanisms and instances of internal control—whose responsible body is the Federal Conciliation and Labor Registration Center—of labor standards violations. These are particularly violations taking place in trade union democracy processes, including the election of directors, the accreditation of trade union representatives in union negotiations, and the approval by majority of voters of the initial CBAs and their respective reviews, in addition to the legitimizing process of CBAs existent as of May, 2019, which concluded on July 31, 2023.

At the same time, it is important to mention that under the USMCA framework, there is a chapter on labor with trilateral binding agreements (Chapter 23 and Annex 23 A), as well as a Rapid-Response Labor Mechanism (Article 31) (bilateral) in order to file complaints of violations of the freedom of association and collective bargaining. In fact, most complaints against facilities covered by such mechanism in Mexico filed by the USA (14 out of 17 as of November 2023) concerned the IAM and, except for one case (GM, Silao, Guanajuato), the rest took place in the auto parts industry sector.

Therefore, any cases of violation affecting the German company or its direct or indirect suppliers and giving rise to complaints is expected to have enough visibility as to create responsibilities to such company concerning the periodical risk analysis. Moreover, given that automotive industry companies concerned by this study are undergoing a restructuring process linked both to the new USMCA demands (new origin rules and wage clauses) and to the adoption of new technologies, and the transition to electric mobility, risks in the field of labor human rights violations could increase along supply chains. This is particularly dangerous for the pressure on Tiers 1 and 2 suppliers to maintain their agreements and that has affected the workers' rights, even with union consent, as a way to maintain competitiveness (Bensusán et al., 2022).

8 In this context, directors of German companies covered by the DDA are obliged to guaranteeing that measures adopted comply with the DDA and are applied

properly, involving, if applicable, other instances, such as the “economic committee”, and reporting to the “company committee, in such a way that they can influence in all stages of DDA obligation implementation stages.”

As mentioned above, BAFA in Germany oversees the effective enforcement of DDA, through several measures, such as inspections to the premises and documentary review, including queries to the company’s staff, and the adoption of sector on inter-sector measures. If BAFA fails to act, one can resort to the Administrative Court. Fines can vary and range from 100 thousand (informal infractions), 500 thousand (important infractions) and up to 800 thousand euro (especially important infractions) and are applied also to directors in charge of human rights, who have neglected their duties. In the case of companies, fines range from five to eight million euro, according to the seriousness of the infraction and the efforts made to remedy damages, as provided under Article 24, Phrase 4, paragraph 7 of the DDA ( Grabosch, 2021, p. 7).

It is important to establish, always in accordance with Grabosch, that those affected by the violation of the rules protected by the DDA may be represented in German civil courts by unions or non-governmental organizations to receive damage indemnification. However, the duty established in such law limits the scope of the obligation of the company to the cease of legal infractions, and, at the same time, its criterion for setting fines to the efforts made by the company to repair such damages (Article 24, Paragraph 4). The activities of companies covered by this mechanism are both direct and the upstream value chain but may further include the downstream value chain (Ibid., p. 8).

In short, all this outlines the potential of the DDA and the Complaint Intercompany Mechanism (UBM, for its acronym in German) to protect the rights of employees of the IAM.

## **Protected Rights and Risks**

The report prepared by Ergon (2023), in relation to a pilot program in the framework of the human rights and environment Complaint Intercompany Mechanism for the IAA (Industria Automotriz Alemana: German automotive, industry) and its partners

in Mexico (UBM), offers context information about human rights in Mexico, potential risks, and their importance in the automotive industry. It also includes a framework to understand the operation of existing complaint mechanisms in Mexico, as well as the challenges and opportunities for the German intercompany mechanism (UBM), while it collects the opinions of the Mexican stakeholders, among others.<sup>3</sup>

It is stressed that the importance of UBM lies in its offering of a framework for the repair of violations that is “broader and more flexible than the national concepts of obligation and responsibility” (Ergon, 2023, p. 6). With respect to the relevant topics on human rights in the IAM (Mexican Automotive Industry), it is shown that UBM has a broad scope regarding the holders of rights covered, such as workers, union representatives, and human rights defenders, among others. With respect to protected rights, human rights, environmental rights, corruption (sic), and integrity are included.

With respect to the subject matter of our study, it is important to stress that issues related to labor rights include harassment and non-discrimination, safety and occupational health, freedom of association, collective bargaining, working hours, and the right to a proper wage.

With respect to observations made, in view of the scope of our study, which focuses on the working conditions of German companies and their suppliers in Mexico, in light of the characteristics of unions and working conditions included in collective bargaining agreements, it is worth mentioning that matters related to gender, race, ethnicity or sexual orientation discrimination, or harassment and violence based on gender in the case of women will require field work with interviews in the workplace. This exceeds the possibilities of this research. In this sense, the absence/presence of clauses in the CBAs preventing this type of risk, which are any way provided for in the Federal Labor Law (Ley Federal del Trabajo) and in the labor chapter of USMCA (23),<sup>4</sup> was observed

3 For possible pathways for the remediation of risks in wage issues, anti-union practices, discrimination, and harassment, see the useful diagram by Ergon (2023, p. 13 - 15). In this regard, voluntary-type mediation forms, complaints before the ILO or the USMCA RRM, Work Inspection, Labor Courts, and company internal mechanisms are mentioned, as the case may be. The report also shows some problems faced by workers when using these resources, such as time and required assistance, or the collusion between auditors and employers, the lack of resources of the auditing body, as well as the existence of blacklists, among others. Likewise, the relevance of the USMCA RRM is indicated exclusively for matters of freedom of association and collective bargaining, covering companies exporting from Mexico into the USA and Canada, or those companies not exporting but competing on the territory against others that do. The advantage of this mechanism is its promptness and the reparation of violations to which it gives rise. On these experiences, see Bensusán (2023).

4 In this regard, see Article 3 of LFT, which sets forth a prohibition of all sorts of “ethnic or national, gender, age, disability, social condition, health condition, religion, migratory status...” discrimination.

in relation to the existence of possible discrimination acts. It is worth mentioning that none of the studied CBAs had this type of clause, except for VWM (that is not part of our sample of selected companies but was included only for illustration purposes), where an Equity and Non-Discrimination Union Commission exists.

As for risks related to freedom of association and collective bargaining, stressed in several reports and studies, the Ergon report (2023, p. 8) warns that unions controlled by employers and so called “employer protection agreements” (CCPE) exist in Mexico. Those unions present bad working conditions, and their purpose is to help employers to avoid assuming true duality in the establishment of working conditions with a truly independent union. These practices have been found particularly at the IAM, but they are a general phenomenon as far as estimations made in previous studies since it would reach 80% of the CBAs in the country (Bouzas et al., 2007). The result of the legitimation process of CBAs existing as of May 1, 2019, where workers had to approve the continuation of the effectiveness of CBAs by majority vote, which process ended on July 31, 2023, largely confirms this estimation. Out of 139 thousand CBA files, only 30,552 files were legitimized as we will see below. Precisely, agreements selected in this study were consulted according to data resulting from the legitimation process, which appears on the website of the Federal Conciliation and Labor Registration Center. Nevertheless, their legitimation does not automatically imply that these CBAs had been negotiated with the knowledge and approval of workers or that the wages and working conditions of workers are appropriate to their characteristics and to the characteristics of the involved companies. Hence the importance of considering the content of these agreements, their relation to the provisions of the LFT, and extent of improvement of such conditions or their extent of creation of new benefits additional to the ones provided under law for workers, as is done in this study, to assess the risk level to be faced in conflicts as a result of the existence of a CCPE. Please note that the function of a CBA is precisely the improvement of working conditions guaranteed under the LFT and the agreement of wages that improve the minimum legal wage.

Another risk outlined by Ergon (2023) is the existence of excessive workdays or violation of legal and contract rules, which has also been studied in the country, since legal protection levels are high (even though a legal workday still comprises



eight hours as did in 1917), but there is a great difference between rules and facts.<sup>5</sup> However, since information available in this investigation comes from the CBAs, we cannot know if workers in fact work excessively long workdays by working unlimited overtime, which are deemed compulsory in the analyzed agreements, and are mainly governed by the LFT rules (with double or triple payments, depending on the number of hours). Exceptionally, in some few CBAs, there are individual accounts of working hours, where long working days are set off against reduced working days or strike days. Thus, only those days exceeding a specific number of hours give rise to the payment of overtime. For this reason, this is an issue that should be considered in future studies including fieldwork to assess if the management of these individual accounts is just a sign of flexibility in working time from the company or if they are also used to avoid the payment of overtime or to exceed overtime beyond the legal limits. This greatly depends on the power of the relevant union to enforce legal and contract provisions.

Finally, it is worth mentioning wage risk as one of the most important risks. In this regard, the Ergon report (2023) mentions two types of risk. On the one hand, there is the lack of transparency in wage setting processes with a lack of timely review and, on the other hand, the existence of stagnated wages or a decrease in wages for several economic reasons, such as the inflation process. This problem mainly affects auto part supplier companies. With respect to the first risk, it is worth mentioning that the review procedure of contractual wages in Mexico is carried out annually and is set forth by the LFT. Only when the CBA is reviewed, including wages, from the 2019 LFT Reform, it is necessary that the negotiation result is approved by a majority vote of the CBA-covered workers. With regard to the second risk, in this study, we analyze wage rates included in the CBAs, their relation to the effective minimum wage (SM), as well as the number of wage categories and the relation of the highest category with respect to IMSS contribution to average wage.

5 With respect to the level of violation of labor rules in Mexico, see Bensusán (2006), where the logic behind these practices is analyzed. There, it is shown that the institutional framework imposes a high compliance cost to employers, but that said cost comes with a low non-compliance cost, which derives in a big gap between rights and reality. To explain this, the average working compliance cost is compared with that of other countries, and it is shown that such cost is among the highest in the region, without inspecting non-compliance. Therefore, problems implementing the regulatory framework because of lack of efficient Labor Inspection with the necessary resources, government control of Conciliation and Arbitration Boards and the lack of truly representative unionism are stressed. It is worth mentioning that these aspects are the core of the institutional reform performed in the country since 2019. One of the purposes of such a reform is to guarantee freedom of association and collective bargaining, as well as to democratize unions and to establish a labor justice system independent from the Executive Branch (Bensusán, 2023). Likewise, the Federal Labor Inspection service has performed an important modernization process (Coneval, 2022).

It is worth mentioning that minimum wages in Mexico experienced a strong loss of purchasing power since the 1980's, followed by stagnation and a recovery since 2018, with a greater impact since 2019. Consequently, minimum wage has become relevant in contrast with the average IMSS contribution wage. Upon analysis of these indicators, which show a sustained recovery, a slight increase in contractually negotiated wages both in the manufacturing and the automotive industries as a whole can be observed. This constitutes an indication of the weak union bargaining power at the plant level. In fact, great fragmentation of wage negotiation at the level of companies that have, for instance, over 10 thousand workers, in a series of different plants with their respective CBAs may be seen as a business strategy that seeks to maintain a low labor cost by means of reduced wages and benefits, as shown in this study.

As mentioned in the Ergon report, derived from interviews performed with people involved in matters of labor rights, there are some obstacles that must be overcome to achieve the proper functioning of UBM. Said obstacles contextualize this study. One of such obstacles is the presence of small companies, many of which are informal, within the supply chain. "This can remain invisible to most players." (Ergon, 2023, p.18). Please note that the Mexican economy is characterized by the fact that it has 60% of the working population in the informal sector, and by a sharp productive heterogeneity, with low-productivity micro and small businesses vs. large business with productivity levels as large as the ones of more developed countries. A second factor to consider would be the possible, although reduced, political influence of union leaders in the country, as well as their alignment with employers. However, as indicated above. Mexico is on the way to implementing a new institutional framework that regulates union democracy processes, which in successive stages will create new incentives and pressure for changes in leadership and styles of representation, closing the way to those who do not have the support of workers.

As stated above, the IAM is precisely one of the sectors where RRM has had a greater impact and led to a renovation of unions and CBAs, especially in the auto part sector. This coercive nature and peremptoriness of the mechanism (RRM), as well as the immediate effect over a premise affected by a complaint, in addition to solidarity and alliances made in these processes, have at least two effects with respect to DDA and UBM. On the one hand, they have created the possibility of infection of nonconformity

processes of ranks with their directors and the CBAs. On the other hand, a greater visibility of these conflicts leads to the possibility of extension of responsibility of assembly plants beyond direct suppliers. This may increase confidence between workers in achieving the respect for freedom of association and collective bargaining, which could be the basis for more claims in the sector in the immediate future.

In this context, this study focuses, as explained in the introduction, on the description and analysis of the current status of jobs and wages in the industry, the structure of union representation, and some characteristics of organizations (according to the labor repository of CFCyRL and secondary sources), as well as on the content of CBAs. The CBAs of five selected companies participating in a first stage of the test of the “Intercompany Claim for the Automotive Industry” (UBM) in Mexico and some of its suppliers are included. With the limitations of the case, the methodology followed will allow identifying some risk factors derived from the labor situation in the selected assembly plants and some of their suppliers, in light of their working conditions and wages. This will help to know how close or far the existing CBAs are from what is understood as a CCPE.<sup>6</sup> It should be noted that the fact that, as of 2019, in order to negotiate a CBA, workers' support must be obtained beforehand (with 30% of the signatures or a majority vote, as the case may be), and subsequently the negotiated agreement must be approved by a vote, which makes the CCPE concept partly obsolete. However, these requirements do not eliminate the risk that due to union weaknesses, CBAs may be dysfunctional or that old practices of simulation may continue to exist.

Before analyzing the content of the CBAs, the following section provides an overview of the institutional context and working conditions of the IAM.

6 For an account of the background and modalities of the CBAs, see González Nicolás (2006).

# **3. The Mexican Institutional Context regarding the IAM: A New Labor Model**



## Labor reforms<sup>7</sup>

Wage gaps in the IAM between Mexico and its business partners were at the center of labor demands in the negotiation of the USMCA that came into effect in July 2020. Comparable levels of productivity with wages ten times lower were considered as part of the explanation for the job drain towards the South and the case of social dumping. That is why the trade unions of those countries put pressure on their governments in order to steer the negotiation towards a radical change in the Mexican labor legislation (Bensusán and Middlebrook, 2020; Bensusán et al., 2022).<sup>8</sup>

The union situation in the IAM, with almost 100% of unionization at assembly plants established in Mexico in trade unions, mostly integrated into one same federation (CTM) and with rates higher than the auto parts industry average, did not translate into greater bargaining power, but into a strong control of wages and workers. This guaranteed the absence of labor disputes.

The articulation between constitutional reforms (2017) and the Mexican Federal Labor Law (Ley Federal del Trabajo) (LFT, 2019), Labor Chapter (23 and its Annex 23 A), and the Rapid-Response Labor Mechanism (Chapter 31, Annex 31-A and 31-B) of the USMCA aimed at eliminating the institutional determinants of bad quality in representation and the simulation of collective bargaining, and at creating unprecedented union democracy processes to give voice to workers. The direct, free, and secret vote of workers constituted the main resource to promote an effective representation of their interests, as well as a true duality in the negotiation of working conditions.<sup>9</sup>

Without ignoring possible shortcomings in the implementation of the reforms, among other reasons due to the urgency with which they had to be carried out (2019 - 2023) and the insufficient resources and state oversight capacities, from the perspective of institutional change it can be seen as a success story. This perspective especially applies if one considers the timeliness with which all the steps for the construction of a new scaffolding through which these processes would pass, during the

7 Part of this section is taken from Bensusán (2023).

16 8 In countries of the Americas in 2019, the median value of the monthly minimum wage in dollars in the United States (PPP) was 668 dollars; the highest minimum wages were found in Mexico's two main business partners, Canada (1,612 dollars, minimum wage in PPP) and the United States (1,257 dollars, minimum wage in PPP), while the lowest wages were found in Mexico (289 dollars, minimum wage in PPP) and Haiti (359 dollars, minimum wage in PPP), (ILO, 2021, pp. 106 - 107).

9 For an analysis of the relationship between the internal changes in the Mexican labor legislation and the USMCA, see Bensusán (2023), Covarrubias (2021), and Escobar Toledo (2023).

pandemic, under systematic surveillance from the United States through the US Group of Independent Experts, as shown in the following table.

What is important is that this institutional framework provides a unique context for the application of the DDA since it is not a country with "low labor standards" or where the existence of trade unions is prohibited. Rather, problems being faced are the non-compliance with employer obligations, the survival of violations to freedom of association and collective bargaining, and wages, which, while recovering, remain insufficient to guarantee a decent life.

**Table 1. Main milestones of the Labor Reform**

| <b>Main milestones (Constitutional Reform, Article 123, February 5, 2017, and Decree of Reform to the LFT, April 30, 2019)</b>           | <b>Task Accomplished</b>  |
|--|---|
| Creation of the Interinstitutional Coordinating Council for the implementation of SJL  | June 2019 (before the deadline)   |
| Organic Law of CFCyRL  | January 20, 2019, delay of two months   |
| Stages of implementation: CFCyRL- CC and labor courts  | CFCyRL starts operations before the deadline (November 18, 2020), first meeting JG - August 7, 2020. Third TL stage: October 2022 (planned for May 2022). |
| Transfer of registration authority to CFCyRL: migration of 173 thousand Union and CBA records, equivalent to 18 million digitized pages. | CFCyRL starts operating nationwide on November 3, 2021 (six months after the deadline).   |
| Reforms to union statutes to include DS principles and gender  | Higher compliance at the federal level, more than 96% (2160 registries) than at the local level with around 40% (10,676 registries).                      |
| Entry into force of new PDS (proof of representativeness, approval and review of CBA, elections) through secret and direct voting.       | May 1, 2020   |
| Process of legitimation of existing CBAs   | May 1, 2019 - July 31, 2023   |
| Budget (mostly for the new labor justice system)   | 2020 = 1,400 million pesos; 2021 = 2800 million pesos; 2022 = 10 thousand million pesos and 500 million for the states.                                   |

Source: Own preparation based on official sources.

However important it may be, institutional change is not enough to overcome the inertia and flawed practices of the old labor model, much less to achieve greater bargaining power vis-à-vis employers. Undoubtedly, the transformation agenda was ambitious in that it set out to put an end to the interference and discretion of the labor authority and employers in the organizational and claims process, the simulation in collective bargaining (CCPE) and the limited bargaining power of unions. This required avoiding the concentration of power in the hands of union leadership, the absence of democracy, transparency, and accountability, as well as systemic corruption within unions and their complicity with employers. Such practices had been entrenched for more than a century but expanded in the new export economy sector under NAFTA.

Of all union democracy processes, the requirement included in transitory Article 11 of the LFT Reform Decree and in Annex 23 A of USMCA, which imposed the obligation to legitimize the CBAs in force as of May 1, 2019, through the vote of the workers, was the one that generated the most interest and expectations inside and outside the country. However, this process was of a temporary nature as it ended on May 1, 2023, whilst the rest of the procedures will be permanent: election of officers, request of a certificate of representativeness as a precondition for collective bargaining (with two modalities, depending on whether there is one or more requests), vote of the CBA negotiated by the union officers and of the successive contractual revisions. Some of these processes were involved in complaints of violations of freedom of association and collective bargaining, within the framework of the RRM (Rapid-Response Labor Mechanism), to which we will return later.

Experiences associated to the process of the legitimization of the CBAs and to the RRM provide contradictory evidence. On the one hand, it is important to notice the survival of practices against freedom of association and collective bargaining, as well as the existence of leaders who bypassed without any great difficulty some union democracy processes in spite of their distancing from the bases and thanks to their closeness to employers. On the other hand, there are positive cases where in little time –comparing with historic defeats in previous disputes in the IAM, for instance, Honda, Alto Jalisco (Bensusán and Covarrubias, 2016) – new independent organizations could be created in a short time. Furthermore, collective bargaining agreements negotiated by leaders without representation could be terminated, the agreements

necessary to negotiated a new one with enhancements could be obtained, and, finally, this agreement could successfully be put to the vote of the workers. This, for example, was the case of GM, Silao, Guanajuato, under the first complaint accepted by Mexico under the RRM.<sup>10</sup>

In this scenario of lights and shadows, it is too early to say whether the positive effects of this mechanism will expand to other companies or other sectors where workers continue to obtain wages close to the minimum wage and conditions that barely exceed those of the LFT, as this research shows in the case of two German assembly plants and some of their suppliers, especially those of tier 2. Neither is it possible to anticipate whether in the immediate future the necessary incentives will be created to promote a profound reorganization of union structures, changes in leadership and bargaining styles in the IAM, be they "corporate unions" or independent unions, since in both cases they negotiate in isolation, which limits bargaining power. In fact, these changes are a condition for increasing workers' power and building a more symmetrical terrain with their employers in determining their working conditions, which is ultimately the central purpose of the internal reforms and the unprecedented labor agenda of the USMCA and the DDA.

## **Implications of the Legitimization of CBAs and the systemic character of the 2019 Labor Reform**

Legitimization of CBAs generated expectations that exceeded the real possibilities of transformation of this instrument, since the complexity of the process underway was not realized: leaving behind a statistic corporative union regime deeply embedded in society, which implied one of the most complex processes of social change, in the words of Schmitter (1992). The disillusionment with the failure to completely do away with the contracts inherited from the old regime was perhaps due to the failure to visualize the systemic nature of LR19. Within this new arrangement, several processes of union democracy interact on a permanent basis, as mentioned above.

10 The relevance of turnover at the union level is illustrated by this case where the new trade union managed, in the last two reviews, to obtain a wage and benefits increase of over 20% (13.5% in benefits in 2022 and wages, and 10% in 2023). Furthermore, it obtained the participation of the trade union in different aspects of the labor relations. As their Secretary-General stated, increases in 2022 exceeded the increase in inflation and the average increase in the sector. Moreover, those being granted in previous reviews did not exceed 4.5% (Horta, 2022). It is important to indicate that in 2023, Audi agreed to a 9.4% increase, VW 9%, and Nissan Cuernavaca 9% (Cortés Fernández, 2023).



There are even new rules in the LFT that are little known, even by the employers, but said rules make it possible that sooner rather than later a non-representative union or an inactive agreement may be replaced without the previous obstacles that sustained artificial and fictitious majorities. Thus, pursuant to Article 923 of the LFT, if a CBA is not revised within four years, any union that has the support of workers may call a strike for the signing of a new CBA, without the need to file a lawsuit for loss of ownership. This, in any case, would henceforth be processed in independent labor courts. In short, by action and repetition, each and every one of these turning points in union life are those which, over time, should forge citizenship and effective democracy within organizations. Clearly, this cannot occur overnight or by a single process, except very rarely. At the same time, it should be noted that the repetition of these processes will be a source of possible labor conflict in the life of labor relations in companies, which obliges those responsible for managing these relations within the company to redefine their management strategies and to adopt preventive measures that respect legality.

Some figures are for illustration purposes. Official data as of November 2023 (the requests submittal process finalized on May 1st, 2023) indicate that about 31 thousand legitimization processes had been conducted, vs. 139 thousand CBA dossiers. Out of these, 30,552 were approved; 7 million workers were asked to vote; 663 CBAs were not supported, and 398 remained under process. According to some estimates, the vast majority of existing CBAs in the IAM had been successfully submitted to the legitimization process,<sup>11</sup> although other sources claim that about 13% of these CBAs had been rejected.<sup>12</sup> In turn, as this research on German assembly companies and their suppliers will show, some of the legitimized CBAs have starting wages close to minimum wages. Moreover, there is little variation between these and the highest category and they barely exceed the legal minimums in some or some of the working conditions, with few extra-legal benefits. These could be indications that they are either CCPEs or simply unions with very little bargaining power or, more often than not, pressured to offer concessions to companies as a condition for preserving jobs. In any case, information provided by the CFCyRL's labor information repository will allow for a more extensive and detailed assessment of what has happened in the sector soon. In this way, it will be possible

**20** to confirm or discard the hypothesis that a large part of the legitimized CBAs is far

11 Data by the president of the Auto Parts National Industry (Industria Nacional de Autopartes, INA), see González (2023).

12 See Martínez (2023a).

from offering advantages to workers in line with the success of companies and that they survived due to old inertia, which seems to be demonstrated in the case of a part of the companies analyzed in this research.

In principle, it could be expected that the CBAs rejected by workers or not presented to the IAM for legitimization would open the way for workers to seek a new representation and a new CBA. Since many factors might backfire, it is not certain that this will happen. In the first place, because of the strategies of companies themselves to avoid it – off the radar of authorities – as well as because of the inertia of decades of demobilization and defeats of workers, then in an unfavorable economic, political, and union environment, although very different from the current one. In addition, the termination of the CBA may have been a strategy of the union and the company to soon request a certificate of representativeness and return to negotiate with less support (30% of signatures vs. more than 50% of votes). However, when it comes to approving the agreement or revising it, it would be necessary to have the approval of the majority of covered workers, which sooner rather than later will generate their interest in actually improving its content. Even if the employer maneuvered so that this would not happen, under the expectation of maintaining individual relationships with its workers, the new rules provide guarantees so that workers can organize without reprisals. Nonetheless, greater control capacities of the authority are still needed to protect them in a timely manner and avoid dismissals during the initial phase of these processes.

In the meantime, over 100 thousand CBAs were eliminated. Quite surely, these offered little to their workers, but should they include advantages, they will become part of the workers' acquired rights. Employers must respect them under the strict control of the Labor Inspection service. One of the main objectives of such a service for 2023 is to supervise employers for such purposes. In short, without ignoring the obstacles that may have been faced to leave behind CCPEs or those offering labor conditions close or equal to the LFT, it can be concluded that through this process the collective bargaining scenario has been substantially transformed. It is in this context that this study can be useful to notice the relevance of companies adopting new management strategies, regardless of the origin of the capital.

Moreover, it is worth mentioning that data derived from a study conducted by the CONASAMI based on the information from CFCyRL, comparing similar workplaces between April 2019 and 2023<sup>13</sup> confirm the previous wage gap, where collective agreements were legitimized by workers' votes. In those cases where this process did not take place, there was an increase between 6.7% and 7.1%. It also turns out that, after legitimation, wages in companies where workers voted in favor of collective bargaining agreements were in average between 8.6% and 10.0% higher than those where legitimation did not take place (CONASAMI, 2023). This may be due to the fact that unions that submitted them to the vote of workers with positive results were the ones that had the best conditions to maintain their loyalty, or better control of the rank and support from the companies.

## RRM Results

As a background for consideration in the implementation of the Complaint Intercompany Mechanism (UBM) in the IAM, considering what has happened in the past two years of operation of RRM is important. As established in Chapter 31, Annexes 31 A and 31 B of NAFTA, the RRM included in the Protocol signed on December 10, 2019, as a condition for the approval of said agreement by the Legislative Branch of the USA and Canada, is a coercive, peremptory and bilateral claims instrument. It seeks to redress and sanction violations of freedom of association (LS) and collective bargaining (NC) in the facilities covered by said mechanism, priority sectors and product or service companies that export or compete with others that so do (Encinas, 2021).

The pressure is immediate and the entire process, including consultations and a possible panel to resolve the dispute, is quick and effective (it takes about four months). This differentiates it from nonconformity processes before the CFCyRL, based on the Guidelines for Union Democracy processes. In principle, it is insufficient, slow, and perhaps ineffective to deter, punish, and timely repair violations of such freedoms, so it should undoubtedly be strengthened in the short term.

22 Up to now, three complaints from the RRM out of 17 were not accepted by Mexico (two of these because of untimely reasons), three are pending, and only one has given rise

13 The CONASAMI study (2023) provides a synthetic review of the research showing the positive effect of trade unions on wages and on the reduction of inequality.

to the creation of an independent expert's panel, which is underway. The vast majority of complaints (14 out of 17), as was to be expected given their centrality to the external questioning when negotiating the USMCA, as already highlighted, concern the automotive industry (one assembly plant –GM, Silao– and the rest are auto parts companies). One of them concerns a company in the air sector, one in the mining sector and a further one in the textile sector.

Although there was national and international solidarity to take advantage of this resource, interference practices of employers and allied unions were made visible inside and outside the country, some traditional union leaderships with a lot of power were defeated, new CBAs with improvements were signed (GM Silao, Panasonic, Tridonex, Unique Fabricating, among others) and, perhaps by contagion, other cases were resolved in favor of workers without the RRM (as in Saint Gobain and 3M Purification).

However, the 17 cases of RRM confirm the persistence of old anti-union practices sustaining the old corporate deal remain. The reform is intended to modify this deal. These practices confirm the risks referred to by the Ergon report (2023). A quick list shows recurring violations to the LS in electoral processes linked to the Legitimization of CBAs in the face of rejection by the workers and irregularities of all sorts in voting processes: disinformation, non-submission of CBAs, count of partial and early votes, destruction and hiding of ballots, etc. (GM - Silao; Mas Air). Harassment, bullying, and layoffs on the grounds of independent unionization, agreements between the company and ally unions to prevent the arrival of independent unions, and pressure from the company to join a trade union have been present on more than one occasion. In other cases, the company's refusal to negotiate a new CBA with the union holding the Certificate of Representativeness (Manufacturas VI) and the signing of a CBA behind the workers' backs, in violation of the new rules of RL19 (Panasonic), or the coercion for workers to accept the signing of a CBA are inertias of the past that have filtered into what is supposed to be a new labor model. There has even been a lack of recognition of the competencies of the new CFyRL by companies and unions allied in union democracy processes, seeking to prolong the intervention of the conciliation and arbitration boards, as well as employer interference and impediments to the success of independent organizing efforts (Unique Fabricating). In the case of Goodyear, the company refused to apply

an existing Contract to impose a CBA negotiated with a union that accepted lower working conditions (Goodyear).

Finally, in the complaint in the case of the Mina San Martín, whose claim was rejected by Mexico as untimely; the facts show that work was resumed during the duration of a strike that, lasted more than 15 years (Mina San Martín), which is a right guaranteed by labor law. However, in this case, due to its prolonged duration, the strike was clearly harmful not only to the company but also to the strikers and led to the formation of the first arbitration panel under the RRM.

In short, the RRM balance up to this day shows the limited scope of this instrument, if the small number of complaints is considered, but quick results favorable to the interests of the workers modifying somehow and, in those cases, the previous correlation of forces: Most violations to the LS and NC were repaired. In cases where they were not, a second or more complaints concerning the same event could be filed, and a first panel could take place. Although two years have now elapsed since the first case, it is too early to know whether the RRM will have a more general preventive and deterrent effect, at least in exporting companies in priority NAFTA sectors. However, the importance of prior organization of workers dissatisfied with the status quo and the availability of domestic and international resources and support for the filing and intake of complaints has become clear.

As recently recognized by the representative of the Business Coordinating Council (Consejo Coordinador Empresarial, CCE), in order to avoid the use of these complaint mechanisms, companies could design a protocol to address the problems of violation of freedom of association and collective bargaining standards highlighted in the 17 complaints, acting in a preventive manner to avoid this type of complaint. Precisely, the tentative and exploratory risk analysis in this study is a resource to be evaluated in the context of the new obligations assumed by German companies.

In short, the implementation of the RRM yields important lessons that should be used in the implementation of the corporate claim mechanism for German IAM companies (UBM).

## New wage policy and low bargaining power<sup>14</sup>

The most forceful effects of the new administration's labor policy<sup>15</sup> can be seen in the evolution of the minimum wage,<sup>16</sup> whose index, taking as a base 100 in 2018, reached 196.6 in 2023. Its annual increases in real terms, which benefited 6.4 million formal workers in 2019, made the ratio between the minimum wage and the IMSS contribution average wage go from being equivalent to 25% in 2018 to 32% in 2023 (Bensusán and Florez, 2023). The reduction of this gap is positive but still not enough, since, as stated in an ILO research: "A national minimum wage set at less than half the median or mean wage will leave many workers with relatively low pay" (ILO, 2021, p. 114). As we will see in this research, although all CBA tabulators in their lowest category manage to exceed the minimum wage, some workers obtain remunerations below half of the average wage (expressed in the IMSS contribution average wage) and very few come close to or exceed the IMSS contribution average wage. Generally, these workers are those who reach the highest category in some companies that grant them. However, when considering the income structure of subordinate workers and workers paid based on equivalent wages (January 2023 base), we find a slight improvement, with a reduction in the salaried population in the lowest wage range and a greater redistribution in the remaining income levels. Even with this improvement, three out of every four salaried workers still earn up to two minimum wages. This gives an idea of the persistent precariousness and inequality of jobs in terms of income, although labor poverty has been reduced.<sup>17</sup>

The low bargaining power of unions is reflected in the share of wages in Mexico's GDP, in contrast to other countries in the region. Thus, between 2000 and 2010 in Mexico, it fell from 31.20% to 28.02%, while it increased in Argentina (from 37.17% to 39.04) and in Brazil (from 40.7% to 43.5%), according to estimates by Alarco Tosoni (2014).<sup>18</sup>

14 This section is taken from Bensusán y Florez, 2023.

15 The minimum wage recovery policy began between 2015 and 2016. A detailed review of the background of this recovery, as it was the case of the impulse coming from the Mexico City Government and the constitutional reform that created the Measurement Unit for the determination of penalties, fines, and other concepts, which allowed the decoupling of the minimum wage from the rest of the economy, can be found in Esquivel (2023).

16 According to 2018 data, Mexico was well below relative global minimum wage levels, which are set at around 55 percent of the median wage on average in developed countries and around 67 percent of the median wage in developing and emerging economies (ILO, 2021).

17 According to the ENOE, between 2019 and 2023, the percentage of salaried workers earning up to one minimum wage decreased (from 39.4% to 34.2%), while those earning more than one and up to two minimum wages increased (from 36.6% to 39.8%), more than two and up to three minimum wages (from 6.9% to 9.1%) and more than three and up to five minimum wages (from 2.6% to 3.5%), and, very slightly, more than five minimum wages (from 0.8% to 1.0%); the rate of critical employment conditions in this period was also reduced from 35.8% to 33.3% (Bensusán and Florez, 2023).

18 Abeles et al. (2017, pp. 21 - 22) find the same trends in those years. Mexico, together with Chile and Guatemala, is a country in which, in contrast to Argentina and Brazil, the share of salaried employees in the redistribution of intra-sectoral value added was lower.

For his part, Capraro (2015, pp. 79 - 80) shows that this indicator fell in 2012 to 27.5%. He suggested that, while companies managed to benefit from increased productivity, workers were left out. It is worth mentioning that this drop could not be explained by the fall in the unionization rate in the manufacturing industry or in the transportation equipment manufacturing industry (IAM), because it fell less than in the formal wage earners as a whole and remained relatively high, reaching 35% in the IAM in 2023, with a slight increase compared to 2018, when it was 34.2% (Bensusán and Florez, 2023).

Observing what happened in the manufacturing industry, with slightly higher unionization rates than the average and greater economic dynamism, the contractual wage increase between 2019 and 2022 was only 8.2% (on average 800 thousand workers) and in the automotive industry (manufacturing of transportation equipment) 10.0% (on average 300,000 workers), which is the sector where the success of the export model was greater.<sup>19</sup> In fact, both the case of the IAM and the manufacturing export industry under the old labor model can be considered as examples of a concerted policy between the government, employers, and allied unions, aiming at artificially lowering wages in the context of improved investment and increased exports (Bensusán and Reygadas, 2000). This policy has been strongly questioned by Mexico's business partners and led to pressure for a labor reform at the constitutional and LFT level (Bensusán, 2020) which is precisely what the DDA and the UBM should help to strengthen, based on the defense of workers' rights.

What we have shown in other studies (Bensusán and Florez, 2022; Bensusán and Florez, 2023) and is being confirmed by observing the low increases in remunerations as well as the contractual wages in force in the selected IAM companies in this research is that this situation has not yet been able to be reversed. There are only a few exceptional cases (not included in this study), where a change in union organizations and collective bargaining agreements was achieved in the framework of the labor reform (2017 - 2019).<sup>20</sup> For that reason and for illustrative purposes, the analysis of two CBAs negotiated with independent unions was included, that of VWM – longstanding and one of the best in the IAM – and that of Audi. They show how the content of the CBA improved after an initial negotiation with low working conditions.

19 On the export success of the automotive industry, see Covarrubias (2020).

20 An account of the main cases in which union replacement was achieved in the IAM using the Rapid-Response Labor Mechanism and its positive results can be found in Bensusán (2023).

# 4. Employment Situation in the IAM





## The Mexican automotive industry's production context

In recent years, the automotive industry worldwide has experienced remarkable advances in its production. In 2018, a milestone was set by reaching a record global vehicle production figure, reaching a total of 98,869,020 units manufactured. However, the subsequent year 2019 saw a decline in sales in all automotive markets around the world (AMIA, 2023a).

The impact of the Covid-19 pandemic became evident in 2020, with a significant 15.8% reduction in global vehicle production (AMIA, 2023a). The restrictions and measures imposed to contain the spread of the virus slowed down manufacturing activity, affecting the supply chain and production capacity throughout the automotive sector.

The year 2021, while marking a recovery in terms of production, showed a more moderate growth of 3.1%. This limited growth is attributed to a variety of factors, especially the weakness in the global supply chain, exacerbated by shortages of semiconductors, essential components in vehicle manufacturing. These factors have created significant challenges for the industry, affecting its ability to increase production more sharply (AMIA, 2023a).

The U.S.-Mexico-Canada Agreement (USMCA) region plays a significant role in global vehicle production, jointly accounting for a significant portion of the total worldwide production. In 2000, the combined production of the three USMCA countries accounted for 30.4% of global vehicle production. However, due to the financial crisis, this share fell sharply to just under half (14.2%) in subsequent years. Nevertheless, a gradual recovery in the regional share was observed as of 2015, reaching 19.8%. Since then, structural and circumstantial factors of the global economy have influenced the progressive decline in the region's contribution. By 2022, this trend had led to the combined production of vehicles in the USMCA representing 17.4% of world production (OICA, 2023).

Domestically, vehicle production has been a key component of the economy in recent decades. As of 2020, Mexico has established itself as the world's seventh largest

vehicle producer, maintaining a prominent presence in the global industry. Among the types of vehicles produced in Mexico, light vehicles represent the largest percentage of production. In 2018, they accounted for 95.6% of total production, while heavy vehicles only made up 4.4%. This trend persisted in 2021, with light vehicles maintaining a preponderant position by accounting for 94.7%, while heavy vehicles reached the remaining 5.3%.

Exports have also played a key role in the Mexican automotive sector. According to AMIA data (2023b), light vehicle exports have maintained sustained growth since 2005. In that year, they accounted for 73.5% of all exports in the sector. This percentage continued to increase until reaching its peak in 2021, when light vehicle exports accounted for 90.9% of production destined for the foreign market.

The importance of the automotive industry in the Mexican economy is also reflected in other key indicators. The industry's contribution to the national Gross Domestic Product (GDP) and manufacturing GDP has been growing gradually since 2005 (in that year, it represented 1.9% and 11.7%, respectively), except for the impact of the international financial crisis in 2009, when the national share fell to 1.7% and the manufacturing share fell to 10.6%. After the crisis, a moderate recovery was recorded and it was until 2018 when the share reached its highest level, representing 3.9% of national GDP and 20.8% of the manufacturing GDP. By 2022, these figures decreased to 3.6% and 18% respectively (AMIA, 2023b).

Regarding the percentage of plant capacity utilization, this indicator remained relatively stable from 2013 to 2017, peaking at 91.1% in the latter year. However, thereafter, this figure began to gradually decline, reaching a historic low of 67.3% in 2020. A modest recovery to 70% is only recorded in 2021 (AMIA, 2023b).

## **Development of the employed staff**

From the implementation of the export model in 1994, the automotive industry established in Mexico (IAM: industria automotriz instalada en México) experienced a significant increase in job creation, since its volume increased seven-fold between

1994 and 2016 (Bensusán and Florez, 2023). However, this strong growth became more moderate in the following years, being affected by both cyclical aspects, such as the COVID-19 pandemic effect, and structural aspects of the sector and the Mexican economy.

The share of jobs created by the automotive industry in manufacturing employment has shown relative stability since 2018. Although it was 17.1% in that year, this figure will fall slightly by 2021 to 16.4%. By 2023, employment in the automotive industry reached 847,140 employees, representing 17.2% of total manufacturing employment. In this context, auto parts production companies stand out as job creators, contributing 84.2% of all jobs in the automotive industry. In contrast, assembly plants accounted for only 12.7% and the body and trailer manufacturing industry contributed 3.1%.<sup>21</sup> This difference is attributable to the restructuring process of the industry when a good share of employment was outsourced to suppliers. These offer fewer quality jobs, as argue Covarrubias (2020), and Bensusán and Florez (2022). This will be shown in the study upon comparison of the wages and conditions of these with those of assembly plants.

Following the indices provided by the INEGI<sup>22</sup> Monthly Survey of the Manufacturing Industry (Encuesta Mensual de Industria Manufacturera, EMIM), two relevant aspects having contributed to the development of the employed staff in the automotive industry since 2018 to this day have been identified: 1) the effect of the pandemic and the subsequent recovery; 2) the impact of different amendments to labor standards, particularly the one relating to the reform having limited outsourcing to those specialized activities not part of the core or principal business of the company (Bensusán and Sánchez, 2022).

The trend in job creation (index of the total employed staff, índice del personal ocupado total) remained stable since 2018, with a similar behavior both in the manufacturing sector as a whole and in the different branches specific to the automotive industry. Nevertheless, 2020 represented a break in this trend due to the impact of sanitary restrictions. Still, decrease was generally moderate (0.6% for all the manufacturing sector, 0.4% for assembly plants, and 1.3% for auto parts companies). The car bodies and trailers manufacturing branch experienced a marked decrease of 21%, while being the smallest branch of the sector. A more pronounced recovery was seen from 2022,

21 INEGI EMIM - Total Employed Staff (Number of People). See Annexes 1 and 2. Indicators selected from the manufacturing sector and the automotive industry.

22 The index of total employed staff and the index of staff dependent and non-dependent on the corporate name are reintroduced. All have as base year 2018 = 100. All changes reflected in the indices are given with regards to the base year.

since the employed staff in the manufacturing sector increased 3.9% with respect to the base year, while, in assembly plants, it increased 2.5%. Conversely, the auto parts branch managed to recover until 2023 with a 2% increase.

The other important dimension in the development of the volume of employment is related to the behavior of the outsourced staff (index of the staff provided by another corporate name: índice del personal proporcionado por otra razón social). This provides evidence of an improved quality in jobs. This index underwent a marked decrease in 2021 compared to the base year (2018) and coincided with the entry into force of the reform in the field of outsourcing. The drop in percentage for outsourced staff was 37.6% for the manufacturing sector, 42% for the transport equipment manufacturing subsector, 19% for the car and trucks manufacturing branch, and 43% for the auto parts subsector. These trends continued in the subsequent years with even more significant reductions and by 2022, outsourced employment had reduced by 84.3% in manufacturing as a whole by 92.5% in the transport equipment manufacturing subsector, by 91.3% in the car and truck subsector, and by 94.6% in the auto parts subsector. These data show a reduction of job insecurity in the sector, as direct recruitment is associated with greater stability, better labor conditions, and unionization possibilities.

Along with the significant reductions in subcontracted employment, logically, a positive trend can be seen in the recovery of the index of personnel dependent on the company, attributable in the first instance to the gradual lifting of restrictions imposed by the pandemic and subsequently to the incorporation of a segment of workers who were subcontracted. Thus, in 2021, the employed dependent personnel began to recover, advancing by 11.4% with respect to the base year in the total manufacturing sector, by 6.8% in assembly plants and by 7.8% in auto part companies. In 2023, the rise is 26%, 25% and 27.1% respectively.

## **Evolution of Wages and Compensation**

The labor policy implemented by the current administration has stood out thanks to the remarkable recovery of the minimum wage. Even though the first steps were taken between 2015 and 2016 (Esquivel, 2023), this trend has gained additional momentum

during the current administration. Between 2019 and 2023, the real minimum wage experienced a substantial increase of 69.4%, while the increase in the real IMSS contribution average wage was 42.1%. This implied the reduction of the gap between both indicators, since annual increases in real terms made the relationship move from 25% in 2018 to 32% in 2023. Even though these increases are significant, there is still some margin for greater equality (Bensusán and Florez, 2023).<sup>23</sup>

Nevertheless, the trend of wage recovery has not had consistent growth, since, compared to increases in the real minimum wage and the IMSS contribution average wage, total contractual wages only grew by 5.3% in real terms in five years. This is reflected in the manufacturing industry, where contractual wages increased only by 8.2% in the manufacturing sector and by 10% in the transport equipment manufacturing subsector between 2019 and 2023. Despite the recorded growth, this could be regarded as low when taking into account the strong economic performance of the automotive sector, its prominent role in exports, and the relatively higher unionization rates (Bensusán and Florez, 2023).

The Monthly Survey of the Manufacturing Industry (EMIM) provides complementary information for the analysis of the compensation dynamics. The index of real average compensation (base 2018 = 100) showed increases in the manufacturing sector and the automotive industry. The increase in this indicator in relation to the base year is of a slight nature until 2021. Nevertheless, from 2022, compensation evolved favorably, increasing by 17.3% in all the manufacturing sector and by 11.6% in the transport equipment manufacturing subsector. The increase in this index for that subsector is mainly due to the 18% increase that real average compensation had in the auto parts branch, since there was a 6.3% decrease in car and truck manufacturing with respect to the base year, and it only rebounded 3.8% until 2023. The trend is also consistent if we look at average real wages per hour worked. For the same year, this index increased by 24% in relation to the base year in all the manufacturing sector, by 4.6% at assembly plants, and by 25.7% at auto parts companies.

Given that these indices consider shared profits, it is possible that one of the factors having contributed to their growth is that a greater number of workers had access to

### 32

23 It is important to indicate that upon confirmation of the positive effects of increases on productivity and staff retention, COPARMEX itself has advanced a gradual increase for the next three years for the minimum wage to double its current value (from 6,300 pesos to 12,400 pesos), in order to reach the welfare threshold to cover two basic food baskets and to improve the quality of life. This increase in private companies would evolve independently of what is set by CONASAMI, estimated at around 8,600 pesos for 2025 (Hernández, 2023).

that benefit after 2021, thanks to the reform having limited outsourcing and in favour of direct employment. This phenomenon took place mainly in the auto parts branch, as shown by the index of real average social benefits (índice de prestaciones sociales medias reales) and the figures of the shared profits. The first indicator showed workers of the auto parts companies increases of 7.5% in 2021, 14% in 2022, and 24% in 2023 compared to the base year. In turn, in the assembly plants branch, real average benefits decreased by 9.5% in 2021, by 5.7% [sic] in 2022, and it was not until 2023 that the index experienced a 24.1% recovery. Concerning profit sharing, workers of the auto parts sector jointly received 2,414,701 [sic] (current) pesos in May 2021, while for the same month in 2022, this figure increased significantly to 4,078,497. This represented a 69% increase.<sup>24</sup>

In short, the wage recovery policy implemented by the current administration has favorably impacted the working population of all the country. While contractual wages (those wages relevant to the manufacturing sector and the automotive industry) have experienced a more moderate growth, upon review of the information from the EMIM, an upward adjustment in compensation can be observed, in line with the domestic wage recovery. Although, as Bensusán and Flores (2023) point out, wage recovery in the automotive industry should in the future not only be linked to government measures but also to greater bargaining power and a unionism strengthened in a sector with unionization rates that exceed the national average.<sup>25</sup>

## Evolution of worked hours

According to EMIM, the evolution of worked hours in the manufacturing sector and the automotive industry can be summarized in two fundamental aspects, in line with trends in employed personnel. First, the incidence of health restrictions following the pandemic can be observed. Secondly, it highlights the impact of the outsourcing reform implemented in 2021.

The impact of the pandemic on worked hours became evident during 2020, when Covid-19-related restrictions led to a significant reduction in labor activity in the

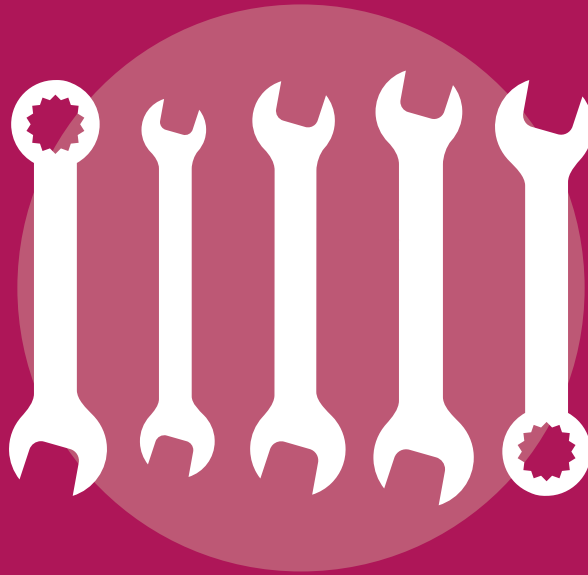
24 See Table 5 of Annex 1. "Profits shared among workers (thousands of current pesos).

25 For 2018, the unionization rate was 12% for employees, 21.8% for formal employees, 22.9% for formal employees in the manufacturing sector, and 34.2% for those having been employed in the transport equipment manufacturing subsector. For 2023, these rates were 12.7%, 22.1%, 24%, and 35%, respectively (Bensusán and Florez, 2003).

automotive industry. During that year, the index registered a drop of 6.4% in the entire manufacturing sector, 14% in the transportation equipment manufacturing subsector, 19.8% in assembly plants and 12.8% in auto part companies. It was not until 2023 that a partial recovery in worked hours compared to the base year began to emerge. The manufacturing sector experienced a marginal increase of 1% and assembly plants observed a rise of 1.4%, while the auto parts sector has not yet managed to recover its pre-pandemic level, evidencing a decrease of 1.1% compared to 2018.

The reduction in hours worked by outsourced personnel also stands out. Although there had been a slight increase in this indicator up to 2019, the outbreak of the pandemic in 2020 caused a significant decrease, which was subsequently accentuated by the effects of the outsourcing reform. Thus, in 2021, hours worked by outsourced personnel decreased by 38.2% in the manufacturing sector, by 43.6% in the transportation equipment manufacturing subsector, by 26.7% in assembly plants and by 43.8% in auto part companies. By 2023, this indicator shows an even more pronounced decline with respect to the base year, registering decreases by 86.3% in the manufacturing sector, 94.1% in the transportation equipment subsector, 85% in the assembly plant subsector and 95.8% in the auto parts sector. All of this corresponds to the drastic decrease in the number of outsourced personnel who began to work directly for the beneficiary company.

# 5. Labor Unions and Their Relation to CBAs





26 trade unions hold ownership of the 41 CBAs reviewed in the study (two more considering VWM and Audi), out of which the following seven are CBA owners in more than one plant. However, these agreements are negotiated on an individual basis.<sup>26</sup>

- 1. Sindicato Nacional de Trabajadores de la Industria Metalúrgica y Similares (CTM) – 2 plants (Daimler Toluca and Santiago Tianguistenco)**
- 2. Sindicato Nacional de Trabajadores de la Industria Automotriz de la República Mexicana (FNSI)**  
– 2 plants (Daimler García and CONMET Ciénega de Flores)
- 3. Sindicato Nacional de Trabajadores de la Industria Automotriz y Servicios en General, Similares y Conexos de los Estados Unidos Mexicanos (CTM)**  
– 3 plants (BMW, Boysen and Edscha, in San Luis Potosí)
- 4. Sindicato Industrial de Trabajadores de Fabricación de Autopartes, Aeronáutica, Inyección de Plásticos, Fundición, Similares y Conexos (CTM)**  
– 3 plants (ZF El Marqués I and II; Bosch Querétaro)
- 5. Sindicato Nacional de Trabajadores de la Industria Arnesera, Eléctrica, Automotriz y Aeronáutica de la República Mexicana (CTM)**  
– 4 plants (all three Brose locations in Querétaro; ZF Santa Rosa Jauregui)
- 6. Sindicato Industrial de Trabajadores en Plantas Maquiladoras de Ciudad Reynosa Tamaulipas (FTT-CTM-FTR)**  
– 2 plants (ZF Reynosa I and II)
- 7. Sindicato Nacional de Trabajadores de la Industria Metal-Mecánica, Sidero-Metalurgica, Automotriz y Proveedoras de Autopartes en General, de la Energía, sus Derivados y Similares de la República Mexicana, "Miguel Trujillo López" (CTM)**  
– 2 plants (ZF Gómez Palacio, Durango; Emerson Arteaga, Coahuila)

In relation to their characteristics, 24 are industry trade unions (ten with national scope and fourteen with state-level scope). This means that they can recruit workers from different plants nationwide or in a single state of the country. Only two trade unions limit their scope to a single company.

In terms of size, an indicator that should be associated with better bargaining conditions, the five largest unions<sup>27</sup> (with a few exceptions) are as follows:

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26 For the full list of the trade unions and their characteristics, see Annex 3. Review of association files (labor union information).

27 It is known that the "Miguel Trujillo López" Trade Union has a large number of CBAs (over 100) and tens of thousands of members. However, in the last update of the association's dossier, which appears in the labor repository, the membership register shows only 2978 members as of September 27th, 2020.

1. **Sindicato Nacional de Trabajadores de la Industria Automotriz Integrada, Similares y Conexos de la República Mexicana** – 20,352 (Daimler Saltillo)
2. **Sindicato Industrial de Trabajadores en Plantas Maquiladoras de Ciudad Reynosa Tamaulipas** – 15,564 (ZF Reynosa I and II)
3. **Sindicato Nacional de Trabajadores de la Industria Metalurgica y Similares** – 9,598 (Daimler: Toluca and Tianguistenco; Bosch Toluca; ZF Toluca)
4. **Sindicato Industrial de Trabajadores del Estado de COAHUILA CTM** – 7,955 (ZF Ramos Arizpe)
5. **Sindicato Industrial Estatal de Trabajadores de Producto de Acero, Cobre Manufacturas Metalicas, Conexos y Similares del Estado de San Luis Potosi, C.R.O.M.** – 4,416 (Borgwagner SLP)

The five smallest trade unions are the followings:

1. **Asociación Sindical de Trabajadores, Empleados y Servicios de la Industria en General del Estado de San Luis Potosí, CTM** – 20 (Seglo SLP)
2. **Sindicato Nacional de Trabajadores de la Industria Arnesera, Eléctrica, Automotriz y Aeronáutica de la República Mexicana** – 30 (Brose, 3 QRO plants)
3. **Sindicato de Trabajadores de la Industria Metalmeccánica, Autopartes, Quimicos, Plásticos, Resina y Derivados, CTM** – 54 (ZF Aguascalientes)
4. **Sindicato de Trabajadores de la Industria Metalica, Fundiciones, Maquinados, Manufactureros, Maquiladoras, Farmaceuticas y de Servicios Anexos y Conexos del Estado de Queretaro Fernando Amilpa, CTM** – 65 (Durr Querétaro)
5. **Sindicato Único de Trabajadores y Empleados de la Industria Automotriz, Metálica, Autopartes, Servicios e Instalaciones Mecánicas y Electrónicas en General de la República Mexicana** – 108 (Daimler Ciénega de Flores)

It is confirmed in this sample of companies that the CTM is the majority federation, since 18 out of the 26 trade unions are members thereof. The rest belongs to different organizations: one to the Federación de Sindicatos Independientes de Nuevo León (FNSI), created in 1936; another one to the Confederación de Agrupaciones Sindicales Mexicanas (CONASIM) (created in 2000); two more to the Confederación Regional Obrera Mexicana (CROM), created in 1918; and finally, one linked to CATEM

(Confederación Autónoma de Trabajadores y Empleados de México). Four of the trade unions included in the Annex, CBA owners, have no link to another organization.

In spite of the fact that 18 trade unions negotiating with the companies studied belong to the CTM (as well as 17 out of 23 assembly plants), they negotiate on an individual basis and do not even share information among them about their achievements. This will be remedied with access to information on CBAs through the CFCyRL labor repository. As far as it is known, there is no joint strategy nor space within the federation to define a bargaining policy in the IAM sector. This aligns with the companies' strategy to distribute their activities among different plants, thus weakening union bargaining power. While there is an agreement with the federation in the sense that member trade unions must not fight one another over CBA ownership, and even when there is a diversity in management styles and cases where distancing from the bases would give way to replacements, the truth is that in the new institutional context this type of agreement can be weakened. In fact, the strong discipline that traditionally existed within the Federation would be eroding also because of political reasons, because the weakening of the PRI – an ally of the CTM – weakens the incentives to maintain unity at all costs. This is favored by the possibility to develop political careers through these alliances (Bensusán et al., 2022).

In short, even if it is important to highlight that it would be a mistake to assume that trade union members of the CTM are by this single fact necessarily antidemocratic, corrupt, or accomplices of companies, the problem is that membership to this federation was regarded throughout history as a guarantee of labor peace for different governments and for businesses as a promise of stability and unilateralism in the determination of working conditions. However, in the current context, should union leadership of this or other federations or even of the trade unions, supposedly independent, not transform and look for new resources of power (such as access to knowledge or alliances with other organizations, in order to renew union structures) to defend the interests of their members, the risk of the bases being questioned could increase substantially. This is due, in part, to the contagion effect of successful cases in which other workers were able to form new unions and negotiate CBAs more favorable to their interests, which was not the case under the old labor model.

As we have shown in other research (Bensusán et al., 2022), under the new institutional framework and external surveillance, the possibilities of sustaining the status quo would be narrowing for all organizations, but the cost of change could be higher for those that do not have any democratic tradition. Therefore, unions should revitalize themselves through internal democracy, and companies should prevent risks and have new labor relations strategies based, first and foremost, on respect for freedom of association and collective bargaining. In this way, they would be able to prevent and avoid questionings via the RRM or the German complaint intercompany mechanism (UBM), which, in any case, involve disruptive situations that create distrust and affect productivity as well as a good labor environment.

The FNSI preserves characteristics similar to what is known as services unionism, where workers are offered some forms of protection in matters of social security. This, in turn, constitutes a business for the federation through the fees from both workers and employers that are received in this regard. This can be corroborated in the CBA under their control at the selected companies, and this will be further analyzed.

It is important to highlight that the "responsible unionism" style that supposedly some CTM leaders have been exercising –which the "Miguel Trujillo" Trade Union referred to in an interview (Bensusán et al., 2022)– would be adapted perhaps to operate thereafter as some kind of services unionism as a way to legitimization. Therefore, it would not be substantially different, for instance, from the style of the FNSI (known as white unionism), even though this federation was born in the City of Monterrey to prevent the penetration by the CTM in Nuevo León businesses. In both cases, it would also be about micro-corporate arrangements (alliances between trade union and company without State involvement) that can be questioned in the face of the full validity of freedom of association and collective bargaining in the country.

Up to now at least, no substantial changes in the union structure can be observed. Out of the 26 trade unions, 14 amended their by-laws in 2019, another one did so in 2020, and another one in 2023 to adapt to the new rules in the LFT (usually through *adenda*). There is no information for the remaining nine in the CFCyRL labor repository. This could be due to a problem of registration or to the possibility that these would be inactive trade unions. This constitutes a risk of potential questionings by workers.

Given that the registration of union members included in this repository does not systematically provide information on gender with regards to its members, it was not possible to determine whether these trade unions comply with the gender proportionality demanded by the 2019 reform for the integration of steering committees. However, barely as anecdotal evidence, as can be seen in Annex 3, we found that the ZF Aguascalientes trade union does have gender parity in its Steering Committee. The other six trade unions are close to reaching such parity, and the vast majority (20) are very far away from doing so.

In the interest of showing some conflictive situations in the unions included in this study (all of which are holders of a CBA of the selected companies or their suppliers), the most relevant ones are presented below, for the sole purpose of illustrating the possible tensions and risks that could be faced in the immediate future in the face of the weakening of the CTM and the other federations and unions. Undoubtedly, a more detailed diagnosis of the 26 unions included in this study would require an exhaustive review of their bylaws, as well as meetings with their management and principals and with those responsible for labor relations in the companies, which was not possible on this occasion.

## **The SUTIAEA<sup>28</sup> conflict over the Nissan plants**

SUTIAEA-CTM had to dispute with the Autonomous Confederation of Workers and Employees of Mexico (CATEM) for the second time (the first defeat was in 2021) the ownership of the collective bargaining agreement for Nissan Aguascalientes' plants A 1 and 2, being defeated again by this organization in March 2023, with a four-to-one advantage. SUTIAEA-CTM requested a recount of the votes, but the Conciliation and Arbitration Special Federal Board number 15 issued an award ratifying the CATEM election. Subsequently, CTM requested an appeal for review, which was later rejected by the second chamber of the Supreme Court of Justice. This ratified a new defeat for CTM in an IAM assembly plant, after the one experienced in GM, Silao, Guanajuato.<sup>29</sup> Consequently, the Sindicato de Trabajadores, Choferes en Transportes de Productos Manufacturados, Semifabricados, Similares y Conexos de la República Mexicana, affiliated to CATEM, will henceforth hold the ownership of the collective bargaining agreement.<sup>30</sup>

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28 Sindicato Único de Trabajadores de la Industria Automotriz del Estado de Aguascalientes (SUTIAEA) - Daimler Aguascalientes. CATEM now holds the ownership of the CBA.

29 See Ortiz (2023); El Heraldo de Aguascalientes (2022).

30 See Clúster Industrial (2023).

## Union bosses in San Luis Potosí

Five CBAs included in the study are in the hands of a single family:

- a. Emilio de Jesús Ramírez Guerrero (Sindicato Industrial de Trabajadores en Partes Automotrices, Similares y Conexos del Estado de San Luis Potosí), leader of the CTM in SLP against whom accusations of agreeing protection contracts and embezzling funds have been filed.<sup>31</sup> He holds the Daimler CBA.
- b. Emilio Ramírez Konishi (Sindicato Nacional de Trabajadores de la Industria Automotriz y Servicios en General, Similares y Conexos de los Estados Unidos Mexicanos) owns the CBAs of BMW Villa de Reyes and of two of its suppliers (Boysen and Gestamp Edscha).
- c. Gabriela Konishi Urbina (Asociación Sindical de Trabajadores, Empleados y Servicios de la Industria en General del Estado de San Luis Potosí) holds the CBA of Seglo.

In 2019, when BMW inaugurated the Villa de Reyes (San Luis Potosí) plant, the company agreed with the CTM union on the terms of the CBA before hiring workers and commissioning of installation (the agreement was made with Emilio de Jesús Ramírez Guerrero), as was customary before the reform. In the agreement, BMW set the hourly wage at US\$1.10, almost half the average hourly wage in the IAM (US\$2.04) in that year.<sup>32</sup>

Despite the above, in 2021, the union had a favorable result in the process of legitimization of the CBA, and consequently, this instrument remained in force. Emilio de Jesús Ramírez Guerrero's union also legitimized the CBA in Cummings. By 2023, the CTM of San Luis Potosí claimed to have legitimized 96% of the agreements it had in the entity. They had only lost the legitimization processes at 3M Purification, Goodyear, and GM ("Miguel Trujillo" union).<sup>33</sup>

31 See Rosas (2021).

32 See Agenda Propia (2023) and Portal Automotriz (2017).

33 See Hernández (2023b); Rocha (2021); Tristán (2023a, 2023b); Martínez (2023b; 2023c).

## **Conflict at Fujikura (not included in this study), theft of union dues and expulsion from CTM**

Workers at Fujikura (Puebla plant) initiated a work stoppage in 2022. They alleged that, although the Sindicato Auténtico de Trabajadores Siglo XXI (affiliated with the CAT) won ownership of the CBA, the company continued to take into account the Sindicato Nacional de Trabajadores de la Industria de Arneses, Eléctrica, Automotriz y Aeronáutica de la República Mexicana,<sup>34</sup> affiliated with the CTM and its leader (Juan Trinidad Hipólito Contreras) to solve labor issues at the plant. Workers accused that the union leader was placed by the company and had been in the position for 14 years; they also pointed out abusive and harassing behavior. The CTM union had already been expelled from the union federation for stealing dues.<sup>35</sup>

## **Irregularities in the legitimization process in Silao**

The Ministry of Labor and Social Welfare (STPS) resolved to reinstate the CBA legitimization process that took place in April 2021 at the GM Silao plant because union "Miguel Trujillo López"<sup>36</sup> committed serious irregularities in the voting process. The situation in Silao caused the USTR to file the first complaint under the RRM, due to the denial of the right to freedom of association and collective bargaining. The USTR and STPS agreed on a remediation plan to reinstate the process with all the necessary guarantees to carry out the vote. In August, the process was repeated, and workers rejected the CBA. As a result, workers joined the newly formed SNITTIA (Sindicato Nacional de Trabajadores y Trabajadoras de la Industria Automotriz) and requested a certificate of representation to negotiate a new CBA, which they disputed with two other organizations and finally won. The negotiation of the CBA with the company resulted in improvements for workers. The majority of workers approved the agreement, so the new CBA was deposited with the CFCyRL holding the title to the SNITTIA.<sup>37</sup>

34 This union has ownership of the three Brose plants in Querétaro and of ZF in Santa Rosa Jauregui.

35 See Méndez (2022) and Gutiérrez Rodríguez (2022).

36 Has ownership of the ZF CBAs in Gómez Palacio (Durango), evaluated as the worst of those selected in this study, and Emerson in Arteaga (Coahuila).

37 See Giménez Cacho (2021); Laureles (2021); USTR (2021).

## **Employer interference in ZF El Salto<sup>38</sup>**

After Jorge Reyes (founder of the union) inherited the leadership of the union to his son Erick Reyes, a dispute began over the leadership of the organization. The company dismissed Erick Reyes and new union elections were organized, but there were confrontations and irregularities, so ZF did not recognize any leader, closed the union offices, and continued to deduct union dues without delivering them to the organization. Enrique Valdez, one of the workers who participated in the election, was fired. All of the above give indications of significant violations of the LDS and NC that may trigger open conflicts in the short or medium term.<sup>39</sup>

## **Sindicato Único de Trabajadores y Empleados de la Industria Automotriz, Metálica, Autopartes, Servicios e Instalaciones Mecánicas y Electrónicas en General de la República Mexicana<sup>40</sup>**

On July 30, 2021, the union lost the ownership of the CBA at the Coroplast Cable Tranding de México plant, located in Celaya. Although the union is not linked to labor federations, its general secretary, Sergio Mendoza Leon, and his entire family were linked to the CROC.<sup>41</sup>

## **Sindicato Nacional "Presidente Adolfo Lopez Mateos" de Trabajadores y Empleados del Comercio en General y Escuelas Particulares, Similares y Conexos De La República Mexicana**

This union has been accused on several occasions of holding protection contracts. Alfonso Bouzas, coordinator of Observatorio Laboral (commenting on the fact that he

38 Sindicato Independiente de Trabajadores de ZF Suspension Technology Guadalajara y de las Empresas que llegaron a Instalarse Filiales al Mismo Grupo (which is no longer possible without the guarantee of a certification of representation, LFT, 390 Ter).

39 See Juárez (2022).

40 Has ownership of Daimler Ciénega de Flores/Tlalnepantla.

41 See Silva (2023); Flores (2018).



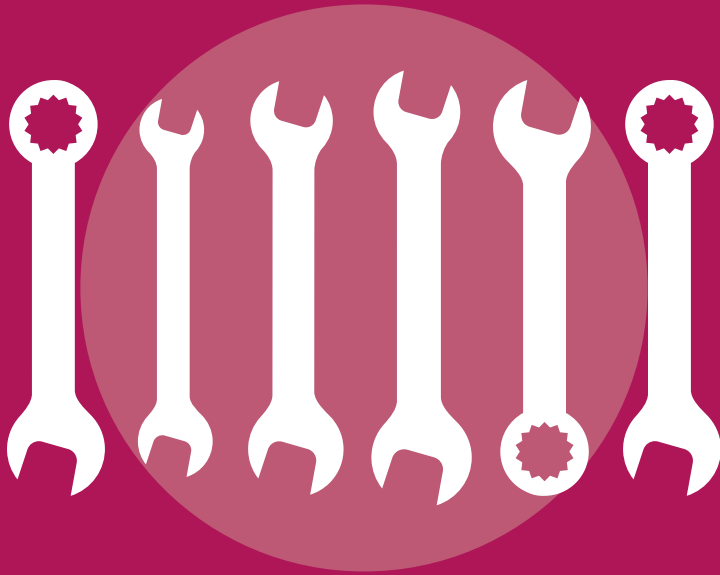
holds the CBA of Domino's, an Alsea company);<sup>42</sup> the organization Red de Solidaridad de la Maquila, which links the name of the leader to 107 CBAs (with this and other unions where he is also a holder);<sup>43</sup> and the Centro de Investigación Laboral y Análisis Sindical, which derived from an analysis of legitimizations, found the union among the first three places of approved legitimizations.<sup>44</sup> All agree on the high probability of said union being an Employer Protection Union. This qualification is supported by the facts since, at the time of the investigation, this union and the company we saw were subject to a complaint before the RRM. As a result, it lost the CBA title to Sindicato Industrial de Trabajadores de la Transformación, Construcción, Automotriz, Agropecuaria, Plásticos y de la Industria en General, del Comercio y Servicios, Similares, Anexos y Conexos del Estado de Querétaro "Ángel Castillo Reséndiz". The company opted to file for bankruptcy, close, and liquidate all its employees.

42 See Martínez (2020).

43 See Gascón (2022).

44 See Gascón (2023).

# 6. The CBAs: Assembly Plants and Suppliers



## The CBA as observation unit of the employment situation at businesses

In order to characterize the employment situation at selected companies, a total of 41 CBAs were analyzed, out of which five concern companies of the terminal automotive industry, twenty-nine are Tier 3 suppliers of some of these assemblies and seven are Tier 2 suppliers (see diagram in Annex 1). We also included, as it was already indicated, two additional CBAs from two German assembly plants for illustrative purposes of what can be achieved during an authentic bargaining through trade unions with democratic practices: Audi and VWM.

Most analyzed agreements cover exclusively one plant and set forth clauses relating to rank-and-file workers covered by the CBA (all those who are not trusted employees), union prerogatives, and working conditions (benefits and wages). CBAs covering more than one facility will be indicated later.

The review of the CBAs was conducted from collective bargaining agreements published by the CFCRL [sic] up to July 31st, 2023. These agreements are the ones that trade unions presented upon legitimization of the CBA. Therefore, these are found in a web page called "Legitimized Agreements (Contratos Legitimados)". However, upon publication on September 20th, 2023, of the CFCyRL labor repository, an attempt was made to update the information concerning wages and wage categories.<sup>45</sup>

As we have seen above, legitimization is a mandatory process that had to be carried out in the case of collective bargaining agreements existing as of May 1, 2019. Legitimization ended on July 31, 2023. Legitimization legal basis is found both in transitory Article 11 of Decree of Reform and in Annex 23 A of Chapter 23 of USMCA. It consists of the validation of this instrument through the majority vote of workers covered by the collective bargaining agreement (in practice, the majority of those who attended the vote). For this reason, the agreements we were originally able to analyze correspond to different years (from 2018 to 2023), i.e., those that were in force in the year of legitimization. At the time of completing the review of the CBAs, those were the only

**46** agreements of the selected companies to which we had access, in addition to the fact

<sup>45</sup> Given that, by that date the information relating to the other working conditions contained in the CBAs had already been completed, it was not possible to review all such clauses again; therefore, the update was limited to wage matters based on the reviews that could be identified.

that there are some incomplete documents, as will be pointed out if applicable, such as voting minutes and wage tabulators.

The reviewed CBAs may have changed in some areas (such as wages) due to the wage and contract reviews after July 2023. However, they provide an account of the recent employment situation at the selected companies, and, given that they have not experienced changes in the owner trade union, no substantial changes are to be expected in the short term for the CBA risk level, except in cases as those previously analyzed.<sup>46</sup>

The analysis of the content of the agreements was conducted from their grouping, according to the industry terminal level and by comparing their level of protection. This means that the contractual conditions of the assembly plants are presented first, and then, those of the suppliers, according to their level. All relevant information of every collective bargaining agreement is presented in the Annex. This provides a more detailed view of each company's situation.

Regarding the relationship between the company structure, the union structure, and the scope of the CBAs, it is important to point out that, as we saw when studying the union presence in each assembly company and its different plants, there is a tendency to fragment union representation in different organizations and collective bargaining agreements, corresponding mostly to a single plant, which leads to limited bargaining power on the part of the workers' representatives. For example, there is a CBA in a work center of one company with only 22 workers or another with 43 workers covered, different from each of the other seven CBAs of that company, as is the case in Daimler Ciénega de Flores, Nuevo León and in Tlalnepantla, State of Mexico, respectively. This atomization, apparently justified by the fact that these are economic units with different activities and sizes, could rather reveal a business strategy aimed at avoiding a concentration of union bargaining power, which would result if there were only one CBA covering 10,429 workers, which is the total number of workers at Daimler Manufactura.<sup>47</sup> This strategy would express a typical phenomenon of the old labor model, which is the existence of artificial divisions or units imposed exogenously on workers, with the purpose of controlling the exercise of collective

46 Only in this case, conditions can be expected to change in the short term, given that the trade union was replaced by another one last year, upon ownership loss of the agreement in the corresponding lawsuit against another trade union which won the action. This is the case with the Mercedes-Benz joint venture in Aguascalientes (with Nissan). Therefore, we deemed important the analysis of the CBA in the near future when new negotiations take place or wages are reviewed.

47 This number of workers covered by the respective CBAs results from the certificates of legitimization of these instruments.

rights and reducing labor costs, which sooner rather than later could change as the implementation of the labor reform creates a safe environment for the dissidence of traditional organizations allied to the companies.

## **The content of CBAs and the risk for lawsuits for violation of freedom of association and collective bargaining in the framework of the German Due Diligence Act (DDA) and the Complaint Intercompany Mechanism of the IAM**

Analysing the CBAs is the way to account for the working conditions in the plants and companies studied in this study. To this end, we consider the clauses that best reveal how close or far the working conditions of the CBAs are from what was previously considered an "employer protection agreement". In other words, it is an agreement negotiated behind the backs of workers with very low levels of protection and with the purpose of avoiding a real negotiation (Bensusán, 2007). According to the study conducted by Ergon (2023) and based on the complaints filed with the ILO and through some of the thirteen complaints filed by the USA up to August 2023 under the RRM (plus one filed by Canada) against facilities covered by this mechanism, the existence of CCPEs is the main risk for companies located in the country of facing a national or international lawsuit because they are the result of the violation of freedom of association and collective bargaining. This includes the employer's interference behavior associated with the existence of this practice aimed at circumventing true duality in working conditions.

Although in the immediate future, as CBAs are revised with the majority vote of workers covered, the margin for the perpetuation of CCPEs will be smaller, we assume that the risk of a CBA inherited from the past, even many of those legitimized, having been the result of an agreement between union and company without the participation of the workers tends to be generalized. This is due to the historical absence of internal democracy and participation in the life of unions. This is an issue that the labor reform intends to avoid. As mentioned above, among the more than 30,000 CBAs legitimized between 2019 and 2023, some CCPEs may have survived, or they may simply

be CBAs negotiated by unions with little bargaining power. However, the examination of working conditions and, above all, of wages allows for the differentiation up to some extent and tentatively of the levels of risk. Thus, we assume the risk to be the higher when: 1) the trade union has little prerogatives in the selection of staff, promoting a lack of knowledge thereof among workers or their will to keep away therefrom; 2) working conditions are at the LFT level or are close thereto, with little improvement; 3) there are no additional benefits improving such conditions; and 4) wages of the lowest category barely exceed the legal minimum wage or are farther from half of the average wage, as established by the ILO. This would mean that these are low and insufficient (2022). Even Coparmex itself is starting to acknowledge that the minimum wage paid by the country's companies, regardless of the one set by the CONASAMI, should be at least twice the current one for it to be a living wage.<sup>48</sup> However, it is also important to recognize that in the case of Mexico, the level of protection offered in the LFT and the non-wage cost (although it has lagged in some areas, such as vacations, prior to the reform, the vacation bonus or Christmas bonus) is relatively high compared to that of other countries in the region, which leaves narrower margins for negotiation between labor and capital (Bensusán, 2006).

On this basis, the selection of clauses included in the analysis of CBAs is mainly aimed at assessing the benefits that workers gain from collective bargaining, under the criteria included in Table 2 at the end of this section. The goal hereof is precisely to enhance the rights established in the LFT. That is, a CBA offering no advantages is not functional and, strictly, it should not be validated, even though the LFT only establishes as a *sine qua non* condition for registration, with regards to content, the inclusion of a wage tabulator.

However, it is difficult to compare the level of protection of collective bargaining agreements without considering contextual information, such as the age of the plant, its productive performance, the number of workers involved or the characteristics of the union. For example, it would be expected that an industrial union with a greater presence at the sector level through its sections, with a high number of members, which in turn has a significant number of collective bargaining agreements and therefore experience in negotiating with employers, would achieve greater gains in terms of prerogatives and working conditions for its members. This should especially be

48 The amount to reach would be \$12,400. See Hernández (2023a).

the case if the CBA has undergone some contractual and wage revisions since the initial negotiation. On the contrary, it is difficult to achieve major improvements when it comes to trade unions with little power, given the isolation in which negotiations with the company take place. This is the general trend. The problem is that this study did not have enough information about the company, the workers, or the trade union. This could give rise to interpretation mistakes of the employment situation at the company.

For instance, a CBA with LFT-level conditions, or little or little-value additional benefits could be considered as CCPE when this is accounted for by the little bargaining power at plant level of a given trade union, the low-level of qualification of the workers or of productivity, or because it is about a relatively recent company. These new or recently created companies require to split and sustain low labor costs in order to survive and take off, as we will illustrate with Audi's CBA. Because of this, it is noted that this study has a mainly exploratory scope and that a confirmation of the results of this documentary study would need to be complemented in the future by the fieldwork necessary to understand the dynamics of labor relations. In other words, it would be necessary to investigate directly whether there is real or simulated representation by the union based on the real dynamics with the rank and file, whether the union has the resources and conditions to negotiate favorably, and what is the level of compliance with the rights and benefits established in the LFT and the CCT.<sup>49</sup>

It is important to mention that, in order to have at least one approximative comparison parameter of what a collective bargaining agreement would be – signed by an employer-independent trade union and with autonomy from the government – with final assembly businesses, we took as reference two agreements. Firstly, Audi's collective bargaining agreement, signed in 2014, reviewed in subsequent years, and legitimized in 2023. Audi Trade Union, just like that of VWM, that of Nissan Cuernavaca, and, from 2021, that of GM, Silao, Guanajuato are the only ones recognized as independent trade unions within assembly plants, whose majority belongs to the CTM. The analysis of Audi's CBA is relevant, since this is a company of German origin (covered by the Due Diligence Act) and relatively new (it began operations in 2016 and has 4002 unionized workers in 2023).<sup>50</sup> Secondly, we reviewed VWM's CBA. This is a

50 49 For an analysis on the relevance of problems characterizing collective bargaining in Mexico, see Alcalde Justiniani (2020).

50 Audi conducted its first union democracy process upon vote on the wage review of its CBA in December 2022, when it rejected the offer by majority. A new negotiation concluded successfully, but it was no longer put to vote. [www.lajornadadeoriente.com.mx/puebla/rechazan-trabajadores-audi-dos-propuestas-de-alza-salarial](http://www.lajornadadeoriente.com.mx/puebla/rechazan-trabajadores-audi-dos-propuestas-de-alza-salarial) and [www.jornada.com.mx/notas/2023/01/11/sociedad/conjuran-huelga-en-audi-de-mexico-acuerdan-9-4-de-aumento-salarial](http://www.jornada.com.mx/notas/2023/01/11/sociedad/conjuran-huelga-en-audi-de-mexico-acuerdan-9-4-de-aumento-salarial)

company dating back to 1960, while its CBA was restructured in 1992. It has been improving working conditions ever since, while it is only natural that this agreement has development and protection levels greater to those of Daimler Manufactura (1999) or BMW (it started operations in 2019, with 3,500 employees), it is a good example of how seniority and co-responsibility in productive success would have to be translated into improvements for workers.

The following box summarizes the main considerations addressed in the analysis of CBAs.

**Table 2. Considerations on CBAs analysis**

We start from the assumption that the risk of a CBA being the result of an agreement between union and company at the margin of workers tends to be generalized, due to the historical absence of internal democracy and participation in the life of unions, an issue that the labor reform intends to avoid. However, the examination of union prerogatives and working conditions (including wages) allows us to differentiate to some extent and tentatively the levels of risk.

We assume that risk is higher when: (a) a union has few prerogatives in personnel selection, in the mandatory deduction of union dues or in other aspects such as permits to release directive members from work at the plant; (b) working conditions are at or very close to the LFT level, with little improvement and (c) when there are no additional (extralegal) benefits to improve such conditions; (d) entry-level wages are barely above the minimum wage or below half of the average wage.

CBAs granting conditions equal to or very close to the law, i.e., companies granting the mandatory minimum established in the LFT (so it would not be necessary to include it in the CBA) and unions endorsing it is possibly the result of simulated bargaining, although, as mentioned above, this may also be due to other factors that affect the low bargaining power, such as union fragmentation and collective bargaining at the plant level.

It is known that all CBAs include, with some differences, some prerogatives for unions, slightly improving some of the benefits provided by law and obtain some advantageous benefits for workers. A comparison of the content of CBAs will make it possible to establish levels of risk.

Greater importance is given in this study to the wage tabulator as it is considered a better predictor of risk, together with the previously mentioned criteria. There is variation at wage level, but when wages are close to the minimum wage, this would be an indicator of irrelevance and dysfunctionality of the CBA.

Although the level of protection of the CBAs can be assessed and compared, it is not possible to explain differences unless we have contextual data, beyond the age of the plant/company and of that of the CBA; size of the company/ coverage of the CBA; type of union and affiliation, as is the case of the real dynamics in union life and the negotiation and approval processes, which could not be studied in this research.



## **CBA of Assembly plants<sup>51</sup>**

Assembly plants reviewed in this section are:

- AUDI - Puebla (as an example of a relatively recent and truly negotiated agreement)
- Volkswagen - Puebla (as an example of labor conditions in a long-established plant and an old CBA restructured in 1992, truly negotiated)
- Mercedes-Benz. Cooperation Manufacturing Plant - Aguascalientes
- Daimler Truck - Santiago Tianguistenco, Edomex
- Daimler Truck - Saltillo, Coahuila
- Daimler Truck - García, Nuevo León
- BMW - San Luis Potosí

## **Truly negotiated agreements**

### **AUDI - Puebla**

The analysis begins by presenting the characteristics of the Audi CBA since, as mentioned above, it represents the result of a real negotiation with an independent union and will serve as an example to evaluate other assembly plants' CBAs. It should be noted that this Agreement was signed in 2014, with a multi-year scope, since the company started production in 2016, through which the company improved the initial working conditions (especially Christmas bonus and wages). In this sense, the initial agreement is characterized as a very flexible and low-cost agreement (both in conditions and benefits and wages), which was agreed with a multi-year duration (the first review was in 2019). Perhaps, this could explain why initially the Union reduced its expectations to ensure the creation of the plant, with a view to gradually improve conditions and its bargaining power.

However, although due to the low level of protection it could be thought that this CBA only favored the company, other aspects of the agreement show that the union has participation in aspects related to the organization of work and possibilities for

51 It is worth mentioning that the repository of the Federal Conciliation and Labor Registration Center was just enabled on September 20, 2023, so at the end of the study we had access to some wage revisions corresponding to the selected CBAs that previously could not be identified. However, it was not achievable to do the same search on possible contractual revisions, so in some cases it is thinkable that some of the previous working conditions may have been improved.

improvement through the collective and individual performance of workers. It should therefore be considered as a genuinely negotiated agreement, coming from an independent union, even though it was weak at the time of negotiating its first agreement. Therefore, it has marked differences with the outcome of negotiations at VWM, as we have shown in other research (Bensusán and Gómez, 2017).

It should be noted that, according to the CBA, Audi is a "premium automobile manufacturing brand that has made the decision to establish a plant for the complete manufacturing of complete automobiles in Mexico". In general terms, Audi's CBA is characterized by the inclusion of clauses relating to the form of work organization (especially in defining the APS, Audi's production system, its basis, and the objectives of the collaboration between workers and the company). As these aspects are integrated into the CBA, they extend the scope of duality to a certain extent.<sup>52</sup>

The union participates in recruitment by proposing those who can fill vacancies, but the final decision rests within the company. It is also unique among CBAs in that it establishes that, as an integral part of the "Audi Onboarding Program" (designed to integrate workers into the company and to establish a connection with other workers), workers will have an appointment with union representatives, who will provide them with information regarding "union activity and the benefits of belonging to the union". Thus, although the obligation to join a union is not expressly established, it is in fact achieved indirectly through this initial linkage. This clause alone – if no other information were available on the labor dynamics at Audi – together with the role of the CBA in establishing the guidelines for organization at work, would go some way to showing that it is a real union and known to all its members.

Another important prerogative of the initial CBA was the grant of leaves of absence for union work. In the 2014 CBA, a number was set that increased over the years (two, between 2023 and 2014; three in 2015; six in 2016 and ten when the third shift began operating). Subsequently, four more representatives were approved and one specifically for Diversity within the Union in 2022, something unique among the reviewed CBAs. In addition, there are eight joint commissions (three in addition to the statutory ones: food, transportation, and work environment surveys), which indicate an important presence of the union in issues of relevance to the day-to-day life of workers.

52 It would be necessary to find out through more in-depth studies to what extent the union and its representatives participate in these aspects, for example, through the joint commissions included in the CBA.

Another distinctive element of Audi's CBA is the importance assigned to worker training. In this sense, at the same time that the company wants to become an "attractive" employer, facilitating careers and rising salaries for the workers, it also expects from workers a commitment to the high-quality standards with which it wants to distinguish itself. However, neither the initial collective bargaining agreement nor the successive reviews have expressly established (as is the case in the VWM CBA) the guidelines for this labor career, its stages, or requirements to move from one category to another category among the 13 categories established in the 2023 review, which, when passed, would allow workers to triple their salaries.

One evidence of labor flexibility at Audi is the existence of individual accounts for working hours, which allows the company to meet its needs, with some rules that oblige it to consider the payment of overtime, in its amount, in accordance with the LFT (more than two hours per day or six per week or more than 180 excess hours in individual accounts).

Another aspect to highlight is the provisions of the CBA regarding the "functions and development of salary and remuneration" based on the evaluation of teamwork, which, together with variable compensation, will determine significant increases in the tabular remuneration.

An important feature of the agreement is that, although multi-year salaries are fixed, from the beginning there was a clause that allowed for adjustments linked to inflation and other adjustments that affect the company's position as an "attractive employer" or its economic goals. These adjustments occurred, for example, in the review of the 2023 CBA, considering the inflation of the previous year, with retroactive effects on salaries and Christmas bonuses as of December 2022. On that occasion, the increase was 9.4% when the salary of the lowest category was \$339.00 and that of the highest category was \$1,058. (Increases in 2020, 2021, and 2022 were 5.4%, so in the last two years they had been below inflation). It should be noted that, in exercise of union democracy, workers previously rejected the agreed salary increase.

**54** In general, working conditions (working hours, vacations, vacation premium, Christmas bonus, mandatory rest days) were not improved in the initial CBA (2014) with respect

to the LFT, although they were obtained subsequently. Extra-legal benefits were created, such as pantry vouchers with increases in reviews. In addition, the Christmas bonus was improved (22 days as of 2022), holidays were increased by two and the vacation bonus was doubled (50%). The savings fund was also increased, although it is still much lower than in other CBAs (from 1.4% to 2% of the tabular wage).

Other additional benefits included leaves of absence for workers, salary compensation through a bonus that includes profit sharing based on the law, plus a collective bonus for participation in the success of meeting quality objectives and an individual bonus for the same reason based on the criteria stipulated in the CBA (order, quality, performance, responsibility, success in training). This shows that, at Audi, wage has a fixed part and a variable part that depends on several factors, including teamwork.

Regarding benefits in kind, there are annual medical check-ups, food, and transportation (although workers contribute partly to support this benefit) and three annual clothing kits (which in general are offered in most of the CBAs). Finally, there is a compensation linked to the early retirement of workers being higher the earlier it occurs (between 60 and 63 years of age).

In short, we find in Audi an initial collective bargaining agreement with low labor costs, but with a clear union presence in the representation of workers' interests, which gradually improved through wage and contract reviews, with the participation of the rank and file. With regard to wages, a comparison of all the CBAs examined is given below.

## **Volkswagen México and SITIAVWM**

VWM's CBA (in force for 2022 - 2024) again highlights the importance of seniority and the union's commitment to improving quality and productivity as they tend to be associated with the gradual improvement of working conditions and union prerogatives. For illustrative purposes and to highlight the great differences that can exist between companies in the same industrial sector and origin of capital, as well as the compatibility between union democracy, true dialogue and business success, a brief analysis of this CBA is included below. It is one of the highest levels of worker protection in

the IAM and, to a certain extent, a model to be followed in other companies, adapting it to their characteristics. This has left behind the inertia of the old labor model, where freedom of association and collective bargaining and, therefore, duality in the determination of wages and working conditions, were not guaranteed.

Like that of Audi, the VWM CBA was negotiated by an independent union – the SITIAVWM (from which the Audi union emerged) and a company that has promoted innovative concepts on aspects of work organization, use of technologies, specialization, and professional training, together with improvements in working conditions and in the relationship between wages and productivity.<sup>53</sup> Moreover, it is an exemplary case because it is also the result of conflicts that led to strikes, successes, and defeats for workers, but which were found in institutions, in the internal democracy of the union and in the recognition of a true union dialogue by the company, a channel for sustaining a labor relations system far from simulation. Thus, negotiations often become complicated and the rank-and-file reject what is negotiated by the union leadership, as also occurred at Audi (December 2022).

Even this case offers an important precedent and an exception to the then dominant practices, but which, under the 2017 - 2019 reform, became the rule: the holding of a vote to determine to whom the ownership of a CBA corresponds prior to its negotiation, as occurred in the case of the VWM engine plant installed in Silao, Guanajuato, finally won by the CTM with 70% of the workers' votes (Bensusán and Gómez, 2017, p. 221). In this sense, clauses such as those found in the VWM CBA and others found in the CBAs examined in this study, where the union holding the agreement was given in advance the agreements of future plants of the same company, are completely worthless. This is due to the fact that, under the amendments to the LFT, in order to negotiate an initial CBA, the union must first have a certificate of representativeness endorsed by workers and granted by the CFCyRL, either through 30% of signatures of support or by a vote of the majority of workers covered in the case of two or more requests (Article 390 ter, LFT).

As shown in Bensusán and Gómez (2017), VWM's CBA has had an eventful life and underwent a major transformation in the context of the restructuring of the company's production model focused on flexibility, in that in 1992 it was renegotiated with losses of rights and internal union presence, although since the 2000s it has been

53 For a detailed analysis of the labor relations system at VWM, the SITIAVWM and its CBA see Bensusán and Gómez (2017).

recovering. In this context, it is worth noting that VWM's labor relations system can be characterized as an exemplary case of both possibilities and limits of positive articulation between economic innovation and social progress, as well as the always unstable character of labor relations in contexts of restructuring and strong competitive pressures. It was also shown that not all workers benefit in the same way from the CBA (division between permanent and casual workers) and that coverage tended to be lost as the hiring of non-union workers and outsourcing advanced, a strategy that tended to weaken union bargaining power. It remains to be seen to what extent this situation has changed since the outsourcing reforms to the LFT of 2021. According to a comment made in the middle of the last decade by one of VWM's managers, this practice had been decreasing over time, once five new categories were created in 2005 with lower salaries for new technicians, which tended to be closer to those paid at the first and second tier suppliers at the time. In addition, as of 2008 there was a new salary development system in which remuneration is linked to knowledge, skills, efficiency, and attitude at work, as is still established in the current CBA. Another noteworthy fact is that wage negotiation criteria were agreed upon, as in Audi, which include inflation, productivity, and increases in other assembly companies as indicators, thus setting a floor and a ceiling in the negotiations. After constant negotiations during the 2008/2009 crisis, when temporary and supplier workers were affected, important improvements have been achieved in the CBA through constant dialog between the company and the union, with important gains for workers in profit sharing (which tripled those guaranteed in the CBA), the union's participation in the company's International Committee and joint efforts with VWM to attract new production projects.

Among the most important prerogatives achieved by the union, beyond the most common ones (such as that all rank and file workers must be unionized, the discount of union dues or the power to propose who should fill vacancies), a significant number of members are released from work, among which are the fifteen members of the Executive Committee, in addition to the Divisional Assistant Secretaries, the External Relations Commissioners and the four administrators of the union store, among others, such as the Special Commissioner for Equity and Gender and the Union Academy. All this allows for an active union life, supported by administration expenses granted by the company. Two aspects are distinctive of this CBA in terms of union power. One is the existence of an internal structure of representation composed of eleven Divisional

Assistant Secretaries and the other is the regulation of the internal sequence to be followed for the treatment of cases (Bensusán and Gómez, 2017).

In return, the company is allowed a wide margin of labour flexibility to contract with third parties, functions that are unrelated to those of the base workers and, for maintenance work, under certain conditions, especially when there is displacement of workers. The company also has broad flexibility in the management of working hours.

Working conditions are undoubtedly advantageous for the personnel, because they have a reduced working day (44, 42 and 40 hours), seventeen days off (which almost double those of the LFT), vacations that exceed those of the LFT before and after the reform (fourteen for the first year, which days gradually increase to twenty days when they have between fourteen and eighteen years of seniority, and then three days every five years) and a vacation bonus that ranges from sixteen to 33 days of salary. The Christmas bonus is 58 days per year, and they have profit sharing advances for a total of 32 days, paid in two stages, which they are not obligated to return if there are no profits, and which are enhanced if profits exceed that number of days. This compensation is further increased when considering punctuality bonuses (between nineteen and 25 days) and quality bonuses (up to 28 days according to various criteria). In addition, the savings fund is equivalent to 8% of salary and the food voucher is one of the highest of all the CBAs consulted, reaching \$3,570.36 per month. It should be noted that, in addition to various leaves for family reasons, the sports support offered by the company supporting different teams and the annual support for school supplies (\$2,964.54), there is a severance payment of up to 200 days of wage of level A tabulated wage in the event of the death of a worker.

This CBA assigns great importance to the joint training and education committee, both for the activities performed by workers and for various activities or specialties (outside working hours) and assumes the "customer-supplier" philosophy, regarding responsibilities of male and female workers in various aspects such as manufacturing, quality, records and controls, existence of materials, improvement of processes and work organization, safety, order and cleanliness, among others. At the same time, as a complement to a system that promotes training and co-responsibility of personnel, a joint salary development scheme is established to allow advancement and payment

based on knowledge, skills, experience, aptitudes, efficiency, and attitude at work in order to reach the last salary level that corresponds to their area. The CBA precisely defines the requirements to achieve promotions that combine minimum time and certifications of technical and manual skills, in addition to performance conditions and participation in the rotation opportunities plan, together with 99% punctuality and attendance and the implementation of an involvement plan by the work cell to improve quality indicators, among others.

As a result of the existence of VWM's training school, an essential factor in its development, graduates of specialization programs enter the position that corresponds to their skills and categories as specialists and, in the case of hired trainees, as permanent employees. It should be noted that the union proposes 75% of the candidates to the Training School, and the company selects them among those who were proposed.

Finally, it is worth mentioning that the salary tabulator is integrated by work groups according to department. On the one hand, there are the A technicians in machining areas, with eleven wage levels ranging from \$343.50 to \$590.79, as well as those in stamping, bodywork, painting, and vehicle assembly areas, among others, with 15 wage levels, with wages ranging from \$343.50 to \$732.22. On the other hand, there is the specialist staff with 12 wage levels, ranging from \$515.35 to \$988.41, the facilitator staff, with four wage levels, ranging from \$761.69 to \$889.29; and the specialist facilitator staff with two wage levels ranging from \$1,019.22 to \$1,116.99. Considering that the minimum wage was equivalent to \$172.87 in 2022, the lowest category doubled this amount.

In conclusion, VWM's CBA and its labor relations system based on genuine duality in the determination of working conditions and wages, by a union with a deep-rooted democratic tradition since its independence achieved in 1982, and a company willing to deal with a true interlocutor are ingredients of a success story for both parties (which does not imply that working conditions should not be improved in relation to the company's performance). The most important thing in this case is the confirmation that the democratic and participatory labor model intended to be promoted by the labor reform 17/19, which is in line with the requirements imposed on German companies by the Due Diligence Act and in principle respected at VWM, is not only compatible with business success but a strong incentive for technological innovation and socio-economic progress.



## CBA of Selected Assembly Plants

**Table 3. Selected Assembly Plants**

| Company | Plant                           | Workers | Labor union   | Main activity                         |
|---------|---------------------------------|---------|---|---------------------------------------|
| Audi    | San José Chiapa                 | 4,200   | Sindicato Independiente de Trabajadores de Audi México  | Final car assembly                    |
| VWM     | Puebla                          | 6,827   | Sindicato Independiente De Trabajadores De La Industria Automotriz, Similares Y Conexos "Volkswagen De México"                                      | Final car assembly                    |
| BMW     | SLP                             | 1,351   | Sindicato Nacional de Trabajadores de a Industria Automotriz y Servicios en General, Similares y Conexos de los Estados Unidos Mexicanos, CTM       | Final car assembly                    |
| MB      | Aguascalientes                  | 2,135   | Sindicato de Trabajadores, Choferes en Transportes de Productos Manufacturados, Semifabricados, Similares y Conexos de la República Mexicana, CATEM | Final car assembly                    |
| Daimler | Nuevo León                      | 148     | Sindicato Nacional de Trabajadores de la Industria Automotriz de la República Mexicana  | Final assembly of Mercedes-Benz Buses |
| Daimler | Edomex - Santiago Tianguistenco | 2,977   | Sindicato Nacional de Trabajadores de la Industria Metalúrgica y Similares CTM  | Final assembly Truck - Freightliner   |
| Daimler | Coahuila                        | 4,771   | Sindicato Nacional De Trabajadores De La Industria Automotriz Integrada, Similares y Conexos de la República Mexicana                               | Final assembly Truck - Freightliner   |

Source: Own elaboration.

In the case of Daimler, in addition to the assembly plants, we have included at the end of this section the analysis of the other units of the company (which are not part of the terminal industry) in order to show the differences between the collective agreements of the same company.

It should be noted that all companies included in this section (except for Daimler Nuevo Leon, which has less than 250 workers) are large. Daimler Coahuila has the most workers of all; Daimler Estado de Mexico is in second place; MB Aguascalientes, in fourth place; BMW SLP follows and lastly, we have Daimler NL (with only 148 workers). It should be noted that four out of five work centers have entered into their CBAs with unions belonging to the CTM, but the ownership of one of them (MB/Nissan Aguascalientes) no longer belongs to a union affiliated with the CTM, but to CATEM.

The following is a comparative presentation of the most important characteristics of each of the CBA

## **1. Union prerogatives**

In terms of union prerogatives, the most important is the entry clause. The existence of this clause means that it is necessary for workers to join the union once they are hired. The union has more strength if there is another clause whereby it must propose personnel to fill vacancies and even more if it decides who fills the vacancy, i.e., the vacancy is offered to the union, which has a deadline to fill it. The importance of this clause lies in the consideration of the balance of forces the union has within the plant. In addition, it is obvious that if the union proposes and chooses who fills the vacancies, it can be assumed that workers know the union and therefore that the union is not a "ghost union" unknown to workers. However, it is known that in many cases in other companies, workers only found out about the existence of the union when they were called to participate in the processes of legitimization of the CBA.

This clause exists at MB - Aguascalientes, Daimler - Nuevo León, and Daimler - Estado de México. On the contrary, it does not exist in BMW since the company "makes the decision of who to hire". In Daimler - Nuevo León, the union has a 24-hour period to propose who fills the vacancy, after which the company decides who to hire; a modality

that appears in many of the CBAs. In Daimler - Coahuila, the company must ask the union for personnel for the vacancy (in these last two agreements, the union has more power in deciding who fills the vacancy).

We found the obligation to deduct union dues only in the Daimler - Nuevo León and Daimler - Coahuila CBAs, where the company is also obliged to deliver different amounts to the union for different reasons.

It is important to point out that the MB - Aguascalientes company has total control over the jobs and shifts, and total freedom to modify them. However, in some cases, it is established that the company must give prior notice to the union of such changes. For example, in Audi, the company can change the workers' location, activity, etc., which shows that labor flexibility is part of the advantages that companies have gained in practically all CBAs, even against independent unions, but it does not mean that it is a CPE.

## **2. Working conditions**

Working hours are established in accordance with the maximum limit permitted by law, so there has been no reduction in working hours, except in the case of Daimler - Estado de México, where the weekly workday is half an hour shorter.

In MB - Aguascalientes, BMW, Daimler - Coahuila and Daimler - Estado de México, overtime is mandatory and there is no reference to a maximum number of hours per week per worker, which is not limited by the LFT, except in terms of payment. In the case of Daimler - Nuevo León, for example, the provisions of the law are complied with, as there is no mention of this. The LFT determines the payment of each overtime hour and is mandatory (three hours per day and no more than three times per week, with double pay and triple pay when said maximums are exceeded, with no limit) (Articles 66, 67 and 68 LFT).

The days off with pay show some variation in CBAs, considering official or unofficial holidays (for different reasons, such as cultural ones, like the Holy Week, or Mother's Day). These days mean for the worker an opportunity to have a rest in addition to the

weekly working days. The LFT contemplates nine non-working days, while the days granted by the CBA are distributed as follows: Mercedes-Benz - Aguascalientes (sixteen); Daimler - Estado de México (sixteen); Daimler - Coahuila (fourteen); BMW (twelve); Daimler - Nuevo León, (eight – one day less than in the LFT due to the elimination of the day corresponding to local elections, which in any case is mandatory under the LFT).

Vacations were established in the law, prior to the 2022 reform, at six days for the first year (increasing with years of service) and are thus recognized in most of the CBAs. It should be noted that this reform substantially increased the number of vacation days, starting from twelve days for the first year.<sup>54</sup> However, in none of the CBAs reviewed this right has been updated in accordance with the aforementioned reform, compliance with which is in any case mandatory.

The Christmas bonus is stipulated by the LFT at 15 days of tabulated wage per year<sup>55</sup> while the vacation bonus is set at 25%. The increase in these benefits may be an indicator that the CBA departs from a typical CCPE, although this must be examined in the context of the overall working conditions. All the companies reviewed in this section exceed the LFT conditions for the Christmas bonus.

Productivity and punctuality bonuses represent one more possibility for wage increases. They are only contemplated in the CBAs of Daimler - Coahuila and Daimler - Estado de México.

54 The 2022 reform to the LFT establishes that the vacation period will be 12 working days and this right will increase by two days of vacation for each subsequent year worked, until 20 days are reached, while from the sixth year onwards, the vacation period will increase by two days for every five days of service.

55 From companies reviewed, the one that grants the most bonus days is one of the ZF plants, which grants between 43 - 52 days depending on seniority, which constitutes a significant improvement in annual income.

**Table 3.1 Summary. Some working conditions (Assembly plants)**

|                          | <b>Days off</b> | <b>Christmas Bonus</b> | <b>Vacation Premium</b> |
|--------------------------|-----------------|------------------------|-------------------------|
| Audi (Puebla)            | 11              | 15 - 22 days           | 25 - 50%                |
| VW (Puebla)              | 17              | 58 days                | 16 - 33 days            |
| MB - Aguascalientes      | 16              | 30 days                | 9.9 - 36 days           |
| BMW                      | 12              | 21 - 23 days           | 55% - 65%               |
| Daimler Nuevo León       | 8               | 26 days                | 80%                     |
| Daimler Estado de México | 16              | 30 - 38 days           | 60%                     |
| Daimler Coahuila         | 14              | 30 days                | 60%                     |

Source: Own elaboration based on agreement reviews.

### **3. Extra-legal benefits**

Extra-legal benefits increase the daily, weekly, or monthly salary. Food vouchers represent an opportunity to purchase basic consumer goods, and, in general, most of the CBAs have this salary compensation. Four out of the assembly plants have this benefit (Daimler Estado de México does not offer them). Although the amounts are not comparable with each other: MB: \$1200 per month; BMW: 5 - 7% of the daily salary (if we consider the initial category of \$292, we have \$438 monthly, this figure increases according to seniority); Daimler Nuevo León \$1,863 monthly; Daimler Coahuila stipulates them based on Investment Units (UMAs).

Scholarships for worker and children's studies and aid for school supplies are also benefits found in all of the selected assembly plants (although with differences in amounts and conditions).

All three Daimler and MB provide their workers with life insurance. This benefit is not found in BMW. In contrast, BMW provides monetary support for family matters of its workers, such as: death, marriage, and births.

All offer a savings fund in terms of a percentage of monthly salary. Mercedes-Benz Aguascalientes, 11.5%; Daimler - Estado de México, 13%; Daimler - Coahuila, 13%; BMW, 6 - 7%; Daimler - Nuevo León, 6.25%.

#### 4. Categories and wages

Regarding salary categories, it is worth noting that, although the number of categories is not comparable, the initial and final wage ranges do not differ substantially. All tabulators identified are from different years: BMW 2022, Mercedes-Benz - Aguascalientes 2020, Daimler - Nuevo León 2021, Daimler - Estado de México-2019, and Daimler - Coahuila 2023.<sup>56</sup> However, it is possible to compare them by observing the distance between the contractual wages, minimum wages, and contribution average wages for the year of the tabulator of each CBA.

Although BMW starts with the highest initial wage category, Daimler Estado de México exceeds the minimum wage in the highest CBA category more. The existence of a larger number of categories in BWM (16 categories) could mean that it would take longer for workers to reach the highest category, with an income of just under twice as much as the initial one, which ranges from \$328 - \$653.

In the case of Daimler Nuevo León, there are seven categories, of which the lowest was in 2021 at \$232.03 while the minimum wage was \$141.70 that year. The highest reached \$558.82, which means that, in the first category, one would barely get about 50% more than the minimum wage, while, if one had gone through all seven categories, one would get two and a half minimum wages.

Daimler Estado de México has the highest wage in its initial category, and we can also say that it has the highest final wage level, as it represents more times the minimum wage.

Daimler Coahuila's wage amounts are also high, but given that these are 2023 data, the distance with respect to the minimum wage is less than in previous years, due to the recovery of this indicator. However, there is a considerable wage gap between categories.

56 In the case of Daimler - Coahuila, the analyzed CBA dates from 2020, while the salary tabulator dates from 2023 due to the fact that, in this agreement, a multi-year negotiation was carried out. Similarly, the CBA of BMW dates from 2020 and the analyzed tabulator dates from 2022, because it is the last wage revision available in the CFCRyL repository.

In short, although with differences, all the assembly plants pay a salary higher than the minimum wage. The lowest categories do not reach the IMSS contribution average wage, but the highest ones exceed it in all cases. In Daimler Estado and Daimler Coahuila, it is exceeded more than twice. Information available in this and the other consulted CBAs does not allow us to know how many workers reach the highest categories or how much time elapses between entry to the plant and the different promotions in the wage scale. An exception is, as we saw, VWM's CBA.

**Table 3.1.1. Summary of wage categories (assembly plants). Different years.**

|                                | Audi<br>-<br>Puebla | VWM<br>-<br>Puebla | BMW<br>-<br>SLP                      | MB<br>-<br>Ags                       | Daimler<br>-<br>NL                   | Daimler<br>-<br>Edomex               | Daimler<br>-<br>Coahuila             |
|--------------------------------|---------------------|--------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Year of tabulator              | 2023                | 2020               | 2022                                 | 2020                                 | 2021                                 | 2019                                 | 2023                                 |
| # of categories                | 13                  | 22                 | 16                                   | 9                                    | 7                                    | 9                                    | 13                                   |
| Lowest category                | \$339               | \$343.5            | \$328                                | \$239.31                             | \$232.03                             | \$289.90                             | \$343.20                             |
| Highest category               | \$1,058             | \$1,116.99         | \$653                                | \$532.95                             | \$558.82                             | \$961.03                             | \$1,159.50                           |
| Minimum wage that year         | \$207.44            | \$123.22           | \$172.87                             | \$123.22                             | \$141.70                             | \$104.64                             | \$207.44                             |
| IMSS contribution average wage | \$527.3             | \$403.3            | \$478.7                              | \$403.3                              | \$432.2                              | \$375.7                              | \$527.3                              |
| Lowest category / Minimum wage | More than double    | More than double   | Less than double of the minimum wage | Less than double of the minimum wage | Less than double of the minimum wage | Less than double of the minimum wage | Less than double of the minimum wage |

Source: Own elaboration based on agreement reviews and CONASAMI; IMSS average wages were taken from Bensusán and Florez (2023).

## 5. Risk levels

Considering the items analyzed, it is found that the work center with the highest risk is BMW - San Luis Potosí since conditions are comparatively lower than the other assembly plants; benefits, although they exist, are low and they only grant some improvements with respect to the LFT. However, it should be considered that this company was created in 2019.

In second place, Mercedes-Benz Aguascalientes is located with the lowest salaries. As in other cases, it does not double the minimum wage, benefits and conditions are close to the LFT and it only presents some compensatory items. The risk of questioning by workers in this case increases because there has already been a lawsuit for tenure of title that was lost by the CTM union and won by a union affiliated to CATEM, without having yet changed the clauses of the CBA by means of an agreement review. Daimler Nuevo León reveals little union power and appears to be a typical paternalistic agreement with a white union affiliated to the National Federation of Independent Unions (Federación Nacional de Sindicatos Independientes, FNSI). These unions tend to limit their role, as mentioned above, to social issues (such as sports or commemorations) and to the provision of services for workers, generally of a welfare nature. However, they offer good working conditions and, in general, are located in a state with less conflict, so the risk is considered low in principle. Finally, Daimler Coahuila and Estado de México significantly improve the benefits and conditions provided by the LFT and the union seems to have some bargaining power, so the risk would be equally low.



**Table 3.1.2. Risk Balance in Assembly Plants.**

| Plant  | Workers | Wages of the lowest category         | Working Conditions | Extra-Legal Benefits | Risk Level |
|--|---------|--------------------------------------|--------------------|----------------------|------------|
| Audi - Puebla                                  | 4,200   | More than double                     | Higher than LFT    | Yes                  | Low        |
| VWM - Puebla                                   | 6,827   | More than double                     | Higher than LFT    | Yes                  | Low        |
| Mercedes-Benz - Aqs                            | 2,135   | Less than double of the minimum wage | Higher than LFT    | Yes                  | Moderate   |
| BMW - SLP                                      | 1,351   | Less than double of the minimum wage | Close to LFT       | Yes                  | Moderate   |
| Daimler - García, NL                           | 148     | Less than double of the minimum wage | Close to           | Yes                  | Moderate   |
| Daimler Truck - Saltillo, Coah                 | 4,771   | Less than double of the minimum wage | Higher than LFT    | Yes                  | Low        |
| Daimler Truck - Santiago Tianguistenco, Edomex | 2,977   | More than double                     | Higher than LFT    | Yes                  | Low        |

**Total workers in the assembly plants: 22,409**

Source: Preparation from the review of legitimization certificates and CBA.

## Other Daimler's CBAs as Daimler assembly plant linked centers

As mentioned above, this same section includes the rest of Daimler's plants that have Collective Bargaining Agreements, which differ in terms of their activities and size. The characteristics are as follows:

**Table 3.2. Other Daimler’s CBAs as Daimler assembly plant linked centers**

| Company | Plant             | Workers | Labor union  | Main activity   |
|---------|-------------------|---------|--|---|
| Daimler | Toluca            | 333     | Sindicato Nacional de Trabajadores de la Industria Metalúrgica y Similares*  | Re-Manufacturing of Diesel Engines                    |
|         | SLP               | 47      | Sindicato Industrial de Trabajadores en Partes Automotrices, Similares y Conexos del Estado de San Luis Potosí, CTM  | Truck and tractor-trailer auto parts logistics center |
|         | NL + EDOMEX<br>** | 22      | Sindicato Único de Trabajadores y Empleados de la Industria Automotriz, Metálica, Autopartes, Servicios e Instalaciones Mecánicas y Electrónicas en General de la República Mexicana | Engine repair shops and warehouses                    |

\* The union that holds the ownership of this CBA also negotiated that of Daimler Santiago Tianguistenco, included in the assembly plant section.

\*\* In the initial mapping, it was contemplated that Daimler Nuevo León and Estado de México's CBA would cover three plants (and it did since it included a work center in Guadalajara, Jalisco); however, the most recent CBA shows the removal of that facility, keeping the other two (Estado de México and Nuevo León).

## 1. Union prerogatives

Daimler Toluca and Daimler San Luis Potosí have an entry clause, and vacancies must be filled with personnel proposed by the Union. Daimler (Nuevo León and Mexico) has no such provision.

In two out of the three companies, the fact that the company must deduct union dues and the obligation to deliver economic contributions to the union at certain times/events of the year without specifying the amounts or percentages are stipulated; such companies are Daimler - San Luis Potosí and Daimler (Nuevo León and México). In contrast, Daimler Toluca, the largest of the three, does not have any information in this regard.

Regarding labor flexibility, Daimler - San Luis Potosí, and Daimler (Nuevo León and México) recognize that the company has absolute freedom and total power to move

workers and adjust the workday; that is, the company has total control over jobs and shifts. At Daimler Toluca, the union apparently has some bargaining power, at least regarding the distribution of hours of the workday, which is done jointly by the company and the union.

## 2. Working conditions

Working hours are established in accordance with the maximum limit allowed by law. In the case of Daimler San Luis Potosí, it does not mention the length of the workday, so it must comply with Article 61 of the LFT. In all CBAs overtime is mandatory. Daimler's CBA (Nuevo León and México) stipulates that overtime is at the company's request and with double pay if it occurs on weekends. Meanwhile Daimler Toluca states that the company and the union agree on how to distribute the hours of the workday but mentions that no worker may refuse to provide overtime services. Daimler San Luis Potosí only mentions rest periods if the workday is from eight to twelve hours; therefore, it can be assumed that overtime is contemplated in accordance with law, although not explicitly.

The three CBAs exceed the number of days off granted by the LFT <sup>9</sup>; even the San Luis Potosí plant exceeds all other CBAs reviewed by granting 17 days. In second place is Daimler Toluca with fifteen days, and finally (Nuevo León and Estado de México) grants thirteen days, which is still a beneficial condition for workers. The three CBAs also have punctuality bonuses. Regarding productivity, only Daimler (Nuevo León and Estado de México) gives a bonus. Conversely, in the CBA of Daimler San Luis Potosí, there is a section called "Mission and Quality Policy" in which it is stated in five clauses that productivity, work systems, and competitiveness are what maintain the sources of employment. Likewise, in Daimler Toluca it is stated that work must always be performed at "maximum effort" in terms of quality and intensity (apparently, without special bonuses).

As can be seen in the following table, in the three companies the Christmas bonus is double or close to the double of that set by the LFT (15 days) and the vacation bonus is six times higher in Daimler San Luis Potosí (LFT = 25%).

**Table 3.2.1. Working conditions (other Daimler centers)**

|                   | <b>Days off</b> | <b>Christmas Bonus</b> | <b>Vacation Premium</b> |
|-------------------|-----------------|------------------------|-------------------------|
| Daimler NL+Edomex | 13              | 30 days                | 30%                     |
| Daimler Toluca    | 15              | 28 days                | 65%                     |
| Daimler SLP       | 17              | 26 - 33 days           | 135%                    |

Source: Own elaboration based on reviews to the CBA.

### **3. Extra-legal benefits**

All three companies offer wage compensation such as food vouchers. Compensations are 10% of wage for Daimler Toluca and also for Daimler San Luis Potosí, while in Daimler (Nuevo León and México) they are 12%.

They offer a very different kind of savings fund. The disparity between Daimler Toluca with 3.75% of daily wage and Daimler San Luis Potosí with 13% is striking. Daimler (Nuevo León and México) offers 6% (which is in the average of the CBAs).

Other wage compensation may include financial support for family events, scholarships, and other types of benefits. In this regard, Daimler San Luis Potosí, and Daimler (Nuevo León and Estado de México) have six benefits that compensate workers' salaries. In contrast, Toluca has only two.

### **4. Categories and wages**

In terms of salary categories, the three legitimate CBAs are for 2020; however, in the repository there is a wage review for 2023 only for Daimler San Luis Potosí. Daimler Toluca and Daimler San Luis Potosí have seven and six categories, respectively. Daimler (Nuevo León and Estado de México) has eleven, which is strange since it only employs 22 workers in total. The highest categories in the three CBAs exceed the IMSS contribution average wage, making them competitive tabulators in the labor market.

The initial category that represents the highest wage is at Daimler Nuevo León and Estado de México. It is worth noting that promotion between categories does not necessarily increase wage, and in some cases may even decrease it. This is probably explained by the fact that the categories depend on different scales, which is impossible to identify by reviewing the CBA and the tabulator. It also has the highest wage in the highest category with respect to the other two Daimler plants. Daimler - Estado de México, with a lower initial wage, on the other hand, exceeds the IMSS contribution average wage in the highest category.

The lowest wage, both in the initial and in the last category, corresponds to the CBA of Daimler San Luis Potosí.

**Table 3.2.2. Summary of wage categories (other Daimler centers)**

|                                | Daimler NL and Edomex                | Daimler Edomex (Toluca)              | Daimler SLP                          |
|--------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Year of tabulator              | 2020                                 | 2020                                 | 2023                                 |
| # of categories                | 11                                   | 7                                    | 6                                    |
| Lowest category                | \$311.13                             | \$249.87                             | \$273.34                             |
| Highest category               | \$679.90                             | \$673.55                             | \$686.50                             |
| Minimum wage that year         | \$123.22                             | \$123.22                             | \$207.44                             |
| IMSS contribution average wage | \$403.30                             | \$403.30                             | \$527.3                              |
| Lowest category / Minimum wage | More than double of the minimum wage | More than double of the minimum wage | Less than double of the minimum wage |

Source: Own elaboration based on agreement reviews and CONASAMI; IMSS average wages were taken from Bensusán and Florez (2023).

## 5. Risk levels

In principle, the three Daimler companies are at a low risk level. Although San Luis Potosí has lower wages than the other two companies, it has working conditions that exceed the LFT to a greater extent. Daimler Toluca also has conditions above the LFT and wages are double the minimum wage. Daimler Nuevo León and Estado de México, although presenting the best wages and benefits, is a smaller plant. More information would be needed to know if this plant has a high number of non-union workers, given that, in general, all CBAs include a broader definition of this category than the LFT, or use non-unionized outsourced workers.

**Table 3.2.3. Risk assessment (Daimler)**

| Plant             | Workers | Wages of the lowest category         | Working Conditions | Extra-Legal Benefits | Risk Level |
|-------------------|---------|--------------------------------------|--------------------|----------------------|------------|
| Daimler NL+Edomex | 22      | More than double of the minimum wage | Higher than LFT    | Yes                  | Low        |
| Daimler Toluca    | 333     | More than double of the minimum wage | Higher than LFT    | Yes                  | Low        |
| Daimler SLP       | 47      | Less than double of the minimum wage | Higher than LFT    | Yes                  | Low        |

**Total workers: 402**

Source: Own elaboration.

## **CBAs of TIER 1 companies**

### **ZF Friedrichshafen AG / TRW (I1) (Tier 1 of BMW Group and Mercedes Benz Group)**

This section analyzes the CBAs of the ZF company, whose work centers appear under different corporate names (TRW or ZF). Considering both corporate names, eleven economic units with legitimized collective bargaining agreements<sup>57</sup> are identified. As can be seen in the following table, in addition to the fact that these centers have different unions as holders of the CBAs (except in the case of two TRW centers in Querétaro and two others in TRW Reynosa, which respectively share the same union), they carry out different activities while having very different sizes. These range from the largest one (TRW - Tamaulipas 1, with 3,555 workers) to the smallest one (ZF - AGS, 42 and ZF SLP, with 79 workers). Out of the total, seven are large companies (with more than 250 workers) and four are small and medium-sized companies (with a number of workers between 42 and 176). These differences also correspond to the level of worker protection in the CBAs (the larger the company, the better the working conditions), although there are notable exceptions.

Thus, work centers such as ZF Durango, with 2,973 workers, have the CBA (2020) with the least benefits and the lowest wages and is by far the most at risk of being considered as the closest thing to an "employer protection agreement". The holder of this agreement is Sindicato Nacional de Trabajadores de la Industria Metal-Mecánica, Siderometalúrgica, Automotriz y Proveedoras de Autopartes en General, de la Energía, sus Derivados y Similares de la República Mexicana "Miguel Trujillo López", an organization affiliated to the CTM that has already experienced adverse votes in union democracy processes, as was the case of the legitimization of the CBA of GM Silao, Guanajuato.<sup>58</sup> Another union, holder of the CBA of ZF Guadalajara (Salto, Jalisco), has also had conflicts due to alleged interference by the company in the process of election of the union leadership, and due to the imposition by a former leader of his successor in the general secretary's office, who was subsequently disowned by the company. This leader is the one who represented the union in the review of the CBA (2021).<sup>59</sup>

57 According to the company's website, they have 16 work centers distributed throughout the country: in El Salto - Jalisco; in Monterrey - Nuevo León; in Chihuahua; in Durango; in Coahuila; in San Luis Potosí; in Puebla; in Tamaulipas; and Guanajuato. [www.zf.com/mexico/es/home/home.html](http://www.zf.com/mexico/es/home/home.html)

58 Ministry of Labor and Social Welfare INFORMATION NOTE 001/2021. gob.mx. [www.gob.mx/stps/prensa/nota-informativa-001-2021?idiom=en](http://www.gob.mx/stps/prensa/nota-informativa-001-2021?idiom=en)

59 On this conflict, see [reformalaboralparatodos.org.mx/2022/05/03/sindicalismo-en-mexico-una-realidad-solo-para-14-de-las-personas-trabajadoras](http://reformalaboralparatodos.org.mx/2022/05/03/sindicalismo-en-mexico-una-realidad-solo-para-14-de-las-personas-trabajadoras). This note denounces that new General Secretary, María Elena Guevara, was imposed by the company's human resources management (see File CG- 132-1986-XII and CFCyRL- Certificate- 20221207-49804-11533).

It should be noted that seven out of the eleven work centers linked to ZF - TRW have executed their CBA with unions belonging to the CTM and one more with a union that was expelled from the CTM and recently experienced a defeat in a union democracy process.<sup>60</sup> In short, these situations should themselves be regarded as a risk factor since they constitute indications of possible violations of the principles of freedom of association and collective bargaining, regardless of the working conditions and wages included in the CBAs.

**Table 4. Selected locations of ZF Friedrichshafen AG**

| Company                              | Plant  | Workers | Labor union   | Main activity                    |
|--------------------------------------|--|---------|---|----------------------------------|
| TRW FRENADO                          | TRW - QRO I / EL MARQUES                     | 393     | Sindicato Industrial De Trabajadores De Fabricación De Autopartes, Aeronáutica, Inyección De Plásticos, Fundición, Similares Y Conexos CTM                | Braking systems                  |
| TRW DIRECCIÓN                        | TRW - QRO II / EL MARQUES II                 | 358     |   | Steering systems                 |
| (TRW) FRENOS Y MECANISMOS            | TRW - QRO III / SANTA ROSA DE JAUREGUI (QRO) | 1,475   | Sindicato Nacional De Trabajadores De La Industria Arnesera, Eléctrica, Automotriz Y Aeronáutica De La República Mexicana (mismo Sindicato que Brose QRO) | Safety systems and brakes        |
| TRW VEHICLE SAFETY SYSTEMS DE MEXICO | TRW - TAMPAS I / PLANTA REYNOSA              | 3,555   | Sindicato Industrial De Trabajadores En Plantas Maquiladoras De Ciudad Reynosa Tamaulipas   | Safety belts                     |
| TRW VEHICLE SAFETY SYSTEMS DE MEXICO | TRW - TAMPAS II / PLANTA NORTE               | 42      |   | Seat structures                  |
| ZF CAR CHASSIS TECHNOLOGY            | ZF - AGS / AGS                               | 42      | Sindicato De Trabajadores De La Industria Metalmeccanica, Autopartes, Quimicos, Plasticos, Resina Y Derivados, CTM  | Steering and suspension assembly |

60 SINDICATO NACIONAL DE TRABAJADORES DE LA INDUSTRIA ARNESERA, ELÉCTRICA, AUTOMOTRIZ Y AERONAUTICA DE LA REPÚBLICA MEXICANA, holder of the CBA of the TRW - QUERÉTARO work center, which is also holder of the CBA of Brose. This union recently lost the CBA at the Fujikura plant in Querétaro to another union. [puebla.lodehoy.com.mx/estado/2022/05/06/16346/gana-representacion-en-fujikura-el-sindicato-autentico-de-trabajadores](https://puebla.lodehoy.com.mx/estado/2022/05/06/16346/gana-representacion-en-fujikura-el-sindicato-autentico-de-trabajadores)



| Company                                 | Plant                          | Workers | Labor union  | Main activity                   |
|---|--------------------------------|---------|--|---------------------------------|
| ZF CAR CHASSIS TECHNOLOGY               | ZF - SLP / SAN LUIS POTOSÍ     | 79      | Sindicato Unico De Trabajadores De Forjas Y Maquinas, Conexos Y Similares De La Republica Mexicana, CTM  | Steering and suspension systems |
| ZF CHASSIS TECHNOLOGY                   | ZF - EDOMEX / TOLUCA           | 176     | Sindicato Nacional De Trabajadores De La Industria Metalurgica Y Similares CTM   | Steering and suspension systems |
| ZF OCCUPANT SAFETY SYSTEMS DE LA LAGUNA | ZF - DGO / DURANGO             | 2,973   | Sindicato Nacional De Trabajadores De La Industria Metal-Mecanica, Sidero-Metalurgica, Automotriz Y Proveedoras De Autopartes En General, De La Energia, Sus Derivados Y Similares De La Republica Mexicana, "Miguel Trujillo Lopez" | Airbag. Safety belt components  |
| ZF POWER-TRAIN MODULES                  | ZF - COAH / SALTILLO, COAHUILA | 512     | Sindicato Industrial De Trabajadores Del Estado De Coahuila CTM  | Transmission systems            |
| ZF SUSPENSIÓN TECHNOLOGY GDL            | ZF - GDL                       | 1,660   | Sindicato Independiente De Trabajadores ZF Suspensión Technology Guadalajara Y De Las Empresas Que Llegaran A Instalarse Filiales Al Mismo Grupo   | Shock absorbers                 |

Source: Own elaboration based on reviews of the CBA and legitimization certificates.

## 1. Union prerogatives

A review of the clauses of the CBAs that contain union prerogatives shows that, except for ZF AGUASCALIENTES and SAN LUIS POTOSÍ (where it happens, but is not expressly specified), in all cases workers must be union members and unions have the power to propose who fills the vacancies. In three CBAs, the company is committed to collecting union dues (a widespread practice) in amounts up to 3% of salary at TRW - TAMAULIPAS I and II and up to 2% at ZF - GUADALAJARA.

It is only in the case of TRW TAMAULIPAS I that there is any mention of the existence of a union delegate with unpaid leave, plus leave for up to two weeks to carry out union commissions with pay, which strengthens the union. When reference is made to the existence of joint commissions, in any case, they refer to those already provided for in the LFT (Training and Education, Profit Sharing, Salaries and Seniority, Internal Regulations, Hygiene and Safety at Work). It should be noted that, in the case of ZG AGUASCALIENTES, the union is granted a contribution of 365 days of the general minimum wage on an annual basis, to fulfill its function, in addition to other amounts for CBA administration expenses (\$250 per month). In addition, union dues are deducted.

The case of ZF GUADALAJARA is noteworthy because the CBA covers not only that center but also other affiliate companies of the same group that may be installed (a modality that has ceased to be included in most CBAs and could not be applied in practice without complying with the new requirements of the LFT).<sup>61</sup> Also, the CBA includes a separation clause that obliges the company to separate workers who resign or are expelled from the union (prohibited since 2012 in the LFT), as well as economic prerogatives that had not been identified in the others. For example, 20 monthly food allowances of \$1,869.6 are to be given to members of the union leadership (only two days' salary for other workers) and five wage categories were created for members of the steering committee, the last one only intended for the General Secretary with a wage that is equivalent to nine times the salary of the lowest category. Although this CBA has superior working conditions to the LFT and favorable extra-legal benefits, such privileges for management could generate worker dissatisfaction and questioning, as it seems to be happening in this company.

Regardless of union prerogatives, the work centers have obtained wide margins of labor flexibility in CBAs, whether in terms of schedules, shifts, or occupation of categories and positions, as is the case of TRW QUERÉTARO II and III, TRW TAMAULIPAS I and II; ZF AGUAS CALIENTES; DURANGO and COAHUILA. There are no provisions in this regard in the other agreements.

61 When a new work center is created, workers should give their support to the union that requests before the CFCyRL a certificate of compliance of representativeness (with the signature of 30% of the covered workers or, in the case of a dispute between two or more unions, with the vote of the majority of workers). Furthermore, the CBA negotiated with the company must also be approved by the vote of the majority of the covered workers (Articles 390 Bis and 390 Ter, LFT).

## 2. Working conditions

As in most of the CBAs reviewed, the maximum working week is the one established in the LFT (48 hours). However, we found reduced working hours in TRW - TAMAULIPAS I (45hs daytime/ 9 hours per day and 41 hours nighttime/8.2 hours per day); in TRW - TAMAULIPAS II (45, 43, and 42 hours) and in ZF GUADALAJARA (47.30 hours, 40: 30 hours and 40 weekly hours). All CBAs establish overtime as mandatory, but in the case of TRW - TAMAULIPAS only the first nine hours of overtime per week are mandatory. In all cases, overtime is paid double or triple as established in the LFT. In general, where provided, the daily rest period is at least 30 minutes with the right to leave the work center, so it is not considered effective working time, following the rules of the LFT. Exceptionally, an additional extra rest time is granted during the workday, considered as effective time because workers are not allowed to leave the facilities.

All of ZF - TRW's CBAs have more vacation days than those established in the LFT, except for AGUASCALIENTES and SAN LUIS POTOSÍ and DURANGO. With respect to a Christmas bonus, eight CBAs exceed the provisions of the LFT, and seven CBAs offer higher vacation bonuses above said provisions. Both ZF AGUASCALIENTES and SAN LUIS POTOSÍ's CBAs (42 and 79 workers) and ZF Durango (2,973 workers) only guarantee the Christmas bonus, and the vacation premium established in the LFT. The following table (4.1) summarizes these working conditions.

Among the eleven work centers, ZF GUADALAJARA is the one that offers the best conditions in these three areas, followed by TRW QUERÉTARO II and III, in the first case, with Christmas bonuses that amount to more than double and vacation bonuses that are four times the amount established in the LFT. It should be noted that in the case of ZF COAHUILA, an increase in the number of vacation days provided for by the LFT was found, increasing such days to nine for the first year (instead of six) and improving said term in the following years (until 23 days are reached in 20 or more years).

**Table 4.1. Some working conditions (TRW / ZF)**

| CBA            | Days Off | Christmas Bonus | Vacation Premium |
|----------------|----------|-----------------|------------------|
| TRW - QRO I    | 10       | 24              | 53 - 60%         |
| TRW - QRO II   | 13       | 31              | 110%             |
| TRW - QRO III  | 14       | 26 - 42         | 80 - 158%        |
| TRW - TAMPS I  | 11       | 18 - 21         | 53 - 65%         |
| TRW - TAMPS II | 12       | 16 - 21         | 58 - 65%         |
| ZF - AGS       |          | 15              | 25%              |
| ZF - SLP       |          | 15              | 25%              |
| ZF - EDOMEX    | 14       | 30 - 32         | 50%              |
| ZF - DGO       |          | 15              | 25%              |
| ZF - COAH      | 11       | 23 - 34         | 87%              |
| ZF - GDL       | 15       | 43 - 52         | 100%             |

Source: Own elaboration based on reviews of the CBA.

### 3. Extra-legal benefits

Except in ZF AGUASCALIENTES and SAN LUIS POTOSÍ, in all the CBAs there are benefits that increase the daily wage. As for food allowances, these range from 8% of wage in ZF DURANGO, TRW QUERÉTARO I – between 8% and 15% depending on seniority –, in ZF COAHUILA, 12%; ZF ESTADO DE MÉXICO, 10%; and 16.75% in TRW QUERÉTARO II. In other cases, food allowances are fixed in wage days (ZF GUADALAJARA, two days and TRW TAMAULIPAS I and II, \$16 - 17 pesos per day plus between 75 and 80 pesos per week).

Regarding savings funds, the highest percentage of wage is granted in TRW QUERÉTARO II (17%), followed by ZF COAHUILA (16%), ZF GUADALAJARA (13%); ZF

ESTADO DE MÉXICO (10%); TRW QUERÉTARO (9 - 9.5%), ZF DURANGO (8%), TRW QUERÉTARO III (6 - 13%), TRW TAMP I (6%), TRW TAMP II (5.5 - 7.5%).

Likewise, in all CBAs (except in ZF AGUASCALIENTES and SAN LUIS POTOSÍ) various extralegal benefits are granted in the form of financial support for situations such as deaths, births, marriages, study grants for workers and their children, as well as paid and unpaid leave, as the case may be. TRW - QUERÉTARO I, II, and III have the highest number of grants (between six and seven), followed by TRW - TAMAULIPAS I and II (four) ZF ESTADO DE MÉXICO, COAHUILA, and GUADALAJARA two) and ZF DURANGO (one).

#### **4. Categories and wages**

As shown in the following table, which includes the number of wage categories in the CBAs, the comparison between work centers is only indicative since the legitimized CBAs correspond to different dates: 2020 - 2023. However, in all cases, minimum wages and IMSS contribution average wages for the CBA tabulator year are included as parameters to evaluate the agreement wages.

The number of wage categories varies from one (TRW TAMAULIPAS I and II) to 23 in ZF Coahuila. In this case, there are three types of categories: general (with nine levels), technicians (with six levels plus two more levels of specialized technician and coordinating technician) and specialists (with six levels).

We must remember that one of the criteria of the DDA mentioned at the beginning of this document is that German companies and their associates should pay more than the current minimum wage, which so far has been accomplished in all the CBAs reviewed, although with marked differences. The CBA with the lowest wage is that of ZF Durango, to the point that the lowest category exceeds the minimum wage by only 30% and the highest category is barely half the IMSS contribution average wage. ZF AGUASCALIENTES and SAN LUIS POTOSÍ do not exceed the average wage either. ZF GUADALAJARA pays the highest salary, but it is a category that can only be granted to the General Secretary of the Union. In fact, the last four categories are reserved for union committee members, except for category six, which can also be awarded to a logistics position. The next highest wage in the last category is that of ZF COAHUILA

and corresponds to the Coordinating Technician, equivalent to three and a half times the lowest category in that plant.

**Table 4.1.1. Summary of wage categories ( TRW / ZF)**

| Plant          | Year of tabulator | # of categories | Lowest category | Highest category | Minimum wage that year | IMSS contribution average wage | Lowest category / minimum wage |
|----------------|-------------------|-----------------|-----------------|------------------|------------------------|--------------------------------|--------------------------------|
| TRW - QRO I    | 2023              | 8               | \$266.34        | \$388.21         | \$207.44               | \$527.30                       | Less than double minimum wage  |
| TRW - QRO II   | 2021              | 9               | \$217.72        | \$433.89         | \$141.70               | \$432.20                       | Less than double minimum wage  |
| TRW - QRO III  | 2021              | 10              | \$243.17        | \$447.70         | \$141.70               | \$432.20                       | Less than double minimum wage  |
| TRW - TAMPS I  | 2022              | 1               | \$260.35        | \$316.13         | \$172.87               | \$478.70                       | Less than double minimum wage  |
| TRW - TAMPS II | 2022              | 1               | \$260.35        | \$317.00         | \$172.87               | \$478.70                       | Less than double minimum wage  |
| ZF - AGS       | 2021              | 5               | \$218.40        | \$324.13         | \$141.70               | \$432.20                       | Less than double minimum wage  |
| ZF - SLP       | 2020              | 4               | \$206.22        | \$290.00         | \$123.22               | \$403.30                       | Less than double minimum wage  |
| ZF - EDOMEX    | 2022              | 5               | \$252.04        | \$519.39         | \$172.87               | \$478.70                       | Less than double minimum wage  |

| Plant     | Year of tabulator | # of categories   | Lowest category | Highest category        | Minimum wage that year | IMSS contribution average wage | Lowest category / minimum wage |
|-----------|-------------------|-------------------|-----------------|-------------------------|------------------------|--------------------------------|--------------------------------|
| ZF - DGO  | 2021              | 5                 | \$162.01        | \$203.20                | \$141.70               | \$432.20                       | Less than double minimum wage  |
| ZF - COAH | 2023              | 23                | \$333.07        | \$995.98                | \$207.44               | \$527.30                       | Less than double minimum wage  |
| ZF - GDL  | 2021              | 10 (6 - 10 union) | \$208.75        | \$507.18 (6th category) | \$141.70               | \$403.30                       | Less than double minimum wage  |

Source: Own elaboration based on agreement reviews and CONASAMI; IMSS average wages were taken from Bensusán and Florez (2023).

## 5. Risk levels

Considering the items analyzed above which are included in the following table, from the perspective of the content of the CBAs, we found that ZF - Durango is the company most at risk. This is because, despite being a large company, it offers the lowest wages, hardly above the minimum, without reaching the IMSS average wage in the highest category. Furthermore, the wages barely exceed those of the lowest category, revealing a lack of potential income improvement for the company's workers. In addition, the working conditions are at the level of the LFT and the only extra-legal benefits are a savings fund and financial assistance. This CBA could be considered to meet the criteria usually applied to employer protection arrangements, whose holder is paradoxically a powerful union with hundreds of CBAs and presence in several states of the country.

The other high-risk CBA correspond to ZF AGUASCALIENTES and SAN LUIS POTOSÍ, but these are smaller companies, which is usually associated with less union bargaining power.

Finally, it should be noted that the ZF - TRW case is similar to that of Daimler, whose case was analyzed in a previous section, in terms of the existence of work centers that are linked to the same company (two in this case) but that negotiate with different unions. This weakens their ability to obtain substantial improvements for those they represent. Even so, the working conditions analyzed, mainly the Christmas bonuses, vacation bonuses and extra-legal benefits, show advantages for workers that are superior to those enjoyed by workers without union representation.

**Table 4.1.2 Risk Balance (TRW / ZF)**

| Plant          | Workers | Wages of the lowest category         | Working Conditions | Extra-Legal Benefits | Risk Level |
|----------------|---------|--------------------------------------|--------------------|----------------------|------------|
| TRW - QRO I    | 393     | Less than double of the minimum wage | Higher than LFT    | Yes                  | Low        |
| TRW - QRO II   | 358     | Less than double of the minimum wage | Higher than LFT    | Yes                  | Low        |
| TRW - QRO III  | 1,475   | Less than double of the minimum wage | Higher than LFT    | Yes                  | Low        |
| TRW - TAMPS I  | 3,555   | Less than double of the minimum wage | Higher than LFT    | Yes                  | Moderate   |
| TRW - TAMPS II | 42      | Less than double of the minimum wage | Higher than LFT    | Yes                  | Moderate   |
| ZF - AGS       | 42      | Less than double of the minimum wage | At LFT level       | No                   | High       |
| ZF - SLP       | 79      | Less than double of the minimum wage | At LFT level       | No                   | High       |
| ZF - EDOMEX    | 176     | Less than double of the minimum wage | Higher than LFT    | Yes                  | Low        |



| Plant     | Workers | Wages of the lowest category         | Working Conditions | Extra-Legal Benefits                       | Risk Level |
|-----------|---------|--------------------------------------|--------------------|--|------------|
| ZF - DGO  | 2,973   | Barely above minimum wage            | At LFT level       | Only Savings Fund and Financial Assistance | High       |
| ZF - COAH | 512     | Less than double of the minimum wage | Higher than LFT    | Yes  | Low        |
| ZF - GDL  | 1,660   | Less than double of the minimum wage | Higher than LFT    | Yes  | Low        |

**Total Workers: 11,265**

Source: Own elaboration based on wage reviews the CBA.

## Brose (Tier 1 of BMW Group and Mercedes Benz Group)

This section includes four Brose plants, including the one of Puebla with three work centers.<sup>62</sup>

The number of workers was obtained, as in the other contracts analyzed, based on the number of workers with voting rights stipulated in the CBA legitimization certificates. This excludes non-union personnel, management personnel, security personnel, etc. A total of 1,362 employees works in these six work centers.

The three CBAs in Querétaro are negotiated by the same union with different benefits and salaries, which reflects a dispersion of union bargaining power that benefits the company, an atomization that allows us to consider the particular characteristics of each company. On the other hand, in Puebla, there is only one CBA for the three work centers, which could be the result of the union's greater bargaining power, which, as we will see, translates into better working conditions. However, given that we could not access the pay tabulator, we cannot adequately assess the risk of conflicts arising from workers' nonconformity.

<sup>62</sup> Initially, four economic units corresponding to the Brose company were identified: three of these in Querétaro, and one more in Puebla. However, upon reviewing the Puebla CBA, we found that said CBA comprises three work centers (with the same company name).

**Table 5. Selected locations of Brose**

| Plant  | Workers | Labor union   | Main activity  |
|--|---------|---|--|
| Querétaro / Aeropuerto                             | 381     | Sindicato Nacional De Trabajadores De La Industria Arnesera, Eléctrica, Automotriz Y Aeronáutica De La República Mexicana | Seat structures  |
| Querétaro / Benito Juárez                          | 331     |   | Window regulators and door systems   |
| Querétaro / El Marqués                             | 440     |   | Window regulators, HVAC blowers, cooling fan motors, steering motors, brake system drives, electronics, etc. |
| Puebla<br>- Cuautlancingo<br>- Cholula<br>- Edomex | 208     | Union Mexicana De Trabajadores Y Empleados De La Industria Automotriz, Autopartes Y Agencias De La Republica Mexicana     | Door systems, window lifts, seat adjusters, locking systems, and efrigeration fan modules.                   |

Source: Own elaboration.

## 1. Union prerogatives

At Brose Puebla, workers must belong to the union, but the CBA does not mention that the union must propose personnel. On the other hand, the CBA of the Querétaro - Benito Juarez plant indicates that the union must propose the necessary personnel to fill the available vacancies. Querétaro - Aeropuerto and Querétaro - Marqués have no provisions in this regard. However, we also see that the company has the full power and right to manage workplaces, to hire and make changes, which indicates a high degree of labor flexibility in these two plants. In this same sense, Brose - Puebla indicates that the calendar of long weekends and holidays will try to adjust to Volkswagen's calendar. Querétaro - Benito Juarez has no such clauses.

The origin of the funds used to finance the union gives an idea of the relationship it may have with the company. Only the CBA at Brose Puebla makes reference to the

deductions stipulated in Article 110, section VI, of the LFT (which includes the deduction of union dues, although as of the 2019 labor reform, workers may request in writing that union dues not be deducted, so the employer may not deduct them). In addition, the company contributes to some of the union's expenses related to administrative, managing and sporting activities, without specifying their amount.

## **2. Working conditions**

Working hours are established in all cases according to the maximum limit allowed by law, either because they are stipulated in the CBA, as in the case of Brose Puebla, or simply refer to the corresponding articles of the LFT, as in the case of the three plants in Querétaro. In all CBAs, overtime is mandatory in accordance with the LFT. Only Puebla has the information in the CBA, since it indicates that overtime must not exceed three hours per day or three times per week, as established by law.

The number of days off granted by each plant is distributed as follows. Querétaro - Aeropuerto: nine days (the legal minimum) and Querétaro - El Marqués: ten days (very close to the minimum of the LFT), in contrast, the CBAs of Benito Juárez and Puebla improve in this aspect with fourteen and twelve days, respectively.

The vacation bonus in all the CBAs exceeds that established by the LFT (where the vacation bonus is 25%). Querétaro - Benito Juárez contemplates 45%; Puebla, 42%; Querétaro - Aeropuerto, 35%; and Querétaro - El Marqués, 35%.

As for the Christmas bonus, Querétaro - Aeropuerto only grants fifteen days of Christmas bonus, as established by the LFT, while the others exceed such term, the highest being that of Puebla with double the amount stipulated by the Law, i.e., 30 days.

**Table 5.1. Some working conditions (Brose)**

| <b>CBA</b>   | <b>Days Off</b> | <b>Christmas Bonus</b> | <b>Vacation Premium</b> |
|--|-----------------|------------------------|-------------------------|
| Querétaro /<br>Aeropuerto                          | 9               | 15 days                | 35%                     |
| Querétaro /<br>Benito Juárez                       | 10              | 21 days                | 35%                     |
| Querétaro /<br>El Marqués                          | 14              | 28 days                | 45%                     |
| Puebla<br>- Cuautlancingo<br>- Cholula<br>- Edomex | 12              | 30 days                | 42%                     |

Source: Own elaboration.

### **3. Extra-legal benefits**

The Puebla CBA grants economic incentives for productivity, but the CBA does not specify conditions or amounts. The CBA of Querétaro - Benito Juárez merely states that a Joint Commission will implement the conditions of the productivity programs, without referring to a bonus.

The amounts of grocery vouchers are distributed as follows: Puebla with 20% (which is the highest percentage found in this review); Querétaro - Benito Juárez with 14.23%; El Marqués with 10.5% and Aeropuerto with 10%. It is noteworthy that Puebla duplicates the conditions of El Marqués and Querétaro.

The distribution of the savings fund follows a similar distribution trend: Puebla and Querétaro - Benito Juárez with 13% while Querétaro - Aeropuerto and Querétaro - El Marqués with 6 and 7%, respectively.

In terms of other pay settlements included in the CBAs, Querétaro - Benito Juárez has six benefits (paternity, marriage, death, student children and Mother's Day bonus). El Marqués only has a life insurance, and again Aeropuerto has none. Puebla, on the

other hand, has almost the same benefits as Queretaro - Benito Juárez (except for the Mother's Day bonus).

Finally, Querétaro - Benito Juárez offers, like the LFT in Article 132 (section XXVII Bis), five days for parental leave with pay in family situations. In addition, three days are granted for marriage and three for death; Querétaro - Aeropuerto only has five days for paternity, as does Querétaro - Benito Juárez. Both Querétaro - El Marqués and Puebla have no provisions in this regard.

#### **4. Category and wages**

Regarding wage categories and tabulator, the three CBAs in Querétaro correspond to the year 2021; however, the CFCyRL repository contains the wage agreements for 2022. It is noteworthy that tabulators are composed of only three wage categories. Although in all cases the lowest category exceeds the minimum wage for that year, in no case does the highest category reach the IMSS average contribution wage, and there is only a minimal difference compared to the wage in the lowest category. The Puebla CBA, to which access was given, does not include a wage tabulator.

A tabulator with a few wage categories indicates great functional flexibility for the company, as well as limited mobility between positions, reflecting few possibilities for professional development. In all four cases, as to be seen in the following table, the maximum wage to which they can aspire does not reach the lowest categories of assembly plants reviewed in a previous section.

**Table 5.1.1. Summary of wage categories (Brose)**

|                                   | Querétaro /<br>Aeropuerto | Querétaro /<br>Benito Juárez            | Querétaro /<br>El Marqués               |
|-----------------------------------|---------------------------|---|---|
| Year of tabulator                 | 2022                      | 2022                                    | 2022                                    |
| # of categories                   | 3                         | 3                                       | 3                                       |
| Lowest category                   | \$225.65                  | \$209.11                                | \$210.00                                |
| Highest category                  | \$279.88                  | \$262.52                                | \$293.40                                |
| Minimum wage that year            | \$172.87                  | \$172.87                                | \$172.87                                |
| IMSS contribution<br>average wage | \$478.7                   | \$478.7                                 | \$478.7                                 |
| Lowest category /<br>Minimum wage | Less than double          | Less than double of<br>the minimum wage | Less than double of<br>the minimum wage |

Source: Own elaboration based on agreement reviews and CONASAMI; IMSS average wages were taken from Bensusán and Florez (2023).

## 5. Risk levels

Brose Puebla's CBA contains labor conditions that are highly valued by workers (such as Christmas bonus or vacation bonus) above the LFT, which suggests that risk is low, although its wage tabulator is not available.<sup>63</sup> In addition, the fact that the same CBA and union covers three work centers suggests that bargaining power is greater than in other cases. For the other plants in Querétaro, risk is high, especially in the cases of Aeropuerto and El Marqués because wages are comparatively low, conditions are very close to the LFT minimum and extralegal benefits are low. It could be thought that they are close to what is usually considered as a CCPE. Querétaro Benito Juárez has better conditions and more compensatory wage benefits, so the risk is moderate.

63 The latest wage agreement was not found in the CFCyRL repository.

**Table 5.1.2. Risk balance (Brose)**

| Plant                     | Workers | Wages of the lowest category     | Working Conditions | Extra-Legal Benefits | Risk Level                                    |
|---------------------------|---------|----------------------------------|--------------------|----------------------|---|
| Querétaro / Aeropuerto    | 381     | Less than double                 | At LFT level       | Yes, low             | High  |
| Querétaro / El Marqués    | 440     | Less than double of minimum wage | Higher than LFT    | Yes, low             | High  |
| Querétaro / Benito Juárez | 331     | Less than double of minimum wage | Higher than LFT    | Yes, better          | Moderate                                      |
| Puebla                    | 208     | -                                | Higher than LFT    | Yes, better          | Pending since wage tabulator is not available |

**Total workers in Brose: 1,360**

Source: Own elaboration based on a CBA review.

## Bosch (Tiers 1 of BMW Group and Mercedes Benz Group)

This section presents labor information on the five Bosch plants.<sup>64</sup> The number of workers, as in the other agreements analyzed, was obtained from workers with the right to vote, contemplated in the certificates of legitimization of the CBA. This excludes non-union personnel, management personnel, security personnel, etc. In total, those five work centers have 5,738 workers. The plants are as follows:

<sup>64</sup> Initially, four economic units of the Bosch company were identified. Such economic units' production is related to the automotive sector. The CBA was available. Finally, one more unit with a collective bargaining agreement was identified.

**Table 6. Selected locations of BOSCH**

| Plant                  | Workers | Labor union  | Main activity   |
|------------------------|---------|--|---|
| TOLUCA (EDOMEX)        | 2,650   | Sindicato Nacional De Trabajadores De La Industria Metalurgica Y Similares CTM   | Windshield wiper motors, ABS brake motors, pressure sensors and gasoline pumps              |
| SAN LUIS POTOSI (SLP)  | 2,429   | Sindicato de Trabajadores de la Empresa Robert Bosch México Sistemas Automotrices, S.A. DE C.V., CTM                                       | Ignition coils, high- and low pressure rails, solenoids for transmissions and speed sensors |
| QUERETARO (QRO)        | 389     | Sindicato Industrial De Trabajadores De Fabricación De Autopartes, Aeronáutica, Inyección De Plásticos, Fundición, Similares Y Conexos CTM | Steering Systems: electronic power steering: EPSdp, EPSapa                                  |
| APASEO EL GRANDE (GTO) | 210     | Sindicato De Trabajadores De La Industria Automotriz Y Autopartes  | Electronic modules, driving assistance and dashboards.                                      |
| HERMOSILLO (SON)       | 60      | Sindicato De Trabajadores Industriales, Construccion, Comercio En General, Choferes, Mecanicos Y Carroceros Del Estado De Sonora, CTM      | Professional audio equipment, telecommunications, and alarm systems.                        |

Source: Own elaboration.

## 1. Union prerogatives

All CBAs have an entry clause; only the Bosch - Guanajuato CBA gives the company full power and freedom to hire (without requiring union membership). Querétaro specifies this indirectly by stating that the company can hire someone from outside, but that he/she must then join the union. San Luis Potosí and Sonora must request the union for the personnel they require to fill vacancies.

Only the CBA of Bosch Sonora and that of San Luis Potosí indicate that the company must contribute money to the union at various times during the year for union administrative expenses, as well as for events that contribute to the development of workers. Bosch Sonora indicates that the company may deduct union dues.



With respect to labor flexibility, the Querétaro and SAN LUIS POTOSÍ CBAs indicate that the company has total freedom to modify and eliminate jobs, only the SAN LUIS POTOSÍ CBA requires five days' notice to the union of such changes

## 2. Working conditions

Working hours reflect what is common in almost all CBAs, i.e., the maximum foreseen in the LFT. Bosch Estado de México is the only one of these companies that has a shorter workweek, since the daytime workday is 45 hours instead of 48 hours; the mixed workday is 42.5 hours instead of 45 hours; and the nighttime is 35 hours instead of 42 hours. The other CBAs comply with the Law. In all five CBAs overtime is mandatory.

The number of days off is higher in Estado de México (sixteen days, one of the highest reviewed); while Guanajuato only has nine days off (the minimum in LFT), as shown in the following table.

Regarding the vacation bonus, it is worth noting that Guanajuato is very close to the legal minimum of 25%, offering 30%, while the others offer much higher percentages: Querétaro 50%; Sonora 70%, Estado de México 115%; and San Luis Potosí 130%.

Guanajuato's CBA is also very close to the legal minimum in terms of Christmas bonus, since it offers eighteen days (whilst the minimum under the LFT is fifteen days). In the next place is Sonora, which, although it also offers eighteen days, this only applies to new recruits, as this bonus can rise to 32 days depending on seniority. Querétaro contemplates 21 days and San Luis Potosí starts in 20 days and by seniority can reach up to 46 days. Estado de México offers 33 days equally.

Only Guanajuato lacks any performance bonuses, while the other plants have at least one, either for productivity or punctuality. San Luis Potosí has two types of productivity bonuses: the first is 15% and applies only to the first seven categories of the tabulator (for the job function they perform); the second bonus applies to everyone and is reached by the achievement of objectives of a quality and efficiency matrix, so the amount is variable (and cumulative) and ranges from 2% to 4%. Querétaro, Estado de México, and Sonora have punctuality/attendance bonuses.

In this company, we found two agreements that guarantee workers minimum profit sharing. This implies that they have a mechanism to protect workers if the company declares that there are no profits to distribute. This clause is not present in the other CBAs examined, except for VWM. These cases are those of the plants in Estado de México (with a minimum guarantee of 20 days' wage) and Sonora (which presents a profit-sharing tabulator according to seniority, which can range from \$1500 to \$4000).

**Table 6.1. Some working conditions (Bosch)**

|                 | Days Off | Christmas Bonus | Vacation Premium |
|-----------------|----------|-----------------|------------------|
| Edomex          | 16       | 33 days         | 115%             |
| Sonora          | 12       | 18 - 32 days    | 70%              |
| Querétaro       | 11       | 21 days         | 50%              |
| Guanajuato      | 9        | 18 days         | 30%              |
| San Luis Potosí | 14       | 20 - 46 days    | 130%             |

Source: Own elaboration.

### 3. Extra-legal benefits

All Bosch plants have the benefit of food vouchers; however, it should be noted that the way they are calculated is not comparable: Estado de México offers \$645 per month; Sonora \$148 weekly; Querétaro 10% of wage; Guanajuato 8% of wage, and San Luis Potosí 10% weekly voucher + the benefit that the union sells basic consumer products at a non-profit price.

Querétaro (8%) and San Luis Potosí (13%) have the best savings funds for their workers; in contrast, Estado de México (4.4%) offers lower savings funds while Sonora (5.5%) and Guanajuato (5%) barely surpass it.

The highest economic compensations, which include support for civil events (such as death), scholarships, and life insurance, are offered by the CBAs of Sonora and San

Luis Potosí. Both workplaces offer them in six categories. Estado de México has two, Querétaro has one, and Guanajuato has none.

Finally, with respect to paid leave for family events, San Luis Potosí grants 11 + 4 if a worker must attend "congresses" (This last option is probably for those workers who are part of the executive committee). Sonora contemplates thirteen days, although they are distributed in marriage and death leaves (with conditions). Estado de México provides ten days; Guanajuato nine days; and finally, Querétaro does not provide any, so they are in line with the minimum days established by the LFT.

#### **4. Categories and wages**

Bosch Sonora's CBA has only one wage/labor category and gives no indication (such as training) that remuneration can upgrade, except in the case of moving to a non-union position. This is an indication of broad labor flexibility, especially of a functional nature. The other agreements have a significant and variable number of salary and functional categories.

In contrast, the CBA of Estado de México is divided into two major labor areas (production and services). In addition, it has indications for upgrades (terms of time that should be elapsed and the exams to take).

Estado de México and Querétaro exceed the IMSS contribution average wage in its highest category.

**Table 6.1.1. Summary of wage categories (Bosch)**

|                                | <b>Edomex</b>                    | <b>Sonora</b>                    | <b>Querétaro</b>                 | <b>Guanajuato</b>     | <b>San Luis Potosí</b>           |
|--------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------|----------------------------------|
| Year of tabulator              | 2023                             | 2022                             | 2021                             | 2019                  | 2023                             |
| # of categories                | 14                               | 1                                | 9                                | 16                    | 15                               |
| Lowest category                | \$305.15                         | \$326.05                         | \$240.0                          | \$209.52              | \$271.07                         |
| Highest category               | \$914.68                         | -                                | \$677.0                          | \$295.73              | \$437.33                         |
| Minimum wage that year         | \$207.44                         | \$172.87                         | \$141.70                         | \$102.68              | \$207.44                         |
| IMSS contribution average wage | \$527.3                          | \$478.7                          | \$432.2                          | \$375.7               | \$527.3                          |
| Lowest category / Minimum wage | Less than double of minimum wage | Less than double of minimum wage | Less than double of minimum wage | Twice of minimum wage | Less than double of minimum wage |

Source: Own elaboration based on agreement reviews and CONASAMI; IMSS average wages taken from Bensusán and Florez (2023).

## 5. Risk levels

The following table summarizes the items analyzed above. The Bosch plants that present the greatest risk are those in Querétaro and Guanajuato, since they neither exceed the conditions established by the LFT, nor do they grant minimum improvements. In addition, the compensatory items are low or non-existent and the salaries of the lowest category are reduced, and in the last plant there is little difference between the first and last category. Thus, in the particular case of Guanajuato, even the highest category does not reach the IMSS contribution average wage. The other three Bosch plants, although with differences, are at lower risk: Sonora, despite having wide flexibility and few opportunities for professional development, partially supplements salaries and has superior conditions regarding the LFT. Estado de

México has few compensatory items, but superior conditions to the LFT. This plant is the least risky in terms of wages, fringe benefits and working conditions, along with the San Luis Potosí plant.

**Table 6.1.2. Risk balance (Bosch)**

| Plant           | Workers | Wages of the lowest category         | Working Conditions         | Extra-Legal Benefits | Risk Level |
|-----------------|---------|--------------------------------------|----------------------------|----------------------|------------|
| Edomex          | 2,650   | Less than double of the minimum wage | Improvements on LFT        | Additional benefits  | Low        |
| Sonora          | 60      | Less than double of the minimum wage | Improvements on LFT        | Additional benefits  | Low        |
| Querétaro       | 389     | Less than double of the minimum wage | Improvements on LFT        | Additional benefits  | High       |
| Guanajuato      | 210     | Twice of minimum wage                | Almost at the level of LFT | Additional benefits  | High       |
| San Luis Potosí | 2,429   | Less than double of the minimum wage | Improvements on LFT        | Better benefits      | Low        |

**Total workers: 5,738**

Source: Own elaboration.

## Other CBAs of TIER 1 companies

### TIER 1 related to BMW (Boysen, BorgWarner, Edscha and Seglo)

This section analyzes the labor conditions in the CBAs of some Tier 1 suppliers of BMW, selected based on the availability of information, while the cases of Brose, Bosch, and ZF were analyzed in the previous section.

**Table 7. Selected Tier 1 locations associated with BMW**

| Plant                                       | Workers | Labor union  | Main activity  |
|---|---------|--|--|
| BorgWarner (8 years) / San Luis Potosí      | 753     | Sindicato Industrial Estatal De Trabajadores De Producto De Acero, Cobre Manufacturas Metalicas, Conexos Y Similares Del Estado De San Luis Potosí, C.R.O.M.             | Manufacture of electric motors and their components              |
| Seglo (Schnellecke Group) / San Luis Potosí | 424     | Asociación Sindical de trabajadores, Empleados y Servicios de la Industria en General del Estado de San Luis Potosí, CTM, Registro 653 en Junta Local de San Luis Potosí | Sub-assembly and logistics                                       |
| Edscha / San Luis Potosí                    | 246     | Sindicato Nacional De Trabajadores De La Industria Automotriz Y Servicios En General, Similares Y Conexos De Los Estados Unidos Mexicanos,CTM                            | Components and door systems as well as their electric components |
| Boysen / San Luis Potosí                    | 120     |  | Exhaust systems  |

**Total workers: 1,543**

Source: Own elaboration.

## 1. Union prerogatives

Three out of the four companies mentioned have an entry clause. The Edscha and Seglo unions propose personnel for available vacancies. In contrast, the BorgWarner CBA states that it is the company that has full discretion to fill vacancies. In all four CBAs, union resources are guaranteed, as CBAs indicate that the company must deduct union dues and contribute resources to the union.

The four CBAs recognize the company's freedom to modify shifts and schedules, which indicates the presence of labor flexibility in the management of working hours, without union intervention.

## 2. Working conditions

The maximum working hours are set by the LFT, although Edscha's CBA does not expressly mention this.

Overtime is in accordance with the provisions of the LFT, as there are no clauses in this regard, so that the workday may be extended by at least nine hours and no more than three hours per day. Seglo's agreement establishes what is known as an hour bank whose calculation is annual (in the CBA it is called "individual work account" or WTA to "document, manage, and compensate additional work hours or to reduce work hours") for which a set of rules is established. Overtime is paid only if it exceeds 300 hours. It should be noted that, in the face of union weakness, this modality may result in excessively long working hours without the corresponding compensation.

The number of days off granted by each plant is distributed as follows: Boysen (9) and Seglo (9). At the LFT level; Edscha (10) and BorgWarner (12).

The vacation bonus shows improvements compared to the LFT in all four companies, and although Seglo offers the lowest vacation bonus – 35% – it is still slightly higher than that of the LFT (25%). Edscha and BorgWarner provide a 40% bonus.

Seglo offers sixteen days of Christmas bonus, as does BorgWarner for new workers (although the latter offers up to 30 days for workers with more seniority). Boysen and Edscha offer 20 days.

The four companies have different productivity and attendance bonus schemes. Boysen is the only one with two productivity bonuses; one based on efficiency (\$180 - \$450) and another based on quality with a fixed amount. The other three companies award a bonus to workers for in-person attendance. BorgWarner has a perfect attendance bonus on a fourteen-day, monthly and semi-annual basis. Edscha offers a 5% wage bonus for attendance and Seglo offers \$70 per week for attendance and \$70 per week for punctuality.

**Table 7.1. Some working conditions (Tier 1 locations associated to BMW)**

|            | <b>Days Off</b> | <b>Christmas Bonus</b> | <b>Vacation Premium</b> |
|------------|-----------------|------------------------|-------------------------|
| Boysen     | 9               | 20 days                | 40%                     |
| BorgWarner | 12              | 16 - 30 days           | 55 - 115%               |
| Edscha     | 10              | 20 days                | 40%                     |
| Seglo      | 9               | 16 days                | 35%                     |

Source: Own elaboration.

### **3. Extra-legal benefits**

In general, these companies offer very few extralegal benefits to their workers, and those that are offered are in low amounts (compared to the other companies reviewed so far).

Food vouchers stipulate fixed amounts (except at Edscha, in which food allowance is a percentage of wage). However, as the CBAs are from different years, they are not strictly comparable, but range between \$500 and \$600 per month. Thus, Boysen awards \$600 per month; BorgWarner: \$350 - \$600 (the CBA does not specify periodicity, but it surely is monthly); Edscha: 8% of wage (approximately \$620 monthly); Seglo: \$125 weekly (approximately \$500 monthly).

The savings fund varies between 4% and 7.5% of wage. At Seglo, it is the lowest (4%); BorgWarner (4.5% - 7.5%) grants it depending on seniority and at Boysen and Edscha it is 6%.

As for other economic compensations, Boysen does not practically provide them, since the CBA only states that the company will raffle one scholarship (either for workers or their children) among all workers, if the company has between 100 and 1,000 workers. BorgWarner includes in its collective bargaining agreement three compensations (birth, death, and marriage). Edscha includes only one (death benefit), as does Seglo (life insurance).



Finally, the days of paid leave for family events are as follows: Boysen: 5; BorgWarner: 10; Edscha: 7; and Seglo: 5.

#### **4. Categories and wages**

Boysen's tabulator includes two main scales, one for "technical operators" and the other for "production operators", both with the possibility of moving up within this category. The initial category represents less than twice the minimum wage, but improves substantially when reaching the high category, where it is possible to earn more than twice the initial category and up to three times the Minimum Wage. This tabulator exceeds IMSS contribution average wage in its highest category.

BorgWarner's wage tabulator consists out of two labor categories: operator and fork-lift operator, with five and three wage categories, respectively. A person entering the lowest category earns less than twice the minimum wage (although the wage is close) and when an individual reaches the highest category, they will earn three times the minimum wage. It is worth mentioning that no category reaches the IMSS contribution average wage.

Edscha's tabulator represents less than double the minimum wage when entering the lowest category. In the highest category, there is an improvement that represents more than double the minimum wage, but that does not reach the IMSS contribution average wage.

Seglo's tabulator in its initial category offers double the minimum wage of that year, but it does not reach IMSS contribution average wage even in the highest category. While the analyzed CBA dates from 2018 (we did not identify a more recent one in the repository), a year during which the recovery of the minimum wage was just beginning. It would be necessary to determine whether, in the following years, the relationship between the lowest contractual wage and the minimum wage was maintained and if subsequent wage revisions were carried out.

**Table 7.1.1. Summary of wage categories (Tier 1 locations associated to BMW)**

|                                | <b>Boysen</b>    | <b>BorgWarner</b> | <b>Edscha</b>    | <b>Seglo</b>     |
|--------------------------------|------------------|-------------------|------------------|------------------|
| Year of tabulator              | 2022             | 2020              | 2023             | 2018             |
| # of categories                | 12               | 8                 | 8                | 5                |
| Lowest category                | \$297.11         | \$234.56          | \$280            | \$190.35         |
| Highest category               | \$650.68         | \$388.96          | \$476            | \$265.98         |
| Minimum wage that year         | \$172.87         | \$123.22          | \$207.44         | \$88.40          |
| IMSS contribution average wage | \$478.7          | \$403.3           | \$527.3          | \$352.2          |
| Lowest category / Minimum wage | Less than double | Less than double  | Less than double | More than double |

Source: Own elaboration based on agreement reviews and CONASAMI; IMSS average wages were taken from Bensusán and Florez (2023).

## 5. Risk levels

Generally, the companies in this section are at high risk. They have CBAs with wages below the minimum wage for each year, few improvements over the LFT, and few and low extra-legal benefits.

Furthermore, if the agreements were not reviewed after the date they were submitted for legitimization, the level of risk would increase for Seglo (2018) and BorgWarner (2020). After four years without revision, any union could call a strike to negotiate a new collective bargaining agreement (upon obtaining a certificate of representativeness) without requiring an ownership dispute (Article 923 LFT).

This way, a CBA close to the figure of CCPEs or simply without relevant advantages for workers and that has not been timely revised opens the opportunity for a dialog on the replacement of the union in the company, to demand an authentic duality in the determination of wages and working conditions.

**Table 7.1.2. Risk balance (Tier 1 locations associated with BMW)**

| Plant      | Workers | Wages of the lowest category | Working Conditions | Extra-Legal Benefits | Risk Level |
|------------|---------|------------------------------|--------------------|----------------------|------------|
| Boysen     | 120     | Less than double             | Close to LFT       | No                   | High       |
| BorgWarner | 753     | Less than double             | Higher than LFT    | Yes, low             | Moderate   |
| Edscha     | 246     | Less than double             | Close to LFT       | Yes, low             | High       |
| Seglo      | 424     | More than double             | Close to LFT       | No                   | High       |

**Total BMW suppliers' workers: 1,726**

Source: Own elaboration.

## Other TIER 1. Companies Related to MB/Daimler (SISAMEX, MERITOR)

**Table 8. Selected Tier 1 locations associated to MB/Daimler**

| Plant  | Workers | Labor union   | Main activity  |
|--|---------|---|--|
| Sistemas Automotrices de México <sup>a</sup><br>Nuevo León | 603     | Sindicato Industrial De Trabajadores Y Trabajadoras De La Rama Metal-Mecánica Del Estado De Nuevo León, CTM                             | Shafts, brakes, related components and parts for trucks and tractor-trailer trucks |
| Meritor (2008)<br>Nuevo León                               | 277     | Sindicato Nacional De Trabajadores De La Industria Automotriz, Similares Y Conexos De La República Mexicana "7 De Octubre" <sup>b</sup> | Shafts and gears   |

a. SISAMEX is a 50-50% joint venture of Quimmco and Meritor, Inc

b. Member of Confederación de agrupaciones sindicales mexicanas (CONASIM)

Source: Own elaboration.

### 1. Union prerogatives

The entry clause in Meritor exists because being part of the union is an employment requirement, although the company fills vacancies at its sole discretion. In SISAMEX, the company is the one who selects for hiring, but workers must join the union within the first 24 hours after being hired and before starting work, while the union reserves the right of admission. At SISAMEX, the company discounts union dues and provides mandatory monthly amounts for the union and its expenses. At Meritor, there is no information in this regard.

Meritor's CBA recognizes the company's total authority to change its workers' place of work, position, shift and work schedule, and also that the work system is highly flexible and competitive, in line with demand. SISAMEX does not specify anything in this respect, which implies this same flexibility in fact, as there are no restrictions on the company's freedom.

## 2. Working conditions

Workdays are the maximum allowed by law in both CBAs. In the case of Meritor, overtime is mandatory, provided there is a "written order". The number of off days granted by each plant is established in the LFT in the case of Meritor and eight in SISAMEX. The vacation bonus at SISAMEX is 80% while Meritor's CBA offers three levels for this benefit: 25%, 35%, and 50%, based on attendance (and not seniority, as seen in other CBAs). The Christmas bonus can be higher than that of the LFT. In Meritor's CBA, it also depends on attendance and can range from fifteen to 23 days. In SISAMEX, it is 25 days for all workers.

Meritor's CBA has a productivity bonus of 15% of wage (which is composed of five parts), and an additional 10% for team leaders. At SISAMEX, the bonus consists of one to three days' wage, considering three objectives to be met (one day's salary for each objective): a) attendance and zero accidents, b) quality and conscientiousness, c) productivity, quality, and on-time delivery to customers.

**Table 8.1. Some working conditions (Tier 1 locations associated to MB/Daimler)**

|         | Days Off | Christmas Bonus | Vacation Premium |
|---------|----------|-----------------|------------------|
| SISAMEX | 8        | 25 days         | 80%              |
| Meritor | 9        | 15 - 23 days    | 25%, 35%, 50%    |

Source: Own elaboration.

## 3. Extra-legal benefits

There are no food vouchers in SISAMEX, while Meritor offers 4% and 8.5% depending on attendance, but this benefit may be canceled.

The distribution of the savings fund is between 3% and 6% in Meritor (and as in the case of food vouchers, it can be canceled for absences). In SISAMEX, it is 7.5% for all employees. In Meritor's CBA, there are eight economic compensations (death,

paternity, marriage, life insurance, school assistance, food support, seniority bonuses, prescription glasses) while SISAMEX grants three (\$10 per day for food assistance, life insurance, and scholarships that are raffled for student children).

Finally, paid leave for family events amounts to nine days at both Meritor and SISAMEX.

**4. Categories and wages**

As noted in the previous section, given that Meritor's legalized CBA was the one of 2018, there is an increased risk that another union will strike to secure a new CBA without the need for a loss of job action. This case is special because in the CFCyRL repository a Meritor wage agreement for 2023 is registered, but an agreement review after 2018 was not found.

In the case of SISAMEX, we observed that the wage was twice or more the lowest category minimum wage, but in the case of Meritor it represents less than double (the previous negotiation on record did represent more than double, which means that the increase in the minimum wage shortened the advantage that this company's salaries represented). In the highest category, both exceed the IMSS contribution average wage.

**Table 8.1.1. Summary of wage categories (Tier 1 locations associated to MB/Daimler)**

|                        | SISAMEX  | Meritor  |
|------------------------|----------|----------|
| Year of tabulator      | 2021     | 2023     |
| # of categories        | 9        | 18       |
| Lowest category        | \$293.20 | \$310.28 |
| Highest category       | \$594.73 | \$823.92 |
| Minimum wage that year | \$141.70 | \$207.44 |

|                                | SISAMEX          | Meritor          |
|--------------------------------|------------------|------------------|
| IMSS contribution average wage | \$432.2          | \$527.3          |
| Lowest category / Minimum wage | More than double | Less than double |

Source: Own elaboration based on agreement reviews and CONASAMI; IMSS average wages were taken from Bensusán and Florez (2023).

## 5. Risk level

Although the risk for both companies could be considered "moderate," the risk for Meritor increases due to its CBA dating back to 2018, for the same reasons outlined in the case of Seglo. Another point to note is that conditioning benefits on the absence of unjustified absences may lower the number of benefits and even eliminate them.

**Table 8.1.2. Risk balance (Tier 1 locations associated to MB/ Daimler)**

| Plant   | Workers | Wages of the lowest category | Working Conditions | Extra-Legal Benefits | Risk Level  |
|---------|---------|------------------------------|--------------------|----------------------|---|
| SISAMEX | 603     | More than double             | Higher than LFT    | Additional benefits  | Moderate  |
| Meritor | 277     | Less than double             | Equal to LFT       | Additional benefits  | Moderate, with higher risk in case the CBA has not been reviewed in the last four years |

**Total suppliers' workers: 880**

Source: Own elaboration.

## CBAs of TIER 2 companies

CONMET, EMERSON, OECHSLER, DURR (respectively related to MB, Bosch, ZF, and BMW). Unique Fabricating (supplier of BMW), Essex Furukawa (supplier of Bosch), Teknia (supplier of Bosch)

**Table 9. Selected Tier 2 Locations**

| Plant   | Workers | Labor union   | Main activity   |
|---|---------|---|---|
| CONMET de México / Nuevo León<br><br>MB / DAIMLER         | 1,590   | Sindicato Nacional de Trabajadores de la Industria Automotriz de la República Mexicana/ FENSI   | Hubs, castings, and plastic components for heavy trucks                                 |
| DURR de México / Querétaro (2013)<br><br>BMW              | 183     | Sindicato de Trabajadores de la Industria Metálica, Fundiciones, Maquinados, Manufactureros, Maquiladoras, Farmacéuticas, y De Servicios, Anexos y Conexos del Estado de Querétaro, Fernando Amilpa, CTM                            | Parts for automotive paint systems  |
| OECHSLER de México / Querétaro (2012)<br><br>ZF           | 131     | Sindicato de Trabajadores de la Industria Metálica, Fundiciones, Maquinados, Manufactureros, Maquiladoras y de Servicio. Anexos y Conexos del Estado de Querétaro, CTM  | Manufacture of electrical equipment for automotive brakes, sensors and ABS vacuum pumps |
| EMERSON FLUID CONTROL & PNEUMATICS/ Coahuila<br><br>BOSCH | 19      | Sindicato Nacional De Trabajadores De La Industria Metal Mecánica. Siderometalurgica. Automotriz Y Proveedoras De Autopartes En General, De La Energia, Sus Derivados Y Similares De La República Mexicana, "Miguel López Trujillo" | Manufacture of inboard motors for air conditioning compressors                          |



| Plant                                   | Workers | Labor union   | Main activity  |
|---|---------|---|--|
| UNIQUE FABRICATING / Querétaro<br>BMW   | 237     | Sindicato Industrial De Trabajadores De La Transformación, Construcción, Automotriz, Agropecuaria, Plásticos Y De La Industria En General, Del Comercio Y Servicios, Similares, Anexos Y Conexos Del Estado De Querétaro "Ángel Castillo Reséndiz"*** | Automotive foam and fabric parts for acoustic air/water sealing applications                         |
| TEKNIA MEXICO CITY S.A. DE C.V. / Bosch | 122     | Sindicato Circulo De Trabajadores De La Industria Metalica, Acero Y Sus Similares Conexos En La Ciudad De México  | Metal and plastic components for automotive parts  |
| ESSEX FURUKAWA / Bosch                  | 213     | Sindicato Industrial De Trabajadores Y Empleadas En General De Torreón - CROM   | Magnetic wire for the Automotive Industry used in engines, alternators, brakes, and electric buttons |

\*\* This union is the one that won the title after the conflict activated by the RRM. The previous one was in the first places of CBA legitimization numbers. See Gascón (2023).

Source: Own elaboration.

## 1. Union prerogatives

At OECHSLER, there is both an entry clause and a separation clause, meaning that if workers resign from or are expelled from the union, they lose their position within the company (although the latter clause has been prohibited since 2012, it is still threatening for the worker, which would inhibit any dissident). The exclusion clause for separation also remains in the CBA of Essex Furukawa, although in this case there is no entry clause since the company can hire whoever it decides. The only condition in this regard is that they join the union within the first eight days. Something similar happens in Unique Fabricating, who can hire free agents, but they must join the union to stay on the job position (in this case, there is no established period). At DURR, the union proposes workers,<sup>65</sup> as in Teknia (where even temporary vacancies must be filled with union personnel and the union has 48 hours to propose workers). At Emerson, workers are unionized but, in new engagement agreements for an indefinite or fixed term, they are free to join the union (the LFT already allows them to resign from the union and continue working).

65 The CBA available at CONMET is not complete and these clauses are missing.

At OECHSLER, DURR, CONMET, Teknia, and Unique Fabricating, each company discounts union dues. The CBA of ESSEX has no information in this regard.

At OECHSLER, the company manages the number of positions. At DURR, there are no provisions. At CONMET, there is also flexibility, but the union participates together with the company in training programs and plans. A feature of this CBA is that benefits are calculated in hours rather than days. At EMERSON and ESSEX, there is total flexibility with respect to schedules, changes, and even outsourcing, although the rules of the Federal Labor Law must be respected in all cases. The CBAs of UNIQUE FABRICATING and TEKNIA lack this information.

## **2. Working conditions**

Workdays are the maximum allowed by law in all CBAs (OECHSLER, DURR, CONMET EMERSON, ESSEX FURUKAWA, UNIQUE FABRICATING, AND TEKNIA). Similarly, overtime is mandatory and is considered in accordance with the LFT, except for a particularity of UNIQUE FABRICATING, where it is mentioned that workers may not leave the workplace until the end of the work and that this must be authorized by the employer in order to be considered as overtime. The number of days off granted by each plant is close to and below the LFT. EMERSON and OECHSLER provide for ten, while DURR and CONMET provide for nine, ESSEX FURUKAWA, UNIQUE FABRICATING, and TEKNIA provide for eight.

DURR, UNIQUE FABRICATING, and TEKNIA offer a vacation bonus at the LFT level, while OECHSLER offers 45%, EMERSON and ESSEX FURUKAWA 50%, and CONMET 60%. Again, DURR, UNIQUE FABRICATING, and TEKNIA offer the Christmas bonus at the LFT level while in the other CBAs it is higher (between two and ten additional days).

OECHSLER has a productivity bonus related to wage categories ranging from \$500 to \$835 per month. In addition, it has a punctuality bonus of \$225 per week.

Neither DURR nor CONMET have this type of bonus. Emerson has a punctuality and attendance bonus of \$100 per week.

**Table 9.1. Some working conditions (Tier 2)**

|                       | <b>Days Off</b> | <b>Christmas Bonus</b> | <b>Vacation Premium</b> |
|-----------------------|-----------------|------------------------|-------------------------|
| OECHSLER              | 10              | 18 - 20 days           | 45%                     |
| DURR                  | 9               | 15 days                | 25%                     |
| CONMET                | 9               | 22 - 25 days           | 60%                     |
| EMERSON               | 10              | 20 days                | 50%                     |
| ESSEX<br>FURUKAWA     | 8               | 18 - 22 days           | 50%                     |
| UNIQUE<br>FABRICATING | 8               | 15 days                | 25%                     |
| TEKNIA                | 8               | 15 days                | 25%                     |

Source: Own elaboration.

### **3. Extra-legal benefits**

DURR, UNIQUE FABRICATING, and TEKNIA have no extra-legal benefits in their CBA. At OECHSLER, food vouchers are 12% of wage. At CONMET, they offer \$221.11 and \$231.11, depending on the tabulator to which workers belong. EMERSON offers \$200 per week. ESSEX offers \$180 per week.

At OECHSLER, the savings fund is 7% and at EMERSON it is 8%. None of DURR, CONMET, ESSEX, UNIQUE FABRICATING, and TEKNIA have a savings fund.

OECHSLER includes financial compensation and CONMET includes three. Meanwhile, EMERSON, DURR, ESSEX FURUKAWA, UNIQUE FABRICATING, and TEKNIA do not include any such clauses.

Finally, paid leave for family events is set at the LFT level in most of the companies in this category (five days for paternity), as in the case of OECHSLER, CONMET, DURR, and TEKNIA. EMERSON, on the other hand, offers up to sixteen days. UNIQUE

FABRICATING AND ESSEX do not specify anything, but in any case, they must comply with the law.

#### **4. Categories and wages**

The tabulator of OESCHER has only four categories and, as mentioned above, productivity bonuses are based on these categories.

The tabulator of DURR, in its initial category, sets a salary barely higher than the minimum wage (a little less than 30%) while the highest category does not reach the IMSS contribution average wage. The case of TEKNIA is similar since it barely exceeds the minimum wage for that year by \$10.

The fifteen categories of the tabulator of CONMET are divided into two groups: seven categories for foundry and eight for plastics, although the highest category is the same for both tabulators and is very close to the IMSS contribution average wage.

The CBA of EMERSON establishes that "salaries have been fixed taking into account the current necessities of life and therefore are already duly compensated," which is not established in any other CBA.

The tabulator of ESSEX has twelve categories, each category has three options for improvement according to seniority. The highest category exceeds the IMSS contribution average wage, but the initial category is only 25% higher than the minimum wage for that year. It is not clear how workers can move between categories (except for seniority).

The tabulator of Teknia does not even reach twice the minimum wage, not even in the highest category.

**Table 9.1.1. Summary of wage categories (Tier 2)**

|                                | OECHSLER         | CONMET                | EMERSON          | DURR             | ESSEX            | UNIQUE F.        | TEKNIA                         |
|--------------------------------|------------------|-----------------------|------------------|------------------|------------------|------------------|--------------------------------|
| Year of tabulator              | 2021             | 2020                  | 2021             | 2021             | 2021             | 2019             | 2019                           |
| # of categories                | 4                | 15                    | 4                | 5                | 12               | 7                | 5                              |
| Lowest category                | \$203.41         | \$240.04              | \$230            | \$182.31         | \$178.07         | \$157.50         | \$114.28                       |
| Highest category               | \$289.75         | \$391.24              | \$460            | \$351.75         | \$664.43         | \$300.02         | \$195.45                       |
| Minimum wage that year         | \$141.70         | \$123.22              | \$141.70         | \$141.70         | \$141.7          | \$104.64         | \$104.64                       |
| IMSS contribution average wage | \$432.2          | \$403.3               | \$432.2          | \$432.2          | \$432.2          | \$375.7          | \$375.7                        |
| Lowest category / Minimum wage | Less than double | Twice of minimum wage | Less than double | Less than double | Less than double | Less than double | Less than double, barely above |

Source: Own elaboration based on agreement reviews and CONASAMI; IMSS average wages were taken from Bensusán and Florez (2023).

## 5. Risk analysis

In the case of OECHSLER, where there was an employer substitution, there was previously an outsourcing relationship between the actual substitute (beneficiary) and the substituted (contractor), who provided the service of assigning workers to the beneficiary, so the personnel performed work in accordance with the beneficiary's corporate purpose. The CBA did not undergo any changes when the employer substitution took place. Therefore, it can be considered that this is a case of prior simulation between both companies consented by the Union, since personnel for the contractor company was provided by the union and both companies belonged to the same business group under different corporate names. This background can in itself be considered a risk factor, regardless of the content of the CBA, with few improvements in

working conditions and extra-legal benefits. The productivity bonus and the perfect attendance bonus are the most relevant of such improved working conditions. In addition, as indicated, this CBA continues to include the exclusion clause for separation, eliminated from the LFT in 2012. It can be considered an indication that it is not the result of a negotiation respectful of legality and that it goes against the purpose of the 2019 labor reform, which was performed in favor of freedom of association and respect for ILO Conventions 87 and 98. DURR's CBA, together with that of ZF Durango, is the most similar in this study to a typical employer protection CBA. It includes average union prerogatives with the entry clauses present in most CBAs; working conditions equal to the LFT, with no extra-legal benefits and extremely low wages that do not even reach the IMSS contribution average wage in the highest category.

In turn, CONMET's CBA seems to correspond to a typical contract agreed by a white union, characteristic of the State of Nuevo León, member of the FNSI (founded in Nuevo León). This reflects the labor relations system historically used in the region to prevent the influence of corporate unions like those of the CTM, despite there being few differences between these unions and the FNSI, which was founded in Nuevo León. This CBA is characterized by favorable working conditions for workers in some benefits (bonus and Christmas bonus) and some extra-legal benefits.

In any case, for a large company, it has offered extraordinarily little to its workers. Although it has working conditions close to those of the LFT (except for two) and better extra-legal benefits, the risk has grown in recent years. This is due to the strong employer control and labor culture in this state eroding under the new processes of union democracy derived from the reform (voting on agreement reviews, election of directors by secret ballot) and the visibility of RRM cases in neighboring states where workers have achieved new union representation and improvements in collective bargaining (new CBAs or reviews).

Finally, the CBA of Emerson is considered to be a high-risk agreement, although it involves only nineteen workers, with union prerogatives that can be overridden discretionally, labor flexibility, working conditions at LFT level with few improvements, few extra-legal benefits, and low wages.

The UNIQUE FABRICATING and TEKNIA CBAs are high risk since they offer the minimum conditions and benefits required by law, and do not compensate wages in any way. Wages are low in their initial categories, and although TEKNIA stipulates union provisions, the union does not seem to take advantage of them to negotiate for the benefit of workers.

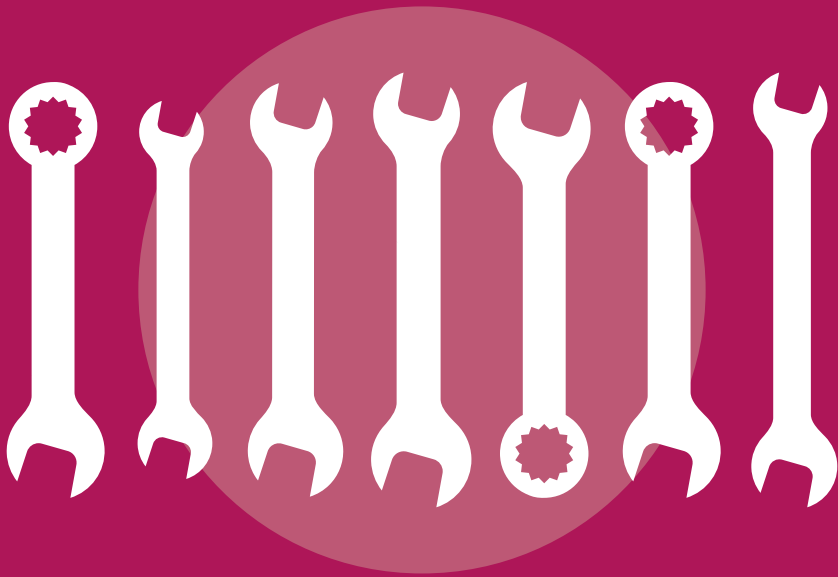
Our assessment of UNIQUE FABRICATING is further supported by the fact that the ownership of its CBA was disputed and even the RRM was used for this purpose.

**Table 9.1.2. Risk balance (Tier 2)**

| Plant              | Workers | Wages of the lowest category | Working Conditions | Extra-Legal Benefits | Risk Level   |
|--------------------|---------|------------------------------|--------------------|----------------------|--|
| Conmet             | 1,590   | Twice of minimum wage        | Close to LFT       | Higher               | Moderate   |
| Emerson            | 19      | Less than double             | Equal to LFT       | Yes, low             | High   |
| Oechsler           | 131     | Less than double             | Close to LFT       | Yes, low             | High because of the type of labor union            |
| Durr               | 183     | Less than double             | Equal to LFT       | No                   | High. Typical protection CBA                       |
| ESSEX FURUKAWA     | 237     | Less than double             | Close to LFT       | Practically null     | High   |
| UNIQUE FABRICATING | 122     | Less than double             | Equal to LFT       | No                   | High. Typical protection CBA endorsed by the union |
| TEKNIA             | 213     | Less than double             | Equal to LFT       | No                   | High. Typical protection CBA                       |

**Total workers of TIER 2 plants: 2,495**

# 7. A comparative perspective: wages and risks





Wages are an important risk predictor, and, as indicated by the Ergon Study (2023), these can be of two types: lack of transparency in processes of wage setting and wages stagnating or decreasing because of diverse economic circumstances. The wage setting procedure in CBAs is bilateral and annual in nature; however, this does not necessarily entail its transparency. While contract reviews must be approved by the majority vote of workers covered by the CBA, reviews can be agreed upon directly by the trade union and the company. The realization of a vote consultation or of any other kind will be dependent on the union by laws and on the more-or-less democratic practices of the trade unions. For instance, it is known that at Audi and VWM, wage agreements are subject to vote, but this is not the rule in the other cases.

Concerning wages, throughout the analysis, the relationship between the wage from the lowest category to the minimum wage and the category of the highest level of the IMSS contribution average wage has served as a parameter. It is important to indicate that the tabulators of the forty reviewed CBAs have wages in the initial category exceeding minimum wages, but with a wide variation among all of them. Consequently, in the graph in Annex 4, the comparison of the initial category of the forty CBAs is reflected with respect to half the average wage [a measure considered by the ILO as the minimum in developing countries, so wages are not "low" (2022)] and to the highest category, in relation to the IMSS contribution average wage. To this end, the graph organizes CBAs as they belong to the seven assembly plants considered in this study (the five selected and other two for comparison purposes, since they have admittedly representative trade unions), including among them other three companies linked to one of the selected assembly plants, followed by the CBAs of Tier 1 and then Tier 2 suppliers.

As expected, wages of the assembly plants are higher than those of suppliers, both in the initial category and, above all, in the highest one. In the case of the assembly plants, the wages of VWM are the highest, both in the initial category and in the last one. The lowest category is closer to the average wage contribution, and the highest one exceeds it a little less than three times. Daimler MB (Toluca, Estado de México) is remarkably close to these wage levels, followed by Daimler MB (Saltillo). Audi also has its lowest category, above half the average wage and, as the highest category, a wage doubling the IMSS contribution average wage. This is partially accounted for by

the fact that this is a plant with less than ten years of operations. However, it could be assumed that, if the negotiations were conducted jointly by an organization bringing together both VWM's and Audi's trade unions, the wage gap among companies would tend to reduce more quickly.

Likewise, it is observed that wages of the three Daimler companies –which are not assembly plants– are lower, both in their initial category and in the highest one. Once again, it is observed that the atomization of negotiations does not allow minimum wages to be common between plants of the same company. However, it is worth noting that Daimler and BMW exceed half the average wage in its lowest category.

Wages of Tier 1 suppliers are lower than those of assembly plants in both categories. In four out of the 24 CBAs, the first wage level does not even cover half the average wage (ZF Gómez Palacio and all three of Brose). In the case of ZF Gómez Palacio, the lowest wage level does not reach half the contribution average wage. It is, as already mentioned, the CBA with the highest risk of all those analyzed, especially considering that this is a trade union with hundreds of CBAs and tens of thousands of members that have been previously questioned, and a company with over 2000 workers. In fifteen Tier 1 CBAs, the initial wage level exceeds this indicator, but the highest category exceeds the contribution average wage in only nine CBAs. The CBA of ZF (Ramos Arizpe) is the one with the highest wage at the last level without doubling the contribution average wage.

In two out of the four CBAs of Tier 2 suppliers, the lowest wage category does not reach half the IMSS contribution average wage (Oechsler and Durr, Querétaro), and the highest category exceeds the contribution average wage only in one case (Emerson).<sup>66</sup>

Throughout the paper, the differences within each group of companies studied with respect to union prerogatives, working conditions, and extra-legal benefits were noted, highlighting the levels of risk in each company. In order to briefly compare the situation of the companies, a risk matrix considering three dimensions was prepared: the amount of the lowest wages with respect to minimum wages (less than double, double, or more than double), working conditions (higher than, close, or equal to the LFT), and extralegal benefits (high, low, or non-existent).<sup>67</sup> The information underlying

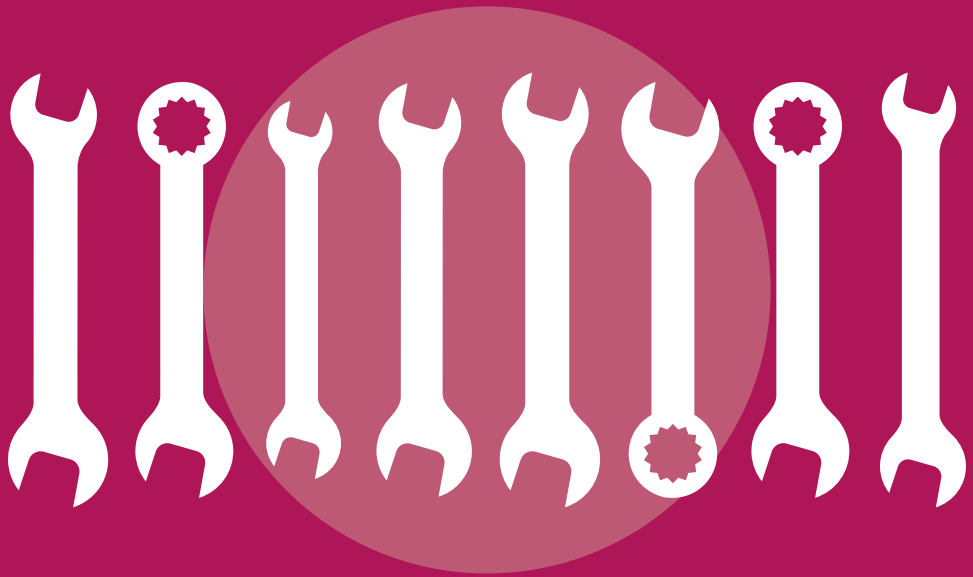
66 See Annex 4. Relationship between contractual wages and average wages.

67 It is important to indicate that, in the risk matrix, no union prerogatives were included because in the vast majority of the CBAs, these are very similar.

the matrix was presented in detail upon analysis of the CBAs of the assembly plants, and the Tier 1 and Tier 2 suppliers.

Thus, as observed in the matrix in Annex 4, out of the forty companies only two assembly plants presented a moderate risk (Daimler-MB AGS and BMW), while the remaining three have a low risk like Audi and VWM. Thirteen Tier 1 and Tier 2 supplier companies have a high risk. Only one out of the four Tier 2 companies have a moderate risk, while the remaining three have a high risk. In short, beyond the diversity of conditions shown throughout the analysis of the CBAs of the selected companies and their suppliers, and as expected, it is at the level of the latter where the highest risks are faced due to the low wages, little possibilities of improvement, and benefits very close to those of the LFT. All of this could be indicative of non-functional CBAs, and possibly due to obstacles to freedom of association and collective bargaining.

# 8. Conclusions



This study has shown the favorable economic and institutional context in which the five selected German companies and some of their suppliers operate, and, more generally, the IAM. Never in 25 years of NAFTA (North American Free Trade Agreement, 1994-2020), the IAM export success and the opportunities from the relocation of the supply chains combined with an institutional framework and a labor policy favorable for the benefiting of workers, in terms of both the quantity and the quality of the jobs created. On the one hand, this includes constitutional and LFT reforms, both in terms of union democracy processes, the independent labor justice system, and changes in outsourcing and vacations. On the other hand, the minimum wage policy led to the recovery of the loss of purchasing power, largely justifying this expectation. All these changes created a favorable context for the promotion of negotiation of contractual wages that would link them to the productivity of companies, which ceased to be the case in the mid-1970s. Nonetheless, the challenges of the production restructuring process and the technological change of the automotive industry, along with a strong pressure to reduce costs, cannot be ignored. It also cannot be expected that improvements arise only from the conditions generated by state intervention. Improving the quality of representation and increasing the bargaining power of trade unions are essential to ensure the link between productive success and socio-labor progress in the IAM. This implies fully guaranteeing freedom of association and collective bargaining in such a way that union restructuring is decided by workers, overcoming artificial divisions and units imposed exogenously.

In this context, a diagnosis of the union and labor situation in the five German assembly companies and their selected suppliers has been conducted. This analysis, carried out within the framework of the obligations arising from the Due Diligence Law regarding fundamental human and labor rights, covers a total of 26 unions and 41 plants (including Audi and VWM).

The five assembly plants selected are those participating in a first stage of the test of the mechanism known as “Intercompany Claim for the Automotive Industry” in Mexico. Together, the CBAs analyzed cover a total of 45,703 workers and provide an indication of the working conditions prevailing in the IAM, their similarities and differences.

Taking into account the new obligations acquired by these five companies, which reach direct suppliers and, in special situations, second-tier suppliers, as well as the main issues regarding the respect for collective rights in Mexico identified in various studies and in the Ergon study (2023), a diagnosis was conducted. The primary objective of this diagnosis was to identify risks arising from potential violations of the principles of freedom of association and collective bargaining. These risks were viewed considering the characteristics of the unions and the structure and content of collective bargaining.

All the CBAs of the selected companies and their suppliers went through legitimization processes that, in principle, should account for the workers' support for their working conditions and wages and, indirectly, for the unions holding such agreements. As explained in the document, this assumption is not necessarily valid as there is evidence that the inertia and simulation practices characteristic of the old labor model persist today. It is sufficient to mention as examples the irregularities detected through the thirteen complaints processed against facilities covered by the RRM. It can therefore be reasonably suspected that many of the CBAs studied were legitimized through agreements between companies and unions that favored the status quo, given the workers' lack of knowledge of the implications of the legitimization process, the content of the CBA itself, and the fears derived from the dissemination of false information about the possible loss of acquired rights. Hence the importance of analyzing this content in detail, although it is insufficient to detect whether there is genuine bilateralism in the determination of the working conditions.

Since this study had as a main source the information available in the CFCyRL databases on trade unions and legitimized CBAs, it is not known what the real dynamics between trade unions, companies, and workers are, nor is it possible to know how much these have participated in the negotiations of the CBAs. It is known that this participation has historically been the exception so that, in principle, it can be thought that all the CBAs inherited from the old model, to some extent, run the risk of being the product of a simulation or, at least, of a negotiation with trade unions without real support from their rank and file.

With these limitations, an exhaustive review of the CBAs of the companies studied shows a wide variation in working conditions and wages and some common

characteristics. Although industrial unions (state or national) predominate and most of them are affiliated with the same trade union center, bargaining is done plant by plant, which in itself weakens union power. In addition, in the face of a LFT that imposes a set of working conditions and employer obligations that substantially increase non-wage labor costs, the margin for negotiation of CBAs is narrowed.

To analyze the CBAs and assess the extent to which they deviate from the old employer protection agreements – negotiated behind workers' backs and non-functional as they failed to improve conditions beyond those established in the legislation – three dimensions were considered. These dimensions include union prerogatives, working conditions, and extralegal benefits.

In terms of wages, the lowest wage levels and the highest wage levels were studied in comparison with minimum and average wages in effect in the years corresponding to such tabulators.

The result of all this was presented systematically throughout the various sections in which the labor situation of the assembly plants was examined, followed by the first and second tier suppliers. Regarding union prerogatives, there were some differences. For instance, some trade unions achieved greater presence in the plants through delegates or more complex representation structures, such as at VWM. However, in principle, since practically all of them have the power to propose the workers for positions, the presence of "ghost unions", totally unknown to the workers, could be ruled out. In turn, the wage graph, and the risk matrix (including wage levels, working conditions, and extralegal benefits) analyzed in the last section showed which companies face a higher risk of labor disputes by workers. This would happen upon workers' enforcement of their new rights linked to participation in the making of decisions that affect their interests, as is the case of collective bargaining, which may lead to a dispute over the ownership of the CBA or to the repudiation of leaders in electoral processes.

It is confirmed, as predicted by the literature, that – as the risk analysis of wages and working conditions moves away from assembly plants – the probability of finding high-risk firms increases. This is exacerbated at Tier 2 suppliers (although the low number of Tier 2 companies included significantly limits the scope of this finding). Other risks,

which increase the likelihood of disputes, are those arising from the characteristics of the unions, as is the case of a history of prior questionings for violations of democratic principles and freedom of association. However, in order to give a reliable account of this, a different type of approach to trade unions and companies should be carried out in subsequent studies to gather evidence that confirms or rejects the exploratory evaluation conducted in this study.

Finally, it is important to highlight the existence of a domestic and international context of greater demands for compliance with workers' rights. This is accompanied by greater domestic and international solidarity with workers seeking to democratize their organizations, form or join other organizations and obtain better conditions for negotiating their collective bargaining agreements. This context creates an opportunity for a new and more intense inter-union and labor-management labor conflict. To resolve it, today, the necessary institutional channels exist. However, this research concludes highlighting the importance of companies themselves adopting internal protocols and mechanisms to monitor compliance with workers' rights, both individual and collective, for themselves and at least their Tier 1 suppliers, as proposed by the DDA when referring to risk analysis.

To that end, the existing labor model in VWM confirms that both negotiation and conflict are part of the real dynamics between companies and workers in a democratic country. It also confirms that democracy within unions is compatible with the productive success of companies and is even a factor that encourages innovation. In short, the DDA and the Complaint Intercompany Mechanism (UBM), in which the five selected companies will participate, create a great opportunity. Like the RRM, they encourage companies to assume that it is necessary to make fundamental labor rights effective so that both – they and workers – are beneficiaries of innovation and productive development.

It is hoped that the diagnosis presented in this document will help identify the main challenges that need to be addressed to embark on this path.



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# **Annex 1. Indicators selected from the manufacturing sector and the automotive industry**



**Table 1. Indexes of employed personnel by type of manufacturing establishment  
(Base Index 2018 = 100)**

| Index   | Year | Manu-<br>facturing<br>industries | Manu-<br>facturing<br>of trans-<br>portation<br>equipment | Manu-<br>facturing<br>of cars and<br>trucks | Manu-<br>facturing<br>of bodies<br>and trailers | Manu-<br>facturing<br>of parts for<br>motor<br>vehicles |
|---|------|----------------------------------|---|---|---|---|
| Total employed<br>personnel                                 | 2018 | 100.0                            | 100.0   | 100.0                                       | 100.0   | 100.0   |
|   | 2019 | 101.7                            | 102.7   | 100.4                                       | 94.4  | 101.8   |
|   | 2020 | 99.4                             | 97.7  | 99.6  | 79.0  | 98.6  |
|   | 2021 | 102.1                            | 97.0  | 102.2                                       | 91.9  | 97.6  |
|   | 2022 | 103.9                            | 99.8  | 102.6                                       | 101.8   | 99.1  |
|   | 2023 | 103.8                            | 103.0   | 105.2                                       | 109.6   | 102.0   |
| Total number<br>of workers<br>employed by<br>the company    | 2018 | 100.0                            | 100.0   | 100.0                                       | 100.0   | 100.0   |
|   | 2019 | 101.9                            | 101.9   | 97.5  | 95.4  | 101.7   |
|   | 2020 | 100.2                            | 98.1  | 98.2  | 87.9  | 98.5  |
|   | 2021 | 111.4                            | 107.1   | 106.8                                       | 108.8   | 107.8   |
|   | 2022 | 125.3                            | 124.4   | 121.5                                       | 131.4   | 123.1   |
|   | 2023 | 125.8                            | 128.9   | 125.0                                       | 142.5   | 127.1   |
| Personnel<br>hired and<br>provided<br>by another<br>company | 2018 | 99.8                             | 100.0   | 100.0                                       | 100.0   | 100.0   |
|   | 2019 | 100.9                            | 105.6   | 110.5                                       | 91.3  | 102.4   |
|   | 2020 | 96.3                             | 96.1  | 105.5                                       | 51.0  | 98.5  |
|   | 2021 | 62.2                             | 58.1  | 81.0  | 38.4  | 57.1  |
|   | 2022 | 15.7                             | 7.5   | 16.9  | 8.7   | 5.4   |
|   | 2023 | 13.1                             | 6.2   | 16.6  | 6.0   | 4.3   |

Source: Own elaboration based on data from INEGI's Monthly Manufacturing Industry Survey (EMIM).

Note: Indexes presented for each type of establishment are annual averages calculated from the monthly data provided by the EMIM. Data for 2023 is calculated until the month of May.

**Table 2. Real average compensation and real average wages by type of manufacturing establishment (Base Index 2018 = 100)**

| Index   | Year | Manu-<br>facturing<br>industries | Manu-<br>facturing<br>of trans-<br>portation<br>equipment | Manu-<br>facturing<br>of cars and<br>trucks | Manu-<br>facturing<br>of bodies<br>and trailers | Manu-<br>facturing<br>of parts for<br>motor<br>vehicles |
|---|------|----------------------------------|---|---|---|---|
| Real average compensation per person paid to the company's employees considering distributed profits  | 2018 | 100.0                            | 100.0   | 100.0                                       | 100.0   | 100.0   |
|   | 2019 | 101.6                            | 102.2   | 97.6  | 108.2   | 103.7   |
|   | 2020 | 101.5                            | 100.3   | 94.9  | 120.6   | 100.1   |
|   | 2021 | 108.5                            | 106.1   | 93.6  | 111.5   | 108.9   |
|   | 2022 | 117.3                            | 111.6   | 93.7  | 69.6  | 117.9   |
|   | 2023 | 122.3                            | 117.9   | 103.8                                       | 77.2  | 123.2   |
| Real average compensation per hour worked of the company's employees, considering distributed profits | 2018 | 100.2                            | 100.3   | 101.2                                       | 100.1   | 100.2   |
|   | 2019 | 102.2                            | 103.6   | 98.6  | 107.5   | 105.4   |
|   | 2020 | 108.9                            | 125.9   | 218.6                                       | 123.8   | 125.2   |
|   | 2021 | 110.3                            | 110.0   | 102.2                                       | 105.0   | 112.8   |
|   | 2022 | 117.8                            | 113.1   | 99.9  | 66.5  | 119.4   |
|   | 2023 | 124.2                            | 120.1   | 105.8                                       | 72.1  | 126.0   |
| Real average wages per worker   | 2018 | 100.0                            | 100.0   | 99.9  | 100.0   | 100.0   |
|   | 2019 | 103.3                            | 103.3   | 99.5  | 107.4   | 104.5   |
|   | 2020 | 103.9                            | 101.7   | 102.5                                       | 115.2   | 100.4   |
|   | 2021 | 111.4                            | 107.6   | 100.2                                       | 117.8   | 108.5   |
|   | 2022 | 121.4                            | 116.1   | 102.6                                       | 86.2  | 119.6   |
|   | 2023 | 123.1                            | 121.5   | 105.1                                       | 95.5  | 125.7   |

Source: Own elaboration based on data from INEGI's Monthly Manufacturing Industry Survey (EMIM).

Note: Indexes presented for each type of establishment are annual averages calculated from the monthly data provided by the EMIM. Data for 2023 is calculated until the month of May.

**Table 3. Hours worked by employed personnel, by type of manufacturing establishment (Base Index 2018 = 100).**

| Index   | Year | Manu-<br>facturing<br>industries | Manu-<br>facturing<br>of trans-<br>portation<br>equipment | Manu-<br>facturing<br>of cars and<br>trucks | Manu-<br>facturing<br>of bodies<br>and trailers | Manu-<br>facturing<br>of parts for<br>motor<br>vehicles |
|---|------|----------------------------------|---|---|---|---|
| Hours worked<br>by total<br>employed<br>personnel                 | 2018 | 100.0                            | 100.0   | 100.0                                       | 100.0   | 100.0   |
|   | 2019 | 101.1                            | 101.8   | 98.8  | 95.5  | 100.6   |
|   | 2020 | 93.6                             | 86.1  | 80.2  | 76.9  | 87.2  |
|   | 2021 | 100.1                            | 93.4  | 93.8  | 95.4  | 94.1  |
|   | 2022 | 102.6                            | 97.8  | 95.7  | 104.7   | 97.3  |
|   | 2023 | 101.0                            | 100.1   | 101.4                                       | 114.4   | 98.9  |
| Hours worked<br>by the<br>company's<br>employees                  | 2018 | 100.0                            | 100.0   | 100.0                                       | 100.0   | 100.0   |
|   | 2019 | 101.3                            | 100.9   | 96.9  | 96.1  | 100.4   |
|   | 2020 | 94.1                             | 86.3  | 79.3  | 87.6  | 86.9  |
|   | 2021 | 109.3                            | 103.7   | 98.4  | 116.0   | 104.2   |
|   | 2022 | 123.9                            | 122.9   | 114.6                                       | 138.0   | 121.7   |
|   | 2023 | 122.7                            | 126.5   | 121.9                                       | 152.2   | 124.2   |
| Hours worked<br>by personnel<br>not employed<br>by the<br>company | 2018 | 99.7                             | 100.0   | 100.0                                       | 100.0   | 100.0   |
|   | 2019 | 100.7                            | 105.8   | 103.2                                       | 93.7  | 101.8   |
|   | 2020 | 91.7                             | 84.8  | 82.9  | 45.7  | 87.8  |
|   | 2021 | 61.7                             | 56.4  | 73.4  | 35.9  | 56.2  |
|   | 2022 | 16.2                             | 7.2   | 14.4  | 8.2   | 5.3   |
|   | 2023 | 13.6                             | 5.9   | 15.0  | 5.3   | 4.2   |

Source: Own elaboration based on data from INEGI's Monthly Manufacturing Industry Survey (EMIM).

Note: Indexes presented for each type of establishment are annual averages calculated from the monthly data provided by the EMIM. Data for 2023 is calculated until the month of May.

**Table 4. Real average social benefits per company's employee, considering profit sharing (Base Index 2018 = 100)**

| Index  | Year | Manu-<br>facturing<br>industries | Manu-<br>facturing<br>of trans-<br>portation<br>equipment | Manu-<br>facturing<br>of cars and<br>trucks | Manu-<br>facturing<br>of bodies<br>and trailers | Manu-<br>facturing<br>of parts for<br>motor<br>vehicles |
|--|------|----------------------------------|---|---|---|---|
| Real average<br>social benefits<br>per company's<br>employee,<br>considering<br>profit sharing<br>(Base Index<br>2018 = 100) | 2018 | 99.9                             | 100.0   | 100.1                                       | 100.2   | 100.0   |
|  | 2019 | 99.5                             | 101.7   | 98.9  | 107.6   | 103.1   |
|  | 2020 | 98.5                             | 99.0  | 90.3  | 122.9   | 100.0   |
|  | 2021 | 103.7                            | 104.0   | 90.7  | 110.6   | 107.5   |
|  | 2022 | 110.2                            | 107.9   | 94.4  | 74.7  | 114.0   |
|  | 2023 | 127.7                            | 123.6   | 124.28                                      | 96.62   | 124.04  |

Source: Own elaboration based on data from INEGI's Monthly Manufacturing Industry Survey (EMIM).

Note: Indexes presented for each type of establishment are annual averages calculated from the monthly data provided by the EMIM. Data for 2023 is calculated until the month of May.

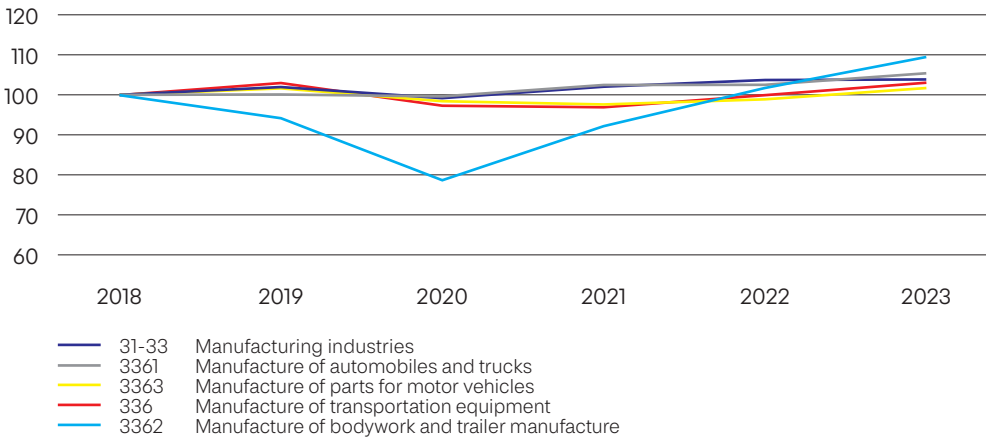
**Table 5. Profits shared among workers (thousands of current pesos)**

| Variable   | SCIAN Sector                              | MAY 2018   | MAY 2019   | MAY 2020   | MAY 2021   | MAY 2022   | MAY 2023   |
|--|---|------------|------------|------------|------------|------------|------------|
| Profits distributed to workers<br>(Thousands of current Mexican pesos) | Manufacturing industries                  | 16,162,829 | 16,805,103 | 14,978,308 | 17,252,791 | 22,452,893 | 27,410,035 |
|  | Manufacturing of transportation equipment | 4,746,052  | 5,004,707  | 4,121,442  | 3,962,508  | 5,897,699  | 7,501,645  |
|  | Manufacturing of cars and trucks          | 1,646,217  | 1,612,697  | 1,420,880  | 1,253,530  | 1,440,091  | 2,317,951  |
|  | Manufacturing of bodies and trailers      | 165,386    | 147,916    | 194,634    | 118,574    | 114,900    | 306,427    |
|  | Manufacturing of parts for motor vehicles | 2,701,724  | 2,954,552  | 2,217,788  | 2,414,701  | 4,078,497  | 4,327,754  |

Source: Own elaboration based on data from INEGI's Monthly Manufacturing Industry Survey (EMIM).

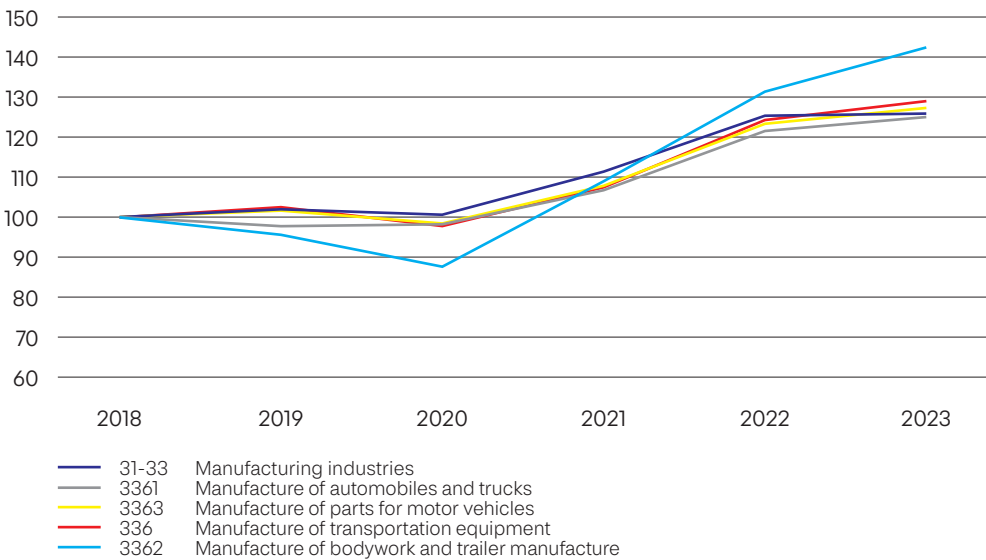
# **Annex 2. Indicators selected from the manufacturing sector and the automotive industry (relevant graphics)**

**Graphic 1. Total employed personnel by type of manufacturing establishment  
(Base Index 2018 = 100)**



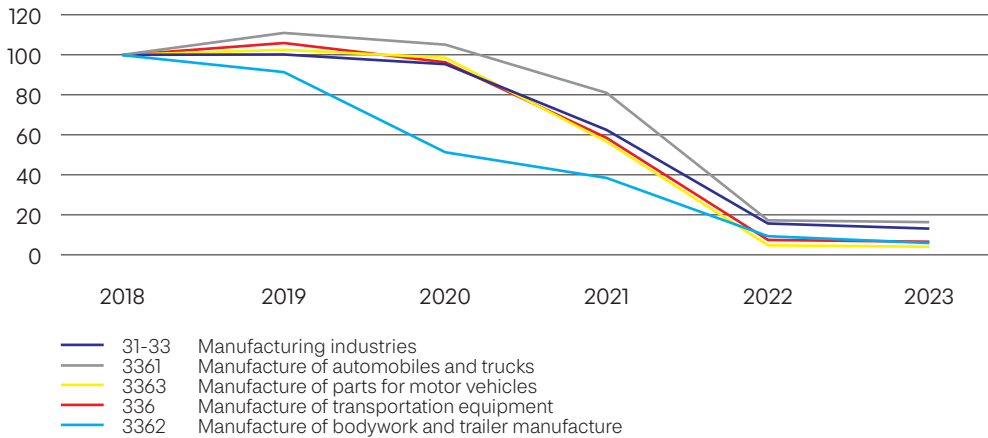
Source: Own preparation based on EMIM (INEGI).

**Graphic 2. Total employed personnel dependent on the company  
(Base Index 2018 = 100)**



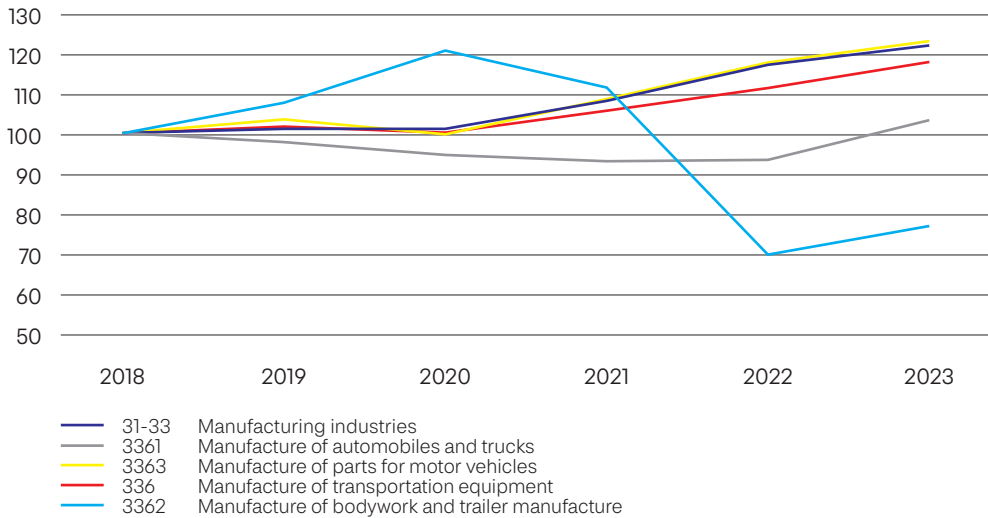
Source: Own preparation based on EMIM (INEGI).

**Graphic 3. Personnel hired and provided by another company  
(Base Index 2018 = 100)**



Source: Own preparation based on EMIM (INEGI).

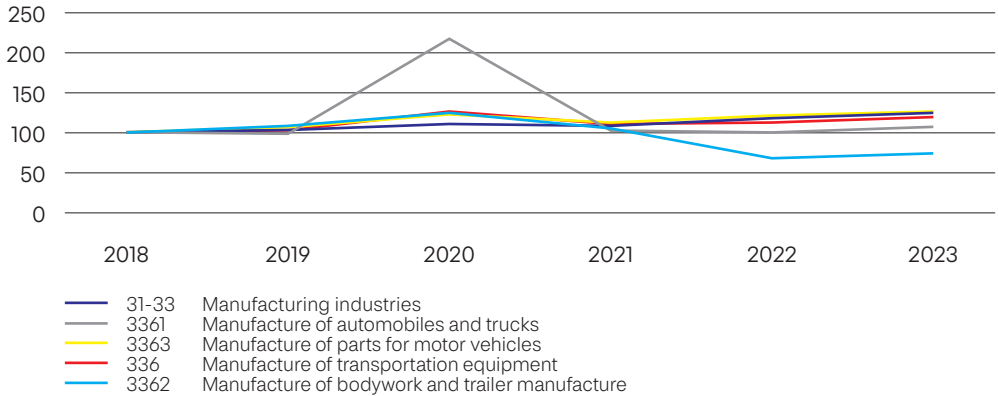
**Graphic 4. Average real remunerations per person paid to personnel dependent on the company, considering distributed profits, annually  
(Base Index 2018 = 100)**



Source: Own preparation based on EMIM (INEGI).

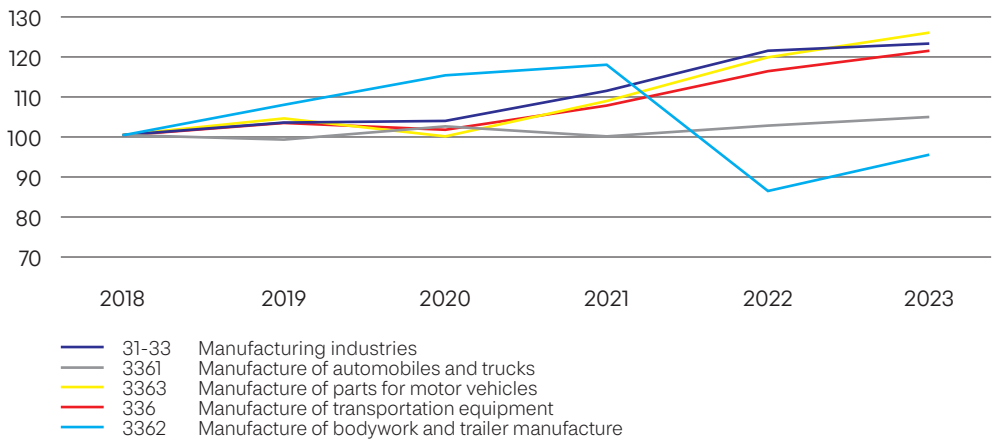


**Graphic 5. Average real remunerations per hour worked of personnel dependent on the company, considering distributed profits (Base Index 2018 = 100)**



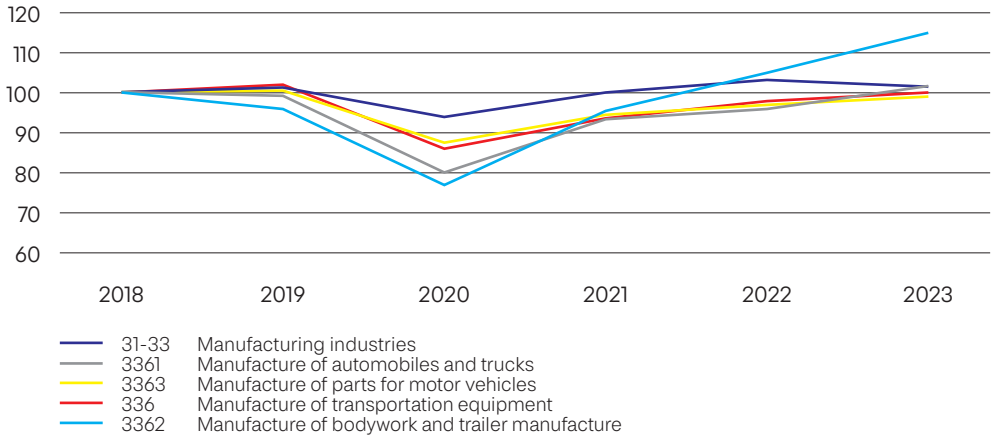
Source: Own preparation based on EMIM (INEGI).

**Graphic 6. Average real wages per worker (Index Base 2018 = 100)**



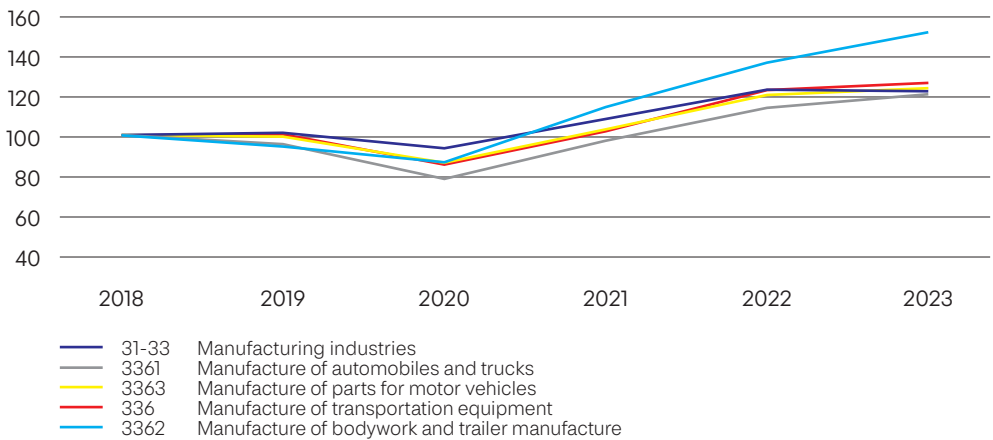
Source: Own preparation based on EMIM (INEGI).

**Graphic 7. Hours worked by total employed personnel (Base Index 2018 = 100)**



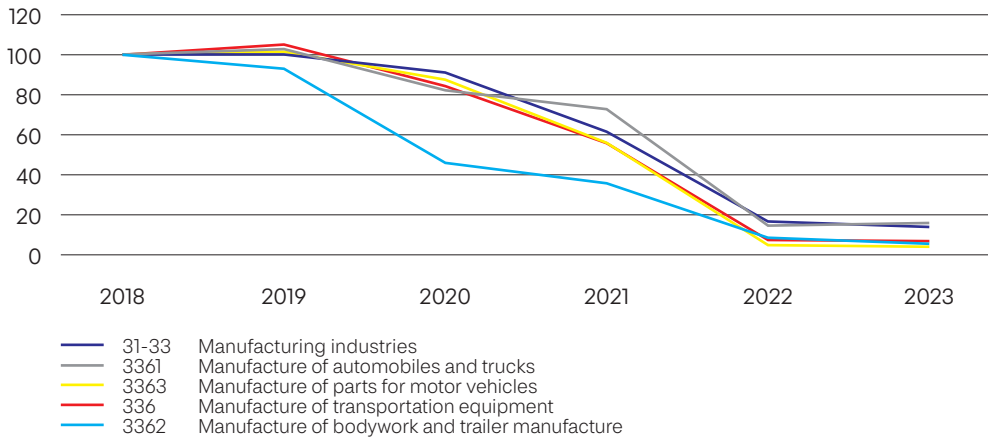
Source: Own preparation based on EMIM (INEGI).

**Graphic 8. Hours worked by personnel dependent on the company (Base Index 2018 = 100)**



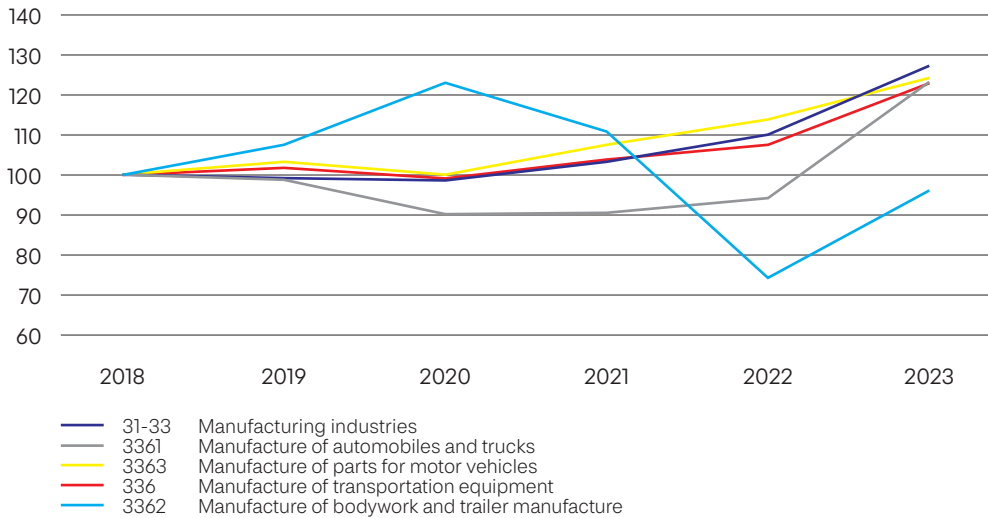
Source: Own preparation based on EMIM (INEGI).

**Graphic 9. Hours worked by personnel not dependent on the company  
(Base Index 2018 = 100)**



Source: Own preparation based on EMIM (INEGI).



















**Graphic 10. Real average social benefits per person of staff dependent on the company, considering distributed profits  
(Base Index 2018 = 100)**



Source: Own preparation based on EMIM (INEGI).

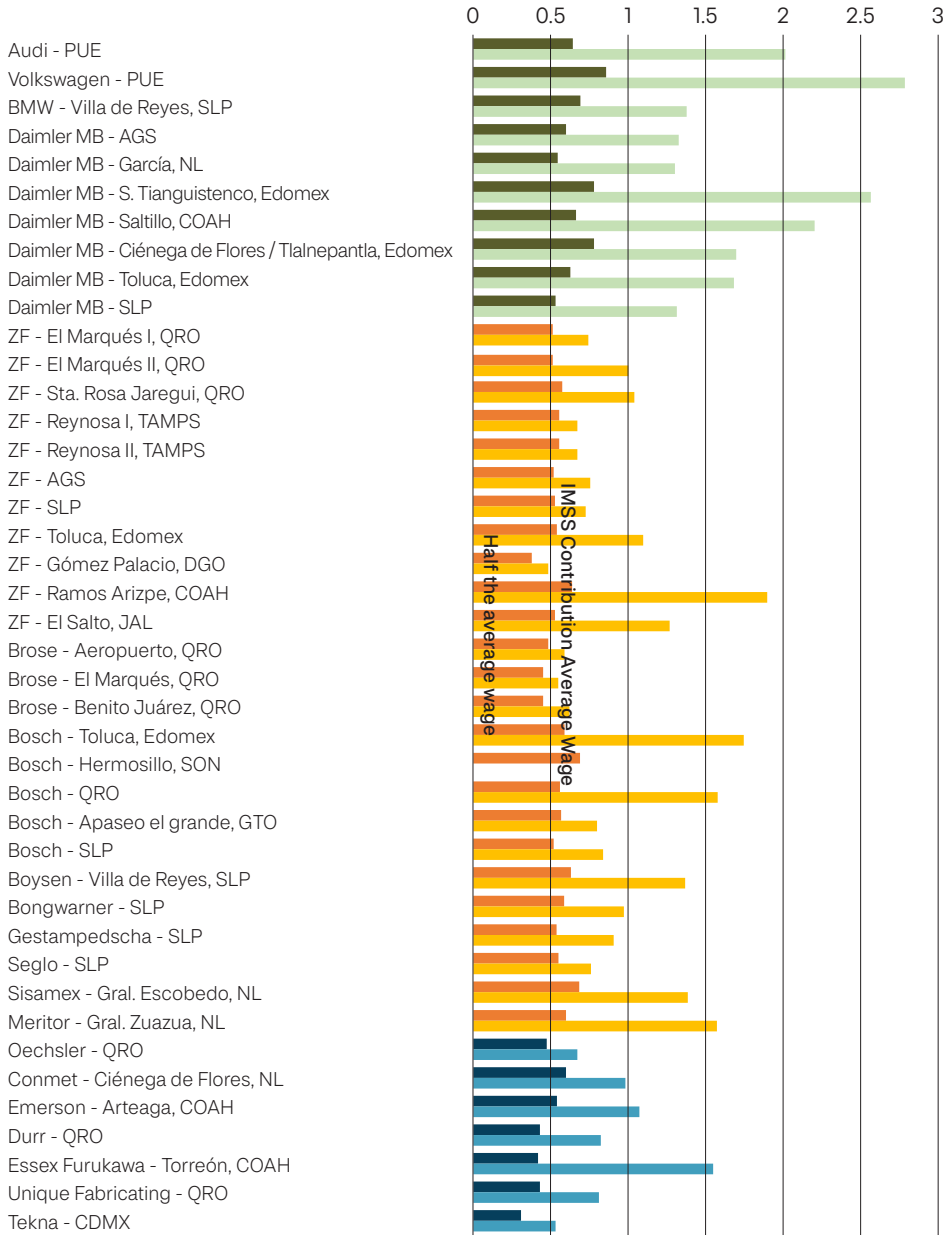
# **Annex 3. Supply chain of five German companies participating in the automotive industry**

## Companies selected in the supply chain of the automotive industry (MRI)

| OEM   | TIER 1   | TIER 2  |
|---|--|---|
| <br>4 assembly plants + 3 smaller size units | Daimler Mercedes' Suppliers<br>    | Daimler Mercedes' Supplier<br>  |
|   | Daimler MB's and BMW's Supplier<br> 5 plants  | Bosch's Suppliers<br>   |
|   | Daimler MB's and BMW's Supplier<br> 4 plants  |   |
|   | Daimler MB's and BMW's Supplier<br> 11 plants   | ZF's Suppliers<br>   |
| <br>1 assembly plant                         | BMW's Suppliers<br>    | BMW's Suppliers<br>  |

Source: own elaboration.

**Annex 4.  
Relationship between  
contractual wages and  
average wage. Lowest  
and highest category  
of the wage tabulators**



Lowest category    **OEM**    **Tier 1**    **Tier 2**  
 Highest category

# **Annex 5. Companies identified in our initial mapping but excluded from our analysis**



## Bosch

| Locality             | Main activity  |
|----------------------|--|
| Aguascalientes - AGS | Master cylinder, ABS, ESP and iBooster GEN-2. The plant belongs to Bosch's chassis control division.                 |
| Guadalajara - JAL    | Embedded solutions, engineering, and software. The unit belongs to Bosch's global engineering and services division. |
| Toluca - Edomex      | Bosch parking lot  |

## Daimler

| Locality             | Main activity   |
|----------------------|---|
| COAH                 | Offices at Centro Histórico   |
| COAH                 | Duplicated record, it refers to the same address which agreement we did analyze, but this duplicate record indicates that the company size is 0 - 5 workers |
| Aguascalientes - AGS | Offices in a shopping mall  |

## ZF

| Locality             | Main activity  |
|----------------------|--|
| Friedrichshafen      | Offices in CDMX  |
| 3 localidades - CHIH | Steering wheel and airbag systems. No CBA available.             |
| QRO                  | Brakes and mechanisms. Duplicate of the analysis we did include. |

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